2017

Annual Report PROGOS

Le Bocage International School

Index

Index	Pages
Corporate Data	2
From the Head	3
From the Board	4-12
A summary of the major development targets as at April 2018	13
LBIS and its finances (FAQ'S)	14-15
Secretary's certificate	16
Independent auditors' report	17-19
Statement of financial position	20
Statement of comprehensive income	21
Statement of changes in equity	22
Statement of cash flows	23
Notes to the financial statements	24-46

CORPORATE DATA

Directors

	Date of appointment	Date of resignation
Jean-Paul de Chazal (Chairperson)	26-Jul-99	-
Olga Chung Kho Pyng (Brigitte) Lee	01-Jul-04	-
Gong Ming Chen	08-Apr-13	-
Philippe A. Forget	17-Oct-88	17-Jul-92
Philippe A. Forget	26-Aug-96	-
Jason Gunness	07-Nov-16	-
Julian Hagger	07-Nov-16	17-Mar-17
Janine Rivalland	03-Apr-17	-
Pamela Somanah	07-Nov-16	-

Secretary

Abax Corporate Services Ltd
6th Floor
Tower A
1, Cybercity
Ebene

Registered office

C/o Abax Corporate Services Ltd
6th Floor
Tower A
1, Cybercity
Ebene

Auditors

Ernst & Young
9th Floor
NeXTeracom-Tower I
Cybercity
Ebene

Banker

The Mauritius Commercial Bank Limited
Sir William Newton Street
Port Louis

From the Head

The Annual Report which concentrates on the financial information and school targets is enclosed.

Progos-Le Bocage (the 'school 'or the 'Company') is driven by its Vision Statement, "to inspire innovative and holistic leaders for a changing world".

The school continued to look at a feasibility study for the development of a satellite campus on the west coast of the island (a target in the Strategic Action Plan- SAP). In 2017 a Memorandum of Understanding was drafted with the proposed plan of opening the campus in January 2019, although at the time of writing, it is unlikely to happen due to the campus not being built.

Professional Development continues to be an important part of school development. Le Bocage hosted an IB Cluster Workshop in January 2017, following the success of the 2015 and 2016 Cluster Workshops. Seven workshops were held over two days catering to the schools needs in both MYP (Middle Years Programme) and DP (Diploma Programme). Every member of staff attended one two-day workshop. A workshop for the IB Primary Years Programme (PYP) was also held, with Feeder Schools invited. In addition to these workshops, many teachers have been registered and attended subject-specific workshops, online and face-to-face. Another Cluster Workshop was organized for the end of March, 2018. In addition to this, some teachers attended subject specific workshops online as well as face-to-face.

In an effort to offer additional pathways for students post-IGCSE, the school was authorized to offer the IB Career-related Programme (IBCP). The IBCP offers a vocational pathway to the original DP, with students choosing fewer IBDP courses, but with a heavy focus on another area of study. The school is now authorized to offer this programme in partnership with the Business and Technology Education Council (BTEC, a very well-recognised programme, based in the UK), fulfilling the vocational aspect of the programme. The school started to run the BTEC in January 2018. The BTEC that is currently offered is Business. In 2019, the school will be offering BTEC Sport, in addition to Business.

David Jenkins
(Head LBIS)
6 June 2018

FROM THE BOARD

The Directors are pleased to present their report and the audited financial statements of Progos, the Company owing and operating Le Bocage International School ('LBIS'), for the year ended 31 December 2017.

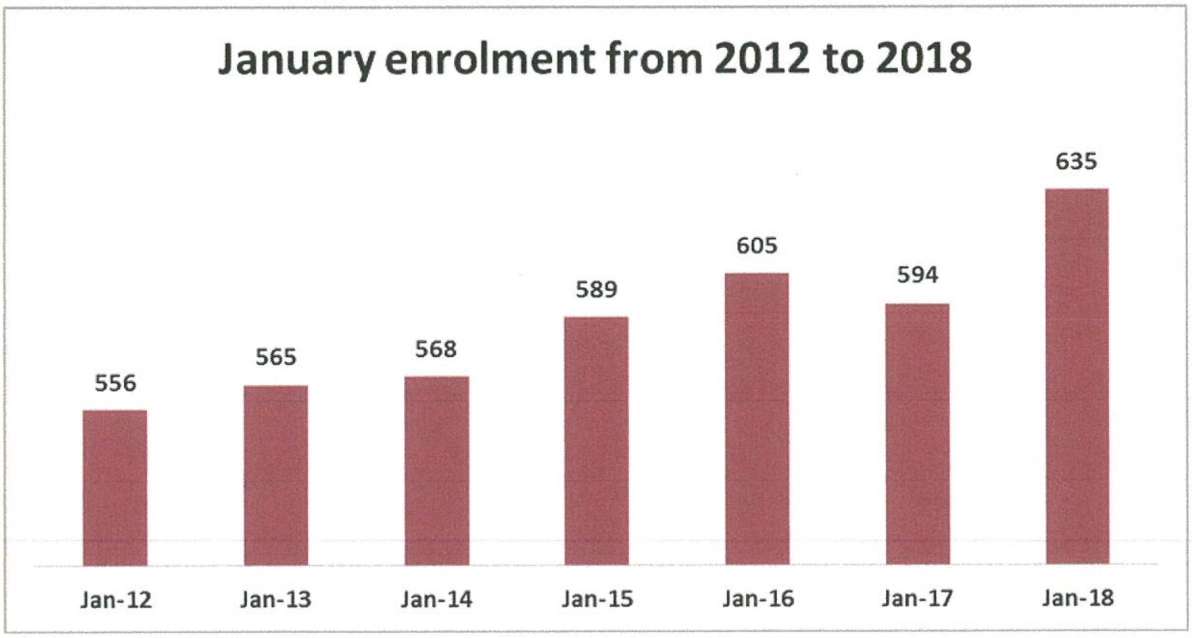
SCHOOL GUIDING STATEMENTS

Le Bocage continues to be driven by its *School Guiding Statements* (SGS). In July 2016, a Community Retreat was held, involving all LBIS stakeholders. In 2017, greater emphasis was placed on seeing the schools, vision, mission and motto further permeate the school, it's policies and the curriculum.

STUDENT BODY

LBIS continues to meet the needs of its student body by offering a *"holistic, student-centred secondary international education developing principled and balanced global citizens who are equipped to collaborate and overcome challenges in a fast changing multicultural world"* (LBIS Mission Statement, 2016).

At LBIS on average in 2017, 83% (2016: 84%) of the student population was from Mauritius and 17% (2016:16%) from approximately 30 other countries. From January 2012 to January 2018, the student population varied between 556 and 635 as shown in the bar chart below. The school ended 2017 with 601 students and started 2018 with 635. Enrolment in Forms 1 to 5 remains very positive with average year groups of 93 students.



School Roll January 2018: 635 students

The gender mix at the school at the end of January 2018 was 48.8% (January 2017: 50.5%) male students and 51.2% female (2016: 49.5%).

HUMAN RESOURCES

During 2017, the school endeavoured *"to employ and retain suitably qualified and experienced teachers who are committed and dedicated to realising our School's Guiding Statements"* (SGS, OB 22). In 2017 there were 75 teachers employed (2016:76). There were 12 educational support members of staff (2016:12), 17 administrative staff (2016:17) and 17 support staff (2016:17). At year-end, the student: teacher ratio was 8.0:1 (cf 8.1:1 in 2016).

