

NOTE	GROUP		BANK		
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000	
ASSETS					
Cash Resources					
	Cash and Balances with Central Banks	1,924,269	1,659,326	1,844,978	1,501,548
3	Balances with Category 1 Banks and Interbank Loans	104,117	31,081	103,733	29,253
4	Balances with Category 2 Banks in Mauritius and Banks Abroad	2,260,586	2,296,133	1,997,854	2,053,711
		4,288,972	3,986,540	3,946,565	3,584,512
Securities, Placements and Other Investments					
5	Investment Securities	8,113,608	5,705,626	8,443,721	5,691,710
	Trading Securities	1,926,995	1,035,935	1,918,476	1,028,934
	Placements	41,643	99,450	41,643	99,450
	Other Investments	9,156	22,575	-	36,878
		10,091,402	6,863,586	10,403,840	6,856,972
Loans and Advances					
8	Personal and Credit Cards	4,013,415	3,872,468	4,005,259	3,865,309
	Business	11,980,952	11,887,418	11,488,157	11,851,712
	Governments	2,787,772	2,760,519	2,787,772	2,760,519
	Entities outside Mauritius	1,214,670	1,309,081	1,214,670	1,309,081
	Overseas Operations	2,047,713	1,826,460	1,162,074	1,089,184
		22,044,522	21,655,946	20,657,932	20,875,805
	<u>Less: Allowance for Credit Losses</u>	(479,020)	(377,407)	(434,936)	(348,961)
		21,565,502	21,278,539	20,222,996	20,526,844
Other					
9	Tangible Fixed Assets	1,837,978	1,710,191	1,832,563	1,702,652
10	Other Assets	561,396	375,863	497,981	360,616
		2,399,374	2,086,054	2,330,544	2,063,268
TOTAL					
		38,345,250	34,214,719	36,903,945	33,031,596
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
12	Personal	16,837,117	15,168,462	15,349,558	14,332,568
	Business	8,333,610	6,721,173	8,057,565	6,401,436
	Governments	4,011,408	4,260,742	3,588,070	3,861,558
	Banks	-	-	49,725	35,541
		29,182,135	26,150,377	27,044,918	24,631,103
Borrowings					
13	Central Banks	397,449	475,377	393,664	389,792
14	Category 1 Banks and Interbank Borrowings	773,935	305,371	773,935	305,371
15	Category 2 Banks in Mauritius and Banks Abroad	1,779,234	1,511,848	1,779,234	1,511,848
16	Debentures	-	9,609	-	-
		2,950,618	2,302,205	2,946,833	2,207,011

Other

NOTE	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
17A	78,433	45,841	60,633	27,705
17B	134,179	70,135	133,790	69,470
18	-	-	760,361	501,606
19	832,800	727,083	818,518	707,826

	1,045,412	843,059	1,773,302	1,306,607
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Minority Interest in Subsidiaries

	28,193	32,203	-	-
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Shareholders' Equity

NOTE	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
20	336,203	363,375	336,203	363,375
21	4,802,689	4,523,500	4,802,689	4,523,500

	5,138,892	4,886,875	5,138,892	4,886,875
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TOTAL

	38,345,250	34,214,719	36,903,945	33,031,596
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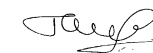
US\$/MRS Mid Exchange Rate as at Balance Sheet date

	29.25	30.01	29.25	30.01
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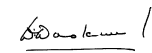
CONTINGENT LIABILITIES AND COMMITMENTS

NOTE	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000	
22	Acceptances, Guarantees, Letters of Credit, Endorsements and Other Obligations on Account of Customers	4,930,009	5,767,036	4,725,647	5,679,652
	Credit Commitments	3,962,171	2,514,400	3,506,747	2,504,600
	Financial Derivatives	4,837,197	3,466,290	4,837,197	3,466,290
	Inward Bills held for Collection	325,557	320,509	315,176	316,164
	Outward Bills sent for Collection	213,547	506,348	213,547	505,381

	14,268,481	12,574,583	13,598,314	12,472,087
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M.K.T. Reddy, G.O.S.K.
Group Chief Executive



Sir D. Dookun
Director



P. R. de Chasteigner du Mée, CBE
Director (Chairman, Audit Committee)



Rocco Rossouw
Director

Date: September 02, 2003

	NOTE	GROUP		BANK	
		2003	2002	2003	2002
		MRS'000	MRS'000	MRS'000	MRS'000
Interest Income	23				
Loans		2,212,493	2,385,499	2,058,268	2,248,462
Securities		716,162	493,598	656,615	385,502
Placements with Banks		74,888	96,972	71,555	91,498
		3,003,543	2,976,069	2,786,438	2,725,462
Interest Expense					
Deposits		(1,533,350)	(1,565,951)	(1,373,007)	(1,444,606)
Deposits and Borrowings from Banks		(104,636)	(127,135)	(103,421)	(118,972)
Lease Finance Charges		-	-	(56,022)	(10,370)
Debentures		(328)	(961)	-	-
		(1,638,314)	(1,694,047)	(1,532,450)	(1,573,948)
Net Interest Income		1,365,229	1,282,022	1,253,988	1,151,514
Provision and Adjustments to Income for Credit Losses	24	(143,617)	(168,652)	(128,198)	(151,266)
Net Interest Income after Provision for Credit Losses		1,221,612	1,113,370	1,125,790	1,000,248
Other Income					
Net Fee and Commission Income	25	252,981	218,115	222,863	190,958
Net Gain from Dealings in Foreign Currencies		238,845	186,757	253,582	177,804
Share of profit of Subsidiaries and Associates		68,868	53,353	163,322	201,070
Dividend Income		80,527	76,160	70,641	67,316
Net Gain from Dealings in Trading Securities		79,105	31,936	75,943	31,632
Net Gain on Disposal of Investment Securities		531	25,840	61	-
Net Gain on Disposal of Tangible Fixed Assets		12,806	1,407	12,806	1,407
Other		-	2,619	-	-
		733,663	596,187	799,218	670,187
Net Interest and Other Income		1,955,275	1,709,557	1,925,008	1,670,435
Non-Interest Expense	26				
Salaries and Human Resource Development		(277,609)	(238,300)	(269,760)	(230,307)
Pension Contributions and Other Staff Benefits		(55,751)	(37,047)	(54,385)	(35,921)
Depreciation		(201,921)	(200,026)	(199,221)	(196,722)
Other		(233,581)	(205,275)	(218,730)	(191,138)
		(768,862)	(680,648)	(742,096)	(654,088)
Net Income before Income Taxes		1,186,413	1,028,909	1,182,912	1,016,347
Provision for Income Taxes	17C	(165,614)	(69,556)	(164,695)	(64,699)
Net Income after Income Taxes	27	1,020,799	959,353	1,018,217	951,648
Minority Interest		(2,582)	(7,705)	-	-
Net Income available to Shareholders		1,018,217	951,648	1,018,217	951,648
Weighted Average Number of Outstanding Shares (thousands)		358,899	363,375	358,899	363,375
Earnings per Share (cents)	29	284	262	284	262

