



# NATIONAL AUDIT OFFICE

## REPORT OF THE DIRECTOR OF AUDIT

### TO THE BOARD OF THE

### EMPLOYEES WELFARE FUND

#### Report on the Audit of the Financial Statements

#### Opinion

I have audited the financial statements of the Employees Welfare Fund, which comprise the statement of financial position as at 30 June 2019 and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and the statement of comparison of budget for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Employees Welfare Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

#### Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report. I am independent of the Employees Welfare Fund in accordance with the INTOSAI Code of Ethics, together with the ethical requirements that are relevant to my audit of the financial statements in Mauritius, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined that there are no key audit matters to communicate in my report.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Employees Welfare Fund, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Employees Welfare Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Employees Welfare Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Employees Welfare Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Employees Welfare Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Employees Welfare Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

### ***Management's Responsibilities for Compliance***

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible to ensure that the Employees Welfare Fund's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.

### ***Auditor's Responsibilities***

In addition to the responsibility to express an opinion on the financial statements described above, I am also responsible to report to the Board whether:

- (a) I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit;
- (b) the Statutory Bodies (Accounts and Audit) Act and any directions of the Minister, in so far as they relate to the accounts, have been complied with;
- (c) in my opinion, and, as far as could be ascertained from my examination of the financial statements submitted to me, any expenditure incurred is of an extravagant or wasteful nature, judged by normal commercial practice and prudence;

- (d) in my opinion, the Employees Welfare Fund has been applying its resources and carrying out its operations fairly and economically; and
- (e) the provisions of Part V of the Public Procurement Act regarding the bidding process have been complied with.

I performed procedures, including the assessment of the risks of material non-compliance, to obtain audit evidence to discharge the above responsibilities.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

***Statutory Bodies (Accounts and Audit) Act***

I have obtained all information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit.

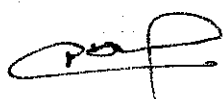
The Employees Welfare Fund has complied with the Statutory Bodies (Accounts and Audit) Act in so far as they relate to the accounts.

Based on my examination of the accounts of Employees Welfare Fund, nothing has come to my attention that indicates that:

- (a) any expenditure incurred was of an extravagant or wasteful nature, judged by normal commercial practice and prudence; and
- (b) the Fund has not applied its resources and carried out its operations fairly and economically.

***Public Procurement Act***

In my opinion, the provisions of Part V of the Act have been complied with as far as it appears from my examination of the relevant records.



**C. ROMOOAH**  
Director of Audit

National Audit Office  
Level 14,  
Air Mauritius Centre  
PORT LOUIS

21 December 2020

**Employees Welfare Fund**  
**STATEMENT OF FINANCIAL POSITION**  
*As at 30 June 2019*




		2018 / 2019	Restated 2017 / 2018
	Notes	<u>Rs</u>	<u>Rs</u>
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	11	260,410,442	179,381,969
Trade and other receivables	12	36,275,619	41,982,043
Loans and receivables	13	457,734,434	448,737,727
		<u>754,420,495</u>	<u>670,101,739</u>
<i>Non-current assets</i>			
Investment property	15	305,096,951	309,308,194
Loans and receivables	13	1,389,224,245	1,375,998,322
Fair value through surplus and deficit investments	13	25,361,398	25,826,060
Available for sale securities	16	331,113,104	349,816,766
Property, plant and equipment	17	89,769,131	92,076,438
Intangible asset	18	2,012,690	7,301,791
Other non-current assets	14	1,300,001	1,900,001
<i>Total non-current assets</i>		<u>2,143,877,520</u>	<u>2,162,227,572</u>
<i>Total assets</i>		<u>2,898,298,015</u>	<u>2,832,329,311</u>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables	19	16,066,713	15,667,470
Deferred revenue	20	604,565	532,953
Employee benefits obligation	21	279,440	277,821
<i>Total current liabilities</i>		<u>16,950,718</u>	<u>16,478,244</u>
<i>Non-current liabilities</i>			
Employee benefits obligation	21	18,877,021	18,423,933
In-house loan cover scheme	22	68,175,976	61,824,139
<i>Total non-current liabilities</i>		<u>87,052,997</u>	<u>80,248,072</u>
<i>Total liabilities</i>		<u>104,003,715</u>	<u>96,726,316</u>
<i>Net assets</i>		<u>2,794,294,300</u>	<u>2,735,602,995</u>
<b>NET ASSETS / EQUITY</b>			
<i>Capital and reserves</i>			
General fund	23	2,553,352,948	2,494,451,872
Reserves	24	240,941,352	241,151,123
<i>Total net assets / equity</i>		<u>2,794,294,300</u>	<u>2,735,602,995</u>

Approved by Board on 29 Oct 2020

  
 .....  
 Chairman



  
 .....  
 Board Member

**Employees Welfare Fund**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the year ended 30 June 2019



		<b>2018 / 2019</b>	<b>Restated 2017 / 2018</b>
	<b>Notes</b>	<b>Rs</b>	<b>Rs</b>
<b>Revenue</b>			
Interests	25	108,794,727	108,463,918
Investment revenue	26	6,293,287	6,692,060
Other revenue	27	31,016,707	28,997,262
<b>Total revenue</b>		<b>146,104,721</b>	<b>144,153,240</b>
<b>Expenses</b>			
Administrative expenses	28	18,911,639	19,218,762
Staff costs	29	21,059,650	20,112,023
Employee benefits expense	30	3,568,068	4,218,672
Depreciation	31	15,885,481	20,692,592
Provisions and write offs	32	7,564,904	11,058,846
Welfare activities expenses	33	239,817	5,943,559
<b>Total expenses</b>		<b>67,229,559</b>	<b>81,244,454</b>
<b>Surplus from operating activities</b>		<b>78,875,162</b>	<b>62,908,786</b>
<b>Other gains / (Losses)</b>			
Exchange differences on translating foreign operations	34	37,521	7,926
<b>Total gains/(losses)</b>		<b>37,521</b>	<b>7,926</b>
<b>Surplus for the year</b>		<b>78,912,683</b>	<b>62,916,712</b>

The notes from Pages 6 to 29 form an integral part of the financial statements.