In line with the school's commitment to retain and promote pedagogical development, the school has continued to provide opportunities for staff.

STUDENT LEARNING & PERFORMANCE

LBIS is a mixed ability school, which academically demands more of its staff and students each year and *"aims to promote and nurture caring, inquisitive and principled behaviour"* (SGS Philosophy No.1).

In external examinations, the academic performance of our students in many subject areas is comparable to that of similar international schools around the world. Students achieved high standards in the 2017 IGCSE examinations, and excellent results at the IBDP level.

Introduction: The context of the 2017 IGCSE Results

As with the previous cohort of students, most of the 2017 students sat for:

- English and English Literature (2 IGCSE subjects)
- French and French Literature (2 IGCSE subjects)
- Mathematics
- 5 optional subjects (5 IGCSE subjects) at 5 periods (65 minutes) per two week cycle

Section A: General Summary

International Certificate of Education (ICE) is awarded to candidates who pass at least seven IGCSE subjects. In addition, they have to have studied a number of subjects across a range of disciplines.

- *Distinction* - Grade A or better in five subjects and grade C or better in two more.
- *Merit* - Grade C or better in five subjects and Grade F in two more
- *Pass* – Grade G or better in seven subjects

Total number of students for 2017: 81 Students

Table 1: Comparison with previous years (all figures as percentages)

	2013 %	2014 %	2015 %	2016 %	**2017 %**
Distinction or equivalent	34	35	24	23	**26**
Merit or equivalent	42	46	48	44	**56**
Pass or equivalent	20	10	18	26	**12**
Cumulative pass rate	**96**	**93**	**90**	**93**	**94**
Fail	**4**	**7**	**10**	**7**	**6**

Table 2: General pass rates at each grade level (as percentages)

Year	A*	A	B	C	D	E	F	G	U	
2013	12	21	23	22	12	6	3	0	1	100
2014	13	21	27	18	8	7	3	1	2	100
2015	9	23	21	22	11	7	3	1	3	100
2016	9	18	20	20	14	8	4	2	2	97[1]
2017	12	19	25	21	10	7	3	2	3	100

[1] The 97% is due to student absences during the exam session. All such cases were supported with medical certificates and verified by Cambridge Examination Board

2017 IB Diploma Results Summary

General Information

	2013	2014	2015	2016	2017
Number of Candidates	62	55	57	79	66
% of students awarded Diploma	81	66	84	93	91
% of students awarded Bilingual	56	80	56	60	56
Average score obtained	31	31	31	32	31
Highest individual Diploma score	42	39	42	44	40
Number of course candidates	10	3	2	5	3
% of students sitting the diploma	86	94	97	94	95
Average grade obtained by students	5	4.9	5	5.1	5

Summary of IB Diploma Attainment Requirements
Class of 2016 Onward

IB Diploma Programme Components & Possible IB Result Scores

SUBJECTS

Group 1: Language & Literature 1 - 7
Group 2: Language Acquisition 1 - 7
Group 3: Individuals & Societies 1 - 7
Group 4: Sciences 1 - 7
Group 5: Mathematics 1 - 7
Group 6: The Arts or IB Elective 1 - 7

At least 3 but no more than 4 subjects must be completed at Higher Level (HL). Only 6 IB subjects – one in each of these groups – may contribute to the IB Diploma total score.

CORE REQUIREMENTS

Theory of Knowledge (ToK) A - E
Extended Essay (EE) A - E

See matrix below for how ToK and EE grades of A - E contribute to 3 additional points toward the IB Diploma total score.

Creativity-Action-Service (CAS)

CAS is pass/fail; CAS requirements are either met or not met (no numerical or letter score is assigned). If not met, the candidate will automatically be disqualified from receiving the IB Diploma.

Key Reminders:
HL – "Higher Level"

SL – "Standard Level"

Points & Conditions Necessary to Successfully Earn the IB Diploma

- An IB subject result must have been awarded for each of the six IB Diploma subjects, ToK, and the Extended Essay. (Student must not have any scores of "**N**" – meaning "**NO MARK**" – due to malpractice or failure to submit an assessment component.)
- CAS requirements must be met.
- Student must have a score of D or higher in *both* Theory of Knowledge and the Extended Essay (no E score or N).
- Student must earn *at least* 24 total points. (45 total pts. possible – 42 from IB subjects + 3 from ToK/EE, see matrix below)
  - The student must earn a total of *at least* 12 points in HL subjects
    (for candidates who register for four HL subjects, the three highest HL grades will count toward this total).
  - Students who take 3 HL and 3 SL subjects must earn *at least* 9 points total in the SL classes.
  - Students who take 4 HL and 2 SL subjects must earn at least 5 points total in the SL classes.
- The student must earn a 2 or higher in all subjects (no scores of 1).
  - There may be no more than *two* scores of 2, overall.
  - There may be no more than *three* scores of 3 or lower, overall.

The above requirements relate to the official Subject Results the student earns from IB. These requirements are set by IB, not LBIS. IB Subject Results and IB Diploma Results are available to students in early January after the completion of their senior year.

ToK/Extended Essay Point Matrix

ToK/EE	A	B	C	D	E
A	3	3	2	2	Failing condition
B	3	2	2	1	
C	2	2	1	0	
D	2	1	0	0	
E	Failing condition				

Value-Adding

The IB and IGCSE results are exposed to careful scrutiny and analysis in order to identify indicators of successful value-adding in terms of school performance. The results are used to ensure on-going improvements in teaching and learning across the school, with a particular focus on the on-going development and implementation of more effective instructional strategies.

Further details and analysis of the IBDP and IGCSE results are available on the school website, www.lebocage.net.

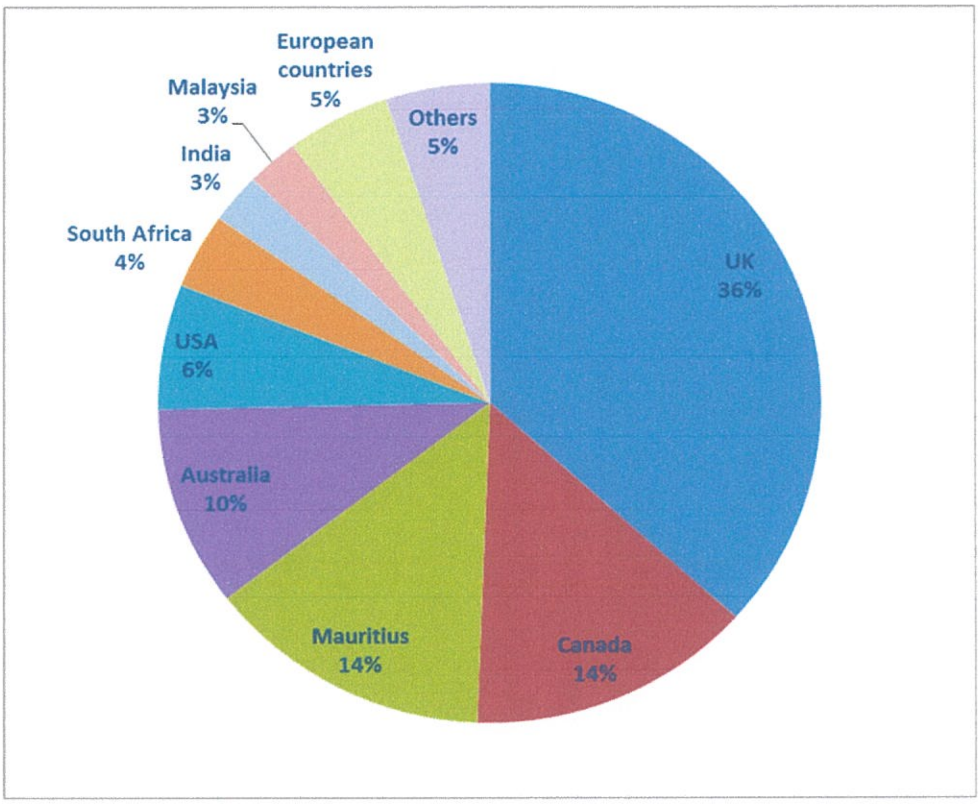
UNIVERSITY ADMISSIONS

After Form 7, students from LBIS have continued to find places in a wide range of universities around the world. The comments below refer to the students who graduated from Le Bocage in November 2016. There was a trend back to students studying in the United Kingdom. A sizeable number of students also opted for Mauritius and Canada.

