ALIGNING

BUSINESS TARGETS & UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Aligning our business targets, sustainability practices, as well as partnerships, are essential in achieving the UN Sustainable Development Goals. The Bank's objective is not only to generate revenue for shareholders but also to assume social responsibility in the production and redistribution of created wealth amongst the various stakeholders.

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of Section 166 (d) of the Mauritius Companies Act 2001, we certify that to the best of our knowledge and belief, AfrAsia Bank Limited (the "Bank"), has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001 for the year ended 30 June 2018.

IBL MANAGEMENT LTD

Company Secretary

Date: 20 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **AfrAsia Bank Limited** (the "Bank") and its subsidiaries (the "Group") set out on pages 271 to 361, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2018, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated and separate financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
LOANS AND ADVANCES TO CUSTOMERS– ALLOWANCE FOR CREDIT IMPAIRMENT	
Allowance for credit impairment on loans and advances to customers at 30 June 2018 amount to MUR 1,273,954,000 and the charge to profit or loss for the year amount to MUR 898,558,000. Due to the substantial amount of the allowance for credit impairment on loans and advances to customers at the reporting date and the significance of the judgements applied for determining the allowance for credit impairment, this item is considered as a key audit matter. The use of assumptions for the measurement of allowance for credit impairment is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details allowance for credit impairment on loans and advances to customers are disclosed in Notes 2C and 16 to the financial statements. The most significant judgments are: › whether impairment events have occurred › valuation of collateral and future cash flows › management judgements and assumptions used	Our audit procedures included among others: › Obtaining audit evidence in respect of key controls over the processes for impairment events identification and collateral valuation; › Inspecting the minutes of Credit Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; › Challenging the methodologies applied by using our industry knowledge and experience; › Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and › Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.
IMPAIRMENT ASSESSMENT OF GOODWILL	
Goodwill arising from the acquisition of AfrAsia Capital Management Limited is recognized in the financial statements at MUR 134.9 million (refer to Note 20(c)). Management conducts annual impairment test to assess the recoverability of the carrying value of goodwill. This is performed by calculating the asset's value-in-use using discounted cash flow models. As disclosed in Notes 2C and 20, there is inherent uncertainty and significant judgement involved in preparing future cash flow forecasts and applying the appropriate discount rate to determine the value-in-use amount of the cash generating unit. Accordingly, the impairment test of goodwill is considered to be a key audit matter.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following: › Reviewing the inputs used in the cash flow forecast against historical performance and in comparison to management's strategic plans; › Compared the growth rates used to historical data regarding economic growth rates in the cash generating unit; › Reviewed appropriateness of discount factors used, including any illiquidity and size factors; › Verified the mathematical accuracy of the valuation; and › Performed sensitivity analyses on the growth rates and discount rates to evaluate the extent of impact on the value in use. We found the assumptions used and disclosures in the financial statements to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
FAIR VALUE OF FINANCIAL INSTRUMENTS	
In the Bank's separate financial statements, financial assets and financial liabilities amounting to MUR 7,222,727,000 and MUR 64,382,000 respectively are carried out at fair value as at 30 June 2018. In determining the fair value of these financial instruments, the Bank uses a variety of methods and makes assumptions that are based on market conditions existing at reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable inputs are used, in particular for level 2 instruments, pricing inputs were developed based on the quoted data in secondary market. The disclosures relating to financial instruments held at fair value have been provided in Notes 2C, 14, 15, 17(a) and 30 to the financial statements. The valuation of the Bank's financial instruments held at fair value is a key area of the audit focus due to the complexity involved in the valuation process.	Our audit procedures included among others: › Reviewed the Bank's controls relating to the fair valuation of financial investments; › Evaluated the appropriateness of the valuation methodology and models used; › Verified the pricing inputs used to source data, including external data; and › Involved our valuation specialist in evaluating the fair valuation of financial instruments as at reporting date. We found the assumptions used and disclosure in the financial statements to be appropriate.
DEFERRED TAX ASSETS	
As disclosed in Notes 2C and 10(d), the Group and the Bank have recognized deferred tax assets as at 30 June 2018 for deductible temporary differences that they have assessed to be recoverable. The recoverability of recognized deferred tax assets is in part dependent on the ability of the Group and the Bank to generate future taxable profits to utilize deductible temporary differences as well as to obtain the tax benefits on thereon. We have determined this to be a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our procedures in relation to management's assessment about the recoverability of deferred tax assets included: › Challenging the assumptions made by management to assess whether the recognition of deferred tax assets is appropriate; › Evaluating the management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including business plans and strategy, minutes of the directors' meetings and our knowledge of the business; and › Assessing the trend of the recoverability of the tax benefit. We found the assumptions used and disclosure in the financial statements to be appropriate.

Report on other legal and regulatory requirements

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

› we have no relationship with, or interest in, the Bank and its subsidiaries other than in our capacity as auditor;

› we have obtained all information and explanations that we have required; and

› in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

The Banking Act 2004

› In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines issued by Bank of Mauritius in relation to banks; and

› The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the Corporate Governance Report is consistent with the requirements of the Code.

Other information

The directors are responsible for the other information. The other information comprises the following: Corporate Profile & Overview, Our Approach to Sustainability, Our Performance, Management Discussion and Analysis, Statement of Management's Responsibility for Financial Reporting and Certificate from the Company Secretary, which we obtained prior to the date of this auditor's report. The other information does not include the Corporate Governance Report, the consolidated and separate financial statements and our auditor's report thereon.

Our opinions on the consolidated and separate financial statements as well as the Corporate Governance Report do not cover the other information and we do not express any form of assurance or conclusion thereon.

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

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate 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 consolidated and separate 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 Bank'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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank'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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

› 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 Group and the Bank to cease to continue as a going concern.

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

› Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

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

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

DELOITTE
Chartered Accountants

JACQUES DE C. DU MÉE, ACA
Licensed by FRC

20 September 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		THE GROUP			THE BANK		
		2018	2017	2016	**2018**	2017	2016
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	3	**2,324,779**	1,849,228	1,608,833	**2,324,623**	1,848,643	1,604,388
Interest expense	4	**(699,391)**	(716,175)	(797,206)	**(695,565)**	(709,355)	(774,912)
Net interest income		**1,625,388**	1,133,053	811,627	**1,629,058**	1,139,288	829,476
Fee and commission income	5	**820,711**	680,539	581,849	**730,260**	608,662	457,243
Fee and commission expense	5	**(309,428)**	(242,283)	(159,458)	**(306,402)**	(239,566)	(159,440)
Net fee and commission income	5	**511,283**	438,256	422,391	**423,858**	369,096	297,803
Net trading income	6(a)	**818,964**	685,705	590,892	**816,767**	686,021	594,683
Other operating income	6(b)	**27,707**	15,048	4,170	**32,977**	17,979	5,975
Total operating income		**2,983,342**	2,272,062	1,829,080	**2,902,660**	2,212,384	1,727,937
Net impairment loss on financial assets	7	**(1,067,581)**	(580,549)	(508,334)	**(1,067,581)**	(580,549)	(508,334)
Net operating income		**1,915,761**	1,691,513	1,320,746	**1,835,079**	1,631,835	1,219,603
Personnel expenses	8	**(570,135)**	(463,512)	(452,346)	**(529,664)**	(436,358)	(396,790)
Depreciation of property and equipment	19	**(35,608)**	(25,271)	(22,788)	**(34,370)**	(24,091)	(20,504)
Amortisation of intangible assets	20	**(37,310)**	(23,185)	(33,145)	**(27,005)**	(12,810)	(9,224)
Other operating expenses	9	**(351,378)**	(258,893)	(343,440)	**(336,362)**	(238,902)	(269,564)
Total operating expenses		**(994,431)**	(770,861)	(851,719)	**(927,401)**	(712,161)	(696,082)
Operating profit		**921,330**	920,652	469,027	**907,678**	919,674	523,521
Loss on winding up of subsidiary		**(10,353)**	(5,004)	(4,185)	**-**	-	-
Impairment of intangible assets	20	**-**	-	(100,514)	**-**	-	-
Impairment of available-for-sale investment		**-**	(5,128)	-	**-**	-	-
Gain on liquidation of subsidiary	18	**-**	-	372,447	**-**	-	-
Profit before tax		**910,977**	910,520	736,775	**907,678**	919,674	523,521
Tax expense	10(b)	**(148,115)**	(106,411)	(97,036)	**(141,224)**	(102,676)	(89,885)
Profit for the year		**762,862**	804,109	639,739	**766,454**	816,998	433,636
Other comprehensive income that may be subsequently reclassified to profit or loss:							
Net gain / (loss) on available-for-sale investments		**10,722**	(9,888)	(6,867)	**10,722**	(12,259)	(579)
Movement in other reserves		**-**	-	(1,309)	**-**	-	-
Exchange differences on translation of foreign operations		**(523)**	3,331	(17,165)	**-**	-	-
Recycling of retranslation reserve on winding up		**523**	-	-	**-**	-	-
		10,722	(6,557)	(25,341)	**10,722**	(12,259)	(579)
Other comprehensive income that will not be reclassified to profit or loss:							
Remeasurement of retirement benefit obligation		**(11,611)**	-	-	**(11,611)**	-	-
Deferred tax of remeasurement on retirement benefit obligation		**819**	-	-	**819**	-	-
		(10,792)	-	-	**(10,792)**	-	-
Other comprehensive loss for the year		**(70)**	(6,557)	(25,341)	**(70)**	(12,259)	(579)
Total comprehensive income for the year attributable to equity holders of the parent		**762,792**	797,552	614,398	**766,384**	804,739	433,057

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	THE GROUP			THE BANK		
		2018	2017	2016	**2018**	2017	2016
ASSETS		**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with the Central Bank	12	**3,196,233**	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536
Due from banks	13	**52,073,585**	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675
Derivative financial instruments	14	**897,052**	318,120	138,647	**208,490**	228,533	33,644
Financial investments - held-for-trading	15	**3,855,950**	3,806,253	4,893,741	**2,958,296**	2,944,577	3,542,070
Loans and advances to customers	16	**28,066,483**	27,512,745	21,958,341	**28,066,483**	27,512,745	21,958,341
Financial investments - available-for-sale	17(a)	**4,074,500**	5,745,972	350,798	**4,055,941**	5,726,288	316,033
Financial investments - held-to-maturity	17(b)	**27,360,177**	21,190,422	11,538,879	**27,360,177**	21,190,422	11,538,879
Investment in subsidiary	18	**-**	-	-	**189,563**	189,563	189,563
Property and equipment	19	**192,285**	189,287	140,101	**189,854**	186,269	135,991
Intangible assets	20	**417,919**	334,494	300,804	**249,585**	155,855	111,841
Other assets	21	**1,685,508**	1,436,888	1,363,800	**1,841,173**	1,427,433	1,439,777
Deferred tax assets	10(d)	**141,747**	147,057	60,441	**141,462**	147,057	60,441
TOTAL ASSETS		**121,961,439**	101,398,622	88,550,615	**120,400,413**	100,406,283	87,122,791
LIABILITIES AND EQUITY							
Due to banks	22	**932,755**	1,500,815	173,510	**932,755**	1,500,815	173,510
Derivative financial instruments	14	**752,944**	294,047	232,917	**64,382**	204,460	127,914
Deposits from customers	23	**111,136,100**	90,601,331	80,012,268	**111,385,467**	91,082,564	80,378,976
Debts issued	24	**855,302**	1,673,625	1,489,943	**600,208**	1,111,493	1,111,032
Other liabilities	25(a)	**473,048**	381,589	422,717	**445,380**	361,347	407,506
Financial liabilities designated at FVTPL	25(b)	**897,654**	861,677	1,348,159	**-**	-	-
Retirement benefits obligation	28	**42,776**	23,000	-	**41,688**	23,000	-
Current tax liabilities	10(a)	**34,780**	130,156	84,510	**31,281**	130,156	84,379
Deferred tax liabilities	10(d)	**-**	129	125	**-**	-	-
TOTAL LIABILITIES		**115,125,359**	95,466,369	83,764,149	**113,501,161**	94,413,835	82,283,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	26	**3,641,049**	3,197,608	2,595,363	**3,641,049**	3,197,608	2,595,363
Class A shares	27	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	29	**1,200,350**	870,794	448,491	**1,277,521**	944,373	493,283
Other reserves	29	**594,913**	464,083	342,844	**594,914**	464,699	365,060
TOTAL EQUITY		**6,836,080**	5,932,253	4,786,466	**6,899,252**	5,992,448	4,839,474
TOTAL LIABILITIES AND EQUITY		**121,961,439**	101,398,622	88,550,615	**120,400,413**	100,406,283	87,122,791

The financial statements have been approved by the Board of Directors and authorised for issue on 20 September 2018.

LIM SIT CHEN LAM PAK NG
Chairman

SANJIV BHASIN
Chief Executive Officer

ARVIND SETHI
Director

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

THE GROUP

Attibutable to equity holders of the parent	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Share application monies MUR'000	Retained earnings/ (Accumulated losses) MUR'000	Other reserves MUR'000	Total MUR'000
At 1 July 2015		2,590,959	1,399,768	17,261	(142,091)	419,748	4,285,645
Profit for the year		-	-	-	639,739	-	639,739
Other comprehensive loss		-	-	-	-	(25,341)	(25,341)
Total comprehensive income/(loss) for the year		-	-	-	639,739	(25,341)	614,398
Issue of shares	26	17,261	-	(17,261)	-	-	-
Indemnity costs	26	(12,857)	-	-	-	-	(12,857)
Consolidation adjustment		-	-	-	(1,718)	-	(1,718)
Appropriation of reserves	29	-	-	-	51,563	(51,563)	-
Dividends	11	-	-	-	(99,002)	-	(99,002)
At 30 June 2016		2,595,363	1,399,768	-	448,491	342,844	4,786,466
At 1 July 2016		2,595,363	1,399,768	-	448,491	342,844	4,786,466
Profit for the year		-	-	-	804,109	-	804,109
Other comprehensive loss		-	-	-	-	(6,557)	(6,557)
Total comprehensive income/(loss) for the year		-	-	-	804,109	(6,557)	797,552
Deconsolidation adjustment	29	-	-	-	(15,898)	15,898	-
Share-based payments	29	-	-	-	-	(11,061)	(11,061)
Appropriation of reserves	29	-	-	-	(122,959)	122,959	-
Issue of shares	26	602,245	-	-	-	-	602,245
Dividends	11	-	-	-	(242,949)	-	(242,949)
At 30 June 2017		3,197,608	1,399,768	-	870,794	464,083	5,932,253
At 1 July 2017		**3,197,608**	**1,399,768**	**-**	**870,794**	**464,083**	**5,932,253**
Profit for the year		**-**	**-**	**-**	**762,862**	**-**	**762,862**
Other comprehensive (loss)/income		**-**	**-**	**-**	**(10,792)**	**10,722**	**(70)**
Total comprehensive income for the year		**-**	**-**	**-**	**752,070**	**10,722**	**762,792**
Share-based payments	29		**-**	**-**	**-**	**(2,862)**	**(2,862)**
Appropriation of reserves		**-**	**-**	**-**	**(122,355)**	**122,355**	**-**
Issue of shares	26	**446,291**	**-**	**-**	**-**	**-**	**446,291**
Reclassification adjustments relating to foreign operations disposed of in the year		**-**	**-**	**-**	**-**	**615**	**615**
Indemnity costs	26	**(2,850)**	**-**	**-**	**-**	**-**	**(2,850)**
Dividends	11	**-**	**-**	**-**	**(300,159)**	**-**	**(300,159)**
At 30 June 2018		**3,641,049**	**1,399,768**	**-**	**1,200,350**	**594,913**	**6,836,080**

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

THE BANK

	Note	Ordinary shares	Class A shares	Share application monies	Retained earnings	Other reserves	Total
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015		2,590,959	1,385,768	17,261	107,086	417,202	4,518,276
Profit for the year		-	-	-	433,636	-	433,636
Other comprehensive loss		-	-	-	-	(579)	(579)
Total comprehensive income/(loss) for the year		-	-	-	433,636	(579)	433,057
Issue of shares	26	17,261	-	(17,261)	-	-	-
Indemnity costs	26	(12,857)	-	-	-	-	(12,857)
Appropriation of reserves	29	-	-	-	51,563	(51,563)	-
Dividends	11	-	-	-	(99,002)	-	(99,002)
At 30 June 2016		2,595,363	1,385,768	-	493,283	365,060	4,839,474
At 1 July 2016		2,595,363	1,385,768	-	493,283	365,060	4,839,474
Profit for the year		-	-	-	816,998	-	816,998
Other comprehensive loss		-	-	-	-	(12,259)	(12,259)
Total comprehensive income/(loss) for the year		-	-	-	816,998	(12,259)	804,739
Share-based payments	29	-	-	-	-	(11,061)	(11,061)
Issue of shares	26	602,245	-	-	-	-	602,245
Appropriation of reserves	29	-	-	-	(122,959)	122,959	-
Dividends	11	-	-	-	(242,949)	-	(242,949)
At 30 June 2017		3,197,608	1,385,768	-	944,373	464,699	5,992,448
At 1 July 2017		**3,197,608**	**1,385,768**	**-**	**944,373**	**464,699**	**5,992,448**
Profit for the year		**-**	**-**	**-**	**766,454**	**-**	**766,454**
Other comprehensive (loss)/income		**-**	**-**	**-**	**(10,792)**	**10,722**	**(70)**
Total comprehensive income for the year		**-**	**-**	**-**	**755,662**	**10,722**	**766,384**
Share-based payments	29	**-**	**-**	**-**	**-**	**(2,862)**	**(2,862)**
Issue of shares	26	**446,291**	**-**	**-**	**-**	**-**	**446,291**
Indemnity costs	26	**(2,850)**	**-**	**-**	**-**	**-**	**(2,850)**
Appropriation of reserves	29	**-**	**-**	**-**	**(122,355)**	**122,355**	**-**
Dividends	11	**-**	**-**	**-**	**(300,159)**	**-**	**(300,159)**
At 30 June 2018		**3,641,049**	**1,385,768**	**-**	**1,277,521**	**594,914**	**6,899,252**

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	THE GROUP			THE BANK		
		2018	2017	2016	**2018**	2017	2016
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
OPERATING ACTIVITIES							
Profit before tax		**910,977**	910,520	736,775	**907,678**	919,674	523,521
Adjustments for:							
Change in operating assets	31(b)	**(6,996,844)**	(17,636,696)	(5,789,631)	**(6,532,006)**	(18,074,127)	(5,676,597)
Change in operating liabilities	31(c)	**20,253,960**	11,633,569	13,245,873	**19,677,838**	12,061,742	13,431,735
Non-cash items included in profit before tax	31(d)	**1,167,055**	909,865	820,825	**1,144,072**	892,638	686,074
Tax paid		**(234,266)**	(152,379)	(120,916)	**(230,460)**	(143,508)	(97,668)
Net cash flows from/(used in) operating activities		**15,100,882**	(4,335,121)	8,892,926	**14,967,122**	(4,343,581)	8,867,065
INVESTING ACTIVITIES							
Purchase of property and equipment	19	**(45,121)**	(80,287)	(76,808)	**(44,470)**	(79,532)	(69,330)
Purchase of intangible assets	20	**(122,809)**	(61,256)	(78,392)	**(122,809)**	(61,209)	(73,047)
Dividend received		**-**	-	-	**22,000**	-	-
Proceeds from sale of property and equipment		**89**	-	-	**89**	-	-
Net cash flows used in investing activities		**(167,841)**	(141,543)	(155,200)	**(145,190)**	(140,741)	(142,377)
FINANCING ACTIVITIES							
Issue of shares	26	**446,291**	602,245	-	**446,291**	602,245	-
Indemnity paid on shares issued	26	**(2,850)**	-	(12,857)	**(2,850)**	-	(12,857)
Repayment of subordinated debt		**(682,475)**	-	-	**(682,475)**	-	-
Dividends paid	11	**(300,159)**	(242,949)	(168,698)	**(300,159)**	(242,949)	(168,698)
Net cash flows (used in)/generated from financing activities		**(539,193)**	359,296	(181,555)	**(539,193)**	359,296	(181,555)
Net cash flows for the year		**14,393,848**	(4,117,368)	8,556,171	**14,282,739**	(4,125,026)	8,543,133
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		**35,711,751**	39,825,786	31,288,032	**35,691,908**	39,816,934	31,273,801
Net increase/(decrease) in cash and cash equivalents		**14,393,848**	(4,117,368)	8,556,171	**14,282,739**	(4,125,026)	8,543,133
Net foreign exchange difference		**(523)**	3,333	(18,417)	**-**	-	-
Cash and cash equivalents at 30 June	31(a)	**50,105,076**	35,711,751	39,825,786	**49,974,647**	35,691,908	39,816,934
Operational cash flows from interest							
Interest paid		**(732,067)**	(714,991)	(867,855)	**(662,889)**	(708,169)	(845,561)
Interest received		**2,808,791**	1,947,515	1,535,327	**2,808,635**	1,946,930	1,530,882

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

1. CORPORATE INFORMATION

AfrAsia Bank Limited ('the Bank') is a public company incorporated and domiciled in the Republic of Mauritius. The principal activity of the Bank and those of its subsidiaries ('the Group') is the provision of financial services in the Indian Ocean region. Its registered office is at 10, Dr Ferrière Street, Port Louis, Mauritius.

The Bank has 1 offshore representative office in Johannesburg. The relevant costs and income derived from this office have been included in these financial statements.

The consolidated and separate financial statements for the year ended 30 June 2018 were authorised for issue through a resolution of the directors on 20 September 2018.

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

In the current year, the Group and the Bank have applied all of the new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2017.

New and revised IFRSs applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Except for IAS 7, their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

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

The Group and the Bank have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 24.

IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses

IFRS 12 Disclosure of Interests in Other Entities - Amendments resulting from Annual Improvements 2014-2016 Cycle (Clarifying scope)

New and revised Standards in issue but not yet effective

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

IAS 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)

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

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

IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest (effective 1 January 2019)

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

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

IFRS 9 Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)

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

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)

IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associates or joint venture (effective date deferred indefinitively)

IFRS 15 Revenue from Contracts with Customers - Original Issue (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers - Clarifications to IFRS 15 (effective 1 January 2018)

IFRS 16 Leases - Original issue (effective 1 January 2019)

IFRIC 22 Foreign Currency Transactions and Advance Considerations issued (effective 1 January 2018)

IFRIC 23 Uncertainty over Income Tax Treatments issued (effective 1 January 2019)

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

New and revised Standards in issue but not yet effective (Continued)

The directors anticipate that these amendments will be applied in the Group's and the Bank's financial statements at the above effective dates in the future periods. Except for the impact of IFRS 9 which is as detailed below, the directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

IFRS 9 Financial Instruments – 1 January 2018

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

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are requirement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are sole payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Classification and measurement

- Financial investments classified as held to maturity and loans and advances to customers carried at amortised cost as disclosed in Note 17(b) & 16: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed and unlisted financial investments classified as available for sale (treasury bills, bonds and notes) carried at fair value as disclosed in Note 17(a): these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the assets in the open market, and the assets' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the investments will continue to be subsequently measured at FVTOCI upon application of IFRS 9 and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the assets are derecognized or reclassified;
- Financial investments classified as held for trading carried at FVTPL as disclosed in Note 15: These do not satisfy the conditions for classification as at amortised cost or FVOCI and hence will continue to be subsequently measured at FVTPL upon the application of IFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

Hedge accounting

On transition to IFRS 9, entities have an accounting policy choice to continue applying the hedge accounting requirements of IAS 39 instead of applying new requirements in IFRS 9. The Group and the Bank have decided to continue to apply hedge accounting requirements under IAS 39.

