

HSBC Bank (Mauritius) Limited

STATEMENT OF FINANCIAL POSITION

at 31 December 2010

	2010 USD'000	2009 USD'000	2008 USD'000
ASSETS			
Cash and cash equivalents	1,303,189	1,621,327	1,309,422
Trading assets	26,640	80	1
Derivative assets held for risk management	-	3,862	584
Loans and advances to banks	536,686	46,000	210,439
Loans and advances to customers	1,998,283	1,810,754	1,427,802
Investment securities	30	47	465,307
Equipment	72	82	51
Deferred tax assets	-	-	2
Other assets	9,270	7,384	15,558
Total assets	3,874,170	3,489,536	3,429,166
LIABILITIES			
Deposits from banks	235	268	198
Deposits from customers	3,602,164	3,279,136	3,153,544
Trading liabilities	19,081	20	31
Derivative liabilities held for risk management	7,392	3,031	33,648
Other borrowed funds	16,962	3,669	2,891
Current tax liabilities	769	1,329	3,768
Other liabilities	4,603	2,692	3,921
Total liabilities	3,651,206	3,290,145	3,198,001
Shareholders' equity			
Stated capital – paid up	72,957	72,957	72,957
Retained earnings	57,056	35,340	71,005
Other reserves	92,951	91,094	87,203
Total equity attributable to equity holders	222,964	199,391	231,165
Total equity and liabilities	3,874,170	3,489,536	3,429,166

Approved on 14 March 2011

Guy Harvey-Samuel
Chairman

James Boucher
Managing Director

Siew Meng Tan
Director

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STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 USD'000	2009 USD'000	2008 USD'000
Interest income	34,608	43,714	115,974
Interest expense	(880)	(2,727)	(33,973)
Net interest income	33,728	40,987	82,001
Fee and commission income	8,338	5,554	4,637
Fee and commission expense	(1,635)	(4,529)	(2,063)
Net fee and commission income	6,703	1,025	2,574
Net trading income	8,897	5,367	13,384
Net income/(loss) from other financial instruments carried at fair value	386	(2,081)	(184)
Other operating income	68	21	147
	9,351	3,307	13,347
Operating income	49,782	45,319	97,922
Personnel expenses	(2,029)	(1,653)	(2,064)
Operating lease expenses	(130)	(153)	(90)
Depreciation and amortisation	(31)	(22)	(20)
Other expenses	(1,954)	(1,755)	(1,082)
Total expense	(4,144)	(3,583)	(3,256)
Profit before income tax	45,638	41,736	94,666
Income tax expense	(2,045)	(2,049)	(2,875)
Profit for the year after tax	43,593	39,687	91,791
Other comprehensive income	-	-	-
Income tax relating to components of other comprehensive income	-	-	-
Other comprehensive income for the year, net of income tax	-	-	-
Total comprehensive income for the year	43,593	39,687	91,791
Profit attributable to:			
Equity holders	43,593	39,687	91,791
Transfer for the year to statutory reserve	-	-	153

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSBC BANK (MAURITIUS) LIMITED

We have audited the financial statements of HSBC Bank (Mauritius) Limited for the year ended 31 December 2010, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 14 March 2011, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Bank's financial position and the financial performance and cash flows for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

KPMG

Licensed Auditors

Jean Claude LIONG

Signing Partner

Port Louis

Date: 14 March 2011

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	2010 USD'000	2009 USD'000	2008 USD'000
Cash flows from operating activities			
Profit before income tax	45,638	41,736	94,666
Income tax paid	(2,514)	(4,486)	(1,696)
Adjustments for:			
Depreciation	31	22	20
Derivative assets held for risk management	3,862	(3,278)	(415)
Derivative liabilities held for risk management	4,361	(30,618)	25,243
Other assets	(1,886)	8,173	11,511
Other liabilities	1,893	(1,208)	(84,188)
Difference on exchange	(93)	-	-
	51,292	10,341	45,141
Change in trading assets	(26,560)	(79)	232
Change in trading liabilities	19,061	(11)	(161)
Change in investment securities	17	465,278	(445,017)
Change in loans and advances to banks	(490,686)	164,439	(141,858)
Change in loans and advances to customers	(187,529)	(382,952)	(531,938)
Change in deposits from banks	(33)	70	148
Change in deposits from customers	323,028	125,593	(60,819)
Net cash (used in)/from operating activities	(311,410)	382,679	(1,134,272)
Cash flows used in investing activities			
Acquisition of equipment	(21)	(58)	(30)
Proceeds from the sale of equipment	-	6	-
Net cash used in investing activities	(21)	(52)	(30)
Cash flows used in financing activities			
Dividend paid	(20,000)	(71,500)	(80,000)
Net cash used in financing activities	(20,000)	(71,500)	(80,000)
Net change in cash and cash equivalents	(331,431)	311,127	(1,214,302)
Cash and cash equivalents at 1 January	1,617,658	1,306,531	2,520,833
Cash and cash equivalents at 31 December	1,286,227	1,617,658	1,306,531

KPMG's report on the complete set of financial statements reads as follows:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSBC BANK (MAURITIUS) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of HSBC Bank (Mauritius) Limited (the "Bank") on pages 42 to 109 which comprise the statement of financial position at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Bank's members, as a body, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Bank's members those matters that 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 Bank and the Bank's members as a body, for our audit work, for this report, or for the opinion we have formed.

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 Mauritius Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 42 to 109 give a true and fair view of the financial position of the Bank at 31 December 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Mauritius Companies Act

We have no relationship with or interests in the Bank other than in our capacities as auditors.

We have obtained all the information and explanations 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.

Banking Act

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

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report and making disclosures required by Section 8.4 of the Code of Corporate Governance of

KPMG
Licensed Auditors

Jean Claude LIONG
Signing Partner

Port Louis
Date: 14 March 2011

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STATEMENT OF CHANGES IN CAPITAL AND RESERVES

for the year ended 31 December 2010

	Stated capital	Statutory reserve	General banking reserve	Retained earnings	Other reserves	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 31 December 2007	72,957	72,804	8,939	64,684	962	220,346
Total comprehensive income	-	-	-	91,791	-	91,791
Movement during the year	-	-	-	-	(972)	(972)
Transfer to general banking reserve	-	-	5,317	(5,317)	-	-
Transfer to statutory reserve	-	153	-	(153)	-	-
Dividends paid	-	-	-	(80,000)	-	(80,000)
Balance at 31 December 2008	72,957	72,957	14,256	71,005	(10)	231,165
Total comprehensive income	-	-	-	39,687	-	39,687
Movement during the year	-	-	-	-	39	39
Transfer to general banking reserve	-	-	3,852	(3,852)	-	-
Dividends paid	-	-	-	(71,500)	-	(71,500)
Balance at 31 December 2009	72,957	72,957	18,108	35,340	29	199,391
Total comprehensive income	-	-	-	43,593	-	43,593
Movement during the year	-	-	-	-	(18)	(18)
Transfer to general banking reserve	-	-	1,875	(1,875)	-	-
Dividend paid	-	-	-	(20,000)	-	(20,000)
Exchange difference	-	-	-	(2)	-	(2)
Balance at 31 December 2010	72,957	72,957	19,983	57,056	11	222,964

The above information, including the independent auditors' report, has been extracted from the audited financial statements for the