	NOTE	SHARE CAPITAL MRS'000	SHARE PREMIUM MRS'000	STATUTORY RESERVE MRS'000	GENERAL RESERVE MRS'000	PROFIT AND LOSS ACCOUNT MRS'000	INVESTMENT REVALUATION RESERVE MRS'000	INVESTMENT FLUCTUATION RESERVE MRS'000	OTHER RESERVE MRS'000	TRANSLATION RESERVE MRS'000	TREASURY SHARES MRS'000	TOTAL
												MRS'000
GROUP & BANK												
At 01 July 2001												
As Previously Restated		382,500	570,000	428,493	2,558,701	444,126	2,557	-	54,466	148,408	(308,573)	4,280,678
Reclassification of Cost of Treasury Shares		(19,125)	(289,448)	-	-	-	-	-	-	-	308,573	-
As Restated		363,375	280,552	428,493	2,558,701	444,126	2,557	-	54,466	148,408	-	4,280,678
Net Profit for the Year		-	-	-	-	951,648	-	-	-	-	-	951,648
Dividend	28	-	-	-	-	(363,375)	-	-	-	-	-	(363,375)
Transfer		-	-	12,126	500,000	(529,216)	-	17,090	-	-	-	-
Decrease in Value of Available-for-sale Investments		-	-	-	-	-	(9,590)	-	-	-	-	(9,590)
Translation Difference		-	-	-	-	-	-	-	-	27,514	-	27,514
At 30 June 2002 (as Restated)		363,375	280,552	440,619	3,058,701	503,183	(7033)	17,090	54,466	175,922	-	4,886,875
At 01 July 2002 (as Restated)		363,375	280,552	440,619	3,058,701	503,183	(7033)	17,090	54,466	175,922	-	4,886,875
Net Profit for the Year		-	-	-	-	1,018,217	-	-	-	-	-	1,018,217
Dividend	28	-	-	-	-	(367,533)	-	-	-	-	-	(367,533)
Transfer		-	-	15,246	600,000	(635,094)	-	19,848	-	-	-	-
Buy Back of Treasury Shares		(27,172)	(280,552)	-	(109,820)	-	-	-	-	-	-	(417,544)
Increase in Value of Available-for-Sale Investments		-	-	-	-	-	8,878	-	-	-	-	8,878
Share of Increase in Reserves of Associates		-	-	-	-	-	-	-	4,964	-	-	4,964
Translation Difference		-	-	-	-	-	-	-	(4,965)	-	-	(4,965)
At 30 June 2003		336,203	-	455,865	3,548,881	528,773	1,845	36,938	59,430	170,957	-	5,138,892

NOTE	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Cash Flows from Operating Activities				
	1,186,413	1,028,909	1,182,912	1,016,347
	(55,923)	(116,816)	(38,473)	(94,027)
Adjustments to Determine Net Cash Flows:				
	201,921	200,026	199,220	196,722
	-	(2,619)	-	-
11	15,936	10,237	14,701	9,111
24	143,617	168,652	128,198	151,266
	12,878	26,487	20,574	(5,658)
	(531)	(25,840)	(61)	-
	(79,105)	(31,936)	(75,943)	(31,632)
	(12,806)	(1,407)	(12,806)	(1,407)
	(80,527)	(76,160)	(70,641)	(67,316)
	(68,868)	(53,353)	(163,322)	(201,070)
Operating Profit before Working Capital Changes	1,263,005	1,126,180	1,184,359	972,336
Change in Operating Assets and Liabilities				
	132,658	119,213	137,658	(10,287)
	(437,495)	(746,742)	169,831	(432,133)
	(811,955)	(765,988)	(813,599)	(759,292)
	(224,926)	38,134	(175,520)	25,196
	3,031,758	1,677,082	2,413,815	1,247,181
	57,807	(99,450)	57,807	(99,450)
Net Cash Provided by Operating Activities	3,010,852	1,348,429	2,974,351	943,551
Cash Flows (used in)/from Financing Activities				
	-	-	258,755	414,642
	(77,928)	269,251	3,872	322,398
	(417,544)	-	(417,544)	-
	(9,609)	-	-	-
	(363,270)	(327,038)	(363,270)	(327,038)
	(6,836)	(5,108)	-	-
Net Cash (used in)/from Financing Activities	(875,187)	(62,895)	(518,187)	410,002
Cash Flows (used in)/from Investing Activities				
	(327,382)	(632,139)	(326,636)	(631,330)
	12,852	8,271	12,852	8,271
	46,097	2,250	238,097	4,250
	80,527	76,160	70,641	67,316
	-	(815)	-	-
	-	400	-	-
	-	-	-	(30,100)
	(8,428)	(13,999)	-	-
	15,670	35,305	5,011	31,000
	(2,401,938)	(1,337,235)	(2,866,903)	(1,421,653)
	13,419	190	36,878	-
Net Cash (used in)/from Investing Activities	(2,569,183)	(1,861,612)	(2,830,061)	(1,972,246)
Net Change in Cash and Cash Equivalents	(433,518)	(576,078)	(373,897)	(618,693)
Cash and Cash Equivalents at 1 July 2002	2,169,321	2,745,399	1,767,293	2,385,986
Cash and Cash Equivalents at 30 June 2003	1,735,803	2,169,321	1,393,396	1,767,293

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1. GENERAL INFORMATION

State Bank of Mauritius Ltd ("SBM") is a public company incorporated and domiciled in Mauritius. SBM is listed on the Stock Exchange of Mauritius. Its registered office is situated at State Bank Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius. The Group operates in the financial services sector, principally commercial banking.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and the Bank are as follows:-

(a) Basis of Accounting

The financial statements have been prepared in accordance with applicable accounting standards for banks in Mauritius, taking into account the Order dated June 20, 2003 made by the Registrar of Companies under Section 224(2) of the Companies Act 2001, deferring the application of International Accounting Standards in respect of IAS 32 and IAS 39 for banking companies, and with the Guidelines of Bank of Mauritius. The change in presentation of the financial statements in the current year has been effected in order to conform to the new Bank of Mauritius Guideline on Public Disclosure of Information.

Applicable accounting standards for banks in Mauritius are International Accounting Standards other than IAS 32 and IAS 39, the applicability of which has been deferred by order of the Registrar of Companies as mentioned above. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from those estimates.

(b) Basis of Consolidation

The consolidated financial statements include the state of affairs and results of the Bank and those of its subsidiaries and its associates. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Income from the date of their acquisition or up to the date of their disposal. Intragroup transactions are eliminated on consolidation.

Goodwill or negative goodwill arising on an acquisition of a subsidiary, measured as the difference between the cost of acquisition and the fair value of the share of net assets acquired, is capitalised and amortised over its useful life. If the amount of goodwill or negative goodwill is not material, it is written off/back immediately in the Statement of Income.

Investments in associates are dealt with in the consolidated financial statements under the equity method and reported under Investment Securities on the Balance Sheet. The Group's share of profit of associates and gains and losses arising from disposal of investments in associates are recorded as Other Income in the Statement of Income.

It is the policy of the holding company to have a coterminous financial year end for all its operations and subsidiaries except in jurisdictions where regulations impose different dates. However, in such cases, the state of affairs and results of these branches and subsidiaries are consolidated using accounts drawn up to correspond with the financial year end of the holding company.

(c) Revenue Recognition

Revenue is generally recognised on an accrual basis.

The accrual of interest income is suspended when the associated advance becomes non-performing (See Note 2(g)).

Dividend income from equity investments, other than subsidiaries and associates, are accounted for in the Statement of Income as Other Income when the right to receive payment is established.

(d) Foreign Currency Translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian rupees in accordance with IAS 21.

(i) The assets and liabilities of the overseas branches, subsidiaries and associates denominated in foreign currencies are translated into Mauritian rupees at the rates of exchange ruling at the end of the financial year. Their results for the period are translated into Mauritian rupees at average rates. Any translation differences arising are taken to translation reserves.

(ii) Trading transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(iii) Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into Mauritian rupees at the rates of exchange ruling at that date. All resulting gains and losses are accounted for in the Statement of Income.

(iv) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

(e) Investment Securities

(i) Investments in Gilt-edged Securities

Investments in gilt-edged securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, they are measured at amortised cost, less any impairment loss. The interest accrued is recorded as Interest Income in the Statement of Income and any gains or losses on disposal are recorded in the Statement of Income as Other Income.

