

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

This report is made solely to the members of **Bank of Baroda – Mauritius Branches (Including Offshore Banking Unit)** (the "Bank"), 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 Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Bank of Baroda – Mauritius Branches (Including Offshore Banking Unit)** (the "Bank"), on pages 35 to 79 which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements on pages 35 to 79 give a true and fair view of the financial position of the Bank as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001 applicable to banks and the Financial Reporting Act 2004.

Basis of Opinion

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

INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Bank Managers responsibility for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE
BANKING UNIT)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interest in the Bank or any of its subsidiaries, other than our capacity as auditors and arm's length dealings in the ordinary course of business.

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

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

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE
BANKING UNIT)**

Report on Other Legal and Regulatory Requirements (continued)

Banking Act 2004

In our opinion the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

Financial Reporting Act 2004

The Bank Managers are responsible for preparing the corporate governance report and making the disclosures required by Section 8.4 of the Code of Corporate Governance (the 'Code'). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

AMG Global
Grand-Baie, Mauritius

Nooredin Mohit
Licensed by FRC

Date: 22 June 2017

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Statement of Financial Position

As at March 31, 2017

	Notes	2017 Rs'000	2016 Rs'000	2015 Rs'000
ASSETS				
Cash resources				
Cash and balances with Central Bank		672,291	609,371	2,943,720
Balances with banks		18,749	112,063	105,825
	5	691,040	721,434	3,049,545
Securities and other investments				
Investment securities				
- Held to maturity		2,373,791	2,485,375	1,515,278
- Available-for-sale		804,378	367,117	738,631
Placements		3,738,415	4,624,370	9,234,116
	6	6,916,584	7,476,862	11,488,025
Loans and advances				
Retail and personal		728,807	524,747	190,425
Business		7,609,570	5,714,795	11,726,664
Government		66,666	80,000	101,667
	7	8,405,043	6,319,542	12,018,756
Less: allowance for credit impairment losses	8	(289,869)	(243,988)	(280,731)
		8,115,174	6,075,554	11,738,025
Others				
Investment properties	9	31,132	31,132	31,132
Property, plant and equipment	10	121,957	109,225	117,562
Deferred tax assets	15	32,221	26,796	28,843
Advanced tax	14	-	-	280
Other assets	11	102,667	67,223	131,592
		287,977	234,376	309,409
Total assets		16,010,775	14,508,226	26,585,004
LIABILITIES AND CAPITAL RESOURCES				
Deposits				
Personal		3,658,035	3,948,986	3,697,464
Business		5,372,813	2,020,911	3,087,630
Government		623,020	1,137,771	2,534,767
Banks		3,432,460	2,307,500	12,122,720
	12	13,086,328	9,415,168	21,442,581
Borrowings				
Borrowings from banks		1,406,751	3,594,437	3,668,752
Others				
Other liabilities	13	74,945	109,170	147,451
Current tax liabilities	14	10,782	18,687	-
Deferred tax liabilities	15	-	-	-
Retirement benefit obligations	16	19,602	17,620	16,114
		105,329	145,477	163,565
Capital resources				
Assigned capital	17	200,860	200,860	200,860
Reserves		557,820	554,922	588,353
Retained earnings		653,687	597,362	520,893
		1,412,367	1,353,144	1,310,106
Total equity and liabilities		16,010,775	14,508,226	26,585,004

These financial statements have been approved on :

Ritesh Kumar
Vice President

B.B. Ghagare
Chief Manager

The notes on pages 39 to 79 are an integral part of these financial statements.
Auditors' report on pages 31 to 34.

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Statement of Profit or Loss and Other Comprehensive Income

For the year ended March 31, 2017

	Notes	2017 Rs'000	2016 Rs'000	2015 Rs'000
Interest income				
Loans and advances		262,614	295,038	301,355
Investment securities	19	103,245	98,607	134,132
Placements with other banks		34,510	52,248	111,534
		<u>400,369</u>	<u>445,893</u>	<u>547,021</u>
Interest expense				
Deposits		(141,221)	(149,219)	(246,033)
Deposits and borrowings from banks		(112,069)	(189,772)	(226,494)
Others		-	(660)	(22)
		<u>(253,290)</u>	<u>(339,651)</u>	<u>(472,549)</u>
Net interest income		<u>147,079</u>	<u>106,242</u>	<u>74,472</u>
Other income				
Fee income and commissions	21	22,843	11,598	7,262
Net trading income		33,069	26,209	23,720
Other revenue		69	7,466	14,312
		<u>55,981</u>	<u>45,273</u>	<u>45,294</u>
Total operating income		<u>203,060</u>	<u>151,515</u>	<u>119,766</u>
(Net allowance for credit impairment losses)/ reversal of impairment charge	20	(45,903)	34,219	(94,913)
Net operating income		<u>157,157</u>	<u>185,734</u>	<u>24,853</u>
Operating expenses				
Salaries and human resource development		(42,370)	(36,706)	(34,881)
Pension contribution and other staff benefits		(6,609)	(6,358)	(6,666)
Depreciation		(8,116)	(9,481)	(5,951)
Other administrative expenses		(38,634)	(38,349)	(40,528)
Total operating expenses		<u>(95,729)</u>	<u>(90,894)</u>	<u>(88,026)</u>
Profit/(loss) before taxation	22	61,428	94,840	(63,173)
Tax expense	14	(8,055)	(21,315)	9,787
Profit/(loss) for the year		<u>53,373</u>	<u>73,525</u>	<u>(53,386)</u>
Other comprehensive income:				
Items that are or may be reclassified to profit or loss:				
Net gain/(loss) on available-for-sale financial assets		-	-	909
Exchange differences on translation		5,850	(29,410)	168,975
Items that will never be reclassified to profit or loss:				
Revaluation of property, plant and equipment		-	-	5,975
Other comprehensive (loss)/ income		<u>5,850</u>	<u>(29,410)</u>	<u>175,859</u>
Total comprehensive income for the year		<u>59,223</u>	<u>44,115</u>	<u>122,473</u>