**Employees Welfare Fund**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**For the year ended 30 June 2019**



	Notes	General fund <i>Rs</i>	Reserves			Total <i>Rs</i>
			Reserves <i>Rs</i>	Grants <i>Rs</i>	Total Reserves <i>Rs</i>	
<b>At 1 July 2017</b>		<b>2,416,500,240</b>	<b>241,151,123</b>	<b>-</b>	<b>241,151,123</b>	<b>2,657,651,363</b>
<b>Prior year adj on adoption of IPSAS 39 - Employee Benefits</b>		<b>(5,098,380)</b>				<b>(5,098,380)</b>
		<b>2,411,401,860</b>	<b>241,151,123</b>	<b>-</b>	<b>241,151,123</b>	<b>2,652,552,983</b>
Actuarial Gains (losses) on employee benefits obligation	21	1,544,162	-	-	-	1,544,162
Adjustment to General Fund	23	1,125,835	-	-	-	1,125,835
Revaluation Adjustments	24	-	-	-	-	-
Exchange differences on translating available for sale investment	34	2,358,132	-	-	-	2,358,132
Increase / (decrease) in fair value of investment securities	35	15,105,171	-	-	-	15,105,171
Net surplus/(deficit) for the year		62,916,712	-	-	-	62,916,712
<b>At 30 June 2018 - Restated</b>		<b>2,494,451,872</b>	<b>241,151,123</b>	<b>-</b>	<b>241,151,123</b>	<b>2,735,602,995</b>
<b>At 1 July 2018 - Restated</b>		<b>2,494,451,872</b>	<b>241,151,123</b>	<b>-</b>	<b>241,151,123</b>	<b>2,735,602,995</b>
Actuarial Gains (losses) on employee benefits obligation	21	(1,328,692)	-	-	-	(1,328,692)
Adjustment to General Fund	23	(129,254)	-	-	-	(129,254)
Revaluation Adjustments	24	150,000	(209,771)	-	(209,771)	(59,771)
Exchange differences on translating available for sale investment	34	4,303,229	-	-	-	4,303,229
Increase / (decrease) in fair value of investment securities	35	(23,006,890)	-	-	-	(23,006,890)
Net surplus/(deficit) for the year		78,912,683	-	-	-	78,912,683
<b>At 30 June 2019</b>		<b>2,553,352,948</b>	<b>240,941,352</b>	<b>-</b>	<b>240,941,352</b>	<b>2,794,294,300</b>

**Employees Welfare Fund**  
**STATEMENT OF CASH FLOW**  
For the year ended 30 June 2019



	2018 / 2019	Restated 2017 / 2018
	Rs	Rs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus for the year	78,912,683	62,916,712
<b>Non-cash movements</b>		
Depreciation	15,885,481	20,692,592
Provisions and Write offs	7,564,904	11,058,846
Employee benefits expense	64,718	705,764
(Gain)/ Loss on FVPL investment	1,058,142	3,215,695
Increase/(decrease) in Accrual in other income	(285,024)	-
Adjustment for sick leave and board member fees	-	-
Exchange (gain)/loss	(58)	(21,245)
Adjustment for accrued expenses	10,000	10,241
Adjustment for interest accrued	(1,614,833)	(2,000,479)
Other receivables decrease(increase)	1,050,925	(5,489,500)
Other payables (decrease)increase	370,096	(217,805)
<b>Net non-cash movements</b>	<b>24,104,351</b>	<b>27,954,109</b>
<b>Operating Activities</b>		
Loans repaid	501,773,477	503,445,508
Loans refunded (overpayment)	(2,208,526)	(2,974,601)
Loans disbursed	(527,792,362)	(546,185,362)
In-house loan cover	11,333,913	11,429,684
Employee Benefits	(1,048,811)	-
	<b>(17,942,309)</b>	<b>(34,284,771)</b>
<b>Net cash flows from operating activities</b>	<b>85,074,725</b>	<b>56,586,050</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant, property and equipment	(3,927,830)	(2,682,649)
Proceeds from investments	(593,422)	-
Disposal of Land	475,000	-
<b>Net cash flows from investing activities</b>	<b>(4,046,252)</b>	<b>(2,682,649)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>81,028,473</b>	<b>53,903,401</b>
Cash and cash equivalents at 1 July 2018	179,381,969	125,478,568
Cash and cash equivalents at 30 June 2019	260,410,442	179,381,969
	<b>81,028,473</b>	<b>53,903,401</b>

**Notes to the Cash Flow Statement**

*(a) Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand, balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2018 / 2019	Restated 2017 / 2018
	Rs	Rs
Cash in hand and balances with banks	260,410,442	179,381,969
	<b>260,410,442</b>	<b>179,381,969</b>

The entity has no undrawn borrowing facilities

*(b) Property, plant and equipment (PPE) and investment property*

During the period, the EWF acquired PPE and investment property with an aggregate cost of Rs3,669,079. Cash payments of Rs3,927,830 were made for the purchase PPE and investment property.



