MCB Group Limited
Financial Statements
30th June 2016

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MCB GROUP LIMITED

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MCB Group Limited and its subsidiaries (together the “Group”) and separate financial statements of the Company which comprise the Group’s and the Company’s statements of financial position as at 30 June 2016 and their respective statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors’ Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MCB GROUP LIMITED (CONTINUED)

Report on the Financial Statements (Continued)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001
The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and dealings in the ordinary course of business;

(b) we have obtained all information and explanations we have required; and

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

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 (the “Code”) 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 annual report is consistent with the requirements of the Code.

PricewaterhouseCoopers	**BDO & Co**
Gilles Beesoo Licensed by FRC	**Ameenah Ramdin** Licensed by FRC

29th September 2016

Statements of financial position as at 30th June 2016

	Notes	GROUP 2016 RS'M	GROUP 2015 RS'M	COMPANY 2016 RS'M	COMPANY 2015 RS'M
ASSETS					
Cash and cash equivalents	4	**33,305.6**	24,528.6	**49.4**	51.8
Derivative financial instruments	5	**315.4**	426.1	**-**	-
Loans to and placements with banks	6(a)	**22,419.1**	8,851.5	**-**	-
Loans and advances to customers	6(b)	**163,827.3**	164,443.5	**-**	-
Investment securities	7	**62,734.8**	50,689.3	**-**	-
Investments in associates	8	**9,151.9**	7,254.6	**26.5**	20.6
Investments in subsidiaries	9	**-**	-	**9,253.2**	9,233.0
Goodwill and other intangible assets	10	**897.4**	840.4	**-**	-
Property, plant and equipment	11	**5,892.8**	6,033.5	**6.9**	3.2
Deferred tax assets	12	**311.3**	287.0	**-**	-
Other assets	13	**18,849.2**	16,658.3	**1,071.1**	1,089.2
Total assets		**317,704.8**	280,012.8	**10,407.1**	10,397.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from banks	14(a)	**1,837.7**	2,405.0	**-**	-
Deposits from customers	14(b)	**253,423.9**	218,735.0	**-**	-
Derivative financial instruments	5	**307.2**	309.6	**-**	-
Other borrowed funds	15	**5,193.0**	7,806.4	**-**	-
Subordinated liabilities	16	**5,619.9**	5,595.6	**4,537.6**	4,504.4
Current tax liabilities		**812.1**	539.7	**-**	-
Deferred tax liability	12	**65.4**	50.2	**0.4**	0.1
Other liabilities	18	**7,437.0**	6,889.1	**1,000.4**	930.5
Total liabilities		**274,696.2**	242,330.6	**5,538.4**	5,435.0
Shareholders' Equity					
Stated capital		**2,426.8**	2,397.2	**2,426.8**	2,397.2
Retained earnings		**30,886.1**	27,501.6	**2,441.9**	2,565.6
Other components of equity		**7,417.0**	6,034.5	**-**	-
Equity attributable to the ordinary equity holders of the parent		**40,729.9**	35,933.3	**4,868.7**	4,962.8
Non-controlling interests		**2,278.7**	1,748.9	**-**	-
Total equity		**43,008.6**	37,682.2	**4,868.7**	4,962.8
Total equity and liabilities		**317,704.8**	280,012.8	**10,407.1**	10,397.8
CONTINGENT LIABILITIES					
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers		**32,130.8**	45,697.1		
Commitments		**2,913.5**	4,633.0		
Tax assessments		**836.9**	797.2		
Other		**1,431.7**	1,293.9		
	20	**37,312.9**	52,421.2		

These financial statements were approved for issue by the Board of Directors on the 29th September 2016.

Pierre Guy NOEL	**J.Gérard HARDY**	**Sunil BANYMANDHUB**
Director	Director	Director
Chief Executive	Chairperson	Chairperson Audit Committee

The notes on pages 13 to 65 form part of these financial statements.
Auditors' report on pages 1 and 2.

		GROUP		COMPANY	
		Year ended 30th June 2016	Year ended 30th June 2015	**Year ended 30th June 2016**	Year ended 30th June 2015
	Notes	**RS'M**	RS'M	**RS'M**	RS'M
Interest income	21	**13,643.6**	12,844.3	**-**	-
Interest expense	22	**(4,753.3)**	(4,690.1)	**(262.8)**	(4.4)
Net interest income		**8,890.3**	8,154.2	**(262.8)**	(4.4)
Fee and commission income	23	**4,036.5**	4,148.1	**-**	-
Fee and commission expense	24	**(845.2)**	(783.7)	**-**	(0.1)
Net fee and commission income		**3,191.3**	3,364.4	**-**	(0.1)
Other income					
Profit arising from dealing in foreign currencies		**1,672.6**	1,101.7	**-**	-
Net (loss)/gain from financial instruments carried at fair value	25	**(100.5)**	147.8	**-**	-
		1,572.1	1,249.5	**-**	-
Dividend income	26	**76.4**	86.2	**2,204.0**	1,887.9
Net gain on sale of securities		**301.1**	97.3	**-**	-
Other operating income		**386.6**	262.6	**-**	-
		2,336.2	1,695.6	**2,204.0**	1,887.9
Operating income		**14,417.8**	13,214.2	**1,941.2**	1,883.4
Non-interest expense					
Salaries and human resource development	27(a)	**(3,311.0)**	(3,084.4)	**(68.6)**	(51.8)
Depreciation		**(520.6)**	(512.7)	**(1.9)**	(0.8)
Amortisation of intangible assets		**(219.1)**	(247.0)	**-**	-
Other	27(b)	**(1,738.3)**	(1,681.5)	**(29.4)**	(22.6)
		(5,789.0)	(5,525.6)	**(99.9)**	(75.2)
Operating profit before impairment		**8,628.8**	7,688.6	**1,841.3**	1,808.2
Net impairment of financial assets	28	**(1,021.9)**	(1,163.1)	**-**	-
Operating profit		**7,606.9**	6,525.5	**1,841.3**	1,808.2
Share of profit of associates		**735.0**	374.8	**-**	-
Profit before tax		**8,341.9**	6,900.3	**1,841.3**	1,808.2
Income tax expense	29	**(1,537.0)**	(1,129.1)	**(0.3)**	(0.1)
Profit for the year		**6,804.9**	5,771.2	**1,841.0**	1,808.1
Profit for the year attributable to:					
Ordinary equity holders of the parent		**6,625.5**	5,722.0	**1,841.0**	1,808.1
Non-controlling interests		**179.4**	49.2	**-**	-
		6,804.9	5,771.2	**1,841.0**	1,808.1
Earnings per share:					
Basic and diluted (Rs)	31	**27.82**	24.04		

The notes on pages 13 to 65 form part of these financial statements.
Auditors' report on pages 1 and 2.

	GROUP		COMPANY	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M	**Year ended 30th June 2016 RS'M**	Year ended 30th June 2015 RS'M
Profit for the year	**6,804.9**	5,771.2	**1,841.0**	1,808.1
Other comprehensive income:				
Items that will not be reclassified to profit or loss :				
Remeasurement of defined benefit pension plan, net of deferred tax	**(173.7)**	95.2	**-**	-
Share of other comprehensive income/(expense) of associates	**664.0**	(0.1)	**-**	-
	490.3	95.1	**-**	-
Items that may be reclassified subsequently to profit or loss :				
Exchange differences on translating foreign operations	**(129.0)**	(31.5)	**-**	-
Reclassification adjustments on disposal of available-for-sale investments	**(268.5)**	71.0	**-**	-
Net fair value gain on available-for-sale investments	**77.5**	762.9	**-**	-
Share of other comprehensive income/(expense) of associates	**382.1**	(44.7)	**-**	-
	62.1	757.7	**-**	-
Other comprehensive income for the year	**552.4**	852.8	**-**	-
Total comprehensive income for the year	**7,357.3**	6,624.0	**1,841.0**	1,808.1
Total comprehensive income attributable to:				
Ordinary equity holders of the parent	**6,752.1**	6,579.9	**1,841.0**	1,808.1
Non-controlling interests	**605.2**	44.1	**-**	-
	7,357.3	6,624.0	**1,841.0**	1,808.1

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		Attributable to ordinary equity holders of the parent								
		Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	General Banking Reserve	Total	Non-controlling Interests	Total Equity
	Note	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP										
At 1st July 2014		**2,383.3**	**24,234.9**	**1,526.8**	**(205.5)**	**2,414.1**	**614.1**	**30,967.7**	**1,736.6**	**32,704.3**
Profit for the year		-	5,722.0	-	-	-	-	5,722.0	49.2	5,771.2
Other comprehensive income/(expense) for the year		-	95.1	780.5	(17.7)	-	-	857.9	(5.1)	852.8
Total comprehensive income/(expense) for the year		-	5,817.1	780.5	(17.7)	-	-	6,579.9	44.1	6,624.0
Dividends	30	-	(1,630.5)	-	-	-	-	(1,630.5)	(25.4)	(1,655.9)
Effect of increase in shareholding in subsidiary		-	2.3	-	-	-	-	2.3	(6.4)	(4.1)
Issue of shares following the exercise of Group Employee Share Options Scheme		13.9	-	-	-	-	-	13.9	-	13.9
Transactions with owners in their capacity as owners		13.9	(1,628.2)	-	-	-	-	(1,614.3)	(31.8)	(1,646.1)
Share of transfer by associate		-	3.7	(3.7)	-	-	-	-	-	-
Share of other movements in reserves of associate		-	(1.5)	1.5	-	-	-	-	-	-
Transfer to general banking reserve		-	(166.7)	-	-	-	166.7	-	-	-
Transfer to statutory reserve		-	(757.7)	-	-	757.7	-	-	-	-
At 30th June 2015		**2,397.2**	**27,501.6**	**2,305.1**	**(223.2)**	**3,171.8**	**780.8**	**35,933.3**	**1,748.9**	**37,682.2**
Profit for the year		-	6,625.5	-	-	-	-	6,625.5	179.4	6,804.9
Other comprehensive (expense)/income for the year		-	(175.2)	428.4	(126.6)	-	-	126.6	425.8	552.4
Total comprehensive income/(expense) for the year		-	6,450.3	428.4	(126.6)	-	-	6,752.1	605.2	7,357.3
Dividends	30	-	(1,964.7)	-	-	-	-	(1,964.7)	(35.1)	(1,999.8)
Effect of increase in shareholding in subsidiaries		-	(20.4)	-	-	-	-	(20.4)	(40.3)	(60.7)
Issue of shares following the exercise of Group Employee Share Options Scheme		29.6	-	-	-	-	-	29.6	-	29.6
Transactions with owners in their capacity as owners		29.6	(1,985.1)	-	-	-	-	(1,955.5)	(75.4)	(2,030.9)
Share of transfer by associate		-	(35.1)	35.1	-	-	-	-	-	-
Share of other movements in reserves of associate		-	3.1	(3.1)	-	-	-	-	-	-
Transfer to general banking reserve		-	(200.2)	-	-	-	200.2	-	-	-
Transfer to statutory reserve		-	(848.5)	-	-	848.5	-	-	-	-
At 30th June 2016		**2,426.8**	**30,886.1**	**2,765.5**	**(349.8)**	**4,020.3**	**981.0**	**40,729.9**	**2,278.7**	**43,008.6**

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Auditors' report on pages 1 and 2.

	Note	Stated Capital RS'M	Retained Earnings RS'M	Total Equity RS'M
COMPANY				
At 1st July 2014		**2,383.3**	**2,388.0**	**4,771.3**
Profit for the year		-	1,808.1	1,808.1
Total comprehensive income for the year		-	1,808.1	1,808.1
Dividends	30	-	(1,630.5)	(1,630.5)
Issue of shares following the exercise of Group Employee Share Options Scheme		13.9	-	13.9
Transactions with owners in their capacity as owners		13.9	(1,630.5)	(1,616.6)
At 30th June 2015		**2,397.2**	**2,565.6**	**4,962.8**
Profit for the year		-	1,841.0	1,841.0
Total comprehensive income for the year		-	1,841.0	1,841.0
Dividends	30	-	(1,964.7)	(1,964.7)
Issue of shares following the exercise of Group Employee Share Options Scheme		29.6	-	29.6
Transactions with owners in their capacity as owners		29.6	(1,964.7)	(1,935.1)
At 30th June 2016		**2,426.8**	**2,441.9**	**4,868.7**

The notes on pages 13 to 65 form part of these financial statements.
Auditors' report on pages 1 and 2.

