BANK OF MAURITIUS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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BANK OF MAURITIUS

Introduction

Section 11(1) of the Bank of Mauritius Act 2004 states that the Board of Directors shall determine the net profits of the Bank of Mauritius('the Bank') for each financial year, after meeting all current expenditure for that year and after making such provisions as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

The Bank realised a profit of Rs1,559.4 million for the year ended 30 June 2008 compared to Rs1,763.3 million in 2007 before any transfer to the General Reserve Fund in accordance with section 11(2) of the Bank of Mauritius Act 2004.

The Audit Committee met on 9 October 2008 to review the reliability and accuracy of the financial statements as specified in its terms of reference prior to their submission to the Board for approval.

Assets

The Bank's foreign assets rose mainly due to an increase in Other Balances and Placements as a result of the purchase of foreign currencies from the domestic foreign exchange market during the financial year. The foreign currencies were placed in fixed term deposits.

Local assets have decreased mainly due to a decline in Loans and Advances as a result of repayment of capital in respect of advances made under the Sugar Sector Loan Scheme.

Liabilities

Liabilities have grown up mainly due to increases in the net amount of Bank of Mauritius Bills issued, Demand Deposits and Notes and Coins in Circulation.

Capital and Reserves

The net decrease in Reserves arose mainly from net depreciation of Foreign Assets the whole amount of which has been offset against the Special Reserve Fund in accordance with Section 47(1) of the Bank of Mauritius Act 2004. The decrease in Reserves was, however, partially offset through an allocation of profits to the General Reserve Fund in accordance with section 11(2) of the Bank of Mauritius Act 2004.

Statement of Responsibilities of the Board of Directors of the Bank of Mauritius

Section 31(2) of the Bank of Mauritius Act 2004 states that the accounts of the Bank shall be audited at least once a year by such auditors as may be appointed by the Board.

The Board of Directors of the Bank is responsible to ensure that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Bank in conformity with accounting principles applicable to Central Banks and best international practices in accordance with Section 31(1) of the Bank of Mauritius Act 2004. The Board is responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Bank's policy is to prepare financial statements in accordance with International Financial Reporting Standards. The general policy of the affairs and business of the Bank are entrusted to a Board of Directors. As at 30 June 2008, the Board consisted of the Governor as Chairperson, two Deputy Governors and six other Directors. The Bank of Mauritius Act 2004 provides for not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister on such terms and conditions as may be specified in the instrument of appointment. The Governor and Deputy Governors shall hold office for a term not exceeding five years and shall be eligible for reappointment.

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the Board and the general supervision of the Bank of Mauritius. The Deputy Governors shall under the general supervision of the Governor be responsible for the day-to-day administration of the Bank. In the absence of the Governor, the First Deputy Governor shall act as Governor and, in the absence of the Governor and the First Deputy Governor the Second Deputy Governor shall act as Governor.

The Directors of the Bank hold office for a term not exceeding three years and are appointed by the Minister of Finance. They are eligible for re-appointment at the end of their term of office. The Board meets at the seat of the Bank at least once every month and six members constitute the quorum.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF BANK OF MAURITIUS

This report is made solely to the shareholder of the Bank, as a body. Our audit work has been undertaken so that we might state to the shareholder of the Bank 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 Bank and the shareholder of the Bank as a body, for our audit work, for this report, or for the opinion we have formed.

Report on the Financial Statements

We have audited the financial statements of **Bank of Mauritius** on pages 4 to 40 which comprise the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibilities for the financial statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles applicable to Central Banks and best international practices in accordance with Section 31(1) of the Bank of Mauritius Act 2004 and in accordance with the Financial Reporting Act 2004. The Bank's policy is to prepare the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 4 to 40 give a true and fair view of the financial position of the Bank as at 30 June 2008, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Bank of Mauritius Act 2004 and the Financial Reporting Act 2004.

Report on other matters:

- we have no relationship with, or interests in, the Bank, other than in our capacity as auditors;
- the net profit for the year has been ascertained in accordance with Section 11 of the Bank of Mauritius Act 2004; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of these records.

Kemp Chatteris Deloitte
31 October 2008

BANK OF MAURITIUS
BALANCE SHEET AT 30 JUNE 2008

	Notes	2008 Rs	2007 Rs
ASSETS			
Foreign Assets:			
Cash and Cash Equivalents	6	**23,915,156,764**	27,596,057,717
Other Balances and Placements	7	**32,479,737,355**	24,746,676,433
Interest Receivable		**712,925,544**	421,651,880
Other Investments		**17,215,417**	19,209,941
		57,125,035,080	52,783,595,971
Loans and Advances	8	**890,810,529**	1,426,843,474
Financial Assets	9	**605,471,161**	619,852,226
Computer Software	10	**173,675**	164,769
Property, Plant and Equipment	11	**1,932,842,703**	1,953,457,013
Other Assets	12	**275,790,202**	561,800,057
TOTAL ASSETS		**60,830,123,350**	57,345,713,510
LIABILITIES			
Notes in Circulation	13	**14,568,920,845**	13,131,807,775
Coins in Circulation	13	**518,757,195**	459,313,393
		15,087,678,040	13,591,121,168
Demand Deposits:			
Government		**5,062,218,879**	1,174,031,812
Banks		**11,932,756,231**	9,480,130,610
Other Financial Institutions		**98,724,287**	90,784,112
Others		**421,656,722**	953,101,952
		17,515,356,119	11,698,048,486
Other Financial Liabilities	14	**6,356,036,409**	5,970,871,779
Provisions	15	**100,000,000**	100,000,000
Employee Benefits	16	**101,026,671**	51,080,000
Other Liabilities	17	**2,195,887,900**	1,368,342,925
TOTAL LIABILITIES		**41,355,985,139**	32,779,464,358
CAPITAL AND RESERVES	5		
Stated Capital		**1,000,000,000**	1,000,000,000
Reserves		**18,474,138,211**	23,566,249,152
TOTAL CAPITAL AND RESERVES		**19,474,138,211**	24,566,249,152
TOTAL LIABILITIES, CAPITAL AND RESERVES		**60,830,123,350**	57,345,713,510

Approved and authorised for issue on: 31 October 2008

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Y. Googoolye	R. Bheenick
First Deputy Governor	Governor

BANK OF MAURITIUS
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 Rs	2007 Rs
INCOME			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	18	**2,671,395,892**	2,107,386,403
Interest and Similar Income on Local Assets	18	**65,047,200**	155,404,665
Others	18	**122,519,705**	235,069,911
	18	**2,858,962,797**	2,497,860,979
Loss on Foreign Exchange Transactions		**(7,048,748)**	(63,967,010)
Other Income	19	**24,898,926**	21,290,553
		2,876,812,975	2,455,184,522
LESS:			
EXPENDITURE			
Expenditure on Financial Liabilities:			
- Interest Expense and Similar Charges	20	**26,927,952**	30,857,489
Staff Salaries and Other Benefits	21	**199,767,612**	155,968,889
General Expenditure		**90,402,516**	88,338,067
Fees Payable		**11,716,963**	13,050,966
Coin Issue Expenses	22	**97,587,616**	6,536,908
Note Issue Expenses	22	**53,687,188**	14,342,155
Depreciation of Property, Plant and Equipment		**106,122,713**	20,880,551
Directors' Remuneration	23	**10,578,239**	11,760,600
IMF Charges	31	**22,098,291**	22,013,700
Other Expenditure	24	**17,664,436**	18,096,486
		636,553,526	381,845,811
OPEN MARKET OPERATIONS	26		
Charges on Bank of Mauritius Bills		**645,310,414**	310,002,785
Interest on Special Deposits Facility		**35,577,740**	-
		680,888,154	310,002,785
NET PROFIT FOR THE YEAR BEFORE (LOSS)/GAINS ON NET FOREIGN EXCHANGE AND REVALUATION OF GOLD AND SDR		**1,559,371,295**	1,763,335,926
(Loss)/Gains on Net Foreign Exchange and on Revaluation of Gold and SDR		**(4,766,192,756)**	3,490,693,904
NET (LOSS)/PROFIT FOR THE YEAR		**(3,206,821,461)**	5,254,029,830
Transfer from/ (to) Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004		**4,766,192,756**	(3,490,693,904)
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT		**1,559,371,295**	1,763,335,926
Less: Transfer to General Reserve Fund in terms of Section 11 (2) of the Bank of Mauritius Act 2004		**(233,905,694)**	(303,512,047)
Less: Transfer to Other Reserves (Open Market Operations)		**-**	(559,823,879)
PROFIT AVAILABLE TO THE GOVERNMENT OF MAURITIUS FOR TRANSFER TO CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		**1,325,465,601**	900,000,000

