

MCB GROUP LIMITED Abridged Audited Financial Statements 30th June 2014

Statement of changes in equity

Statement of	financial	position

Operating income

Employee benefits

Non-interest expense

Salaries and human resource development

Statement of financial position						Statement of changes in equity												
			GROUP	PROFORM	MA GROUP					Attributab	le to ordinary ed	quity holders o	of the parent					
			30-Jun-14	30-Jun-13	30-Jun-12			Share	Share	Treasury	Retained	Capital	Translation	Statutory	General	Total N	on-controlling	Total
	Notes		Rs'M	Rs'M	Rs'M		Notes	Capital	Premium	Shares	Earnings	Reserve	Reserve	Reserve	Banking		Interests	Equity
ASSETS						GROUP		Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Reserve Rs'M	Rs'M	Rs'M	Rs'M
Cash and cash equivalents	4		18,802.0	15,394.1	10,847.0	GROOF		L/2 IAI	K2 IVI	I/2 IAI	L/2 IAI	K2 IVI	K2 IVI	L/2 IAI	L/2 IAI	L/2 IAI	L/2 IAI	L/2 IAI
Mandatory balances with Central Banks	13		12,356.6	9,882.3	9,089.3	At 2nd April 2014												
Derivative financial instruments	5		246.8	121.0		Acquired through the Scheme of Arrangement	38(a)	2,379.6	-		23,820.8	2,035.8	(187.6)	2,643.6	610.2	31,302.4	1,725.9	33,028.3
Loans to and placements with banks	6(a)		6,325.4	3,789.8	3,464.3	Profit for the period		-	-	-	1,217.7	-	-	-	-	1,217.7	24.2	1,241.9
Loans and advances to customers	6(b)		150,101.2	148,034.7	135,183.1	Other comprehensive expense for the period			-		(231.3)	(508.7)	(17.9)		-	(757.9)	(8.0)	(765.9)
Investment securities	7		35,435.3	22,447.0	16,873.5	Total comprehensive income/(expense) for the period	20		-		986.4	(508.7)	(17.9)		-	459.8	16.2	476.0
Investments in associates Goodwill and other intangible assets	8 10		6,907.9 911.2	6,377.0 977.8	5,930.4 976.9	Dividends Effect of increase in shareholding in subsidiary	30	-	-	-	(797.2) (1.0)	-	-	-	-	(797.2) (1.0)	(5.5)	(802.7) (1.0)
Property, plant and equipment	11		6,045.3	6,312.8		Share of transfer on disposal of property, plant &		-	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Deferred tax assets	12		225.7	223.9		equipment by associate		-	-	-	0.8	(0.8)	-	-	-	-	-	-
Other assets	13		3,529.0	2,967.2	2,375.1	Share of other movements in reserves of associate		-	-	-	(0.5)	0.5	-	-	-	-	-	-
Total assets			240,886.4	216,527.6	191,283.0	Transfer to general banking reserve		-	-	-	(3.9)	-	-	-	3.9	-	-	-
						Transfer from statutory reserve		-	-	-	229.5	-	-	(229.5)	-	-	-	-
						Issue of shares following the exercise of												
LIABILITIES AND SHAREHOLDERS' EQUITY						Group Employee Share Options Scheme At 30th June 2014		2,383.3			24,234.9	1,526.8	(205.5)	2,414.1	614.1	3.7	1,736.6	32,704.3
LIABILITIES AND SHAREHOLDERS EQUITY						At 30th June 2014		2,383.3			24,234.9	1,520.8	(205.5)	2,414.1	614.1	30,967.7	1,730.0	32,704.3
Deposits from banks	14(a)		1,659.6	1,737.2	1,319.0													