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

New and revised Standards in issue but not yet effective (Continued)

IFRS 9 Financial Instruments – 1 January 2018 (Continued)

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Group and the Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Group and the Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default, i.e. there is objective evidence of impairment. Basically these are exposures that are more than 90 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

As a result, an increase in the total level of impairment allowances is expected, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

A change in loss allowance ranging between 25% to 35% in relation to financial instrument measured at amortised cost has been observed.

2B. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

(a) Basis of preparation

The consolidated and separate financial statements of the Bank and its subsidiaries ('the Group'') have been prepared on a historical cost basis, except for available-for-sale investments, financial assets held-for-trading and derivative financial instruments, all of which have been measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

Statement of compliance

The consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the Mauritius Companies Act 2001 and the Guidelines and Guidance Notes issued by the Bank of Mauritius, the Financial Reporting Act 2004 and comply with the Banking Act 2004.

Presentation of financial statements

The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest thousand except when otherwise indicated.

The Group and the Bank present their statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 32.

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

Income and expense will not be offset in the statements of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

2B. ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and entities controlled by the Bank and its subsidiaries as at 30 June 2018. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its involvement with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements;

(iii) The Bank's voting rights and potential voting rights; and

(iv) A combination of (i) – (iii).

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Foreign currency translation

The consolidated and separate financial statements are presented in Mauritian Rupees ('MUR'). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences are taken to 'Net trading income' in the statements of profit or loss and other comprehensive income, with the exception of differences in foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. The differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2B. ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(ii) Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees at the rate of exchange prevailing at the reporting date. The income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions. The exchange differences arising on translation for consolidation are recognised in 'Other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statements of profit or loss and other comprehensive income in 'Other operating expenses' or 'Other operating income'. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

(d) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group and the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, being expensed in the statements of profit or loss and other comprehensive income except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The Group and the Bank use derivatives such as forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value are included in Net trading income.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the income / make the payment has been established.

Included in this classification are debt securities, which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group and the Bank immediately recognise the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statements of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

(vi) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and have fixed maturities, which the Group and the Bank have the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment of such assets are recognised in profit or loss.

(vii) Available-for-sale financial investments

Available-for-sale investments include equity securities and investment in preference shares. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. The Group and the Bank have not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

2B. ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments - initial recognition and subsequent measurement (Continued)

(vii) Available-for-sale financial investments (continued)

Unrealised gains and losses are recognised directly in other comprehensive income and accumulated in equity in the available-for-sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statements of profit or loss and other comprehensive income. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. The losses arising from impairment of such investments are recognised in the statements of profit or loss and other comprehensive income and removed from the available-for-sale reserve.

(viii) Due from banks, loans and advances to customers and other assets

'Due from banks', 'Loans and advances to customers' and 'other assets; include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and the Bank intend to sell immediately or in the near term and those that the Group and the Bank, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Group and the Bank upon initial recognition, designate as available-for-sale;
- Those for which the Group and the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, these financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statements of profit or loss and other comprehensive income in 'Net allowance for credit impairment'.

The Group and the Bank may enter into certain lending commitments where the loan on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group and the Bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

(ix) Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of cash flows comprise cash in hand, non-restricted current accounts with the central bank and amounts due from banks on demand or with an original maturity of three months or less.

(x) Debts issued

Financial instruments issued by the Group and the Bank that are not designated at fair value through profit or loss, are classified as liabilities under 'Debts issued' where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debts issued and other borrowed funds are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. An analysis of the Group's and the Bank's issued debt is disclosed in Note 24 to the financial statements.

(xi) Effective interest rate

The effective interest method is a method of calculating the cost of a financial asset/financial liability and of allocating interest income/cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of financial asset/financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(e) Derecognition of financial assets and financial liabilities

(i) 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 contractual rights to receive cash flows from the asset have expired; or
- the Group or the Bank 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 Group or the bank has transferred substantially all the risks and rewards of the asset, or
  b. the Group or the Bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the Group or the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Bank's continuing involvement in the asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

2B. ACCOUNTING POLICIES (CONTINUED)

(e) Derecognition of financial assets and financial liabilities (Continued)

(i) Financial assets (Continued)

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 Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(f) Fair value measurement

The Group and the Bank measure financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Bank have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

(g) Impairment of financial assets

The Group and the Bank assess 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 (or events) 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 borrower or a group of borrowers 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The following sets out the policies of the Group and the Bank regarding the impairment of specific classes of assets:

2B. ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group and the Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss and other comprehensive income. Interest 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. The interest income is recorded as part of 'Interest income'.

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 Group and the Bank.

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 future write-off is later recovered, the recovery is credited to the statements of profit or loss and other comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group or the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

Estimates of changes in future cash flows reflect, and are consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in the fair value after impairment are recognised in 'Other comprehensive income'.

(iii) Renegotiated loans

Where possible, the Group and the Bank seek to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(h) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

2B. ACCOUNTING POLICIES (CONTINUED)

(i) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income and expenses

For all financial instruments, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group or the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income for financial assets and interest expense for financial liabilities.

However, for a reclassified financial asset for which the Group or the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commission income

The Group and the Bank earn fees and commission income from a diverse range of services it provides to its customers. Fee income can be categorised into the following two categories:

<u>Fee income earned from services that are provided over a certain period of time</u>

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

<u>Fee income from providing transaction services</u>

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

Revenue is recognised when the Group's and the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading.

(v) Fees and commission expenses

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received - Please refer to Note 5 of the financial statements.

(j) Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

(k) Investment in a subsidiary

Investment in a subsidiary is accounted at cost in the Bank's separate financial statements, less any accumulated impairment in value.

2B. ACCOUNTING POLICIES (CONTINUED)

(l) Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less subsequent accumulated depreciation and subsequent accumulated impairment in value.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate
Improvement to buildings	10%
Furniture and fittings	10%
Office equipment	10% - 20%
Motor vehicles	14.29% - 20%
Computer equipment	25%

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statements of profit or loss and other comprehensive income in the year the asset is derecognised. Residual values and useful lives are reviewed at least at each financial year end.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

(m) Intangible assets (excluding goodwill)

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group or the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. 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 as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life.

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 are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statements of profit or loss and other comprehensive income.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	Rate
Computer software	25% - 33 1/3%
Banking software	14.29%
Customer relationship	13% - 20%
Non-compete agreement	50%
Licence	50%
Other	33 1/3%

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss and other comprehensive income when the asset is derecognised.

(n) Impairment of non-financial assets

The Group and the Bank assess 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 Group and the Bank 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. 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.

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 Group and the Bank estimate the asset's or CGU'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 exceeds 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.

2B. ACCOUNTING POLICIES (CONTINUED)

(o) Financial guarantees

In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, financial guarantees and acceptances. Financial guarantees are initially recognised in the financial statements, within 'Other liabilities' at fair value. Subsequent to initial recognition, the Group's and the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statements of profit or loss and other comprehensive income. The premium received is recognised in the statements of profit or loss and other comprehensive income in 'Fees and commission income' on a straight line basis over the life of the guarantee.

(p) Deposit from banks and customers' accounts

For the purpose of estimating fair value, deposits by banks and customer accounts are grouped by remaining contractual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

(q) Pension benefits

(i) Defined contribution pension plan

The Group and the Bank operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group and the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(ii) Retirement and other benefit obligations

The present value of retirement gratuity as provided under The Employment Rights Act 2008 is recognised in the statement of financial position as a liability.

Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group and the Bank present the first two components of defined benefit costs in profit or loss in the line item administrative expenses as part of staff costs. Curtailment gains and losses are accounted for as past service costs.

(r) Equity reserves

The reserves recorded in equity on the statement of financial position include:

- 'Equity–settled share-based payments' reserve relates to expenses arising from equity-settled share-based payment transactions;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004 until the amount equals the stated capital of the Group and the Bank; and
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk.
- 'Foreign currency translation reserve' which arises on retranslation of foreign operations on consolidation.

Further details are included in Note 29.

(s) Share-based payment transactions

Founders of the Group and the Bank receive remuneration in the form of share-based payment transactions, whereby founders render services as consideration for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period is recorded in 'Personnel expenses' and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in 'Personnel expenses' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2B. ACCOUNTING POLICIES (CONTINUED)

(s) Share-based payment transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(t) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(u) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax also includes any tax arising from dividends.

The Bank is liable to pay a special levy as follows:

Segment A	Segment B
10% on chargeable income	3.4% on accounting profit 1.0% on total operating income

Please refer to part (x) Segmental reporting.

The special levy is included in the income tax expense and current tax liability in the financial statements.

The Bank is subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.

(i) Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of 'other receivables' or 'other payables' in the statements of financial position.

2B. ACCOUNTING POLICIES (CONTINUED)

(u) Taxation (Continued)

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences,

- except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Corporate Social Responsibility

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A - residents of the preceding financial year to Government approved CSR projects.

The required CSR fund for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income.

The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

(v) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

The Bank has prepared its separate financial statements in line with the requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' and Bank of Mauritius Guideline on 'Public Disclosure of Information' which require that segment information should be provided by Segment A and Segment B banking businesses.

Segment A

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund based. Segment A business will essentially consist of transactions with residents of Mauritius, both on the liability side and asset side.

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to 'foreign source income'. Such services may be fund based and/or non-fund based. Segment B assets will generally consist of placements with and advances to foreign resident companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or entities holding Global Business Licence ('GBLs'). Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs.

2B. ACCOUNTING POLICIES (CONTINUED)

(w) Equity and dividends

(i) Equity instruments and treasury shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Ordinary shares are classified as equity.

The Bank's Class A shares are classified as equity as they are calleable at the option of the Bank. These shares carry non-cumulative dividends which are payable at the discretion of the Board. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(ii) Dividends on ordinary shares and Class A shares

Dividends on ordinary shares and Class A shares are recognised as a liability and deducted from equity when they are approved by the Bank's directors and the Bank of Mauritius.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(x) Provisions and other contingent liabilities

Provisions are recognised when the Group and the Bank have 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. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The Group and the Bank operate in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Group's and the Bank's business. When the Group and Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group and the Bank record a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group and the Bank are of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group and the Bank do not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group and the Bank take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

2C. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Going concern

Directors have made an assessment of the Group's and the Bank's ability to continue as a going concern and is satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

Held-to-maturity financial assets

The directors have reviewed the Group's and the Bank's held-to-maturity financial assets and have confirmed the Group's and the Bank's positive intention and ability to hold those assets to maturity. Please refer to Note 17(b).

Determination of functional currency

The determination of the functional currency of the Group and the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Group and Bank as Mauritian Rupees (MUR).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

2C. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details on the fair valuation of financial instruments are included in Note 30 to the financial statements.

Impairment losses on loans and advances

The Group and the Bank review their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group make judgements about the borrower's financial situation and the net realisable value of collaterals. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 16.

Impairment of goodwill and other intangible assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGU's, including sensitivity analysis, are disclosed and further explained in Note 20.

Useful lives of property and equipment and intangible assets

The Group and the Bank review the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

Provision for retirement benefit

Retirement benefit obligation has been valued by Actuary on accounting estimated and as per provision of the Employment Rights Act 2008. Management considers that they have used its best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Group and the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Group and the Bank have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgment is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

3. INTEREST INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income on:						
- Due from banks	473,972	312,968	265,308	473,816	312,383	261,990
- Loans and advances to customers	1,158,480	1,058,600	1,088,930	1,158,480	1,058,600	1,087,803
- Financial investments - held-to-maturity	562,204	361,350	242,770	562,204	361,350	242,770
- Financial investments - available-for-sale	101,032	86,426	-	101,032	86,426	-
- Placements with the Central Bank	29,091	29,884	11,825	29,091	29,884	11,825
	2,324,779	1,849,228	1,608,833	2,324,623	1,848,643	1,604,388

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest expense on:						
- Due to banks	21,702	69,700	41,534	21,702	63,079	19,240
- Deposits from customers	612,195	568,066	675,035	612,195	568,066	675,035
- Debts issued	65,494	78,409	80,637	61,668	78,210	80,637
	699,391	716,175	797,206	695,565	709,355	774,912
NET INTEREST INCOME	1,625,388	1,133,053	811,627	1,629,058	1,139,288	829,476

5. NET FEE AND COMMISSION INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Fee and commission income						
Credit related fee and commission income	484,486	403,717	321,640	484,486	403,717	321,640
Subscription fees	4,697	5,906	4,795	-	-	-
Management and performance fees	49,423	54,848	61,404	-	-	-
Consulting and advisory fees	-	324	33,387	-	-	-
Trading commission	30,374	6,982	20,795	-	-	-
Custody fees income	238,868	198,596	118,220	239,718	199,575	118,220
Other fees received	12,863	10,166	21,608	6,056	5,370	17,383
Total fee and commission income	820,711	680,539	581,849	730,260	608,662	457,243
Fee and commission expense						
Commission to other banks	(80,085)	(66,315)	(60,098)	(80,085)	(66,315)	(60,098)
Credit card expenses	(103,476)	(67,100)	(38,289)	(103,476)	(67,100)	(38,289)
Custody fees expense	(99,284)	(88,454)	(45,429)	(99,134)	(88,454)	(45,429)
Other fees paid	(26,583)	(20,414)	(15,642)	(23,707)	(17,697)	(15,624)
Total fee and commission expense	(309,428)	(242,283)	(159,458)	(306,402)	(239,566)	(159,440)
Net fee and commission income	511,283	438,256	422,391	423,858	369,096	297,803

6a. NET TRADING INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net gain on financial investments held-for-trading and available for sale	123,845	159,704	98,446	123,845	159,704	97,488
Derivatives income	27,107	49,799	69,711	27,107	49,799	69,711
Foreign exchange gain	668,012	476,202	422,735	665,815	476,518	427,484
	818,964	685,705	590,892	816,767	686,021	594,683

Financial investments held-for-trading and available for sale relate to investments in treasury bills, bonds and notes.

Net gain on financial investments held-for-trading includes both realised and unrealised gain, of which MUR 0.8m (2017: MUR 39.7m, 2016: MUR 25m) relate to impairment loss recognised on corporate bonds.

Foreign exchange gain includes realised and unrealised gains and losses from spot and forward contracts, other currency derivatives and other payables at group level.

6b. OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Profit on disposal of motor vehicle	89	-	-	89	-	-
Transaction and other related fees	27,618	15,048	4,170	32,888	17,979	5,975
	27,707	15,048	4,170	32,977	17,979	5,975

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

(a) Portfolio and specific provisions on loans and advances to customers:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
- Retail and personal	**55,576**	38,089	55,305	**55,576**	38,089	55,305
- Business	**252,960**	70,696	172,835	**252,960**	70,696	172,835
- Entities outside Mauritius	**480,572**	464,033	276,074	**480,572**	464,033	276,074
- Credit cards	**16,306**	7,731	4,120	**16,306**	7,731	4,120
	805,414	580,549	508,334	**805,414**	580,549	508,334
- Bad debt recovered	**(8,553)**	-	-	**(8,553)**	-	-
	796,861	580,549	508,334	**796,861**	580,549	508,334

Please refer to Note 16 for more details.

(b) Impairment loss on placement:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Impairment loss on placement	**270,720**	-	-	**270,720**	-	-
The Bank has fully written off the placement held with a foreign bank at 30 June 2018 as the amount is deemed to be irrecoverable.						
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS	**1,067,581**	580,549	508,334	**1,067,581**	580,549	508,334

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Salaries	**354,088**	279,243	273,492	**320,190**	257,048	223,348
Staff benefits	**175,261**	146,982	162,503	**171,769**	145,524	158,855
Retirement benefit cost	**8,165**	23,000	-	**7,077**	23,000	-
Pension cost - defined contribution scheme	**21,310**	13,477	9,819	**19,376**	9,976	8,107
Training expenses	**11,311**	810	6,532	**11,252**	810	6,480
	570,135	463,512	452,346	**529,664**	436,358	396,790

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**51,067**	23,754	64,967	**49,188**	23,473	64,640
Administrative expenses	**225,485**	168,822	211,838	**215,179**	163,048	155,301
Equipment & intangible assets written off	**8,593**	9,162	1,582	**8,593**	9,166	1,582
Professional fees	**66,233**	56,045	65,053	**63,402**	43,215	48,041
Debt written off	**-**	1,110	-	**-**	-	-
	351,378	258,893	343,440	**336,362**	238,902	269,564

During the year ended 30 June 2018, office equipment of NBV MUR 8,000 was donated and is classified as gift and donation under administrative expense in the statements of profit or loss and other comprehensive income.

10. TAXATION

Income tax is calculated at the rate of 15% (2017: 15% , 2016:15%) for the Group and the Bank on the profit for the year as adjusted for income tax purposes. The Bank, is however entitled to a tax credit equivalent to 80% of Mauritius tax payable in respect of its foreign source income (Segment B) thus reducing its maximum effective tax rate on segment B to 3%.

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the regulatory at the time of submission of the income tax return on the year under review.

Special levy

Special levy on banks was legislated by the Government of Mauritius in 2007, as amended by the Finance Act 2009. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at (a) 10% on chargeable income for Segment A; and (b) 3.4% of its book profit and 1% of its operating income for Segment B, derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

Total tax paid (including levy, APS and CSR) during the year ended 30 June 2018 for the Group was MUR 234.3m (2017: MUR 147.4m, 2016: MUR 116.7m) and the Bank was MUR 230.5m (2017: MUR 143.5m, 2016: MUR 97.7m)

Tax paid under Advance Payment Scheme

The Finance Act 2007 introduced an Advance Payment System ('APS') whereby companies having a turnover of 100 million Mauritian Rupee or more are required to file a quarterly corporate tax return as from 1 July 2008.

10. TAXATION (CONTINUED)

10(a) Statements of financial position

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	84,815	124,328	79,373	79,318	121,282	76,675
Overprovision in income tax in previous years	442	454	135	-	-	135
Tax paid under advance payment scheme	(93,800)	(61,659)	(43,404)	(91,054)	(57,465)	(40,837)
	(8,543)	63,123	36,104	(11,736)	63,817	35,973
CSR liability	1,754	-	262	1,448	-	262
Special levy	41,569	66,339	48,144	41,569	66,339	48,144
Current tax liabilities	34,780	129,462	84,510	31,281	130,156	84,379
Analysed as follows:						
Current tax liabilities	34,780	130,156	84,510	31,281	130,156	84,379
Current tax assets (included in other assets)	-	(694)	-	-	-	-
	34,780	129,462	84,510	31,281	130,156	84,379

10(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2018, 2017 and 2016 are as follows:

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Current income tax	84,815	124,328	79,373	79,318	121,282	76,675
Overprovision in income tax in previous years	225	(7,743)	(11)	(850)	(7,860)	-
Withholding tax	3,190	2,214	-	3,191	2,214	-
CSR expense	12,316	7,885	5,900	11,582	7,317	5,900
Special levy	41,569	66,339	48,144	41,569	66,339	48,144
Overprovision in deferred tax in previous years	(2,767)	(30,364)	(3,839)	(2,570)	(30,364)	(3,839)
Deferred tax movement (Note 10(d))	8,767	(56,248)	(32,531)	8,984	(56,252)	(36,995)
Tax expense for the year	148,115	106,411	97,036	141,224	102,676	89,885

10(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate for the years ended 30 June 2018, 2017 and 2016 is as follows:

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Accounting profit before tax	910,977	910,520	736,775	907,678	919,674	523,521
Taxed at 17% (2017: 17% and 2016: 17%)	154,866	154,788	125,252	154,305	156,345	88,999
Deemed credit on Segment B profits	(142,555)	(157,252)	(101,468)	(142,555)	(157,252)	(101,468)
Over provision of deferred tax asset in prior years	(2,767)	(30,364)	(3,839)	(2,570)	(30,364)	(3,839)
Over-provision in income tax in prior years	225	(7,743)	(11)	(850)	(7,860)	-
Non deductible expenses	10,252	19,627	30,176	1,667	12,916	54,394
Bad debt written off subject to tax	163,147	384	-	164,499	384	-
Non taxable income	(2,796)	(1,737)	-	(1,015)	-	-
Withholding tax	3,190	2,214	-	3,190	2,214	-
CSR adjustment	5,080	(4,292)	(1,417)	5,080	(4,361)	(1,417)
Tax rate differential	(82,096)	64,447	199	(82,096)	64,315	5,072
Special levy	41,569	66,339	48,144	41,569	66,339	48,144
Tax expense	148,115	106,411	97,036	141,224	102,676	89,885

10. TAXATION (CONTINUED)

10(d) Deferred tax

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July 2017	**(146,928)**	(60,316)	(23,946)	**(147,057)**	(60,441)	(19,607)
Charge to profit or loss:						
Overprovision in deferred tax in previous years (Note 10(b))	**(2,767)**	(30,364)	(3,839)	**(2,570)**	(30,364)	(3,839)
Movement for the year	**8,767**	(56,248)	(32,531)	**8,984**	(56,252)	(36,995)
Charge to other comprehensive income:						
Movement for the year	**(819)**	-	-	**(819)**	-	-
At 30 June 2018	**(141,747)**	(146,928)	(60,316)	**(141,462)**	(147,057)	(60,441)
Analysed as follows:						
Deferred tax liabilities	**-**	129	125	**-**	-	-
Deferred tax assets	**(141,747)**	(147,057)	(60,441)	**(141,462)**	(147,057)	(60,441)
Deferred tax liabilities	**(141,747)**	(146,928)	(60,316)	**(141,462)**	(147,057)	(60,441)

THE GROUP

	At 1 July 2015	Charge/ (credit) to profit or loss	At 30 June 2016	Charge/ (credit) to profit or loss	At 30 June 2017	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2018**
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Deferred tax assets								
Impairment losses on loans and advances to customers	(27,114)	(48,846)	(75,960)	(68,795)	(144,755)	**2,737**	**-**	**(142,018)**
Other temporary differences	(4,453)	4,453	-	-	-	**(285)**	**-**	**(285)**
Impairment loss on corporate bond	-	-	-	(10,994)	(10,994)	**(408)**	**-**	**(11,402)**
Retirement benefit obligations	-	-	-	(1,817)	(1,817)	**(303)**	**(819)**	**(2,939)**
	(31,567)	(44,393)	(75,960)	(81,606)	(157,566)	**1,741**	**(819)**	**(156,644)**
Deferred tax liability								
Accelerated capital allowances	7,621	8,023	15,644	(5,006)	10,638	**4,259**	**-**	**14,897**
	(23,946)	(36,370)	(60,316)	(86,612)	(146,928)	**6,000**	**(819)**	**(141,747)**

THE BANK

	At 1 July 2015	Charge/ (credit) to profit or loss	At 30 June 2016	Charge/ (credit) to profit or loss	At 30 June 2017	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2018**
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Deferred tax assets								
Impairment losses on loans and advances to customers	(27,114)	(48,846)	(75,960)	(68,795)	(144,755)	**2,737**	**-**	**(142,018)**
Impairment losses on corporate bonds	-	-	-	(10,994)	(10,994)	**(408)**	**-**	**(11,402)**
Retirement benefit obligations	-	-	-	(1,817)	(1,817)	**(303)**	**(819)**	**(2,939)**
	(27,114)	(48,846)	(75,960)	(81,606)	(157,566)	**2,026**	**(819)**	**(156,359)**
Deferred tax liability								
Accelerated capital allowances	7,507	8,012	15,519	(5,010)	10,509	**4,388**	**-**	**14,897**
	(19,607)	(40,834)	(60,441)	(86,616)	(147,057)	**6,414**	**(819)**	**(141,462)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

11. DIVIDENDS

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend declared for 2017: Rs 1.50 per share (2016: Rs1 per share)	**160,185**	100,400	27,261
Dividends on Class A shares:			
Dividend Paid on Class A shares: Series 1 & Series 2	**139,974**	142,549	141,437
Total dividends	**300,159**	242,949	168,698

Ordinary Shares

With respect to the year ended 30 June 2017, the Directors proposed that a dividend of MUR 1.50 (2016: Rs 1.00) per share be paid to the holders of Ordinary shares. The Board of Directors approved the dividend on 21 September 2017 and it was paid in November 2017. Total dividend paid is MUR 160m (2016: Dividend paid was MUR 100m).