	Notes	GROUP Year ended 30th June 2016 RS'M	GROUP Year ended 30th June 2015 RS'M	COMPANY Year ended 30th June 2016 RS'M	COMPANY Year ended 30th June 2015 RS'M
Operating activities					
Net cash flows from trading activities	33	**6,717.7**	7,568.7	**1,904.3**	1,604.3
Net cash flows from other operating activities	34	**7,973.3**	4,833.0	**-**	-
Dividends received from associates		**256.0**	131.9	**-**	-
Dividends paid		**(1,904.6)**	(1,535.0)	**(1,904.6)**	(1,535.0)
Dividends paid to non-controlling interests in subsidiaries		**(35.1)**	(25.4)	**-**	-
Income tax paid		**(1,259.4)**	(1,074.2)	**-**	-
Net cash flows from operating activities		**11,747.9**	9,899.0	**(0.3)**	69.3
Investing activities					
Purchase of available-for-sale investments		**(946.8)**	(2,333.8)	**-**	-
Proceeds from sale of available-for-sale investments		**690.8**	465.3	**-**	-
Investment in associates		**(5.9)**	(5.0)	**(5.9)**	(5.0)
Investment in subsidiaries		**-**	-	**(20.2)**	(4,525.6)
Cash and cash equivalents of subsidiary upon loss of control	35	**(760.6)**	-	**-**	-
Purchase of property, plant and equipment		**(514.0)**	(532.4)	**(5.6)**	(4.0)
Purchase of intangible assets		**(421.8)**	(160.8)	**-**	-
Proceeds from sale of property, plant and equipment		**47.4**	60.9	**-**	-
Net cash flows from investing activities		**(1,910.9)**	(2,505.8)	**(31.7)**	(4,534.6)
Net cash flows before financing activities		**9,837.0**	7,393.2	**(32.0)**	(4,465.3)
Financing activities					
Shares issued/employee share options exercised		**29.6**	13.9	**29.6**	13.9
Shares bought back and cancelled by subsidiary		**(21.9)**	-	**-**	-
Refund of subordinated loan by associate		**180.3**	-	**-**	-
Acquisition of non-controlling interest in subsidiary		**(50.6)**	(4.1)	**-**	-
Subordinated liabilities transferred		**-**	-	**-**	4,500.0
Net debt securities matured		**-**	(1,793.0)	**-**	-
Net cash flows from financing activities		**137.4**	(1,783.2)	**29.6**	4,513.9
Increase/(decrease) in cash and cash equivalents		**9,974.4**	5,610.0	**(2.4)**	48.6
Net cash and cash equivalents at 1st July		**23,287.5**	17,483.5	**51.8**	3.2
Effect of foreign exchange rate changes		**(46.8)**	194.0	**-**	-
Net cash and cash equivalents at 30th June	4	**33,215.1**	23,287.5	**49.4**	51.8

The notes on pages 13 to 65 form part of these financial statements.
Auditors' report on pages 1 and 2.

The MCB Group Limited ("the Company") was incorporated as a public company limited by shares on 5th August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The Company is listed on The Stock Exchange of Mauritius Ltd.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of banking and financial services in the Indian Ocean region and beyond.

Incorporation and Scheme of Arrangement

MCB Group Limited, is a legal entity incorporated on 5th August 2013. On 17th February 2014, following the resolutions voted by the shareholders of The Mauritius Commercial Bank Ltd ("MCB") at the Special Meeting held in December 2013, The Supreme Court (Bankruptcy Division) approved the Scheme of Arrangement (the "Scheme") under Sections 261 to 264 of the Companies Act 2001, effective on 21st February 2014. Accordingly, the shareholders of MCB exchanged their ordinary shares held in MCB for ordinary shares in MCB Group Limited ("MCBG") on a 1:1 ratio. Following the above exchange MCBG exchanged all its shares held in MCB for ordinary shares in MCB Investment Holding Limited ("MCBIH").

This separate legal entity, MCB Investment Holding Limited ("MCBIH") was incorporated on 4th November 2013 as a wholly owned subsidiary of MCB Group Limited to be the intermediate holding of the group’s banking subsidiaries and associates.

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1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of MCB Group Limited comply with The Mauritian Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS).

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year. At the reporting date, interest receivable and interest payable have been reclassified under the appropriate assets and liabilities. Furthermore, the balance of MCB Superannuation Fund has been reclassified under deposits.

The financial statements include the consolidated financial statements of the parent company and its subsidiary companies (The Group) and the separate financial statements of the parent company (The Company).

The financial statements have been prepared under the historical cost convention except for available-for-sale investment securities, financial assets and liabilities held-for-trading, derivative contracts, defined benefit plan, and land held through associates which are stated at fair value.

Standards, Amendments to published Standards and Interpretations effective in the reporting period.

There are no standards, amendments to published standards and interpretations effective for the first time in the reporting period.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations issued are effective for accounting periods beginning on or after 1 July 2016, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from Contract with Customers
Clarifications to IFRS 15 Revenue from Contracts with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Annual Improvements to IFRSs 2012-2014 Cycle
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Disclosure Initiative (Amendments to IAS 1)
IFRS 16 Leases
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amendments to IAS 7 Statement of Cash Flows
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of the financial statements.

IFRS 9 is of particular importance to the Group. In July 2014, the IASB issued IFRS 9 ‘Financial Instruments’, which is the comprehensive standard to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity’s business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income (‘FVOCI’) or fair value through profit or loss (‘FVPL’). In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise. For example, under IFRS 9, embedded derivatives are not separated from host financial assets and equity securities are measured at FVPL or, in limited circumstances, at FVOCI. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged. For certain liabilities measured at fair value, gains or losses relating to changes in the entity’s own credit risk are to be included in other comprehensive income.

Impairment

The impairment requirements apply to financial assets measured at amortised cost , and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (‘ECL’) resulting from default events that are possible within the next 12 months (’12-month ECL’). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in ‘stage 3’.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

Impairment (continued)

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, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, 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.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between it and risk management strategy and permitting the former to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods.

The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date.

(b) Basis of consolidation

(1)(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities and contigent liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests without loss of control are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(2) Associates

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale (see below). Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the separate financial statements of the Company, the investment in associates is carried at cost (which includes transaction costs). The carrying amount is reduced to recognise any impairment in the value of the individual companies.

(c) Foreign currency translation

The foreign subsidiaries' statement of financial position are translated to Mauritian Rupees at the closing rate at the end of the reporting period. Their statements of profit or loss, the statements of comprehensive income and statements of cash flows are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using Mauritian rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated and seperate financial statements are presented in Mauritian rupees, which is the Company's functional currency. All amounts are in million, rounded to one decimal place except as otherwise stated.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(d) Derivative financial instruments

Derivative financial instruments include mainly foreign exchange contracts and currency swaps. These are initially recognised at fair value on the date the derivative contracts are entered into and subsequently remeasured at their fair values. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards are based on treasury bills rate or LIBOR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

The Group's derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

The fair values of derivative financial instruments held for trading are disclosed in note 5.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Offsetting financial instruments

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

(f) Interest income and expense

Interest income and expense are recognised in profit or loss for all interest bearing instruments using the effective interest method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(g) Fees and commissions

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

(h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statements of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repos agreements using the effective interest method.

(i) Investment securities

The Group classifies its investment securities as financial assets at fair value through profit or loss, held-to-maturity or available-for-sale assets. The directors determine the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where the directors have both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale, which may be sold.

Investment securities are initially recognised at fair value plus, in the case of those not at fair value through profit or loss, transaction costs. Available-for-sale listed financial assets are subsequently remeasured at fair value. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income and cumulated in a separate reserve, capital reserve.

Financial assets at fair value through profit or loss are financial assets held-for-trading.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the entity would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in 'dividend income ' in profit or loss when the entity's right to receive payment is established.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

(j) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value (which excludes transaction costs) and measured at subsequent reporting dates at fair value. All related realised and unrealised gains and losses are recognised in profit or loss for the year.

(k) Loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower (at draw-down) are categorised as loans by the Group and are carried at amortised cost which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Loans and provisions for loan impairment (continued)

All loans and advances are recognised when cash is advanced to borrowers. An allowance for loan impairment is established if there is the objective evidence that the entity will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting period. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in profit or loss.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

(l) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

For loans and receivables category, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(m) Goodwill

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. Goodwill on acquisition of subsidiaries is included in Goodwill and other Intangible Assets.

Gain on bargain purchase represents the excess of the Group's interest in the net fair value of the acquiree's net identifiable asset over cost of acquisition is recognised in profit or loss. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation.

Depreciation is calculated to write down the cost of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and other equipment	5-10 years
Furniture, fittings and vehicles	5-15 years

Land is not depreciated.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(o) Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criterias are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the directors intend to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of eight years.

(p) Finance leases

Assets acquired under finance leases are accounted for at the present value of the minimum lease payments and depreciated over their estimated useful lives. A corresponding liability is recorded as outstanding lease obligations.

Lease payments are apportioned between the liability and the finance charge so as to achieve a constant periodic rate of interest on the outstanding lease obligations.

Leased assets are depreciated over the shorter of the useful life of the asset and the lease terms.

(q) Accounting for leases - where the Subsidiary company is the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for impairment loss in respect of all identified impaired leases in the light of periodical reviews. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on a straight-line basis over the lease term.

(r) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash and balances with Central Banks and amounts due to and from other banks which are short-term, highly-liquid with original maturities of three months or less. A further breakdown of cash and cash equivalents is given in notes 4 to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(t) Deposits from banks and customers

Deposits from banks and customers are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

(u) Employee benefits

The Group operates a number of defined benefit and defined contribution plans. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commercial Bank Superannuation Fund.
Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitled them to the contributions.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 17 to the financial statements.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

As from 1st July 2015, the Bank has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees.
With the introduction of DCCB, new employees automatically join the DCCB section, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

Option A: To stay in the Defined Benefit (DB) section for all service.

Option B: To keep the accrued past pension benefits until 30th June 2015 in the DB section and join the DCCB section as from 1st July 2015.

Option C: To join the DCCB section as from 1st July 2015 and transfer the total accrued benefits as at 30th June 2015 from the DB section into the DCCB section.

(v) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax(continued)

Deferred income tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(w) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

(y) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(z) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Detailed analysis of segment reporting are shown in note 36 to the financial statements.

(aa) Stated capital

Ordinary shares are classified as equity.

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Treasury shares

Where the Company purchases its equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(ab) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.
Other borrowing costs are expensed.

(ac) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Held-to-maturity investments

The Group follows the guidance of International Accounting Standard (IAS) 39 - “Recognition and Measurement” on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value; not at amortised cost.

(b) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 on determining when an available-for-sale investment has had a significant or prolonged decline in the fair value below cost. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

(c) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 17.

The value of the pension obligations is based on the report submitted by an independent actuarial firm on an annual basis.

(d) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(e) Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets. The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(f) Impairment of assets

Assets are considered for impairment if there is a reason to believe that impairment may be necessary. Goodwill is considered for impairment at least annually. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by an asset or cash-generating assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

(g) Impairment loss on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

3. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

The use of financial instruments is a major feature of the Group's operations. It has been the policy of the subsidiaries to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets.

The Group also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Group's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

Given that The Mauritius Commercial Bank Limited comprises a significant portion of the Group, the details provided below relate mainly to The Mauritius Commercial Limited (the Bank).

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfill their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Credit Quality of Loans And Advances

	GROUP	
	2016	2015
	RS'M	RS'M
Neither past due nor impaired	**155,874.9**	158,780.4
Past due but not impaired	**7,217.5**	6,498.0
Impaired	**10,704.1**	10,754.8
Gross	**173,796.5**	176,033.2
Less Allowances for credit impairment	**(7,099.4)**	(7,811.0)
Net	**166,697.1**	168,222.2
Fair Value of collaterals of past due but not impaired loans	**8,554.6**	8,167.0
Fair Value of collaterals of impaired loans	**10,046.2**	6,771.0

The Bank regards "Past due but not impaired" for amounts due for more than 60 days.

Age analysis of loans and advances that are past due but not impaired:

	GROUP	
	2016	2015
	RS'M	RS'M
Up to 3 months	**1,254.5**	1,646.0
Over 3 months and up to 6 months	**2,537.1**	1,911.0
Over 6 months and up to 1 year	**759.4**	2,383.0
Over 1 year	**2,666.5**	558.0
	7,217.5	6,498.0

Loan and advances negotiated

	GROUP	
	2016	2015
	RS'M	RS'M
Loan and advances negotiated	**13,137.0**	15,768.0
Fair value of collaterals	**13,137.0**	15,064.0

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral and other credit risk enhancements :

	GROUP	
	2016	2015
	RS'M	RS'M
Credit risk exposures relating to on - balance sheet assets are as follows :		
Cash and cash equivalents	**31,101.3**	22,416.2
Derivative financial instruments	**315.4**	426.1
Loans to and placements with banks	**22,419.1**	8,851.5
Loans and advances to customers	**163,827.3**	164,443.5
Investment securities	**62,734.8**	50,689.3
Other financial assets	**14,578.1**	12,732.4
Credit risk exposures relating to off - balance sheet assets are as follows :		
Financial guarantees	**32,130.8**	45,697.1
Loans committed and other credit related liabilities	**2,913.5**	4,633.0
Total	**330,020.3**	309,889.1

(c) Market risk

Market risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as currency or interest rate risk. The market risk management policies at the Bank are set by the Risk Committee of the Board and executive management of this class of risk is delegated to the Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

(i) Price risk

The Group is exposed to equity securities price risk because of investments held and classified as available-for-sale financial assets. The table below summarises the impact of increases/decreases in fair value of the investments on the Group's and the Company's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP	
	2016	2015
	RS'M	RS'M
Available-for-sale financial assets	**375.7**	371.9

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)
(ii) Currency risk

Currency Risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Group's foreign currency positions. Exposure resulting from trading activities is monitored through the use of targets and limits. Limits are given to the individual trader and monitored by the Treasury Manager. Such limits include daily, monthly, half-yearly and yearly stop losses. Exposure resulting from non-trading activities is managed through the Asset Liability Management framework, with reference to guidelines and policies set and approved by ALCO and the Board Risk Monitoring Committee.