BANK OF MAURITIUS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Stated and Paid Up Capital Rs	General Reserve Fund Rs	Special Reserve Fund Rs	Accumulated Profit Rs	Other Reserves Rs	Total Rs
At 1 July 2006	1,000,000,000	696,487,953	16,833,445,123	-	1,682,286,246	20,212,219,322
Net Profit for the Year	-	-	-	5,254,029,830	-	5,254,029,830
Transfer to General Reserve Fund	-	303,512,047	-	(303,512,047)	-	-
Transfer to Special Reserve Fund	-	-	3,490,693,904	(3,490,693,904)	-	-
Transfer to Other Reserves(Open Market Operations)	-	-	-	(559,823,879)	559,823,879	-
Profit available to the Government of Mauritius for transfer to Consolidated Fund	-	-	-	(900,000,000)	-	(900,000,000)
At 30 June 2007	1,000,000,000	1,000,000,000	20,324,139,027	-	2,242,110,125	24,566,249,152
At 1 July 2007	1,000,000,000	1,000,000,000	20,324,139,027	-	2,242,110,125	24,566,249,152
Net Loss for the Year	-	-	-	(3,206,821,461)	-	(3,206,821,461)
Transfer from Special Reserve Fund	-	-	(4,766,192,756)	4,766,192,756	-	-
Transfer to General Reserve Fund	-	233,905,694	-	(233,905,694)	-	-
Balance available to the Government of Mauritius for transfer to Consolidated Fund	-	-	-	-	(559,823,879)	(559,823,879)
Profit available to the Government of Mauritius for transfer to Consolidated Fund	-	-	-	(1,325,465,601)	-	(1,325,465,601)
At 30 June 2008	**1,000,000,000**	**1,233,905,694**	**15,557,946,271**	**-**	**1,682,286,246**	**19,474,138,211**

BANK OF MAURITIUS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	**2008** **Rs**	2007 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Inflow from Operating Activities	25	**5,021,928,600**	8,156,472,809
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/Decrease in Other Balances and Placements		**(7,733,060,922)**	4,358,666,350
Decrease in Financial Assets		**14,381,065**	3,236,262,918
Additions to Intangible Assets		**(179,290)**	(139,598)
Acquisition of Property, Plant and Equipment		**(85,339,967)**	(504,187,997)
Proceeds from Sale of Property, Plant and Equipment		**668,054**	2,157,820
Proceeds from Sale of Intangible Asset		**-**	100
Dividend Received		**701,507**	530,754
Net Cash(Used in)/Generated from Investing Activities		**(7,802,829,553)**	7,093,290,347
Cash Flows from Financing Activities			
Profit paid to the Government of Mauritius		**(900,000,000)**	(600,000,000)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(3,680,900,953)**	14,649,763,156
Cash and Cash Equivalents at 1 July	6	**27,596,057,717**	12,946,294,561
Cash and Cash Equivalents at 30 June	6	**23,915,156,764**	27,596,057,717

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. LEGAL FRAMEWORK

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004, the Bank of Mauritius ('the Bank') is established to act as the Central Bank for Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and it operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and submits a copy of its audited accounts to the Minister who lays a copy thereof before the National Assembly.

The primary object of the Bank shall be to maintain price stability and to promote orderly and balanced economic development.

To attain these objectives, the Bank's principal functions are to:

- conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius;
- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;
- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;
- collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

Under Section 10 of the Bank of Mauritius Act 2004, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve.

Under Section 11(1) of the Bank of Mauritius Act 2004, the Board shall determine the net profits of the Bank for each financial year, after meeting all current expenditure for that year and after making such provision as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

Under Section 11(2) of the Act, the Bank shall establish a General Reserve Fund to which shall be allocated, at the end of every financial year of the Bank, 15 per cent of the net profits of the Bank.

Under Section 11(3) of the Act, the balance of the net profits for the financial year remaining after the allocation made under subsection (2) shall, subject to subsection (4), be paid into the Consolidated Fund as soon as practicable after the end of every financial year. Section 11(4) of the Act provides that subject to subsection (5), the balance in the General Reserve Fund shall be at least equivalent to the amount paid as capital of the Bank. Under section 11(5) of the Act, where, at any time, the balance in the General Reserve Fund is less than the amount paid as capital of the Bank, the Bank shall endeavour to bring the balance to the required level.

Further, under Section 11(6) of the Bank of Mauritius Act 2004, no allocation under subsection (3) shall be made where, in the opinion of the Board:

(a) the assets of the Bank are, or after such allocation would be, less than the sum of its liabilities and paid up capital; or

(b) the Bank would not be in a financial position to conduct its activities properly.

Under Section 31(1) of the Act, the financial statements shall be prepared in conformity with accounting principles applicable to Central Banks and best international practices. The Bank has adopted International Financial Reporting Standards for the preparation of its financial statements.

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

In terms of Section 31(1) of the Bank of Mauritius Act 2004, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to Central Banks and best international practice. In line with best practices, the Bank has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS").The Bank has adopted 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 relevant to its operations and effective for accounting periods beginning on 1 July 2007. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.

The Bank has adopted IFRS 7: Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 July 2007 and the consequential amendments to IAS 1: Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding financial instruments.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1	Presentation of Financial Statements - *Comprehensive revision including requiring a statement of comprehensive income and amendments relating to disclosure of puttable instruments and obligations arising on liquidation*
IAS 1	Presentation of Financial Statements - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 16	Property, Plant and Equipment - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 19	Employee Benefits - *Amendments resulting from May 2008 Annual improvement to IFRSs*
IAS 20	Government Grants and Disclosure of Government Assistance - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 23	Borrowing Costs - *Comprehensive revision to prohibit immediate expensing*
IAS 23	Borrowings Costs - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 27	Consolidated and Separate Financial Statements - *Consequential amendments arising from amendments to IFRS 3*
IAS 27	Consolidated and Separate Financial Statements - *Amendment relating to cost of an investment on first time adoption*
IAS 27	Consolidated and Separate Financial Statements - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 28	Investments in Associates - *Consequential amendments arising from amendments to IFRS 3*
IAS 28	Investments in Associates - *Amendments resulting from May 2008 Annual improvements to IFRSs*

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

IAS 29	Financial Reporting in Hyperinflationary Economies - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 31	Interests in Joint Ventures - *Consequential amendments arising from amendments to IFRS 3*
IAS 31	Interests in Joint Ventures - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 32	Financial Instruments: Presentation - *Amendments relating to puttable instruments and obligations arising on liquidation*
IAS 36	Impairment of Assets - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 38	Intangible Assets - *amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 39	Financial Instruments: Recognition and Measurement - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 40	Investment Property - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IAS 41	Agriculture - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IFRS 1	First-time Adoption of International Financial Reporting Standards - *Amendment relating to cost of an investment on first-time adoption*
IFRS 2	Share-based Payment - *Amendment relating to vesting conditions and cancellations*
IFRS 3	Business Combinations - *Comprehensive revision on applying the acquisition method*
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - *Amendments resulting from May 2008 Annual Improvements to IFRSs*
IFRS 8	Operating Segments
IFRIC 11	Group and Share Treasury Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programme
IFRIC 14	IAS 19 - *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation

It is presently anticipated that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Bank.

3. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements are presented in Mauritian Rupee. The financial statements are prepared in conformity with accounting principles applicable to Central Banks and best international practices in accordance with Section 31(1) of the Bank of Mauritius Act 2004. The Bank has prepared its financial statements under the historical cost convention as modified by the fair valuation of certain financial assets and in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial instruments

(i) *Classification*

Assets or liabilities classified as Held-For-Trading, which is a subset of the Fair-Value-Through-Profit-or-Loss ("FVTPL") category, are those that are acquired or incurred principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin. A financial asset should be classified as Held-For-Trading if, regardless of why it was acquired, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These may include certain investments, certain purchased loans and derivative financial instruments. The Bank's investment in Bank for International Settlement ("BIS") portfolio and Government Securities fall in this classification.

Loans and Receivables are non-derivative financial assets created by the Bank by providing money, other than those created with the intention of short-term profit taking. Loans and Receivables comprise loans and advances to commercial Banks or other financial institutions under Special Lines of Credit.

Available-For-Sale assets are those non-derivative financial assets that are not classified as financial assets at FVTPL, loans and receivables or Held-To-Maturity.

The Bank has the possibility to designate any financial asset or financial liability as at FVTPL, i.e. at fair value with changes in fair value recognised through profit or loss provided that the financial asset or financial liability satisfies certain conditions.

Management determines the appropriate classification of the Bank's financial assets and financial liabilities and re-evaluates such classification on a regular basis.

(ii) *Initial recognition*

The Bank recognises all financial instruments on its balance sheet when it becomes a party to the contractual provisions of the instrument. All regular transactions entered by the Bank are recognised on a trade date basis.

(iii) *Measurement*

Financial instruments are initially measured at fair value, which is the value of the consideration given (in the case of an asset) or received (in the case of a liability) for it, including transaction costs.

Subsequent to initial recognition, all Available-For-Sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case it is stated at amortised cost or cost, depending on whether there is a fixed maturity or not, less any impairment loss.

3. **ACCOUNTING POLICIES (CONT'D)**

(a) Financial instruments (Cont'd)

(iii) *Measurement (Cont'd)*

FVTPL (including Held-For-Trading) assets and liabilities are normally measured at fair value at subsequent reporting dates.

All non-trading financial liabilities are measured at amortised cost using the effective interest rate method.

Gold deposits have prudently been valued at 80% of the price of Gold on international market on the last working day of the month.

A financial asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of a financial asset carried at amortised cost is the present value of expected future cash flows discounted at the original effective interest rate of the asset.

(iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the balance sheet date. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(v) *Gains and losses on subsequent measurement*

Gains or losses on FVTPL (including Held-For-Trading) financial assets and financial liabilities arising from changes in their fair value are recognised in the Income Statement in the period in which they arise. Gains or losses on Available-For-Sale financial assets are recognised in equity. For those financial instruments carried at amortised cost, gains or losses are recognised in the Income Statement when the financial instrument is de-recognised or impaired and through the amortisation process.

(vi) *Specific instruments*

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances, call deposits with other financial institutions and short-term highly liquid debt investments with remaining maturities of three months or less.

3. ACCOUNTING POLICIES (CONT'D)

(b) Computer software

Under revised IAS 38- Intangible assets, computer software which does not form an integral part of computer hardware, is now classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of 33 $^{1}/_{3}$% per annum so as to write off the depreciable value of the assets over their estimated useful lives. A full year of amortisation is charged in the year of purchase.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis so as to write off the depreciable value of the assets to their estimated residual values over their estimated useful lives. A full year of depreciation is charged in the year of purchase.

Depreciation is provided at the following annual percentage rates:

Premises	-	2%
Furniture, equipment, fixtures and fittings	-	10%
Computer hardware/software and cellular phones	-	33 $^{1}/_{3}$%
Motor vehicles	-	40% for 1st year then 20% for the three subsequent years

No depreciation is provided on freehold land and capital work in progress.

(d) Notes and coins in circulation

Notes and coins issued represent an unserviced liability of the Bank of Mauritius and are recorded at face value.

The Bank also issues a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are expensed in the Income Statement when incurred.

(e) Retirement benefits

Defined benefit pension plan

The present value of funded obligations is recognised in the balance sheet as a non-current liability after adjusting for the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost. The valuation of the funded obligations is carried out every year by a firm of actuaries.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous accounting period exceeded the greater of:

(i) 10% of the present value of the defined benefit obligation at that date; and
(ii) 10% of the fair value of plan assets at that date.

3. **ACCOUNTING POLICIES (CONT'D)**

State Plan

Contribution to the National Pension Scheme is expensed to the income statement in the period in which they fall due.

(f) Income and expenditure recognition

Income and expenditure are recognised as they are earned or incurred and are recorded in the financial statements on an accruals basis to accurately reflect the period to which they relate.

Dividend income from equity investments is accounted for in the Income Statement as other income when the right to receive payment is established.

(g) Foreign currencies

Transactions in foreign currencies are recorded in Mauritian Rupee using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupee using the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are included in the Income Statement in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). However, for the purpose of determining the net profit of the Bank in terms of Section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with Section 47(2) of the Act. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

(h) Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

(i) Taxation

The Bank is exempted from any tax imposed on income, profits or capital gains under Section 64 of the Bank of Mauritius Act 2004.

(j) Comparative figures

Comparative figures have been restated or regrouped where necessary to conform to the current year's presentation.

(k) Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by the Directors through their best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(l) Operating leases

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Related party transactions

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

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements 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.

Particular areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:-

(i) Financial Assets (Note 9)

Government of Mauritius Treasury Bills

Government of Mauritius Treasury Bills have been revalued based on the latest market data available for these instruments.

ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Other Government Securities

Other Government Securities comprise Mauritius Development Loan Variable Interest Rate stocks which have been revalued using the straight line revaluation method and Treasury Notes which have been revalued using the discounted cash flow techniques, based on the latest market data available for similar instruments as at the balance sheet date.

(ii) Other Financial Liabilities (Note 14)

Bank of Mauritius Bills

Bank of Mauritius Bills have been revalued using the same valuation method as for Government of Mauritius Treasury Bills.

5. CAPITAL AND RESERVES

Capital

The Stated and Paid Up Capital of the Bank is Rs1 billion in accordance with Section 10 of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government (refer to Note 1).

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with Section 11 of the Bank of Mauritius Act 2004 (refer to Note 1).

Special Reserve Fund

In terms of Section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

Other Reserves

Other Reserves are reserves that have been carried forward from previous years.

6. CASH AND CASH EQUIVALENTS

	2008	2007
	Rs	Rs
Deposit Accounts	**16,267,558,734**	14,448,198,497
IMF Special Drawing Rights (SDR)	**832,967,762**	884,210,067
Repurchase Agreement	**4,955,556,270**	10,313,524,800
Current Accounts	**493,643,741**	826,963,835
Foreign Currency Notes and Coins	**445,813**	143,797
Gold Deposits	**1,254,064,876**	1,012,862,392
Foreign Liquid Securities	**110,919,568**	110,154,329
	23,915,156,764	27,596,057,717

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

7. OTHER BALANCES AND PLACEMENTS

	2008	2007
	Rs	Rs
Foreign Investments	**10,950,436,261**	12,803,732,981
Deposit Accounts	**21,529,301,094**	11,942,943,452
	32,479,737,355	24,746,676,433

Foreign investments comprise investments made through the Bank's Investment Manager, as follows:

	2008	2007
	Rs	Rs
Cash	**82,691,431**	52,137,719
Bonds	**10,857,511,741**	12,749,693,419
Other investments	**10,233,089**	1,901,843
	10,950,436,261	12,803,732,981

8. LOANS AND ADVANCES

	2008	2007
	Rs	Rs
Special Line of Credit - Sugar Industry	**806,850,001**	1,339,533,899
Special Line of Credit - EPZ	**-**	221,933
Special Line of Credit - National Equity Fund	**73,055,491**	73,495,281
Others	**10,905,037**	13,592,361
	890,810,529	1,426,843,474

The above loans and advances are granted to local commercial banks or other financial institutions under special lines of credit mainly for onward lending to their customers.