2. ACCOUNTING POLICIES (CONT'D)

- (e) Investment Securities (cont'd)
- (i) Investments in Subsidiaries and Associates
In the Bank's separate accounts, the equity investments in subsidiaries and associates are accounted for using the equity method and reported under Investment Securities in the Balance Sheet. Dividends received from subsidiaries and associates are accounted for as a reduction in the carrying amounts of the investments in subsidiaries and associates.
- (ii) Investments in Other Equity Investments
Investments in other equity investments are recognised on a trade-date basis. Unquoted equity investments are measured at cost, less any impairment loss. Quoted equity investments are initially recorded at cost. At subsequent reporting dates, quoted equity investments are marked-to-market and the unrealised gains and losses are recognised directly in equity (Investment Revaluation Reserve), until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity in respect of that investment is included in the Statement of Income as Other Income.
- (f) Trading Securities
Investments in gilt-edged securities and equity investments that are held for trading purposes are recognised on a trade-date basis and are initially measured at cost. Subsequently, they are measured at fair value. The unrealised gains and losses on revaluation and the realised gains and losses on disposal are included in the Statement of Income as Other Income. Interest accrued on gilt-edged securities held for trading purposes is accounted for in the Statement of Income account as Interest Income.
- (g) Loans, Provisions and Allowance for Credit Losses
- (i) Loans and advances are measured at amortised cost less allowance for credit losses.
- (ii) Allowance for credit losses consists of general and specific provision for credit losses and is determined based on the Bank's best estimate of impairment in respect of on and off-balance sheet items in accordance with IAS 30 and the Bank of Mauritius Guideline on Credit Classification for Provisioning Purposes and Income Recognition ("Bank of Mauritius Guideline"). Allowance for credit losses in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit losses in respect of off-balance sheet items is included in Other Liabilities in the Balance Sheet.
- (iii) Non-Performing Advances (NPAs) are assets where, in case of a loan, instalments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalised, refinanced or rolled-over; and in case of an overdraft:
- the advance exceeds the customer's approved limit continuously for 90 days or more;
 - the customer's approved limit has expired for 90 days or more;
 - interest on the advance is due and remains unpaid for 90 days or more; or
 - the account has been dormant for 90 days or more and deposits are insufficient to cover the interest capitalised during the period.
- (iv) NPAs are classified as sub standard, doubtful and loss:
Sub-standard: an advance, which is non-performing and is past due between 90 and 180 days must as a minimum be classified as sub-standard.
Doubtful: an advance, which is non-performing and is past due for a period exceeding 180 days but less than one year, must as a minimum be classified as doubtful.
Loss: a non-performing advance that is past due in excess of a year must be classified as loss.
- (v) Specific provision is made on a credit-by-credit basis. Credits classified as sub-standard, doubtful and loss are subject to a minimum provision of 20 per cent, 50 per cent, and 100 per cent respectively of the outstanding amount of credit less any net realisable value of the applicable security. For advances classified as loss, the outstanding amount is written off where the chances of recovery or salvage amount are virtually nil. The net realisable value of security is based on a conservative view of current market prices. The specific provision is charged to the Statement of Income.
- (vi) A general provision for credit losses is maintained on the aggregate amount of all advances categorised as standard to allow for potential losses which experience indicates are present in the portfolio of loans and advances in line with IAS 30 and Bank of Mauritius Guideline. The general provision is charged to the Statement of Income.
- (vii) When restructuring occurs after a loan has been classified as non-performing, the restructured loan continues to be classified as non-performing until the repayments have been received by the Bank, in amount and timing, for a continuous period of six months, in accordance with the terms and conditions of the restructured loan.
- (viii) Interest is suspended when the associated advance becomes non-performing. All previously accrued but uncollected interest is reversed against income in the accounting period in which the advance becomes non-performing.
- (ix) Credit card balances are treated as personal loans and accounted for accordingly.
- (h) Placements
Placements are measured at amortised cost, less any impairment loss.
- (i) Borrowings
Borrowings are measured at amortised cost.
- (j) Deposits
Deposits are measured at amortised cost.

2. ACCOUNTING POLICIES (CONT'D)

- (k) Derivative Financial Instruments
Derivative financial instruments such as forward foreign exchange contracts are initially recorded at cost and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Income as Other Income.
- (l) 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 customers. Acceptances are accounted for as off-balance sheet items and are disclosed as contingent liabilities.
- (m) Sale and Repurchase Agreements
Gilt-edged securities sold subject to linked repurchase agreements ("repos") are retained in the Balance Sheet and the counterparty liability is included in Borrowings. Gilt-edged securities purchased under agreements to resell ("reverse repos") are recorded as balances due from other banks. The differences between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective yield method.
- (n) Tangible Fixed Assets
Tangible Fixed Assets are stated at cost less accumulated depreciation, less any impairment loss. Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives on a straight line basis. No depreciation is provided on freehold land. The principal rates are:
- | | |
|--|-----------------------|
| Leasehold Land | - 1.67 % p.a |
| Buildings | - 2 % p.a |
| Plant, Machinery, Furniture, Fittings and Computer Equipment | - 10 % to 33.33 % p.a |
| Motor Vehicles | - 20 % p.a |
- Depreciation is calculated from the month the asset is capitalised. Gains and losses on disposal of tangible fixed assets are included within Other Income in the Statement of Income.
- (o) Leasing
- (i) The Group as Lessor
Amounts due from lessees under finance leases are recorded as loans and advances in the Group Balance Sheet at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.
- (ii) The Group and Bank as Lessee
Assets held under finance leases are recognised as assets at their fair value at the date of acquisition and are depreciated over their estimated useful lives. The corresponding liability to the lessor is included in the Balance Sheet as Obligations under Finance Leases. Lease finance charges are charged to the Statement of Income over the term of the leases so as to produce a constant periodic rate of interest on the outstanding obligations under finance leases.
- (p) Borrowings Costs
All borrowings costs are written off to the Statement of Income in the period in which they are incurred.
- (q) Deferred Taxation
Deferred taxation is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.
- (r) Employee Benefits
- (i) Pension Benefits for Eligible Participating Employees
Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a final salary defined benefit scheme. The normal retirement age is 60. The assets of the scheme are held presently by the State Insurance Company of Mauritius Ltd. The net total of the present value of funded obligations, the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost, is recognised in the balance sheet either as a liability (if there is a deficit) or as an asset (if there is a surplus). The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets. A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative actuarial gains and losses at the end of the previous financial year exceeded the greater of:
- 10 % of the present value of the defined benefit obligation at that date; and
 - 10 % of the fair value of any plan assets at that date.

2. ACCOUNTING POLICIES (CONT'D)

(r) Employee Benefits (cont'd)

(ii) Pension Benefits for Contractual Employees

Certain contractual employees are entitled to defined contribution personal pension arrangements. Employer contributions are expensed in the Statement of Income.

(iii) Travel Tickets/Allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grade. The expected costs of these benefits are recognised on a straight line basis over the remaining periods until the benefits are payable.

(iv) Equity Compensation Benefits for Senior Executives

The Group does not recognise any liability or expense in respect of Phantom share options before they are exercised (Note 32).

(s) Impairment

At each Balance Sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

(t) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(u) Dividends

Dividends are recognised as a liability in the year in which they are declared.

(v) Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or if they and the Group are subject to common control. Related parties may be individuals or other entities.

(w) Segmental Reporting

The Group considers that segmentation of its business is primarily a function of product or services rather than geography. Accordingly, the Group uses its different lines of businesses as primary basis of segmentation and geographical segmentation as secondary basis.

(x) Comparative figures

Comparative figures have been restated or reclassified, as necessary, to conform to the current year's presentation.

3. BALANCES WITH CATEGORY 1 BANKS AND INTERBANK LOANS

Balances due within 3 months

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Balances due within 3 months	104,117	31,081	103,733	29,253

4. BALANCES WITH CATEGORY 2 BANKS IN MAURITIUS AND BANKS ABROAD

Balances due within 3 months

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Balances due within 3 months	2,260,586	2,296,133	1,997,854	2,053,711

The balances above include bank placements with a maturity of within 3 months.