Deposits from customers	14(b)		184,427.9	164,376.0	149,558.2	PROFORMA GROUP												
Derivative financial instruments	5		653.6	560.7	335.0													
Other borrowed funds	15		8,879.2	13,392.7	7,434.4													
Subordinated liabilities	16		5,409.1	-	-	At 1st July 2011												
Current tax liabilities			399.0	249.6				2,503.8	77.9	(367.2)		1,516.5	(95.6)	2,597.6	597.3	23,729.0	1,571.5	25,300.5
Deferred tax liabilities	12		59.1	136.7	133.3	Effect of adopting IAS 19 (revised) net of deferred tax	29(c)			- (207.0)	(497.3)		- (05.0)		-	(497.3)	(0.3)	(497.6)
Other liabilities	18		6,694.6	5,947.3	5,395.1	As restated		2,503.8	77.9	(367.2)	16,401.4	1,516.5	(95.6)	2,597.6	597.3	23,231.7	1,571.2	24,802.9
Total liabilities			208,182.1	186,400.2	164,415.4	Profit for the year -restated Other comprehensive expense for the year - restated		-	-	-	4,124.7 (334.1)	(122.0)	(155.2)	-	-	4,124.7 (611.3)	32.4 (5.3)	4,157.1 (616.6)
Shareholders' Equity						Total comprehensive income/(expense) for the year - restated	ated				3,790.6	(122.0)	(155.2)			3,513.4	27.1	3,540.5
Stated capital			2,383.3	2,615.8	2,593.4	Transfer on disposal of interest in joint venture		-	_		3.0	-	(2.5)			0.5	(0.6)	(0.1)
Retained earnings			24,234.9	21,485.6	18,743.9	Effect of shares bought back and cancelled by subsidiary		-	-	-	(12.3)	-	-	-	-	(12.3)	(17.8)	(30.1)
Other components of equity			4,349.5	4,764.3	4,342.4	Acquisition of non-controlling interest by local subsidiary		-	-	-	(43.7)	-	-	-	-	(43.7)	(8.6)	(52.3)
			30,967.7	28,865.7	25,679.7	Increase in effective shareholding of associate		-	-	-	1.3	-	-	-	-	1.3	0.9	2.2
Less treasury shares				(360.1)	(364.8)	Dividends		-	-	-	(1,390.1)	-	-	-	-	(1,390.1)	(19.5)	(1,409.6)
Equity attributable to the ordinary equity holders of the parent			30,967.7 1,736.6	28,505.6 1,621.8	25,314.9 1,552.7	Share of transfer on disposal of property, plant &					11.6	(11.6)						
Non-controlling interests Total equity			32,704.3	30,127.4	26,867.6	equipment by associate Transfer to general banking reserve		-	-	-	11.6 (0.8)	(11.6)	-	-	0.8	-	-	
Total equity and liabilities			240,886.4	216,527.6	191,283.0	Transfer to statutory reserve		-	_	-	(17.1)	-	-	17.1	-	-	-	-
				· · · · · · · · · · · · · · · · · · ·	, , , , , , , , , , , , , , , , , , ,	Employee share options exercised		-	11.7	2.4	-	-	-	-	-	14.1	-	14.1
						At 30th June 2012 (restated)		2,503.8	89.6	(364.8)	18,743.9	1,382.9	(253.3)	2,614.7	598.1	25,314.9	1,552.7	26,867.6
CONTINGENT LIABILITIES						Profit for the year -restated		-	-	-	4,344.7	-	-	-	-	4,344.7	34.2	4,378.9
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers			64,082.9	48,028.4	39,134.1	Other comprehensive (expense)/income for the year -resta	ated		-		(134.6)	248.7	153.3			267.4	50.2	317.6
Commitments			4,660.7	5,237.8	4,741.8	Total comprehensive income for the year - restated			-		4,210.1	248.7	153.3			4,612.1	84.4	4,696.5