Class A Shares

With respect to the year ended 30 June 2018, the Directors proposed that a dividend of MUR 14.00 (2017: MUR 14.25 ; 2016: MUR 14.14) per share be paid to the holders of Class A shares. The Board of Directors approved the dividend on 06 July 2017 and 24 November 2017 respectively, and it was paid in September 2017 and March 2018 respectively. Total dividend paid is MUR 140m (2017: Dividend paid was MUR 143m ; 2016: Dividend paid was MUR 141m).

Included into dividend payment of MUR 169m as at 30 June 2016 is dividend amounting to MUR 70m which has been declared as at 30 June 2015.

12. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand (Note 31(a))	**30,086**	34,710	9,425	**30,086**	34,710	9,425
Unrestricted balances with the Central Bank (Note 31(a))	**1,490,484**	1,689,118	977,455	**1,490,484**	1,689,118	977,455
Placements with the Central Bank	**1,675,663**	1,093,780	808,656	**1,675,663**	1,093,780	808,656
	3,196,233	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536

13. DUE FROM BANKS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Medium term Collateralized placements	**3,489,079**	-	-	**3,489,079**	-	-
Short term placements with other banks (Note 31(a))	**30,172,195**	18,253,610	8,993,560	**30,172,195**	18,253,610	8,993,560
Medium term placements with other banks	**-**	3,911,853	7,170,621	**-**	3,911,853	7,170,621
Current accounts with other banks (Note 31(a))	**18,412,311**	15,732,864	29,843,852	**18,281,882**	15,713,021	29,835,000
Other amounts due (Note 31(a))	**-**	1,449	1,494	**-**	1,449	1,494
	52,073,585	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675

The collateralized placements relate to placements held with a local bank whereby the latter has pledged Government bonds as security. The fair value of the collaterals at 30 June 2018 was MUR 5.6bn.

A reconciliation of the allowance for impairment losses for placement by class is as follows:

Placement with other banks

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
At 1 July 2017	**-**	-	-
Amount written off against allowance	**(270,720)**	-	-
Charge for the year	**270,720**	-	-
		-	-
At 30 June 2018	**-**	-	-

14. DERIVATIVE FINANCIAL INSTRUMENTS

(a) THE GROUP

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2018	2018	2017	2017	2016	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	11,815	(11,392)	156,180	(156,180)	8,147	(8,147)
Forward foreign exchange contracts	196,675	(52,990)	59,843	(48,280)	25,497	(119,767)
Spot position account	-	-	12,510	-	-	-
Option Linked Notes	85,625	(85,625)	89,587	(89,587)	105,003	(105,003)
Index Linked Notes	602,937	(602,937)	-	-	-	-
	897,052	(752,944)	318,120	(294,047)	138,647	(232,917)

(b) THE BANK

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2018	2018	2017	2017	2016	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	11,815	(11,392)	156,180	(156,180)	8,147	(8,147)
Forward foreign exchange contracts	196,675	(52,990)	59,843	(48,280)	25,497	(119,767)
Spot position account	-	-	12,510	-	-	-
	208,490	(64,382)	228,533	(204,460)	33,644	(127,914)

As at 30 June 2018, the Group and the Bank have positions in the following types of derivatives:

Forward contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forward are customised contracts transacted in the over-the-counter market.

Option Linked Notes

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. These options do not bear any downside risk as the Group will not exercise the options should these prove unfavourable to the Group.

Spot Position

The current balance on Spot Position account reflect the bought/sold amounts (FX deals) in original currencies and equivalent amounts corresponding to the prevaling FX Spot 'Accounting' rate as of the Settlement date.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

15. FINANCIAL INVESTMENTS - HELD-FOR-TRADING

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius debt securities	**1,749,284**	2,000,177	2,923,763	**1,749,284**	2,000,177	2,923,763
Bank of Mauritius bonds and notes	**1,209,012**	845,572	344,663	**1,209,012**	845,572	344,663
Unquoted equity investments and bonds	**203,247**	861,676	1,351,671	**-**	-	-
Equity shares	**694,407**	-	-	**-**	-	-
Corporate debt securities and bonds	**-**	98,828	273,644	**-**	98,828	273,644
	3,855,950	3,806,253	4,893,741	**2,958,296**	2,944,577	3,542,070

The carrying value of the corporate debt securities and bonds is net of an impairment loss of MUR 67.1m (2017: 64.7m, 2016: 25m) recognised on a corporate bond which is considered as irrecoverable.

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Retail and personal	**1,147,945**	1,164,728	1,206,113	**1,147,945**	1,164,728	1,206,113
Business	**8,933,679**	8,490,060	9,835,012	**8,933,679**	8,490,060	9,835,012
Government and parastatal bodies	**1,160,169**	1,199,381	-	**1,160,169**	1,199,381	-
Entities outside Mauritius	**12,666,281**	14,723,935	9,563,429	**12,666,281**	14,723,935	9,563,429
Banks outside Mauritius	**5,300,039**	3,544,600	2,188,517	**5,300,039**	3,544,600	2,188,517
Credit cards	**132,324**	129,593	137,772	**132,324**	129,593	137,772
Gross core loans and advances to customers	**29,340,437**	29,252,297	22,930,843	**29,340,437**	29,252,297	22,930,843
Less: Allowance for impairment losses	**(1,273,954)**	(1,739,552)	(972,502)	**(1,273,954)**	(1,739,552)	(972,502)
	28,066,483	27,512,745	21,958,341	**28,066,483**	27,512,745	21,958,341

Allowance for impairment losses include both capital and interest on non-performing loans. Interest provision is amounted to MUR 341m at 30 June 2018 (2017: MUR 395m, 2016: MUR 150m) on non performing loans which are in arrears for more than 90 days.

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers

The following is a reconciliation of the allowance for impairment losses for loans and advances:

	THE GROUP			THE BANK		
	Specific impairment	Collective impairment	Total	Specific impairment	Collective impairment	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015	254,969	131,021	385,990	254,969	131,021	385,990
Amount written off against allowance	(58,045)	-	(58,045)	(58,045)	-	(58,045)
Charge for the year	553,084	91,473	644,557	553,084	91,473	644,557
At 30 June 2016	750,008	222,494	972,502	750,008	222,494	972,502
At 1 July 2016	750,008	222,494	972,502	750,008	222,494	972,502
Amount written off against allowance	(67,275)	67	(67,208)	(67,275)	67	(67,208)
Charge for the year	726,980	107,278	834,258	726,980	107,278	834,258
At 30 June 2017	1,409,713	329,839	1,739,552	1,409,713	329,839	1,739,552
At 1 July 2017	**1,409,713**	**329,839**	**1,739,552**	**1,409,713**	**329,839**	**1,739,552**
Amount written off against allowance	**(1,364,156)**	**-**	**(1,364,156)**	**(1,364,156)**	**-**	**(1,364,156)**
Charge for the year	**864,079**	**34,479**	**898,558**	**864,079**	**34,479**	**898,558**
At 30 June 2018	**909,636**	**364,318**	**1,273,954**	**909,636**	**364,318**	**1,273,954**

17. FINANCIAL INVESTMENTS

(a) AVAILABLE-FOR-SALE

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius debt securities	**119,091**	649,741	-	**119,091**	649,741	-
Bank of Mauritius bonds and notes	**451,389**	272,946	316,033	**451,389**	272,946	316,033
Foreign Securities Treasury Bills and bonds	**3,485,461**	4,803,601	-	**3,485,461**	4,803,601	-
Investment in equity shares	**18,559**	19,684	34,765	**-**	-	-
	4,074,500	5,745,972	350,798	**4,055,941**	5,726,288	316,033

THE GROUP

Available-for-sale investments for an amount of MUR 18.5m (2017 and 2016: MUR 18.5m) are stated at cost since their fair value cannot be reliably measured due to no active market and an absence of track record for such or similar investments.

(b) HELD-TO-MATURITY

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Government of Mauritius debt securities	**6,116,458**	4,451,232	4,474,740
Bank of Mauritius bonds and notes	**2,246,969**	2,550,818	1,207,513
Other corporate debt securities	**812,251**	1,130,682	734,253
Foreign Securities Treasury Bills and bonds	**18,184,499**	13,057,690	5,122,373
	27,360,177	21,190,422	11,538,879

18. INVESTMENT IN SUBSIDIARY

	THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Cost			
At 1 July and 30 June	189,563	189,563	189,563

The details of the direct and indirect subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings 2018	2017	2016
			%	%	%
Direct Subsidiary					
AfrAsia Investments Limited	Mauritius	Ordinary	100	100	100
Indirect Subsidiaries					
AfrAsia Capital Management Limited	Mauritius	Ordinary	100	100	100
AfrAsia Corporate Finance ((Pty)) Ltd (Formerly known as "Africa Asia Corporate Finance ((Pty)) Ltd") (Note (d))	South Africa	Ordinary	-	100	100
AfrAsia Corporate Finance International Limited (Formerly known as "Africa Capital Advisors PCC") (Note (d))	Mauritius	Ordinary	-	100	100
AfrAsia Corporate Finance (Africa) Limited (Note (c))	Mauritius	Ordinary	-	-	100
AfrAsia Corporate Finance Limited (Note (c))	Mauritius	Ordinary	-	-	100

(a) In financial year 2016, AfrAsia Holdings Limited and AfrAsia Kingdom Holdings Limited went into liquidation thereby resulting in a gain on liquidation of MUR 372.4m as reported in the Group statement of profit or loss and other comprehensive income.

(b) The Bank, through its 100% owned subsidary AfrAsia Investments Limited, sold the entity, Stellar Advisers (Pty) Limited on 29 January 2016 and the loss on disposal of MUR 4.2m is reported in the Group statement of profit or loss and other comprehensive income for the financial year 2016.

(c) The entities went into liquidation on 28 June 2017 and the loss on the liquidation amounted to MUR 5m.

(d) The Group made the acquisition of two subsidiaries during the year ended 30 June 2016, namely AfrAsia Corporate Finance (Pty) Ltd (formally known as "Africa Asia Corporate Finance ((Pty)) Ltd") and AfrAsia Corporate Finance International Limited (formally known as "Africa Capital Advisors PCC"). The entities went into liquidation on 16 November 2017 and 20 June 2018 respectively and the loss on winding up amounted to MUR 10.3m.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

19. PROPERTY AND EQUIPMENT

(a) THE GROUP

COST	Improvement to buildings MUR'000	Furniture and fittings MUR'000	Office equipment MUR'000	Motor vehicles MUR'000	Computer equipment MUR'000	Assets in progress MUR'000	Total MUR'000
At 1 July 2015	35,842	50,501	14,096	2,186	39,880	-	142,505
Additions	12,733	26,902	2,795	21,902	12,465	11	76,808
Exchange loss	(270)	(25)	(439)	(297)	(740)	-	(1,771)
Disposals	(3,712)	(112)	(3,542)	(11,242)	(5,706)	-	(24,314)
At 30 June 2016	44,593	77,266	12,910	12,549	45,899	11	193,228
At 1 July 2016	44,593	77,266	12,910	12,549	45,899	11	193,228
Additions	261	513	1,163	-	6,311	65,867	74,115
Transfer from intangible assets (Note 20)	-	-	-	-	-	9,831	9,831
Capitalisation of assets in progress	2,987	3,330	3,703	-	40,688	(50,708)	-
Assets written off	(4,771)	(8,479)	(4,952)	-	(9,868)	-	(28,070)
Exchange loss	-	-	-	-	(2)	-	(2)
At 30 June 2017	43,070	72,630	12,824	12,549	83,028	25,001	249,102
At 1 July 2017	**43,070**	**72,630**	**12,824**	**12,549**	**83,028**	**25,001**	**249,102**
Adjustment	**1**	**103**	**16**	**-**	**141**	**-**	**261**
Additions	**12,198**	**1,442**	**2,974**	**-**	**13,873**	**14,634**	**45,121**
Capitalisation of assets in progress	**4,511**	**13,163**	**127**	**-**	**7,200**	**(25,001)**	**-**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(2,046)**	**(5,586)**	**(1,015)**	**-**	**(3,736)**	**-**	**(12,383)**
At 30 June 2018	**57,734**	**81,752**	**14,926**	**11,878**	**100,506**	**14,634**	**281,430**
ACCUMULATED DEPRECIATION							
At 1 July 2015	7,116	9,932	6,556	925	14,480	-	39,009
Charge for the year	4,019	6,164	2,489	1,354	8,762	-	22,788
Exchange gain	-	-	-	-	8	-	8
Disposals	(1,136)	(88)	(1,877)	(379)	(5,198)	-	(8,678)
At 30 June 2016	9,999	16,008	7,168	1,900	18,052	-	53,127
At 1 July 2016	9,999	16,008	7,168	1,900	18,052	-	53,127
Charge for the year	4,015	6,604	2,277	1,792	10,583	-	25,271
Assets written off	(3,550)	(5,177)	(2,564)	-	(7,292)	-	(18,583)
At 30 June 2017	10,464	17,435	6,881	3,692	21,343	-	59,815
At 1 July 2017	**10,464**	**17,435**	**6,881**	**3,692**	**21,343**	**-**	**59,815**
Adjustment	**-**	**102**	**13**	**-**	**134**		**249**
Charge for the year	**5,170**	**7,483**	**2,282**	**1,792**	**18,881**	-	**35,608**
Disposal	**-**	**-**	**-**	**(671)**	**-**	-	**(671)**
Assets written off	**(905)**	**(2,076)**	**(566)**	-	**(2,309)**	**-**	**(5,856)**
At 30 June 2018	**14,729**	**22,944**	**8,610**	**4,813**	**38,049**	**-**	**89,145**
CARRYING AMOUNT							
At 30 June 2018	**43,005**	**58,808**	**6,316**	**7,065**	**62,457**	**14,634**	**192,285**
At 30 June 2017	32,606	55,195	5,943	8,857	61,685	25,001	189,287
At 30 June 2016	34,594	61,258	5,742	10,649	27,847	11	140,101

During the year ended 30 June 2018, office equipment of NBV MUR 8,000 was donated and is classified as gift and donation under administratif expense in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

19. PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE BANK

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets in progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015	34,779	48,385	14,085	795	36,464	-	134,508
Additions	9,695	26,474	2,795	18,212	12,143	11	69,330
Disposals	-	(26)	(2,011)	(10,207)	(2,999)	-	(15,243)
At 30 June 2016	44,474	74,833	14,869	8,800	45,608	11	188,595
At 1 July 2016	44,474	74,833	14,869	8,800	45,608	11	188,595
Additions	261	499	1,163	-	5,568	65,867	73,358
Transfer from intangible assets (Note 20)	-	-	-	-	-	9,831	9,831
Capitalisation of assets in progress	2,987	3,330	3,703	-	40,688	(50,708)	-
Assets written off	(4,503)	(8,051)	(4,952)	-	(9,738)	-	(27,244)
At 30 June 2017	43,219	70,611	14,783	8,800	82,126	25,001	244,540
At 1 July 2017	**43,219**	**70,611**	**14,783**	**8,800**	**82,126**	**25,001**	**244,540**
Adjustment	**1**	**103**	**16**	**-**	**141**	**-**	**261**
Additions	**12,198**	**1,442**	**2,974**	**-**	**13,222**	**14,634**	**44,470**
Capitalisation of assets in progress	**4,511**	**13,163**	**127**	**-**	**7,200**	**(25,001)**	**-**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(2,046)**	**(5,586)**	**(1,015)**	**-**	**(3,736)**	**-**	**(12,383)**
At 30 June 2018	**57,883**	**79,733**	**16,885**	**8,129**	**98,953**	**14,634**	**276,217**
ACCUMULATED DEPRECIATION							
At 1 July 2015	6,307	9,141	6,545	688	12,873	-	35,554
Charge for the year	3,976	6,025	2,319	491	7,693	-	20,504
Disposals	-	(5)	(781)	-	(2,668)	-	(3,454)
At 30 June 2016	10,283	15,161	8,083	1,179	17,898	-	52,604
At 1 July 2016	10,283	15,161	8,083	1,179	17,898	-	52,604
Charge for the year	4,015	6,538	2,277	1,046	10,215	-	24,091
Assets written off	(3,543)	(5,113)	(2,564)	-	(7,204)	-	(18,424)
At 30 June 2017	10,755	16,586	7,796	2,225	20,909	-	58,271
At 1 July 2017	**10,755**	**16,586**	**7,796**	**2,225**	**20,909**	**-**	**58,271**
Adjustment	**-**	**102**	**13**	**-**	**134**	**-**	**249**
Charge for the year	**5,170**	**7,404**	**2,282**	**1,045**	**18,469**	**-**	**34,370**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(905)**	**(2,076)**	**(566)**	**-**	**(2,309)**	**-**	**(5,856)**
At 30 June 2018	**15,020**	**22,016**	**9,525**	**2,599**	**37,203**	**-**	**86,363**
CARRYING AMOUNT							
At 30 June 2018	**42,863**	**57,717**	**7,360**	**5,530**	**61,750**	**14,634**	**189,854**
At 30 June 2017	32,464	54,025	6,987	6,575	61,217	25,001	186,269
At 30 June 2016	34,191	59,672	6,786	7,621	27,710	11	135,991
NET BOOK VALUE FOR THE YEAR ENDED 2018							
SEGMENT A	**12,430**	**16,738**	**2,134**	**1,604**	**17,907**	**4,244**	**55,057**
SEGMENT B	**30,433**	**40,979**	**5,226**	**3,926**	**43,843**	**10,390**	**134,797**
	42,863	**57,717**	**7,360**	**5,530**	**61,750**	**14,634**	**189,854**
NET BOOK VALUE FOR THE YEAR ENDED 2017							
SEGMENT A	11,362	18,909	2,445	2,301	21,426	8,750	65,193
SEGMENT B	21,102	35,116	4,542	4,274	39,791	16,251	121,076
	32,464	54,025	6,987	6,575	61,217	25,001	186,269
NET BOOK VALUE FOR THE YEAR ENDED 2016							
SEGMENT A	11,967	20,885	2,375	2,667	9,699	4	47,597
SEGMENT B	22,224	38,787	4,411	4,954	18,011	7	88,394
	34,191	59,672	6,786	7,621	27,710	11	135,991

During the year ended 30 June 2018, office equipment of NBV MUR 8,000 was donated and is classified as gift and donation under administratif expense in the statement of profit or loss and other comprehensive income.

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YEAR ENDED 30 JUNE 2018

20. INTANGIBLE ASSETS

(a) THE GROUP

	Computer software	Banking software	Other	Assets in progress	Goodwill	Non-compete agreement	Licence	Customer relations	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015	18,142	59,344	9,927	-	206,771	41,195	32,587	124,609	492,575
Transfer from other assets	-	-	-	35,805	-	-	-	-	35,805
Additions	2,920	18,960	-	15,362	5,345	-	-	-	42,587
At 30 June 2016	21,062	78,304	9,927	51,167	212,116	41,195	32,587	124,609	570,967
At 1 July 2016	21,062	78,304	9,927	51,167	212,116	41,195	32,587	124,609	570,967
Additions	3,083	3	-	64,341	-	-	-	-	67,427
Transfer to property and equipment (Note 19)	-	-	-	(9,831)	-	-	-	-	(9,831)
Reclassification of assets in progress	10,832	33,972	425	(45,229)	-	-	-	-	-
Recognised to expense	-	-	-	(378)	-	-	-	-	(378)
Assets written off	(1,663)	(123)	(2,313)	-	-	(41,195)	(32,587)	-	(77,881)
At 30 June 2017	33,314	112,156	8,039	60,070	212,116	-	-	124,609	550,304
At 1 July 2017	**33,314**	**112,156**	**8,039**	**60,070**	**212,116**	**-**	**-**	**124,609**	**550,304**
Additions	**19,375**	**83,049**	**1,832**	**18,553**	**-**	**-**	**-**	**-**	**122,809**
Capitalisation of assets in progress	**1,822**	**26,415**	**1,308**	**(29,545)**	**-**	**-**	**-**	**-**	**-**
Assets written off	**-**	**-**	**(2,074)**	**-**	**-**	**-**	**-**	**-**	**(2,074)**
At 30 June 2018	**54,511**	**221,620**	**9,105**	**49,078**	**212,116**	**-**	**-**	**124,609**	**671,039**
AMORTISATION									
At 1 July 2015	11,761	21,742	5,623	-	-	36,046	28,513	32,819	136,504
Charge for the year	2,257	6,271	877	-	-	5,149	4,074	14,517	33,145
Impairment charge for the year	-	-	-	-	77,213	-	-	23,301	100,514
At 30 June 2016	14,018	28,013	6,500	-	77,213	41,195	32,587	70,637	270,163
At 1 July 2016	14,018	28,013	6,500	-	77,213	41,195	32,587	70,637	270,163
Charge for the year	2,903	9,219	783	-	-	-	-	10,280	23,185
Assets written off	(1,320)	(122)	(2,314)	-	-	(41,195)	(32,587)	-	(77,538)
At 30 June 2017	15,601	37,110	4,969	-	77,213	-	-	80,917	215,810
At 1 July 2017	**15,601**	**37,110**	**4,969**	**-**	**77,213**	**-**	**-**	**80,917**	**215,810**
Charge for the year	**7,348**	**18,323**	**1,359**	**-**	**-**	**-**	**-**	**10,280**	**37,310**
At 30 June 2018	**22,949**	**55,433**	**6,328**	**-**	**77,213**	**-**	**-**	**91,197**	**253,120**
NET CARRYING AMOUNT									
At 30 June 2018	**31,562**	**166,187**	**2,777**	**49,078**	**134,903**	**-**	**-**	**33,412**	**417,919**
At 30 June 2017	17,713	75,046	3,070	60,070	134,903	-	-	43,692	334,494
At 30 June 2016	7,044	50,291	3,427	51,167	134,903	-	-	53,972	300,804

20. INTANGIBLE ASSETS (CONTINUED)

(a) Customer relations

Customer relations represent that income stream that both investees are expected to generate based on the good relations that were previously developed and maintained with their customers.

(b) Non-compete agreement and licence

Non-compete agreement and licence relate to intangibles assets acquired upon acquisition of the ACF Group. These were fully amortised in the financial year June 2016.

(c) IMPAIRMENT TESTING OF GOODWILL

Carrying amount of goodwill allocated to each of the CGUs:	ACML	ACF Group	Total
	MUR'000	MUR'000	MUR'000
30 June 2018, 2017 and 2016	134,904	-	134,904

The Group performed its annual impairment review in June 2018.

The recoverable amount of the ACML Group is MUR 470m as at 30 June 2018, which has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Based on the performance achieved by each investee from the acquisition date and the value in use of each investee, management did not identify any impairment for the CGUs.

The following assumptions have been used in the assessment of intangible assets with indefinite life:

	ACML			ACF Group		
	2018	2017	2016	2018	2017	2016
	%	%	%	%	%	%
Discount rates	12.0%	19.0%	19.0%	-	-	-

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity.

