BANK OF MAURITIUS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

BANK OF MAURITIUS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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BANK OF MAURITIUS

Introduction

The net profits for the financial year ended 30 June 2011 in terms of section 11(1) of the Bank of Mauritius Act 2004 (the Act) was Rs258.4 million, up from Rs72.4 million for the previous financial year. The improved performance which was attributable mainly to the operational efficiency was, however, mitigated by the intervention in the domestic money and foreign exchange markets to mop up excess liquidity. The Bank issued Bank of Mauritius Bills and Notes with maturities of up to four years.

According to section 11 (1) of the Act, the Board of Directors shall determine the net profits of 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 Board met on 13 September 2011 to consider the Financial Statements of the Bank for the financial year ended 30 June 2011 and determined the net profits for the year then ended.

Assets

Foreign assets of the Bank increased mainly due to purchases from the domestic foreign exchange market and interest income on foreign investments. Domestic assets increased mainly as a result of purchases of Government of Mauritius securities.

Liabilities

Liabilities recorded an increase mainly on account of banks' demand deposits going up as a result of the increase in the prescribed minimum cash ratio required to be maintained by banks from 5.0% to 7.0% during the year.

Capital and Reserves

The net increase in Reserves resulted from gain on Revaluation of Foreign Currencies, Gold and SDR, the whole amount of which was transferred to the Special Reserve Fund in accordance with section 47(1) of the Act. As required under section 11(2) of the Act, an amount of Rs38.7 million representing 15% of the net profits for the year in terms of section 11(1) of the Act was transferred to the General Reserve Fund.

Statement of Responsibilities

The Bank, which acts as the central bank for Mauritius, is set up under the Act as a body corporate. Section 3(4) of the Act spells out that the Companies Act 2001 shall not apply to the Bank.

The Board of Directors has, under section 12 of the Act, been entrusted with the general policy of the affairs and business of the Bank. Responsibility for the running of the operations and day-to-day management of the Bank has been entrusted, in terms of section 14(3) of the Act to the two Deputy Governors who shall act under the supervision of the Governor.

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the affairs and business of the Bank as decided by the Board. Further, he is responsible for the general supervision of the Bank. In the discharge of his functions, the Governor is answerable to the Board.

BANK OF MAURITIUS

The Bank is responsible for the preparation and fair presentation of the financial statements in conformity with accounting principles applicable to central banks and best international practices in accordance with section 31(1) of the Act and the implementation of an internal control structure to maintain the reliability of the financial statements and to provide reasonable but not absolute assurance against the possibility of errors and irregularities that are material to the financial statements. The Board consists of the Governor as Chairperson, two Deputy Governors and six other Directors. One Director resigned in January 2011. The Act 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 and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE BANK OF MAURITIUS

Report on the Financial Statements

We have audited the financial statements of Bank of Mauritius (the "Bank") on pages 5 to 43 which comprise the statement of financial position at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements which include summary of significant accounting policies and other explanatory notes.

This report, including the opinion, has been prepared for and only for, the Bank's shareholder and for no other purpose. Our audit work has been undertaken so that we might state to the Bank's shareholder those matters that are required to state to them in an auditors' 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's shareholder, for our audit work, for this report, or for the opinions we have formed.

Bank's Responsibility for the Financial Statements

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 pursuant to section 31(1) of the Bank of Mauritius Act 2004 and in accordance with International Financial Reporting Standards. This responsibility includes the implementation of an internal control structure to maintain the reliability of the financial statements and provide reasonable, but not absolute, assurance against the possibility of errors and irregularities that are material to the financial statements.

Auditors' 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 auditors' judgement, 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 auditors consider internal control relevant to the Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Bank, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE BANK OF MAURITIUS (CONTINUED)

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements on pages 5 to 43 give a true and fair view of the financial position of the Bank at 30 June 2011 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Bank of Mauritius Act 2004.

KPMG
Licensed Auditors

John Chung
Signing Partner

Ebène

Date: 13 September 2011

BANK OF MAURITIUS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 Rs	2010 Rs	2009 Rs
ASSETS				
Foreign Assets:				
Cash and Cash Equivalents	6	**56,590,976,768**	56,962,848,210	30,783,234,720
Other Balances and Placements	7	**24,104,155,689**	12,067,632,378	32,354,319,155
Interest Receivable		**61,757,828**	51,327,643	156,075,378
Other Investments	8	**160,363,091**	20,117,849	20,286,659
		80,917,253,376	69,101,926,080	63,313,915,912
Domestic Assets:				
Loans and Advances	9	**204,678,979**	426,329,335	517,417,540
Investment in Government Securities	10	**5,756,781,889**	1,827,122,374	481,344,090
Computer Software	11	**17,956,273**	15,457,915	67,475
Property, Plant and Equipment	12	**1,839,191,508**	1,894,208,074	1,959,636,042
Other Assets	13	**242,291,641**	198,657,263	198,240,811
TOTAL ASSETS		**88,978,153,666**	73,463,701,041	66,470,621,870
LIABILITIES				
Currency in Circulation	14	**20,694,737,699**	18,890,072,819	17,185,099,624
Demand Deposits:				
Government		**10,286,321,482**	10,447,964,698	10,761,080,592
Banks		**21,557,310,005**	16,558,544,007	12,747,028,204
Other Financial Institutions		**133,953,037**	89,769,237	84,050,655
Others		**624,382,399**	257,428,378	229,319,300
		32,601,966,923	27,353,706,320	23,821,478,751
Bank of Mauritius Securities	15	**10,461,795,182**	943,400	943,400
Provisions	16	**100,000,000**	100,000,000	100,000,000
Employee Benefits	17	**163,025,361**	135,031,784	114,948,905
Other Liabilities	18	**4,579,753,851**	6,825,084,961	1,579,927,839
TOTAL LIABILITIES		**68,601,279,016**	53,304,839,284	42,802,398,519
CAPITAL AND RESERVES	5			
Stated and Paid up Capital		**1,000,000,000**	1,000,000,000	1,000,000,000
Reserves		**19,376,874,650**	19,158,861,757	22,668,223,351
TOTAL CAPITAL AND RESERVES		**20,376,874,650**	20,158,861,757	23,668,223,351
TOTAL LIABILITIES, CAPITAL AND RESERVES		**88,978,153,666**	73,463,701,041	66,470,621,870

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J. Pandoo	M.I. Belath	R. Bheenick
Head-Accounting and Budgeting	Second Deputy Governor	Governor