A major methodology which the Bank uses for the measurement of market price risk is Value-at-Risk (VaR). VaR is the statistical representation of financial risk, expressed as a number, based on consistent modelling of past data and/or simulation of possible future movements, applied to a particular risk position, asset, or portfolio.

The VaR model used by the Bank is based upon a 99 percent one-tailed confidence level and assumes a ten-day holding period, with market data taken from the previous one year.

VaR Analysis - Foreign Exchange Risk

	As at 30 June	Average	Maximum	Minimum
2016 (RS'M)	**(12.4)**	**(28.3)**	**(38.3)**	**(12.4)**
2015 (RS'M)	(25.8)	(17.6)	(30.3)	(10.2)

Concentration of assets, liabilities and off-balance sheet items

GROUP **At June 30, 2016** **Financial assets**	**EURO** **RS'M**	**USD** **RS'M**	**GBP** **RS'M**	**MUR** **RS'M**	**OTHER** **RS'M**	**TOTAL** **RS'M**
Cash and cash equivalents	12,117.6	10,347.8	1,273.3	3,201.0	5,036.0	31,975.7
Derivative financial instruments	18.2	-	-	157.6	-	175.8
Loans to and placements with banks	1,632.0	12,220.5	1,483.9	5,987.3	1,179.9	22,503.6
Loans and advances to customers	14,411.7	41,033.9	793.0	103,223.7	145.4	159,607.7
Investment securities	595.5	1,627.8	789.8	53,128.6	99.5	56,241.2
Other financial assets	722.6	1,091.1	196.7	12,462.6	105.1	14,578.1
	29,497.6	66,321.1	4,536.7	178,160.8	6,565.9	285,082.1
Less allowances for credit impairment						(6,623.4)
						278,458.7
Subsidiaries						18,721.6
Total						**297,180.3**
Financial liabilities						
Deposits from banks	884.7	3,305.0	227.2	153.7	142.0	4,712.6
Deposits from customers	26,682.2	52,482.8	3,973.9	148,763.7	6,408.9	238,311.5
Derivative financial instruments	23.8	5.0	5.3	88.3	-	122.4
Other borrowed funds	3,486.5	1,363.8	-	9.1	6.5	4,865.9
Subordinated liabilities	-	1,082.3	-	4,537.6	-	5,619.9
Other financial liabilities	211.2	255.2	232.5	1,460.9	23.8	2,183.6
	31,288.4	58,494.1	4,438.9	155,013.3	6,581.2	255,815.9
Subsidiaries						15,599.4
Total						**271,415.3**
Net on-balance sheet position	(1,790.8)	7,827.0	97.8	23,147.5	(15.3)	29,266.2
Less allowances for credit impairment						(6,623.4)
Subsidiaries						3,122.2
						25,765.0
Off balance sheet net notional position	3,257.3	8,283.7	917.5	-	591.9	13,050.4
Credit commitments	3,789.1	15,177.9	30.3	13,407.9	324.7	32,729.9
Subsidiaries						7,073.8
						52,854.1

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)
(ii) Currency risk (continued)

Concentration of assets, liabilities and off-balance sheet items

GROUP

At June 30, 2015	EURO	USD	GBP	MUR	OTHER	TOTAL
Financial assets	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cash and cash equivalents	1,846.6	8,477.2	3,411.8	4,333.5	4,930.8	22,999.9
Derivative financial instruments	17.9	-	-	251.0	-	268.9
Loans to and placements with banks	1,244.5	1,246.9	0.4	5,930.0	1,081.8	9,503.6
Loans and advances to customers	14,912.8	46,060.8	1,002.7	97,960.0	191.8	160,128.1
Investment securities	220.1	2,156.6	107.3	42,408.8	102.5	44,995.3
Other financial assets	379.4	930.2	103.0	11,319.8	-	12,732.4
	18,621.3	58,871.7	4,625.2	162,203.1	6,306.9	250,628.2
Less allowances for credit impairment						(7,136.7)
						243,491.5
Subsidiaries						18,179.9
Total						**261,671.4**
Financial liabilities						
Deposits from banks	585.9	3,457.1	126.2	201.5	133.6	4,504.3
Deposits from customers	24,176.8	34,563.1	4,566.2	133,097.3	7,539.2	203,942.6
Derivative financial instruments	17.0	1.8	-	94.2	-	113.0
Other borrowed funds	3,407.1	3,533.2	0.1	11.8	0.1	6,952.3
Subordinated liabilities	-	1,055.7	-	4,539.9	-	5,595.6
Other financial liabilities	123.3	352.2	17.3	2,887.3	23.3	3,403.4
	28,310.1	42,963.1	4,709.8	140,832.0	7,696.2	224,511.2
Subsidiaries						15,455.3
Total						**239,966.5**
Net on-balance sheet position	(9,688.8)	15,908.6	(84.6)	21,371.1	(1,389.3)	26,117.0
Less allowances for credit impairment						(7,136.7)
Subsidiaries						2,724.6
						21,704.9
Off balance sheet net notional position	3,525.1	17,496.5	944.0	-	502.6	22,468.2
Credit commitments	4,983.3	32,894.9	243.6	12,136.1	650.0	50,907.9
Subsidiaries						4,613.9
						77,990.0

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Interest rate risk

Interest rate risk refers to the potential variability in the Group's financial condition owing to changes in the level of interest rates. It is the Group's policy to apply variable interest rates to lending and deposit taking. Fixed interest rates are applied to deposits in foreign currencies; however maturities in this regard are only short-term.

Interest Rate Risk Earnings Impact Analysis

The bank incurs interest rate risk (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown in Note 3(c)(iii) to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as follows:

	GROUP	
	2016	2015
	RS'M	RS'M
Decrease in Earnings	**(653.8)**	(444.4)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP **At June 30, 2016** **Financial assets**	**Up to 1 month RS'M**	**1-3 months RS'M**	**3-6 months RS'M**	**6-12 months RS'M**	**1-3 years RS'M**	**Over 3 years RS'M**	**Non-interest bearing RS'M**	**Total RS'M**
Cash and cash equivalents	10,011.7	-	-	-	-	-	21,964.0	31,975.7
Derivative financial instruments	-	-	-	-	-	6.3	169.5	175.8
Loans to and placements with banks	5,214.8	7,151.2	2,677.4	6,348.1	1,000.0	-	112.1	22,503.6
Loans and advances to customers	116,528.3	23,621.7	6,424.2	1,373.4	1,854.3	7,124.5	2,681.3	159,607.7
Investment securities	2,548.9	4,851.1	4,466.3	12,352.6	17,288.1	11,681.3	3,052.9	56,241.2
Other financial assets	-	-	-	-	-	247.4	14,330.7	14,578.1
	134,303.7	35,624.0	13,567.9	20,074.1	20,142.4	19,059.5	42,310.5	285,082.1
Less allowances for credit impairment								(6,623.4)
								278,458.7
Subsidiaries								18,721.6
Total								**297,180.3**
Financial liabilities								
Deposits from banks	2,773.2	483.1	938.4	24.8	280.2	-	212.9	4,712.6
Deposits from customers	211,467.5	2,597.4	767.6	1,956.4	609.2	2,285.9	18,627.5	238,311.5
Derivative financial instruments	-	-	-	-	-	-	122.4	122.4
Other borrowed funds	2,320.4	-	1,383.3	9.0	-	1,124.1	29.1	4,865.9
Subordinated liabilities	1,064.4	-	-	-	-	4,537.6	17.9	5,619.9
Other financial liabilities	-	-	-	-	-	326.7	1,856.9	2,183.6
	217,625.5	3,080.5	3,089.3	1,990.2	889.4	8,274.3	20,866.7	255,815.9
Subsidiaries								15,599.4
Total								**271,415.3**
On balance sheet interest sensitivity gap	(83,321.8)	32,543.5	10,478.6	18,083.9	19,253.0	10,785.2	21,443.8	29,266.2
Less allowances for credit impairment								(6,623.4)
Subsidiaries								3,122.2
								25,765.0

Other disclosures on IRR are available in the Risk Management Report.

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)
(iii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At June 30, 2015 Financial assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-interest bearing RS'M	Total RS'M
Cash and cash equivalents	10,247.9	-	-	-	-	-	12,752.0	22,999.9
Derivative financial instruments	-	-	-	-	-	-	268.9	268.9
Loans to and placements with banks	1,016.8	2,084.3	2,167.5	4,018.9	176.0	-	40.1	9,503.6
Loans and advances to customers	109,133.2	34,679.1	-	4,307.2	3,089.7	5,590.6	3,328.3	160,128.1
Investment securities	529.6	4,826.2	5,348.6	5,384.6	17,562.0	8,425.2	2,919.1	44,995.3
Other financial assets	0.1	1.0	-	-	0.7	-	12,730.6	12,732.4
	120,927.6	41,590.6	7,516.1	13,710.7	20,828.4	14,015.8	32,039.0	250,628.2
Less allowances for credit impairment								(7,136.7)
								243,491.5
Subsidiaries								18,179.9
Total								**261,671.4**
Financial liabilities								
Deposits from banks	3,466.4	372.5	337.5	-	66.9	-	261.0	4,504.3
Deposits from customers	182,591.0	2,116.0	1,330.7	235.9	1.8	2,103.6	15,563.6	203,942.6
Derivative financial instruments	-	-	-	-	-	-	113.0	113.0
Other borrowed funds	3,336.0	524.8	2,082.9	11.7	-	952.6	44.3	6,952.3
Subordinated liabilities	1,055.7	4,539.9	-	-	-	-	-	5,595.6
Other financial liabilities	131.3	-	-	-	-	-	3,272.1	3,403.4
	190,580.4	7,553.2	3,751.1	247.6	68.7	3,056.2	19,254.0	224,511.2
Subsidiaries								15,455.3
Total								**239,966.5**
On balance sheet interest sensitivity gap	(69,652.8)	34,037.4	3,765.0	13,463.1	20,759.7	10,959.6	12,785.0	26,117.0
Less allowances for credit impairment								(7,136.7)
Subsidiaries								2,724.6
								21,704.9

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)
(iv) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management: (a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day, (b) the maintenance of a stock of liquid assets to ensure that the Group has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds. The MCB has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. The Bank Treasury manages liquidity in accordance with this policy, on a day-to-day basis.

The assets disclosed in the following table are discounted.

Maturities of assets and liabilities

GROUP At June 30, 2016 **Financial assets**	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	31,525.3	-	-	-	-	-	450.4	31,975.7
Derivative financial instruments	112.2	21.4	14.3	9.7	-	6.3	11.9	175.8
Loans to and placements with banks	5,153.9	7,151.2	2,703.0	6,377.3	1,006.0	-	112.2	22,503.6
Loans and advances to customers	35,271.3	3,223.0	4,612.0	4,194.4	15,926.8	93,566.6	2,813.6	159,607.7
Investment securities	2,478.1	4,528.8	4,711.2	12,545.5	17,536.7	12,123.1	2,317.8	56,241.2
Other financial assets	13,688.6	-	-	-	-	247.4	642.1	14,578.1
	88,229.4	14,924.4	12,040.5	23,126.9	34,469.5	105,943.4	6,348.0	285,082.1
Less allowances for credit impairment								(6,623.4)
								278,458.7
Subsidiaries								18,721.6
Total								**297,180.3**
Financial liabilities								
Deposits from banks	2,975.8	376.6	1,045.5	25.4	282.4	-	6.9	4,712.6
Deposits from customers	203,047.3	4,434.4	3,555.3	7,446.6	8,719.0	10,545.5	563.4	238,311.5
Derivative financial instruments	41.4	22.1	14.7	10.0	-	-	34.2	122.4
Other borrowed funds	6.4	-	-	9.0	-	4,827.9	22.6	4,865.9
Subordinated liabilities	-	-	-	-	-	5,602.0	17.9	5,619.9
Other financial liabilities	-	-	-	-	-	326.7	1,856.9	2,183.6
	206,070.9	4,833.1	4,615.5	7,491.0	9,001.4	21,302.1	2,501.9	255,815.9
Subsidiaries								15,599.4
Total								**271,415.3**
Net liquidity gap	(117,841.5)	10,091.3	7,425.0	15,635.9	25,468.1	84,641.3	3,846.1	29,266.2
Less allowances for credit impairment								(6,623.4)
Subsidiaries								3,122.2
								25,765.0

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)
(iv) Liquidity risk (continued)