Sensitivity to changes in assumptions	ACML	ACF Group
	2018	2018
	MUR'000	MUR'000
1% increase in discount rates (WACC)	(40,000)	-
1% decrease in discount rates (WACC)	48,000	-

20. INTANGIBLE ASSETS (CONTINUED)

(b) THE BANK

	Computer software	Banking software	Other	Assets under progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST					
At 1 July 2015	17,599	59,345	9,926	-	86,870
Transfer from other assets	-	-	-	35,805	35,805
Additions	2,920	18,960	-	15,362	37,242
At 30 June 2016	20,519	78,305	9,926	51,167	159,917
At 1 July 2016	20,519	78,305	9,926	51,167	159,917
Additions	3,035	3	-	64,341	67,379
Transfer to property and equipment (Note 19)	-	-	-	(9,831)	(9,831)
Reclassification of assets in progress	10,832	33,972	425	(45,229)	-
Recognised to expense	-	-	-	(378)	(378)
Assets written off	(1,664)	(123)	(2,315)	-	(4,102)
At 30 June 2017	32,722	112,157	8,036	60,070	212,985
At 1 July 2017	**32,722**	**112,157**	**8,036**	**60,070**	**212,985**
Additions	**19,375**	**83,049**	**1,832**	**18,553**	**122,809**
Reclassification of assets in progress	**1,822**	**26,415**	**1,308**	**(29,545)**	**-**
Assets written off	**-**	**-**	**(2,074)**	**-**	**(2,074)**
At 30 June 2018	**53,919**	**221,621**	**9,102**	**49,078**	**333,720**
AMORTISATION					
At 1 July 2015	11,487	21,742	5,623	-	38,852
Charge for the year	2,076	6,271	877	-	9,224
At 30 June 2016	13,563	28,013	6,500	-	48,076
At 1 July 2016	13,563	28,013	6,500	-	48,076
Charge for the year	2,808	9,219	783	-	12,810
Assets written off	(1,320)	(122)	(2,314)	-	(3,756)
At 30 June 2017	15,051	37,110	4,969	-	57,130
At 1 July 2017	**15,051**	**37,110**	**4,969**	**-**	**57,130**
Charge for the year	**7,323**	**18,323**	**1,359**	**-**	**27,005**
At 30 June 2018	**22,374**	**55,433**	**6,328**	**-**	**84,135**
CARRYING AMOUNT					
At 30 June 2018	**31,545**	**166,188**	**2,774**	**49,078**	**249,585**
At 30 June 2017	17,671	75,047	3,067	60,070	155,855
At 30 June 2016	6,956	50,292	3,426	51,167	111,841
NET BOOK VALUE FOR THE YEAR ENDED 2018					
SEGMENT A	**9,148**	**48,195**	**804**	**14,233**	**72,380**
SEGMENT B	**22,397**	**117,993**	**1,970**	**34,845**	**177,205**
	31,545	**166,188**	**2,774**	**49,078**	**249,585**
NET BOOK VALUE FOR THE YEAR ENDED 2017					
SEGMENT A	6,185	26,266	1,073	21,025	54,549
SEGMENT B	11,486	48,781	1,994	39,045	101,306
	17,671	75,047	3,067	60,070	155,855
NET BOOK VALUE FOR THE YEAR ENDED 2016					
SEGMENT A	2,435	17,602	1,199	17,908	39,144
SEGMENT B	4,521	32,690	2,227	33,259	72,697
	6,956	50,292	3,426	51,167	111,841

21. OTHER ASSETS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mandatory balances with the Central Bank	**1,519,797**	1,288,715	1,233,593	**1,519,797**	1,288,715	1,233,593
Dividend receivable	**-**	-	-	**-**	22,000	112,000
Trade receivable	**18,576**	17,164	13,552	**-**	-	-
Advance payment	**-**	255	588	**-**	242	345
Indirect and other taxes receivable	**59,816**	48,101	35,288	**59,816**	46,714	34,951
Due from credit card service provider	**18,412**	18,264	18,714	**18,412**	18,264	18,714
Prepaid expenses	**33,279**	24,753	20,190	**32,850**	17,096	11,442
Other receivables	**35,628**	39,636	41,875	**30,564**	34,402	28,732
Amount due from subsidiary	**-**	-	-	**179,734**	-	-
	1,685,508	1,436,888	1,363,800	**1,841,173**	1,427,433	1,439,777

Mandatory balances with the Central Bank are not available for use in the Bank's day-to-day operations. Mandatory balances with the Central Bank are based on the daily ratio applied for the maintenance of minimum rupee and foreign currency balances as at 30 June 2018, 2017 and 2016 respectively.

Amount due from subsidiary is unsecured, interest free and is repayable on demand.

21. OTHER ASSETS (CONTINUED)

The ageing of trade receivables is as follows:

THE GROUP

	< 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2018	**16,619**	**38**	**1,155**	**764**	**18,576**
2017	14,124	2,997	-	43	17,164
2016	12,084	1,240	-	228	13,552

During the year, there was no impairment recognised on trade receivables (2017 and 2016: nil).

Advance payment relates to amount paid for acquisition of equipment and software.

22. DUE TO BANKS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Borrowings from the Central Bank	**72,432**	118,589	173,510	**72,432**	118,589	173,510
Borrowings from other banks	**860,210**	1,375,975	-	**860,210**	1,375,975	-
Bank overdraft	**113**	6,251	-	**113**	6,251	-
	932,755	1,500,815	173,510	**932,755**	1,500,815	173,510

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank.

23. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Personal						
- Current accounts	**3,046,551**	3,052,986	7,865,503	**3,046,551**	3,052,986	7,865,503
- Savings accounts	**4,005,417**	3,397,785	3,706,128	**4,005,418**	3,397,785	3,706,128
- Term deposits	**6,813,915**	4,091,921	6,237,983	**6,813,915**	4,091,921	6,237,983
Business						
- Current accounts	**80,942,584**	62,267,513	42,854,973	**81,191,950**	62,639,901	43,115,449
- Savings accounts	**475,927**	1,240,223	640,621	**475,927**	1,240,223	640,621
- Term deposits	**15,830,019**	16,529,732	18,696,901	**15,830,019**	16,638,577	18,803,133
Government institutions						
- Current accounts	**-**	2	-	**-**	2	-
- Savings accounts	**21,687**	21,169	10,159	**21,687**	21,169	10,159
	111,136,100	90,601,331	80,012,268	**111,385,467**	91,082,564	80,378,976

Included in 'Deposits from customers' accounts are deposits of MUR 558.6m (2017: MUR 499.2m and 2016: MUR 711.9m) held as collateral against loans and advances to the respective customers.

24. DEBTS ISSUED

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
(i) *Loan notes*	**334,304**	614,172	197,317	**-**	-	-
(ii) Unsecured subordinated bonds	**520,998**	1,059,453	1,292,626	**600,208**	1,111,493	1,111,032
	855,302	1,673,625	1,489,943	**600,208**	1,111,493	1,111,032

(i) *Loan notes*

The loan notes issued represent the discounted value of capital guaranteed to investors on the structured products issued by the subsidiary.

	THE GROUP		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
The notes are due as follows:			
Within 1 year	**255,094**	383,003	91,085
After 1 year but before 5 years	**79,210**	231,169	-
After 5 years	**-**	-	106,232
	334,304	614,172	197,317

Loan notes bear interest at 7.50% per annum on average (2017 and 2016: 7.50%).

(ii) Unsecured subordinated bonds

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
The bonds are due as follows:	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within 1 year	**404,758**	538,834	3,893	**404,758**	538,834	-
After 1 year but before 5 years	**116,240**	520,619	1,288,733	**195,450**	572,659	1,111,032
	520,998	1,059,453	1,292,626	**600,208**	1,111,493	1,111,032

Interest on unsecured subordinated bonds denominated in MUR ranges between 6.35% to 8.50% (2017: between 6.75% to 8.90% and 2016: between 6.75% to 8.90%) while USD-denominated bonds bear interest that ranges between 4.19% to 6.02% (2017: between 4.20% to 5.23% and 2016: between 4.20% to 5.20%).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows from financing activities.

YEAR ENDED 30 JUNE 2018

24. DEBTS ISSUED (CONTINUED)

	THE GROUP				
			Non Cash		
	1 July 2017	Financing cash flows	Acquisition of unsecured bonds	Movement in Operating activities	30 June 2018
	MUR '000	MUR '000		MUR '000	MUR '000
Debts issued	1,673,625	(682,475)	172,150	(307,998)	855,302
	1,673,625	(682,475)	172,150	(307,998)	855,302

	THE BANK				
			Non Cash		
	1 July 2017	Financing cash flows	Acquisition of unsecured bonds	Movement in Operating activities	30 June 2018
	MUR '000	MUR '000		MUR '000	MUR '000
Debts issued	1,111,493	(682,475)	172,150	(960)	600,208
	1,111,493	(682,475)	172,150	(960)	600,208

25 (a). OTHER LIABILITIES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Customer custody payable	**29,420**	-	123,320	**29,420**	-	123,320
Advance commission	**68,280**	84,276	70,172	**68,280**	84,276	70,172
Personnel expenses related accruals	**148,883**	138,180	104,896	**148,883**	130,620	104,617
Dividend payable	**344**	343	165	**344**	343	165
Other financial liabilities	**-**	-	-	**-**	-	-
Other payables	**226,121**	158,790	124,164	**198,453**	146,108	109,232
	473,048	381,589	422,717	**445,380**	361,347	407,506

Customer custody payable relates to fund received from deposit clients as at 30 June which has not yet been allocated to the respective client accounts.

Advance commission relates mainly to upfront fees received on credit advances.

25 (b). FINANCIAL LIABILITIES DESIGNATED AT FVTPL

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Equities	**694,407**	556,113	520,526	**-**	-	-
Bonds	**203,247**	305,564	827,633	**-**	-	-
	897,654	861,677	1,348,159	**-**	-	-

Financial liabilities designated at FVTPL are portfolio of funds that are managed on a fair value basis. The corresponding assets are classified under financial assets held for trading. These financial liabilities are designated at FVTPL in order to eliminate the accounting mismatch.

26. ORDINARY SHARES

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Ordinary shares of no par value			
Issued and fully paid	**3,641,049**	3,197,608	2,595,363

Analysed as follows:

Issued and fully paid

	THE GROUP AND THE BANK					
	2018		2017		2016	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July	**106,745,800**	**3,197,608**	97,024,360	2,595,363	96,672,088	2,590,959
Issue of ordinary shares	**6,231,410**	**446,291**	9,721,440	602,245	352,272	17,261
Indemnity costs	**-**	**(2,850)**	-	-	-	(12,857)
At 30 June	**112,977,210**	**3,641,049**	106,745,800	3,197,608	97,024,360	2,595,363

Each ordinary share confer to its holder the following rights:
- the right to vote on poll for every share held at a meeting of the Bank on any resolution;
- the right to an equal share in dividends authorised by the Board; and
- the right to an equal share in the distribution of the surplus assets of the Bank, on winding up.

On 8 June 2018, the Board of Directors has approved the allotment and issue of 5,981,143 ordinary shares, all fully paid.

On 22 November 2017, the shareholders approved the allotment of 206,233 shares to National Bank of Canada.

As part of the share based payment, 44,034 shares were alloted to a founder.

27. CLASS A SHARES

Class A shares

THE GROUP

Issued and fully paid	2018		2017		2016	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000
Transaction costs	**-**	**(4,812)**	-	(4,812)	-	(4,812)
	10,000,000	**1,399,768**	10,000,000	1,399,768	10,000,000	1,399,768

THE BANK

Issued and fully paid	2018		2017		2016	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000
Transaction costs	**-**	**(18,812)**	-	(18,812)	-	(18,812)
	10,000,000	**1,385,768**	10,000,000	1,385,768	10,000,000	1,385,768

The Class A shares do not carry any general voting right at any shareholders meeting of the Bank other than an irrevocable right to vote on any proposal to amend the Class A shares Terms and Conditions.

The shares are callable, at the option of the issuer, six years after the issue date (30 June 2014), with the prior approval of the Bank of Mauritius.

Dividends are payable at the discretion of the Board of Directors of AfrAsia Bank Limited, subject to the prior approval of Bank of Mauritius.

28. RETIREMENT BENEFIT OBLIGATIONS

The Bank has a defined contribution (DC) scheme administered by Swan Life Ltd.

The liability relates to retirement gratuities payable under the Employment Rights Act (ERA) 2018 which is unfunded.

The actuarial valuation was carried out at 30 June 2018 by Swan Life Ltd.

The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as longevity, interest and salary risks.

Interest risk: A decrease in the bond interest rate will increase the plan liability, as a lower discount rate will be used.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

Retirement benefits under The Employment Rights Act 2008

	THE GROUP		THE BANK	
	2018	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Present value of obligations	**42,776**	23,000	**41,688**	23,000

Movement in liability recognised in statement of financial position:	**2018**	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Net liability at start of year	**23,000**	-	**23,000**	-
Past service cost	**-**	21,230	**-**	21,230
Amount recognised recognised in profit or loss	**8,165**	1,770	**7,077**	1,770
Amount recognised recognised in other comprehensive income	**11,611**	-	**11,611**	-
Net liability at end of the year	**42,776**	23,000	**41,688**	23,000

Amounts recognised in statements of profit or loss and other comprehensive income	**2018**	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Past service cost	**-**	21,230	**-**	21,230
Current service cost	**6,071**	267	**5,697**	267
Net interest cost	**2,094**	1,503	**1,380**	1,503
Components of amount recognised in profit or loss	**8,165**	23,000	**7,077**	23,000
Remeasurement of defined benefit obligations:				
Liability experience loss	**7,267**	-	**7,267**	-
Liability loss due to change in financial assumptions	**4,344**	-	**4,344**	-
	19,776	23,000	**18,688**	23,000

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Retirement benefits under The Employment Rights Act 2008 (continued)

	THE GROUP		THE BANK	
	2018	2017	2018	2017
	MUR'000	MUR'000	MUR'000	MUR'000
Changes in the Present Value of the defined benefit obligations:				
At 1 July	23,000	-	23,000	-
Past service cost	-	21,230	-	21,230
Interest cost	2,094	1,503	1,380	1,503
Current service cost	6,071	267	5,697	267
Liability experience loss	7,267	-	7,267	-
Liability loss due to change in financial assumptions	4,344	-	4,344	-
At 30 June	42,776	23,000	41,688	23,000

Future cash flows:

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contribution for the Group and the Bank for the year 2019 is Nil.

The weighted average duration of the defined benefit obligation is 14 years for the Bank and 19 years for the subsidiary.

	THE GROUP AND THE BANK
	MUR'000
Sensitivity analysis:	
Increase in Defined Benefit Obligation due to 1% decrease in Discount Rate	8,159
Decrease in Defined Benefit Obligation due to 1% increase in Discount Rate	6,781
Increase in Defined Benefit Obligation due to 1% increase in Future long-term Salary assumption	8,193
Decrease in Defined Benefit Obligation due to 1% decrease in Future long-term Salary assumption	6,923

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

	2018	2017
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	6.40%	6.00%
Salary increases	5.00%	4.00%
Average retirement age	60 years	60 years

The rate per annum of withdrawal from service before retirement is between 10% and 15% for age upto 30, reducing to 0% after 50 years.

The discount rate is determined by reference to the yield on government bonds of duration equivalent to the duration of liabilities.

29. RETAINED EARNINGS AND OTHER RESERVES

	THE GROUP								THE BANK					
	Retained Earnings	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Fair value reserve	Associates other reserve	Total	Retained Earnings	Equity-settled share-based payment reserve	Fair value reserve	Statutory reserve	General banking reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015	(142,091)	13,923	152,116	251,163	(2,740)	3,977	1,309	419,748	107,086	13,923	-	152,116	251,163	417,202
Profit for the year	639,739	-	-	-	-	-	-	-	433,636	-	-	-	-	-
Consolidation adjustment	(1,718)	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of reserves	51,563	-	-	-	-	-	-	-	51,563	-	-	-	-	-
Dividends	(99,002)	-	-	-	-	-	-	-	(99,002)	-	-	-	-	-
Appropriation from retained earnings	-	-	65,045	(116,608)	-	-	-	(51,563)	-	-	-	65,045	(116,608)	(51,563)
Net loss on available-for-sale financial investments	-	-	-	-	-	(6,867)	-	(6,867)	-	-	(579)	-	-	(579)
Movement in revaluation reserve	-	-	-	-	-	-	(1,309)	(1,309)	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	(17,165)	-	-	(17,165)	-	-	-	-	-	-
At 30 June 2016	448,491	13,923	217,161	134,555	(19,905)	(2,890)	-	342,844	493,283	13,923	(579)	217,161	134,555	365,060
At 1 July 2016	448,491	13,923	217,161	134,555	(19,905)	(2,890)	-	342,844	493,283	13,923	(579)	217,161	134,555	365,060
Profit for the year	804,109	-	-	-	-	-	-	-	816,998	-	-	-	-	-
Deconsolidation adjustment	(15,898)	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of reserves	(122,959)	-	-	-	-	-	-	-	(122,959)	-	-	-	-	-
Dividends	(242,949)	-	-	-	-	-	-	-	(242,949)	-	-	-	-	-
Deconsolidation adjustment	-	-	-	-	15,959	(61)	-	15,898	-	-	-	-	-	-
Expense arising from equity-settled share-based payment	-	(11,061)	-	-	-	-	-	(11,061)	-	(11,061)	-		-	(11,061)
Appropriation from retained earnings	-	-	122,550	409	-	-	-	122,959	-	-	-	122,550	409	122,959
Net loss on available-for-sale financial investments	-	-	-	-	-	(9,888)	-	(9,888)	-	-	(12,259)	-	-	(12,259)
Foreign currency translation	-	-	-	-	3,331	-	-	3,331	-	-	-	-	-	-
At 30 June 2017	870,794	2,862	339,711	134,964	(615)	(12,839)	-	464,083	944,373	2,862	(12,838)	339,711	134,964	464,699
At 1 July 2017	**870,794**	**2,862**	**339,711**	**134,964**	**(615)**	**(12,839)**	**-**	**464,083**	**944,373**	**2,862**	**(12,838)**	**339,711**	**134,964**	**464,699**
Profit for the year	**762,862**	-	-	-	-	-	-	-	**766,454**	-	-	-	-	-
Remeasurement losses in pension plan	**(10,792)**	-	-	-	-	-	-	-	**(10,792)**	-	-	-	-	-
Appropriation of reserves	**(122,355)**	-	-	-	-	-	-	-	**(122,355)**	-	-	-	-	-
Dividends	**(300,159)**	-	-	-	-	-	-	-	**(300,159)**	-	-	-	-	-
Expense arising from equity-settled share-based payment	-	**(2,862)**	-	-	-	-	-	**(2,862)**	-	**(2,862)**	-	-	-	**(2,862)**
Appropriation from retained earnings	-	-	**114,968**	**7,387**	-	-	-	**122,355**	-	-	-	**114,968**	**7,387**	**122,355**
Net gain on available-for-sale financial investments	-	-	-	-	-	**10,722**	-	**10,722**	-	-	**10,722**	-	-	**10,722**
Foreign currency translation	-	-	-	-	**(523)**	-	-	**(523)**	-	-	-	-	-	-
Recycling of translation reserve on winding up	-	-	-	-	**523**	-	-	**523**	-	-	-	-	-	-
Reclassification adjustments relating to foreign operations disposed during the year	-	-	-	-	**615**	-	-	**615**	-	-	-	-	-	-
At 30 June 2018	**1,200,350**	-	**454,679**	**142,351**	-	**(2,117)**	-	**594,913**	**1,277,521**	-	**(2,116)**	**454,679**	**142,351**	**594,914**

29. RETAINED EARNINGS AND OTHER RESERVES (CONTINUED)

EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

Movement in equity-settled share-based payment reserve relates to expense recognised for employee services received during the year. The share-based payment plans are described below.

Founding Executives shares scheme

An option to subscribe for a maximum of 1,761,360 ordinary shares of the Bank ('share option') was granted to the Founding Executives on November 29, 2012. The Bank granted the share option to the Founding Executives for a consideration of MUR 1 per option. The Founding Executives may exercise the option in respect of up to 20 percent of the option shares granted on each Exercise Date being on each 30 June starting as from 30 June 2013 and ending on 30 June 2017 (inclusive). The share option vest if the Founding Executives remain in employment at the Bank pursuant to the contract on the Exercise Date and neither the Founding Executives nor the Bank must have issued a notice to terminate the Contract on or before the Exercise Date. The fair value of the share options is based on the price at the Exercise Date. No share option was outstanding as at 30 June 2017 (2016: 1 year; 2015: 2 years). The remaining balance on the scheme was settled during the year under review and the Bank no longer has a share option scheme as from 01 July 2017.

STATUTORY RESERVE

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the Bank's profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

GENERAL BANKING RESERVE

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

ASSOCIATES OTHER RESERVE

This reserve relates to the Group's share of available-for-sale reserve in associates.

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve arises on retranslation of foreign operations on consolidation.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

THE GROUP

	2018			2017			2016		
	Level 1	**Level 2**	**Total fair value**	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets									
Derivatives held-for-trading									
Foreign exchange option contracts	**-**	**11,815**	**11,815**	-	156,180	156,180	-	8,147	8,147
Forward foreign exchange contracts	**-**	**196,675**	**196,675**	-	59,843	59,843	-	25,497	25,497
Options linked notes	**-**	**85,625**	**85,625**	-	89,587	89,587	-	105,003	105,003
Spot position account	**-**	**-**	**-**	-	12,510	12,510	-	-	-
Index linked notes	**-**	**602,937**	**602,937**	-	-	-	-	-	-
	-	**897,052**	**897,052**	-	318,120	318,120	-	138,647	138,647
Financial investments - held-for-trading									
Government of Mauritius debts securities	**-**	**1,749,284**	**1,749,284**	-	2,000,177	2,000,177	-	2,923,763	2,923,763
Bank of Mauritius bonds and notes	**-**	**1,209,012**	**1,209,012**	-	845,572	845,572	-	344,663	344,663
Unquoted equity investments and bonds	**-**	**203,247**	**203,247**	-	861,676	861,676	-	1,351,671	1,351,671
Equity shares	**-**	**694,407**	**694,407**	-	-	-	-	-	-
Corporate debt securities	**-**	**-**	**-**	-	98,828	98,828	-	273,644	273,644
	-	**3,855,950**	**3,855,950**	-	3,806,253	3,806,253	-	4,893,741	4,893,741
Financial investments - available-for-sale									
Government of Mauritius debts securities	**-**	**119,091**	**119,091**	-	649,741	649,741	-	-	-
Equity shares	**-**	**-**	**-**	-	1,174	1,174	-	16,255	16,255
Bank of Mauritius bonds and notes	**-**	**451,389**	**451,389**	-	272,946	272,946	-	316,033	316,033
Foreign Securities treasury bills and bonds	**-**	**3,485,461**	**3,485,461**	-	4,803,601	4,803,601	-	-	-
	-	**4,055,941**	**4,055,941**	-	5,727,462	5,727,462	-	332,288	332,288
	-	**8,808,943**	**8,808,943**	-	9,851,835	9,851,835	-	5,364,676	5,364,676
Financial liabilities									
Derivatives held-for-trading									
Foreign exchange option contracts	**-**	**(11,392)**	**(11,392)**	-	(156,180)	(156,180)	-	(8,147)	(8,147)
Forward foreign exchange contracts	**-**	**(52,990)**	**(52,990)**	-	(48,280)	(48,280)	-	(119,767)	(119,767)
Options linked notes	**-**	**(85,625)**	**(85,625)**	-	(89,587)	(89,587)	-	(105,003)	(105,003)
Index linked notes	**-**	**(602,937)**	**(602,937)**	-	-	-	-	-	-
	-	**(752,944)**	**(752,944)**	-	(294,047)	(294,047)	-	(232,917)	(232,917)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (Continued)

THE BANK

	2018			2017			2016		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets									
Derivatives held-for-trading									
Foreign exchange option contracts	-	11,815	11,815	-	156,180	156,180	-	8,147	8,147
Forward foreign exchange contracts	-	196,675	196,675	-	59,843	59,843	-	25,497	25,497
Spot position account	-	-	-	-	12,510	12,510	-	-	-
	-	208,490	208,490	-	228,533	228,533	-	33,644	33,644
Financial investments - held-for-trading									
Government of Mauritius debts securities	-	1,749,284	1,749,284	-	2,000,177	2,000,177	-	2,923,763	2,923,763
Bank of Mauritius bonds and notes	-	1,209,012	1,209,012	-	845,572	845,572	-	344,663	344,663
Corporate debt securities	-	-	-	-	98,828	98,828	-	273,644	273,644
	-	2,958,296	2,958,296	-	2,944,577	2,944,577	-	3,542,070	3,542,070
Financial investments - available-for-sale									
Government of Mauritius debts securities	-	119,091	119,091	-	649,741	649,741	-	-	-
Bank of Mauritius bonds and notes	-	451,389	451,389	-	272,946	272,946	-	316,033	316,033
Foreign Securities treasury bills and bonds	-	3,485,461	3,485,461	-	4,803,601	4,803,601	-	-	-
	-	4,055,941	4,055,941	-	5,726,288	5,726,288	-	316,033	316,033
	-	7,222,727	7,222,727	-	8,899,398	8,899,398	-	3,891,747	3,891,747
Financial liabilities									
Derivatives held-for-trading									
Foreign exchange option contracts	-	(11,392)	(11,392)	-	(156,180)	(156,180)	-	(8,147)	(8,147)
Forward foreign exchange contracts	-	(52,990)	(52,990)	-	(48,280)	(48,280)	-	(119,767)	(119,767)
	-	(64,382)	(64,382)	-	(204,460)	(204,460)	-	(127,914)	(127,914)
	-	(64,382)	(64,382)	-	(204,460)	(204,460)	-	(127,914)	(127,914)

Valuation techniques

Financial investments - held-for-trading and available for sale

(i) Unquoted equity investments

Unquoted equity investments relate to investments in equity funds. The fair value of these investments has been based on their published share price used for trading.