Date:13 September 2011

BANK OF MAURITIUS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rs	2010 Rs Restated
INCOME			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	19 (a)	**730,429,701**	865,984,182
Interest and Similar Income on Domestic Assets	19 (b)	**58,045,721**	40,623,776
Others	19 (c)	**202,971,089**	39,462,948
	19	**991,446,511**	946,070,906
Gain on Foreign Exchange Transactions		**103,635,363**	28,021,306
Other Income	20	**55,291,416**	52,636,859
Gain on Financial Instruments at Fair Value Through Profit or Loss		**915,080,276**	863,833,293
		2,065,453,566	1,890,562,364
EXPENDITURE			
Interest Expense and Similar Charges	21	**680,139**	196,043,941
Staff Salaries and Other Benefits	22	**241,357,808**	281,691,393
General Expenditure		**119,965,166**	134,514,384
Fees Payable		**18,816,791**	11,816,019
Coin Issue Expenses		**71,908,377**	69,523,403
Note Issue Expenses		**881,897**	79,849,133
Depreciation and Amortisation		**130,606,234**	114,437,051
Directors' Remuneration	23	**22,269,740**	20,431,538
IMF Charges	32	**14,823,134**	8,746,215
Other Expenditure	24	**16,444,227**	17,118,793
		637,753,513	934,171,870
OPEN MARKET OPERATIONS	25		
Interest on Bank of Mauritius Securities		**247,904,733**	2,178,000
Interest on Special Deposits Facility		**1,821,918**	18,647,329
Interest on Reverse Repurchase Transactions		**4,504,932**	776,712
Interest on Repurchase Transactions		**-**	(1,449,863)
		254,231,583	20,152,178
NET PROFIT FOR THE YEAR		**1,173,468,470**	936,238,316
OTHER COMPREHENSIVE INCOME			
Loss on revaluation of Foreign Currencies and SDR		**(735,825,612)**	(4,384,055,640)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**437,642,858**	(3,447,817,324)
Transfer (to)/from Special Reserve Fund in terms of section 47(1) of the Bank of Mauritius Act 2004		**(179,254,664)**	3,520,222,347
NET PROFITS FOR THE YEAR IN TERMS OF SECTION 11(1) OF THE BANK OF MAURITIUS ACT 2004		**258,388,194**	72,405,023
Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004		**(38,758,229)**	(10,860,753)
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		**219,629,965**	61,544,270

BANK OF MAURITIUS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Stated and Paid Up Capital Rs	General Reserve Fund Rs	Special Reserve Fund Rs	Accumulated Profit Rs	Other Reserves Rs	Total Rs
Balance at 1 July 2009	1,000,000,000	1,445,663,016	19,540,274,089	-	1,682,286,246	23,668,223,351
Total Comprehensive Income						
- Net Profit for the Year	-	-	-	936,238,316	-	936,238,316
Other Comprehensive Income						
- Loss on Revaluation of Foreign Currencies and SDR	-	-	-	(4,384,055,640)	-	(4,384,055,640)
Total Comprehensive Income for the year	-	-	-	(3,447,817,324)	-	(3,447,817,324)
Transfer from Special Reserve Fund	-	-	(3,520,222,347)	3,520,222,347	-	-
Transfer to General Reserve Fund	-	10,860,753	-	(10,860,753)	-	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	(61,544,270)	-	(61,544,270)
Balance at 30 June 2010	1,000,000,000	1,456,523,769	16,020,051,742	-	1,682,286,246	20,158,861,757
Balance at 1 July 2010	**1,000,000,000**	**1,456,523,769**	**16,020,051,742**	**-**	**1,682,286,246**	**20,158,861,757**
Total Comprehensive Income						
- Net Profit for the Year	-	-	-	**1,173,468,470**	-	**1,173,468,470**
Other Comprehensive Income						
- Loss on Revaluation of Foreign Currencies and SDR	-	-	-	**(735,825,612)**	-	**(735,825,612)**
Total Comprehensive Income for the year	-	-	-	**437,642,858**	-	**437,642,858**
Transfer to Special Reserve Fund	-	-	**179,254,664**	**(179,254,664)**	-	-
Transfer to General Reserve Fund	-	**38,758,229**	-	**(38,758,229)**	-	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	**(219,629,965)**	-	**(219,629,965)**
Balance at 30 June 2011	**1,000,000,000**	**1,495,281,998**	**16,199,306,406**	**-**	**1,682,286,246**	**20,376,874,650**

BANK OF MAURITIUS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Rs	2010 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operating Activities	26	**15,705,774,468**	12,021,325,062
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in Other Balances and Placements		**(12,036,523,311)**	20,286,686,777
Change in Investment in Government Securities		**(3,929,659,515)**	(1,345,778,284)
Additions to Intangible Assets		**(15,332,243)**	(23,173,264)
Acquisition of Property, Plant and Equipment		**(62,782,770)**	(41,295,290)
Acquisition of Other Investment		**(152,764,000)**	-
Proceeds from Sale of Property, Plant and Equipment		**717,222**	1,128,309
Dividend Received		**988,313**	900,687
Net Cash Generated from Investing Activities		**(16,195,356,304)**	18,878,468,935
CASH FLOWS FROM FINANCING ACTIVITIES			
Balance of net profits paid into the Consolidated Fund		**(61,544,270)**	(1,199,958,160)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(551,126,106)**	29,699,835,837
Cash and Cash Equivalents at 1 July		**56,962,848,210**	30,783,234,720
Effect of exchange rate fluctuations on Cash and Cash Equivalents		**179,254,664**	(3,520,222,347)
Cash and Cash Equivalents at 30 June	6	**56,590,976,768**	56,962,848,210

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. LEGAL FRAMEWORK

In terms of section 4 (2)(c) of the Bank of Mauritius Act 2004 (the "Act"), 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 financial statements to the Minister of Finance who lays a copy thereof before the National Assembly.

The primary objective of the Bank is 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 Mauritian 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 Act, 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 of Mauritius. 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 Act, 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 11(2) shall, subject to subsection 11(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 11(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 Act, no allocation under subsection 11(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.

2. BASIS OF PREPARATION

(a) Statement of Compliance

In terms of section 31(1) of the Act, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to central banks and best international practices. In line with best practices, the Bank has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- the liability for defined benefit obligations is recognised as the present value of defined obligations less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(c) Functional and Presentation Currency

These financial statements are presented in Mauritian Rupee ("Rs"), which is the Bank's functional currency.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are described in Note 4.

2. BASIS OF PREPARATION (CONT'D)

(e) New Standards and Amendments not yet effective for 2011

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2011, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Bank, with the exception of:

(i) IFRS 9: Financial Instruments

IFRS 9 will be adopted by the Bank for the first time for its financial reporting period ending 30 June 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements of the Bank has not yet been estimated.

2. BASIS OF PREPARATION (CONT'D)

(e) New Standards and Amendments not yet effective for 2011 (Cont'd)

(ii) Additions to IFRS 9: Financial Instruments

The additions to IFRS 9 will be adopted by the Bank for the first time for its financial reporting period ending 30 June 2014. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The impact on the financial statements for the Bank has not yet been estimated.