5. SECURITIES, PLACEMENTS AND OTHER INVESTMENTS

Remaining term to maturity

GROUP	WITHIN 3	3-6	6-12	1-2	2-5	OVER 5	NO	2003	2002
	MONTHS	MONTHS	MONTHS	YEARS	YEARS	YEARS			
	MRS'000	MRS'000	MRS'000	MRS'000	MRS'000	MRS'000	MATURITY	MRS'000	MRS'000
Investment Securities									
(i) Government Bonds	-	-	47,685	15,854	19,486	-	-	83,025	270,572
Treasury Bills	1,093,397	568,863	2,429,625	3,039,007	-	-	-	7,130,892	4,531,617
Securities of Government Bodies	-	-	-	-	51,514	-	-	51,514	61,304
Equity Shares of Companies	-	-	-	-	-	-	-	559,155	554,705
- Associates (Note 6)	-	-	-	-	-	-	-	289,022	287,428
- Other (Note 7)	-	-	-	-	71,000	-	-	8,113,608	5,705,626
	1,093,397	568,863	2,477,310	3,054,861	71,000	-	-	1,926,995	1,035,935
Trading Securities									
(ii) Government Bonds	-	-	-	-	-	772,313	-	772,313	217,097
Treasury Bills	111,978	295,000	232,017	349,720	-	157,448	-	1,146,163	792,782
Securities of Government Bodies	-	-	-	-	-	-	-	19,055	19,055
Equity Share of Companies (note 7)	111,978	295,000	232,017	349,720	-	929,761	-	8,519	7,001
	223,956	590,000	464,034	699,440	-	1,087,174	-	1,207,476	818,838
Placements									
(iii) Category 1 Banks	-	660	40,983	-	-	-	-	40,983	99,450
Category 2 Banks and Banks Abroad	-	660	40,983	-	-	-	-	41,643	99,450
	-	1,320	81,966	-	-	-	-	82,626	198,900
Other Investments									
(iv) Loans to Associates (Note 6)	-	-	-	-	-	-	9,156	9,156	22,575
	-	-	-	-	-	-	-	-	-
Total	1,205,375	864,523	2,705,310	3,404,581	71,000	929,761	865,852	10,091,402	6,863,586
BANK									
(i) Government Bonds	-	-	47,685	15,854	19,486	-	-	83,025	270,572
Treasury Bills	1,071,474	552,254	2,394,768	2,861,085	51,514	-	-	6,879,581	3,815,340
Securities of Government Bodies	-	-	-	-	-	-	-	51,514	61,304
Equity Shares of Companies	-	-	-	-	-	-	-	806,290	928,269
- Associates (Note 6)	-	-	-	-	-	-	-	559,025	546,889
- Other (Note 7)	-	-	-	-	71,000	-	-	64,386	69,336
	1,071,474	552,254	2,442,453	2,876,939	71,000	-	-	8,443,721	5,691,710
Trading Securities									
(ii) Government Bonds	-	-	-	-	-	772,312	-	772,312	217,097
Treasury Bills	111,978	295,000	232,017	349,720	-	157,449	-	1,146,164	792,782
Securities of Government Bodies	-	-	-	-	-	-	-	19,055	19,055
	111,978	295,000	232,017	349,720	-	929,761	-	1,918,476	1,028,934
Placements									
(iii) Category 1 Banks	-	660	40,983	-	-	-	-	40,983	99,450
Category 2 Banks and Banks Abroad	-	660	40,983	-	-	-	-	41,643	99,450
	-	1,320	81,966	-	-	-	-	82,626	198,900
Other investments									
(iv) Loans to Subsidiaries (Note 6)	-	-	-	-	-	-	-	-	36,878
	-	-	-	-	-	-	-	-	-
Total	1,183,452	847,914	2,715,453	3,226,659	71,000	929,761	1,429,601	10,403,840	6,886,972

Bank placements with a maturity of over 3 months are classified within Securities, Placements and Other Investments.

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (UNQUOTED)

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Equity Investments in Subsidiaries	-	-	806,290	928,269
Equity Investments in Associates	559,155	554,705	558,925	546,889
	559,155	554,705	1,365,215	1,475,158
Loans to Subsidiaries	-	-	-	36,878
Loans to Associates	9,156	22,575	-	-
	9,156	22,575	-	36,878
	568,311	577,280	1,365,215	1,512,036

The loans to subsidiaries and associate by the Bank do not bear interest and do not have fixed terms of repayment.

Details of subsidiaries and associates are as follows:

	COUNTRY OF INCORPORATION AND OPERATION	BUSINESS ACTIVITY	EFFECTIVE % HOLDING	
			2003	2002
Subsidiaries				
Banque SBM Madagascar	Madagascar	Banking	79.99	79.99
SBM Lease Ltd	Mauritius	Leasing	100	100
SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	100	100
SBM Securities Ltd	Mauritius	Stockbroking	90	90
SBM Financials Ltd	Mauritius	Fiduciary Services	100	100
SBM Investments Ltd	Mauritius	Mauritian Rupee Investments	100	100
SBM Global Investments Ltd	Mauritius	Foreign Currency Investments	100	100
SBM IT Ltd	Mauritius	Technology	100	100
Associates				
SBM Nedbank International Ltd	Mauritius	Offshore Banking	50	50
NetMauritius.Com Ltd (in voluntary winding up)	Mauritius	Internet Business Provider	21.05	21.05
SBM Nedcor Holdings Ltd	Mauritius	Investment	20.1	20.1
State Insurance Company of Mauritius Ltd	Mauritius	Insurance	20	20

7. EQUITY INVESTMENTS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Investment Securities - Quoted	117,190	109,603	-	-
- Unquoted	171,832	177,825	64,386	69,336
	289,022	287,428	64,386	69,336
Trading Securities - Quoted	8,519	7,001	-	-
	297,541	294,429	64,386	69,336

The unquoted shares are stated at cost since reliable fair values cannot be obtained. Included within the unquoted shares, are Mauritius Telecom Ltd and Overseas Telecommunications Ltd shares, stated at the cost of MRs 20 million in the Bank's books, for which the directors estimate the market value to be around MRs 3,500 million based on a transaction in November 2000 in those shares, not involving State Bank of Mauritius Ltd. The net asset value of the investment in Mauritius Telecom Ltd and Overseas Telecommunication Ltd as at 31 December 2002 as per their latest available audited financial statements, amounted to MRs 1,127 million.

8A. LOANS AND ADVANCES

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Inland Bills purchased and discounted - Current	126,830	308,971	62,700	291,030
Foreign Bills purchased and discounted - Current	247,361	265,903	226,490	230,083
Overdrafts, Term Loans, Debentures and Other Advances repayable within 1 year	6,808,563	7,575,810	5,889,345	7,352,672
Term Loans, Debentures and Other Advances repayable after 1 year	14,861,768	13,505,262	14,479,397	13,002,020
	22,044,522	21,655,946	20,657,932	20,875,805
Less: Allowance for Credit Losses (Note 8D)	(479,020)	(377,407)	(434,936)	(348,961)
	21,565,502	21,278,539	20,222,996	20,526,844

The amounts of debentures included above are:

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Quoted	106,240	705,944	106,240	705,944
Unquoted	1,758,468	2,009,114	1,758,468	2,574,505
	1,864,708	2,715,058	1,864,708	3,280,449

Unquoted debentures held by the Bank in 2002 include MRs 565,391 million in SBM Lease Ltd which matured in October 2002.

The market value of the above quoted debentures at the balance sheet date were as follows:

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Market Value of Quoted Debentures	113,120	703,800	113,120	703,800

The amount of net investment in finance leases included in loans and advances and the associated allowance for credit losses are as follows:

	AFTER ONE YEAR AND BEFORE AFTER FIVE YEARS			TOTAL MRS'000
	WITHIN ONE YEAR MRS'000	MRS'000	MRS'000	
GROUP				
2003				
Gross Investment in Finance Leases	241,712	364,671	28,469	634,852
Less: Unearned Finance Income	(53,221)	(71,231)	(3,830)	(128,282)
	188,491	293,440	24,639	506,570
Allowance for Credit Losses				(14,669)
				491,901
2002				
Gross Investment in Finance Leases	267,613	468,026	29,107	764,746
Less: Unearned Finance Income	(68,980)	(87,954)	(5,013)	(161,947)
	198,633	380,072	24,094	602,799
Allowance for Credit Losses				(11,094)
				591,705

**BB. REMAINING TERM TO MATURITY OF LOANS AND ADVANCES
(EXCLUDING ALLOWANCE FOR CREDIT LOSSES)**

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Within 3 months	3,760,951	4,437,255	3,445,241	4,354,237
Over 3 to 6 months	1,449,556	2,287,703	1,170,197	2,222,578
Over 6 to 12 months	1,966,265	1,419,895	1,557,116	1,291,139
Over 1 to 2 years	1,136,145	1,081,818	882,791	933,400
Over 2 to 5 years	5,219,030	4,036,735	5,138,353	3,739,131
Over 5 years	8,512,575	8,392,540	8,464,234	8,335,320
	<u>22,044,522</u>	<u>21,655,946</u>	<u>20,657,932</u>	<u>20,875,805</u>