(ii) Government of Mauritius debts securities and Bank of Mauritius bonds and notes

Those investments are valued based on a blend of PLIBOR rates and yields of similar instruments published by Primary Dealers on Reuters and Bloomberg.

(iii) Corporate debt securities

Those investments are valued based on the market yield of similar instruments and Interest Rate Curves for respective currencies sourced from Reuters.

Derivatives

Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and foreign exchange option contracts. Forwards contracts valuation are based on the forward points sourced from Reuters and/or Bloomberg for the respective tenors. Option contract valuation is based on the Garman kohlhagen Model in-built within our Treasury system. Volatility curves, sourced from Reuters, are factored in the model for the purpose of Option contract valuation.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

Transfers between hierarchy

There was no transfer between fair value hierarchy during the year under review.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value

THE GROUP

	2018		2017		2016	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets						
Cash and balances with the Central Bank	3,196,233	3,196,233	2,817,608	2,817,608	1,795,536	1,795,536
Due from banks	52,073,585	52,073,585	37,899,776	37,899,776	46,009,527	46,009,527
Loans and advances to customers	28,066,483	27,910,495	27,512,745	27,807,998	21,958,341	21,999,481
Financial investments - available-for-sale	18,510	18,510	18,510	18,510	18,510	18,510
Financial investments - held-to-maturity	27,360,177	26,187,282	21,190,422	21,190,607	11,538,879	11,589,356
Other assets (excluding prepayments, accrued income,inventory and taxes)	1,587,987	1,587,987	1,326,186	1,326,186	1,290,065	1,290,065
	112,302,975	110,974,092	90,765,247	91,060,685	82,610,858	82,702,475

	2018		2017		2016	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial liabilities						
Due to banks	(932,755)	(932,755)	(1,500,815)	(1,500,815)	(173,510)	(173,510)
Deposits from customers	(111,136,100)	(111,721,847)	(90,601,331)	(91,200,650)	(80,012,268)	(81,036,861)
Debts issued	(855,302)	(788,257)	(1,673,625)	(2,068,333)	(1,489,943)	(1,945,288)
Other liabilities (Excluding advance commission)	(434,769)	(434,769)	(297,313)	(297,313)	(352,545)	(352,545)
Financial liabilities designated at FVTPL	(897,654)	(897,654)	(861,677)	(861,677)	(1,348,159)	(1,348,159)
	(114,256,580)	(114,775,282)	(94,934,761)	(95,928,788)	(83,376,425)	(84,856,363)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value (Continued)

THE BANK

	2018		2017		2016	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	3,196,233	2,817,608	2,817,608	1,795,536	1,795,536
Due from banks	51,943,156	51,943,156	37,879,933	37,879,933	46,000,675	46,000,675
Loans and advances to customers	28,066,483	27,910,495	27,512,745	27,807,998	21,958,341	21,999,481
Financial investments - held-to-maturity	27,360,177	26,187,282	21,190,422	21,190,607	11,538,879	11,589,356
Other assets (excluding prepayments, accrued income,inventory and taxes)	1,744,081	1,744,081	1,325,787	1,325,787	1,263,369	1,298,320
	112,310,130	110,981,247	90,726,495	91,021,933	82,556,800	82,683,368

	2018		2017		2016	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial liabilities	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Due to banks	(932,755)	(932,755)	(1,500,815)	(1,500,815)	(173,510)	(173,510)
Deposits from customers	(111,385,467)	(111,952,632)	(91,082,564)	(91,689,394)	(80,378,976)	(81,425,242)
Debts issued	(600,208)	(765,310)	(1,111,493)	(1,519,864)	(1,111,032)	(1,566,376)
Other liabilities (excluding advance commission)	(407,099)	(407,099)	(277,071)	(277,071)	(337,334)	(337,334)
	(113,325,529)	(114,057,796)	(93,971,943)	(94,987,144)	(82,000,852)	(83,502,462)

Fair value of financial assets and liabilities not carried at fair value

Below are the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

The fair value of all the above instruments would be classified as Level 3 in the fair value hierarchy.

31. ADDITIONAL CASH FLOW INFORMATION

	Notes	THE GROUP			THE BANK		
		2018	2017	2016	**2018**	2017	2016
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
(a) Cash and cash equivalents							
Cash in hand	12	**30,086**	34,710	9,425	**30,086**	34,710	9,425
Unrestricted balances with the Central Bank	12	**1,490,484**	1,689,118	977,455	**1,490,484**	1,689,118	977,455
Short term placements with other banks	13	**30,172,195**	18,253,610	8,993,560	**30,172,195**	18,253,610	8,993,560
Current accounts with other banks	13	**18,412,311**	15,732,864	29,843,852	**18,281,882**	15,713,021	29,835,000
Other amounts due	13	**-**	1,449	1,494	**-**	1,449	1,494
		50,105,076	35,711,751	39,825,786	**49,974,647**	35,691,908	39,816,934
(b) Change in operating assets							
Net change in mandatory balances with the Central Bank		**(231,082)**	(55,122)	(115,005)	**(231,082)**	(55,122)	(115,005)
Net change in placement with the Central Bank		**(581,883)**	(285,124)	(183,489)	**(581,883)**	(285,124)	(183,489)
Net change in medium term placements with other banks		**152,054**	3,258,768	3,758,822	**152,054**	3,258,768	3,758,822
Net change in derivative financial instruments		**(578,932)**	(179,473)	78,737	**20,043**	(194,889)	34,884
Net change in loans and advances to customers		**(1,350,599)**	(6,388,662)	(830,164)	**(1,350,599)**	(6,388,662)	(895,031)
Net change in available for sale investments		**1,682,194**	(5,405,061)	(316,615)	**1,681,069**	(5,422,514)	(316,612)
Net change in financial investments - held-to-maturity		**(6,169,755)**	(9,651,543)	(6,467,187)	**(6,169,755)**	(9,651,543)	(6,467,187)
Net change in financial investments - held-for-trading		**(52,098)**	1,087,488	(1,848,267)	**(16,120)**	597,493	(1,574,945)
Net change in other assets		**133,257**	(17,967)	133,537	**(35,733)**	67,466	81,966
		(6,996,844)	(17,636,696)	(5,789,631)	**(6,532,006)**	(18,074,127)	(5,676,597)
(c) Change in operating liabilities							
Net change in due to banks		**(568,119)**	1,327,305	(53,908)	**(568,060)**	1,327,305	(53,901)
Net change in derivative financial instruments		**458,897**	61,130	(322,178)	**(140,078)**	76,546	73,139
Net change in debts issued		**(307,998)**	183,682	(165,294)	**(960)**	462	16,758
Net change in deposits from customers		**20,534,769**	10,589,062	13,574,552	**20,302,903**	10,703,588	13,450,326
Net change in other liabilities		**100,434**	(41,610)	(63,037)	**84,033**	(46,159)	(54,587)
Net change in financial liabilities designated at FVTPL		**35,977**	(486,000)	275,738	**-**	-	-
		20,253,960	11,633,569	13,245,873	**19,677,838**	12,061,742	13,431,735
(d) Non-cash items included in profit before tax							
Depreciation of property and equipment	19	**35,608**	25,271	22,788	**34,370**	24,091	20,504
Amortisation of intangible assets	20	**37,310**	23,185	33,145	**27,005**	12,810	9,224
Profit on disposal of property and equipment		**(89)**	-	-	**(89)**	-	-
Property and equipment written off	19	**6,527**	9,488	15,636	**6,527**	8,820	11,789
Intangible assets written off	20	**2,074**	720	100,514	**2,074**	720	-
Adjustment for property and equipment	19	**(12)**	-	-	**(12)**	-	-
Retirement benefit obligation	28	**8,165**	23,000	-	**7,077**	23,000	-
Share based payments		**(2,862)**	(11,061)	-	**(2,862)**	(11,061)	-
Impairment on subsidiary		**10,352**	5,004	4,185	**-**	-	-
Impairment on financial investments - held-for-trading		**2,401**	-	-	**2,401**	-	-
Net impairment loss on financial assets		**1,067,581**	834,258	644,557	**1,067,581**	834,258	644,557
		1,167,055	909,865	820,825	**1,144,072**	892,638	686,074

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32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:

- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

  settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as current.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(a) THE GROUP

	2018			2017			2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	-	3,196,233	2,817,608	-	2,817,608	1,795,536	-	1,795,536
Due from banks	52,073,585	-	52,073,585	37,899,776	-	37,899,776	46,009,527	-	46,009,527
Derivative financial instruments	242,106	654,946	897,052	256,987	61,133	318,120	59,844	78,803	138,647
Financial investments - held-for-trading	3,390,083	465,867	3,855,950	2,851,346	954,907	3,806,253	2,783,528	2,110,213	4,893,741
Loans and advances to customers	10,428,367	17,638,116	28,066,483	7,513,803	19,998,942	27,512,745	10,731,774	11,226,567	21,958,341
Financial investments - available-for-sale	567,111	3,507,389	4,074,500	1,984,008	3,761,964	5,745,972	34,765	316,033	350,798
Financial investments - held-to-maturity	15,735,872	11,624,305	27,360,177	12,756,571	8,433,851	21,190,422	6,465,225	5,073,654	11,538,879
Property and equipment	-	192,285	192,285	-	189,287	189,287	-	140,101	140,101
Intangible assets	-	417,919	417,919	-	334,494	334,494	-	300,804	300,804
Other assets	1,685,508	-	1,685,508	1,436,888	-	1,436,888	1,363,800	-	1,363,800
Deferred tax assets	-	141,747	141,747	-	147,057	147,057	-	60,441	60,441
TOTAL ASSETS	87,318,865	34,642,574	121,961,439	67,516,987	33,881,635	101,398,622	69,243,999	19,306,616	88,550,615
LIABILITIES									
Due to banks	860,323	72,432	932,755	1,382,226	118,589	1,500,815	-	173,510	173,510
Derivative financial instruments	97,998	654,946	752,944	232,914	61,133	294,047	154,114	78,803	232,917
Deposits from customers	105,676,811	5,459,289	111,136,100	86,138,470	4,462,861	90,601,331	76,224,800	3,787,468	80,012,268
Debts issued	659,852	195,450	855,302	925,608	748,017	1,673,625	94,978	1,394,965	1,489,943
Other liabilities	473,048	-	473,048	381,589	-	381,589	422,717	-	422,717
Financial liabilities designated at FVTPL	842,777	54,877	897,654	556,113	305,564	861,677	695,928	652,231	1,348,159
Retirement benefits obligation	-	42,776	42,776	-	23,000	23,000	-	-	-
Current tax liabilities	34,780	-	34,780	130,156	-	130,156	84,510	-	84,510
Deferred tax liabilities	-	-	-	-	129	129	-	125	125
TOTAL LIABILITIES	108,645,589	6,479,770	115,125,359	89,747,076	5,719,293	95,466,369	77,677,047	6,087,102	83,764,149

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2018			2017			2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	-	3,196,233	2,817,608	-	2,817,608	1,795,536	-	1,795,536
Due from banks	51,943,156	-	51,943,156	37,879,933	-	37,879,933	46,000,675	-	46,000,675
Derivative financial instruments	190,433	18,057	208,490	210,283	18,250	228,533	33,644	-	33,644
Financial investments - held-for-trading	2,547,306	410,990	2,958,296	2,295,233	649,344	2,944,577	2,084,088	1,457,982	3,542,070
Loans and advances to customers	10,428,367	17,638,116	28,066,483	7,513,803	19,998,942	27,512,745	10,731,774	11,226,567	21,958,341
Financial investments - available-for-sale	548,552	3,507,389	4,055,941	1,964,324	3,761,964	5,726,288	-	316,033	316,033
Financial investments held-to-maturity	15,735,872	11,624,305	27,360,177	12,756,571	8,433,851	21,190,422	6,465,225	5,073,654	11,538,879
Investment in subsidiary	-	189,563	189,563	-	189,563	189,563	-	189,563	189,563
Property and equipment	-	189,854	189,854	-	186,269	186,269	-	135,991	135,991
Intangible assets	-	249,585	249,585	-	155,855	155,855	-	111,841	111,841
Other assets	1,841,173	-	1,841,173	1,427,433	-	1,427,433	1,439,777	-	1,439,777
Deferred tax assets	-	141,462	141,462	-	147,057	147,057	-	60,441	60,441
TOTAL ASSETS	86,431,092	33,969,321	120,400,413	66,865,188	33,541,095	100,406,283	68,550,719	18,572,072	87,122,791
LIABILITIES									
Due to banks	860,323	72,432	932,755	1,382,226	118,589	1,500,815	-	173,510	173,510
Derivative financial instruments	46,325	18,057	64,382	186,210	18,250	204,460	127,914	-	127,914
Deposits from customers	105,926,178	5,459,289	111,385,467	86,619,703	4,462,861	91,082,564	76,485,276	3,893,700	80,378,976
Debts issued	404,758	195,450	600,208	538,834	572,659	1,111,493	-	1,111,032	1,111,032
Other liabilities	445,380	-	445,380	361,347	-	361,347	407,506	-	407,506
Retirement benefits obligation	-	41,688	41,688	-	23,000	23,000	-	-	-
Current tax liabilities	-	31,281	31,281	130,156	-	130,156	84,379	-	84,379
TOTAL LIABILITIES	107,682,964	5,818,197	113,501,161	89,218,476	5,195,359	94,413,835	77,105,075	5,178,242	82,283,317

33. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statements of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Contingent liabilities			
Financial guarantees	**649,276**	729,637	636,691
Letters of credit	**346,958**	209,627	172,676
	996,234	939,264	809,367
Commitments			
Undrawn commitments to lend	**1,102,424**	706,166	617,122
Total	**2,098,658**	1,645,430	1,426,489

Contingent liabilities

Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Undrawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Operating lease

The Group and the Bank have entered into commercial leases on premises and vehicles. These leases have an average life that ranges between three and five years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering the leases.

Future minimum lease payments under the non-cancellable operating leases at 30 June are as follows:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within one year	**23,518**	32,785	26,096	**26,220**	34,002	27,496
After one year but not more than five years	**45,659**	72,340	18,006	**54,262**	77,860	23,766
	69,177	105,125	44,102	**80,482**	111,862	51,262

The amount of operating lease expenses recognised in profit or loss for the Bank includes MUR 36.5m of rent expense.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group and the Bank have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and the Bank make adjustments to account for any adverse effects which the claims may have on its financial standing.

34. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Compensation to key management personnel						
Short-term employee benefits	111,835	113,395	115,823	100,345	99,394	93,345
Share-based payments	2,862	2,246	8,574	2,862	2,246	8,574
	114,697	115,641	124,397	103,207	101,640	101,919

Transactions with directors and key management personnel of the Group and the Bank

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year:

THE GROUP

	2018		2017		2016	
	Balances as at 30 June 2018	Income from / (expense to)	Balances as at 30 June 2017	Income from / (expense to)	Balances as at 30 June 2016	Income from / (expense to)
Directors and key management personne of the Group:	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	33,198	2,030	21,242	1,949	21,241	2,453
Deposits from customers:						
- Term deposits	21,228	(450)	11,628	(146)	397	(14)
- Savings and current accounts	50,704	6,597	62,191	5,339	34,649	(371)
	71,932	6,147	73,819	5,193	35,046	(385)
Class A shares	-	-	-	(623)	-	(50)
Directors' fees	-	(6,387)	-	(6,102)	-	(5,627)
Other fees	-	-	510	-	-	-
	71,932	(240)	74,329	(1,532)	35,046	(6,062)

THE BANK

	2018		2017		2016	
	Balances as at 30 June 2018	Income from / (expense to)	Balances as at 30 June 2017	Income from / (expense to)	Balances as at 30 June 2016	Income from / (expense to)
Directors of the Bank:	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	3,791	240	4,318	334	6,572	808
Deposits from customers:						
- Term deposits	21,228	(450)	11,427	(145)	397	(14)
- Savings and current accounts	17,862	(815)	24,872	(718)	19,212	(186)
	39,090	(1,265)	36,299	(863)	19,609	(200)
Class A shares	-	-	-	-	-	(4)
Directors' fees	-	(6,387)	-	(6,102)	-	(5,627)
Other fees	-	-	510	-	-	-
	39,090	(7,652)	36,809	(6,965)	19,609	(5,831)

THE BANK

	2018		2017		2016	
	Balances as at 30 June 2018	Income from / (expense to)	Balances as at 30 June 2017	Income from / (expense to)	Balances as at 30 June 2016	Income from / (expense to)
Key management personnel of the Bank:	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	20,593	1,588	17,160	912	17,151	670
Deposits from customers:						
- Term deposits	26,180	(471)	7,117	(293)	6,810	(343)
- Savings and current accounts	20,220	1,460	6,835	(413)	26,558	(106)
	46,400	989	13,952	(706)	33,368	(449)
Class A shares	12,690	(1,116)	11,532	(7,375)	14,218	(1,038)
	59,090	(127)	25,484	(8,081)	47,586	(1,487)

34. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with other related parties

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with entities having significant influence over the Group and the Bank. The following table shows the outstanding balance and the corresponding transaction during the year.

(a) THE GROUP

	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2018							
Entities with significant influence over the Group	**15,627**	**78,333**	**153,411**	**19,039**	**14,600,871**	**745,881**	**104,086**
2017							
Entities with significant influence over the Group	1,573	63,048	64,202	57,689	4,283,509	2,282,840	123,716
2016							
Entities with significant influence over the Group	3,611	59,508	34,354	25,469	572,463	846,822	136,666

(b) THE BANK

	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2018							
Entities with significant influence over the Bank	**15,399**	**78,333**	**152,335**	**13,256**	**14,571,457**	**713,039**	**104,086**
Subsidiary companies	**136**	**-**	**766**	**67,942**	**178,266**	**742,007**	**-**
	15,535	**78,333**	**153,101**	**81,198**	**14,749,723**	**1,455,046**	**104,086**
2017							
Entities with significant influence over the Bank	1,509	56,946	63,094	53,069	4,266,585	2,245,321	123,716
Subsidiary companies	2,782	-	6,080	38,956	98,131	1,131,108	-
	4,291	56,946	69,174	92,025	4,364,716	3,376,429	123,716
2016							
Entities with significant influence over the Bank	3,609	51,090	33,413	25,464	551,461	842,367	136,666
Subsidiary companies	2,765	361	275	28,984	123,793	743,399	-
	6,374	51,451	33,688	54,448	675,254	1,585,766	136,666

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose in the ordinary course of business. For the year ended 30 June 2018, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2017: MUR Nil, 2016: MUR Nil). At 30 June 2018, none of the facilities to related parties was non-performing (2017: MUR Nil, 2016: MUR Nil). In addition, for the year ended 30 June 2018 the Bank has not written off any amount owed by related party (2017: MUR Nil, 2016: MUR 58m).

The total on and off balance sheet exposure to the related parties amounted to MUR 2.4bn (2017: MUR 2.4bn, 2016: MUR 2.3 bn) representing 8% (2017: 8%, 2016: 10%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 526m (2017: MUR 784.2m, 2016: MUR 876.8m) representing 9% (2017: 14%, 2016: 18%) of the CET 1 capital and all the related party transactions were within the regulatory limit as recommended in the Bank of Mauritius Guideline on Related Party Transactions issued in December 2001 and effected in January 2009.

The Bank had no letter of guarantee on behalf of related parties as at 30 June 2018 (2017: MUR nil , 2016: MUR nil).

The Bank acts as custodian for AfrAsia Capital Management Ltd. The latter has deposits in Kingdom Bank Limited amounting to USD 1.2m (2017: USD 1.2m and 2016: USD 1.2m).

35. FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors as well as the Group's and the Bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the risks relate to adequate capital level. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management/Conduct Review Committee

The Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Committee is responsible for managing risk decisions and monitoring risk levels.

Treasury Function

Tne Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

(a) Risk measurement and reporting systems

The Group's and the Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group and the Bank also run worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Risk measurement and reporting systems (Continued)

Risk mitigation

As part of its overall risk management, the Group and the Bank use derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Group and the Bank actively use collaterals to reduce their credit risks on loans and advances.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's and the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge its contractual obligations
The Bank has established approaches to manage credit risk including:
- maintaining a culture of responsible lending and a robust risk policy and control framework
- defining, implementing and re-evaluating credit risk appetitie
- expert scrutiny and approval of credit risk and its mitigation independently of the business functions
- ongoing monitoring of exposures relative to set appetite and limits and quality of assets and counterparty
- ongoing independent risk oversight and reporting to the governance committee, in respect of breaches of limits, policies/procedure and risk appetite
- credit policy is currently in process of being reviewed

Credit-related commitments risks

The Bank make available for its customers guarantees which may require that the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Country risk is the uncertainty whether obligors will be able to fulfil financial obligations given political or economic conditions in the country in question. The bank make a thorough evaluation of risks which may be associated with their cross-border operations and which have the potential to adversely affect its risk profile. These risks can be elaborated below:

Transfer Risk – Where a country suffers economic, political or social problems, leading to a drainage in its foreign currency reserves, the borrowers in that country may not be able to convert their funds from local currency into foreign currency to repay their external obligations.

Sovereign Risk – This risk denotes a foreign government's capacity and willingness to repay its direct and indirect (i.e. guaranteed) foreign currency obligations. It arises as a result of a bank having any type of lending, extension of credit, or advance to a country's government.

Currency Risk – The risk that a borrower's domestic currency holdings and cash flow become inadequate to service its foreign currency obligations because of devaluation.

Contagion Risk – The risk that adverse developments in one country may, for instance, lead to a downgrade of rating or a credit squeeze not only for that country but also for other countries in the region, notwithstanding the fact that those countries may be more creditworthy and that the adverse developments do not apply.

Indirect Country Risk – The risk that the repayment ability of a domestic borrower is endangered owing to the deterioration of the economic, political or social conditions in a foreign country where the borrower has substantial business relationship or interest.

Macroeconomic Risk – The risk that the borrower in a country may, for example, suffer from the impact of high interest rates due to measures taken by the government of that country to defend its currency.