3. ACCOUNTING POLICIES

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

(a) Financial Instruments

(i) *Initial Recognition*

The Bank recognises all financial instruments on its Statement of Financial Position 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.

(ii) *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.

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

(a) Financial Instruments (Cont'd)

(ii) *Classification (Cont'd)*

These may include certain investments, certain purchased loans and derivative financial instruments. The Bank's Foreign Investment, Other Unquoted Investments and Investment in Government Securities fall under 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 of Cash and Cash Equivalents (excluding Gold Deposits), Deposit Accounts, loans and advances to commercial banks or other financial institutions under Special Lines of Credit and certain Other Assets of the Bank.

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 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.

Disclosure about Financial Instruments is provided in Note 29.

(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.

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

Loans and Advances and non-trading financial liabilities are measured at amortised cost using the straight line method.

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.

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

(iv) *Fair Value Measurement Principles*

The fair value of financial instruments is based on their quoted market price at the reporting 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 reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Investment in Gold

Gold is held by the Bank for reserve management purposes and it was previously classified as a financial asset under the category of *"Available-for-sale asset"* with all gains and losses on its revaluation recognised in Other Comprehensive Income.

In 2011, the Bank changed its accounting policy with respect to the classification and valuation of gold. With regard to the set characteristics of the monetary gold, the Bank considers that IFRS does not provide a reliable base for the reporting of this asset. Therefore, pursuant to the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Bank defines the recognition and valuation of the gold as a financial asset reported at fair value through profit or loss as the most reliable and appropriate base for a subsequent valuation of this financial asset. Accordingly, all gains and losses on revaluation of gold are recognised in the Statement of Comprehensive Income. Gold is valued at its full price ruling on the international market as from this year.

This change in accounting policy has been applied retrospectively. The effect of this change is that an amount of Rs863,833,293 representing fair value gain on gold in prior year ended 30 June 2010, has been reclassified from other comprehensive income to profit or loss. However, the change in accounting policy has not impacted on the total comprehensive income for 2010 nor on the balance of net profits payable into the Consolidated Fund in terms of Section 11(3) of the Bank of Mauritius Act 2004.

Government of Mauritius Treasury Bills

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

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, Bonds and MDLS with maturities ranging between two to twenty years which have been revalued using the discounted cash flow techniques, based on the latest market data available for theses instruments and other similar instruments as at the reporting date.

Bank of Mauritius Securities

Bank of Mauritius securities, which are issued for liquidity management, are measured at amortised cost using the straight line method.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(a) Financial Instruments (Cont'd)

(iv) *Fair Value Measurement Principles (Cont'd)*

Unquoted Investments

The Bank may, from time to time, hold financial instruments that are not quoted on active markets. Fair values of such instruments are determined by using valuation techniques including third party transaction values, earnings, net asset value, or discounted cash flows, whichever is considered to be appropriate. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

(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 Statement of Comprehensive Income 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 Statement of Comprehensive Income when the financial instrument is de-recognised or impaired and through the amortisation process.

(vi) *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.

(b) Computer Software

Under IAS 38-Intangible assets, Computer Software which does not form an integral part of computer hardware, is 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. Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date.

(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:

Buildings	-	2%
Furniture, Equipment, Fixtures and Fittings	-	10%
Computer Equipment, Cellular Phones and ICT Systems	-	$33\ ^{1}/_{3}\%$
Motor Vehicles	-	40% for 1st year then 20% for each of the three subsequent years

No depreciation is provided on freehold land and capital work in progress. Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date.

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

(d) Currency 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 Statement of Comprehensive Income when incurred.

(e) Employee Benefits

Defined Benefit Pension Plan

The present value of funded obligations is recognised in the Statement of Financial Position 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. Currently, the Bank employs the State Insurance Company of Mauritius Ltd as its actuary.

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.

State Pension Plan

Contribution to the National Pension Scheme is expensed to the Statement of Comprehensive Income in the period in which it falls 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 Statement of Comprehensive Income as other income when the right to receive payment is determined.

(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 reporting date. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). However, for the purpose of determining the net profits 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.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(h) Impairment

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

An impairment is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Any impairment is recognised in the Statement of Comprehensive Income.

(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 reclassified and restated 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 Bank through their best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting 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, whether individuals or other entities, 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.

4. USES OF ESTIMATES AND JUDGEMENT

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:

Key Sources of Estimation Uncertainty

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (a) (iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical Accounting Judgements in Applying the Bank's Accounting Policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of Financial Instruments

The Bank's accounting policy on fair value measurements is discussed under Note 3 (a) (iv).

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
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4. **USES OF ESTIMATES AND JUDGEMENT (CONT'D)**

Valuation of Financial Instruments (Cont'd)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2011	**Note**	**Level 1 Rs**	**Level 2 Rs**	**Level 3 Rs**	**Total Rs**
Financial Assets					
Gold Deposits	6	**5,400,780,730**	-	-	**5,400,780,730**
Foreign Investments	7	-	**20,016,268,269**	-	**20,016,268,269**
Other Investments	8	-	-	**160,363,091**	**160,363,091**
Investment in Government Securities	10	-	**5,756,781,889**	-	**5,756,781,889**
		5,400,780,730	**25,773,050,158**	**160,363,091**	**31,334,193,979**
Financial Liabilities					
Bank of Mauritius Securities	15	-	**10,461,795,182**	-	**10,461,795,182**
2010					
Gold Deposits	6	4,485,730,688	-	-	4,485,730,688
Foreign Investments	7	-	12,000,657,540	-	12,000,657,540
Other Investments	8	-	-	20,117,849	20,117,849
Investment in Government Securities	10	-	1,827,122,374	-	1,827,122,374
		4,485,730,688	13,827,779,914	20,117,849	18,333,628,451
Financial Liabilities					
Bank of Mauritius Securities	15	-	943,400	-	943,400

4. USES OF ESTIMATES AND JUDGEMENT (CONT'D)

There have been no transfers during the year between levels 1 and 2. A reconciliation of fair value measurements in level 3 is set out below:

	Equity Securities Rs
Opening balance at 1 July 2010	**20,117,849**
Addition during the year	**152,764,000**
Change in fair value	**(12,518,758)**
Closing balance at 30 June 2011	**160,363,091**

Financial Asset and Liability Classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as *Held-for-Trading*, the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3 (a) (ii).

- In designating financial assets or liabilities at FVTPL, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 3 (a) (ii).

- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3 (a) (ii).

Details of the Bank's classification of financial assets and liabilities are given in Note 29 (b).

4. USES OF ESTIMATES AND JUDGEMENT (CONT'D)

Determination of Functional Currency

Functional currency is the currency of the primary economic environment in which the Bank operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management has determined that the functional currency of the Bank is Mauritian Rupees ("Rs"). The majority of the Bank's operating expenses and liabilities are denominated in Mauritian Rupees.