BC. CREDIT CONCENTRATION OF RISK BY INDUSTRY SECTORS

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

Name of Sector	2003	2002
	MRS'000	MRS'000
Agriculture and Fishing	-	-
EPZ	1,576,278	877,278
Non-EPZ	-	-
Total Manufacturing	1,576,278	877,278
Tourism	3,238,266	3,245,983
Transport	-	-
Construction	787,984	-
Financial and Business Services	-	-
Traders	-	-
Personal	-	-
Professional	-	-
Entities outside Mauritius	-	-
Other	1,964,725	1,208,893
Total	<u>7,567,253</u>	<u>5,332,154</u>

BD. ALLOWANCE FOR CREDIT LOSSES

	SPECIFIC PROVISION	GENERAL PROVISION	2003 TOTAL	2002 TOTAL
	MRS'000	MRS'000	MRS'000	MRS'000
GROUP				
Balance at 1 July 2002	176,751	200,656	377,407	257,456
Exchange Difference	6,847	68	6,915	1,329
Loans written off out of Allowance	-	-	-	(9,806)
Provisions made during the year (Note 24)	92,739	1,959	94,698	128,428
Balance at 30 June 2003	<u>276,337</u>	<u>202,683</u>	<u>479,020</u>	<u>377,407</u>
BANK				
Balance at 1 July 2002	171,602	177,359	348,961	248,052
Exchange Difference	5,743	76	5,819	(327)
Loans written off out of Allowance	-	-	-	(9,806)
Provisions made during the year (Note 24)	79,828	328	80,156	111,042
Balance at 30 June 2003	<u>257,173</u>	<u>177,763</u>	<u>434,936</u>	<u>348,961</u>

BE. PROVISION FOR CREDIT LOSSES BY INDUSTRY SECTORS

	2003				2002	
	GROSS AMOUNT OF LOANS MRS'000	NON PERFORMING LOANS MRS'000	SPECIFIC PROVISION MRS'000	GENERAL PROVISION MRS'000	TOTAL PROVISION MRS'000	TOTAL PROVISION MRS'000
GROUP						
Agriculture and Fishing	533,683	32,719	803	4,868	5,671	9,250
EPZ	1,266,301	269,613	54,890	12,321	67,211	64,335
Non EPZ	3,138,617	565,733	102,027	24,487	126,514	92,626
Total Manufacturing	4,404,918	835,346	156,917	36,808	193,725	156,961
Tourism	4,213,509	62,047	13,678	41,237	54,915	42,286
Transport	230,251	28,367	2,814	1,514	4,328	4,017
Construction	1,802,562	302,969	12,256	12,697	24,953	19,209
Financial and Business Services	754,628	95,323	12,945	14,395	27,340	31,523
Traders	3,403,901	356,621	69,126	32,894	102,020	58,489
Credit Cards	223,009	22,444	1,312	2,006	3,318	5,323
Other Personal	3,535,429	58,497	5,931	33,521	39,452	33,995
Total Personal	3,758,438	80,941	7,243	35,527	42,770	39,318
Professional	306,612	-	-	2,975	2,975	2,318
New Economy	1,498,338	1,211	-	12,023	12,023	4,752
Infrastructure	679,658	1	1	5,520	5,521	6,473
Other	343,274	15,502	554	2,225	2,779	2,811
	<u>21,929,772</u>	<u>1,811,047</u>	<u>276,337</u>	<u>202,683</u>	<u>479,020</u>	<u>377,407</u>
Interest receivable	114,750	-	-	-	-	-
Total	<u>22,044,522</u>	<u>1,811,047</u>	<u>276,337</u>	<u>202,683</u>	<u>479,020</u>	<u>377,407</u>
BANK						
Agriculture and Fishing	437,165	32,718	802	3,903	4,705	8,286
EPZ	1,266,301	269,613	54,890	12,321	67,211	79,532
Non EPZ	2,720,948	565,215	101,784	20,184	121,968	73,680
Total Manufacturing	3,987,249	834,828	156,674	32,505	189,179	153,212
Tourism	4,178,488	62,047	13,678	40,884	54,562	41,971
Transport	191,973	28,367	2,814	1,127	3,941	3,683
Construction	1,660,374	296,639	10,954	11,336	22,290	17,817
Financial and Business Services	650,552	95,323	12,945	5,474	18,419	23,602
Traders	2,938,414	250,380	51,963	24,852	76,815	45,352
Credit Cards	223,009	22,444	1,312	2,006	3,318	1,973
Other Personal	3,530,579	58,497	5,931	33,473	39,404	37,297
Total Personal	3,753,588	80,941	7,243	35,479	42,722	39,270
Professional	278,974	-	-	2,780	2,780	2,052
New Economy	1,496,923	1,211	-	12,023	12,023	4,745
Infrastructure	660,200	1	1	5,520	5,521	6,372
Other	315,149	15,047	99	1,880	1,979	2,599
	<u>20,549,049</u>	<u>1,697,502</u>	<u>257,173</u>	<u>177,763</u>	<u>434,936</u>	<u>348,961</u>
Interest receivable	108,883	-	-	-	-	-
Total	<u>20,657,932</u>	<u>1,697,502</u>	<u>257,173</u>	<u>177,763</u>	<u>434,936</u>	<u>348,961</u>

Total non-performing loans for 2002 for the Group and the Bank were MRs 1,471 million and MRs 1,428 million respectively.

8F. LOANS TO ENTITIES OUTSIDE MAURITIUS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Banks	73,125	-	73,125	-
Other Entities	1,141,545	1,309,081	1,141,545	1,309,081
	1,214,670	1,309,081	1,214,670	1,309,081

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Government	13,823	-	-	-
Other Entities	2,033,890	1,826,460	1,162,074	1,089,184
	2,047,713	1,826,460	1,162,074	1,089,184

8G. LOANS BY OVERSEAS OPERATIONS

9. TANGIBLE FIXED ASSETS

	LAND AND BUILDINGS		OTHER TANGIBLE	MOTOR	TOTAL
	FREEHOLD	LEASEHOLD	FIXED ASSETS	VEHICLES	
	MRS' 000	MRS' 000	MRS' 000	MRS' 000	MRS' 000
9A. GROUP					
<u>Cost</u>					
At 1 July 2002	327,666	572,199	1,677,102	15,875	2,592,842
Exchange Difference	3,086	-	542	15	3,643
Additions	-	13,030	403,093	608	416,731
Disposals	-	-	(25,813)	(1,920)	(27,733)
At 30 June 2003	330,752	585,229	2,054,924	14,578	2,985,483
<u>Accumulated Depreciation</u>					
At 1 July 2002	33,996	81,215	992,127	11,826	1,119,164
Exchange Difference	599	-	623	49	1,271
Disposals	-	-	(25,799)	(1,888)	(27,687)
Charge for the Year	4,777	11,330	183,366	2,448	201,921
Transfer	(145)	145	-	-	-
At 30 June 2003	39,227	92,690	1,150,317	12,435	1,294,669
<u>Net Book Value</u>					
At 30 June 2003	291,525	492,539	904,607	2,143	1,690,814
Progress Payments on Tangible Fixed Assets					147,164
					1,837,978
At 30 June 2002	293,670	490,984	684,975	4,049	1,473,678
Progress Payments on Tangible Fixed Assets					236,513
					1,710,191

9. TANGIBLE FIXED ASSETS (CONT'D)

	LAND AND BUILDINGS		OTHER TANGIBLE	MOTOR	TOTAL
	FREEHOLD	LEASEHOLD	FIXED ASSETS	VEHICLES	
	MRS' 000	MRS' 000	MRS' 000	MRS' 000	MRS' 000
9B. BANK					
<u>Cost</u>					
At 1 July 2002	327,666	572,199	1,657,272	13,843	2,570,980
Exchange Difference	3,086	-	550	19	3,655
Additions	-	13,030	402,347	608	415,985
Disposals	-	-	(25,813)	(1,920)	(27,733)
At 30 June 2003	330,752	585,229	2,034,356	12,550	2,962,887
<u>Accumulated Depreciation</u>					
At 1 July 2002	33,996	81,215	979,194	10,436	1,104,841
Exchange Difference	599	-	498	17	1,114
Disposals	-	-	(25,799)	(1,888)	(27,687)
Charge for the Year	4,777	11,330	181,013	2,100	199,220
Transfer	(145)	145	-	-	-
At 30 June 2003	39,227	92,690	1,134,906	10,665	1,277,488
<u>Net book value</u>					
At 30 June 2003	291,525	492,539	899,450	1,885	1,685,399
Progress Payments on Tangible Fixed Assets					147,164
					1,832,563
At 30 June 2002	293,670	490,984	678,078	3,407	1,466,139
Progress Payments on Tangible Fixed Assets					236,513
					1,702,652

Other fixed assets include plant, machinery, fixtures, fittings and computer equipment.