Maturities of assets and liabilities

GROUP At June 30, 2015 Financial assets	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Cash and cash equivalents	22,688.5	-	-	-	-	-	311.4	22,999.9
Derivative financial instruments	210.5	22.8	12.5	5.2	-	-	17.9	268.9
Loans to and placements with banks	2,140.7	2,282.1	652.6	4,034.5	176.0	177.6	40.1	9,503.6
Loans and advances to customers	35,893.8	8,098.0	3,046.7	3,945.2	14,878.9	90,372.5	3,893.0	160,128.1
Investment securities	509.9	3,870.0	6,200.8	5,485.6	17,626.3	8,696.7	2,606.0	44,995.3
Other financial assets	-	4.4	2.7	7.7	183.3	121.9	12,412.4	12,732.4
	61,443.4	14,277.3	9,915.3	13,478.2	32,864.5	99,368.7	19,280.8	250,628.2
Less allowances for credit impairment								(7,136.7)
								243,491.5
Subsidiaries								18,179.9
Total								**261,671.4**
Financial liabilities								
Deposits from banks	3,436.9	380.8	468.7	151.1	66.8	-	-	4,504.3
Deposits from customers	173,989.6	4,308.2	3,899.4	5,920.3	7,533.9	7,158.0	1,133.2	203,942.6
Derivative financial instruments	13.4	65.0	11.4	4.3	-	-	18.9	113.0
Other borrowed funds	1,239.4	182.5	215.5	450.9	-	4,827.5	36.5	6,952.3
Subordinated liabilities	-	-	-	-	-	5,595.6	-	5,595.6
Other financial liabilities	-	-	-	0.1	-	-	3,403.3	3,403.4
	178,679.3	4,936.5	4,595.0	6,526.7	7,600.7	17,581.1	4,591.9	224,511.2
Subsidiaries								15,455.3
Total								**239,966.5**
Net liquidity gap	(117,235.9)	9,340.8	5,320.3	6,951.5	25,263.8	81,787.6	14,688.9	26,117.0
Less allowances for credit impairment								(7,136.7)
Subsidiaries								2,724.6
								21,704.9

Other disclosures on liquidity risks are available in the Risk Management Report.

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value on instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determined fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Group for similar financial instruments.

(e) Capital risk management
Disclosures relating to capital and management are available in the Risk Management Report.

(f) Financial instruments by category:

	Held-to-Maturity	Loans and receivables	Available-for-sale	Financial instruments at fair value through profit or loss		Other financial instruments at amortised cost	Total
				Held-for -trading	At initial recognition		
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP							
At June 30, 2016							
Financial assets							
Cash and cash equivalents	-	33,305.6	-	-	-	-	33,305.6
Derivative financial instruments	-	-	-	315.4	-	-	315.4
Loans to and placements with banks	-	22,437.0	-	-	-	-	22,437.0
Loans and advances to customers	-	170,908.8	-	-	-	-	170,908.8
Investment securities	54,494.6	-	7,514.7	722.7	2.8	-	62,734.8
Other financial assets	-	14,578.1	-	-	-	-	14,578.1
	54,494.6	241,229.5	7,514.7	1,038.1	2.8	-	304,279.7
Less allowances for credit impairment							(7,099.4)
Total							297,180.3
Financial liabilities							
Deposits from banks	-	-	-	-	-	1,837.7	1,837.7
Deposits from customers	-	-	-	-	-	253,423.9	253,423.9
Derivative financial instruments	-	-	-	307.2	-	-	307.2
Other borrowed funds	-	-	-	-	-	5,193.0	5,193.0
Subordinated liabilities	-	-	-	-	-	5,619.9	5,619.9
Other financial liabilities	-	-	-	-	-	5,033.6	5,033.6
Total	-	-	-	307.2	-	271,108.1	271,415.3

3. **FINANCIAL RISK MANAGEMENT (continued)**

(f) **Financial instruments by category (continued) :**

	Held-to-Maturity	Loans and receivables	Available-for-sale	Financial instruments at fair value through profit or loss		Other financial instruments at amortised cost	Total
				Held-for-trading	At initial recognition		
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP							
At June 30, 2015							
Financial assets							
Cash and cash equivalents	-	24,528.6	-	-	-	-	24,528.6
Derivative financial instruments	-	-	-	426.1	-	-	426.1
Loans to and placements with banks	-	8,868.1	-	-	-	-	8,868.1
Loans and advances to customers	-	172,237.9	-	-	-	-	172,237.9
Investment securities	43,249.7	-	7,438.9	-	0.7	-	50,689.3
Other financial assets	-	12,732.4	-	-	-	-	12,732.4
	43,249.7	218,367.0	7,438.9	426.1	0.7	-	269,482.4
Less allowances for credit impairment							(7,811.0)
Total							261,671.4
Financial liabilities							
Deposits from banks	-	-	-	-	-	2,405.0	2,405.0
Deposits from customers	-	-	-	-	-	218,735.0	218,735.0
Derivative financial instruments	-	-	-	309.6	-	-	309.6
Other borrowed funds	-	-	-	-	-	7,806.4	7,806.4
Subordinated liabilities	-	-	-	-	-	5,595.6	5,595.6
Other financial liabilities	-	-	-	-	-	5,114.9	5,114.9
Total	-	-	-	309.6	-	239,656.9	239,966.5

4. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016 RS'M	2015 RS'M	**2016 RS'M**	2015 RS'M
Cash in hand	**2,044.6**	1,960.8	**49.4**	51.8
Foreign currency notes and coins	**159.7**	151.6	**-**	-
Unrestricted balances with Central Banks	**1,226.8**	2,911.2	**-**	-
Balances due in clearing	**485.2**	347.0	**-**	-
Balances with local banks	**6.7**	39.9	**-**	-
Money market placements	**10,080.3**	10,673.6	**-**	-
Balances with banks abroad	**19,012.3**	8,444.5	**-**	-
Interbank loans	**290.0**	-	**-**	-
	33,305.6	24,528.6	**49.4**	51.8

Cash and cash equivalents as shown in the statements of cash flows:

	GROUP		COMPANY	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M	**Year ended 30th June 2016 RS'M**	Year ended 30th June 2015 RS'M
Cash and cash equivalents	**33,305.6**	24,528.6	**49.4**	51.8
Other borrowed funds (note 15(a))	**(90.5)**	(1,241.1)	**-**	-
NET CASH AND CASH EQUIVALENTS	**33,215.1**	23,287.5	**49.4**	51.8
CHANGE IN YEAR	**9,927.6**	5,804.0	**(2.4)**	48.6

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments to manage its exposure to foreign currency risk and interest rate risk:
Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date.

The fair values of derivative instruments held are set out below:

GROUP	Contractual/ Nominal Amount RS'M	Fair value assets RS'M	Fair value liabilities RS'M
Derivatives held-for-trading			
Year ended 30th June 2016			
Foreign Exchange & Interest Rate Derivatives			
Currency forwards	**2,898.5**	**71.0**	**75.9**
Interest rate swaps	**1,524.8**	**11.9**	**22.2**
Currency swaps	**8,951.2**	**92.8**	**24.2**
Warrants	**4,759.6**	**139.7**	**184.9**
	18,134.1	**315.4**	**307.2**
Year ended 30th June 2015			
Foreign Exchange & Interest Rate Derivatives			
Currency forwards	3,928.1	49.5	35.9
Interest rate swaps	847.6	17.9	18.7
Currency swaps	18,841.8	201.6	58.3
Warrants	1,986.4	157.1	196.7
	25,603.9	426.1	309.6

6. LOANS

(a) Loans to and placements with banks

	GROUP	
	2016	2015
	RS'M	RS'M
(i) Loans to and placements with banks		
in Mauritius	**6,277.3**	3,226.1
outside Mauritius	**45,549.0**	24,800.0
	51,826.3	28,026.1
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(29,389.3)**	(19,158.0)
	22,437.0	8,868.1
Less:		
Allowances for credit impairment	**(17.9)**	(16.6)
	22,419.1	8,851.5
(ii) Remaining term to maturity		
Up to 3 months	**12,350.7**	4,228.6
Over 3 months and up to 6 months	**2,703.0**	251.5
Over 6 months and up to 1 year	**6,377.3**	4,034.5
Over 1 year and up to 5 years	**1,006.0**	176.0
Over 5 years	**-**	177.5
	22,437.0	8,868.1

(iii) Allowances for credit impairment

	GROUP
	RS'M
Portfolio provision:	
At 1st July 2014	17.4
Provision released during the year	(0.8)
At 30th June 2015	**16.6**
Provision for credit impairment for the year	**1.3**
At 30th June 2016	**17.9**

6. LOANS (continued)

(b) Loans and advances to customers

	GROUP	
	2016	2015
	RS'M	RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**689.2**	662.6
Mortgages	**22,427.4**	19,401.1
Other retail loans	**13,555.1**	13,825.0
Corporate customers	**106,770.4**	107,970.7
Governments	**1,204.6**	1,209.2
Entities outside Mauritius	**26,262.1**	29,169.3
	170,908.8	172,237.9
Less:		
Allowances for credit impairment	**(7,081.5)**	(7,794.4)
	163,827.3	164,443.5

Finance lease receivable included in Group loans amounts to Rs 3,812 million as at 30th June 2016 (2015: Rs 3,585 million).

(ii) Remaining term to maturity

	2016 RS'M	2015 RS'M
Up to 3 months	**44,618.9**	49,941.7
Over 3 months and up to 6 months	**5,081.9**	4,182.7
Over 6 months and up to 1 year	**4,958.8**	5,806.0
Over 1 year and up to 5 years	**43,812.1**	44,863.3
Over 5 years	**72,437.1**	67,444.2
	170,908.8	172,237.9

(iii) Allowances for credit impairment

	Specific RS'M	**Portfolio RS'M**	**Total RS'M**
GROUP			
At 1st July 2015	**3,701.2**	**1,120.1**	**4,821.3**
Exchange adjustment	**0.7**	**-**	**0.7**
Provision for credit impairment for the year	**1,635.1**	**23.3**	**1,658.4**
Provision released during the year	**(681.3)**	**-**	**(681.3)**
Amounts written off	**(1,670.7)**	**-**	**(1,670.7)**
Adjustment following loss of control in subsidiary	**(122.2)**	**-**	**(122.2)**
At 30th June 2016	**2,862.8**	**1,143.4**	**4,006.2**
Interest suspense	**3,075.3**	**-**	**3,075.3**
Provision and interest suspense at 30th June 2016	**5,938.1**	**1,143.4**	**7,081.5**
At 1st July 2014	4,078.8	1,053.9	5,132.7
Exchange adjustment	121.4	-	121.4
Provision for credit impairment for the year	1,050.7	66.2	1,116.9
Provision released during the year	(51.3)	-	(51.3)
Amounts written off	(1,498.4)	-	(1,498.4)
At 30th June 2015	3,701.2	1,120.1	4,821.3
Interest suspense	2,973.1	-	2,973.1
Provision and interest suspense at 30th June 2015	6,674.3	1,120.1	7,794.4

6. LOANS (continued)

(b) Loans and advances to customers (continued)

(iv) Allowances for credit impairment by industry sectors

	GROUP					
	2016					2015
	Gross amount of loans	Non performing loans	Specific provision and Interest suspense	Portfolio provision	Total provision	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	**7,645.4**	**1,128.2**	**155.3**	**8.1**	**163.4**	48.5
Manufacturing	**11,961.6**	**828.9**	**405.3**	**130.6**	**535.9**	453.4
of which EPZ	***4,920.4***	***32.7***	***14.2***	***21.7***	***35.9***	*85.7*
Tourism	**31,512.2**	**893.3**	**456.5**	**69.0**	**525.5**	482.9
Transport	**4,470.7**	**1,037.6**	**158.3**	**28.0**	**186.3**	793.4
Construction	**17,675.0**	**2,161.7**	**1,536.4**	**209.0**	**1,745.4**	1,475.2
Financial and business services	**16,163.2**	**123.6**	**90.9**	**49.3**	**140.2**	156.6
Traders	**19,430.4**	**1,310.7**	**757.2**	**146.9**	**904.1**	1,095.7
Personal	**34,117.1**	**2,100.1**	**1,220.9**	**206.9**	**1,427.8**	1,618.7
of which credit cards	***689.2***	***59.9***	***56.2***	***13.6***	***69.8***	*56.2*
of which housing	***22,427.4***	***960.3***	***372.2***	***102.4***	***474.6***	*394.5*
Professional	**1,108.8**	**131.4**	**61.4**	**20.1**	**81.5**	224.1
Foreign governments	**1,204.6**	**-**	**-**	**-**	**-**	-
Global business licence holders	**15,947.8**	**666.2**	**833.9**	**201.2**	**1,035.1**	1,118.0
Others	**9,672.0**	**322.4**	**262.0**	**74.3**	**336.3**	327.9
	170,908.8	**10,704.1**	**5,938.1**	**1,143.4**	**7,081.5**	7,794.4

(v) Credit concentration of risk by industry sectors

Total credit facilities including guarantees, acceptances and other similar commitments extended by the Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors.