**Employees Welfare Fund**  
**STATEMENT OF COMPARISON OF BUDGET**  
For the year ended 30 June 2019



	Final Budget 2018/2019	Actual 2018/2019	Difference Final Budget and Actual	Reason for variance
	Rs	Rs	Rs	Notes
<b>REVENUE</b>				
Interest income	130,096,932	107,155,468	(22,941,464)	(i)
Investment income	6,947,100	7,351,429	404,329	
Other income	29,628,000	31,479,544	1,851,544	
<b>Total Revenue</b>	<b>166,672,032</b>	<b>145,986,441</b>	<b>(20,685,591)</b>	
<b>EXPENDITURE</b>				
Staff costs	(29,505,543)	(21,059,650)	8,445,893	(ii)
Fees to board members	(2,870,050)	(2,830,000)	40,050	
Electricity and telephone	(1,323,990)	(1,450,720)	(126,730)	
Legal and professional fees	(3,018,750)	(2,511,745)	507,005	
Repairs and insurance office and investment property	(9,195,876)	(9,173,687)	22,189	
Training and seminars	(2,160,000)	(125,561)	2,034,439	(iii)
Other administrative expenses	(12,237,800)	(2,580,503)	9,657,297	(iii)
<b>Total expenditure</b>	<b>(60,312,009)</b>	<b>(39,731,866)</b>	<b>20,580,143</b>	
<b>Surplus</b>	<b>106,360,023</b>	<b>106,254,575</b>	<b>(105,448)</b>	
<b>CAPITAL EXPENDITURE</b>				
Capital expenditure	(239,842,250)	(3,158,212)	236,684,038	(iv)
Loan schemes	(81,777,313)	(21,464,228)	60,313,085	(v)
Investment	115,000,000	(603,662)	(115,603,662)	(vi)
	<b>(206,619,563)</b>	<b>(25,226,102)</b>	<b>181,393,461</b>	
<b>Net Movement in Cash</b>	<b>(100,259,540)</b>	<b>81,028,473</b>	<b>181,288,013</b>	

**Notes**

(i) During the period 2018/19, the actual amount of loan disbursed was below the amount budgeted.

(ii) Recruitment of some posts for the period earmarked took more time than expected.

(iii) Some training/overseas mission and welfare activities could not be held and have been postponed for the next year.

(iv) Some of the projects initially earmarked for 2018/19 have been re-allocated as per revised targets and would be part of new corporate plan.

(v) There has been a reduction in demand of loans during the year 2018/19 as compared to previous trends which explains a reduction in the investment in loan schemes.

(vi) Since the demand for loans was below budgeted amount and there was no major capital project, the need for reallocating funds from investments did not arise, as initially budgeted

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## 1. CORPORATE INFORMATION

The Employees Welfare Fund (the Fund) is a corporate body established under the Employees Welfare Fund Act 1995 to manage the resources of the Fund and to operate schemes and projects for the welfare of employees and their families. The address of its registered office and principal place of business is 6<sup>th</sup> Floor, Moorgate House, Sir William Newton Street, Port Louis.

## 2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis as modified by the revaluation of land and buildings, investment properties, available-for-sale financial assets and other financial instruments which are stated at their fair values as disclosed in the accounting policies thereafter. The financial statements are presented in Mauritian rupees (MUR) and all values rounded to the nearest rupee.

The financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB).

At the date of authorisation of these financial statements, a number of new Standards and Interpretations were in issue but not yet effective. None of these is expected to have a significant effect on the financial statements of the Fund. The following Standards and Interpretations were issued but not yet effective:

IPSAS 40	-	Public Sector Combinations
IPSAS 41	-	Financial Instruments
IPSAS 42	-	Social Benefits

## 3. REPORTING PERIOD

The financial statements have been prepared for year ended 30 June 2019, which covers the period 1 July 2018 to 30 June 2019 with comparative information for year ended 30 June 2018.

## 4. ACCOUNTING POLICIES

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

### (a) **Foreign currency translation**

#### (i) **Functional and presentation currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ('the functional currency'). The financial statements are presented in 'currency' (Rs), which is the Fund's presentation currency.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through surplus or deficit are recognised in the Statement of Financial Performance as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in Statement of Changes in Net assets/ Equity.

### (b) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses.

Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Statement of Financial Performance as incurred.

Land acquired are mainly for operational use as per corporate plan or for its future development in line with objectives of the EWF act.

### *Depreciation*

Depreciation is calculated so as to write off the cost of the assets in use, on a straight line basis over their expected useful lives. Full depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. The annual depreciation rates used for the purpose are as follows:-

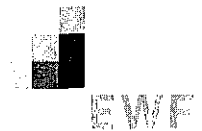
Plant and equipment	15 %
Electronic equipment	25 %
Furniture and fittings	10 %
Building - New Office	2 %
Computer equipment	33 1/3 %
Motor vehicles	20%
Service concession assets	15 %

Depreciation is not charged for Land acquired by Fund. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Financial Performance.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

## **(c) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is the fair value as at date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash generating unit level. Such intangible are not amortised. The useful life of an intangible asset with an indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The annual depreciation rates used for the purpose is 25 %

## **(d) Investment property**

Seaview Calodyne Lifestyle Resort (SCLR) formerly Calodyne Sur Mer Hotel at Grand Gaube is owned by the Fund and is classified as Investment Property. It is situated on land leased from Ministry of Housing and Land Use Planning. It is held mainly to earn rental income and/or for capital appreciation and is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are included in the surplus and deficit in the year in which they arise. Fair values are determined based by using open market value, i.e based on active market prices, significantly adjusted for difference in the nature, location and condition of the specific property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the Statement of Financial Performance in the period of derecognition.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



A decrease in carrying amount arising on revaluation of building is charged to Statement of Financial Performance to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that asset. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserves is transferred directly to retained earnings. Profit or loss arising on the disposal of land and buildings is the difference between sales proceeds and the carrying amount of the asset and is recognized in the Statement of Financial Performance.

Depreciation is calculated on the straight-line method to write off the cost of the Investment Property to their residual values over their estimated useful lives as follows:

Property –Building	2 %
Plant and equipment	15 %
Furniture and fittings	10 %
Sofa, bed and accessories	20 %
Computer equipment	33 1/3 %
Land is not depreciated	

During the period ended 30 June 2019, the hotel continued to be managed by EGML Ltd under a Hotel Management Agreement which started since March 2017.