According to the Bank of Mauritius guideline on country risk management, the Bank is required to prudently make provisions on country risk. A provision of MUR 50M was raised for the year ended 30 June 2017. No incremental provisioning was allocated for the year ended ended 30 June 2018.

Conferring to ABL's country risk policy, the Bank would set exposure limits for individual countries to manage and monitor Country risk. Country exposure limits should apply to all on and off balance sheet exposures to foreign borrowers. While it is the responsibility of the BRC to approve the proposed structure of limits, investment strategy and the related limits with regards to the Bank risk appetite, the Board of Directors is also responsible for setting the Bank's tolerance for country risks.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2018 was MUR 13.4bn (2017: MUR 4.8bn and 2016: MUR 3.3bn) before taking account of collateral or other credit enhancements.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with the Central Bank	**3,196,233**	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536
Due from banks						
Collateralized placement	**3,489,079**	-	-	**3,489,079**	-	-
Placement with other banks	**30,172,195**	22,165,463	16,164,181	**30,172,195**	22,165,463	16,164,181
Current accounts	**18,412,311**	15,732,864	29,843,852	**18,281,882**	15,713,021	29,835,000
Other amounts due	**-**	1,449	1,494	**-**	1,449	1,494
	52,073,585	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675
Derivative financial instruments	**897,052**	318,120	138,647	**208,490**	228,533	33,644
Financial investments - held-for-trading (excluding equity investment)	**2,958,296**	3,250,140	3,542,070	**2,958,296**	2,944,577	3,542,070
Loans and advances to customers						
Retail and personal	**1,147,945**	1,164,728	1,206,113	**1,147,945**	1,164,728	1,206,113
Business	**8,933,679**	8,490,060	9,835,012	**8,933,679**	8,490,060	9,835,012
Government and parastatal bodies	**1,160,169**	1,199,381	-	**1,160,169**	1,199,381	-
Entities outside Mauritius	**12,666,281**	14,723,935	9,563,429	**12,666,281**	14,723,935	9,563,429
Banks outside Mauritius	**5,300,039**	3,544,600	2,188,517	**5,300,039**	3,544,600	2,188,517
Credit cards	**132,324**	129,593	137,772	**132,324**	129,593	137,772
	29,340,437	29,252,297	22,930,843	**29,340,437**	29,252,297	22,930,843
Financial investments - available-for-sale (excluding equity investment)	**4,055,941**	5,726,288	316,033	**4,055,941**	5,726,288	316,033
Financial investments - held-to-maturity	**27,360,177**	21,190,422	11,538,879	**27,360,177**	21,190,422	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	**1,587,987**	1,326,186	1,290,065	**1,744,081**	1,325,787	1,263,369
	121,469,708	101,780,837	87,561,600	**120,806,811**	101,365,445	87,421,049

The Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements, can be analysed as follows by the following geographical regions:

GROSS MAXIMUM EXPOSURE

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mauritius	**38,572,400**	31,968,413	27,874,025	**38,599,565**	31,956,467	27,742,066
France	**448,111**	3,506,142	5,538,384	**448,111**	3,506,142	5,538,384
United Kingdom	**26,161,868**	6,030,296	8,563,341	**26,114,491**	6,018,277	8,563,341
United States of America	**8,098,727**	16,278,825	13,349,040	**8,098,727**	15,957,532	13,349,040
India	**5,793,291**	8,515,406	4,506,469	**5,793,291**	8,515,406	4,506,469
Other	**42,395,311**	35,481,755	27,730,341	**41,752,626**	35,411,621	27,721,749
	121,469,708	101,780,837	87,561,600	**120,806,811**	101,365,445	87,421,049

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

An industry sector analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Agriculture	**2,026,262**	2,122,926	1,416,959	**2,026,262**	2,122,926	1,416,959
Construction, infrastructure and real estate	**1,780,388**	3,170,516	2,915,291	**1,780,388**	3,170,516	2,915,291
Financial and business services	**102,783,385**	70,419,198	65,546,288	**102,120,488**	70,004,204	65,518,470
Government and parastatal bodies	**1,488,649**	7,646,560	2,479,580	**1,488,649**	7,646,560	2,479,580
Information, communication and technology	**45,544**	87,348	135,312	**45,544**	87,348	135,312
Manufacturing	**2,780,767**	3,000,171	1,916,741	**2,780,767**	3,000,171	1,916,741
Personal	**1,706,109**	1,734,269	1,779,351	**1,706,109**	1,734,269	1,779,351
Tourism	**2,412,999**	2,196,167	3,012,701	**2,412,999**	2,196,167	3,012,701
Traders	**1,561,372**	1,682,717	2,149,004	**1,561,372**	1,682,717	2,149,004
Others	**4,884,233**	9,720,965	6,210,373	**4,884,233**	9,720,567	6,097,640
	121,469,708	101,780,837	87,561,600	**120,806,811**	101,365,445	87,421,049

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

The fair value of collateral and other credit enhancements received on loans and advances as at 30 June 2018 is MUR 18bn (2017: MUR 28bn and 2016: MUR 28bn). All other financial assets are unsecured except for collateralised placements.

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Group's and the Bank's credit rating system which is as follows:

- High grade (1-3) : High grade are all performing loans secured by adequate collateral.

- Standard grade (4-5) : Standard grade loans are those which are monitored by management.

- Past due not impaired : These are default loans but adequately secured.

The amounts presented are gross of impairment allowances.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system:

THE GROUP

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2018	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Cash and balances with the Central Bank	3,196,233	-	-	-	3,196,233
Due from banks	52,073,585	-	-	-	52,073,585
Derivative financial instruments	897,052	-	-	-	897,052
Financial investments - held-for-trading (excluding equity investment)	2,958,296	-	-	-	2,958,296
Loans and advances to customers	27,826,169	24,045	15,832	1,474,391	29,340,437
- Corporate lending	22,144,963	8,140	14,148	981,751	23,149,002
- Business banking	4,203,380	12,407	775	236,409	4,452,971
- Private/personal	1,477,826	3,498	909	256,231	1,738,464
Financial investments - available-for-sale (excluding equity investment)	4,055,941	-	-	-	4,055,941
Financial investments - held-to-maturity	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,587,987	-	-	-	1,587,987
	119,955,440	24,045	15,832	1,474,391	121,469,708

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2017	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	2,817,608	-	-	-	2,817,608
Due from banks	37,899,776	-	-	-	37,899,776
Derivative financial instruments	318,120	-	-	-	318,120
Financial investments - held-for-trading (excluding equity investment)	3,250,140	-	-	-	3,250,140
Loans and advances to customers	25,625,742	176,455	478,196	2,971,904	29,252,297
- Corporate lending	23,523,126	60,560	298,668	2,334,204	26,216,558
- Business banking	990,712	60,635	89,239	243,376	1,383,962
- Private/personal	1,111,904	55,260	90,289	394,324	1,651,777
Financial investments - available-for-sale (excluding equity investment)	5,726,288	-	-	-	5,726,288
Financial investments - held-to-maturity	21,190,422	-	-	-	21,190,422
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,326,186	-	-	-	1,326,186
	98,154,282	176,455	478,196	2,971,904	101,780,837

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2016	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,795,536	-	-	-	1,795,536
Due from banks	46,009,527	-	-	-	46,009,527
Derivative financial instruments	138,647	-	-	-	138,647
Financial investments - held-for-trading	3,542,070	-	-	-	3,542,070
Loans and advances to customers	19,382,404	304,254	780,628	2,463,557	22,930,843
- Corporate lending	12,722,154	67,177	379,554	1,812,344	14,981,229
- Business banking	5,433,424	29,991	304,270	398,987	6,166,672
- Private/personal	1,226,826	207,086	96,804	252,226	1,782,942
Financial investments - available-for-sale (excluding equity investment)	316,033	-	-	-	316,033
Financial investments - held-to-maturity	11,538,879	-	-	-	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,290,065	-	-	-	1,290,065
	84,013,161	304,254	780,628	2,463,557	87,561,600

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

THE BANK

30 June 2018	Neither past due nor impaired High Grade (1-3) MUR'000	Neither past due nor impaired Standard Grade (4-5) MUR'000	Past due but not impaired MUR'000	Individually impaired MUR'000	Total MUR'000
Cash and balances with the Central Bank	3,196,233	-	-	-	3,196,233
Due from banks	51,943,156	-	-	-	51,943,156
Derivative financial instruments	208,490	-	-	-	208,490
Financial investments - held-for-trading	2,958,296	-	-	-	2,958,296
Loans and advances to customers	27,826,169	24,045	15,832	1,474,391	29,340,437
- Corporate lending	22,144,963	8,140	14,148	981,751	23,149,002
- Business banking	4,203,380	12,407	775	236,409	4,452,971
- Private/personal	1,477,826	3,498	909	256,231	1,738,464
Financial investments - available for sale	4,055,941	-	-	-	4,055,941
Financial investments - held-to-maturity	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,744,081	-	-	-	1,744,081
	119,292,543	24,045	15,832	1,474,391	120,806,811

30 June 2017	Neither past due nor impaired High Grade (1-3) MUR'000	Neither past due nor impaired Standard Grade (4-5) MUR'000	Past due but not impaired MUR'000	Individually impaired MUR'000	Total MUR'000
Cash and balances with the Central Bank	2,817,608	-	-	-	2,817,608
Due from banks	37,879,933	-	-	-	37,879,933
Derivative financial instruments	228,533	-	-	-	228,533
Financial investments - held-for-trading	2,944,577	-	-	-	2,944,577
Loans and advances to customers	25,625,742	176,455	478,196	2,971,904	29,252,297
- Corporate lending	23,523,126	60,560	298,668	2,334,204	26,216,558
- Business banking	990,712	60,635	89,239	243,376	1,383,962
- Private/personal	1,111,904	55,260	90,289	394,324	1,651,777
Financial investments - available for sale	5,726,288	-	-	-	5,726,288
Financial investments - held-to-maturity	21,190,422	-	-	-	21,190,422
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,325,787	-	-	-	1,325,787
	97,738,890	176,455	478,196	2,971,904	101,365,445

30 June 2016	Neither past due nor impaired High Grade (1-3) MUR'000	Neither past due nor impaired Standard Grade (4-5) MUR'000	Past due but not impaired MUR'000	Individually impaired MUR'000	Total MUR'000
Cash and balances with the Central Bank	1,795,536	-	-	-	1,795,536
Due from banks	46,000,675	-	-	-	46,000,675
Derivative financial instruments	33,644	-	-	-	33,644
Financial investments - held-for-trading	3,542,070	-	-	-	3,542,070
Loans and advances to customers	19,382,404	304,254	780,628	2,463,557	22,930,843
- Corporate lending	12,722,154	67,177	379,554	1,812,344	14,981,229
- Business banking	5,433,424	29,991	304,270	398,987	6,166,672
- Private/personal	1,226,826	207,086	96,804	252,226	1,782,942
Financial investments - available for sale	316,033				316,033
Financial investments - held-to-maturity	11,538,879	-	-	-	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,263,369	-	-	-	1,263,369
	83,872,610	304,254	780,628	2,463,557	87,421,049

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. These facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Ageing analysis of past due but not impaired loans:

THE GROUP AND THE BANK

	Amount in arrears				
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2018					
Loans and advances to customers					
- Corporate lending	-	-	-	14,148	14,148
- Business banking	-	-	10	765	775
- Private/personal	-	-	107	802	909
	-	-	117	15,715	15,832
30 June 2017					
Loans and advances to customers					
- Corporate lending	202,398	82	88,249	7,939	298,668
- Business banking	72,283	-	3,980	12,976	89,239
- Private/personal	78,115	5,713	736	5,725	90,289
	352,796	5,795	92,965	26,640	478,196
30 June 2016					
Loans and advances to customers					
- Corporate lending	346,391	26,361	896	5,907	379,555
- Business banking	252,248	5,502	1,576	44,943	304,269
- Private/personal	40,801	4,583	27,176	24,244	96,804
	639,440	36,446	29,648	75,094	780,628

See Note 16 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The fair value of the collaterals that the Group and the Bank hold relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2018 amounts to MUR 437m (2017: MUR 3.7bn and 2016: MUR 4.7bn) and MUR 1.6bn (2017: MUR 3.7bn and 2016: MUR 2.3m) respectively .

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2017: Nil and 2016: Nil).

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group and the Bank address impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group and the Bank determine the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective impairment allowances are estimated by taking into consideration trends in the delinquency and loan loss history. Collective impairment is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Financial guarantees	649,276	729,637	636,691
Letters of credit	346,958	209,627	172,676
Other undrawn commitments to lend	1,102,424	706,166	617,122
	2,098,658	1,645,430	1,426,489

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Sources of liquidity risk include unforseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with minimum risk of capital loss, unpredicted non payment of a loan obligation and a sudden increased demand for loans.

The Group and the Bank maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group and Bank also have committed lines of credit that they can access to meet liquidity needs. In addition, the Group and the Bank maintain a statutory deposit with the Bank of Mauritius. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the Group and the Bank.

Analysis of financial assets and liabilities by remaining contractual maturities

The table on next page summarises the maturity profile of the Group's and the Bank's financial assets and liabilities based on contractual repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group and the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Bank's deposit retention history.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities

THE GROUP

	30 June 2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,520,570	-	58,612	1,617,051	3,196,233	-	-	-	3,196,233
Due from banks	18,292,156	30,292,350	3,489,079	-	52,073,585	-	-	-	52,073,585
Derivative financial instruments	-	222,165	6,000	13,941	242,106	654,946	-	654,946	897,052
Financial investments - held-for-trading	694,407	810,723	918,959	965,994	3,390,083	465,867	-	465,867	3,855,950
Loans and advances to customers	1,781,297	5,041,531	1,273,399	2,332,140	10,428,367	12,689,209	4,948,907	17,638,116	28,066,483
Financial investments - available-for-sale	-	124,143	292,998	149,970	567,111	3,505,621	1,768	3,507,389	4,074,500
Financial investments - held-to-maturity	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,459,981	-	-	128,006	1,587,987	-	-	-	1,587,987
						-	-	-	
Total	23,748,411	46,036,433	10,132,470	7,304,030	87,221,344	28,058,756	5,831,867	33,890,623	121,111,967
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
Derivative financial instruments	-	73,768	7,604	16,626	97,998	654,946	-	654,946	752,944
Deposits from customers:					-				
-Current account	83,989,134	-	-	-	83,989,134	-	-	-	83,989,134
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934
	88,492,166	8,527,516	3,128,013	5,529,116	105,676,811	5,345,753	113,536	5,459,289	111,136,100
Debts issued	255,094	167	-	404,591	659,852	195,450	-	195,450	855,302
Other liabilities	-	-	-	473,048	473,048	-	-	-	473,048
Financial liabilities designated at FVTPL	694,407	-	24,888	123,482	842,777	54,877	-	54,877	897,654
Total	89,441,780	9,461,661	3,160,505	6,546,863	108,610,809	6,323,458	113,536	6,436,994	115,047,803
Net liquidity gap	(65,693,369)	36,574,772	6,971,965	757,167	(21,389,465)	21,735,298	5,718,331	27,453,629	6,064,164

*Included in debts issued are subordinated debts with maturity of 1 to 2 years amounting to MUR 195.5m.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,723,828	253,412	-	840,368	2,817,608	-	-	-	2,817,608
Due from banks	15,734,313	18,253,610	3,187,620	724,233	37,899,776	-	-	-	37,899,776
Derivative financial instruments	-	106,318	95,962	54,707	256,987	61,133	-	61,133	318,120
Financial investments - held-for-trading	556,113	1,009,509	357,811	927,913	2,851,346	954,907	-	954,907	3,806,253
Loans and advances to customers	2,144,691	1,670,560	430,766	3,267,786	7,513,803	14,115,744	5,883,198	19,998,942	27,512,745
Financial investments - available-for-sale	-	1,375,364	243,439	365,205	1,984,008	3,761,964	-	3,761,964	5,745,972
Financial investments - held-to-maturity	-	4,660,849	2,225,484	5,870,238	12,756,571	8,126,384	307,467	8,433,851	21,190,422
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,242,001	-	-	84,185	1,326,186	-	-	-	1,326,186
Total	21,400,946	27,329,622	6,541,082	12,134,635	67,406,285	27,020,132	6,190,665	33,210,797	100,617,082
Liabilities									
Due to banks	6,251	1,375,975	-	-	1,382,226	118,589	-	118,589	1,500,815
Derivative financial instruments	-	83,742	94,519	54,653	232,914	61,133	-	61,133	294,047
Deposits from customers:									
-Current account	65,320,501	-	-	-	65,320,501	-	-	-	65,320,501
-Savings account	4,659,177	-	-	-	4,659,177	-	-	-	4,659,177
-Term deposits	-	8,124,916	2,150,069	5,883,807	16,158,792	4,340,210	122,651	4,462,861	20,621,653
	69,979,678	8,124,916	2,150,069	5,883,807	86,138,470	4,340,210	122,651	4,462,861	90,601,331
Debts issued	-	320,960	423,565	181,083	925,608	748,017	-	748,017	1,673,625
Other liabilities	-	-	-	381,589	381,589	-	-	-	381,589
Financial liabilities designated at FVTPL	556,113	-	-	-	556,113	305,564	-	305,564	861,677
Total	70,542,042	9,905,593	2,668,153	6,501,132	89,616,920	5,573,513	122,651	5,696,164	95,313,084
Net liquidity gap	(49,141,096)	17,424,029	3,872,929	5,633,503	(22,210,635)	21,446,619	6,068,014	27,514,633	5,303,998

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2016								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	986,880	51,128	-	757,528	1,795,536	-	-	-	1,795,536
Due from banks	29,845,345	9,528,753	3,204,033	3,431,396	46,009,527	-	-	-	46,009,527
Derivative financial instruments	-	25,462	6,047	28,335	59,844	78,803	-	78,803	138,647
Financial investments - held-for-trading	-	745,573	548,668	1,489,287	2,783,528	2,110,213	-	2,110,213	4,893,741
Loans and advances to customers	1,917,450	5,013,841	1,581,675	2,218,808	10,731,774	7,411,679	3,814,888	11,226,567	21,958,341
Financial investments - available-for-sale	-	-	-	34,765	34,765	316,033	-	316,033	350,798
Financial investments - held-to-maturity	-	3,243,773	272,032	2,949,420	6,465,225	4,518,014	555,640	5,073,654	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,198,642	-	-	91,423	1,290,065	-	-	-	1,290,065
						-	-	-	
Total	33,948,317	18,608,530	5,612,455	11,000,962	69,170,264	14,434,742	4,370,528	18,805,270	87,975,534
Liabilities									
Due to banks	-	-	-	-	-	173,510	-	173,510	173,510
Derivative financial instruments	-	84,565	38,791	30,758	154,114	78,803	-	78,803	232,917
Deposits from customers:									
-Current account	50,720,475	-	-	-	50,720,475	-	-	-	50,720,475
-Savings account	4,356,908	-	-	-	4,356,908	-	-	-	4,356,908
-Term deposits	-	12,439,155	2,899,695	5,808,567	21,147,417	3,454,281	333,187	3,787,468	24,934,885
	55,077,383	12,439,155	2,899,695	5,808,567	76,224,800	3,454,281	333,187	3,787,468	80,012,268
Debts issued	-	-	3,893	91,085	94,978	1,394,965	-	1,394,965	1,489,943
Other liabilities	-	-	-	422,717	422,717	-	-	-	422,717
Financial liabilities designated at FVTPL	-	-	101,629	594,299	695,928	652,231	-	652,231	1,348,159
Total	55,077,383	12,523,720	3,044,008	6,947,426	77,592,537	5,753,790	333,187	6,086,977	83,679,514
Net liquidity gap	(21,129,066)	6,084,810	2,568,447	4,053,536	(8,422,273)	8,680,952	4,037,341	12,718,293	4,296,020

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,520,570	-	58,612	1,617,051	3,196,233	-	-	-	3,196,233
Due from banks	18,281,882	30,172,195	3,489,079	-	51,943,156	-	-	-	51,943,156
Derivative financial instruments	-	183,917	6,000	516	190,433	18,057	-	18,057	208,490
Financial investments - held-for-trading	-	810,723	894,071	842,512	2,547,306	410,990	-	410,990	2,958,296
Loans and advances to customers	1,781,297	5,041,531	1,273,399	2,332,140	10,428,367	12,689,209	4,948,907	17,638,116	28,066,483
Financial investments - available for sale	-	124,143	292,998	131,411	548,552	3,505,621	1,768	3,507,389	4,055,941
Financial investments - held-to-maturity	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,519,797	-	-	224,284	1,744,081	-	-	-	1,744,081
Total	23,103,546	45,878,030	10,107,582	7,244,842	86,334,000	27,366,990	5,831,867	33,198,857	119,532,857
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
Derivative financial instruments	-	35,521	7,604	3,200	46,325	18,057	-	18,057	64,382
Deposits from customers:									
-Current account	84,238,501	-	-	-	84,238,501	-	-	-	84,238,501
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934
	88,741,533	8,527,516	3,128,013	5,529,116	105,926,178	5,345,753	113,536	5,459,289	111,385,467
Debts issued*	-	167	-	404,591	404,758	195,450	-	195,450	600,208
Other liabilities		-	-	445,380	445,380	-	-	-	445,380
Total	88,741,646	9,423,414	3,135,617	6,382,287	107,682,964	5,631,692	113,536	5,745,228	113,428,192
Net liquidity gap	(65,638,100)	36,454,616	6,971,965	862,555	(21,348,964)	21,735,298	5,718,331	27,453,629	6,104,665

*Included in debts issued are subordinated debts with maturity of 1 to 2 years amounting to MUR 195.5m.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,723,828	253,412	-	840,368	2,817,608	-	-	-	2,817,608
Due from banks	15,714,470	18,253,610	3,187,620	724,233	37,879,933	-	-	-	37,879,933
Derivative financial instruments	-	103,198	95,962	11,123	210,283	18,250	-	18,250	228,533
Financial investments - held-for-trading	-	1,009,509	357,811	927,913	2,295,233	649,344	-	649,344	2,944,577
Loans and advances to customers	2,144,691	1,670,560	430,766	3,267,786	7,513,803	14,115,744	5,883,198	19,998,942	27,512,745
Financial investments - available for sale	-	1,374,246	243,439	346,639	1,964,324	3,761,964	-	3,761,964	5,726,288
Financial investments - held-to-maturity	-	4,660,849	2,225,484	5,870,238	12,756,571	8,126,384	307,467	8,433,851	21,190,422
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,242,001	-	-	83,786	1,325,787	-	-	-	1,325,787
Total	20,824,990	27,325,384	6,541,082	12,072,086	66,763,542	26,671,686	6,190,665	32,862,351	99,625,893
Liabilities									
Due to banks	6,251	1,375,975	-	-	1,382,226	118,589	-	118,589	1,500,815
Derivative financial instruments	-	80,621	94,519	11,070	186,210	18,250	-	18,250	204,460
Deposits from customers:									
-Current account	65,692,889	-	-	-	65,692,889	-	-	-	65,692,889
-Savings account	4,659,177	-	-	-	4,659,177	-	-	-	4,659,177
-Term deposits	-	8,167,948	2,150,069	5,949,620	16,267,637	4,340,210	122,651	4,462,861	20,730,498
	70,352,066	8,167,948	2,150,069	5,949,620	86,619,703	4,340,210	122,651	4,462,861	91,082,564
Debts issued	-	-	423,565	115,269	538,834	572,659	-	572,659	1,111,493
Other liabilities	-	-	-	361,347	361,347	-	-	-	361,347
Total	70,358,317	9,624,544	2,668,153	6,437,306	89,088,320	5,049,708	122,651	5,172,359	94,260,679
Net liquidity gap	(49,533,327)	17,700,840	3,872,929	5,634,780	(22,324,778)	21,621,978	6,068,014	27,689,992	5,365,214

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2016								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	986,880	51,128	-	757,528	1,795,536	-	-	-	1,795,536
Due from banks	29,836,493	9,528,753	3,204,033	3,431,396	46,000,675	-	-	-	46,000,675
Derivative financial instruments	-	25,462	6,047	2,135	33,644	-	-	-	33,644
Financial investments - held-for-trading	-	742,060	447,039	894,989	2,084,088	1,457,982	-	1,457,982	3,542,070
Loans and advances to customers	1,917,450	5,013,841	1,581,675	2,218,808	10,731,774	7,411,679	3,814,888	11,226,567	21,958,341
Financial investments - available for sale	-	-	-	-	-	316,033	-	316,033	316,033
Financial investments - held-to-maturity	-	3,243,773	272,032	2,949,420	6,465,225	4,518,014	555,640	5,073,654	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,198,642	-	-	64,727	1,263,369	-	-	-	1,263,369
Total	33,939,465	18,605,017	5,510,826	10,319,003	68,374,311	13,703,708	4,370,528	18,074,236	86,448,547
Liabilities									
Due to banks	-	-	-	-	-	173,510	-	173,510	173,510
Derivative financial instruments	-	84,565	38,791	4,558	127,914	-	-	-	127,914
Deposits from customers:									
-Current account	50,980,951	-	-	-	50,980,951	-	-	-	50,980,951
-Savings account	4,356,908	-	-	-	4,356,908	-	-	-	4,356,908
-Term deposits	-	12,439,155	2,899,695	5,808,567	21,147,417	3,560,513	333,187	3,893,700	25,041,117
	55,337,859	12,439,155	2,899,695	5,808,567	76,485,276	3,560,513	333,187	3,893,700	80,378,976
Debts issued	-	-	-	-	-	1,111,032	-	1,111,032	1,111,032
Other liabilities	-	-	-	407,506	407,506	-	-	-	407,506
Total	55,337,859	12,523,720	2,938,486	6,220,631	77,020,696	4,845,055	333,187	5,178,242	82,198,938
Net liquidity gap	(21,398,394)	6,081,297	2,572,340	4,098,372	(8,646,385)	8,858,653	4,037,341	12,895,994	4,249,609

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

THE GROUP AND THE BANK

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2018					
Contingent liabilities	**409,552**	**159,766**	**426,916**	**-**	**996,234**
Commitments	**413,369**	**323,279**	**3,299**	**362,477**	**1,102,424**
Total	**822,921**	**483,045**	**430,215**	**362,477**	**2,098,658**
30 June 2017					
Contingent liabilities	450,982	373,783	114,499	-	939,264
Commitments	-	662,020	17,836	26,310	706,166
Total	450,982	1,035,803	132,335	26,310	1,645,430
30 June 2016					
Contingent liabilities	418,521	375,177	15,669	-	809,367
Commitments	-	236,509	92,571	288,042	617,122
Total	418,521	611,686	108,240	288,042	1,426,489

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the interest rate gaps for stipulated periods.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, (all other variables held constant) of the Group's and the Bank's statements of profit or loss and other comprehensive income.