9. FINANCIAL ASSETS

	2008	2007
	Rs	Rs
Government of Mauritius Treasury Bills	**468,006,737**	576,736,108
Other Government Securities	**137,464,424**	43,116,118
	605,471,161	619,852,226

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

10. COMPUTER SOFTWARE

	Rs
Cost	
At 1 July 2006	83,511,377
Additions	139,598
Disposal	(11,270)
At 30 June 2007	83,639,705
Additions	179,290
At 30 June 2008	**83,818,995**
Amortisation	
At 1 July 2006	82,786,491
Charge for the year	699,615
Disposal	(11,170)
At 30 June 2007	**83,474,936**
Charge for the year	170,384
At 30 June 2008	**83,645,320**
Net book value	
At 30 June 2008	**173,675**
At 30 June 2007	164,769

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT

	Premises	Capital Work in Progress	Other Properties	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST							
At 1 July 2006	42,054,989	1,327,024,268	65,215,078	83,536,158	21,860,844	26,482,907	1,566,174,244
Additions	-	421,206,872	-	78,038,844	1,456,709	3,485,572	504,187,997
Disposals	-	-	-	(467,518)	(363,165)	(8,690,462)	(9,521,145)
At 30 June 2007	42,054,989	1,748,231,140	65,215,078	161,107,484	22,954,388	21,278,017	2,060,841,096
Additions	4,108,136	44,196,670	-	9,875,152	16,006,169	11,153,840	85,339,967
Reclassification	-	-	-	(310,837)	310,837	-	-
Transfers	1,323,446,399	(1,792,427,810)	-	453,047,146	15,934,265	-	-
Scrapped	-	-	-	-	(252,668)	-	(252,668)
Disposals	-	-	-	(603,081)	(354,680)	(7,474,999)	(8,432,760)
At 30 June 2008	**1,369,609,524**	**-**	**65,215,078**	**623,115,864**	**54,598,311**	**24,956,858**	**2,137,495,635**
DEPRECIATION							
At 1 July 2006	8,093,843	-	-	42,742,713	20,319,157	21,976,910	93,132,623
Charge for the year	821,215	-	-	15,689,574	1,763,012	1,907,135	20,180,936
Disposals	-	-	-	(353,034)	(362,165)	(5,214,277)	(5,929,476)
At 30 June 2007	8,915,058	-	-	58,079,253	21,720,004	18,669,768	107,384,083
Charge for the year	27,372,306	-	-	61,502,079	11,408,388	5,669,556	105,952,329
Reclassification	-	-	-	(234,368)	234,368	-	-
Scrapped	-	-	-	-	(252,668)	-	(252,668)
Disposals	-	-	-	(603,033)	(353,780)	(7,473,999)	(8,430,812)
At 30 June 2008	**36,287,364**	**-**	**-**	**118,743,931**	**32,756,312**	**16,865,325**	**204,652,932**
NET BOOK VALUE							
At 30 June 2008	**1,333,322,160**	**-**	**65,215,078**	**504,371,933**	**21,841,999**	**8,091,533**	**1,932,842,703**
At 30 June 2007	33,139,931	1,748,231,140	65,215,078	103,028,231	1,234,384	2,608,249	1,953,457,013

The capital work in progress relates to the Bank of Mauritius new Head Office building project which was completed during the financial year.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

12. OTHER ASSETS

	2008 Rs	2007 Rs
Net Cheques to be cleared	**179,214,448**	355,800,147
Staff Loans	**61,203,976**	74,575,704
Prepayments	**10,724,301**	3,981,398
Dodo Gold Coins with Banks	**12,776,400**	12,708,700
Interest Receivable	**5,188,937**	19,545,830
Others	**6,682,140**	95,188,278
	275,790,202	561,800,057

Net cheques to be cleared are cheques collected and cleared on the next working day.

13. NOTES AND COINS IN CIRCULATION

	2008 Rs	2007 Rs
Notes issued		
Face value		
2,000	**779,384,000**	733,416,000
1,000	**9,288,119,000**	8,289,104,000
500	**1,900,153,000**	1,648,516,500
200	**1,233,635,200**	1,140,369,800
100	**920,138,200**	882,500,200
50	**252,269,500**	234,642,650
25	**147,190,900**	155,152,900
20 *	**1,629,120**	1,630,640
10 *	**38,246,300**	38,314,550
5 *	**7,669,925**	7,674,835
Demonetised Notes	**485,700**	485,700
Total	**14,568,920,845**	13,131,807,775
Coins issued		
Face value		
20 rupees**	**34,086,740**	-
10 rupees	**200,753,440**	190,149,940
5 rupees	**85,596,600**	81,140,845
1 rupee	**105,364,869**	98,711,121
50 cents	**24,859,595**	23,549,572
25 cents *	**6,349,943**	6,355,623
20 cents	**31,540,321**	29,982,015
10 cents *	**2,430,325**	2,432,062
5 cents	**7,390,296**	6,768,127
2 cents *	**330,517**	330,521
1 cent	**221,701**	221,324
Others	**19,832,848**	19,672,243
Total	**518,757,195**	459,313,393
Total Notes and Coins in Circulation	**15,087,678,040**	13,591,121,168

* These denominations have ceased to be issued by the Bank.

** The Bank introduced a 20 rupee coin on 7 December 2007.

14. OTHER FINANCIAL LIABILITIES

	2008 Rs	2007 Rs
Bank of Mauritius Bills	**6,355,093,009**	5,913,926,401
Bank of Mauritius Savings Bonds	**943,400**	943,400
IBRD Financial Sector Infrastructure Project Loan	**-**	56,001,978
	6,356,036,409	5,970,871,779

The Bank issues Bank of Mauritius Bills ("BOM Bills") for monetary policy purposes. The Bills, which are accounted for as non-trading liabilities, may be repurchased by the Bank at market value where repurchase is agreed both by the Bank and the relevant holders. Once the Bills have been repurchased, they are immediately redeemed by the Bank.

At 30 June 2008, the nominal value of the BOM Bills issued and outstanding was Rs6,509.5 million (2007: Rs6,003.7 million).

15. PROVISIONS

	2008 Rs	2007 Rs
Balance at 1 July and 30 June	**100,000,000**	100,000,000

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Bank may make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds from the realisation of its assets. The liquidation of MCCB Limited is still in progress.

16. EMPLOYEE BENEFITS

Amounts recognised in the Balance Sheet:

	2008 Rs	2007 Rs
Defined benefit plan (Note (a))	**54,390,781**	51,080,000
Short term employee benefits (Note (b))*	**46,635,890**	-
	101,026,671	51,080,000

*Provision for short term employee benefits has been made for the first time in 2007/2008. The comparative figure for 2006/2007 is Rs52,636,857 (annual and sick leave-Rs31,228,730 and air mileage Rs21,408,128)

(a) Defined benefit plan

The Bank operates a defined benefit plan for some of its employees and the plan is wholly funded. The assets of the funded plan are held independently and administered by The State Insurance Company of Mauritius Ltd.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

16. **EMPLOYEE BENEFITS (CONT'D)**

The report dated 19 August 2008 submitted by the State Insurance Company of Mauritius Ltd is produced hereunder.