5. CAPITAL AND RESERVES

Stated and Paid up 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 of Mauritius (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.

As per section 47 (2) of the Bank of Mauritius Act 2004, neither net gains nor net 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 shall be included in the computation of annual income of the Bank.

Other Reserves

Other Reserves are reserves that have been carried forward from previous years. They include Reserve for Contingencies of Rs 482,286,246 (2010: Rs 482,286,246) and Reserve for Open Market Operations of Rs 1,200,000,000 (2010: Rs 1,200,000,000).

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. CASH AND CASH EQUIVALENTS

	2011 Rs	2010 Rs
Deposit Accounts	**40,037,634,911**	34,065,939,011
Special Drawing Rights (SDR)	**4,540,854,570**	4,691,231,171
Repurchase Agreement	**3,040,425,120**	4,198,279,920
Current Accounts	**3,491,285,905**	9,365,528,742
Foreign Currency Notes and Coins	**2,104,431**	1,585,899
Gold Deposits	**5,400,780,730**	4,485,730,688
Foreign Liquid Securities	**77,891,101**	154,552,779
	56,590,976,768	56,962,848,210

7. OTHER BALANCES AND PLACEMENTS

	2011 Rs	2010 Rs
Foreign Investments	**20,016,268,269**	12,000,657,540
Deposit Accounts	**4,087,887,420**	66,974,838
	24,104,155,689	12,067,632,378

Foreign Investments represent funds outsourced to Fund Managers and comprise investments in cash, securities and bonds.

8. OTHER INVESTMENTS

	2011 Rs	2010 Rs
Unquoted Investments	**160,363,091**	20,117,849

(i) Basis of valuation

Unquoted Investments have been valued on the basis of the latest available prices in respect of the investee entities.

(ii) Impairment

The Bank considers that the carrying values of the unquoted investments approximate their fair values.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

9. LOANS AND ADVANCES

	2011	2010
	Rs	Rs
Special Line of Credit – Sugar Industry	**133,542,564**	267,693,924
Special Line of Credit – National Equity Fund	**30,336,645**	50,508,260
Special Line of Credit in Foreign Currency	**28,468,400**	95,632,800
Others	**12,331,370**	12,494,351
	204,678,979	426,329,335

Advances under Special Lines of Credit are granted to banks and other financial institutions to support the economic development of the country. Advances under the Special Lines of Credit are guaranteed/collateralised and are at variable interest rates.

10. INVESTMENT IN GOVERNMENT SECURITIES

	2011	2010
	Rs	Rs
Government of Mauritius Treasury Bills	**3,886,703,162**	1,528,506,526
Other Government Securities	**1,870,078,727**	298,615,848
	5,756,781,889	1,827,122,374

11. COMPUTER SOFTWARE

	Rs
COST	
At 1 July 2009	83,818,995
Additions	23,173,264
At 30 June 2010	106,992,259
Additions	15,332,243
At 30 JUNE 2011	**122,324,502**
AMORTISATION	
At 1 July 2009	83,751,520
Charge for the year	7,782,824
At 30 June 2010	91,534,344
Charge for the year	12,833,885
At 30 JUNE 2011	**104,368,229**
NET BOOK VALUE	
At 30 JUNE 2011	**17,956,273**
At 30 June 2010	15,457,915

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

12. **PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs
COST						
At 1 July 2009	1,511,696,728	-	677,222,703	55,626,266	21,415,423	2,265,961,120
Additions	-	26,010,875	7,094,508	457,708	7,732,200	41,295,291
Transfers	24,505,064	(26,010,875)	1,505,811	-	-	-
Disposals	-	-	(973,567)	(500,333)	(2,621,000)	(4,094,900)
At 30 June 2010	1,536,201,792	-	684,849,455	55,583,641	26,526,623	2,303,161,511
Additions	190,000	862,500	6,050,937	55,679,333	-	62,782,770
Transfers	-	-	(92,550)	92,550	-	-
Disposals	-	-	(12,332,947)	-	-	(12,332,947)
At 30 June 2011	**1,536,391,792**	**862,500**	**678,474,895**	**111,355,524**	**26,526,623**	**2,353,611,334**
DEPRECIATION						
At 1 July 2009	63,935,298	-	184,087,543	44,191,354	14,110,883	306,325,078
Charge for the year	28,138,035	-	65,965,689	5,816,443	6,734,059	106,654,226
Disposals	-	-	(918,024)	(488,843)	(2,619,000)	(4,025,867)
At 30 June 2010	92,073,333	-	249,135,208	49,518,954	18,225,942	408,953,437
Charge for the year	28,138,035	-	64,349,107	20,795,702	4,489,504	117,772,348
Transfers	-	-	(37,180)	37,180	-	-
Disposals	-	-	(12,305,959)	-	-	(12,305,959)
At 30 June 2011	**120,211,368**	**-**	**301,141,176**	**70,351,836**	**22,715,446**	**514,419,826**
NET BOOK VALUE						
At 30 June 2011	**1,416,180,424**	**862,500**	**377,333,719**	**41,003,688**	**3,811,177**	**1,839,191,508**
At 30 June 2010	1,444,128,459	-	435,714,247	6,064,687	8,300,681	1,894,208,074

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

13. OTHER ASSETS

	2011 Rs	2010 Rs
Net cheques to be cleared	**69,895,527**	83,444,219
Staff Loans	**99,890,731**	82,480,740
Prepayments	**19,677,562**	1,879,010
Dodo Gold Coins with Banks	**12,996,150**	12,942,150
Interest Receivable	**31,202,285**	9,913,421
Others	**8,629,386**	7,997,723
	242,291,641	198,657,263

Net cheques to be cleared are cheques collected and outstanding at close of business and which would be cleared on the next working day.

14. CURRENCY IN CIRCULATION

	2011 Rs	2010 Rs
Notes issued		
Face value		
2,000	**1,136,470,000**	1,068,508,000
1,000	**13,573,590,000**	12,099,362,000
500	**2,285,115,000**	2,155,409,000
200	**1,367,531,600**	1,316,015,200
100	**1,009,760,400**	957,703,500
50	**246,410,300**	236,921,200
25	**169,759,200**	174,879,725
Demonetised Notes	**218,962,420**	219,608,770
Total	**20,007,598,920**	18,228,407,395
Coins issued		
Face value		
20 rupees	**131,573,060**	128,565,620
10 rupees	**223,785,140**	217,065,140
5 rupees	**100,633,940**	95,266,890
1 rupee	**124,682,928**	118,082,922
50 cents	**28,895,255**	27,834,886
25 cents **	**6,344,110**	6,346,297
20 cents	**37,428,722**	35,544,476
10 cents **	**2,427,091**	2,427,511
5 cents	**8,940,022**	8,411,031
2 cents **	**330,517**	330,517
1 cent	**222,675**	222,071
Others***	**21,875,319**	21,568,063
Total	**687,138,779**	661,665,424
Total face value of Notes and Coins in Circulation	**20,694,737,699**	18,890,072,819