The figure reported as at 30 June 2019 is considered to reflect its fair value as the last revaluation was done on the 30 June 2017 and since no major renovation was made during the year, that would have significant change in the value of assets.

## (e) Financial instruments

### 1. Offsetting of financial instruments

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

### 2. Financial assets

Financial assets are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as held to maturity, available-for-sale assets, fair value through profit and loss or loans and receivables.

#### (i) Held-to-maturity

Held-to-Maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated at fair value through surplus or deficit or available for sale.

#### (ii) Available-for-sale

Available for sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried out at fair value.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## ***(iii) Fair value through surplus or deficit***

In determining financial assets at fair value through surplus and deficit, the Fund determines that it meets one of the criteria for this designation. Unquoted local equity securities which are not traded in an active market have been classified as fair value through surplus and deficit.

## ***(iv) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Fund does not intend to sell immediately or in the near term.

## **3. Initial recognition**

Financial assets and financial liabilities are recognised on the balance sheet when the Fund has become party to the contractual provisions of the financial instruments. Financial instruments are initially measured at cost, which includes transaction costs.

## **4. Subsequent measurement**

Subsequent to initial recognition, at subsequent reporting dates financial assets are measured as set out below:

### ***(i) Held-to-maturity***

Investments classified as held to maturity (HTM)) are measured at cost, less any impairment loss.

### ***(ii) Available-for-sale***

Assets classified as available for sale (AFS) are measured at fair value. However, AFS investments which do not have a quoted active market price and whose fair value cannot be reliably measured are subsequently measured at amortised cost or cost, depending on whether they have a fixed maturity or not, less any impairment loss. For AFS investments, unrealised gains and losses are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity in respect of that investment is included in the Statement of Financial Performance.

### ***(iii) Fair value through surplus or deficit***

Assets classified as fair value through surplus or deficit (FVTSD) are measured at fair value obtained from respective institution as at 30 June 2019. For FVTSD assets and liabilities, unrealised gains and losses are included in the Statement of Financial Performance.

### ***(iv) Loans and receivables***

Asset classified as Loans and receivable are measured at cost less any impairment allowance.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## 5. Impairment of financial assets

### (I) Assets carried at amortised cost

The Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Fund uses to determine that there is objective evidence of an impairment loss include:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (iv) it becomes probable that the borrower will enter bankruptcy or financial reorganization;
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (1) adverse changes in the payment status of borrowers in the portfolio; and
  - (2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with significant credit risks and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

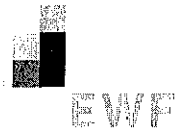
The Fund considers the existence of objective evidence of impairment when procedures have been initiated for recovery of loans and receivables through solicitor and for which no cash flow forecasts can be made reliably due to irregularity in repayments.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient the Fund may measure impairment on the basis of an instrument's fair value using- 11 -an observable market price.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flow that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Future cash flows have been estimated based on pattern of current and past observable data on repayments of loan and receivables and also on the status and progress of legal actions cases. Revaluations of collaterals are made by independent surveyors. The policy of the Fund is to adjust the foreclosure value of collaterals by a percentage to adjust for obtaining and selling of the collaterals. In applying objective judgment in determining the amount of individually impaired assets, the Fund considers full impairment for those assets which have indication of impairment and does not have any collateral or its foreclosure value cannot be ascertained.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Fund's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of assets by being indicative of debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Fund to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in surplus or deficit.

## **(II) Assets classified as available for sale**

The Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Fund uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the statement of Financial Performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event



# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Statement of Financial Performance

## **(f) Foreign currencies**

Transactions in foreign currencies are recorded in Mauritian Rupees using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the balance sheet date.

All exchange differences on translation are dealt with in the Statement of Financial Performance except those arising from available for sale investments which are treated in equity.

## **(g) Retirement benefit obligations**

### **(i) Defined benefit and contribution plan**

Provision for retirement benefits for the EWF staff are made under the Statutory Bodies Pension Act 1978 as amended and in accordance with IPSAS 39 (Employee Benefits). The Fund provides retirement benefits for its employees through a defined benefit plan called "Employees Welfare Fund (EWF) Staff Pension Fund".

The EWF Staff Pension Fund is a defined contribution and benefit plan. Its assets are managed by the State Insurance Company of Mauritius Ltd (SICOM). The rate of contribution in the plans are 18% and 19% respectively. The cost of providing the benefit is determined in accordance with actuarial review undertaken every five years.

The net liability at balance sheet date is determined as the present value of funded obligations after adjusting for the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost.

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. The total contribution made in plans for the present financial year was Rs1,740,689

### **(ii) State pension plan**

Contributions to the National Pension Scheme are expensed to the Statement of Financial Performance in the period in which they fall due.

## **(h) Cash and cash equivalents**

Cash and cash equivalents comprise balances held with banks and highly liquid financial assets which are subject to insignificant risk of changes in their fair value and are used by the Fund in the management of its short term commitments.

## **(i) Comparative figures**

When an accounting policy is changed with retrospective effect, comparative figures are restated in accordance with the new policy.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## **(j) Trade and other receivables**

Trade and other receivables originated by the Fund are stated at cost less provision for doubtful debts. Debts are written off during the period in which they are identified.

## **(k) Trade and other payables**

Trade and other payables are stated at their nominal amount.

## **(l) Impairment of non-current asset**

At each balance sheet date, the Fund reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Financial Performance, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

Where applicable, the notes to the financial statements set out areas where the Fund has applied a higher degree of judgment that have a significant effect on the amounts recognized in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## (a) Deferred revenue

Interest accrued for loans with a moratorium period is recognized in the statement of financial position on pro-rata basis under deferred revenue.

## (b) Impairment loss on loans and receivables to customers

Management is of the view that identifying information on those non-performing loans which will enable calculation of the general impairment based on a group of similar credit risk characteristics on a collective assessment at net present value, is difficult to obtain. However those loans which are non-performing to date and for which legal actions have been initiated, have been provided specific impairment based on management judgment that those loans non-recoverability is more than certain.