(a) Defined benefit plan (Cont'd)

Amounts to be recognised in the Income Statement:

	2008	2007
	Rs	Rs
Current service cost	**10,133,170**	11,830,000
Expected return on plan assets	**(33,742,404)**	(29,840,000)
Interest costs	**42,531,300**	38,390,000
Actuarial loss	**196,066**	450,000
Net periodic pension cost included in staff costs	**19,118,132**	20,830,000
Actual return on plan assets	**46,591,697**	43,150,000

Movements in liability recognised in the Balance Sheet:

	2008	2007
	Rs	Rs
At 1 July	**51,080,000**	34,720,000
Total expenses as per above	**19,118,132**	20,830,000
Employer contributions	**(15,817,351)**	(16,080,000)
Charge for the previous year recognised in the current year	**-**	11,620,000
Adjustment/(Underprovision)	**10,000**	(10,000)
At 30 June	**54,390,781**	51,080,000

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2008	2007
	Rs	Rs
At 1 July	**(405,060,000)**	(365,610,000)
Current service cost	**(10,133,170)**	(11,830,000)
Interest cost	**(42,531,300)**	(38,390,000)
Employee Contributions	**(4,051)**	-
Actuarial (losses)/gains	**37,256,478**	(14,500,000)
Benefits paid	**22,019,093**	25,270,000
At 30 June	**(398,452,950)**	(405,060,000)

16. **EMPLOYEE BENEFITS (CONT'D)**

(a) Defined benefit plan (Cont'd)

Movements in the present value of the plan assets in the current period were as follows:

	2008	2007
	Rs	Rs
At 1 July	**309,850,000**	275,890,000
Expected return on plan assets	**33,742,404**	29,840,000
Actuarial gains	**12,849,293**	13,310,000
Contributions from the employer	**16,140,154**	16,450,000
Employee Contributions	**4,051**	-
Benefits paid	**(22,019,093)**	(25,270,000)
Scheme expenses	**(322,803)**	(370,000)
At 30 June	**350,244,006**	309,850,000

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, are as follows:

	Expected rate of return at	
	30 June	30 June
	2008	2007
	%	%
Local equities	**30**	17
Overseas equities and bonds	**15**	19
Fixed interest	**54**	63
Others	**1**	1
Expected return on Plan Assets	**11**	11

Amounts recognised in the balance sheet:

	2008	2007
	Rs	Rs
Total market value of assets	**350,244,006**	309,850,000
Present value of plan liability	**(398,452,950)**	(405,060,000)
Deficit	**(48,208,944)**	(95,210,000)
Unrecognised actuarial(gain)/ loss	**(6,181,837)**	44,120,000
Underprovision	**-**	(10,000)
	(54,390,781)	(51,080,000)

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was Rs46.59 million (2007: Rs43.16 million).

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

16. **EMPLOYEE BENEFITS (CONT'D)**

(a) Defined benefit plan (Cont'd)

The history of experience adjustments is as follows:-

	2008	2007	2006	2005
	Rs	Rs	Rs	Rs
Present value of defined benefit obligation	**(398,452,950)**	(405,060,000)	(365,610,000)	(358,990,000)
Fair value of plan assets	**350,244,006**	309,850,000	275,890,000	239,810,000
(Deficit)/Surplus	**(48,208,944)**	(95,210,000)	(89,720,000)	(119,180,000)
Experience gains/(losses) on plan liabilities	**37,256,478**	(14,500,000)	31,240,000	(10,260,000)
Experience gains on plan assets	**12,849,293**	13,310,000	6,600,000	1,110,000

The Bank expects to make a contribution of Rs16.56 million to the defined benefit plans during the next financial year.

The principal actuarial assumptions used for accounting purposes were:

	2008 & 2007
Discount rate	10.5%
Expected return on plan assets	11.0%
Future long-term salary increases	7.5%
Post retirement mortality tables increases	5.5%

Retirement benefit obligations have been based on the report submitted by The State Insurance Company of Mauritius Ltd.

(b) Short term employee benefits

	2008	2007
	Rs	Rs
Provision for annual and sick leaves	**23,403,899**	-
Provision for air mileage	**23,231,991**	-
	46,635,890	-

(c) Defined contribution pension fund

	2008	2007
	Rs	Rs
Contributions expensed	**15,045,911**	15,180,341

(d) State pension plan

	2008	2007
	Rs	Rs
National Pension Scheme contributions charged	**676,100**	644,829

17. OTHER LIABILITIES

	2008 **Rs**	2007 Rs
Profit Payable to the Government of Mauritius for Transfer to Consolidated Fund in accordance with Section 11 (3) of the Bank of Mauritius Act 2004	**1,325,465,601**	900,000,000
Customers' Credits	**97,252,536**	205,333,100
Balance Payable to the Government of Mauritius for Transfer to Consolidated Fund (refer to page 6)	**559,823,879**	-
Abandoned Funds from Banks	**202,377,618**	157,272,196
Interests and Charges Payable	**10,429,776**	16,616,434
Foreign Bills sent for Collection Contra	**266,540**	88,849,245
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	**169,200**	169,200
Others	**102,750**	102,750
	2,195,887,900	1,368,342,925

18. INCOME FROM FINANCIAL ASSETS

(i) Interest and Similar Income on Foreign Assets

	2008 **Rs**	2007 Rs
Deposit Accounts	**1,713,395,380**	1,264,452,823
Fixed Income	**734,363,042**	594,843,946
Special Drawing Rights	**28,903,617**	36,353,740
Repurchase Agreements	**158,644,184**	198,736,471
Current Accounts	**34,713,236**	12,818,509
Gold Deposits	**1,376,433**	180,914
	2,671,395,892	2,107,386,403

(ii) Interest and Similar Income on Local Assets

	2008 **Rs**	2007 Rs
Loans and Advances		
Leasing Facilities/Special Lines of Credit to EPZ, Freeport Sectors and Sugar Industry	**54,388,462**	62,076,156
Loans and Advances to Banks/Government	**259,869**	78,122,895
Special Line of Credit - National Equity Fund	**4,491,783**	5,480,995
Advances under Repurchase Transactions	**-**	3,147,904
	59,140,114	148,827,950
Other Government Securities	**4,065,487**	4,514,101
Other Loans	**1,841,599**	2,062,614
	65,047,200	155,404,665

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

18. INCOME FROM FINANCIAL ASSETS (CONT'D)

(iii) Others

	2008 Rs	2007 Rs
Revaluation of Government Securities	**102,089,797**	198,746,506
Profit on Sale of Government of Mauritius Treasury Bills - Secondary Market Cell	**18,737,692**	35,536,199
Dividend Received	**701,507**	530,754
Profit on Sale of Fixed Assets	**666,106**	-
Loss on Sale of Industrial Gold and Gold Coins	**(201,097)**	(39,667)
Profit on Issue of Mauritius Commemorative Coins	**524,995**	291,209
Profit on Sale of Notes and Coins	**705**	4,910
	122,519,705	235,069,911
Total Income from Financial Assets	**2,858,962,797**	2,497,860,979

19. OTHER INCOME

	2008 Rs	2007 Rs
Processing and Licence Fees	**21,000,315**	18,710,108
MACSS & MCIB Fees	**3,314,227**	1,923,707
Commissions	**558,284**	645,688
Premises Rental Account	**26,100**	11,050
	24,898,926	21,290,553

20. EXPENDITURE ON FINANCIAL LIABILITIES

	2008 Rs	2007 Rs
Interest Expense and Similar Charges		
Reverse Repurchase Transactions	**-**	21,956,286
Government of Mauritius Accounts	**23,406,508**	4,405,105
IBRD Financial Sector Infrastructure Project Loan	**3,521,444**	4,496,098
	26,927,952	30,857,489

The Bank pays interest to the Government on its rupee and foreign currency accounts maintained at the Bank.

21. STAFF SALARIES AND OTHER BENEFITS

	2008 Rs	2007 Rs
Staff Salaries and Allowances*	**174,466,144**	117,550,565
Pension Cost**	**19,450,935**	32,808,688
Staff Family Protection Scheme	**5,174,433**	4,964,807
National Savings Fund	**676,100**	644,829
	199,767,612	155,968,889

* The amount of Rs174,466,144 includes provision for short term employee benefits amounting to Rs46,635,890 (see note 16(b)).

**The 2007 figure includes actuarial valuation for two financial years i.e. 2007 and 2006 compared to one year in 2008.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

22. COIN AND NOTE ISSUE EXPENSES

The increase in coin issue expenses arose from the issue of Rs20 coin whereas note issue expenses have increased on account of the reprint of existing family of bank notes.