	GROUP	
	2016	2015
	RS'M	RS'M
Agriculture and fishing	**2,129.7**	1,202.7
Manufacturing	**2,528.0**	2,305.1
of which EPZ	***1,695.0***	*1,637.7*
Tourism	**12,061.9**	11,116.7
Transport	**62.6**	108.3
Construction	**4,240.4**	2,086.8
Financial and Business Services	**3,784.2**	12,230.2
Traders	**10,621.2**	16,447.7
Global Business Licence holders	**8,822.2**	7,880.3
Others	**68.3**	739.4
	44,318.5	54,117.2

7. INVESTMENT SECURITIES

	GROUP	
	2016	2015
	RS'M	RS'M
Held-to-maturity	**54,494.6**	43,249.7
Available-for-sale	**7,514.7**	7,438.9
Held-for-trading	**722.7**	-
At fair value through profit or loss	**2.8**	0.7
	62,734.8	50,689.3

At fair value through profit or loss comprise financial instruments including investments in unquoted overseas collective investment scheme.

(a) (i) Held-to-maturity

	2016	2015
Government of Mauritius and Bank of Mauritius bonds	**35,695.9**	26,998.0
Treasury bills	**17,453.5**	15,491.3
Foreign bonds	**879.9**	731.0
Other	**465.3**	29.4
	54,494.6	43,249.7

(ii) Remaining term to maturity

	2016					
	Up to 3 months	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
	RS'M	**RS'M**	**RS'M**	**RS'M**	**RS'M**	**RS'M**
GROUP						
Government of Mauritius and Bank of Mauritius bonds	**1,008.9**	**99.7**	**7,288.0**	**21,040.9**	**6,258.4**	**35,695.9**
Treasury bills	**6,966.9**	**4,409.1**	**5,866.6**	**210.9**	**-**	**17,453.5**
Foreign bonds	**-**	**107.5**	**574.0**	**198.4**	**-**	**879.9**
Other	**30.9**	**-**	**-**	**250.8**	**183.6**	**465.3**
	8,006.7	**4,616.3**	**13,728.6**	**21,701.0**	**6,442.0**	**54,494.6**

7. INVESTMENT SECURITIES (continued)

(b) (i) Available-for-sale

	GROUP	
	2016	2015
	RS'M	RS'M
Quoted - Level 1		
Official list : shares	**1,637.4**	1,598.8
Bonds	**1,185.3**	1,243.9
Development and Enterprise Market : shares	**550.9**	628.9
Foreign shares	**779.5**	723.4
	4,153.1	4,195.0
Unquoted - Level 2		
Investment fund	**584.2**	725.8
Unquoted - Level 3		
Shares	**2,248.5**	1,766.6
Debts	**104.2**	339.6
Investment fund	**215.9**	203.1
Inflation - indexed Government of Mauritius bonds	**208.8**	208.8
	2,777.4	2,518.1
	7,514.7	7,438.9

(b) (ii) Reconciliation of level 3 fair value measurement

	GROUP
	RS'M
At 1st July 2014	**2,741.5**
Additions	571.2
Disposals	(306.9)
Fair value	165.2
Transfers	(651.8)
Exchange adjustments	(1.1)
At 30th June 2015	**2,518.1**
Additions	345.4
Disposals	(93.8)
Fair value	14.9
Adjustment following loss of control in subsidiary	(6.9)
Exchange adjustments	(0.3)
At 30th June 2016	**2,777.4**

The book value approximates the fair value.

8. INVESTMENTS IN ASSOCIATES

(a) The Group's interest in its associates are as follows:

	Nature of business	Principal place of business	Country of incorporation	Holding % Direct	Indirect
2016					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Reunion**	**France**	**-**	**49.99**
Société Générale Moçambique	**Banking & financial services**	**Mozambique**	**Mozambique**	**-**	**35.00**
Promotion and Development Ltd	**Investment and Property development**	**Mauritius**	**Mauritius**	**0.13**	**46.37**
Caudan Development Ltd	**Property development, investment and provision of security services**	**Mauritius**	**Mauritius**	**0.61**	**34.51**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Mauritius**	**40.00**	**-**
2015					
Banque Française Commerciale Ocean Indien	Banking & financial services	Reunion	France	-	49.99
Promotion and Development Ltd	Investment and Property development	Mauritius	Mauritius	0.13	46.37
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Mauritius	-	34.51
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Mauritius	40.00	-

(i) The above associates are accounted for using the equity method.

(ii) Except for Credit Guarantee Insurance Co Ltd, the other above associates are held through subsidiaries.

(iii) Banque Française Commerciale Ocean Indien, Société Générale Moçambique and Credit Guarantee Co Ltd are unquoted.
The other associates are quoted and the market value of the quoted associates was based on SEM bid price at 30th June as follows:
Promotion and Development Ltd : Rs 1,619.4 M (2015:Rs 1,719.0 M)
Caudan Development Ltd : Rs 58.0 M (2015: Rs 60.8 M)

GROUP

	GROUP 2016 RS'M	2015 RS'M
Group share of net assets	**8,390.8**	6,496.7
Goodwill	**56.9**	56.9
Subordinated loans to associate	**704.2**	701.0
	9,151.9	7,254.6

(b) Summarised financial information in respect of material entities:

Banque Française Commerciale Ocean Indien

	GROUP 2016 RS'M	2015 RS'M
(i) Summarised statement of financial position:		
Current assets	**9,963.2**	9,587.0
Non current assets	**58,997.9**	56,281.1
Current liabilities	**21,212.2**	19,530.8
Non current liabilities	**41,460.5**	40,521.2
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	**4,170.0**	4,259.0
Dividend received	**210.8**	95.8
Profit	**877.6**	691.5
Other comprehensive income/(expense)	**38.6**	(271.7)
Total comprehensive income	**916.2**	419.8

8. INVESTMENTS IN ASSOCIATES (continued)

(b) Summarised financial information in respect of material entities:(continued)

Promotion and Development Ltd

	GROUP	
	2016 RS'M	2015 RS'M
(i) Summarised statement of financial position:		
Current assets	**223.9**	252.0
Non current assets	**12,516.1**	10,033.5
Current liabilities	**308.1**	738.0
Non current liabilities	**1,007.5**	1,078.3
Non controlling interest	**1,088.5**	1,083.9
(ii) Summarised statement of profit or loss and other comprehensive income/(expense):		
Revenue	**584.7**	518.9
Profit	**798.3**	60.9
Other comprehensive income/(expense)	**2,249.6**	(91.6)
Total comprehensive income/(expense)	**3,047.9**	(30.7)

(c) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets Rs'M	Profit Rs'M	Other Comprehensive Income/ (expense) Rs'M	Other Movements in Reserves Rs'M	Dividend Rs'M	Closing net assets Rs'M	Ownership Interest %	Interest in Associates Rs'M	Goodwill Rs'M	Subordinated Loan Rs'M	Carrying Value Rs'M
2016											
Banque Française Commerciale Ocean Indien	**5,816.1**	**877.6**	**38.6**	**-**	**(443.9)**	**6,288.4**	**49.99%**	**3,143.6**	**56.9**	**704.2**	**3,904.7**
Promotion and Development Limited	**7,385.3**	**798.3**	**2,249.6**	**-**	**(97.3)**	**10,335.9**	**46.50%**	**4,806.2**	**-**	**-**	**4,806.2**
2015											
Banque Française Commerciale Ocean Indien	5,598.1	691.5	(271.7)	-	(201.8)	5,816.1	49.99%	2,907.5	56.9	701.0	3,665.4
Promotion and Development Limited	7,492.4	60.9	(91.6)	1.4	(77.8)	7,385.3	46.50%	3,434.2	-	-	3,434.2

(d) Aggregate information of associates that are not individually material

	GROUP	
	2016 RS'M	2015 RS'M
Carrying amount of interests	**441.0**	155.0
Share of (loss)/profits	**(74.9)**	0.8
Share of other comprehensive expense	**-**	(2.2)

AT COST

	COMPANY	
	2016 RS'M	2015 RS'M
At 1st July	**20.6**	15.6
Additions	**5.9**	5.0
At 30th June	**26.5**	20.6

9. INVESTMENTS IN SUBSIDIARIES

(a) The Group has the following main subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital RS'M	Effective Holding 2016 %	Proportion of ownership interests held by non-controlling interests 2016 %	Effective Holding 2015 %	Proportion of ownership interests held by non-controlling interests 2015 %	Cost of Investment COMPANY 2016 RS'M	Cost of Investment COMPANY 2015 RS'M
BANKING									
Direct									
MCB Investment Holding Ltd	Mauritius	Activities of holding companies, without managing	**6,879.6**	**100.00**	**-**	100.00	-	**6,879.6**	6,879.6
Indirect									
The Mauritius Commercial Bank Limited	Mauritius	Banking & Financial services	**6,879.6**	**100.00**	**-**	100.00	-	**-**	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	**38.1**	**100.00**	**-**	100.00	-	**-**	-
MCB Madagascar SA	Madagascar	Banking & Financial services	**130.2**	**85.00**	**15.00**	85.00	15.00	**-**	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**355.7**	**100.00**	**-**	100.00	-	**-**	-
NON-BANKING FINANCIAL									
Direct									
MCB Equity Fund Ltd	Mauritius	Private Equity Fund	**2,084.6**	**100.00**	**-**	100.00	-	**2,084.6**	2,084.6
MCB Capital Markets Ltd	Mauritius	Investment Holding Company	**73.0**	**100.00**	**-**	96.06	3.94	**73.0**	73.0
MCB Factors Ltd	Mauritius	Factoring	**50.0**	**100.00**	**-**	100.00	-	**50.0**	50.0
MCB Micro Finance Ltd	Mauritius	Credit Finance	**20.0**	**100.00**	**-**	n/a	n/a	**20.0**	n/a
OTHER INVESTMENTS									
Direct									
International Card Processing Services Ltd	Mauritius	Providing card system facilities, card embossing and encoding services	**100.0**	**80.00**	**20.00**	80.00	20.00	**80.0**	80.0
Fincorp Investment Ltd	Mauritius	Investment Company	**103.4**	**57.73**	**42.27**	57.73	42.27	**28.7**	28.7
MCB Properties Ltd	Mauritius	Property ownership & development	**14.6**	**100.00**	**-**	100.00	-	**14.6**	14.6
Blue Penny Museum	Mauritius	Philatelic museum	**1.0**	**97.88**	**2.12**	97.88	2.12	**1.0**	1.0
MCB Consulting Services Ltd	Mauritius	Consulting, advisory, support and maintenance services	**24.8**	**100.00**	**-**	100.00	-	**21.5**	21.5
Others*	Seychelles	Property rental & other financial services	**-**	**100.00**	**-**	100.00	-	**0.2**	-
								9,253.2	9,233.0

Except for Fincorp Investment Ltd which is quoted, the other above companies are unquoted.

The fair value of the Company's interest in Fincorp Investment Ltd was Rs 1,157.5 million at 30th June 2016(2015: Rs 1,211.2 million).

* 'Others' relates to Mascareignes Properties Ltd involved in property rental and MCB International Services Ltd involved in other financial services in which the Group hold an effective holding of 100%. The stated capital of both entities are negligible.

	COMPANY 2016 RS'M	COMPANY 2015 RS'M
(b) At 1st July	**9,233.0**	4,707.4
Additions	**20.2**	4,525.6
At 30th June	**9,253.2**	9,233.0

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of Fincorp Investment Ltd which has non-controlling interests that are material to the entity.

	Profit attributable to non-controlling interests Rs'M	Net Assets attributable to non-controlling interests Rs'M
GROUP		
2016	**144.9**	**2,084.9**
2015	29.1	1,587.2

(d) Summarised financial information for Fincorp Investment Ltd which has material non-controlling interests.