## 6. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

Risk management is carried out by a central management finance committee under policies approved by the board of directors. Treasury policies include identifying, evaluating and mitigating financial risks in taking the right decisions in financial operations. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

### (a) Fair values

The carrying amounts of the financial assets and financial liabilities approximate their fair value due to the short term nature of the balances involved.

### (b) Currency risks

The fund is exposed to the risk that the exchange rate of the Mauritian Rupee relative to the United States Dollar may change in a manner which has a material effect on the reported values of the fund's assets and liabilities.

### (c) Currency profiles

The currency profile of the fund's financial assets and liabilities is summarized as follows:

#### Financial assets

Currency	Rs	
United States Dollar	1,808,937	
British Pounds Sterling		Nil

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## (d) Liquidity risk

The company's listed securities are considered to be readily realizable as they are listed on a recognized stock exchange.

## (e) Interest rate risk

The Fund's interest rate risk arises from loans and receivables to customers. Loans and receivables at variable rates expose the Fund to cash flow interest rate risk which is partially offset by cash held at variable rates. Loans and receivables issued at fixed rates expose the Fund to fair value interest rate risk.

The interest rate profile of the fund as at 30 June 2019 was:

	Balance with banks
	Interest rates
	%
Mauritian Rupee	1.85
United States Dollar	0.2 to 2.10

## (f) Market risk

### (i) Foreign exchange risk

The Fund operates and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound sterling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign exchange assets.

Management has set up a policy to manage the foreign exchange risk against the functional currency.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

### (ii) Price risk

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The Fund is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits and policies set by the Fund's board and Finance Committee.

The Fund's investments in equity of other entities that are publicly traded on the Stock Exchange of Mauritius – SEMDEX.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## (iii) Credit risk

Credit risk is managed on accounts receivable balances. The Loans Committee is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding loans and receivables and committed transactions.

If loans customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board and loans committee. The utilisation of credit limits is regularly monitored by the Loans Committee.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for those for which provision for impairment has been made.

Some of the specific control and mitigating measures are outlined below:

### (I) Collateral

The Fund employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for funds advances, which is common practice. The Fund implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

Mortgages over land and other properties

Bank deposits taken as guarantees

Lien placed on car

Longer term finance such as education loans are secured loans on mortgages over land and other properties. For Soft and Welfare loans one or two guarantors with sufficient credit worthiness are required to process the respective applications.

Collateral held as security for loans and receivables to customers depends on the nature of the types of loans granted. In addition the Fund will seek additional collateral from the counterparty as soon as impairment is identified for the relevant loans and advances.

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## (II) Impairment and provision policy

The internal and external rating system focus on expected credit losses, that is, taking into account the risk of future events giving rise to losses. Impairment allowances are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

The table below shows the ratings of the loans and receivables credit risk exposure and corresponding percentage impairment allowance:

	2017/18		2018/19	
	Credit risk exposure (%)	Impairment allowance (%)	Credit risk exposure (%)	Impairment allowance (%)
Investment grade	3	-	4	-
Standard monitoring	86	-	87	-
Special monitoring	8	-	7	-
Default	3	100	2	100
	-----	-----	-----	-----
	100	100	100	100
	=====	=====	=====	=====

Loans and receivables are summarized as follows:

	2017/18	2018/19
	Rs	Rs
Neither Past Due nor impaired	1,674,461,452	1,724,485,783
Past Due but not impaired	142,224,350	122,154,674
Individually impaired	51,633,453	44,348,672
	-----	-----
Gross	1,868,319,255	1,890,989,129
Impairment allowance	(39,290,684)	(41,855,588)
	-----	-----
Total	1,829,028,571	1,849,133,541
	=====	=====

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## Loans and receivables neither past due nor impaired

Type of loans	Car loan	MES exams fees loan	Motor cycle loan	Education loan	Welfare loan	Loan for people with disabilities	Medical Loan	Green Loan	Other loans	Total loans
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
<b>30 June 2018</b>										
Investment grade	2,994,000	-	1,185,000	43,139,450	13,220,000	300,000	1,000,000	1,875,000	-	63,713,450
Standard monitoring	96,971,820	23,835	15,730,462	1,252,777,338	233,998,624	5,236,985	2,662,358	1,680,627	1,665,953	1,610,748,002
Total										
	99,965,820	23,835	16,915,462	1,295,916,788	247,218,624	5,536,985	3,662,358	3,555,627	1,665,953	1,674,461,452
<b>30 June 2019</b>										
Investment grade	4,688,000	-	370,000	57,609,450	8,715,000	525,000	250,000	1,745,000	-	73,902,450
Standard monitoring	98,645,610	59,671	18,599,329	1,277,125,239	212,244,879	7,329,418	9,838,209	24,171,220	2,569,758	1,650,583,333
Total	103,333,610	59,671	18,969,329	1,334,734,689	220,959,879	7,854,418	10,088,209	25,916,220	2,569,758	1,724,485,783

For period ended 30 June 2019

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore loans and receivables less than 90 days past due and those which demonstrate regular pattern of repayments are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired are as follows:

- 20 -



# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019

## Impairment allowance for loans and receivables individually impaired

The individually impaired allowance to customers taking into consideration the cash flows from collateral held is Rs41,855,588 as at June 2019. (2017/18- Rs39,290,684)

The reconciliation of individually impaired allowance by class are as follows:

Types of loans	Car loan	MES exam fee loan	Motor cycle loan	Education loan	Welfare loan	Disability	Total loans
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
30 June 2018							
Impairment allowance	(4,147,767)	(33,645)	(495,411)	(28,069,792)	(6,248,460)	(295,609)	(39,290,684)
Release / Charge for the year	(60,367)	(4,797)	(210,862)	581,733	(2,858,794)	(11,817)	(2,564,904)
30 June 2019							
Impairment allowance	(4,208,134)	(38,442)	(706,273)	(27,488,059)	(9,107,254)	(307,426)	(41,855,588)

# Employees Welfare Fund

Notes to and forming part of the financial statements

For period ended 30 June 2019



## 7. IN HOUSE LOAN COVER INSURANCE SCHEME

The purpose of setting up this scheme is to provide a cover in case of death or total and permanent disability of either the borrower during the period of loan or the student, for whom the loan is taken, during the period of study. With effect from November 2005, all new applicants are strongly recommended to take a cover either in-house or from other insurance companies. A contribution of 1.5 per cent of the loan amount was required to join the scheme prior November 2007; thereafter the rate has been revised taking into consideration the age of the borrower.