** These denominations have ceased to be issued by the Bank.
*** Others include Gold Coins and Commemorative Coins.

BANK OF MAURITIUS
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15. BANK OF MAURITIUS SECURITIES

	2011 Rs	2010 Rs
Bank of Mauritius Savings Bonds	**940,900**	943,400
Bank of Mauritius Bills	**4,403,656,213**	-
Bank of Mauritius Notes	**6,057,198,069**	-
	10,461,795,182	943,400

16. PROVISIONS

	2011 Rs	2010 Rs
Balance at 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.

17. EMPLOYEE BENEFITS

Amounts recognised in the Statement of Financial Position:

	2011 Rs	2010 Rs
Defined Benefit Plan (Note (a))	**81,618,086**	60,794,701
Short Term Employee Benefits (Note (b))	**81,407,275**	74,237,083
	163,025,361	135,031,784

(a) Defined Benefit Plan

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

The report dated 30 June 2011 submitted by The State Insurance Company of Mauritius Ltd is produced hereunder.

Amounts recognised in the Statement of Comprehensive Income:

	2011 Rs	2010 Rs
Current Service Cost	**14,630,184**	13,942,475
Employee Contributions	**(9,282,988)**	-
Scheme Expenses	**577,950**	585,973
Interest Costs	**63,636,066**	45,447,436
Expected Return on Plan Assets	**(35,823,722)**	(32,383,572)
Actuarial Loss	**6,800,919**	1,152,263
Net Periodic Pension Cost included in Staff Costs	**40,538,409**	28,744,575
Actual Return on Plan Assets	**24,997,259**	30,298,787

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(a) Defined Benefit Plan (Cont'd)

Movements in liability recognised in the Statement of Financial Position:

	2011	2010
	Rs	Rs
At 1 July	**60,794,701**	51,582,553
Total Expenses as per above	**40,538,409**	28,744,575
Bank of Mauritius share of pension(topping-up)	**(100,510)**	-
Employer Contributions	**(19,614,514)**	(19,532,427)
At 30 June	**81,618,086**	60,794,701

Movements in the present value of the Defined Benefit Obligations in the current period were as follows:

	2011	2010
	Rs	Rs
At 1 July	**(606,057,773)**	(432,832,723)
Current Service Cost	**(14,630,184)**	(23,711,469)
Interest Cost	**(63,636,066)**	(45,447,436)
Actuarial Losses	**(75,153,694)**	(148,099,433)
Benefits Paid	**56,943,121**	44,033,288
At 30 June	**(702,534,596)**	(606,057,773)

Movements in the present value of the Plan Assets in the current period were as follows:

	2011	2010
	Rs	Rs
At 1 July	**355,439,835**	316,073,892
Expected Return on Plan Assets	**35,823,722**	32,383,572
Actuarial (Losses)/Gains	**(10,826,463)**	22,300,211
Contributions from the Employer	**19,614,514**	19,532,427
Employee Contributions	**9,282,988**	9,768,994
Benefits Paid	**(56,842,611)**	(44,033,288)
Scheme Expenses	**(577,950)**	(585,973)
At 30 June	**351,914,035**	355,439,835

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
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17. **EMPLOYEE BENEFITS (CONT'D)**

(a) Defined Benefit Plan (Cont'd)

The major categories of plan assets at the reporting date are as follows:

	30 June 2011	30 June 2010
	%	%
Major categories of Plan Assets		
Local Equities	**25**	23
Overseas Equities and Bonds	**14**	20
Fixed Interest	**60**	56
Others	**1**	1
Expected return on Plan Assets	**10.5**	10.5

Amounts recognised in the Statement of Financial Position:

	2011	2010
	Rs	Rs
Total Market Value of Assets	**351,914,035**	355,439,835
Present Value of Plan Liabilities	**(702,534,596)**	(606,057,773)
Deficit	**(350,620,561)**	(250,617,938)
Unrecognised Actuarial Losses	**269,002,475**	189,823,237
	(81,618,086)	(60,794,701)

The overall expected rate of return on Plan Assets is determined by reference to market yields on bonds and expected yields differences on other types of assets held based on historical return trends.

The actual return on plan assets was Rs25 million (2010: Rs 30.3 million).

The history of experience adjustments is as follows:-

	2011	**2010**	2009	2008
	Rs	**Rs**	Rs	Rs
Present value of defined benefit obligation	**(702,534,596)**	(606,057,773)	(432,832,723)	(398,452,950)
Fair value of plan assets	**351,914,035**	355,439,835	316,073,892	350,244,006
Deficit	**(350,620,561)**	(250,617,938)	(116,758,831)	(48,208,944)
Experience (losses)/gains on plan liabilities	**(75,153,694)**	(148,099,433)	(1,915,050)	37,256,478
Experience (losses)/gains on plan assets	**(10,826,463)**	22,300,211	(69,443,065)	12,849,293

The Bank expects to make a contribution of Rs17.4 million to the defined benefit plans during the next financial year. This estimate may be amended by the Bank of Mauritius on the basis of availability of more accurate information.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(a) Defined Benefit Plan (Cont'd)

The principal actuarial assumptions used for accounting purposes were:

	2011 & 2010
Discount Rate	10.5%
Expected Return on Plan Assets	10.5%
Future Long-term Salary Increases	7.5%
Post Retirement Mortality Tables Increases	5.5%

(b) Short Term Employee Benefits

	2011	2010
	Rs	Rs
Provision for Annual and Sick Leaves	**51,633,651**	47,635,862
Provision for Passage Benefits	**29,773,624**	26,601,221
	81,407,275	74,237,083

An amount of Rs8,472,007 representing the increase in provision for the year has been recognised in the Statement of Comprehensive Income.