Tax assessments			272.1	121.6		Increase in effective shareholding of associate		-	-	-	1.7	-	-	-	-	1.7	1.3	3.0
Other	20		<u>1,534.5</u>	1,702.4 55,090.2	1,416.1 45,360.0	Dividends Share of transfer on disposal of property, plant &		-	-	-	(1,450.2)	-	-	-	-	(1,450.2)	(16.6)	(1,466.8)
	20		10,000.2	55,030.2	40,000.0	equipment by associate		_	_	_	15.6	(15.6)	_	_	_	_	-	_
						Transfer to general banking reserve		-	-	-	(6.6)	-	-	-	6.6	-	-	-
						Transfer to statutory reserve		-	-	-	(28.9)	-	-	28.9	•	-	-	-
						Employee share options exercised			22.4	4.7		-			-	27.1		27.1
						At 30th June 2013 (restated)		2,503.8	112.0	(360.1)	21,485.6	1,616.0	(100.0)	2,643.6	604.7	28,505.6	1,621.8	30,127.4
Statement of music and last		ь.	DOEODMA ODO:	ID	000115	Profit for the year		-	-	-	4,365.0	-	-	-	-	4,365.0	88.1	4,453.1
Statement of profit or loss			ROFORMA GROU		GROUP *	Other comprehensive (expense)/income for the year					(232.6)	(87.5)	(105.5)			(425.6)	45.3	(380.3)
		Year ended 2014	Year ended 2013	Year ended 2012	Period ended 2014	Total comprehensive income for the year Increase in effective shareholding of associate			<u> </u>		4,132.4 0.2	(87.5)	(105.5)		<u> </u>	3,939.4 0.2	133.4	4,072.8 0.2
		Rs'M	Rs'M	Rs'M	Rs'M	Dividends		-	-	-	(1,510.7)	-	-	-	-	(1,510.7)	(18.6)	(1,529.3)
Interest income	21	11,953.7	11,616.3	11,077.2	2,906.7	Effect of increase in shareholding in subsidiary		-	-	-	(1.0)	-	-	-	-	(1.0)	-	(1.0)
Interest expense	22	(4,697.4)	(4,569.2)	(4,692.4)	(1,164.9)	Share of transfer on disposal of property, plant &												
Net interest income		7,256.3	7,047.1	6,384.8		equipment by associate		-	-	-	2.2	(2.2)	-	-	-	-	-	-
Fee and commission income	23	3,626.6	3,193.6	2,684.1	1,054.9	Share of other movements in reserves of associate		-	-	-	(0.5)	0.5	-	-	•	-	-	-
Fee and commission expense	24	(738.7)	(564.2)	(456.9)	·	Transfer to general banking reserve		-	-	-	(9.4)	-	-	(000.5)	9.4	-	-	-
Net fee and commission income Other income		2,887.9	2,629.4	2,227.2	875.7	Transfer from statutory reserve Employee share options exercised		-	- 26.1	- 4.4	229.5	-	-	(229.5)	-	30.5	-	30.5
Other Income Profit arising from dealing in foreign currencies		1,216.1	925.2	1,429.9	371.8			-	∠0.1	4.4	-	-	-	-	-	30.5	-	30.5
Net gain/(loss) from financial instruments		1,210.1	323.2	1,723.3	571.0	Group Employee Share Options Scheme		3.7	_	-	-	-	_	_	-	3.7	-	3.7
carried at fair value	25	52.7	206.3	(251.8)	(24.0)	Cancellation of treasury shares		(124.2)	(138.1)	355.7	(93.4)	_	_		-	-	_	-
		1,268.8	1,131.5	1,178.1	347.8	·		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
Dividend income	26	61.1	37.1	59.0														
Net gain on sale of securities		611.3	23.9	33.0		Statement of cash flows										FORMA GROU		GROUP *
Other operating income		189.5	154.4	126.1	40.9													Period ended
		2,130.7	1,346.9	1,396.2	1,003.1										2014	2013	2012	2014