The notes on pages 39 to 79 are an integral part of these financial statements.
Auditors' report on pages 31 to 34.


BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Statement of Changes in Equity
For the year ended March 31, 2017

	Assigned Capital Rs'000	Statutory Reserve Rs'000	Fair value Reserve Rs'000	Revaluation Reserve Rs'000	Capital Reserve Rs'000	Translation Reserve Rs'000	Retained Earnings Rs'000	Total Equity Rs'000
At April 1, 2014	200,860	201,177	161	102,175	7,559	102,318	574,279	1,188,529
Total comprehensive income	-	-	909	5,975	-	168,975	(53,386)	122,473
Release to retained earnings	-	-	-	(896)	-	-	-	(896)
At March 31, 2015	200,860	201,177	1,070	107,254	7,559	271,293	520,893	1,310,106
Revaluation and other reserves						588,353		
At April 1, 2015	200,860	201,177	1,070	107,254	7,559	271,293	520,893	1,310,106
Total comprehensive income	-	-	-	-	-	(29,410)	73,525	44,115
Appropriation from retained earnings	-	-	7	-	-	-	(7)	-
Movement in revaluation reserve	-	-	(1,077)	(2,951)	-	-	2,951	(1,077)
At March 31, 2016	200,860	201,177	-	104,303	7,559	241,883	597,362	1,353,144
Revaluation and other reserves						554,922		
At April 1, 2016	200,860	201,177	-	104,303	7,559	241,883	597,362	1,353,144
Total comprehensive income	-	-	-	-	-	5,850	53,373	59,223
Appropriation from retained earnings	-	-	-	-	-	-	-	-
Movement in revaluation reserve	-	-	-	(2,952)	-	-	2,952	-
At March 31, 2017	200,860	201,177	-	101,351	7,559	247,733	653,687	1,412,367
Revaluation and other reserves						557,820		

The notes on pages 39 to 79 are an integral part of these financial statements.

Auditors' report on pages 31 to 34.

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Statement of Cash Flows

For the year ended March 31, 2017

	Notes	2017 Rs'000	2016 Rs'000	2015 Rs'000
Operating activities				
Net profit/ (loss) before tax		61,428	94,840	(63,173)
Adjustments for:				
Net allowance for credit impairment	20	45,903	(34,219)	94,913
Depreciation	10	8,116	9,481	5,951
Profit on disposal of plant and equipment		(128)	-	-
Retirement benefit obligations		2,791	1,506	2,107
Gain on fair value of investment property		-	-	(7,828)
Changes in operating assets and liabilities				
Net change in other assets		(35,444)	64,369	131,691
Net change in other liabilities		(35,101)	(38,281)	(53,934)
Net cash flows generated from operations		47,565	97,696	109,727
Payments for retirement benefits obligations		(815)	-	-
Tax paid		(20,538)	(550)	(18,715)
Net cash generated from operating activities		26,212	97,146	91,012
Investing activities				
(Purchase)/ redemption of investment securities		(325,677)	(598,583)	92,830
Net change in placements		885,955	4,609,746	10,243,442
Net change in loans and advances		(2,085,501)	5,699,214	3,273,535
Purchase of plant and equipment		(20,862)	(1,164)	(3,965)
Proceeds from disposal of property, plant and equipment		161	-	-
Net cash (used in)/generated from investing activities		(1,545,924)	9,709,213	13,605,842
Financing activities				
Net change in deposits from customers		3,671,160	(12,027,413)	(7,909,897)
Net change in borrowings with banks		(2,187,686)	(74,315)	(4,463,260)
Net cash generated from/(used in) financing activities		1,483,474	(12,101,728)	(12,373,157)
Net (decrease)/ increase in cash and cash equivalents		(36,238)	(2,295,369)	1,323,697
Cash and cash equivalents at 1 April		721,434	3,049,545	1,524,301
Net foreign exchange difference		5,844	(32,742)	201,547
Cash and cash equivalents at 31 March	5	691,040	721,434	3,049,545

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Auditors' report on pages 31 to 34.