The list below gives an indication of the countries where the students who graduated in November 2016 are now studying:

Country	Number	%
United Kingdom	29	36
Canada	11	14
Mauritius	11	14
Australia	8	10
United States of America	5	6
South Africa	3	4
India	2	3
Malaysia	2	3
European countries	4	5
Others	4	5
Total	**79**	**100**

Student Destinations



The students are enrolled in a wide range of different courses. However, the most popular areas are Business Management (12 students), Law (12 students) and Medicine (7 students). Other areas are mainly Architecture, Accounting and finance, Visual Arts & Commerce.

SCHOOL COMMUNITY, LIFE AND CULTURE

The commitment to provide *"a balanced and holistic education"* (SGS, Philosophy No.2) lies at the heart of the school, as well as a desire to *"encourage open and respectful communication and collaboration"* (SGS, Philosophy No.4). As such, the school continues to expand and develop its extra-curricular activities whilst, consolidating its strengths in this vital area of the school curriculum.

The Duke of Edinburgh International Award (DOEI)

The Duke of Edinburgh International Award (DOEI) continues to play an important part in the life of Le Bocage. The DOEI lies at the heart of the school's philosophy and its beliefs in encouraging *"initiative, the confidence to take risks, and the ability to reflect and learn from mistakes"* (SGS, Philosophy No. 5).

Sports at LBIS

LBIS students continue to excel in sports, participating in many events. Sports is an essential aspect of the philosophy of LBIS. LBIS students compete at regional and national levels, and some go on to represent Mauritius. The school has successfully competed in badminton, swimming, basketball, football, table-tennis, athletics, and cross-country events throughout the year.

Learning Support Department

The Learning Support Department (LSD) continues to be involved in curriculum development through unit planning, providing support for teachers with regards to differentiated strategies, as well as more in-class support.

The Peer Mentoring Programme saw yet another group of very motivated students work with 24 'mentees' who were involved in the programme which lasted two terms. This programme continues to help promote *"caring and principled behaviour* (SGS, Philosophy No.1).

World Creole Language Day 2017

The Modern Languages Department in collaboration with other departments organised and hosted the fifth World Creole Day at LBIS. This assembly was a truly community affair that reinforced our appreciation of celebrating cultural diversity as well as the culture in which we live.

School Facilities

The school site currently consists of four main buildings comprising 41 classrooms and specialist areas including: Multipurpose hall (MPH), Library, Science Laboratories, Information Technology, Music room, Theatre and recording studio, and Learning Support. After a fire destroyed the Art Block in October 2017, the art rooms were redesigned and now hosts a fully functioning art studio.

In 2017, the school invested in a complete renovation of it's IT infrastructure. One of the IT labs was converted into an "iPad Lab", and many classes now have Apple TVs installed to help facilitate technological growth and development. 12 teachers piloted a programme to encourage the use of iPads in the school.

The school is continuing to build on its commitment to the environment. Since its installation in February 2012 until end February 2018, the photovoltaic cells have produced 56,840 kWh of electricity. Out of this amount, 24,890 kWh (44%) has been exported to the CEB, and the rest used by the school buildings including the Performing Arts Area. We estimate the total savings made on our electricity bills, from February 2012 to February 2018 to be Rs 319,500. In addition, the rainwater retention tank is being used to distribute water to the washrooms and bathrooms of the Multipurpose hall. The school continues to promote recycling in the community with the facilities to recycle plastic, paper and carton. The recycling container was emptied 25 times during 2017 (2016: 20).

DIRECTORS

The following directors held office during the year ended 31 December 2017:

	Date of appointment	Date of resignation
Jean-Paul de Chazal (Chairperson)	26-Jul-99	-
Olga Chung Kho Pyng (Brigitte) Lee	01-Jul-04	-
Gong Ming Chen	08-Apr-13	-
Philippe A. Forget	17-Oct-88 26-Aug-96	17-Jul-92 -
Jason Gunness	07-Nov-16	-
Julian Hagger	07-Nov-16	17-Mar-17
Jeanine Rivalland	03-Apr-17	-
Pamela Somanah	07-Nov-16	-

DIRECTORS' SERVICE CONTRACTS

None of the directors have service contracts.

DIRECTORS' REMUNERATION

None of the directors received any remuneration or benefits from the Company (2016: nil).

AUDITORS

The fees paid to the auditors, Ernst & Young, were:

	2017	2016
	Rs	Rs
Audit services	**293,250**	281,750

The auditors have indicated their willingness to continue in office and will be automatically reappointed at the next Annual Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' INTEREST IN SHARES

	Number of ordinary shares Subject to no restrictions	
	2017	2016
Jean-Paul de Chazal	**1**	1
Philippe A. Forget	**3**	3

The other directors hold no share in the Company, whether directly or indirectly.

DONATIONS

The Company has made no donation during the year ended 31 December 2017 (2016: Nil).

Approved by the Board of Directors 06 June 2018 and signed on its behalf by:

}
}
} **Directors**
}
}

A SUMMARY OF THE MAJOR DEVELOPMENT TARGETS AS AT APRIL 2018

(This marks the completion of the fourth year of the Strategic Action Plan for School Improvement 2014-2018)

The *Strategic Action Plan (SAP) for School Improvement 2014-2018* is near fulfilment and has seen the school achieve many of the goals it set for itself in 2014. It was organised to reflect the seven main sections that corresponded with the Council of International Schools (CIS) Accreditation process as follows:

A School Guiding Statements
B Teaching and Learning
C Governance and Leadership
D Faculty and Support Staff
E Access to Teaching and Learning
F School Culture and Partnership for Learning
G Operating systems

Each section contains an overall aim and an indication of who will carry it out, the timescale for achieving it and any major resource implications. Regular reports are presented to the Board of Directors on the progress of the SAP.

In early 2018, work began on the compilation of a revised four-year Strategic Action Plan for 2018 – 2021. The SAP includes the revised CIS International Accreditation Framework that was released in 2017. The new Framework follows nine different areas (Domains) of focus:

A Purpose and Direction
B Government, Leadership and Ownership
C The Curriculum
D Teaching and Assessing for Learning
E The Students Learning and Well-being
F Staffing
G Premises and Physical Accommodation
H Community and Home Partnership

The SAP is a live document which is kept updated with new targets being added on a regular basis. Those targets that have been met are still included as a means to identify goals met and progress made. The SAP is uploaded to the school website with revisions included.

LBIS AND ITS FINANCES –
Frequently Asked Questions (FAQ's).

Who "owns" LBIS?