	GROUP	
	2016	2015
(i) Summarised statement of financial position :	**RS'M**	RS'M
Current assets	**1,502.3**	1,522.5
Non current assets	**8,993.4**	7,369.6
Current liabilities	**1,856.0**	2,702.7
Non current liabilities	**3,571.3**	2,451.3
(ii) Summarised statements of profit or loss and comprehensive income :		
Revenue	**464.2**	421.6
Profit	**382.4**	67.0
Other comprehensive income	**1,009.8**	20.8
Total comprehensive income	**1,392.2**	87.8
Dividend paid to non-controlling interests	**26.2**	19.7
(iii) Summarised statement of cash flows :		
Net cash flows from operating activities	**421.7**	(64.1)
Investing activities	**(255.4)**	(58.2)
Financing activities	**(359.8)**	348.8
Taxation	**(6.4)**	(20.0)
Net (decrease)/increase in cash and cash equivalents	**(199.9)**	206.5

The summarised financial information above is the amount before intra-group eliminations.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Goodwill

	GROUP	
	2016	2015
	RS'M	RS'M
At 1st July	**52.8**	52.8
Adjustment following loss of control in subsidiary	**(46.7)**	-
At 30th June	**6.1**	52.8

(b) Other intangible assets

	GROUP	
	2016	2015
	RS'M	RS'M
Computer Software		
Cost		
At 1st July	**3,066.9**	2,903.3
Additions	**421.8**	160.8
Scrap/impairment	**(55.3)**	(12.8)
Exchange adjustment	**(15.4)**	15.6
Adjustment following loss of control in subsidiary	**(133.4)**	-
At 30th June	**3,284.6**	3,066.9
Amortisation		
At 1st July	**2,279.3**	2,044.9
Scrap/impairment	**(53.1)**	(12.8)
Charge for the year	**219.1**	247.0
Exchange adjustment	**(4.0)**	0.2
Adjustment following loss of control in subsidiary	**(48.0)**	-
At 30th June	**2,393.3**	2,279.3
Net book value	**891.3**	787.6
TOTAL	**897.4**	840.4

The only material intangible assets for the Group are the core banking systems. The remaining useful lives range from 4 years to 6 years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Total RS'M
GROUP					
Cost					
At 1st July 2014	4,844.8	3,088.5	1,452.5	65.0	9,450.8
Additions	10.6	172.4	298.5	50.9	532.4
Disposals	-	(71.3)	(153.2)	-	(224.5)
Exchange adjustment	22.6	8.8	(2.0)	-	29.4
Transfer	(0.9)	81.3	10.0	(90.4)	-
At 30th June 2015	**4,877.1**	**3,279.7**	**1,605.8**	**25.5**	**9,788.1**
Additions	**4.9**	**124.6**	**211.2**	**173.3**	**514.0**
Disposals	**(0.7)**	**(170.7)**	**(139.7)**	**-**	**(311.1)**
Exchange adjustment	**(5.3)**	**(4.2)**	**(0.3)**	**-**	**(9.8)**
Transfer	**-**	**60.2**	**3.7**	**(63.9)**	**-**
Assets written off by subsidiary	**-**	**-**	**(25.8)**	**-**	**(25.8)**
Adjustment following loss of control in subsidiary	**(67.9)**	**(44.3)**	**-**	**-**	**(112.2)**
At 30th June 2016	**4,808.1**	**3,245.3**	**1,654.9**	**134.9**	**9,843.2**
Accumulated depreciation					
At 1st July 2014	653.9	2,112.2	639.4	-	3,405.5
Charge for the year	79.7	276.3	156.7	-	512.7
Disposal adjustment	-	(69.4)	(100.2)	-	(169.6)
Exchange adjustment	6.1	3.0	(3.1)	-	6.0
At 30th June 2015	**739.7**	**2,322.1**	**692.8**	**-**	**3,754.6**
Charge for the year	**76.3**	**275.7**	**168.6**	**-**	**520.6**
Disposal adjustment	**-**	**(164.9)**	**(96.1)**	**-**	**(261.0)**
Exchange adjustment	**(0.5)**	**(2.9)**	**-**	**-**	**(3.4)**
Assets written off by subsidiary	**-**	**-**	**(15.4)**	**-**	**(15.4)**
Adjustment following loss of control in subsidiary	**(8.9)**	**(36.1)**	**-**	**-**	**(45.0)**
At 30th June 2016	**806.6**	**2,393.9**	**749.9**	**-**	**3,950.4**
Net book values					
At 30th June 2016	**4,001.5**	**851.4**	**905.0**	**134.9**	**5,892.8**
At 30th June 2015	4,137.4	957.6	913.0	25.5	6,033.5
COMPANY					
Cost					
Additions	-	-	4.0	-	4.0
At 30th June 2015	**-**	**-**	**4.0**	**-**	**4.0**
Additions	-	-	5.6	-	5.6
At 30th June 2016	**-**	**-**	**9.6**	**-**	**9.6**
Accumulated depreciation					
Charge for the year	-	-	0.8	-	0.8
At 30th June 2015	**-**	**-**	**0.8**	**-**	**0.8**
Charge for the year	-	-	1.9	-	1.9
At 30th June 2016	**-**	**-**	**2.7**	**-**	**2.7**
Net book values					
At 30th June 2016	**-**	**-**	**6.9**	**-**	**6.9**
At 30th June 2015	-	-	3.2	-	3.2

12. DEFERRED TAX ASSETS/(LIABILITY)

	Balance as at 1st July	Exchange adjustments	Recognised in Statements of profit or loss	Recognised in Statements of comprehensive income	Adjustment following loss of control in subsidiary	Balance as at 30th June
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
The movement in the deferred income tax account is as follows :-						
Year ended 30th June 2016						
Deferred tax assets :						
Provisions and post retirement benefits	**236.6**	**-**	**(13.4)**	**30.7**	**-**	**253.9**
Provisions for credit impairment	**221.2**	**(0.1)**	**4.3**	**-**	**-**	**225.4**
Tax losses carried forward	**2.3**	**-**	**-**	**-**	**-**	**2.3**
Accelerated tax depreciation	**(173.1)**	**-**	**15.0**	**-**	**(12.2)**	**(170.3)**
	287.0	**(0.1)**	**5.9**	**30.7**	**(12.2)**	**311.3**
Deferred tax liability :						
Accelerated tax depreciation	**(50.2)**	**0.1**	**(15.3)**	**-**	**-**	**(65.4)**
Year ended 30th June 2015						
Deferred tax assets :						
Provisions and post retirement benefits	254.1	-	(0.7)	(16.8)	-	236.6
Provisions for credit impairment	132.9	1.8	86.5	-	-	221.2
Tax losses carried forward	15.7	-	(13.4)	-	-	2.3
Accelerated tax depreciation	(177.0)	5.3	(1.4)	-	-	(173.1)
	225.7	7.1	71.0	(16.8)	-	287.0
Deferred tax liability :						
Accelerated tax depreciation	(59.1)	(0.2)	9.1	-	-	(50.2)
COMPANY						
Year ended 30th June 2016						
Deferred tax liability :						
Accelerated tax depreciation	**(0.1)**	**-**	**(0.3)**	**-**	**-**	**(0.4)**
Year ended 30th June 2015						
Deferred tax liability :						
Accelerated tax depreciation	-	-	(0.1)	-	-	(0.1)

13. OTHER ASSETS

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RS'M	RS'M	**RS'M**	RS'M
Mandatory balances with Central Banks	**15,498.8**	14,270.1	-	-
Prepayments & other receivables	**684.9**	987.5	**1,071.1**	1,089.2
Credit Card Clearing	**109.5**	245.8	**-**	-
Non-banking assets acquired in satisfaction of debts	**51.9**	57.5	**-**	-
Impersonal and other accounts	**2,504.1**	1,072.4	**-**	-
Receivable from Mauritius Union Assurance Co Ltd	**-**	25.0	**-**	-
	18,849.2	16,658.3	**1,071.1**	1,089.2

14. DEPOSITS

	GROUP	
	2016	2015
	RS'M	RS'M
(a) Deposits from banks		
Demand deposits	**1,283.2**	2,156.5
Money market deposits with remaining term to maturity:		
Up to 3 months	**192.2**	248.5
Over 6 months and up to 1 year	**362.3**	-
	554.5	248.5
	1,837.7	2,405.0

14. DEPOSITS (continued)

	GROUP 2016 RS'M	GROUP 2015 RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	**27,071.0**	21,943.1
Savings deposits	**99,759.1**	88,225.8
Time deposits with remaining term to maturity:		
Up to 3 months	**3,785.9**	4,194.9
Over 3 months and up to 6 months	**2,079.4**	2,273.3
Over 6 months and up to 1 year	**5,084.2**	5,171.4
Over 1 year and up to 5 years	**13,783.6**	11,833.1
Over 5 years	**7.3**	56.5
	24,740.4	23,529.2
	151,570.5	133,698.1
(ii) Corporate customers		
Demand deposits	**76,124.5**	62,241.2
Savings deposits	**5,709.3**	6,847.0
Time deposits with remaining term to maturity:		
Up to 3 months	**5,624.6**	5,994.5
Over 3 months and up to 6 months	**2,077.7**	2,238.0
Over 6 months and up to 1 year	**3,081.4**	2,072.4
Over 1 year and up to 5 years	**5,502.5**	1,531.5
Over 5 years	**2,791.7**	2,782.5
	19,077.9	14,618.9
	100,911.7	83,707.1
(iii) Government		
Demand deposits	**509.7**	492.1
Savings deposits	**52.2**	28.6
Time deposits with remaining term to maturity:		
Up to 3 months	**379.8**	688.6
Over 3 months and up to 6 months	**-**	108.7
Over 6 months and up to 1 year	**-**	11.8
	379.8	809.1
	941.7	1,329.8
	253,423.9	218,735.0

15. OTHER BORROWED FUNDS

(a) Other borrowed funds comprise the following:

	GROUP	
	2016	2015
	RS'M	RS'M
Borrowings from banks:		
in Mauritius	**9.3**	765.7
abroad	**5,183.7**	7,040.7
	5,193.0	7,806.4
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**90.5**	1,241.1

The carrying amounts of other borrowed funds are not materially different from their fair values.

(b) Remaining term to maturity:

	GROUP 2016 RS'M	GROUP 2015 RS'M
On demand or within a period not exceeding 1 year	**165.8**	2,229.6
Within a period of more than 1 year but not exceeding 2 years	**58.1**	231.2
Within a period of more than 2 years but not exceeding 3 years	**45.8**	214.5
Within a period of more than 3 years	**4,923.3**	5,131.1
	5,193.0	7,806.4

16. SUBORDINATED LIABILITIES

Subordinated liabilities comprise the following:

		GROUP		COMPANY	
		2016	2015	**2016**	2015
		RS'M	RS'M	**RS'M**	RS'M
Rs4.5 billion floating rate subordinated note maturing in August 2023 at an average interest rate of 5.8%(2015:6.0%) (Level 1)	(i)	**4,537.6**	4,539.9	**4,537.6**	4,504.4
USD30M subordinated debt maturing in August 2023 at an average interest rate of 3.8 %(2015:3.5%) (Level 3)	(ii)	**1,082.3**	1,055.7	**-**	-
		5,619.9	5,595.6	**4,537.6**	4,504.4

The carrying amounts of the subordinated liabilities are not materially different from their fair values.

(i) As part of its capital-raising plans, The Mauritius Commercial Bank Limited had made an offer to the public for the issue of Rs3 billion worth of floating rate subordinated notes due in 2023, with an option to issue up to Rs4.5 billion, in case of oversubscription. The offer closed on 19th July 2013 and applications were received for a total of Rs6.3 billion from which The Mauritius Commercial Bank Limited decided to retain the maximum amount of Rs4.5 billion.

In order to strengthen the capital base of The Mauritius Commercial Bank Limited in anticipation of future business growth and of higher regulatory requirements set out in Basel III, The Board of Directors of The Mauritius Commercial Bank Limited and MCB Group Limited have obtained the approval of the Bank of Mauritius under Section 32A of the Banking Act to transfer the assets and liabilities attached to the floating rate subordinated notes to the ultimate holding company, MCB Group Limited. The transfer was effected on 25th June 2015. As such, The Mauritius Commercial Bank Limited has been replaced by MCB Group Limited as the issuer of the Notes and the corresponding liabilities (i.e coupon payments and principal repayment at maturity) were fully assumed by MCB Group Limited in exchange of a cash receipt of MUR 4.5 billion. Apart from the change in issuer, the existing terms and conditions of the Notes remained unchanged.

These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd and are presently available to individual and institutional investors for secondary trading.

(ii) The Mauritius Commercial Bank Limited obtained a USD30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD150M granted by the latter to allow The Mauritius Commercial Bank Limited to increase its foreign currency lending to clients operating in the region and in mainland Africa.