The sensitivity of the statements of profit or loss and other comprehensive is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 30 June.

THE GROUP

		2018	2017	2016
Currency	Change in Basis points	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+50	**48**	(545)	851
	- 50	**(48)**	545	(851)
EUR	+50	**813**	(2,665)	52,696
	- 50	**(813)**	2,665	(52,696)
GBP	+50	**19,511**	5,012	15,606
	- 50	**(19,511)**	(5,012)	(15,606)
MUR	+50	**18,208**	70,917	5,744
	- 50	**(18,208)**	(70,917)	(5,744)
USD	+50	**236,642**	120,726	111,541
	- 50	**(236,642)**	(120,726)	(111,541)

THE BANK

		2018	2017	2016
Currency	Change in Basis points	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+50	**48**	(545)	851
	- 50	**(48)**	545	(851)
EUR	+50	**797**	(2,675)	52,696
	- 50	**(797)**	2,675	(52,696)
GBP	+50	**19,511**	5,012	15,606
	- 50	**(19,511)**	(5,012)	(15,606)
MUR	+50	**18,202**	70,903	5,742
	- 50	**(18,202)**	(70,903)	(5,742)
USD	+50	**236,613**	119,816	112,432
	- 50	**(236,613)**	(119,816)	(112,432)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

The table below analyses the Group's and the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Group's and the Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

THE GROUP

2018	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	-	-	58,612	1,617,051	-	-	1,520,570
Due from banks	52,073,585	18,292,156	30,292,350	3,489,079	-	-	-	-
Loans and advances to customers	28,066,483	1,781,297	5,041,531	1,273,399	2,332,140	12,689,209	4,948,907	-
Financial investments held-to-maturity	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,587,987	-	-	-	-	-	-	1,587,987
Total assets	112,284,465	20,073,453	44,879,402	8,914,513	6,046,119	23,432,322	5,830,099	3,108,557
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from customers	111,136,100	88,492,166	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	855,302	255,094	167	-	404,591	195,450	-	-
Total liabilities	112,924,157	88,747,373	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(639,692)	(68,673,920)	35,491,509	5,786,500	112,412	17,818,687	5,716,563	3,108,557

THE GROUP

2017	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	2,817,608	-	253,412	-	840,368	-	-	1,723,828
Due from banks	37,899,776	15,734,313	18,253,610	3,187,620	724,233	-	-	-
Loans and advances to customers	27,512,745	2,144,691	1,670,560	430,766	3,267,786	14,115,744	5,883,198	-
Financial investments held-to-maturity	21,190,422	-	4,660,849	2,225,484	5,870,238	8,126,384	307,467	-
Other assets (excluding prepayments, accrued income and inventory)	1,326,186	-	-	-	-	-	-	1,326,186
Total assets	90,746,737	17,879,004	24,838,431	5,843,870	10,702,625	22,242,128	6,190,665	3,050,014
Liabilities								
Due to banks	1,500,815	6,251	1,375,975	-	-	118,589	-	-
Deposits from customers	90,601,331	69,979,678	8,124,916	2,150,069	5,883,807	4,340,210	122,651	-
Debts issued	1,673,625	-	320,960	423,565	181,083	748,017	-	-
Total liabilities	93,775,771	69,985,929	9,821,851	2,573,634	6,064,890	5,206,816	122,651	-
Total interest sensitivity gap	(3,029,034)	(52,106,925)	15,016,580	3,270,236	4,637,735	17,035,312	6,068,014	3,050,014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP

	2016							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,795,536	-	51,128	-	757,528	-	-	986,880
Due from banks	46,009,527	29,845,345	9,528,753	3,204,033	3,431,396	-	-	-
Loans and advances to customers	21,958,341	1,917,450	5,013,841	1,581,675	2,218,808	7,411,679	3,814,888	-
Financial investments held-to-maturity	11,538,879	-	3,243,773	272,032	2,949,420	4,518,014	555,640	-
Other assets (excluding prepayments, accrued income and inventory)	1,290,065	-	-	-	-	-	-	1,290,065
Total assets	82,592,348	31,762,795	17,837,495	5,057,740	9,357,152	11,929,693	4,370,528	2,276,945
Liabilities								
Due to banks	173,510	-	-	-	-	173,510	-	-
Deposits from customers	80,012,268	55,077,383	12,439,155	2,899,695	5,808,567	3,454,281	333,187	-
Debts issued	1,489,943	-	-	3,893	91,085	1,394,965	-	-
Total liabilities	81,675,721	55,077,383	12,439,155	2,903,588	5,899,652	5,022,756	333,187	-
Total interest sensitivity gap	916,627	(23,314,588)	5,398,340	2,154,152	3,457,500	6,906,937	4,037,341	2,276,945

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

2018

	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with the Central Bank	3,196,233		-	58,612	1,617,051	-	-	1,520,570
Due from banks	51,943,156	18,281,882	30,172,195	3,489,079	-	-	-	-
Loans and advances to customers	28,066,483	1,781,297	5,041,531	1,273,399	2,332,140	12,689,209	4,948,907	-
Financial investments held-to-maturity	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,744,081	-	-	-	177,117	-	-	1,566,964
Total assets	112,310,130	20,063,179	44,759,247	8,914,513	6,223,236	23,432,322	5,830,099	3,087,534
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from customers	111,385,467	88,741,533	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	600,208	-	167	-	404,591	195,450	-	-
Total liabilities	112,918,430	88,741,646	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(608,300)	(68,678,467)	35,371,354	5,786,500	289,529	17,818,687	5,716,563	3,087,534

THE BANK

2017

	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with the Central Bank	2,817,608	-	253,412	-	840,368	-	-	1,723,828
Due from banks	37,879,933	15,714,470	18,253,610	3,187,620	724,233	-	-	-
Loans and advances to customers	27,512,745	2,144,691	1,670,560	430,766	3,267,786	14,115,744	5,883,198	-
Financial investments held-to-maturity	21,190,422	-	4,660,849	2,225,484	5,870,238	8,126,384	307,467	-
Other assets (excluding prepayments, accrued income and inventory)	1,325,787	-	-	-	-	-	-	1,325,787
Total assets	90,726,495	17,859,161	24,838,431	5,843,870	10,702,625	22,242,128	6,190,665	3,049,615
Liabilities								
Due to banks	1,500,815	6,251	1,375,975	-	-	118,589	-	-
Deposits from customers	91,082,564	70,352,066	8,167,948	2,150,069	5,949,620	4,340,210	122,651	-
Debts issued	1,111,493	-	-	423,565	115,269	572,659	-	-
Total liabilities	93,694,872	70,358,317	9,543,923	2,573,634	6,064,889	5,031,458	122,651	-
Total interest sensitivity gap	(2,968,377)	(52,499,156)	15,294,508	3,270,236	4,637,736	17,210,670	6,068,014	3,049,615

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2016							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with the Central Bank	1,795,536	-	51,128	-	757,528	-	-	986,880
Due from banks	46,000,675	29,836,493	9,528,753	3,204,033	3,431,396	-	-	-
Loans and advances to customers	21,958,341	1,917,450	5,013,841	1,581,675	2,218,808	7,411,679	3,814,888	-
Financial investments held-to-maturity	11,538,879	-	3,243,773	272,032	2,949,420	4,518,014	555,640	-
Other assets (excluding prepayments, accrued income and inventory)	1,263,369	-	-	-	-	-	-	1,263,369
Total assets	82,556,800	31,753,943	17,837,495	5,057,740	9,357,152	11,929,693	4,370,528	2,250,249
Liabilities								
Due to banks	173,510	-	-	-	-	173,510	-	-
Deposits from customers	80,378,976	55,337,859	12,439,155	2,899,695	5,808,567	3,560,513	333,187	-
Debts issued	1,111,032	-	-	-	-	1,111,032	-	-
Total liabilities	81,663,518	55,337,859	12,439,155	2,899,695	5,808,567	4,845,055	333,187	-
Total interest sensitivity gap	893,282	(23,583,916)	5,398,340	2,158,045	3,548,585	7,084,638	4,037,341	2,250,249

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the statements of profit or loss (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

THE GROUP

		2018		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	46,394	(45,432)	962
	-5%	(46,394)	45,432	(962)
		-		
EUR	+5%	985,716	(982,944)	2,772
	-5%	(985,716)	982,944	(2,772)
GBP	+5%	375,745	(373,551)	2,194
	-5%	(375,745)	373,551	(2,194)
USD	+5%	3,839,303	(3,844,859)	(5,556)
	-5%	(3,839,303)	3,844,859	5,556

		2017		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	60,716	(60,483)	233
	-5%	(60,716)	60,483	(233)
EUR	+5%	710,931	(713,392)	(2,461)
	-5%	(710,931)	713,392	2,461
GBP	+5%	346,255	(346,742)	(487)
	-5%	(346,255)	346,742	487
USD	+5%	3,109,972	(3,105,902)	4,070
	-5%	(3,109,972)	3,105,902	(4,070)

		2016		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	51,931	(51,990)	(59)
	-5%	(51,931)	51,990	59
EUR	+5%	805,968	(796,188)	9,780
	-5%	(805,968)	796,188	(9,780)
GBP	+5%	253,696	(251,309)	2,387
	-5%	(253,696)	251,309	(2,387)
USD	+5%	2,458,684	(2,458,567)	117
	-5%	(2,458,684)	2,458,567	(117)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

Currency	% Change in Currency rate	2018 Effect of change in currency on Assets MUR'000	2018 Effect of change in currency on Liabilities MUR'000	2018 Sensitivity of profit or loss MUR'000
AUD	+5%	46,358	(45,432)	926
	-5%	(46,358)	45,432	(926)
EUR	+5%	985,449	(982,944)	2,505
	-5%	(985,449)	982,944	(2,505)
GBP	+5%	375,735	(373,551)	2,184
	-5%	(375,735)	373,551	(2,184)
USD	+5%	3,804,301	(3,810,431)	(6,130)
	-5%	(3,804,301)	3,810,431	6,130

THE BANK

Currency	% Change in Currency rate	2017 Effect of change in currency on Assets MUR'000	2017 Effect of change in currency on Liabilities MUR'000	2017 Sensitivity of profit or loss MUR'000
AUD	+5%	60,715	(60,483)	232
	-5%	(60,715)	60,483	(232)
EUR	+5%	710,796	(713,392)	(2,596)
	-5%	(710,796)	713,392	2,596
GBP	+5%	346,238	(346,742)	(504)
	-5%	(346,238)	346,742	504
USD	+5%	3,104,910	(3,092,466)	12,444
	-5%	(3,104,910)	3,092,466	(12,444)

Currency	% Change in Currency rate	2016 Effect of change in currency on Assets MUR'000	2016 Effect of change in currency on Liabilities MUR'000	2016 Sensitivity of profit or loss MUR'000
AUD	+5%	51,930	(51,989)	(59)
	-5%	(51,930)	51,989	59
EUR	+5%	805,855	(796,186)	9,669
	-5%	(805,855)	796,186	(9,669)
GBP	+5%	253,693	(251,309)	2,384
	-5%	(253,693)	251,309	(2,384)
USD	+5%	2,453,074	(2,444,084)	8,990
	-5%	(2,453,074)	2,444,084	(8,990)

(e) Other price risk

Other price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from available-for-sale investments.

37. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied fully with all its externally imposed capital requirements.

36. CAPITAL (CONTINUED)

Capital management

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain strong credit ratings and healthy capital ratios in order to support the business and to maximise shareholders' value.

The Group and the Bank manage their capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital securities.

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel III	Basel III	Basel III	Basel III	Basel III	Basel III
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Tier 1 capital	6,199,854	5,313,894	4,181,032	6,279,995	5,438,989	4,328,220
Tier 2 capital	427,205	650,607	758,113	389,292	574,782	663,332
Total capital	6,627,059	5,964,501	4,939,145	6,669,287	6,013,771	4,991,552
Risk-weighted assets	47,000,533	46,816,645	43,099,296	45,345,385	45,935,492	42,812,653
	%	%	%	%	%	%
Capital adequacy ratio	14.1	12.7	11.5	14.7	13.1	11.7

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, foreign currency translation and other reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Mauritius. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt.

37. EVENTS AFTER REPORTING DATE

(i) Dividend

On 20 September 2018, the Board of Directors declared and approved a dividend of MUR 72.0m on Class A shares series 1 and 2 and MUR 186.4m on ordinary shares, subject to approval from the regulators.

38. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

THE GROUP

2018

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	3,196,233	-	3,196,233	-	3,196,233
Due from banks	52,073,585	-	52,073,585	-	52,073,585
Derivative financial instruments	688,562	208,490	897,052	-	897,052
Financial investments - held-for-trading	3,855,950	-	3,855,950	-	3,855,950
Loans and advances to customers	28,066,483	-	28,066,483	(558,564)	27,507,919
Financial investments - available-for-sale	4,074,500	-	4,074,500	-	4,074,500
Financial investments - held-to-maturity	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,685,508	-	1,685,508	-	1,685,508
	121,000,998	208,490	121,209,488	(558,564)	120,650,924
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Derivative financial instruments	544,454	208,490	752,944	-	752,944
Deposits from customers	111,136,100	-	111,136,100	(558,564)	110,577,536
Debts issued	855,302	-	855,302	-	855,302
Other liabilities	473,048	-	473,048	-	473,048
Financial liabilities designated at FVTPL	897,654	-	897,654	-	897,654
Current tax liabilities	34,780	-	34,780	-	34,780
	114,874,093	208,490	115,082,583	(558,564)	114,524,019

2017

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	2,817,608	-	2,817,608	-	2,817,608
Due from banks	37,899,776	-	37,899,776	-	37,899,776
Derivative financial instruments	89,587	228,533	318,120	-	318,120
Financial investments - held-for-trading	3,806,253	-	3,806,253	-	3,806,253
Loans and advances to customers	27,512,745	-	27,512,745	(499,174)	27,013,571
Financial investments - available-for-sale	5,745,972	-	5,745,972	-	5,745,972
Financial investments - held-to-maturity	21,190,422	-	21,190,422	-	21,190,422
Other assets	1,436,888	-	1,436,888	-	1,436,888
	100,499,251	228,533	100,727,784	(499,174)	100,228,610
LIABILITIES					
Due to banks	1,500,815	-	1,500,815	-	1,500,815
Derivative financial instruments	65,514	228,533	294,047	-	294,047
Deposits from customers	90,601,331	-	90,601,331	(499,174)	90,102,157
Debts issued	1,673,625	-	1,673,625	-	1,673,625
Other liabilities	381,589	-	381,589	-	381,589
Financial liabilities designated at FVTPL	861,677	-	861,677	-	861,677
Current tax liabilities	130,156	-	130,156	-	130,156
	95,214,707	228,533	95,443,240	(499,174)	94,944,066

38. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP (CONTINUED)

2016

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	1,795,536	-	1,795,536	-	1,795,536
Due from banks	46,009,527	-	46,009,527	-	46,009,527
Derivative financial instruments	105,003	33,644	138,647	-	138,647
Financial investments - held-for-trading	4,893,741	-	4,893,741	-	4,893,741
Loans and advances to customers	21,958,341	-	21,958,341	(711,881)	21,246,460
Financial investments - available-for-sale	350,798	-	350,798	-	350,798
Financial investments - held-to-maturity	11,538,879	-	11,538,879	-	11,538,879
Other assets	1,363,800	-	1,363,800	-	130,207
	88,015,625	33,644	88,049,269	(711,881)	86,103,795
LIABILITIES					
Due to banks	173,510	-	173,510	-	173,510
Derivative financial instruments	199,273	33,644	232,917	-	232,917
Deposits from customers	80,012,268	-	80,012,268	(711,881)	79,300,387
Debts issued	1,489,943	-	1,489,943	-	1,489,943
Other liabilities	422,717	-	422,717	-	422,717
Financial liabilities designated at FVTPL	1,348,159	-	1,348,159	-	1,348,159
Current tax liabilities	84,510	-	84,510	-	84,510
	83,730,380	33,644	83,764,024	(711,881)	83,052,143

THE BANK

2018

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	**Amount offset**	**Net amount reported**	**Cash collateral**	**Net amount**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
ASSETS					
Cash and balances with the Central Bank	**3,196,233**	**-**	**3,196,233**	**-**	**3,196,233**
Due from banks	**51,943,156**	**-**	**51,943,156**	**-**	**51,943,156**
Derivative financial instruments	**-**	**208,490**	**208,490**	**-**	**208,490**
Financial investments - held-for-trading	**2,958,296**	**-**	**2,958,296**	**-**	**2,958,296**
Loans and advances to customers	**28,066,483**	**-**	**28,066,483**	**(558,564)**	**27,507,919**
Financial investments - available-for-sale	**4,055,941**	**-**	**4,055,941**	**-**	**4,055,941**
Financial investments - held-to-maturity	**27,360,177**	**-**	**27,360,177**	**-**	**27,360,177**
Other assets	**1,841,173**	**-**	**1,841,173**	**-**	**1,841,173**
	119,421,459	**208,490**	**119,629,949**	**(558,564)**	**119,071,385**
LIABILITIES					
Due to banks	**932,755**	**-**	**932,755**	**-**	**932,755**
Derivative financial instruments	**(144,108)**	**208,490**	**64,382**	**-**	**64,382**
Deposits from customers	**111,385,467**	**-**	**111,385,467**	**(558,564)**	**110,826,903**
Debts issued	**600,208**	**-**	**600,208**	**-**	**600,208**
Other liabilities	**445,380**	**-**	**445,380**	**-**	**445,380**
Retirement benefits obligation	**41,688**	**-**	**41,688**	**-**	**41,688**
Current tax liabilities	**31,281**	**-**	**31,281**	**-**	**31,281**
	113,292,671	**208,490**	**113,501,161**	**(558,564)**	**112,942,597**

38. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)

2017

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	2,817,608	-	2,817,608	-	2,817,608
Due from banks	37,879,933	-	37,879,933	-	37,879,933
Derivative financial instruments	-	228,533	228,533	-	228,533
Financial investments - held-for-trading	2,944,577	-	2,944,577	-	2,944,577
Loans and advances to customers	27,512,745	-	27,512,745	(499,174)	27,013,571
Financial investments - available-for-sale	5,726,288	-	5,726,288	-	5,726,288
Financial investments - held-to-maturity	21,190,422	-	21,190,422	-	21,190,422
Other assets	1,439,777	-	1,439,777	-	1,439,777
	99,511,350	228,533	99,739,883	(499,174)	99,240,709
LIABILITIES					
Due to banks	1,500,815	-	1,500,815	-	1,500,815
Derivative financial instruments	(24,073)	228,533	204,460	-	204,460
Deposits from customers	91,082,564	-	91,082,564	(499,174)	90,583,390
Debts issued	1,111,493	-	1,111,493	-	1,111,493
Retirement benefits obligation	23,000	-	23,000	-	23,000
Other liabilities	361,347	-	361,347	-	361,347
Current tax liabilities	130,156	-	130,156	-	130,156
	94,185,302	228,533	94,413,835	(499,174)	93,914,661

2016

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	1,795,536	-	1,795,536	-	1,795,536
Due from banks	46,000,675	-	46,000,675	-	46,000,675
Derivative financial instruments	-	33,644	33,644	-	33,644
Financial investments - held-for-trading	3,542,070	-	3,542,070	-	3,542,070
Loans and advances to customers	21,958,341	-	21,958,341	(711,881)	21,246,460
Financial investments – available-for-sale	316,033	-	316,033	-	316,033
Financial investments - held-to-maturity	11,538,879	-	11,538,879	-	11,538,879
Other assets	1,363,800	-	1,363,800	-	1,363,800
	86,515,334	33,644	86,548,978	(711,881)	85,837,097
LIABILITIES					
Due to banks	173,510	-	173,510	-	173,510
Derivative financial instruments	94,270	33,644	127,914	-	127,914
Deposits from customers	80,378,976	-	80,378,976	(711,881)	79,667,095
Debts issued	1,111,032	-	1,111,032	-	1,111,032
Other liabilities	407,506	-	407,506	-	407,506
Current tax liabilities	84,379	-	84,379	-	84,379
	82,249,673	33,644	82,283,317	(711,881)	81,571,436

The Group and the Bank entered into various forward-geared contracts with Firstrand Bank. On maturity of these contracts, the Group and the Bank will be required to pay only the net amount. Hence the fair value of all the forward geared contracts has been offset in the financial statements.