(c) Defined Contribution Pension Fund

	2011	2010
	Rs	Rs
Contributions Expensed (Note 22)	**19,381,583**	25,124,055

(d) State Pension Plan

	2011	2010
	Rs	Rs
National Pension Scheme Contributions Charged (Note 22)	**783,466**	726,000

18. **OTHER LIABILITIES**

	2011	2010
	Rs	Rs
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	**219,629,965**	61,544,270
Suppliers' Credits	**216,476,593**	454,589,392
Special Deposits	-	2,000,000,000
Abandoned Funds from Financial Institutions	**352,335,623**	285,807,529
Interests and Charges Payable	**104,812,882**	9,585,971
Foreign Bills sent for Collection	**25,013**	141,930
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	**164,200**	169,200
Staff Salaries and Other Benefits Payable	-	23,189,831
Special Drawing Rights (SDR) (Note 32)	**3,686,291,451**	3,999,369,638
Others	**18,124**	(9,312,800)
	4,579,753,851	6,825,084,961

BANK OF MAURITIUS
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FOR THE YEAR ENDED 30 JUNE 2011

19. INCOME FROM FINANCIAL ASSETS

(a) Interest and Similar Income on Foreign Assets

	2011	2010
	Rs	Rs
Deposit Accounts	**542,321,399**	432,448,456
Fixed Income	**134,741,804**	405,121,528
Special Drawing Rights	**18,178,998**	10,203,096
Repurchase Agreements	**7,905,236**	4,246,565
Current Accounts	**27,282,264**	13,964,537
	730,429,701	865,984,182

(b) Interest and Similar Income on Domestic Assets

	2011	2010
	Rs	Rs
Loans and Advances		
Special Line of Credit - Sugar Industry	**19,088,744**	15,753,858
Loans and Advances to Banks/Government	**5,588,473**	16,438,785
Special Line of Credit – National Equity Fund	**2,832,237**	4,043,326
	27,509,454	36,235,969
Other Government Securities	**27,742,724**	2,334,301
Other Loans	**2,793,543**	2,053,506
	58,045,721	40,623,776

(c) Others

	2011	2010
	Rs	Rs
Revaluation of Government Securities	**187,636,477**	20,217,204
Profit on Sale of Government of Mauritius Treasury Bills – Secondary Market Cell	**2,951,360**	15,929,948
Dividend and other income	**1,003,155**	900,687
Loss on Sale of Industrial Gold and Dodo Gold Coins	**(1,318,470)**	(1,655,035)
Profit on Issue of Mauritius Commemorative Coins	**2,608,700**	4,065,417
Profit on Sale of Coins	**10,089,867**	4,727
	202,971,089	39,462,948

Total Income from Financial Assets	**991,446,511**	946,070,906

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

20. OTHER INCOME

	2011 Rs	2010 Rs
Processing and Licence Fees	**41,156,921**	40,894,531
MACSS & MCIB Fees	**12,890,307**	9,895,167
Commissions	**529,354**	757,532
Rent	**24,600**	30,350
Profit on Sale of Fixed Assets	**690,234**	1,059,279
	55,291,416	52,636,859

21. INTEREST EXPENSE AND SIMILAR CHARGES

	2011 Rs	2010 Rs
Government of Mauritius Accounts	**680,139**	196,043,941

22. STAFF SALARIES AND OTHER BENEFITS

	2011 Rs	2010 Rs
Staff Salaries and Allowances	**213,548,138**	211,377,258
Staff Salaries and Allowances Payable	-	23,189,831
Pension Cost	**19,381,583**	25,124,055
Staff Family Protection Scheme	**7,644,621**	21,274,249
National Savings Fund	**783,466**	726,000
	241,357,808	281,691,393

The amount of Rs213,548,138 includes an increase in provision for short term employee benefits amounting to Rs8,472,007 (see Note 17(b)).

23. DIRECTORS' REMUNERATION

	2011 Rs	2010 Rs
Governor	**7,556,370**	3,140,392
Deputy Governors (2)	**12,703,370**	3,831,146
Other Directors (6)	**2,010,000**	2,160,000
Salaries and Allowances Payable	-	11,300,000
	22,269,740	20,431,538

Directors are paid a monthly fee of Rs 30,000. Directors who are also members of the Monetary Policy Committee are, in addition, paid a fee of Rs 20,000 per month.

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

24. OTHER EXPENDITURE

	2011 Rs	2010 Rs
Stationery and Library	**2,409,805**	2,459,612
Postage, Telephone and Reuters	**12,967,655**	14,215,928
Others	**1,066,767**	443,253
	16,444,227	17,118,793

25. 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 conditions in the domestic foreign and money markets. As such, open market operations are broadly conducted through the issue of Bank of Mauritius securities, outright sale and purchase of Government securities, conduct of repurchase transactions, special deposit facility and intervention in the domestic foreign exchange market to smooth out any unwarranted volatilities in the rupee exchange rate and improve the functioning of these markets.

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 with change of ownership of the portfolio of bills given as collateral.

26. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	2011 Rs	2010 Rs Restated
Net Profit for the Year	**1,173,468,470**	936,238,316
Adjustments for:		
Non-Cash Increase in Employee Benefits	**27,993,577**	20,082,879
Amortisation of Intangible Assets	**12,833,885**	7,782,824
Depreciation of Property, Plant and Equipment	**117,772,349**	106,654,226
Profit on Sale of Property, Plant and Equipment	**(690,234)**	(1,059,279)
Dividend Received	**(988,313)**	(900,687)
Fair Value Decrease on Other Investments	**12,518,758**	168,810
Gain on Financial Instruments at Fair Value Through Profit or Loss	**(915,080,276)**	(863,833,293)
Operating Profit Before Working Capital Changes	**427,828,216**	205,133,796
Change in Interest Receivable	**(10,430,185)**	104,747,735
Change in Loans and Advances	**221,650,356**	91,088,205
Change in Other Assets	**(43,634,378)**	(416,452)
Change in Notes and Coins in Circulation	**1,804,664,880**	1,704,973,195
Change in Government Demand Deposits	**(161,643,216)**	(313,115,894)
Change in Banks' Demand Deposits	**4,998,765,998**	3,811,515,804
Change in Other Financial Institutions' Demand Deposits	**44,183,800**	5,718,582
Change in Other Demand Deposits	**366,954,021**	28,109,079
Change in Bank of Mauritius Instruments	**10,460,851,782**	-
Change in Other Liabilities	**(2,403,416,806)**	6,383,571,012
Net Cash Generated From Operating Activities	**15,705,774,468**	12,021,325,062

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
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27. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2011 is as follows:

Capital Subscription in the African Export - Import Bank

The Bank has a commitment to pay on call USD 918,000 for capital subscription in the African Export-Import Bank. This amount has not been accounted for as a liability in the financial statements.

There was no other contingent liability that existed at 30 June 2011.

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
New Staff Quarters - Rodrigues	24,000	96,000	384,000	504,000
New Office Building - Rodrigues	100	400	1,600	2,100
Archiving - Plaine-Lauzun DBM	100,242	-	-	100,242
Fallback Site – Cyber Tower	807,507	3,892,184	-	4,699,691
Others	250,000	30,000	-	280,000
	1,181,849	**4,018,584**	**385,600**	**5,586,033**

An amount of Rs 1,317,664 (2010: Rs1,030,650) has been expensed in the Statement of Comprehensive Income for the year.

29. FINANCIAL INSTRUMENTS

(a) 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 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 and preservation of capital are the prime considerations in order to achieve its prime objectives.

The internal controls and risk management processes are audited regularly by the Internal Audit Division which submits its report to the Audit Committee of the Bank.