LBIS is owned by PROGOS, a not-for-profit company incorporated with limited liability under the Companies Act 2001.

Who runs LBIS?

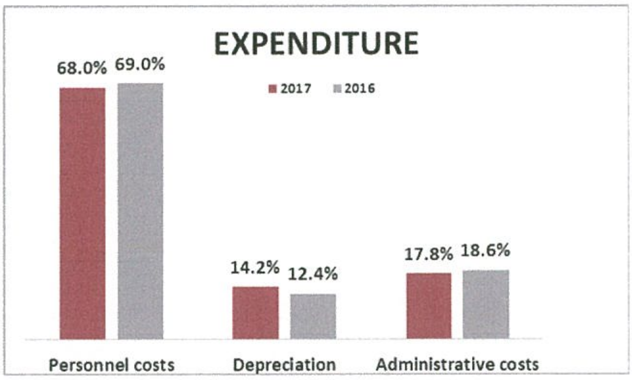
The day-to-day leadership and management of the school is the responsibility of the Head, Mr. David Jenkins, who is appointed by the Board of Directors. All other appointments are made by the Head and/or the relevant school principal. On all matters concerning the education of the students the Head works closely with the educational quality management team, comprising the two Principals, the respective coordinators of our three educational programmes, the scheduler and a representative from the pastoral coordination team. On administrative matters the Head works closely with the operations team, comprising the Business Manager, Maintenance Manager and a representative from the office team.

The Board of Directors is responsible for developing the school's mission, appointing, evaluating and supporting the Head, strategic planning, policy setting and the financial health of the school. The current strategic plan runs from 2014 to 2018 and was created in close collaboration with the Head, the faculty and parents.

What are the major operational costs at LBIS?

LBIS is a not-for-profit school, hence all the income received is invested back into teachers and staff, programmes for students, and the appropriate facilities to achieve the school's mission. Our annual costs are in the following three areas:

- The cost of employing and retaining good staff, which represents **68.0%** of total costs (2016:69.0%).
- Administrative costs which represents **17.8%** of total costs (2016:18.6%)
- The depreciation of assets, which represents **14.2%** of total costs (2016: 12.4%).



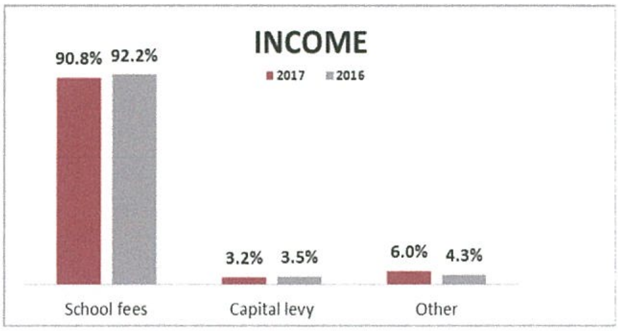
This makes for high quality teaching and though this is excellent for our teaching goals, quality does not come cheap. However, given the quality of our IB Diploma programme, LBIS gives excellent value for money when compared to other more expensive international schools (see CIS International Schools Directory for tuition fees).

What is the whole school student to teacher ratio at LBIS?

It is **8.0:1** (cf 8.1:1 in 2016).

What was LBIS's income in 2017?

Rs 127.2 m (2016: Rs 126.2 m) came from LBIS's core activities (tuition and application fees). A further **Rs 8.0 m** (2016: Rs 5.5 m) came from other sources (e.g. book rentals, sales of uniforms, interest and insurance refund).



LBIS is a developing school and in 2017 it has reinvested **Rs 24.8 m** (2016: Rs 20.6 m) in school improvement projects. The mainstay of its financial stability is its positive cash flows.

What proportion of the total income is spent on staff costs?

Approximately **68.4%** (2016:67.7%) goes on staff costs. In 2017, this figure was **Rs 92.4 m** (2016:Rs 89.1 m).

How many staff are employed by LBIS?

	2017	2016
Teaching	**75**	76
Support	**17**	17
Administrative	**17**	17
Educational Support	**12**	12
Total	**121**	122

Where do administrative and educational support staff operate?

Administrative Staff:
Secretarial Staff: 7
Finance: 4
Network Administrator: 1
Maintenance Manager: 1
Health and Safety: 1
Uniform Shop: 1
Reception: 1
Driver: 1

Educational support staff:
Technicians: 5
Library: 3
Counselor: 2
Nurse: 1
Performing Arts Supervisor: 1

How does the budget-making process work?

Budgets in principle are built from zero each year. The budget holders are the Head, the Principals, Heads of Department and other responsibility post holders. Each has the responsibility of looking at the needs of his or her department and building the requisite budget within the confines of the money available. After a period of discussion and negotiation, budgets are finalised by the Head, scrutinised and challenged by the Board's Finance Committee and then ratified by the Board.

What insurance cover do we offer students?

All students (and staff) are covered by a 24 hour personal accident policy.

How do we know we are financially efficient?

There are many checks and balances to ensure financial efficiency. On a day-to-day basis, it is the prime role of the Business Manager, who reports to the Head, to ensure that the school is run in an efficient and financially responsible way. The Finance Committee of the Board meets regularly with the Head and Business Manager and has a continuing overview of the financial processes, as does the entire Board, through a system of regular reporting. Our accounts are audited by external auditors (Ernst & Young) each year. Accreditation by the Council of International Schools indicates that our financial practices are meeting the high standards required.

ABAX Corporate Administrators Ltd
6th Floor, Tower A,
1 CyberCity, Ebene, Mauritius
T + 230 403 6000 F + 230 403 6060
E officeoftheceo@abaxservices.com
www.abaxservices.com

ABAX
Adding value to global business

SECRETARY'S CERTIFICATE OF PROGOS ('the Company')

As per Section 166 (d) of the Companies Act 2001

We confirm, as Secretary of the abovenamed Company that, based on the records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2017, all such returns as are required of the Company under the Companies Act 2001.

RISHAL TANEE
FOR
ABAX CORPORATE
ADMINISTRATORS LTD

....
CORPORATE SECRETARY

DATE: 6 June 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PROGOS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Progos (the "Company") set out on pages 20 to 46 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Progos as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the Annual report and the Secretary's certificate as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PROGOS (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PROGOS (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

Date: 06 JUN 2018

PROGOS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017	2016
ASSETS		Rs	Rs
Non-current assets			
Property, plant and equipment	5	139,153,806	134,486,668
Intangible assets	6	86,234	208,404
		139,240,040	134,695,072
Current assets			
Inventories	7	993,494	1,078,856
Trade and other receivables	8	7,411,172	2,118,842
Cash at bank - Tertiary scholarship fund	9	1,034,661	653,950
Cash at bank and in hand	10	1,904,432	13,898,584
		11,343,759	17,750,232
TOTAL ASSETS		150,583,799	152,445,304
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Issued capital	11	6,950,000	6,950,000
Calls in advance		544,884	544,884
Retained surplus		93,750,218	97,239,489
Total equity		101,245,102	104,734,373
Non-current liabilities			
Retirement benefit obligations	12	10,496,823	12,485,503
Current liabilities			
Tertiary scholarship fund	9	1,034,661	653,950
Trade and other payables	13	34,909,504	34,571,478
Bank Overdraft	10	2,897,709	-
		38,841,874	35,225,428
Total liabilities		49,338,697	47,710,931
TOTAL EQUITY AND LIABILITIES		150,583,799	152,445,304

These financial statements have been approved for issue by the Board of directors on 6 June 2018 and signed on its behalf by:

Name **Signature**

Gong Ming Chen

Philippe A. Forget

The notes on pages 24 to 46 form an integral part of these financial statements.