For both the Group and the Bank, the net book value of assets held under finance leases is as follows:

Computer Equipment
Plant & Machinery
Motor Vehicles

	2003 MRS'000	2002 MRS'000
Computer Equipment	726,643	455,498
Plant & Machinery	14,428	16,446
Motor Vehicles	866	1,805
	741,937	473,749

10. OTHER ASSETS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Accounts Receivable	34,485	23,650	28,051	16,917
Balances due in Clearing	270,601	175,906	217,830	173,599
Tax Paid in Advance	100,390	90,859	100,391	90,859
Net Unrealised Gain on Financial Derivatives	69,481	23,034	69,481	23,034
Pension Asset (Note 11)	23,095	39,031	21,338	36,039
Balances with Clearing Corporation in India	36,416	-	36,416	-
Printing, Stationery and Others	26,928	23,383	24,474	20,168
	561,396	375,863	497,981	360,616

The tax paid in advance is incurred by the Indian Operations and is a requirement under Indian tax regulations. The amount is shown net of the current tax payable by the Indian Operations.

11. PENSION ASSET

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Amount recognised in the Balance Sheet:				
Present Value of Funded Obligations	330,523	273,521	310,327	257,226
Fair Value of Plan Assets	(295,840)	(273,573)	(277,320)	(255,820)
	34,683	(52)	33,007	1,406
Unrecognised Actuarial Losses	(67,778)	(38,979)	(54,345)	(37,445)
(Asset)/Liability in the Balance Sheet	(23,095)	(39,031)	(21,338)	(36,039)

At 30 June 2003, about 1.24 % (2002: 1.47 %) of the total assets of the SBM Group Pension Fund were invested in shares of State Bank of Mauritius Ltd.

Amount recognised in the Statement of Income:

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Current Service Cost	16,749	15,021	15,258	13,493
Interest Cost	31,390	26,721	29,518	25,176
Expected Return on Plan Assets	(32,761)	(31,505)	(30,633)	(29,558)
Actuarial Loss/(Gain) recognised	558	-	558	-
Total included in Staff Costs (Note 26)	15,936	10,237	14,701	9,111

Actual Return on Plan Assets

	GROUP	BANK		
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
	26,320	11,547	25,514	9,999

Movements in the asset recognised in the Balance Sheet:

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
At 1 July 2002	(39,031)	(49,268)	(36,039)	(45,150)
Total Expense as above	15,936	10,237	14,701	9,111
At 30 June 2003	(23,095)	(39,031)	(21,338)	(36,039)

The principal actuarial assumptions used for accounting purposes were:

	GROUP & BANK	
	2003 %	2002 %
Discount Rate	10.5	11.5
Expected Rate of Return on Plan Assets	10.5	12.0
Future Salary Cost Increases	9.0	10.0
Future Pension Increases	-	-

Pension amounts and disclosures have been based on the report, dated July 17, 2003 submitted by Bacon Woodrow & Legris Ltd, Actuaries and Consultants.

12. DEPOSITS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
<u>Personal, Business and Governments</u>				
Demand Deposits	2,468,540	2,360,696	2,212,324	2,194,916
Savings Deposits	15,483,145	14,027,271	15,567,749	14,025,590
Time Deposits with remaining term to Maturity:				
- Up to 3 months	3,764,163	2,159,270	3,354,833	1,955,775
- Over 3 months and up to 6 months	1,647,364	1,866,655	1,255,826	1,675,882
- Over 6 months and up to 12 months	2,454,789	2,206,740	2,052,354	1,778,990
- Over 1 year and up to 2 years	2,606,355	2,652,992	1,871,132	2,231,803
- Over 2 years and up to 5 years	752,463	865,240	675,659	725,086
- Over 5 years	5,316	11,513	5,316	7,520
	29,182,135	26,150,377	26,995,193	24,595,562
<u>Banks</u>				
Demand Deposit	-	-	49,725	35,541
	29,182,135	26,150,377	27,044,918	24,631,103

13. BORROWINGS FROM CENTRAL BANKS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Borrowings under Refinance Scheme from Bank of Mauritius under Special Line of Credit by SBM Lease Ltd	3,785	85,585	-	-
Other Special Refinance Schemes from Bank of Mauritius	393,664	389,792	393,664	389,792
	397,449	475,377	393,664	389,792
<u>Remaining term to maturity</u>				
Up to 3 months	5,837	3,690	4,624	1,714
Over 3 months and up to 6 months	12,191	3,952	11,729	-
Over 6 months and up to 12 months	38,469	3,952	37,517	-
Over 1 year and up to 2 years	122,780	42,298	121,622	-
Over 2 years and up to 5 years	218,172	403,627	218,172	370,221
Over 5 years	-	17,857	-	17,857
	397,449	475,377	393,664	389,792

14. BORROWINGS FROM CATEGORY 1 BANKS AND INTERBANK BORROWINGS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Balances due within 3 months	773,935	305,371	773,935	305,371

15. BORROWINGS FROM CATEGORY 2 BANKS IN MAURITIUS AND BANKS ABROAD

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
<u>Remaining term to maturity</u>				
Within 3 months	1,573,311	1,243,373	1,573,311	1,243,373
Over 3 months and up to 6 months	205,923	265,076	205,923	265,076
Over 6 months and up to 12 months	-	3,399	-	3,399
	1,779,234	1,511,848	1,779,234	1,511,848

16. DEBENTURES AND LOAN CAPITAL

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
3-5 Year Debentures (issued by SBM Lease Ltd)	-	9,609	-	-

The debentures issued by SBM Lease Ltd were redeemed in October 2002.

17. TAXATION

17A. CURRENT TAXATION

Accounting Profit

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Accounting Profit	1,186,413	1,028,909	1,182,912	1,016,347
Tax on Accounting Profit at the applicable Tax Rate	296,603	257,227	295,728	254,087
Net Tax Effect of Non-taxable and Other Items	(201,675)	(196,251)	(215,549)	(217,176)
Current Tax Provision for the Year	94,928	60,976	80,179	36,911
Current Tax Liability	78,433	45,841	60,633	27,705

The current tax liability is stated after deducting the current tax payable by the Indian Operations which is set off against tax paid in advance.

The applicable tax rate for the Bank in Mauritius is 25 %.