During the financial year ending 30 June 2019, an amount of Rs4,982,074 was written off under the scheme.

## 8. LOAN WRITTEN OFF

It is the policy of the Fund to write off education and exam fee loan in case of death of a client who does not have any cover, on a case to case basis, after a social inquiry report is obtained from the Ministry of Social Security on the financial situation of his/her beneficiaries. The amount of write off is restricted to 50 per cent of the outstanding loan amount, excluding any arrears, up to a limit of Rs 100,000 for education loans and 100 per cent write off for exams fee loan.

## 9. OTHER NON-CURRENT ASSETS

As at 30 June 2019, some properties given as security for education loan were acquired through legal actions against defaulting clients. These assets have classified under non-current as the probability of its disposal in the next financial year is very low. It is the Fund's policy to dispose such assets through auction or invitation to bid or other medium as deemed appropriate by the EWF Board. The fair value of these assets which is an estimate of the current market value is recognized in the financial statement only when ownership is passed to the Fund. Revaluation of such assets is carried out every seven years.

## 10. PROVISIONS

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

### **Loans and receivables which have past due but not impaired**

The Fund's policy is to make a provision of 5 per cent on loans and receivables which have past due but not impaired.

### **Trade and other receivables**

The cumulative provision amount to Rs38.2m in respect of debt from previous hotel operator since the outcome of the legal proceeding is uncertain. An amount of Rs5m has been provided for the period under review.

# Employees Welfare Fund

Notes to and forming part of the financial statements  
For the year ended 30 June 2019



## 11 Cash and cash equivalents

Cash at bank  
Cash in hand

	2018/19	Restated 2017/18
	Rs	Rs
	260,408,488	179,369,523
	1,954	12,446
	260,410,442	179,381,969

## 12 Trade and other receivables

Interest on educational loans receivable  
Interest receivable - PSSA examination fees  
Loan to staff  
Prepayments  
Debtors EWF  
DBM- Rodrigues Book Loan Scheme  
NIT Loan Scheme  
Advances CSM  
Debtors CSM Operation  
Other receivable - SCLR

	14,642,477	14,890,575
	22	22
	6,617,184	6,654,744
	288,743	892,064
	25,000	25,000
	2,500	2,500
	45,200	45,200
	1,000,000	500,000
	3,306,863	3,306,863
	-	272,103

### Rent Receivable from investment property

Commission receivable FEF  
Rent receivable -Alliance Hotels  
Rent receivable -Seaview Calodyne Lifestyle Resort  
Provision for bad debts - rent

	3,067,972	3,067,972
	43,200,000	43,200,000
	2,279,658	2,325,000
	(38,200,000)	(33,200,000)
	36,275,619	41,982,043

## 13 Financial assets

The fair value of quoted investments are based on quoted prices as balance sheet date

	2018/19	2018/19	2018/19	Restated 2017/18
	Rs	Rs	Rs	Rs
	CURRENT	NON-CURRENT	TOTAL	TOTAL
Investment securities at fair value through surplus or deficit	-	25,361,398	25,361,398	25,826,060
Loans and receivables	457,734,434	1,389,224,245	1,846,958,679	1,824,736,049
	457,734,434	1,414,585,643	1,872,320,077	1,850,562,109

### a Investment securities at fair value through surplus or deficit

Local equity securities - Unquoted  
Foreign investment securities

	-	23,865,045	23,865,045	24,923,188
	-	1,496,353	1,496,353	902,872
	-	25,361,398	25,361,398	25,826,060

### b Loans and receivables

Education loan scheme  
MES exams fees loan  
Welfare loan  
Car loan  
Motorcycle loan  
Disability loan  
Green Loan  
Medical Loan  
Other loans

	300,847,070	1,145,691,522	1,446,538,592	1,421,303,722
	106,132	34,668	140,800	122,843
	99,998,900	155,617,633	255,616,533	294,593,699
	38,000,709	77,267,300	115,268,009	114,787,508
	7,897,836	15,359,147	23,256,983	21,504,104
	1,839,443	7,118,299	8,957,742	6,661,921
	6,862,596	22,676,405	29,539,001	3,555,627
	1,605,551	8,950,573	10,556,124	4,123,878
	576,197	1,993,560	2,569,757	1,665,953

Loan Repayment Control

Provisions

Impairment allowance

	457,734,434	1,434,709,107	1,892,443,541	1,868,319,255
	-	(2,035,373)	(2,035,373)	(2,610,868)
	-	(1,593,901)	(1,593,901)	(1,681,654)
	-	(41,855,588)	(41,855,588)	(39,290,684)
	457,734,434	1,389,224,245	1,846,958,679	1,824,736,049

## 14 Other current/non current assets

Land acquired through judicial action

	2018/19	2018/19	2018/19	2017/18
	Rs	Rs	Rs	Rs
	CURRENT	NON-CURRENT	TOTAL	TOTAL
	-	1,300,001	1,300,001	1,900,001
	-	1,300,001	1,300,001	1,900,001

# Employees Welfare Fund

Notes to and forming part of the financial statements  
For the year ended 30 June 2019