Independent Auditors' report on pages 17 to 19

	Notes	2017	2016
		Rs	Rs
Income			
Fees	15	**127,187,952**	126,162,041
Other operating income	16	**7,720,715**	4,898,784
		134,908,667	131,060,825
Expenditure			
School running expenses		**109,215,784**	105,973,264
Administrative expenses		**26,707,384**	22,437,203
		135,923,168	128,410,467
Operating surplus	17	**(1,014,501)**	2,650,358
Finance income	19	**278,491**	556,226
Finance costs	20	**(18,261)**	(16)
(Deficit) / Surplus for the year		**(754,271)**	3,206,568
Other comprehensive loss for the year			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial losses on defined benefits plan	12(n)	**(2,735,000)**	(3,369,000)
Total comprehensive loss for the year		**(3,489,271)**	(162,432)

The notes on pages 24 to 46 form an integral part of these financial statements.
Independent Auditors' report on pages 17 to 19

	Issued capital	Calls in advance	Retained surplus	Total
	Rs	Rs	Rs	Rs
At 01 January 2016	6,950,000	544,884	97,401,921	104,896,805
Surplus for the year	-	-	3,206,568	3,206,568
Other comprehensive loss for the year	-	-	(3,369,000)	(3,369,000)
Total comprehensive loss for the year	-	-	(162,432)	(162,432)
At 31 December 2016	6,950,000	544,884	97,239,489	104,734,373
Deficit for the year	-	-	(754,271)	(754,271)
Other comprehensive loss for the year	-	-	(2,735,000)	(2,735,000)
Total comprehensive loss for the year	-	-	(3,489,271)	(3,489,271)
At 31 December 2017	**6,950,000**	**544,884**	**93,750,218**	**101,245,102**

	Notes	2017	2016
		Rs	Rs
Operating activities			
(Loss)/Surplus for the year		**(754,271)**	3,206,568
Adjustments for non-cash transactions:			
- Depreciation on property, plant and equipment	5	**19,230,365**	15,693,636
- Loss on property,plant and equipment written off	5	**908,645**	
- Amortisation of intangible assets	6	**140,170**	219,180
- Allowance for credit losses	8	**167,071**	126,403
- Finance income	19	**(278,491)**	(556,226)
- Finance costs	20	**18,261**	16
- Gain on disposal of property, plant and equipment		**-**	(285,220)
- Retirement benefit obligations recognised in profit or loss	12 (m)	**1,340,000**	1,441,000
Working capital adjustments:			
- Decrease/(Increase) in inventories		**85,363**	(272,056)
- Increase in trade and other receivables		**(5,459,402)**	(719,610)
- Increase in trade and other payables		**338,026**	1,667,965
		15,735,737	20,521,656
Interest received	19	**278,491**	556,226
Employer contributions paid for retirement benefit obligations		**(6,063,680)**	(3,412,065)
Net cash flows from operating activities		**9,950,548**	17,665,817
Investing activities			
Purchase of property, plant and equipment	5	**(24,806,148)**	(20,527,427)
Purchase of intangible assets	6	**(18,000)**	(87,411)
Proceeds from disposal of property, plant and equipment		**-**	290,000
Net cash flows used in investing activities		**(24,824,148)**	(20,324,838)
Financing activities			
Interest paid	20	**(18,261)**	(16)
Net cash flows used in financing activities		**(18,261)**	(16)
Net decrease in cash and cash equivalents		**(14,891,861)**	(2,659,037)
Cash and cash equivalents at 1 January		**13,898,584**	16,557,621
Cash and cash equivalents at 31 December	10	**(993,277)**	13,898,584

The notes on pages 24 to 46 form an integral part of these financial statements.
Independent Auditors' report on pages 17 to 19

1.1 CORPORATE INFORMATION

Progos (the "Company") is a public company incorporated in Mauritius under the Companies Act 2001 as a not-for-profit company with limited liability. It is a co-educational institution dedicated to the pursuit of excellence in education. Its registered office is situated at c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene. The principal activity of the Company is the owning and operating of a quality, fee paying and approved, international secondary school called "Le Bocage International School".

2.1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention. The preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The financial statements are presented in rupees rounded to the nearest rupee.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended Standards and Interpretations

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 01 January2017.

The nature and the effect of these changes for accounting standards and interpretations relevant to the Company's operations are disclosed below. These new standards and amendments applied for the first time in 2017, did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 01 January2017, with early application permitted. These amendments did not have any impact on the Company.

2.3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them.

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
<u>**New or revised standards**</u>	
IFRS 9 Financial Instruments	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 January 2018
IFRS 16 Leases	01 January 2019
IFRS 17 Insurance Contract	01 January 2021
<u>**Amendments**</u>	
IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	01 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IAS 40 Amendments to Transfers of Investment Property	01 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	01 January 2019
Prepayment Features with Negative Compensation -Amendments to IFRS 9	01 January 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	01 January 2019

<u>**New or revised standards**</u>

Annual Improvements 2015 – 2017 Cycle (issued in December 2017)

The following amendments were made to these standards:

- IFRS 1 -First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (01 January 2018)
- IAS 28 - Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment by investment choice (01 January 2018)
- IFRS 3 – Business Combinations – Previously held interests in joint operation (01 January 2019)
- IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity (01January 2019)
- IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation (01 January 2019)
- IFRS 11 – Joint Arrangements – Previously held interests in joint operation (01 January 2019)

2.3 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – effective 1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 01 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.
The Company will adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed an impact assessment of all three aspects of IFRS 9, and expects no significant impact on its financial position or performance. The Company's financial assets include trade and other receivables, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. No reclassification is expected for trade and other receivables.
IFRS 9 requires the Company to record expected credit losses on all of its trade and other receivables either on a 12 month or lifetime basis. The Company intends to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company does not expect a significant impact on the loss allowances as a result of the adoption of IFRS

IFRS 15 Revenue from Contracts with Customers- effective 1 January 2018

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15, 'Revenue from Contracts with Customers' will supersede all current revenue recognition requirements under IFRS. The core principle of the new standard is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.The directors of the Company have made an assessment as at reporting date and concluded that IFRS 15 will not have a significant impact on the financial statements of the Company.

Management is still assessing the impact from the adoption of the other new or amended standards and interpretations on the Company's financial statements. No early adoption is intended by the Board of Directors.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The Company's financial statements are presented in Mauritian rupees ("Rs") which is the Company's functional currency and also its presentation currency. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of comprehensive income except for exchange gains and losses relating to the tertiary scholarship fund which are credited or debited to the tertiary scholarship fund.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. Likewise, when a major repair is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. Depreciation is calculated on the straight-line basis to write off the cost of the assets less their estimated residual values over their expected useful lives as follows:

Asset Category	Rate (%)
Buildings	2 - 4
School infrastructure	5
Furniture and fittings	20
Computer equipment	20 -25
Laboratory equipment	20
Books	20
Motor vehicles	20

Freehold land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets'residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less 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 intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets (Continued)

Computer software is treated as an intangible asset with a finite life and is amortised over four years on a straight line basis. Intangible assets with indefinite useful lives are not amortised but assessed for impairment at least annually.

(d) Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus directly attributable transaction costs except for financial assets carried at fair value through profit or loss.