17B. DEFERRED TAXATION

Deferred Tax Liability

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
At 1 July 2002	70,135	62,174	69,471	61,399
Exchange Difference	81	(63)	81	(63)
Deferred Tax Expense	63,963	8,024	64,239	8,134
At 30 June 2003	134,179	70,135	133,790	69,470

Analysed as resulting from:

Accelerated Capital Allowances
Pension Asset and Other Employee Benefits
General Provision for Credit Losses
Tax Deduction for Advances to Tax Incentive Companies

Accelerated Capital Allowances	145,805	61,214	145,679	61,120
Pension Asset and Other Employee Benefits	1,869	6,374	1,606	5,803
General Provision for Credit Losses	(59,642)	(43,600)	(59,642)	(43,600)
Tax Deduction for Advances to Tax Incentive Companies	46,147	46,147	46,147	46,147
	134,179	70,135	133,790	69,470

17C. TAX EXPENSE

Current Tax Provision for the Year

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Current Tax Provision for the Year	94,928	60,976	80,179	36,911
Exchange Difference	(2,270)	(509)	(1,714)	341
Overprovision in Previous Year	(4,219)	(8,052)	(4,221)	(8,045)
Withholding Tax on Dividend	2,368	2,215	-	-
Share of Tax of Subsidiaries and Associates	10,844	6,902	26,212	27,358
Current Tax Expense	101,651	61,532	100,456	56,565
Deferred Tax Expense	63,963	8,024	64,239	8,134
Total Tax Expense	165,614	69,556	164,695	64,699

The Group's total tax expense can also be analysed as being incurred as follows:

In Mauritius, excluding Share of Tax of Associates
Overseas
Share of Tax of Associates

	GROUP	
	2003 MRS'000	2002 MRS'000
In Mauritius, excluding Share of Tax of Associates	128,469	29,382
Overseas	26,301	33,272
Share of Tax of Associates	10,844	6,902
Total Tax Expense	165,614	69,556

18. OBLIGATIONS UNDER FINANCE LEASES

	WITHIN	3-6	6-12	1-2	2-5	AFTER	TOTAL
	3 MONTHS	MONTHS	MONTHS	YEARS	YEARS	5 YEARS	
	MRS' 000	MRS' 000	MRS' 000	MRS' 000	MRS' 000	MRS' 000	MRS' 000
BANK							
2003							
Minimum Lease Payments	58,231	58,231	126,686	212,241	525,049	-	980,438
Less: Future Finance Charges	(22,412)	(21,308)	(38,875)	(63,323)	(74,159)	-	(220,077)
Capital Element – due to SBM Lease Ltd	35,819	36,923	87,811	148,918	450,890	-	760,361
2002							
Minimum Lease Payments	37,760	38,159	71,274	150,849	364,258	459	662,759
Less: Future Finance Charges	(15,129)	(14,403)	(26,651)	(44,509)	(60,412)	(49)	(161,153)
Capital Element – due to SBM Lease Ltd	22,631	23,756	44,623	106,340	303,846	410	501,606

19. OTHER LIABILITIES

Bills Payable
Accruals for Operating and Non-Operating Expenses
Dividend Payable (Note 28)
Settlements on Debit Cards
Accounts Payable
- Subsidiaries
- Others
Deferred Income
Balance due in Clearing
Salary Credit Transition Accounts
Others

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Bills Payable	86,253	54,000	84,391	51,339
Accruals for Operating and Non-Operating Expenses	50,351	46,731	50,102	46,566
Dividend Payable (Note 28)	357,638	363,375	357,638	363,375
Settlements on Debit Cards	6,981	3,598	6,981	3,598
Accounts Payable				
- Subsidiaries	-	-	21,915	-
- Others	67,417	59,897	32,412	43,908
Deferred Income	12,645	17,875	14,284	17,450
Balance due in Clearing	174,017	169,633	174,017	169,633
Salary Credit Transition Accounts	65,553	-	65,553	-
Others	11,945	11,974	11,945	11,957
	832,800	727,083	818,518	707,826

23. INTEREST INCOME

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Loans and Advances	2,212,493	2,385,499	2,058,268	2,248,462
Investment Securities	630,689	487,505	571,142	379,409
Trading Securities	85,473	6,093	85,473	6,093
Gilt-edged Securities	716,162	493,598	656,615	385,502
Placements with Banks	74,888	96,972	71,555	91,498
	3,003,543	2,976,069	2,786,438	2,725,462

The interest on Loans and Advances includes interest on debentures to which the Bank has subscribed and which are treated as Loans and Advances by the Bank.

24. PROVISIONS AND ADJUSTMENTS TO INCOME
FOR CREDIT LOSSES

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
General and Specific Provisions	94,698	128,428	80,156	111,041
Bad Debts written off for which no Provisions were made	49,772	41,463	48,895	41,463
Recoveries of Advances written off	(853)	(1,239)	(853)	(1,239)
	143,617	168,652	128,198	151,266

25. NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Loan-related				
- Letters of Credit and Acceptances	42,784	29,032	27,339	23,595
- Others	6,812	10,200	6,812	10,200
Credit Cards	71,372	68,256	71,372	68,256
Guarantees	19,580	18,586	19,580	18,586
Service Charges	115,723	72,831	110,699	69,944
Other	47,621	65,742	36,844	44,051
Total Fee and Commission Income	303,892	264,647	272,646	234,632
Fee and Commission Expense	(50,911)	(46,532)	(49,783)	(43,674)
	252,981	218,115	222,863	190,958

26. NON-INTEREST EXPENSE

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Staff costs	367,913	298,521	360,422	291,477
Property costs	165,593	163,474	156,366	154,846
System costs	167,671	164,121	163,343	159,502
Other	67,685	54,532	61,965	48,263
	768,862	680,648	742,096	654,088
Number of Employees at Balance Sheet Date, including trainees	877	839	745	714

For both the Group and the Bank, staff costs include a defined contribution pension expense of MRs 4.804m (2002: MRs 4.225 million)

27. NET INCOME AFTER INCOME TAXES

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Net Income after Taxes is arrived at after charging:				
Operating Lease Rentals	22,272	19,976	17,131	16,486
Auditors' Remuneration (Audit Fee)				
- Principal Auditors	2,963	3,557	2,846	3,406
- Other Auditors	433	450	112	141

28. DIVIDEND PAYABLE

	BANK	
	2003 MRS'000	2002 MRS'000
Balance at Beginning of Year	363,375	327,038
Dividend Paid	(363,270)	(327,038)
Amount Written Back	(105)	-
Dividend declared during the Year:		
110 Cents (2002: 100 cents) per Share	357,638	363,375
Net Amount of Change in Equity	357,533	363,375
Balance at End of Year	357,638	363,375

The dividend payable at 30 June 2003 takes into consideration the further buy back of Treasury shares by the Bank after the year end up to 23 July 2003, the date of completion of the Share Buy Back Programme. Therefore, the dividend payable is based on the number of shares of 325,125,000 outstanding after the Share Buy Back Programme.

29. EARNINGS PER SHARE

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Net Income available to Shareholders	1,018,217	951,648	1,018,217	951,648
Weighted Average Number of Outstanding Shares entitled to Dividends (thousands)	358,899	363,375	358,899	363,375
Earnings per Share (Cents)	284	262	284	262

30. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	GROUP		BANK	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
Cash and Balances with Central Banks	1,924,269	1,659,326	1,844,978	1,501,548
Balances with Category 1 Banks and Interbank Loans	104,117	31,081	103,733	29,253
Balances with Category 2 Banks in Mauritius and Banks Abroad	2,260,586	2,296,133	1,997,854	2,053,711
	4,288,972	3,986,540	3,946,565	3,584,512
Borrowings from Category 1 Banks and Interbank Borrowings	(773,935)	(305,371)	(773,935)	(305,371)
Borrowings from Category 2 Banks in Mauritius and Banks Abroad	(1,779,234)	(1,511,848)	(1,779,234)	(1,511,848)
	1,735,803	2,169,321	1,393,396	1,767,293