17 POST EMPLOYEE BENEFITS LIABILITIES

Amounts recognised in the financial statements at end of year

	GROUP	
	2016	2015
	Rs'M	Rs'M
Reconciliation of net defined benefit liability		
Opening balance	**1,034.2**	1,151.0
Amount recognised in statements of profit or loss	**268.0**	309.5
Amount recognised in statements of comprehensive income	**204.4**	(112.0)
Less capital injection	**(1,000.0)**	-
Less employer contributions	**(256.9)**	(314.3)
Liability as shown in note 18	**249.7**	1,034.2
Reconciliation of fair value of plan assets		
Opening balance	**5,297.9**	4,703.3
Interest income	**365.7**	379.9
Capital injection	**1,000.0**	-
Employer contributions	**256.9**	314.3
Benefits paid	**(317.3)**	(220.5)
Return on plan assets excluding interest income	**(400.5)**	120.9
Closing balance	**6,202.7**	5,297.9
Reconciliation of present value of defined benefit obligation		
Opening balance	**6,332.1**	5,854.3
Current service cost	**201.7**	229.7
Interest expense	**432.0**	459.7
Other benefits paid	**(317.3)**	(220.5)
Liability experience (gain)/loss	**(2.7)**	20.8
Liability gain due to change in financial assumptions	**(193.4)**	(11.9)
Closing balance	**6,452.4**	6,332.1
Components of amount recognised in statements of profit or loss		
Current service cost	**201.7**	229.7
Net interest on net defined benefit liability	**66.3**	79.8
Total	**268.0**	309.5
Components of amount recognised in statements of comprehensive income		
Return on plan assets below/(above) interest income	**400.5**	(120.9)
Liability experience (gain)/loss	**(2.7)**	20.8
Liability gain due to change in financial assumptions	**(193.4)**	(11.9)
Total	**204.4**	(112.0)

17 POST EMPLOYEE BENEFITS LIABILITIES (continued)

	GROUP	
	2016	2015
Allocation of plan assets at end of period	**%**	%
Equity - Local quoted	**21**	22
Equity - Local unquoted	**1**	2
Debt - Overseas quoted	**9**	9
Debt - Local quoted	**6**	4
Debt - Local unquoted	**1**	3
Property - Local	**3**	4
Investment funds	**31**	39
Cash and other	**28**	17
Total	**100**	100
Allocation of plan assets at end of period	**%**	%
Reporting entity's own transferable financial instruments	**6**	6
Property occupied by reporting entity	**1**	2
Other assets used by reporting entity	**25**	11
Principal assumptions used at end of period		
Discount rate	**6.5%**	7.0%
Rate of salary increases	**4.5%**	5.0%
Rate of pension increases	**3.7%**	4.5%
Average retirement age (ARA)	**62**	62
Average life expectancy for:		
Male at ARA	**18.0 years**	18.0 years
Female at ARA	**22.5 years**	22.5 years

	2016 Rs'M	2015 Rs'M
Sensitivity analysis on defined benefit obligation at end of period		
Increase due to 1% decrease in discount rate	**1,222.0**	1,219.2
Decrease due to 1% increase in discount rate	**947.2**	942.7

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation. It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing that sensitivity analysis from prior years.

The Mauritius Commercial Bank Limited sponsors a defined benefit pension plan for its staff which is self-administered and funded separately from the bank . The Mauritius Commercial Bank Limited has recognised a net defined benefit liability of Rs 249.7M as at 30 June 2016 for the plan (2015 : Rs 1,034.2M).

The Mauritius Commercial Bank Limited operates a final salary defined benefit pension plan for its employees.
The plan exposes the bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate , it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment . An increase in life expectancy of the plan participants will increase the plan liability.

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.

There has been no plan amendment, curtailment or settlement during the year.

Future cash flows

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

Expected employer contribution for the next year (Rs M)	**238.4**
Weighted average duration of the defined benefit obligation	**17 years**

Capital injection

During the year, The Mauritius Commercial Bank Limited has injected Rs 1,000.0 M into the Superannuation Fund in order to finance the shortfall of the Fund.

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants.

	GROUP		COMPANY	
	2016 RS'M	2015 RS'M	**2016 RS'M**	2015 RS'M
18. OTHER LIABILITIES				
Post employee benefits liability (note 17)	**249.7**	1,034.2	**-**	-
Proposed dividend	**952.8**	892.7	**952.8**	892.7
Crescendo notes*	**2,850.0**	1,711.5	**-**	-
Impersonal & other accounts	**3,384.5**	3,250.7	**47.6**	37.8
	7,437.0	6,889.1	**1,000.4**	930.5

* These notes were issued by one of our subsidiary whereby the capital and/or return are guaranteed.

19. STATED CAPITAL AND RESERVES

(a) SHARE CAPITAL

	Number of shares
At 1st July 2014	**237,977,261**
Issue of shares following the exercise of Group Employee Share Options Scheme	**68,818**
At 30th June 2015	**238,046,079**
Issue of shares following the exercise of Group Employee Share Options Scheme	**141,093**
At 30th June 2016	**238,187,172**

The shares have no par value and rank 'pari passu' in all respects with the existing ordinary shares of the company.

(b) RESERVES

(i) Capital reserve
The capital reserve represents the cumulative net change in the fair value of:
(a) available-for-sale investment securities until the securities are derecognised or impaired.
(b) land until it is derecognised.

(ii) Translation reserve
The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of foreign operations.

(iii) Statutory reserve
Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

(iv) General banking reserve
The Group makes an appropriation to a General banking reserve for unforeseen risks and future losses.

20. CONTINGENT LIABILITIES

	GROUP	
	2016	2015
	RS'M	RS'M
(a) Instruments		
Acceptances on account of customers	**166.8**	275.3
Guarantees on account of customers	**18,998.1**	16,654.8
Letters of credit and other obligations on account of customers	**9,269.6**	16,878.9
Other contingent items	**3,696.3**	11,888.1
	32,130.8	45,697.1
(b) Commitments		
Loans and other facilities, including undrawn credit facilities	**2,913.5**	4,633.0
(c) Tax assessments *	**836.9**	797.2
(d) Other		
Inward bills held for collection	**428.0**	490.3
Outward bills sent for collection	**1,003.7**	803.6
	1,431.7	1,293.9
	37,312.9	52,421.2

*During the period December 2011 to June 2016, The Mauritius Commercial Bank Limited, one of our subsidiary, received income tax assessments relating to six consecutive years starting with financial year ended 30th June 2007 to 30th June 2012 against which The Mauritius Commercial Bank Limited has objected.

Moreover, The Mauritius Commercial Bank Limited received several assessments under the Value Added Tax Act for the periods beginning April 2006 to June 2015 against which The Mauritius Commercial Bank Limited has also objected.

The above are pending in front of the Assessment Review Committee. The maximum liability that could arise from these assessments amounts to Rs 836.9 million, including penalties and interests.

	GROUP		COMPANY	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M	**Year ended 30th June 2016 RS'M**	Year ended 30th June 2015 RS'M
21. INTEREST INCOME				
Loans to and placements with banks	**367.1**	227.9	**-**	-
Loans and advances to customers	**11,313.1**	11,150.7	**-**	-
Held-to-maturity investments	**1,875.5**	1,419.8	**-**	-
Available-for-sale investments	**75.6**	35.3	**-**	-
Other	**12.3**	10.6	**-**	-
	13,643.6	12,844.3	**-**	-
22. INTEREST EXPENSE				
Deposits from banks	**11.1**	6.3	**-**	-
Deposits from customers	**4,344.4**	4,253.4	**-**	-
Subordinated liabilities	**303.8**	304.9	**262.8**	4.4
Other borrowed funds	**94.0**	125.5	**-**	-
	4,753.3	4,690.1	**262.8**	4.4
23. FEE AND COMMISSION INCOME				
Retail banking fees	**626.4**	662.7	**-**	-
Corporate banking fees	**575.3**	581.0	**-**	-
Guarantee fees	**222.6**	223.2	**-**	-
Interbank transaction fees	**51.5**	51.5	**-**	-
Brokerage	**18.1**	22.6	**-**	-
Asset management fees	**135.1**	112.5	**-**	-
Rental income	**134.1**	110.8	**-**	-
Cards and other related fees	**1,469.1**	1,391.9	**-**	-
Trade finance fees	**498.4**	666.8	**-**	-
Others	**305.9**	325.1	**-**	-
	4,036.5	4,148.1	**-**	-
24. FEE AND COMMISSION EXPENSE				
Interbank transaction fees	**34.7**	31.9	**-**	-
Cards and other related fees	**722.2**	664.9	**-**	-
Others	**88.3**	86.9	**-**	0.1
	845.2	783.7	**-**	0.1
25. NET (LOSS)/GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				
Net (loss)/gain from derivatives financial instruments	**(232.2)**	78.8	**-**	-
Investment securities at fair value through profit or loss	**130.4**	69.0	**-**	-
Investment securities held-for-trading	**1.3**	-	**-**	-
	(100.5)	147.8	**-**	-
26. DIVIDEND INCOME				
Cash				
Income from quoted investments:				
Subsidiary	**-**	-	**35.8**	35.8
Others	**53.4**	41.4	**0.1**	0.1
Income from unquoted investments:				
Subsidiary	**-**	-	**2,168.1**	1,852.0
Others	**23.0**	44.8	**-**	-
	76.4	86.2	**2,204.0**	1,887.9

27. NON - INTEREST EXPENSE

(a) Salaries and human resource development

	GROUP		COMPANY	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M	**Year ended 30th June 2016 RS'M**	Year ended 30th June 2015 RS'M
Wages and salaries	**2,373.2**	2,246.5	**68.6**	51.8
Defined benefit plan	**268.0**	309.5	**-**	-
Defined contribution plan	**44.3**	-	**-**	-
Compulsory social security obligations	**60.5**	60.0	**-**	-
Equity settled share-based payments	**1.6**	1.5	**-**	-
Other personnel expenses	**563.4**	466.9	**-**	-
	3,311.0	3,084.4	**68.6**	51.8
Number of employees	**3,220**	3,135	**-**	-

(b) Other non-interest expense

	GROUP		COMPANY	
Software licensing and other information technology cost	**254.9**	258.5	**-**	-
Others	**1,483.4**	1,423.0	**29.4**	22.6
	1,738.3	1,681.5	**29.4**	22.6

(c) Share-based payments

During FY 2014, the Group proposed to all employees a Group Employee Share Option Scheme (GESOS).

The Board of Directors has the authority to issue up to 5 million shares to the employees. In October 2015, a further offer of 675,055 options was made on similar terms.

	GROUP			
	2016		2015	
	Weighted avg exercise price RS	**Number of options**	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 1st July	**194.24**	**463,778**	176.47	399,032
Expired during the year	**193.64**	**(409,477)**	176.29	(373,659)
Granted during the year	**195.75**	**675,055**	193.85	507,223
Exercised during the year/period under GESOS	**194.27**	**(141,093)**	185.88	(68,818)
Outstanding and exercisable at 30th June		**588,263**		463,778

The options outstanding at 30th June 2016 under GESOS have an exercise price in the range of Rs 194 to Rs 218 and a weighted average contractual life of 3½ months (2015: 3½ months).

The weighted average share price at the date the share options were exercised under GESOS during F/Y 15/16 was Rs 209.33 (2015:Rs 203.09).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 212.75 (2015:Rs 210.75).

28. NET IMPAIRMENT OF FINANCIAL ASSETS

	GROUP	
	Year ended 30th June 2016	Year ended 30th June 2015
The impairment charge related to the Statements of Profit or Loss:	**RS'M**	RS'M
Allowance for credit impairment	**988.0**	1,126.8
Impairment of available-for-sale investment securities	**33.9**	36.3
	1,021.9	1,163.1
Allowance for credit impairment		
Provision for bad and doubtful debts:		
Loans to and placements with banks	**1.3**	-
Loans and advances to customers	**1,658.4**	1,116.9
Bad debts written off for which no provisions were made	**34.8**	89.3
Provision released during the year:		
Loans to and placements with banks	**-**	(0.8)
Loans and advances to customers	**(681.3)**	(51.3)
Recoveries of advances written off	**(25.2)**	(27.3)
	988.0	1,126.8

29. INCOME TAX EXPENSE

(a) The tax charge related to statements of profit or loss is as follows:

	GROUP		COMPANY	
	Year ended 30th June 2016	Year ended 30th June 2015	**Year ended 30th June 2016**	Year ended 30th June 2015
	RS'M	RS'M	**RS'M**	RS'M
Income tax based on the adjusted profit	**938.7**	790.3	**-**	-
Deferred tax	**9.4**	(80.1)	**0.3**	0.1
Special levy on banks	**428.3**	362.6	**-**	-
Corporate Social Responsibility contribution	**151.4**	66.9	**-**	-
Under/(Over) provision in previous years	**9.2**	(10.6)	**-**	-
Charge for the year	**1,537.0**	1,129.1	**0.3**	0.1
The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit before tax	**8,341.9**	6,900.3	**1,841.3**	1,808.2
Less share of profit of associates	**(735.0)**	(374.8)	**-**	-
	7,606.9	6,525.5	**1,841.3**	1,808.2
Tax calculated at a rate of 15%	**1,141.0**	978.8	**276.2**	271.2
Effect of different tax rates	**101.6**	53.3	**-**	-
Impact of:				
Income not subject to tax	**(197.0)**	(162.1)	**(330.6)**	(283.3)
Expenses not deductible for tax purposes	**144.4**	168.0	**54.7**	12.2
Tax credits	**(241.9)**	(327.8)	**-**	-
Special levy on banks	**428.3**	362.6	**-**	-
Corporate Social Responsibility contribution	**151.4**	66.9	**-**	-
Under/(Over) provision in previous years	**9.2**	(10.6)	**-**	-
Tax charge	**1,537.0**	1,129.1	**0.3**	0.1

(b) The tax (credited)/charge related to statements of comprehensive income is as follows:

	GROUP	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M
Remeasurement of defined benefits pension plan	**204.4**	(112.0)
Deferred tax (credited)/charge	**(30.7)**	16.8
	173.7	(95.2)

30. DIVIDENDS

	COMPANY	
	2016 RS'M	2015 RS'M
Paid on 17th December 2015 at Rs 4.25 per share (FY 2015: Rs 3.10 per share)	**1,011.9**	737.8
Paid on 29th July 2016 at Rs 4.00 per share (FY 2015: Rs 3.75 per share)	**952.8**	892.7
	1,964.7	1,630.5

31. EARNINGS PER SHARE

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M
Profit attributable to the ordinary equity holders of the parent	**6,625.5**	5,722.0
Weighted average number of ordinary shares (thousands)	**238,125**	238,014
Basic earnings per share (Rs)	**27.82**	24.04

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period is treated as an issue of ordinary shares for no consideration.