23. DIRECTORS REMUNERATION

	2008	2007
	Rs	Rs
Governor and Deputy Governors	**8,418,239**	10,140,600
Other Directors	**2,160,000**	1,620,000
	10,578,239	11,760,600

24. OTHER EXPENDITURE

	2008	2007
	Rs	Rs
Stationery and Library	**3,041,846**	2,170,009
Postage, Telephone and Reuters	**14,570,252**	14,431,796
Loss on Sale of Property, Plant and Equipment	**-**	1,433,849
Others	**52,338**	60,832
	17,664,436	18,096,486

25. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	2007
	Rs	Rs
Net (Loss)/Profit for the Year	**(3,206,821,461)**	5,254,029,830
Adjustments for:		
Non-Cash Increase in Employee Benefits	**49,946,671**	16,360,000
Amortisation of Intangible Assets	**170,384**	699,615
Depreciation of Property, Plant and Equipment	**105,952,329**	20,180,936
(Profit)/Loss on Sale of Property, Plant and Equipment	**(666,106)**	1,433,849
Dividend Received	**(701,507)**	(530,754)
Fair Value increase/(decrease) on Other Investments	**1,994,524**	(467,198)
Operating Profit Before Working Capital Changes	**(3,050,125,166)**	5,291,706,278
Increase in Interest Receivable	**(291,273,664)**	(33,426,431)
Decrease in Loans and Advances	**536,032,945**	390,275,788
Decrease/(Increase) in Other Assets	**286,009,855**	(180,274,280)
Increase in Notes and Coins in Circulation	**1,496,556,872**	1,263,606,386
Increase/(Decrease) in Government Demand Deposits	**3,888,187,067**	(1,104,475,450)
Increase in Banks' Demand Deposits	**2,452,625,621**	432,671,389
Increase/(Decrease) in Other Financial Institutions' Demand Deposits	**7,940,175**	(135,118,358)
(Decrease)/Increase in Other Demand Deposits	**(531,445,230)**	541,665,303
Decrease in Other Liabilities	**(157,744,505)**	(30,847,723)
Increase in Other Financial Liabilities	**385,164,630**	1,720,689,907
Net Cash Inflow From Operating Activities	**5,021,928,600**	8,156,472,809

26. OPEN MARKET OPERATIONS

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development undertakes open market operations to manage liquidity in the domestic foreign and money markets. As such, open market operations broadly refer to the issue of Bank of Mauritius Bills, outright sale and purchase of Government securities by the Bank, conduct of repurchase transactions, special deposit facility and intervention in the domestic foreign exchange market to either inject or withdraw funds from the system.

Repurchase transactions are conducted under the umbrella of the Master Repurchase Agreement that has been signed by all Former Category 1 Banks with the Bank of Mauritius. The repurchase transactions are treated as secured loans received or granted without changes in the portfolio of bills given as collateral.

From the Central Bank's point of view, reverse repurchase transactions involve absorbing liquidity from the domestic market by selling bills whereas repurchase transactions involve injecting liquidity in the market by purchasing bills.

27. COMMITMENTS AND OTHER CONTINGENCIES

Commitments and other contingencies not otherwise provided for in the financial statements and which existed at 30 June 2008 are as follows:

(i) Bank’s Building and Staff Quarters in Rodrigues

The Bank has acquired on lease two plots of land in Rodrigues for the construction of its (a) building and (b) staff quarters. A total amount of Rs202 million has been budgeted accordingly.

(ii) Other Assets

An amount of Rs84.3 million has been earmarked for Other Assets.

(iii) Capital Subscription in the African Export - Import Bank

The Bank has a commitment to pay USD 900,000 for capital subscription in the African Export-Import Bank when call for payment will be made. This amount has not been accounted for as a liability in the financial statements.

(iv) Legal case against the Bank

The Bank has a contingent liability with respect to a claim made by a company for an amount of Rs15.3 million. However, this is not provided for in the financial statements as it is being disputed.

The directors are of the opinion that the likely outcome of the above item cannot be determined with reasonable certainty and no provision has been made in the financial statements.

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
New office building Rodrigues	100	500	1,800	2,400
Bamboo Garden - Dubreuil	5,808	44,192	-	50,000
Fallback site - BPML	584,430	-	-	584,430
Archiving - Plaine-Lauzun DBM	330,000	330,000	-	660,000
	920,338	374,692	1,800	1,296,830

29. FINANCIAL INSTRUMENTS

(i) Introduction

A financial instrument, as defined by IAS 32 (Financial Instruments: Disclosure and Presentation), is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As the monetary authority for Mauritius, the Bank's activities are policy orientated. In the course of carrying out its functions, the Bank is faced with financial risks, operational risks and reputational risks. The main financial risks to which the Bank is exposed to are credit risk, interest rate risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Bank. The Financial Markets Operations Division (FMOD) of the Bank manages the foreign assets portfolio.

The foreign exchange risk or the capital loss as a consequence of fluctuations in the exchange rates is managed mainly through diversification of currency portfolios in which the Bank invests. In the management of foreign exchange reserves, minimising liquidity risk and maximising safety are the prime considerations in order to maintain an effective foreign exchange intervention capability.

The internal controls and risk management processes are audited regularly by the Internal Audit Division of the Bank. It examines the adequacy of the procedures and the compliance with the procedures and guidelines. The Internal Audit Division submits its report to the Audit Committee.

(ii) Categories of financial instruments

	2008 Rs	2007 Rs
Financial Assets		
Fair value through profit or loss(FVTPL)		
- Designated as at FVTPL	**605,471,161**	619,852,226
Loans and receivables(including cash and cash equivalents)	**58,089,825,985**	54,297,723,849
	58,695,297,146	54,917,576,075
Financial Liabilities		
Fair value through profit or loss(FVTPL)		
- Designated as at FVTPL	**6,356,036,409**	5,970,871,779
Amortised cost	**17,814,986,273**	12,060,653,782
	24,171,022,682	18,031,525,561

(iii) Credit Risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counterparties to discharge their obligations could adversely impact on the Bank's future cash inflows from financial assets held at the balance sheet date.

The Bank is exposed to credit risk which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises when the Bank provides liquidity to financial institutions through open market operations as part of monetary policy implementation. Credit risk on the securities held by the Bank is managed by holding only high quality marketable securities issued chiefly by Government of Mauritius. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties.

(a) The Bank's significant end-of-year concentration of credit exposure by geographical area was as follows:

	2008 Rs	2007 Rs
Mauritius	**1,570,262,066**	2,133,980,104
USA	**15,837,640,881**	19,578,092,782
United Kingdom	**10,103,725,393**	10,184,992,605
Europe	**22,342,342,110**	13,836,346,511
Others	**8,841,326,696**	9,184,164,073
	58,695,297,146	54,917,576,075

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

(b) Concentrations of Credit Exposure

The Bank's significant end-of-year concentration of credit exposure by counterparty types was as follows:

	2008	2007
	Rs	Rs
Government	**11,059,744,650**	12,734,361,176
Supranational Financial Institutions	**1,075,034,100**	1,521,354,975
Foreign Banks and Financial Institutions	**45,544,188,949**	39,095,509,127
Other	**1,016,329,447**	1,566,350,797
	58,695,297,146	54,917,576,075

(c) Credit Exposure by Credit Rating

The following table presents the credit ratings of respective financial assets, based on the ratings of Standard and Poor's, Fitch Ratings and Moody's ratings. Under Fitch Ratings, AAA is the highest possible credit quality rating and indicates the lowest expectation of credit risk. It is assigned only in the case of exceptionally strong capacity for timely payment of financial commitments. AA is a very high credit quality grade, indicating a very low expectation of credit risk, and A is an upper medium grade, indicating a low expectation of credit risk; BBB is the lowest investment grade rating, indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters. Ratings lower than AAA can be modified by + or – signs to indicate relative standing within the major categories. NR indicates the entity has not been rated by Standard and Poor's, Fitch Ratings and Moody's. The Bank's investment in the shares in Afreximbank and SWIFT which typically do not obtain ratings and in Gold are denoted as NR. The Bank's investments with foreign Central Banks are presented separately.

Baa1* denotes ratings of Moody.