## 15 Investment property

As at 30 June 2019					
Seaview Calodyne Lifestyle Resort (SCLR)					
Land	Buildings	Plant and equipment	Furniture and fittings	Computer	Total
110,925,000	184,850,000	47,741,353	52,791,776	1,953,208	398,261,337
	400,000	1,953,831	99,209	-	2,453,040
	150,000				150,000
110,925,000	185,400,000	49,695,184	52,890,985	1,953,208	400,864,377
	3,700,000	43,232,087	40,087,446	1,933,610	88,953,143
	3,708,000	1,498,579	1,588,106	19,598	6,814,283
-	7,408,000	44,730,666	41,675,552	1,953,208	95,767,426

Net Book Value at 30 June 2018

110,925,000 181,150,000 4,509,266 12,704,330 19,598 309,308,194

Net Book Value at 30 June 2019

110,925,000 177,992,000 4,964,518 11,215,433 - 305,096,951

## 16 Investment in securities - Equity method

Local equity securities - Listed  
- Unquoted  
Foreign investment securities

				2018/19	2018/19	2017/18
				R <sub>s</sub>	R <sub>s</sub>	R <sub>s</sub>
				CURRENT	NON CURRENT	TOTAL
				-	149,001,776	179,730,649
				-	41,403,761	41,844,478
				-	140,707,567	128,241,639
				-	331,113,104	349,816,766

# Employees Welfare Fund

Notes to and forming part of the financial statements  
For the year ended 30 June 2019

## 17 Property, plant & equipment - 2018/19

Property, plant & equipment - 2018/19												

## 18 Intangible Assets - 2018/19

	Application Software	Total Rs
COST - Brought forward	33,529,434	33,529,434
Additions during the year	258,750	258,750
Total cost	33,788,184	33,788,184
DEPRECIATION - Brought forward	26,227,643	26,227,643
Charge for the year	5,547,851	5,547,851
Accumulated depreciation at year end	31,775,494	31,775,494
Net Book Value at 30 June 2018	7,301,791	7,301,791
Net Book Value at 30 June 2019	2,012,690	2,012,690

# Employees Welfare Fund

Notes to and forming part of the financial statements

For the year ended 30 June 2019

		2018/19	Restated 2017/18		
		Rs	Rs		
19	Trade and other payables				
	Creditors	4,066,713	3,657,470		
	Advance Payments from Customer/CSM	-	-		
	Payables - Deposits - Calodyne Seaview Lifestyle Resort (CSLR)	12,000,000	12,000,000		
		16,066,713	15,657,470		
20	Deferred income				
	Deferred revenue	604,565	532,953		
21	Employee benefits obligation				
		Current Liabilities	Non Current Liabilities	TOTAL	TOTAL
	Bank sick leave	279,440	4,871,810	5,151,250	5,128,526
	Provision for retirement benefits	-	8,282,802	8,282,802	7,225,773
	Provision for passage credits	-	1,671,894	1,671,894	1,561,040
	Bank vacation leave	-	4,050,515	4,050,515	4,786,415
		279,440	18,877,021	19,156,461	18,701,754

## Employee leave entitlement

Employee entitlements to bank sick leaves and vacation leaves as defined in the PRB 2016 Report (the regulatory body for determining remuneration of EWF employees) are recognized when they accrue to employees. An accrual amount of Rs 8,941,833 has been made for the estimated liability for bank sick leave and vacation leaves as at 30 June 2019.

## Defined retirement benefits scheme

The pension plan is a final salary defined benefit plan for the staff and is wholly funded. The assets in the funded plan are held independently and are administered by the SICOM.

The following employee benefits information is based on the report submitted by the SICOM.

### (i) Amounts recognised in the balance sheet

	2018/19	2017/18
	Rs	Rs
Present value of funded obligation	24,452,008	22,725,122
Fair Value of plan assets	(16,169,206)	(15,499,349)
Liability recognised in the balance sheet at end of year	<u>8,282,802</u>	<u>7,225,773</u>

### (ii) Amounts recognised in income statement

	Rs	Rs
<b>Service Cost</b>		
Current Service Cost	943,424	1,063,681
Past Service Cost	-	-
Employee contributions	(549,691)	(576,695)
Fund expenses	34,814	36,524
Net interest expense/revenue	490,788	554,290
P & L Charge	<u>919,335</u>	<u>1,077,800</u>
<b>Remeasurement</b>		
Liability (gain)/loss	1,045,708	(1,175,586)
Assets (gain)/loss	282,984	(368,576)
Net Assets/Equity (NAE)	<u>1,328,692</u>	<u>(1,544,162)</u>
Total Included in staff costs	<u>2,248,027</u>	<u>(466,362)</u>

# Employees Welfare Fund

Notes to and forming part of the financial statements  
For the year ended 30 June 2019

	2018/19	Restated 2017/18
	Rs	Rs
<b>(iii) Movements in liability recognised in balance sheet</b>		
<i>At start of year : 1st July</i>		
Amount recognised in P& L	7,225,773	8,941,642
(Contributions paid by employer)	919,335	1,077,800
Amount recognised in NAE	(1,190,998)	(1,249,507)
	1,328,692	(1,544,162)
<i>At end of year : 30 June</i>	8,282,802	7,225,773
<b>(iv) The figures have been arrived at by using actuarial assumptions as follows:</b>		
Discount rate	6.75%	6.75%
Expected rate of return on plan assets	6.75%	6.75%
Future salary increases	4.00%	4.00%
Future pension increases	3.00%	3.00%
<b>Reconciliation of the present value of defined benefit obligation</b>		
	Rs	Rs
Present value of obligation at start of period	22,725,122	21,701,936
Current service cost	943,424	1,063,681
Interest cost	1,533,946	1,464,881
(Benefits paid)	(1,796,192)	(329,790)
Liability(gain)/loss	1,045,708	(1,175,586)
Present value of obligation at end of period	24,452,008	22,725,122
<b>Reconciliation of fair value of plan assets</b>		
Fair value of plan assets at start of period	15,499,349	12,760,294
Expected return on plan assets	1,043,158	910,591
Employer contributions	1,190,998	1,249,507
Employee contributions	549,691	576,695
Actuarial reserves transferred in	-	-
Fund expenses	-	-
(Benefits paid+other outgo)	(1,831,006)	(366,314)
Asset gain/(loss)	(282,984)	368,576
Fair value of plan assets at end of period	16,169,206	15,499,349
<b>Distribution of plan assets at end of period</b>		
<i>Percentage of assets at end of year</i>		
Government securities and cash	58.70%	59.50%
Loans	3.40%	3.70%
Local equities	13.10%	14.60%
Overseas bonds and equities	24.20%	21.60%
Property	0.60%	0.60%
Debenture stocks		
Total	100%	100%
<b>Additional disclosure on assets issued or used by the reporting entity</b>		
<i>Percentage of assets at end of year</i>	(%)	(%)
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0