	GROUP	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M
Profit attributable to the ordinary equity holders of the parent	**6,625.5**	5,722.0
Weighted average number of ordinary shares basic (thousands)	**238,125**	238,014
Effect of share options in issue (thousands)	**42**	49
Weighted average number of ordinary shares diluted (thousands) at year end	**238,167**	238,063
Diluted earnings per share (Rs)	**27.82**	24.04

32. COMMITMENTS

(a) Capital commitments

	GROUP	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M
Expenditure contracted for but not incurred	**217.8**	117.6
Expenditure approved by the Board but not contracted for	**348.1**	304.4

(b) Securities pledged

The Group has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius:

	GROUP	
	2016 RS'M	2015 RS'M
Government of Mauritius bonds	**3,041.0**	2,941.3

33. NET CASH FLOWS FROM TRADING ACTIVITIES

	GROUP		COMPANY	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M	**Year ended 30th June 2016 RS'M**	Year ended 30th June 2015 RS'M
Operating profit	**7,606.9**	6,525.5	**1,841.3**	1,808.2
(Decrease)/increase in other assets	**(1,942.2)**	(1,800.5)	**18.1**	(230.3)
Increase in other liabilities	**1,315.7**	1,490.5	**43.0**	25.6
Capital injection in MCB Superannuation Fund	**(1,000.0)**	-	**-**	-
Net decrease/(increase) in derivatives	**108.3**	(528.7)	**-**	-
Increase in investment securities held-for-trading	**(722.7)**	-	**-**	-
Increase in investment securities at fair value through profit or loss	**(2.1)**	(0.6)	**-**	-
Additional/(release) provision for employee benefits	**11.1**	(4.8)	**-**	-
Charge for credit impairment	**1,659.7**	1,116.9	**-**	-
Release of provision for credit impairment	**(681.3)**	(52.1)	**-**	-
Exchange (profit)/loss	**(31.5)**	134.3	**-**	-
Depreciation	**520.6**	512.7	**1.9**	0.8
Amortisation of intangible assets	**219.1**	247.0	**-**	-
Loss/(profit) on disposal of property, plant and equipment	**2.7**	(6.0)	**-**	-
Impairment of available-for-sale investments	**33.9**	36.3	**-**	-
Impairment of intangible assets	**2.2**	-	**-**	-
Profit on disposal of available-for-sale investments	**(282.9)**	(97.3)	**-**	-
Assets written off by subsidiary	**10.4**	-	**-**	-
Profit following loss of control in former subsidiary	**(98.4)**	-	**-**	-
Gain on a bargain purchase	**(11.8)**	(4.5)	**-**	-
	6,717.7	7,568.7	**1,904.3**	1,604.3

34. NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES

	GROUP	
	Year ended 30th June 2016 RS'M	Year ended 30th June 2015 RS'M
Net increase in deposits	**35,856.8**	32,655.9
Net increase in loans and advances	**(14,978.3)**	(17,013.6)
Increase in held to maturity investment securities	**(11,442.5)**	(12,179.6)
Net (decrease)/increase in other borrowed funds	**(1,462.7)**	1,370.3
	7,973.3	4,833.0

35. LOSS OF CONTROL IN FORMER SUBSIDIARY

On 18th March 2015, the company's subsidiary, The Mauritius Commercial Bank Limited, entered into an investment agreement with Société Générale whereby the latter would, subject to regulatory approval, subscribe to additional capital in MCB Moçambique SA.

On 2nd October 2015, MCB's equity stake in MCB Moçambique decreased from 95% to 35% and MCB Moçambique SA, renamed as Société Générale Moçambique, became an associate from that date. Accordingly since, the assets and liabilities of the former subsidiary were derecognised and MCB Group Limited accounted for the retained interest in Société Générale Moçambique using the equity method.

The assets and liabilities derecognised were as follows:

Assets	
	Rs'M
Cash and cash equivalents	760.6
Loans and advances to customers	988.1
Investment securities	192.4
Goodwill and other intangible assets	132.1
Property, plant and equipment	67.2
Deferred tax assets	12.2
Other assets	182.2
Total assets	**2,334.8**
Liabilities	
Deposits from customers	1,649.3
Other liabilities	16.0
Borrowings	179.2
Total liabilities	**1,844.5**
Net assets derecognised	**490.3**

The loss of control in MCB Moçambique SA resulted in a gain of Rs 98.4M as follows:

	Rs'M
The fair value of retained interest in MCB Moçambique at the date control was lost	448.7
Contingent consideration	140.0
	588.7
Less net assets derecognised	(490.3)
Gain recognised as " other operating income" in the Statement of Profit or Loss	**98.4**

36. OPERATING SEGMENTS

Operating segments are reported in accordance with the internal reporting provided to the Board, which is responsible for allocating capital and resources to the reportable segments and assessing their performance.

All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group's income, expenses, assets and liabilities are derived mainly through its Mauritian operations.

Year ended 30th June 2016

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**20,016.3**	19,131.7	1,347.5	356.2	(819.1)
Expenses	**(11,387.5)**	(10,764.3)	(775.9)	(356.8)	509.5
Operating profit before impairment	**8,628.8**	8,367.4	571.6	(0.6)	(309.6)
Net impairment of financial assets	**(1,021.9)**	(968.8)	(53.1)	-	-
Operating profit	**7,606.9**	7,398.6	518.5	(0.6)	(309.6)
Share of profit of associates	**735.0**	362.2	0.8	372.0	-
Profit before tax	**8,341.9**	7,760.8	519.3	371.4	(309.6)
Income tax expense	**(1,537.0)**				
Profit for the year	**6,804.9**				
Other segment items:					
Segment assets	**307,344.2**	308,195.8	10,178.3	1,107.8	(12,137.7)
Investments in associates	**9,151.9**	4,169.0	16.0	4,980.8	(13.9)
Goodwill and other intangible assets	**897.4**				
Deferred tax assets	**311.3**				
Total assets	**317,704.8**				
Segment liabilities	**267,246.0**	267,130.0	8,332.8	1,250.3	(9,467.1)
Unallocated liabilities	**7,450.2**				
Total liabilities	**274,696.2**				

36. OPERATING SEGMENTS (continued)

Year ended 30th June 2015

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**18,688.0**	18,028.2	1,032.2	298.4	(670.8)
Expenses	**(10,999.4)**	(10,483.3)	(625.5)	(308.2)	417.6
Operating profit before impairment	**7,688.6**	7,544.9	406.7	(9.8)	(253.2)
Net impairment of financial assets	**(1,163.1)**	(1,156.7)	(6.4)	-	-
Operating profit	**6,525.5**	6,388.2	400.3	(9.8)	(253.2)
Share of profit of associates	**374.8**	345.7	0.7	28.4	-
Profit before tax	**6,900.3**	6,733.9	401.0	18.6	(253.2)
Income tax expense	**(1,129.1)**				
Profit for the year	**5,771.2**				
Other segment items:					
Segment assets	**271,630.8**	271,329.9	8,738.3	765.8	(9,203.2)
Investments in associates	**7,254.6**	3,665.4	15.1	3,590.0	(15.9)
Goodwill and other intangible assets	**840.4**				
Deferred tax assets	**287.0**				
Total assets	**280,012.8**				
Segment liabilities	**235,252.4**	234,449.8	7,124.5	1,162.6	(7,484.5)
Unallocated liabilities	**7,078.2**				
Total liabilities	**242,330.6**				

36. OPERATING SEGMENTS (continued)

Year ended 30th June 2016

	GROUP RS'M
External gross income:	
Banking	**19,131.7**
Non-Banking Financial	**1,347.5**
Other Investments	**356.2**
Eliminations	**(819.1)**
	20,016.3

	GROUP RS'M	Net interest income/(expense) RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**13,727.7**	8,780.6	2,873.6	446.5	1,627.0
Non-Banking Financial	**937.3**	145.2	458.7	34.2	299.2
Other Investments	**326.9**	(35.5)	27.0	0.8	334.6
Eliminations	**(574.1)**	-	(168.0)	(405.1)	(1.0)
	14,417.8	8,890.3	3,191.3	76.4	2,259.8

	GROUP RS'M				
Segment assets	**278,685.9**	273,469.6		5,216.3	
Investments in associates	**9,151.9**				
Goodwill and other intangible assets	**897.4**				
Deferred tax assets	**311.3**				
Unallocated assets	**28,658.3**				
Total assets	**317,704.8**				

36. OPERATING SEGMENTS (continued)

Year ended 30th June 2015

	GROUP RS'M
External gross income:	
Banking	**18,028.2**
Non-Banking Financial	**1,032.2**
Other Investments	**298.4**
Eliminations	**(670.8)**
	18,688.0

	GROUP RS'M	Net interest income/(expense) RS'M	Net fee and commissions RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**12,714.4**	8,051.1	3,096.6	284.4	1,282.3
Non-Banking Financial	**736.0**	141.3	437.5	51.6	105.6
Other Investments	**243.6**	(38.2)	(7.9)	3.3	286.4
Eliminations	**(479.8)**	-	(161.8)	(253.1)	(64.9)
	13,214.2	8,154.2	3,364.4	86.2	1,609.4

Segment assets	**243,568.4**	238,850.7		4,717.7	
Investments in associates	**7,254.6**				
Goodwill and other intangible assets	**840.4**				
Deferred tax assets	**287.0**				
Unallocated assets	**28,062.4**				
Total assets	**280,012.8**				

37. RELATED PARTY TRANSACTIONS

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Loans and Advances				
Balance at year end:				
30th June 2015	3,217.0	73.7	616.5	-
30th June 2016	**3,767.6**	**178.9**	**644.0**	**-**
Leases receivable				
Balance at year end:				
30th June 2015	-	-	0.6	-
30th June 2016	**-**	**-**	**0.5**	**-**
Deposits				
Balance at year end:				
30th June 2015	170.3	241.3	41.6	664.3
30th June 2016	**75.1**	**304.5**	**106.1**	**1,614.9**
Amounts due from				
Balance at year end:				
30th June 2015	3.9	-	-	-
30th June 2016	**3.0**	**-**	**-**	**-**
Off Balance sheet items				
Balance at year end:				
30th June 2015	-	-	5.4	-
30th June 2016	**487.8**	**-**	**-**	**-**
Interest income				
For the year ended:				
30th June 2015	106.8	2.6	10.2	-
30th June 2016	**122.0**	**5.6**	**11.0**	**-**
Interest expense				
For the year ended:				
30th June 2015	4.2	2.8	0.4	22.5
30th June 2016	**3.1**	**3.6**	**0.1**	**15.9**
Other income				
For the year ended:				
30th June 2015	9.6	0.5	0.5	2.6
30th June 2016	**13.9**	**0.8**	**0.5**	**2.3**

All the above related party transactions were carried out at least under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

37. RELATED PARTY TRANSACTIONS (continued)

(a) The Group (continued)

The figure for "Other income" from Associated Companies includes an element, representing management fees charged to associated companies in respect of salaries, notional rental of office space and provision of technical, administrative and other assistance to local Group companies. It also includes an amount of Rs 3.9 M for both 2016 and 2015 in respect of management fees charged to Banque Francaise Commerciale Ocean Indien('BFCOI').

IT and Systems support to MCB Madagascar SA was provided by BFCOI during 2015/2016 for a claim of EUR 12,600. This amount has been charged to our subsidiary's profit or loss and consolidated in Group non-interest expense.

In addition, for the period October 2015 to June 2016, the following subsidiaries of MCB Group Ltd claimed fees from SG Moçambique in respect of IT, Systems and Cards services support: USD91,015 by International Cards Processing Services Ltd, USD785,323 by MCB Consulting Services Ltd and USD112,760 by MCB Ltd. These amounts have been recognised as Income in our subsidiaries' and consolidated Group profit or loss.

During the year, no share options were exercised under the Group Employee Share Option scheme by key management personnel, including executive directors (FY2014/2015: 7,588 share options for Rs 1.5M).

(b) The Company

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries and associate of the Company:

(i) Balances as at 30th June :

Subsidiaries	Amount owed by RS'M	Amount owed to RS'M
2015	1,138.0	12.8
2016	**1,068.6**	**6.7**

(ii) Income and expenses for the period ended:

Subsidiaries	Dividend income RS'M	Other expense RS'M
30th June 2015	1,887.8	13.2
30th June 2016	**2,203.9**	**8.0**
Associate		
30th June 2015	0.1	-
30th June 2016	**0.2**	**-**

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2016 RS'M	2015 RS'M	**2016 RS'M**	2015 RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**173.1**	154.8	**44.4**	38.3
Post employment benefits	**17.8**	18.4	**4.3**	4.2
	190.9	173.2	**48.7**	42.5