	Credit Rating	**2008 Rs**	**%**	2007 Rs	%
Cash & Cash Equivalents	Central Banks	**17,273,953,469**	30.24	19,652,204,863	37.23
	AA+	**2,019,027,223**	3.54	2,323,196,498	4.40
	AA	**2,469,591,861**	4.32	3,647,387,820	6.92
	Baa2	**30,720**	-	-	-
	NR	**2,152,553,491**	3.77	1,973,268,536	3.74
Other Balances and Placements	Central Banks	**31,676,644,609**	55.45	23,574,420,093	44.66
	AA+	**372,539,504**	0.65	788,984,140	1.49
	AA	**430,553,242**	0.75	383,272,200	0.73
Interest Receivable	Central Banks	**611,885,664**	1.07	306,315,462	0.58
	AA+	**45,109,806**	0.08	49,723,381	0.09
	AA	**54,702,627**	0.10	64,397,948	0.12
	NR	**1,227,447**	-	1,215,089	-
Other Investments	NR	**17,215,417**	0.03	19,209,941	0.04
Total External Assets		**57,125,035,080**	**100.00**	52,783,595,971	100.00

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

Credit Risk (Cont'd)

	Credit Rating	**2008**	**%**	2007	%
Loans and Advances	AA+	**171,142,739**	10.90	260,590,940	12.21
	Baa2	**636,127,976**	40.51	1,069,386,868	50.11
	NR	**157,520,190**	10.03	184,150,070	8.63
Financial Assets	Baa2	**605,471,161**	38.56	619,852,226	29.05
Total Domestic Financial Assets		**1,570,262,066**	100.00	2,133,980,104	100.00
Summary by Major Credit Category					
External Assets	Central Banks	**49,562,483,742**	86.76	43,532,940,418	82.47
	AA+	**2,436,676,533**	4.27	3,161,904,019	5.99
	AA	**2,954,847,730**	5.17	4,095,057,968	7.76
	Baa2	**30,720**	-		-
	NR	**2,170,996,355**	3.80	1,993,693,566	3.78
Total External Assets		**57,125,035,080**	100.00	52,783,595,971	100.00
Local Financial Assets	AA+	**171,142,739**	10.90	260,590,940	12.21
	Baa2	**1,241,599,137**	79.07	1,689,239,094	79.16
	NR	**157,520,190**	10.03	184,150,070	8.63
Total Domestic Financial Assets		**1,570,262,066**	100.00	2,133,980,104	100.00
Total Financial Assets		**58,695,297,146**		54,917,576,075	

(iv) Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet financial commitments as and when they arise. Liquidity risk is also the risk arising from the possibility of an entity not realising the fair value of a financial asset that it may have to dispose of to meet a financial commitment.

In order to reduce the level of liquidity risk arising out of open market operations, the Bank requires highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans.

The Bank manages liquidity of its foreign currency assets in order to settle commitments for Government as well as to intervene on the domestic foreign exchange market. The Bank has set limits with regard to currency and counterparty exposures to contain the risk.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(iv) Liquidity Risk

Maturity Analysis

At 30 June 2008	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Assets							
Foreign Assets	24,894,432,773	14,646,345,912	4,219,855,653	2,402,613,631	10,961,787,111	-	57,125,035,080
Loans and Advances	123,476,512	132,134,845	90,719,965	64,448,354	480,030,853	-	890,810,529
Financial Assets	449,962,237	18,044,500	-	-	137,464,424		605,471,161
Computer Software	-	-	-	173,675	-	-	173,675
Property, Plant and Equipment	-	-	-	-	1,932,842,703	-	1,932,842,703
Other Assets	-	-	-	-	-	275,790,202	275,790,202
Total Assets	25,467,871,522	14,796,525,257	4,310,575,618	2,467,235,660	13,512,125,091	275,790,202	60,830,123,350
Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	15,087,678,040	15,087,678,040
Demand Deposits	17,515,356,119	-	-	-	-	-	17,515,356,119
Other Financial Liabilities	3,273,753,608	345,841,682	2,736,441,119	-	-	-	6,356,036,409
Provisions	-	-	-	-	100,000,000	-	100,000,000
Employee Benefits	-	-	-	-	-	101,026,671	101,026,671
Other Liabilities	559,823,879	1,325,465,601	-	-	310,598,420	-	2,195,887,900
Total Liabilities	21,348,933,606	1,671,307,283	2,736,441,119	-	410,598,420	15,188,704,711	41,355,985,139
Net Liquidity Gap	4,118,937,916	13,125,217,974	1,574,134,499	2,467,235,660	13,101,526,671	(14,912,914,509)	19,474,138,211

29. **FINANCIAL INSTRUMENTS (CONT'D)**

(iv) Liquidity Risk (Cont'd)

Maturity Analysis

At 30 June 2007	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Assets							
Foreign Assets	27,828,154,273	5,986,872,326	1,239,274,958	4,894,887,513	12,834,406,901	-	52,783,595,971
Loans and Advances	202,393,292	107,098,936	110,930,597	118,934,433	851,772,646	35,713,570	1,426,843,474
Financial Assets	48,820,000	195,560,130	151,920,978	180,435,000	43,116,118	-	619,852,226
Computer Software	-	-	-	164,769	-	-	164,769
Property, Plant and Equipment	-	-	-	-	1,953,457,013	-	1,953,457,013
Other Assets	-	-	-	-	-	561,800,057	561,800,057
Total Assets	28,079,367,565	6,289,531,392	1,502,126,533	5,194,421,715	15,682,752,678	597,513,627	57,345,713,510
Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	13,591,121,168	13,591,121,168
Demand Deposits	11,698,048,486	-	-	-	-	-	11,698,048,486
Other Financial Liabilities	5,135,283,911	257,283,106	521,359,384	-	-	56,945,378	5,970,871,779
Provisions	-	-	-	-	100,000,000	-	100,000,000
Employee Benefits	-	-	-	-	-	51,080,000	51,080,000
Other Liabilities	-	900,000,000	-	-	468,342,925	-	1,368,342,925
Total Liabilities	16,833,332,397	1,157,283,106	521,359,384	-	568,342,925	13,699,146,546	32,779,464,358
Net Liquidity Gap	11,246,035,168	5,132,248,286	980,767,149	5,194,421,715	15,114,409,753	(13,101,632,919)	24,566,249,152

29. **FINANCIAL INSTRUMENTS (CONT'D)**

(v) Interest Rate Risk

Repricing Analysis

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair values of other instruments on which the interest rates are fixed throughout the period of the contract. The policy pertaining to changes in fair values due to changes on exchange rates is explained at section (vi) below.

The rates on financial assets and financial liabilities which are interest-bearing are set at or around current market levels.

The Bank's reserves management includes investments in a variety of foreign currency denominated cash, deposits and other securities. The Bank's objective is to maximise liquidity and safety through quality investments and, within these constraints, earn the maximum rate of return possible.

The following table demonstrates the sensitivity of the Bank's profit to interest rate changes, all other variables held constant.

	Increase/decrease in the yield curve overseas	**Effect on Profit Rs**	**Effect on Profit Rs**
		2008	2007
Foreign Currency Portfolio	**0.5%**	**1,554,427,300**	1,597,773,514
	-0.5%	**(1,562,677,848)**	(1,597,773,514)

	Increase/decrease in basis points		
Government Securities	**+50**	**(1,056,962)**	(1,697,795)
	-50	**1,070,957**	1,710,027

The local Government Securities are marked to market in the Balance Sheet of the Bank of Mauritius as they are sold over the counter and traded on the Stock Exchange of Mauritius.