The Company's financial assets include cash and cash equivalents and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

Cash at bank

Cash in the statement of financial position comprises cash at bank and in hand which are subject to an insignificant risk of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank and in hand.

(e) Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of borrowings and payables, including directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial liabilities (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost of financial instruments

Amortised cost is computed using the EIR method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. The EIR amortisation is included in profit or loss.

(f) Impairment of financial assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measureable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, in relation to trade receivables, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in profit or loss.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company 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 similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is 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 loss is recognised in profit or loss. Interest income, included in finance income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

(h) Derecognition of financial instruments

Financial assets

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial instruments (Continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

(i) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset except for property previously re-valued where the revaluation was taken to OCI. In this case the impairment is also recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business less selling expenses.

(k) Tertiary scholarship scheme

The Company operates a scholarship scheme for its students who have performed well in the International Baccalaureate examination. The scheme is funded, in equal share, by contributions received from private sponsors and the Company and is administered by the Company. Contributions and interest received, scholarships paid and refunded and gains/(losses) on exchange are dealt with in the Tertiary Scholarship Fund account.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Pension and other retirement plans

Retirement benefits to employees of the Company were provided by a defined benefit scheme, which was converted into a defined contribution retirement plan for all qualifying employees on 01 January 2004. Payments to the defined contribution retirement plan are charged as an expense in profit or loss as they fall due.

Some members of the defined contribution retirement benefit plan are entitled to a "No Worse off Guarantee" based on the benefits of the defined benefit scheme, that is, an annual non-increasing member's pension of $1/60^{th}$ of the annual salary at retirement date per year of service, as from the age of 60. The pension is guaranteed for five years.

The pension obligation under the "No Worse off Guarantee" is measured as the present value of the estimated future cash outflows using a discount rate by reference to current interest rates and the yields on Treasury Bills and recent corporate debenture issues.

Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Where employees are not covered under any pension plan, the retirement gratuity payable under the Employment Rights Act has been calculated and provided for.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty.

School fees

School fees and library fees are recognised over the period of instruction. Entrance exam fees are recognised when received. Capital levy fees are recognised over a period of two years.

All fees are shown net of allowances and discounts.

Interest income

Interest income and other income are recognised on an accruals basis unless collectibility is in doubt.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(p) Stated capital

Stated capital is comprised of ordinary shares at nominal value.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives and residual values of property, plant and equipment

Determining the carrying amounts of property, plant and equipment requires the estimation of the useful lives and residual values of these assets. Certain property, plant and equipment of the Company are separated into their significant parts and estimates of the useful lives and residual values thereof are made for the purposes of calculating depreciation. The estimates of useful lives and residual values carry a degree of uncertainty. The directors have used historical information relating to the Company in order to best determine the useful lives and the residual values of property, plant and equipment.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets with finite lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Refer to Note 5 for more details.

Retirement benefit obligations

In determining the provision for retirement benefit obligations under the Company's "No Worse off Guarantee" and severance allowance under the Employment Rights Act, the directors have used certain assumptions regarding the future which are based on current conditions. Future changes in these assumptions could affect the carrying values of these retirement benefit obligations. The assumptions used include the discount rate, expected rate of return on plan assets, future salary increases and mortality rates. Further details are provided in Note 12.

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2017	Freehold land and buildings	School infrastructure	Furniture and fittings	Computer equipment	Laboratory equipment	Books	Motor vehicles	TOTAL
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST:								
At 01 January 2017	91,978,537	77,572,001	26,829,267	46,569,988	4,468,405	30,161,440	3,395,751	280,975,389
Additions	9,367,104	5,993,827	4,233,441	4,599,052	247,104	365,620	-	24,806,148
Reclassification	(5,286,767)	-	-	5,286,767	-	-	-	-
Impairment	(1,223,496)	(170,710)	(981,716)	(920,950)	-	-	-	(3,296,872)
At 31 December 2017	**94,835,378**	**83,395,118**	**30,080,992**	**55,534,857**	**4,715,509**	**30,527,060**	**3,395,751**	**302,484,665**
DEPRECIATION:								
At 01 January 2017	28,805,636	23,547,194	20,923,528	41,740,010	3,948,361	25,704,843	1,819,149	146,488,721
Charge for the year	2,365,135	4,190,126	3,255,012	4,683,011	293,229	1,646,970	517,148	16,950,631
Adjustment	(310,866)	-	-	2,590,600	-	-	-	2,279,734
Impairment	(1,015,501)	(29,247)	(795,332)	(548,147)	-	-	-	(2,388,227)
At 31 December 2017	**29,844,404**	**27,708,073**	**23,383,208**	**48,465,474**	**4,241,590**	**27,351,813**	**2,336,297**	**163,330,859**
NET BOOK VALUES:								
At 31 December 2017	**64,990,974**	**55,687,045**	**6,697,784**	**7,069,383**	**473,919**	**3,175,247**	**1,059,454**	**139,153,806**
At 31 December 2016	63,172,901	54,024,807	5,905,739	4,829,978	520,044	4,456,597	1,576,602	134,486,668

The impairment loss relates to the assets of the art room that were damaged by a fire in October 2017. The main assumption used was the write down of the cost of building per square meter (determined by an independent valuer). The impairment loss of Rs 908,645 is included administrative expenses in the statement of comprehensive income. An insurance recovery of Rs 3,026,238 has been approved by the insurance company and recognised as other income. The amount was receivable at year end and post year end, an amount of Rs 1,264,061 was received.

5. PROPERTY, PLANT AND EQUIPMENT

2016	Freehold land and buildings	School infrastructure	Furniture and fittings	Computer equipment	Laboratory equipment	Books	Motor vehicles	TOTAL
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST:								
At 01 January 2016	91,240,469	67,646,658	25,608,231	43,156,726	4,204,213	26,970,604	2,614,446	261,441,347
Additions	738,068	9,925,343	1,227,036	3,413,262	264,192	3,193,786	1,765,740	20,527,427
Disposal	-	-	(6,000)	-	-	(2,950)	(984,435)	(993,385)
At 31 December 2016	91,978,537	77,572,001	26,829,267	46,569,988	4,468,405	30,161,440	3,395,751	280,975,389
DEPRECIATION								
At 01 January 2016	26,275,055	19,653,914	18,230,464	37,924,671	3,641,105	23,934,045	2,124,436	131,783,690
Charge for the year	2,530,581	3,893,280	2,695,464	3,815,339	307,256	1,772,568	679,148	15,693,636
Disposal	-	-	(2,400)	-	-	(1,770)	(984,435)	(988,605)
At 31 December 2016	28,805,636	23,547,194	20,923,528	41,740,010	3,948,361	25,704,843	1,819,149	146,488,721
NET BOOK VALUES								
At 31 December 2016	63,172,901	54,024,807	5,905,739	4,829,978	520,044	4,456,597	1,576,602	134,486,668
At 31 December 2015	64,965,414	47,992,744	7,377,767	5,232,055	563,108	3,036,559	490,010	129,657,657

6. INTANGIBLE ASSETS

	2017	2016
Cost	**Rs**	Rs
At 01 January	**1,241,196**	1,153,785
Additions	**18,000**	87,411
At 31 December	**1,259,196**	1,241,196
Amortisation		
At 01 January	**1,032,792**	813,612
Charge for the year	**140,170**	219,180
At 31 December	**1,172,962**	1,032,792
Net Book Value at 31 December	**86,234**	208,404

7. INVENTORIES

	2017	2016
	Rs	Rs
Student uniforms	**1,035,534**	1,120,896
Less: Provision for slow moving items	**(42,040)**	(42,040)
	993,494	1,078,856

Inventories are stated at the lower of cost and net realisable value. There was no amount written off in student uniforms which has been recognised as an expense in administrative expenses for the year under review (2016: Rs [illegible]

At 31 December 2017, the Company had recognised **Rs 42,040** (2016: Rs 42,040) as provision for slow moving items.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	Rs	Rs
School fees receivable	**3,086,971**	2,882,017
Less: Allowance for credit losses	**(2,577,082)**	(2,410,011)
School fees receivable - net	**509,889**	472,006
Other receivables and prepayments	**6,901,283**	1,646,836
	7,411,172	2,118,842

School fees receivable are unsecured, non-interest bearing and payable monthly in advance. At 31 December 2017, school fees receivable at nominal value of **Rs 2,577,082** (2016 : Rs 2,410,011) were impaired and fully provided for.