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

(b) Categories of financial instruments

	2011	2010
	Rs	Rs
Financial Assets		
Fair value through profit or loss (FVTPL)	**31,334,193,979**	18,333,628,450
Loans and receivables	**55,688,609,432**	53,127,085,650
	87,022,803,411	71,460,714,100

	2011	2010
	Rs	Rs
Financial Liabilities		
Fair value through profit or loss (FVTPL)	**-**	943,400
Amortised cost	**47,643,490,943**	34,178,649,351
	47,643,490,943	34,179,592,751

(c) 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 reporting 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 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. Credit risk also arises when the Bank provides liquidity to financial institutions through open market operations as part of monetary policy implementation.

(i) *Concentration of Credit Exposure by Geographical Area*

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

	2011	2010
	Rs	Rs
Mauritius	**6,107,823,123**	2,360,481,212
USA	**10,452,886,658**	8,893,091,183
United Kingdom	**5,607,862,397**	4,948,336,986
Europe	**64,597,079,336**	55,071,770,183
Others	**257,151,897**	187,034,536
	87,022,803,411	71,460,714,100

BANK OF MAURITIUS
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FOR THE YEAR ENDED 30 JUNE 2011

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

(c) Credit Risk (Cont'd)

(ii) *Concentrations of Credit Exposure by Counterparty Types*

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

	2011	2010
	Rs	Rs
Government	**8,906,300,395**	6,189,868,493
Supranational Financial Institutions	**7,408,473,115**	4,691,231,170
Foreign Banks and Financial Institutions	**70,370,169,861**	60,036,051,170
Other	**337,860,040**	543,563,267
	87,022,803,411	71,460,714,100

(iii) *Credit Exposure by Credit Rating*

The following table presents the credit ratings of respective financial assets based on the ratings of Moody's. The Bank's investment in the shares of Afreximbank and SWIFT which typically do not obtain ratings and in Gold are denoted as NR (Not Rated). The Bank's investments with foreign central banks are presented separately.

	Credit Rating	**2011 Rs**	**%**	2010 Rs	**%**
Cash & Cash Equivalents	Central Banks	**51,188,791,693**	**63.26**	52,474,089,040	75.94
	Aa3	**1,216,489**	**0.00**	1,315,807	0.00
	Aa2	**-**	**-**	19,482	0.00
	Baa2	**168,659**	**0.00**	107,294	0.00
	NR	**5,400,799,928**	**6.67**	4,487,316,587	6.49
Other Balances and Placements	Central Banks	**24,104,155,689**	**29.79**	12,067,632,378	17.46
Interest Receivable	Central Banks	**55,862,414**	**0.07**	47,282,946	0.07
	Aa3	**1,328**	**0.00**	1,186	0.00
	Aa2	**-**	**-**	18	0.00
	Baa2	**184**	**0.00**	97	0.00
	NR	**5,893,902**	**0.01**	4,043,396	0.01
Other Investments	NR	**160,363,091**	**0.20**	20,117,849	0.03
Total External Assets		**80,917,253,377**	**100.00**	69,101,926,080	100.00

BANK OF MAURITIUS
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29. **FINANCIAL INSTRUMENTS (CONT'D)**

(c) Credit Risk (Cont'd)

(iii) *Credit Exposure by Credit Rating (Cont'd)*

	Credit Rating	2011 Rs	%	2010 Rs	%
Loans and Advances	Aa3	**29,160,609**	**0.48**	59,591,231	2.53
	Baa2	**104,381,955**	**1.71**	208,102,693	8.82
	NR	**71,136,415**	**1.17**	158,635,411	6.73
Investment in Government Securities	NR	**5,756,781,889**	**94.28**	1,827,122,374	77.45
Other Assets	NR	**144,089,166**	**2.36**	105,336,311	4.47
Total Domestic Financial Assets		**6,105,550,034**	**100.00**	2,358,788,020	100.00

	Credit Rating	2011 Rs	%	2010 Rs	%
Summary by Major Credit Category					
External Assets	Central Banks	**75,348,809,796**	**93.12**	64,589,004,364	93.47
	Aa3	**1,217,817**	**0.00**	1,316,993	0.00
	Aa2	**-**	**-**	19,500	0.00
	Baa2	**168,843**	**0.00**	107,391	0.00
	NR	**5,567,056,921**	**6.88**	4,511,477,832	6.53
Total External Assets		**80,917,253,377**	**100.00**	69,101,926,080	100.00
Local Financial Assets	Aa3	**29,160,609**	**0.48**	59,591,231	2.53
	Baa2	**104,381,955**	**1.71**	208,102,693	8.82
	NR	**5,972,007,470**	**97.81**	2,091,094,096	88.65
Total Domestic Financial Assets		**6,105,550,034**	**100.00**	2,358,788,020	100.00
Total Financial Assets		**87,022,803,411**		71,460,714,100	

(d) 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 obligation. 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 after applying a haircut.

The Bank manages liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they arise, 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 2011

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

(d) Liquidity Risk (Cont'd)

The table below shows the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, net of interest receivable or payable on interest bearing non-derivative financial instruments.

Maturity Analysis

At 30 JUNE 2011	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
Non Derivative Financial Assets							
Foreign Assets	52,106,158,642	4,062,221,227	-	24,588,510,416	-	160,363,092	80,917,253,377
Loans and Advances	60,861,994	28,041,229	40,687,732	24,018,987	51,069,037	-	204,678,979
Investment in Government Securities	920,137,389	1,331,413,118	799,921,389	883,057,694	1,500,897,843	321,354,456	5,756,781,889
Other Assets	31,202,286	-	-	12,996,150	51,649,141	48,241,589	144,089,166
Total Financial Assets	53,118,360,311	5,421,675,574	840,609,121	25,508,583,247	1,603,616,021	529,959,137	87,022,803,411
Non Derivative Financial Liabilities							
Demand Deposits	32,601,966,923	-	-	-	-	-	32,601,966,923
Bank of Mauritius Securities	3,106,619,247	82,849,651	-	1,215,128,215	6,057,198,069	-	10,461,795,182
Other Liabilities	436,106,559	-	-	104,812,882	4,038,809,397	-	4,579,728,838
Total Financial Liabilities	36,144,692,729	82,849,651	-	1,319,941,097	10,096,007,466	-	47,643,490,943
Net Liquidity Gap	16,973,667,582	5,338,825,923	840,609,121	24,188,642,150	(8,492,391,445)	529,959,137	39,379,312,468

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

At 30 JUNE 2010	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
Non Derivative Financial Assets							
Foreign Assets	52,322,843,970	31,925,536	35,150,015	12,000,657,540	4,691,231,171	20,117,848	69,101,926,080
Loans and Advances	128,785,492	33,443,240	48,989,239	38,737,803	176,373,561	-	426,329,335
Investment in Government Securities	90,809,226	57,541,360	30,834,964	1,353,425,230	294,511,594	-	1,827,122,374
Other Assets	9,913,421	-	-	12,942,150	36,301,235	46,179,505	105,336,311
Total Financial Assets	52,552,352,109	122,910,136	114,974,218	13,405,762,723	5,198,417,561	66,297,353	71,460,714,100
Non Derivative Financial Liabilities							
Demand Deposits	27,353,706,320	-	-	-	-	-	27,353,706,320
Bank of Mauritius Securities	943,400	-	-	-	-	-	943,400
Other Liabilities	2,477,949,644	61,544,270	-	-	4,285,279,917	169,200	6,824,943,031
Total Financial Liabilities	29,832,599,364	61,544,270	-	-	4,285,279,917	169,200	34,179,592,751
Net Liquidity Gap	22,719,752,745	61,365,866	114,974,218	13,405,762,723	913,137,644	66,128,153	37,281,121,349

The Bank did not have any derivative financial assets and liabilities at 30 June 2011 (2010: Nil)

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) 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 (f) 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 return within the constraints of liquidity and safety and these are effected through investments with sound financial institutions.