31. RELATED PARTY TRANSACTIONS

	DIRECTORS*		KEY MANAGEMENT PERSONNEL AND OTHER DIRECTORS†		ASSOCIATES AND OTHER ENTITIES IN WHICH THE GROUP HAS SIGNIFICANT INFLUENCE**		ENTITIES WHICH HAVE SIGNIFICANT INFLUENCE IN THE GROUP		ENTITIES IN WHICH DIRECTORS, MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS HAVE SIGNIFICANT INFLUENCE	
	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000	2003 MRS'000	2002 MRS'000
(a) Credit Facilities										
(i) Loans to directors										
Balance at beginning of year	179	212	22,249	n/a	-	-	1,051,470	n/a	61,228	51,407
Loans to directors who resigned during the year	(179)	-	3,793	n/a	-	-	246,500	n/a	(33,771)	-
Existing loans of newly appointed directors	221	-	400	-	780,000	-	(597,960)	-	83,148	21,207
Repayments	(68)	(33)	(3,624)	n/a	-	-	770,710	n/a	9749	17,101
Balance at end of year	163	179	22,918	22,249	780,000	-	770,710	1,051,470	104,884	61,228
(ii) Loans to other related parties										
Balance at beginning of year										
Loans to entities in which directors who resigned during the year have significant influence										
Loans granted during the year										
Existing loans of newly appointed key management personnel										
Repayments										
Balance at end of year										
(iii) Other advances										
Balance at end of year	50	7	1,108	799	1	60	1,069,621	1,225,019	184,522	90,985
(iv) Off balance sheet items										
Balance at end of year	-	-	204	300	127,666	33,871	773,253	649,919	93,104	79,044
(b) Placements										
Balance at end of year	-	-	-	-	-	-	786,917	466,348	-	-
(c) Borrowings										
Balance at end of year	-	-	-	-	59,050	94,291	364,716	457,347	-	-
(e) Deposits										
Balance at end of year	59,742	48,929	18,830	32,836	144,343	103,895	4,006,400	3,901,032	11,431	7,287
(f) Interest Income										
Loans and advances										
Placements	70	32	1,987	n/a	142	14	195,799	n/a	24,285	18,105
(g) Interest expense										
Deposits	70	32	1,987	-	142	14	130,433	162,111	24,285	18,105
Borrowings	2,137	1,628	814	n/a	6,215	966	175,647	n/a	3,945	378
(h) Other income										
Purchase of goods & services	2,137	1,628	814	-	1,299	2,820	11,777	14,848	3,945	378
Emoluments	-	-	71	n/a	3,312	73	53,247	n/a	7,267	1,469
Emoluments including benefits of key management personnel (including directors) for the year amounted to MRS 98.5 million (2002: MRS 73.4 million)	500	-	18,583	16,670			36,154	46,124	32,344	167,877

The above related party transactions were carried at market terms and conditions, with the exception of loans to key management personnel excluding directors, which were at preferential staff interest rates.

* Including close family members
 ** For the purpose of disclosure of credit facilities with related parties and interest income thereon, entities in which the Group has significant influence and entities which have significant influence in the Group include those in which they have at least a 10% shareholding (as required by the Bank of Mauritius Guideline on Related Parties)
 n/a Comparative information not practicable

32. PHANTOM SHARE OPTIONS

The bank has in place a "Compensation based on Performance Scheme" for senior executives including an element of at-risk pay. The at-risk pay is in the form of options for Phantom shares. Under this scheme, senior executives are allocated an annual number of Phantom share options based on individual, team and Bank performance. The option price is the market price of the share at a discount. Options are exercisable after three years and within ten years of the date of allocation of the options subject to certain conditions including the following:-

- (i) At the end of the tenth year, all outstanding options lapse.
- (ii) In any one year, not more than 15 % of the options can be exercised.

On the exercise of an option for a Phantom share, applicants receive in cash the increase in value, based on the difference between the Bank's quoted share price at the time of exercise and the option price, of the allocated number of notional shares.

Movements in the number of Phantom share options:

	GROUP & BANK 2003 MRS'000	BANK 2002 MRS'000
Outstanding at the beginning of the year	918,330	684,200
Allocated during the year	-	250,000
Lapsed during the year	(31,725)	(15,870)
Exercised during the year	(110,000)	-
Outstanding at end of the year	776,605	918,330

Included in staff costs (Note 26) is an amount of MRs 402,000 (2002: Nil) paid on the exercise of Phantom share options during the year.

Terms of the phantom share options outstanding as at 30 June 2003:

Expiry date

	GROUP NUMBER	BANK & OPTION PRICE 2003 PRICE MRS
June 30, 2008	121,405	18.00
June 30, 2009	92,700	13.00
June 30, 2010	132,500	10.00
June 30, 2011	210,000	10.00
June 30, 2012	220,000	10.00
	776,605	

As at 30 June 2003, the potential liability was negligible.

None of the directors, both executive and non-executive, have Phantom share options.

33. SEGMENT INFORMATION

(a) Primary Reporting Format – Business Segments

	BANKING MRS' 000	LEASING MRS' 000	OTHERS MRS' 000	CONSOLIDATION ADJUSTMENTS MRS' 000	GROUP MRS' 000
2003					
External Gross Income	3,515,284	117,350	35,704	-	3,668,338
Gross Income from Other Segments	19,702	60,521	14,297	(94,520)	-
Total Gross Income	3,534,986	177,871	50,001	(94,520)	3,668,338
Interest Expense and Non-Interest Expenses	(2,360,211)	(133,790)	(7,695)	94,520	(2,407,176)
Profit before Provision for Credit Losses	1,174,775	44,081	42,306	-	1,261,162
Provision for Credit Losses	(139,109)	(4,508)	-	-	(143,617)
Profit after Provision for Credit Losses	1,035,666	39,573	42,306	-	1,117,545
Share of Profit of Associates					68,868
Net Income before Income Taxes					1,186,413
Provision for Income Taxes					(165,614)
Net Income after Income Taxes					1,020,799
Minority Interest					(2,582)
Net Income attributable to Shareholders					1,018,217
Segment Assets	37,471,688	1,550,659	751,136	(1,996,544)	37,776,939
Investments in Associates					568,311
Total Assets					38,345,250
Segment Liabilities	32,698,526	1,544,108	747,656	(2,024,737)	32,965,553
Unallocated Liabilities					212,612
Minority Interest					28,193
Shareholders' Equity					5,138,892
Total Liabilities and Shareholders' Equity					38,345,250
Capital Expenditure	416,576	-	155	-	416,731
Depreciation	200,982	788	151	-	201,921

33. SEGMENT INFORMATION (cont'd)

(a) Primary Reporting Format – Business Segments (cont'd)

	BANKING MRs' 000	LEASING MRs' 000	OTHERS MRs' 000	CONSOLIDATION ADJUSTMENTS MRs' 000	GROUP MRs' 000
2002					
External Gross Income	3,276,430	187,962	51,892	2,619	3,518,903
Gross Income from Other Segments	57,543	14,216	39,611	(111,370)	-
Total Gross Income	3,334,973	202,178	91,503	(108,751)	3,518,903
Interest Expense and Non-Interest Expenses	(2,307,603)	(145,959)	(32,503)	111,370	(2,374,695)
Profit before Provision for Credit Losses	1,026,370	56,219	59,000	2,619	1,144,208
Provision for Credit Losses	(157,614)	(11,038)	-	-	(168,652)
Profit after Provision for Credit Losses	868,756	45,181	59,000	2,619	975,556
Share of Profit of Associates					53,353
Net Income before Income Taxes					1,028,909
Provision for Income Taxes					(69,556)
Net Income after Income Tax					959,353
Minority Interest					(7,705)
Net income attributable to Shareholders					951,648
Segment Assets	34,048,607	1,679,809	824,577	(2,915,554)	33,637,439
Investments in Associates					577,280
Total Assets					34,214,719
Segment Liabilities	29,056,391	1,671,320	822,431	(2,370,477)	29,179,665
Unallocated Liabilities					115,976
Minority Interest					32,203
Shareholders' Equity					4,886,875
Total Liabilities and Shareholders' Equity					34,214,719
Capital Expenditure	627,894	-	-	-	627,894
Depreciation	199,046	788	192	-	200,026

33. SEGMENT INFORMATION (CONT'D)

(b) Secondary Reporting Format – Geographical Segments

	MAURITIUS MRs' 000	INDIA MRs' 000	MADAGASCAR MRs' 000	ADJUSTMENTS MRs' 000	GROUP MRs' 000
2003					
External Gross Income	3,323,003	232,945	112,390	-	3,668,338
Segment Assets	36,719,047	2,587,047	1,136,056	(2,665,211)	37,776,939
Investments in Associates					568,311
Total Assets					38,345,250
Capital Expenditure	415,796	345	590	-	416,731
2002					
External Gross Income	3,113,006	264,768	138,510	2,619	3,518,903
Segment Assets	33,833,111	2,178,452	1,016,958	(3,391,082)	33,637,439
Investments in Associates					577,280
Total Assets					34,214,719
Capital Expenditure	624,051	3,034	809	-	627,894

34. SIGNIFICANT FOREIGN CURRENCY EXPOSURES

The Group and the Bank have in place appropriate currency risk management procedures. Accordingly, the Group and the Bank do not have significant foreign currency exposures at the balance sheet date.

35. SUBSEQUENT EVENTS

There are no events subsequent to the year end which require disclosure, other than the further buy back of Treasury shares up to July 23, 2003 mentioned in Note 28.