Movements in the allowance for credit losses were as follows:

	2017	2016
	Rs	Rs
At 01 January	**2,410,011**	2,283,608
Provision for the year (note 17)	**167,071**	126,403
At 31 December	**2,577,082**	2,410,011

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 December 2017 and 2016, the ageing analysis of school fees receivable excluding those which are impaired is as follows:

		Past due but not impaired			
	Total	**< 30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**
2017	**509,889**	**99,000**	**301,259**	**15,900**	**93,730**
2016	472,006	-	393,233	65,950	12,823

9. CASH AT BANK- TERTIARY SCHOLARSHIP FUND

	2017	2016
	Rs	Rs
At 01 January	**653,950**	745,073
Scholarships refunds	**428,913**	135,000
Scholarships paid during the year	**-**	(220,000)
Bank charges	**(1,590)**	(1,913)
Loss on exchange difference	**(46,612)**	(4,210)
At 31 December (note 10)	**1,034,661**	653,950

10. CASH AND CASH EQUIVALENTS

	2017	2016
	Rs	Rs
Cash at bank and in hand	**1,904,432**	13,898,584
Bank Overdraft	**(2,897,709)**	-
	(993,277)	13,898,584

Cash at bank earns interest at floating rates based on daily bank deposit rates.
The Company has a bank overdraft facility of Rs 15m with The Mauritius Commercial Bank Limited.

11. ISSUED CAPITAL

	2017		2016	
	Number of shares	**Rs**	Number of shares	Rs
Authorised:				
Ordinary shares of Rs 50,000 each	**200**	**10,000,000**	200	10,000,000
Issued:				
Fully paid	**134**	**6,700,000**	134	6,700,000
Partly paid	**10**	**250,000**	10	250,000
Ordinary shares of Rs 50,000 each	**144**	**6,950,000**	144	6,950,000

The partly paid shares are in respect of 10 ordinary shares for which Rs 25,000 per share have been paid.

The remaining Rs 25,000 per share are still outstanding.

12. RETIREMENT BENEFIT OBLIGATIONS

	2017	2016
	Rs	Rs
Funded obligations *(note 12 (a) - (f))*	7,792,000	10,543,000
Unfunded obligations *(note 12 (g) - (i))*	2,704,823	1,942,503
	10,496,823	12,485,503

The Company participates in a defined contribution (DC) pension plan. Its contributions for DC employees are expensed to profit or loss and amounted to **Rs 5,541,405** for the year ended 31 December 2017 (2016: Rs 5,238,936). Some employees have a "No Worse off Guarantee" (NWOG) that their benefits would not be worse than that they would have earned under a previous defined benefit plan. The Company has recognised a net liability of **Rs 7,792,000** at 31 December 2017 (2016: Rs 10,543,000) in respect of the NWOG. The Company has also recognised a net liability of **Rs 2,704,823** at 31 December 2017 (2016: Rs 1,942,503) in respect of any retirement gratuities, residual gratuities and pensions that are expected to be paid out of the Company's cash flow to its employees.

(a) The assets of the fund are held independently and administered by Swan Life Limited . The acturay is Aon Hewitt Ltd.

Funded obligations

(b) The liability recognised in the statement of financial position in respect of funded obligations is:

	2017	2016
	Rs	Rs
Present value of funded obligations	9,083,000	11,481,000
Fair value of plan assets	(1,291,000)	(938,000)
Liability in the statement of financial position	7,792,000	10,543,000

(c) The amounts recognised in the statement of comprehensive income in respect of funded obligations are as follows:

(i) Amounts recognised in profit or loss

	2017	2016
	Rs	Rs
Current service cost	487,000	488,000
Net interest cost	440,000	660,000
Net benefit expense (included in staff costs) (Note 18)	927,000	1,148,000

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Funded obligations (Continued)

(c) The amounts recognised in the statement of comprehensive income in respect of funded obligations are as follows: (Continued)

(ii) Amounts recognised in other comprehensive income

	2017	2016
	Rs	Rs
Expected return on plan assets	74,000	19,000
Liability experience loss	429,000	1,850,000
Liability loss due to change in financial assumptions	1,719,000	1,225,000
Net benefit expense	2,222,000	3,094,000

(d) Changes in present value of the funded obligations:

	2017	2016
	Rs	Rs
At 01 January	11,481,000	10,051,000
Current service cost	487,000	488,000
Interest cost	567,000	704,000
Liability experience loss	429,000	1,850,000
Past service cost	-	-
Liability loss due to change in financial assumptions	1,719,000	1,225,000
Benefits paid	(5,600,000)	(2,837,000)
At 31 December	9,083,000	11,481,000

(e) Changes in the fair value of plan assets are :

	2017	2016
	Rs	Rs
At 01 January	938,000	622,000
Interest income	127,000	44,000
Employer contributions	5,900,000	3,128,000
Benefits paid	(5,600,000)	(2,837,000)
Experience adjustments on plan assets	(74,000)	(19,000)
At 31 December	1,291,000	938,000

(f) Amounts in respect of funded obligations for the current and previous three years are as follows:

	2017	2016	2015	2014
	Rs	Rs	Rs	Rs
Present value of funded obligations	(9,083,000)	(11,481,000)	(10,051,000)	(9,566,000)
Fair value of plan assets	1,291,000	938,000	622,000	595,000
Deficit	(7,792,000)	(10,543,000)	(9,429,000)	(8,971,000)
Experience adjustments on plan liabilities	(429,000)	(1,850,000)	(201,000)	(505,000)
Experience adjustments on plan assets	(74,000)	(19,000)	(18,000)	(18,000)

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Unfunded obligations

(g) The amounts recognised in the statement of financial position in respect of unfunded obligations are as follows:

	2017	2016
	Rs	Rs
Present value of unfunded obligations	2,704,823	1,942,503
Liability in the statement of financial position	2,704,823	1,942,503

Changes in present value of unfunded obligations:

	2017	2016
	Rs	Rs
At 01 January	1,942,503	1,658,568
Current service cost	292,000	187,000
Interest cost	121,000	106,000
Liability experience (gain)/loss	(79,000)	57,000
Liability loss due to change in financial assumptions	592,000	218,000
Contributions and direct benefits paid	(164,000)	(284,065)
At 31 December	2,704,503	1,942,503

(h) The amounts recognised in the statement of comprehensive income in respect of unfunded obligations are as follows:

(i) Amounts recognised in profit or loss

	2017	2016
	Rs	Rs
Current service cost	292,000	187,000
Interest cost	121,000	106,000
Net benefit expense/(gain) (included in staff costs) (Note 18)	413,000	293,000