1,003.1

3,620.6

Net cash flows from trading activities

(563.7) Net cash flows from other operating activities

(92.5) Dividends received from associates

33

34

2013

Rs'M

5,605.7

(2,288.3)

28.8

Rs'M

2,008.7

129.2

2012

Rs'M

4,637.1

263.1

775.4

2014

Rs'M

(49.6)

(855.5)

100.4

1,396.2

(2,149.8)

(188.6)

10,008.2

2,130.7

12,274.9

(2,494.5)

(265.0)

27(a)

17

1,346.9

11,023.4

(2,354.0)

(240.8)

Depreciation		(560.3)	(555.8)	(535.7)	(136.7)
Amortisation of intangible assets		(266.3)	(241.9)	(216.0)	(72.1)
Other	27(b)	(1,767.2)	(1,569.5)	(1,513.5)	(427.2)
		(5,353.3)	(4,962.0)	(4,603.6)	(1,292.2)
Operating profit before impairment		6,921.6	6,061.4	5,404.6	2,328.4
Allowance for credit impairment	28	(1,989.0)	(1,081.0)	(518.8)	(1,018.8)
Impairment of intangible assets		-	-	(1.2)	-
Impairment of available-for-sale investments		(50.1)	-		
Operating profit		4,882.5	4,980.4	4,884.6	1,309.6
Share of profit of associates		540.2	257.3	162.4	156.9
Profit before tax		5,422.7	5,237.7	5,047.0	1,466.5
Income tax expense	29	(969.6)	(858.8)	(889.9)	(224.6)
Profit for the year/period		4,453.1	4,378.9	4,157.1	1,241.9
Profit for the year/period attributable to :-					
Ordinary equity holders of the parent		4,365.0	4,344.7	4,124.7	1,217.7
Non-controlling interests		88.1	34.2	32.4	24.2
		4,453.1	4,378.9	4,157.1	1,241.9
Statement of profit or loss and other comprehensive income					
Profit for the year/period		4,453.1	4,378.9	4,157.1	1,241.9
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit pension plan net of deferred tax		(232.6)	(134.6)	(334.1)	(232.6)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(116.9)	151.2	(154.7)	(19.6)
Reclassification adjustments		(467.5)	(3.5)	(21.5)	(458.3)
Net fair value gain/(loss) on available-for-sale investments		369.3	187.5	(92.2)	(16.4)
Share of other comprehensive income/(expense) of associates		67.4	117.0	(14.1)	(39.0)
		(147.7)	452.2	(282.5)	(533.3)
Other comprehensive (expense)/income for the year/period		(380.3)	317.6	(616.6)	(765.9)
Total comprehensive income for the year/period		4,072.8	4,696.5	3,540.5	476.0
Total comprehensive income attributable to :					
Ordinary equity holders of the parent		3,939.4	4,612.1	3,513.4	459.8
Non-controlling interests		133.4	84.4	27.1	16.2
		4,072.8	4,696.5	3,540.5	476.0
Earnings per share :					
Basic (Rs)	31(a)	18.34	18.28	17.36	5.12
Diluted (Rs)	31(b)	18.34	18.27	17.36	5.12
Dividends per share (Rs)		6.35	6.10	5.85	3.35
Basic weighted average number of shares (thousands)		237,977	237,718	237,606	237,977
Diluted weighted average number of shares (thousands)		238,046	237,808	237,650	238,046

*The Group figures for the period ended 30 June 2014 incorporate the result of the Company as from 5th August 2013 and subsidiaries and associates acquired through the Scheme of Arrangement as from 2nd April 2014.

COMMENTS

(I)RESULTS

The Group managed to post a resilient performance with attributable profits reaching Rs 4,365 million, that is, close to the level realised in the previous year in spite of difficult operating conditions across markets. In particular, activity continued to be impacted by the persisting sluggishness of private investment in Mauritius while excess liquidity contributed to squeeze margins, notably through abnormally low yields on Treasury bills. Earnings per share stood at Rs 18.34.

Group results were greatly affected by the substantial increase in impairment charges. This was primarily attributable to the provisions that were constituted in relation to certain Indian exposures within the Global Business unit of MCB Ltd, which has since taken the necessary steps to ring-fence these exposures and boost recovery efforts on these files with uncommonly high default rates.