The tables below summarise the Bank's exposure to interest rate risk.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(v) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Over 12 months Rs	Non-interest bearing Rs	Total Rs
AT 30 June 2008							
Assets							
Foreign Assets	13,401,365,680	18,004,899,930	1,417,544,700	12,626,512,115	10,961,787,111	712,925,544	57,125,035,080
Loans and Advances	123,476,512	132,134,845	90,719,965	64,448,354	480,030,853	-	890,810,529
Financial Assets	-	-	-	468,006,737	137,464,424	-	605,471,161
Computer Software	-	-	-	-	-	173,675	173,675
Property, Plant and Equipment	-	-	-	-	-	1,932,842,703	1,932,842,703
Other Assets	-	-	-	-	-	275,790,202	275,790,202
Total Assets	13,524,842,192	18,137,034,775	1,508,264,665	13,158,967,206	11,579,282,388	2,921,732,124	60,830,123,350
LESS: Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	15,087,678,040	15,087,678,040
Demand Deposits	-	-	-	-	-	17,515,356,119	17,515,356,119
Other Financial Liabilities	1,415,011,800	1,858,741,808	-	3,082,282,801	-	-	6,356,036,409
Provisions	-	-	-	-	-	100,000,000	100,000,000
Employee Benefits	-	-	-	-	-	101,026,671	101,026,671
Other Liabilities	-	-	-	-	-	2,195,887,900	2,195,887,900
Total Liabilities	1,415,011,800	1,858,741,808	-	3,082,282,801	-	34,999,948,730	41,355,985,139
On Balance Sheet Interest Sensitivity Gap	12,109,830,392	16,278,292,967	1,508,264,665	10,076,684,405	11,579,282,388	(32,078,216,606)	19,474,138,211

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

(v) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
AT 30 June 2007							
Assets							
Foreign Assets	20,236,974,080	8,108,383,567	1,212,213,900	9,981,285,826	12,803,732,980	441,005,618	52,783,595,971
Loans and Advances	200,945,157	107,098,936	110,930,597	118,934,433	875,341,990	13,592,361	1,426,843,474
Financial Assets	48,820,000	189,951,000	-	337,965,108	43,116,118	-	619,852,226
Computer Software	-	-	-	-	-	164,769	164,769
Property, Plant and Equipment	-	-	-	-	-	1,953,457,013	1,953,457,013
Other Assets	-	-	-	-	-	561,800,057	561,800,057
Total Assets	20,486,739,237	8,405,433,503	1,323,144,497	10,438,185,367	13,722,191,088	2,970,019,818	57,345,713,510
LESS: Liabilities							
Notes and Coins in Circulation	-	-	-	-	-	13,591,121,168	13,591,121,168
Demand Deposits	-	-	-	-	-	11,698,048,486	11,698,048,486
Other Financial Liabilities	4,022,489,228	1,370,077,789	-	521,359,384	56,945,378	-	5,970,871,779
Provisions	-	-	-	-	-	100,000,000	100,000,000
Employee Benefits	-	-	-	-	-	51,080,000	51,080,000
Other Liabilities	-	-	-	-	-	1,368,342,925	1,368,342,925
Total Liabilities	4,022,489,228	1,370,077,789	-	521,359,384	56,945,378	26,808,592,579	32,779,464,358
On Balance Sheet Interest Sensitivity Gap	16,464,250,009	7,035,355,714	1,323,144,497	9,916,825,983	13,665,245,710	(23,838,572,761)	24,566,249,152

29. FINANCIAL INSTRUMENTS (CONT'D)

(v) Interest Rate Risk (Cont'd)

Effective Interest Rates

The interest-bearing assets earn interest at rates ranging from 6.77% p.a. to 13.56% p.a. (2007: 5.75% p.a. to 13.00% p.a.) for assets denominated in Mauritian rupee and from 0.02% p.a. to 9.0% p.a. (2007: 0.01% p.a. to 8.165% p.a.) for assets denominated in foreign currencies.

The interest-bearing liabilities bear interest at rates ranging from 6.75% p.a. to 11.70% p.a. (2007: 5.84% p.a. to 11.91% p.a.) for liabilities denominated in Mauritian rupee and from 5.99% p.a. to 7.30% p.a. (2007: 5.99% p.a. to 7.30% p.a.) for liabilities denominated in foreign currencies.

(vi) Foreign Currency Risk

The Bank of Mauritius has monetary assets and liabilities denominated in foreign currencies, which consist mainly of currencies of the major trading partners of Mauritius. The liabilities represent mainly deposits which have been placed on behalf of its customers.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside a reserve for foreign exchange rate fluctuations called Special Reserve Fund, which is used to cater for movements due to appreciation/depreciation in foreign exchange.

The Bank considers it has a well diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank’s External Assets based on the SDR Basket is as follows:

	2008 **Rs million**	2007 Rs million
SDR Basket	**46,251.75**	41,775.68
Non SDR Basket	**10,873.29**	11,007.92
	57,125.04	52,783.60

The SDR Basket comprises the following currencies: JPY, EUR, GBP and USD.

The following table demonstrates the sensitivity of the Bank’s equity to exchange rate changes, all other variables held constant.

	Increase/decrease in MRU rate	**Effect on Equity Rs mn**	**Effect on Equity Rs mn**
		2008	2007
Foreign Currency Portfolio	**50 cents**	**1,047.2**	833.5
	-50 cents	**(1,047.2)**	(833.5)

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FOR THE YEAR ENDED 30 JUNE 2008 (CONT'D)

(vii) Fair Values and Carrying Amount

Fair values

	Carrying amount		Fair Value	
	2008	2007	**2008**	2007
	Rs	Rs	**Rs**	Rs
Financial Assets				
Cash and Cash Equivalents	**23,915,156,764**	27,596,057,717	**23,915,156,764**	27,596,057,717
Other Balances and Placements	**32,479,737,355**	24,746,676,433	**32,479,737,355**	24,746,676,433
Interest Receivable	**712,925,544**	421,651,880	**712,925,544**	421,651,880
Other Investments	**17,215,417**	19,209,941	**17,215,417**	19,209,941
Loans and Advances	**890,810,529**	1,426,843,474	**890,810,529**	1,426,843,474
Staff Loans	**61,203,976**	74,575,704	**61,203,976**	74,575,704
Other Financial Assets	**605,471,161**	619,852,226	**605,471,161**	619,852,226
Dodo Gold Coins with Banks	**12,776,400**	12,708,700	**12,776,400**	12,708,700
Total Financial Assets	**58,695,297,146**	54,917,576,075	**58,695,297,146**	54,917,576,075
Financial Liabilities				
Government	**5,062,218,879**	1,174,031,812	**5,062,218,879**	1,174,031,812
Banks	**11,932,756,231**	9,480,130,610	**11,932,756,231**	9,480,130,610
Other Financial Institutions	**98,724,287**	90,784,112	**98,724,287**	90,784,112
Others	**421,656,722**	953,101,952	**421,656,722**	953,101,952
Other Financial Liabilities	**6,356,036,409**	5,970,871,779	**6,356,036,409**	5,970,871,779
Customers' Credits	**97,252,536**	205,333,100	**97,252,536**	205,333,100
Abandoned Funds	**202,377,618**	157,272,196	**202,377,618**	157,272,196
Total Financial Liabilities	**24,171,022,682**	18,031,525,561	**24,171,022,682**	18,031,525,561

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008(CONT'D)

30. CAPITAL RISK MANAGEMENT

Under Section 10 of the Bank of Mauritius Act 2004, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The paid up capital presently stands at Rs1 billion.

31. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius, the shareholder, are disclosed in notes 9, 17 and 18 to the financial statements.

Short term benefits payable to directors are disclosed in note 22 as per their terms of appointment.

The Bank contributes for the post retirement benefits for some of its employees including the First Deputy Governor. An amount of Rs803,950 representing an adjustment in contribution in respect of the previous Governor was paid during the year. The contribution for the First Deputy Governor was Rs 290,293.

32. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND ("IMF")

As a member of the IMF, Mauritius was allocated SDR 15,744,000 on which quarterly charges are payable to IMF. The Fund also remunerates the Bank on a quarterly basis on its SDR Holdings.

The Bank maintains two current accounts and one securities account for the IMF. The IMF No. 1 and No. 2 accounts appear under the heading “Demand Deposits from Other Financial Institutions". The Securities Account is kept off Balance Sheet.

Any quota increase is subscribed in local currency and in any freely convertible currency.

The value of the portion payable in freely convertible currency is paid by Government while the part in local currency is paid by way of non-negotiable, non-interest bearing securities issued by Government in favour of IMF, which are repayable on demand. These securities are lodged with the Bank acting as custodian for the IMF. The Securities Account form part of the records of Government.

The Bank of Mauritius revalues IMF accounts in its balance sheet in accordance with the practices of the IMF’s Treasury Department. In general, the revaluation is effected annually and whenever the Fund makes use of Mauritian rupees in accordance with the Designation Plan.