(ii) Amounts recognised in other comprehensive income

	2017	2016
	Rs	Rs
Liability experience (gain)/loss	(79,000)	57,000
Liability loss due to change in financial assumptions	592,000	218,000
Net benefit expense	513,000	275,000

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Unfunded obligations (Continued)

(i) Amounts in respect of unfunded obligations for the current and previous three years are as follows:

	2017	2016	2015	2014
		Rs	Rs	Rs
Present value of unfunded obligations	**2,704,823**	1,942,503	1,658,568	(3,170,000)
Experience adjustments on plan liabilities	**513,000**	275,000	(1,272,000)	(142,000)

(j) The principal assumptions used in determining pension obligations for the Company's plans are shown below:

	2017	2016
	Rs	Rs
Discount rate	**6.2%**	**6.5%**
Rate of salary increases	**6.0%**	**6.0%**
Rate of pension increases	**0.0%**	0.0%
Average retirement age	**65 years**	65 years
Life expectancy for pensioners at average retirement age		
Male	**19.5 years**	19.5 years
Female	**24.2 years**	24.2 years

(k) Sensitivity analysis on defined benefit obligations as at 31 December :

	2017	2016
Increase due to 1% decrease in discount rate	**7,219,000**	6,790,000
Decrease due to 1% increase in discount rate	**5,122,000**	5,713,000

The above sensitivity analysis has been carried out by recalculating the present value of obligations at end of year after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in other assumptions would have shown smaller variations in the defined benefit obligations.

12. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(l) Future cash flows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the Company's actuary.

The expected employer contribution for the next year is Rs 1,236,000 for those entitled to a "No Worse off Guarantee" (NWOG) and Rs 132,000 for retirement gratuities, residual gratuities and unfunded pensions .

The weighted average duration of the defined benefit obligations under the NWOG is 9 years and 21 years for retirement gratuities, residual gratuities and unfunded pensions.

(m) Components of amount recognised in profit or loss

	2017	2016
	Rs	Rs
- Current service cost	779,000	675,000
- Net Interest on net defined benefit liability	561,000	766,000
	1,340,000	1,441,000

(n) *Components of amount recognised in other comprehensive income:*

	2017	2016
	Rs	Rs
Return on plan assets below interest income	74,000	19,000
Liability experience loss	350,000	1,907,000
Liability loss due to change in financial assumptions	2,311,000	1,443,000
	2,735,000	3,369,000

13. TRADE AND OTHER PAYABLES

	2017	2016
	Rs	Rs
School fees and book rentals received in advance	19,051,067	17,535,387
Deferred capital levy	6,347,640	5,532,330
Other payables and accruals	9,510,797	11,503,761
	34,909,504	34,571,478

Terms and conditions of the above financial liabilities:

Other payables are non-interest bearing and have an average credit term of one month.

14. TAXATION

The Company is a not-for-profit company and is exempt from income tax.

15. FEES

	2017	2016
	Rs	Rs
School fees	122,685,966	121,354,536
Capital levy	4,374,486	4,657,540
Entrance exams	127,500	149,965
	127,187,952	126,162,041

16. OTHER OPERATING INCOME

	2017	2016
	Rs	Rs
Book rentals	3,091,271	3,121,125
Others	4,629,444	1,777,659
	7,720,715	4,898,784

17. OPERATING SURPLUS

	2017	2016
	Rs	Rs
The following items have been charged in arriving at the operating surplus:		
Depreciation (Note 5)	19,230,365	15,693,636
Amortisation (Note 6)	140,170	219,180
Staff costs (Note 18)	92,064,508	88,628,473
Repairs and maintenance	5,783,372	6,075,500
Allowance for credit losses (Note 8)	167,071	126,403
Auditors' remuneration	293,250	281,750

18. STAFF COSTS

		2017	2016
		Rs	Rs
Salaries and related costs		**83,199,582**	80,050,067
Social security costs		**1,983,521**	1,898,470
Pension costs - defined benefit scheme	- funded (Note 12(c))	**927,000**	1,148,000
	-unfunded (Note 12(h))	**413,000**	293,000
Pension costs - defined contribution scheme		**5,541,405**	5,238,936
		92,064,508	88,628,473

The number of employees at the end of the year was 121 (2016: 122).

19. FINANCE INCOME

	2017	2016
	Rs	Rs
Interest on bank balance	**278,491**	556,226

20. FINANCE COSTS

	2017	2016
	Rs	Rs
Interest on bank overdraft	**18,261**	16

21. RELATED PARTY DISCLOSURES

During the year ended 31 December 2017 and 2016, the Company transacted with related parties. The nature, volume of transactions and the balances are as follows:

Name of related party	**Relationship**	**Nature of transactions**	**2017**	2016
Volume of transactions during the year			Rs	Rs
La Sentinelle Ltd	Common directorship	Advertising expenses	**122,682**	118,037
Librairie Le Cygne	Common directorship	Stationery	**4,144**	23,217
Atom Travel Services	Close family member	Travel agency	**918,508**	309,440
Caractere Limitée	Common directorship	Printing	**525,780**	504,563
Graphic Press Limited	Common directorship	Design	-	118,450
Business Publication Ltd	Common directorship	Printing	**117,980**	-
Balances outstanding at year end				
La Sentinelle Ltd	Common directorship	Advertising expenses	-	23,348
Librairie Le Cygne	Common directorship	Stationery	**1,270**	-
Atom Travel Services	Close family member	Travel agency	**217,488**	-

All related party transactions are carried out at arm's length.

There were no transactions with key management personnel except for salaries and benefits paid during the year (2016 - nil).

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal liabilities comprise interest-bearing borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has financial assets comprising trade and other receivables and cash and short term deposits that derive directly from its operations.

The Company is exposed to interest rate risk, credit risk and liquidity risk. Management oversees the management of these risks whilst the Board of directors reviews, advises and agrees policies for managing each of these risks which are summarised below:

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk related to its bank balances which earn interest at variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's surplus for the year (through the impact of variable rate borrowing) :

	Increase/ decrease in basis points	Effect on surplus for the year
		Rs
2017		
Net financial assets	**100**	**(9,933)**
2016		
Net financial assets	100	138,985

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation by adopting a prudent liquidity risk management.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping reliable credit lines available.

The Company's objective is to maintain flexibility between continuity of funding and flexibility through the use of bank overdraft.

The table below provides an analysis of the maturity profile of financial liabilities at 31 December 2017 and 2016:

2017	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	Rs	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Trade and other payables	**-**	**9,510,797**	**-**	**-**	**-**	**9,510,797**
	-	**9,510,797**	**-**	**-**	**-**	**9,510,797**

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Trade and other payables	-	11,503,761	-	-	-	11,503,761
	-	11,503,761	-	-	-	11,503,761

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for credit losses, estimated by the Company's management based on prior experience and the current economic environment. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company trades only with creditworthy parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to cash at banks, the Company's exposure to credit risk arises from the default of the counter party with a maximum equal to the carrying value of the instrument. Cash at bank is held with financially reputable institutions having strong credit ratings.

23. COMMITMENT AND CONTINGENCIES

At 31 December 2017, the Company had **Rs.101,000** (2016: Rs. 101,000) as bank guarantees in favour of expatriates employed by the school.

24. EVENTS AFTER THE REPORTING DATE

There are no significant events after the reporting date which need to be disclosed or require amendments to the financial statements for the year ended 31 December 2017.