Operating income rose by 11.4%, supported by continued growth in core earnings within the banking cluster and increased contribution from non-banking activities as well as sizeable gains on sale of securities, including a one-off profit of Rs 400 million by MCB Ltd. Excluding the latter, the rise in operating income remained appreciable at 7.7%. Besides, results were boosted by a two-fold rise in share of profit of associates following improved contribution from both BFCOI and PAD Group. On the other hand, a notable rise of 12.9% was recorded in income tax in the wake of the increase in the special levy on Segment A activities applicable to banks locally. On the whole, reflecting our diversification strategy, the combined contribution of foreign-sourced earnings and non-banking activities amounted to some 50% of Group results.

(II)PROSPECTS

The operating environment is likely to remain challenging for some time yet against the backdrop of the slow-moving global recovery as well as the prevalence of inherent country vulnerabilities, with the subdued private investment climate and excess liquidity in Mauritius being key causes for concern. While maintaining its market vigilance, the Group will pursue its growth strategy with due focus on the extension of its regional involvement. On the whole, results are projected to improve in FY 2014/15, boosted by an upturn in the performance within the banking operations on the basis of higher revenues and lower impairment charges as well as continued growth in non-banking activities.

Dividends paid		(1,510.2)	(1,425.9)	(1,389.8)	-
Dividends paid to non-controlling interests in subsidiaries		(18.6)	(16.9)	(19.6)	(5.5)
Income tax paid		(853.0)	(845.6)	(876.4)	(154.6)
Net cash flows from operating activities		3,942.8	1,057.8	3,389.8	(964.8)
Investing activities		(350.0)	(358.0)	(1,511.9)	(27.7)
Net cash flows before financing		3,592.8	699.8	1,877.9	(992.5)
Shares issued/employee share options exercised		30.3	25.5	12.2	3.7
Subordinated liabilities issued /(refunded)		5,415.6	-	(1,298.7)	-
Share buy back by subsidiary		-	-	(30.2)	-
Net debt securities issued		145.8	354.9	1,783.5	
Increase/(Decrease) in cash and cash equivalents		9,184.5	1,080.2	2,344.7	(988.8)
Net cash and cash equivalents at beginning of the year/peri	od Control of the Con	8,442.8	7,102.4	4,771.9	-
Acquired through the Scheme of Arrangement	38(b)	-	-	-	18,489.4
Effect of foreign exchange rate changes		(143.8)	260.2	(14.2)	(17.1)
Net cash and cash equivalents at 30th June	35	17,483.5	8,442.8	7,102.4	17,483.5

TO THE SHAREHOLDERS OF MCB GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the shareholders of MCB Group Limited (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of MCB Group Limited and its subsidiaries (the "Group") and the Company's separate financial statements on pages 3 to 65 which comprise the statements of financial position at June 30, 2014 and the statements of profit or loss, the statements of profit or loss, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The 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 Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the 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 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 Company'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 Company'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.

Opinion

In our opinion, the financial statements on pages 3 to 65 give a true and fair view of the financial position of the Group and of the Company at June 30, 2014, and of their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Financial Reporting Act 2004

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

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

BDO & Co Chartered Accountants Ameenah Ramdin, FCCA, ACA Licensed By FRC

30th September 2014 Port Louis Mauritius

These financial statements were approved for issue by the Board of Directors on the 30th September 2014.

(S) Pierre Guy NOEL

Director

Chief Executive

(S) J. Gérard HARDY

Director

President of the Board

(S) Sunil BANYMANDHUB

Director

Chairperson Audit Committee

Copies of the Audited Financial Statements can be obtained free of charge upon request at the registered office of the Company, 9-15, Sir William Newton Street, Port-Louis and can be viewed on our website: www.mcb.mu.

As at 1st July 2013, the Group adopted the revised IAS 19, Employee Benefits and has reflected its retrospective application in the audited financial statements.

The statement of direct and indirect interests of officers of the Company required under rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 is available upon request, free of charge, at the registered office of the Company.

This communiqué is issued pursuant to Listing Rule 12.14 and Securities Act 2005.

The Board of Directors of the MCB Group Limited accepts full responsibility for the accuracy of the information contained in this communiqué.