The Group and the Bank receive cash collaterals as security on various loan arrangements. The Group and the Bank have a right to offset these cash collaterals against the loan amounts on default of the Group's and the Bank's clients. As at 30 June 2018, 2017 and 2016 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

39. SEGMENTAL REPORTING

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

		30 June 2018			30 June 2017			30 June 2016		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income	I	934,151	1,390,472	2,324,623	906,322	942,321	1,848,643	870,579	733,809	1,604,388
Interest expense	II	(463,024)	(232,541)	(695,565)	(479,988)	(229,367)	(709,355)	(572,668)	(202,244)	(774,912)
Net interest income		471,127	1,157,931	1,629,058	426,334	712,954	1,139,288	297,911	531,565	829,476
Fees and commission income	III	159,627	570,633	730,260	113,315	495,347	608,662	87,841	369,402	457,243
Fee and commission expense	III	(65,656)	(240,746)	(306,402)	(74,123)	(165,443)	(239,566)	(40,725)	(118,715)	(159,440)
Net fee and commission income	III	93,971	329,887	423,858	39,192	329,904	369,096	47,116	250,687	297,803
Net trading income	IVa	252,300	564,467	816,767	258,453	427,568	686,021	198,295	396,388	594,683
Other operating income	IVb	22,114	10,863	32,977	4,526	13,453	17,979	1,770	4,205	5,975
Total operating income		839,512	2,063,148	2,902,660	728,505	1,483,879	2,212,384	545,092	1,182,845	1,727,937
Net impairment of financial assets	V	(322,262)	(745,319)	(1,067,581)	(116,516)	(464,033)	(580,549)	(232,260)	(276,074)	(508,334)
Net operating income		517,250	1,317,829	1,835,079	611,989	1,019,846	1,631,835	312,832	906,771	1,219,603
Personnel expenses		(149,485)	(380,179)	(529,664)	(147,987)	(288,371)	(436,358)	(131,296)	(265,494)	(396,790)
Depreciation of property and equipment		(9,942)	(24,428)	(34,370)	(8,434)	(15,657)	(24,091)	(7,094)	(13,410)	(20,504)
Amortisation of intangible assets		(7,811)	(19,194)	(27,005)	(4,485)	(8,325)	(12,810)	(3,191)	(6,033)	(9,224)
Other operating expenses		(97,283)	(239,079)	(336,362)	(83,639)	(155,263)	(238,902)	(93,254)	(176,310)	(269,564)
Total operating expenses		(264,521)	(662,880)	(927,401)	(244,545)	(467,616)	(712,161)	(234,835)	(461,247)	(696,082)
Profit before tax		252,729	654,949	907,678	367,444	552,230	919,674	77,997	445,524	523,521
Tax expense		(83,833)	(57,391)	(141,224)	(108,963)	6,287	(102,676)	(68,021)	(21,864)	(89,885)
Profit for the year		168,896	597,558	766,454	258,481	558,517	816,998	9,976	423,660	433,636
Other comprehensive income										
Profit/(loss) on available-for-sale investments		(8,548)	19,270	10,722	(12,259)	-	(12,259)	(579)	-	(579)
Remeasurement losses in pension plan		(3,358)	(8,253)	(11,611)	-	-	-	-	-	-
Deferred tax impact on remeasurement losses in pension plan		237	582	819	-	-	-	-	-	-
Total comprehensive income for the year		157,227	609,157	766,384	246,222	558,517	804,739	9,397	423,660	433,057

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

		2018			2017			2016		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS										
Cash and balances with the Central Bank	VI	3,181,652	14,581	3,196,233	2,805,781	11,827	2,817,608	1,792,162	3,374	1,795,536
Due from banks	VII	6,642,563	45,300,593	51,943,156	4,456,067	33,423,866	37,879,933	3,205,600	42,795,075	46,000,675
Derivative financial instruments	VIII	94,498	113,992	208,490	52,462	176,071	228,533	31,542	2,102	33,644
Financial investments - held-for-trading	IX	2,958,296	-	2,958,296	2,870,388	74,189	2,944,577	3,433,624	108,446	3,542,070
Loans and advances to customers	X	10,632,700	17,433,783	28,066,483	10,304,990	17,207,755	27,512,745	10,686,508	11,271,833	21,958,341
Financial investments - available-for-sale	XII	570,480	3,485,461	4,055,941	922,687	4,803,601	5,726,288	316,033	-	316,033
Financial investments - held-to-maturity	XIII	9,175,678	18,184,499	27,360,177	8,132,732	13,057,690	21,190,422	6,416,506	5,122,373	11,538,879
Investment in subsidiary	XI	189,563	-	189,563	189,563	-	189,563	189,563	-	189,563
Property and equipment		55,057	134,797	189,854	65,193	121,076	186,269	47,597	88,394	135,991
Intangible assets		72,380	177,205	249,585	54,549	101,306	155,855	39,144	72,697	111,841
Other assets	IVX	1,817,828	23,345	1,841,173	1,346,432	81,001	1,427,433	1,420,354	19,423	1,439,777
Deferred tax assets		129,100	12,362	141,462	119,779	27,278	147,057	52,251	8,190	60,441
TOTAL ASSETS		35,519,795	84,880,618	120,400,413	31,320,623	69,085,660	100,406,283	27,630,884	59,491,907	87,122,791
LIABILITIES AND EQUITY										
Due to banks	XV	932,642	113	932,755	118,589	1,382,226	1,500,815	173,510	-	173,510
Derivative financial instruments	VIII	21,575	42,807	64,382	47,792	156,668	204,460	78,803	49,111	127,914
Deposits from customers	XVI	25,889,837	85,495,630	111,385,467	21,575,992	69,506,572	91,082,564	20,248,788	60,130,188	80,378,976
Debts issued	XVII	600,208	-	600,208	1,111,493	-	1,111,493	1,111,032	-	1,111,032
Other liabilities	XVIII	310,155	135,225	445,380	256,260	105,087	361,347	318,885	88,621	407,506
Retirement Benefits Obligation		12,057	29,631	41,688	6,662	16,338	23,000	-	-	-
Current tax liabilities		17,580	13,701	31,281	104,817	25,339	130,156	84,379	-	84,379
TOTAL LIABILITIES		27,784,054	85,717,107	113,501,161	23,221,605	71,192,230	94,413,835	22,015,397	60,267,920	82,283,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Ordinary Shares				3,641,049			3,197,608			2,595,363
Class A shares				1,385,768			1,385,768			1,385,768
Retained earnings				1,277,521			944,373			493,283
Other reserves				594,914			464,699			365,060
TOTAL EQUITY				6,899,252			5,992,448			4,839,474
TOTAL LIABILITIES AND EQUITY				120,400,413			100,406,283			87,122,791

39. SEGMENTAL REPORTING (CONTINUED)

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
I INTEREST INCOME									
Due from banks	85,813	388,003	473,816	49,037	263,346	312,383	17,492	244,498	261,990
Loans and advances to customers	458,410	700,070	1,158,480	514,111	544,489	1,058,600	610,802	477,001	1,087,803
Financial investments held-to-maturity	323,429	238,775	562,204	275,828	85,522	361,350	230,460	12,310	242,770
Financial Investements available-for-sale	37,408	63,624	101,032	37,462	48,964	86,426	-	-	-
Placements with Central Bank	29,091	-	29,091	29,884	-	29,884	11,825	-	11,825
	934,151	1,390,472	2,324,623	906,322	942,321	1,848,643	870,579	733,809	1,604,388
II INTEREST EXPENSE									
Due to banks	8,010	13,692	21,702	3,162	59,917	63,079	2,319	16,921	19,240
Deposits from customers	394,687	217,508	612,195	398,616	169,450	568,066	489,712	185,323	675,035
Debts issued	60,327	1,341	61,668	78,210	-	78,210	80,637	-	80,637
	463,024	232,541	695,565	479,988	229,367	709,355	572,668	202,244	774,912
NET INTEREST INCOME	471,127	1,157,931	1,629,058	426,334	712,954	1,139,288	297,911	531,565	829,476
III NET FEE AND COMMISSION INCOME									
Fee and commission income									
Credit related fees and commission income	119,266	365,220	484,486	104,044	299,673	403,717	84,048	237,592	321,640
Custody fees income	37,538	202,180	239,718	6,596	192,979	199,575	-	118,220	118,220
Other fees received	2,823	3,233	6,056	2,675	2,695	5,370	3,793	13,590	17,383
Total fee and commission income	159,627	570,633	730,260	113,315	495,347	608,662	87,841	369,402	457,243
Fee and commission expense									
Custody fees expense	(23,264)	(75,870)	(99,134)	(25,753)	(62,701)	(88,454)	(13,630)	(31,798)	(45,428)
Other fees	(42,392)	(164,876)	(207,268)	(48,370)	(102,742)	(151,112)	(27,095)	(86,917)	(114,012)
Total fee and commission expense	(65,656)	(240,746)	(306,402)	(74,123)	(165,443)	(239,566)	(40,725)	(118,715)	(159,440)
Net fee and commission income	93,971	329,887	423,858	39,192	329,904	369,096	47,116	250,687	297,803
IV(a) NET TRADING INCOME									
Net gain on financial investments - held-for-trading and available for sale	115,573	8,272	123,845	105,794	53,910	159,704	83,218	14,270	97,488
Derivatives Income	27,107	-	27,107	49,799	-	49,799	69,711	-	69,711
Foreign exchange gain	109,620	556,195	665,815	102,860	373,658	476,518	45,366	382,118	427,484
	252,300	564,467	816,767	258,453	427,568	686,021	198,295	396,388	594,683
IV(b) OTHER OPERATING INCOME									
Profit on disposal of motor vehicle	89	-	89	-	-	-	-	-	-
Transaction and other related fees	22,025	10,863	32,888	4,526	13,453	17,979	1,770	4,205	5,975
	22,114	10,863	32,977	4,526	13,453	17,979	1,770	4,205	5,975
V NET IMPAIRMENT LOSS ON FINANCIAL ASSETS									
(a) Portfolio and specific provisions on loans and advances to customers	324,842	480,572	805,414	116,516	464,033	580,549	232,260	276,074	508,334
Bad debt recovered	(2,580)	(5,973)	(8,553)	-	-	-	-	-	-
	322,262	474,599	796,861	116,516	464,033	580,549	232,260	276,074	508,334
(b) Impairment loss on placement	-	270,720	270,720	-	-	-	-	-	-
	-	270,720	270,720	-	-	-	-	-	-
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS	322,262	745,319	1,067,581	116,516	464,033	580,549	232,260	276,074	508,334

39. SEGMENTAL REPORTING (CONTINUED)

VI CASH AND BALANCES WITH THE CENTRAL BANK

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash in hand	15,505	14,581	30,086	22,883	11,827	34,710	6,051	3,374	9,425
Unrestricted balances with the Central Bank	1,490,484	-	1,490,484	1,689,118	-	1,689,118	977,455	-	977,455
Placements with the Central Bank	1,675,663	-	1,675,663	1,093,780	-	1,093,780	808,656	-	808,656
	3,181,652	14,581	3,196,233	2,805,781	11,827	2,817,608	1,792,162	3,374	1,795,536

VII DUE FROM BANKS

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Medium term Collateralized placements	3,489,079	-	3,489,079	-	-	-	-	-	-
Short term placements with other banks	3,139,243	27,032,952	30,172,195	4,446,929	17,718,534	22,165,463	1,423,376	14,740,805	16,164,181
Current accounts with other banks	14,241	18,267,641	18,281,882	9,138	15,703,883	15,713,021	1,782,224	28,052,776	29,835,000
Other amounts due	-	-	-	-	1,449	1,449	-	1,494	1,494
	6,642,563	45,300,593	51,943,156	4,456,067	33,423,866	37,879,933	3,205,600	42,795,075	46,000,675

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivatives held-for-trading									
Foreign Exchange Option Contracts	11,392	423	11,815	8,755	147,425	156,180	8,147	-	8,147
Forward Foreign Exchange Contracts	83,106	113,569	196,675	31,197	28,646	59,843	23,395	2,102	25,497
Spot position account	-	-	-	12,510	-	12,510	-	-	-
	94,498	113,992	208,490	52,462	176,071	228,533	31,542	2,102	33,644
LIABILITIES									
Derivatives held-for-trading									
Foreign Exchange Option Contracts	-	(11,392)	(11,392)	(8,755)	(147,425)	(156,180)	-	(8,147)	(8,147)
Forward Foreign Exchange Contracts	(21,575)	(31,415)	(52,990)	(39,037)	(9,243)	(48,280)	(78,803)	(40,964)	(119,767)
	(21,575)	(42,807)	(64,382)	(47,792)	(156,668)	(204,460)	(78,803)	(49,111)	(127,914)

39. SEGMENTAL REPORTING (CONTINUED)

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
IX FINANCIAL INVESTMENTS - HELD-FOR-TRADING									
Government of Mauritius debt securities	1,749,284	-	1,749,284	2,000,177	-	2,000,177	2,923,763	-	2,923,763
Bank of Mauritius bonds and notes	1,209,012	-	1,209,012	845,572	-	845,572	344,663	-	344,663
Corporate debt securities	-	-	-	24,639	74,189	98,828	165,198	108,446	273,644
	2,958,296	-	2,958,296	2,870,388	74,189	2,944,577	3,433,624	108,446	3,542,070
X LOANS AND ADVANCES TO CUSTOMERS									
(a) Remaining term to maturity									
Within 3 months	5,457,010	2,639,772	8,096,782	3,752,679	1,802,125	5,554,804	5,173,222	2,730,571	7,903,793
Over 3 to 6 months	24,310	1,249,089	1,273,399	255,770	174,996	430,766	224,729	1,356,946	1,581,675
Over 6 to 12 months	316,023	2,016,117	2,332,140	720,906	2,546,879	3,267,785	270,217	1,948,591	2,218,808
Over 1 to 5 years	1,793,167	10,896,042	12,689,209	2,933,541	11,182,203	14,115,744	3,167,385	4,244,294	7,411,679
Over 5 years	3,783,607	1,165,300	4,948,907	3,320,866	2,562,332	5,883,198	2,304,537	1,510,351	3,814,888
Gross core loans and advances to customers	11,374,117	17,966,320	29,340,437	10,983,762	18,268,535	29,252,297	11,140,090	11,790,753	22,930,843
Less: Allowances for impairment losses	(741,417)	(532,537)	(1,273,954)	(678,772)	(1,060,780)	(1,739,552)	(453,582)	(518,920)	(972,502)
Net core loans and advances to customers	10,632,700	17,433,783	28,066,483	10,304,990	17,207,755	27,512,745	10,686,508	11,271,833	21,958,341
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	1,095,391	530,504	1,625,895	845,778	351,181	1,196,959	352,327	203,584	555,911
Manufacturing	381,977	2,398,790	2,780,767	438,193	2,561,129	2,999,322	573,894	1,342,847	1,916,741
Tourism	2,236,127	144,624	2,380,751	2,149,109	-	2,149,109	2,960,458	52,242	3,012,700
Transport	41,364	388,225	429,589	2,774	546,390	549,164	3,555	551,938	555,493
Construction, infrastructure and real estate	1,196,304	582,608	1,778,912	2,194,843	975,673	3,170,516	2,333,856	581,435	2,915,291
Financial and business services	1,916,284	7,562,552	9,478,836	1,057,573	5,269,443	6,327,016	1,883,717	2,384,472	4,268,189
Traders	947,685	611,949	1,559,634	801,942	878,056	1,679,998	1,320,891	828,113	2,149,004
Personal	1,280,269	455,113	1,735,382	1,294,321	439,899	1,734,220	1,305,078	474,273	1,779,351
Professional	4,035	494	4,529	6,233	-	6,233	6,370	-	6,370
Information, communication and technology	45,544	-	45,544	87,348	-	87,348	96,694	-	96,694
Government and parastatal bodies	1,160,169	139,178	1,299,347	-	271,646	271,646	-	345,923	345,923
Global Business Licence Holders (GBL)	-	2,613,741	2,613,741	-	3,596,604	3,596,604	-	3,655,303	3,655,303
Other entities	1,068,968	2,538,542	3,607,510	2,105,648	3,378,514	5,484,162	303,250	1,370,623	1,673,873
	11,374,117	17,966,320	29,340,437	10,983,762	18,268,535	29,252,297	11,140,090	11,790,753	22,930,843

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(c) Allowance for credit losses									
At beginning of year	678,772	1,060,780	1,739,552	453,582	518,920	972,502	121,521	264,469	385,990
Amount written off against allowance	(304,193)	(1,059,963)	(1,364,156)	(26,179)	(41,029)	(67,208)	-	(58,045)	(58,045)
Charge for the year	366,838	531,720	898,558	251,369	582,889	834,258	332,061	312,496	644,557
At end of year	741,417	532,537	1,273,954	678,772	1,060,780	1,739,552	453,582	518,920	972,502

(d) Allowance for credit losses by sector

	2018				Total provision		
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	1,625,895	-	-	23,489	23,489	30,793	5,592
Manufacturing	2,780,767	513,894	342,497	25,628	368,125	588,698	281,860
Tourism	2,380,751	2	2	54,410	54,412	73,192	49,119
Transport	429,589	73,351	47,360	3,642	51,002	80,306	69,199
Construction, infrastructure and real estate	1,778,912	283,804	166,676	25,452	192,128	295,433	116,064
Financial and business services	9,478,836	101,649	11,645	110,073	121,718	89,132	63,744
Traders	1,559,634	151,326	124,739	16,111	140,850	177,485	148,958
Personal	1,735,382	256,231	160,028	26,390	186,418	123,875	87,333
Professional	4,529	-	-	44	44	61	62
Information, communication and technology	45,544	11,143	13,164	394	13,558	6,946	3,219
Government and parastetal bodies	1,299,347	-	-	-	-	7,333	3,133
Global Business Licence Holders (GBL)	2,613,741	30,857	22,823	25,729	48,552	236,846	105,048
Other entities	3,607,510	52,134	20,702	52,956	73,658	29,452	39,171
	29,340,437	1,474,391	909,636	364,318	1,273,954	1,739,552	972,502

39. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Allowance for credit losses by sector (Continued)

	2018					Total provision	
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A							
Agriculture and fishing	1,095,391	-	-	17,336	17,336	26,964	3,748
Manufacturing	381,977	151,406	88,869	2,271	91,140	36,912	27,709
Tourism	2,236,127	2	2	52,709	52,711	71,389	48,646
Transport	41,364	-	-	459	459	447	22
Construction, infrastructure and real estate	1,196,304	283,804	166,676	18,687	185,363	206,583	110,798
Financial and business services	1,916,284	101,649	11,645	21,442	33,087	19,643	40,982
Traders	947,685	151,326	124,739	9,012	133,751	166,892	141,549
Personal	1,280,269	234,024	150,920	20,867	171,787	118,283	73,360
Professional	4,035	-	-	38	38	61	62
Information, communication and technology	45,544	11,143	13,164	394	13,558	6,946	3,219
Government and parastetal bodies	1,160,169	-	-	-	-	-	-
Other entities	1,068,968	52,134	20,702	21,485	42,187	24,652	3,487
	11,374,117	985,488	576,717	164,700	741,417	678,772	453,582
Segment B							
Agriculture and fishing	530,504	-	-	6,153	6,153	3,829	1,844
Manufacturing	2,398,790	362,488	253,628	23,357	276,985	551,786	254,151
Tourism	144,624	-	-	1,701	1,701	1,803	473
Transport	388,225	73,351	47,360	3,183	50,543	79,859	69,177
Construction, infrastructure and real estate	582,608	-	-	6,765	6,765	88,850	5,266
Financial and business services	7,562,552	-	-	88,631	88,631	69,489	22,762
Traders	611,949	-	-	7,099	7,099	10,593	7,409
Personal	455,113	22,207	9,108	5,523	14,631	5,592	13,973
Professional	494	-	-	6	6	-	-
Government and parastatal bodies	139,178	-	-	-	-	7,333	3,133
Global Business Licence Holders (GBL)	2,613,741	30,857	22,823	25,729	48,552	236,846	105,048
Other entities	2,538,542	-	-	31,471	31,471	4,800	35,684
	17,966,320	488,903	332,919	199,618	532,537	1,060,780	518,920

39. SEGMENTAL REPORTING (CONTINUED)

	2018			2017			2016		
XI INVESTMENT IN SUBSIDIARY	**Segment A**	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cost									
At 1 July and 30 June	**189,563**	**-**	**189,563**	189,563	-	189,563	189,563	-	189,563
XII FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE									
Government of Mauritius debt securities	**119,091**	**-**	**119,091**	649,741	-	649,741	-	-	-
Bank of Mauritius bonds and notes	**451,389**	**-**	**451,389**	272,946	-	272,946	316,033	-	316,033
Foreign Securities treasury bills and bonds	**-**	**3,485,461**	**3,485,461**	-	4,803,601	4,803,601	-	-	-
	570,480	**3,485,461**	**4,055,941**	922,687	4,803,601	5,726,288	316,033	-	316,033
XIII FINANCIAL INVESTMENTS-HELD-TO-MATURITY									
Government of Mauritius debt securities	**6,116,458**	**-**	**6,116,458**	4,451,232	-	4,451,232	4,474,740	-	4,474,740
Bank of Mauritius bonds and notes	**2,246,969**	**-**	**2,246,969**	2,550,818	-	2,550,818	1,207,513	-	1,207,513
Other corporate debt securities	**812,251**	**-**	**812,251**	1,130,682	-	1,130,682	734,253	-	734,253
Foreign Securities Treasury Bills and bonds	**-**	**18,184,499**	**18,184,499**	-	13,057,690	13,057,690	-	5,122,373	5,122,373
	9,175,678	**18,184,499**	**27,360,177**	8,132,732	13,057,690	21,190,422	6,416,506	5,122,373	11,538,879

39. SEGMENTAL REPORTING (CONTINUED)

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
IVX OTHER ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Mandatory balances with the Central Bank	1,519,797	-	1,519,797	1,288,715	-	1,288,715	1,233,593	-	1,233,593
Dividend receivable	-	-	-	22,000	-	22,000	112,000	-	112,000
Accrued income	354	5,061	5,415	392	5,172	5,564	3,820	918	4,738
Prepaid expenses	20,679	12,171	32,850	6,946	10,150	17,096	5,240	6,202	11,442
Other receivables	97,264	6,113	103,377	28,379	65,679	94,058	65,701	12,303	78,004
Amount due from subsidiary	179,734	-	179,734	-	-	-	-	-	-
	1,817,828	23,345	1,841,173	1,346,432	81,001	1,427,433	1,420,354	19,423	1,439,777
XV DUE TO BANKS									
Borrowings from the Central Bank	72,432	-	72,432	118,589	-	118,589	173,510	-	173,510
Borrowings from other banks	860,210	-	860,210	-	1,375,975	1,375,975	-	-	-
Bank overdraft	-	113	113	-	6,251	6,251	-	-	-
	932,642	113	932,755	118,589	1,382,226	1,500,815	173,510	-	173,510
XVI DEPOSITS FROM CUSTOMERS									
Personal									
- Current and savings accounts	5,189,590	1,862,379	7,051,969	5,655,180	795,591	6,450,771	4,404,013	7,167,618	11,571,631
- Term deposits	4,535,492	2,278,423	6,813,915	3,903,084	188,837	4,091,921	4,330,977	1,907,006	6,237,983
Business									
- Current and savings accounts	10,874,061	70,793,816	81,667,877	8,347,914	55,532,210	63,880,124	6,456,746	37,299,324	43,756,070
- Term deposits	5,269,007	10,561,012	15,830,019	3,648,643	12,989,934	16,638,577	5,046,893	13,756,240	18,803,133
Government institutions									
- Current and savings accounts	21,687	-	21,687	21,171	-	21,171	10,159	-	10,159
	25,889,837	85,495,630	111,385,467	21,575,992	69,506,572	91,082,564	20,248,788	60,130,188	80,378,976
XVII DEBTS ISSUED									
Unsecured subordinated bonds	600,208	-	600,208	1,111,493	-	1,111,493	1,111,032	-	1,111,032
XVIII OTHER LIABILITIES									
Other payables and sundry creditors	310,155	135,225	445,380	256,260	105,087	361,347	318,885	88,621	407,506