# Employees Welfare Fund

Notes to and forming part of the financial statements  
For the year ended 30 June 2019

	2018/19	Restated 2017/18
	Rs	Rs
<b>Components of the amount recognised in NAE</b>		
Year	Jun-19	Jun-18
Currency	Rs	Rs
Asset experience gain/(loss) during the period	(282,984)	15,499,349
Liability experience gain/(loss) during the period	(1,045,708)	(22,725,122)
<b>Year 2019-20</b>		
Expected employer contributions - Rs 1,160,665		
<b>22 In House Loan Cover Scheme</b>		
Opening balance	61,824,139	54,507,963
Premium collected during the year	11,333,911	11,429,683
Loan written off	(4,982,074)	(4,113,507)
Closing balance	68,175,976	61,824,139
<b>23 Capital and reserves</b>		
<b>General fund</b>		
General fund as at 1 January	2,494,451,872	2,416,500,240
Prior Year Adj - Adoption of IPSAS 39 - Employee Benefits	-	(5,098,380)
Increase/decrease in fair value of investment securities	(23,006,890)	15,105,171
Movement in AFS equities	4,303,229	2,358,132
Movement in general fund	20,746	1,125,835
Actuarial Gain/Loss on employee benefits obligation	(1,328,692)	1,544,162
Surplus for the year	78,912,683	62,916,712
At 31 December	2,553,352,948	2,494,451,872
<b>24 Reserves</b>		
Opening reserves	241,151,123	241,151,123
Movement in reserves	(209,771)	-
	240,941,352	241,151,123
<b>25 Interest income</b>		
Loan schemes	108,794,727	108,463,918
<b>26 Investment revenue (expense)</b>		
Local equity	6,780,690	9,906,271
Placement in banks and local financial institution	106	1,484
Foreign securities	570,633	556,510
Gains (losses) on FVPL investment	(1,058,142)	(3,772,205)
	6,293,287	6,692,060
<b>27 Other revenue</b>		
Rental income from investment property	26,532,000	24,600,000
Administrative fees	4,089,533	4,369,762
Profit on Disposal of Land	84,771	-
Decrease in provision for credit losses	87,753	-
Other Miscellaneous Income	222,650	27,500
	31,016,707	28,997,262



# Employees Welfare Fund

Notes to and forming part of the financial statements

For the year ended 30 June 2019

	2018/19	Restated 2017/18
	Rs	Rs
<b>28 Administrative Expenses</b>		
Fees to board members	2,832,000	2,977,000
Electricity and telephone	1,456,110	1,381,586
Repairs and maintenance	1,393,444	1,793,003
Donation and sponsorship	426,150	201,800
Legal and professional fees	1,497,870	1,720,203
Postage, stationary and I.T expenses	7,589,623	5,630,683
Insurance of office	93,800	116,303
Training, seminars and membership fees	132,654	531,270
Financial assistance	125,000	175,000
Other administrative expenses	3,364,988	4,681,914
	<u>18,911,639</u>	<u>19,208,762</u>
<b>29 Staff costs</b>		
Salaries	19,361,900	18,951,885
Allowances and overtime	1,697,750	1,160,138
	<u>21,059,650</u>	<u>20,112,023</u>
<b>30 Employees benefits expenses</b>		
Pension contribution	2,418,227	2,449,413
Passage benefits	596,564	536,657
Retirement benefits	64,718	535,368
Provisions for sick and vacation leaves	488,559	697,234
	<u>3,568,068</u>	<u>4,218,672</u>
<b>31 Depreciation</b>		
Property, plant and equipment	3,523,348	5,482,701
Intangible Assets	5,547,851	8,347,359
Investment property	6,814,282	6,862,532
	<u>15,885,481</u>	<u>20,692,592</u>
<b>32 Provisions and write offs</b>		
Loan written off	-	18,389
Increase in provision for loan	-	148,488
Impairment of loan	2,564,904	5,891,969
Provision for bad debts - rent	5,000,000	5,000,000
	<u>7,564,904</u>	<u>11,058,846</u>
<b>33 Welfare activities</b>		
Welfare activities expenses	239,817	5,943,559
	<u>239,817</u>	<u>5,943,559</u>
<b>34 Exchange differences</b>		
Gain / (Loss) on exchange - Fair Value Profit & Loss (FVPL) financial assets	37,521	7,926
Gain / (Loss) on exchange - Available for sales financial assets	4,303,229	2,358,132
	<u>4,340,750</u>	<u>2,366,058</u>
<b>35 Gain / (Loss) in fair value of securities</b>		
Gain / (Loss) in fair value of securities	(23,006,890)	15,105,171
	<u>(23,006,890)</u>	<u>15,105,171</u>
<b>36 Related party transactions</b>		
<b>Education loan</b>		
- Board members	-	914,156
<b>Staff car loan</b>		
- Management staff	2,013,105	1,010,697
	<u>2,013,105</u>	<u>1,924,853</u>