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

	Change in yield (basis points)	**Effect on Profit 2011**	Effect on Profit 2010
		Rs	Rs
Foreign Currency Portfolio	**+50**	**404,586,267**	345,509,630
	-50	**(290,926,938)**	(258,743,973)
Government Securities	**+50**	**(13,626,839)**	(5,913,124)
	-50	**11,139,732**	5,964,454

Government securities are marked to market in the Statement of Financial Position 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.

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29. FINANCIAL INSTRUMENTS (CONT'D)

(e) 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 2011							
Financial Assets							
Foreign Assets	52,036,910,790	4,056,543,712	-	24,588,466,547	-	235,332,328	80,917,253,377
Loans and Advances	60,861,993	28,041,229	40,687,732	24,018,987	38,737,668	12,331,370	204,678,979
Investment in Government Securities	920,137,389	1,331,413,118	799,921,389	883,057,694	1,822,252,299	-	5,756,781,889
Other Assets	-	-	-	-	99,890,732	44,198,434	144,089,166
Total Financial Assets	53,017,910,172	5,415,998,059	840,609,121	25,495,543,228	1,960,880,699	291,862,132	87,022,803,411
Financial Liabilities							
Demand Deposits	-	-	-	-	-	32,601,966,923	32,601,966,923
Bank of Mauritius Securities	3,106,619,247	82,849,651	-	1,215,128,215	6,057,198,069	-	10,461,795,182
Other Liabilities	-	-	-	-	-	4,579,728,838	4,579,728,838
Total Financial Liabilities	3,106,619,247	82,849,651	-	1,215,128,215	6,057,198,069	37,181,695,761	47,643,490,943
Interest Sensitivity Gap	49,911,290,925	5,333,148,408	840,609,121	24,280,415,013	(4,096,317,370)	(36,889,833,629)	39,379,312,468

BANK OF MAURITIUS
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FOR THE YEAR ENDED 30 JUNE 2011

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) 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 2010							
Financial Assets							
Foreign Assets	52,187,646,665	31,877,600	35,097,238	12,000,657,540	4,691,231,171	155,415,866	69,101,926,080
Loans and Advances	128,785,492	33,443,240	48,989,239	38,737,803	176,373,561	-	426,329,335
Investment in Government Securities	90,809,226	57,541,360	30,834,964	1,353,425,230	294,511,594	-	1,827,122,374
Other Assets	-	-	-	-	82,480,740	22,855,571	105,336,311
Total Financial Assets	52,407,241,383	122,862,200	114,921,441	13,392,820,573	5,244,597,066	178,271,437	71,460,714,100
Financial Liabilities							
Demand Deposits	-	-	-	-	-	27,353,706,320	27,353,706,320
Bank of Mauritius Securities	943,400	-	-	-	-	-	943,400
Other Liabilities	2,000,000,000	-	-	-	-	4,824,943,031	6,824,943,031
Total Financial Liabilities	2,000,943,400	-	-	-	-	32,178,649,351	34,179,592,751
Interest Sensitivity Gap	50,406,297,983	122,862,200	114,921,441	13,392,820,573	5,244,597,066	(32,000,377,914)	37,281,121,349

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

(e) Interest Rate Risk (Cont'd)

Effective Interest Rates

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 3.00% p.a. to 8.90% p.a. (2010: 4.50% p.a. to 6.50% p.a.) and from 0% p.a. to 4.50% p.a. (2010: 0% p.a. to 4.50% p.a.) for foreign currency denominated assets.

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 4.50% p.a. to 6.00% p.a. (2010: 4.50% p.a. to 7.00% p.a.) and from 0% p.a. to 0.27% p.a. (2010: 0% p.a. to 0.20% p.a.) for liabilities denominated in foreign currencies.

(f) 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 deposit accounts maintained by its customers.

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

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:

	2011	2010
	Rs	Rs
SDR Basket	**56,358,027,314**	50,141,335,425
Non SDR Basket	**24,559,226,063**	18,960,590,655
	80,917,253,377	69,101,926,080

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.

	Change in MUR Exchange Rate	**Effect on Equity 2011 Rs**	Effect on Equity 2010 Rs
Foreign Currency Portfolio	**+50 cents**	**1,493,746,832**	1,211,786,551
	-50 cents	**(1,493,746,832)**	(1,211,787,809)

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29. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair Values and Carrying Amounts

The fair values of the financial assets and financial liabilities approximate their carrying amounts at the reporting date.

(h) Significant Accounting Policies

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

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 10, 18, 19 and 21 to the financial statements.

Emoluments payable to Directors are disclosed in Note 23 as per their terms of appointment.

The Bank contributes for the post retirement benefits of its employees as disclosed in Note 17(c), including for the First Deputy Governor. The contribution of Rs1,141,668 includes arrears for the years 2008 to 2010 for the First Deputy Governor (2010: Rs304,874).

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

As a member of IMF, Mauritius was initially allocated an amount of SDR 15,744,000. In August 2009, the IMF Board of Governors approved an additional allocation of Special Drawing Rights to member countries. Accordingly, a total amount of SDR 81,061,549 was allocated to Mauritius, bringing the total holdings to SDR 96,805,549. The Fund charges the Bank on the SDR allocations and also remunerates it on the SDR holdings on a quarterly basis. IMF charges for the current year amounted to Rs14,823,134 (2010: Rs8,746,215).

The Bank maintains two current accounts and one securities account for the IMF. The IMF No 1 and No 2 current accounts appear in the Statement of Financial Position under the heading "Demand Deposits from other Financial Institutions". The securities account is not included in the Statement of Financial Position and is kept separately.

The Government of Mauritius has been participating in the IMF Quarterly Financial Transactions Plan. Participation in the plan entails the obligation to provide usable currencies in exchange for SDRs when designated, and accords the right to use SDRs in case of a balance of payment need.