

Financial statements for the year ended 30 June 2009

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	THE GROUP		THE BANK	
	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.
Interest income	263,779,220	81,490,417	263,761,845	81,425,237
Interest expense	(202,691,017)	(62,160,593)	(202,851,809)	(67,686,313)
Net interest income	61,088,203	19,329,824	60,910,036	13,738,924
Fees and commission income	19,954,450	16,432,748	19,443,923	13,390,659
Fees and commission expense	(5,163,580)	(8,383,476)	(5,109,862)	(936,671)
Net fees and commission income	14,790,870	8,049,272	14,334,061	12,453,988
Net trading income	81,627,576	33,399,338	80,721,966	28,140,560
Other operating income	3,849,112	103,178	3,839,112	103,178
Total operating income	161,355,761	60,881,612	159,805,175	54,436,650
Allowance for credit impairment	(11,161,755)	(8,656,684)	(11,161,755)	(8,656,684)
Net operating income	150,194,006	52,224,928	148,643,420	45,779,966
Personnel expenses	(73,602,489)	(53,076,317)	(72,716,773)	(52,916,658)
Depreciation of equipment	(2,294,902)	(1,682,832)	(2,283,447)	(1,682,204)
Amortisation of intangible assets	(3,221,622)	(2,571,534)	(3,221,622)	(2,571,534)
Other operating expenses	(46,747,416)	(42,267,060)	(46,169,002)	(36,061,966)
Total operating expenses	(125,866,429)	(99,597,743)	(124,390,844)	(93,232,362)
Profit/(loss) before tax	24,327,577	(47,372,815)	24,252,576	(47,452,396)
Income tax (expense)/release	(3,775,820)	7,023,310	(3,762,868)	7,035,360
Profit/(loss) for the year/period	20,551,757	(40,349,505)	20,489,708	(40,417,036)
Earnings/(loss) per share :				
Basic earnings/(loss) per share	0.48	(1.63)	0.48	(1.63)

BALANCE SHEETS AS AT 30 JUNE 2009

	THE GROUP		THE BANK	
	2009	2008	2009	2008
	Rs.	Rs.	Rs.	Rs.
ASSETS				
Cash and balances with Central Bank	207,964,884	336,759,156	207,964,884	336,759,156
Due from banks	2,751,535,864	1,221,291,604	2,715,056,629	1,207,020,927
Derivative financial instruments	149,082,366	165,440,195	51,654,502	65,364,630
Other financial assets held-for-trading	103,171,720	-	103,171,720	-
Loans and advances to customers	2,106,644,479	946,761,441	2,106,644,479	946,761,441
Investment in subsidiary	-	-	1,000,000	1,000,000
Financial investments - held-to-maturity	638,610,782	372,117,115	638,610,782	372,117,115
Equipment	11,307,572	12,831,757	11,285,287	12,798,017
Intangible assets	13,580,739	18,336,068	13,580,739	18,336,068
Deferred tax assets	3,272,492	7,035,360	3,272,492	7,035,360
Other assets	210,494,775	13,803,375	215,071,306	10,735,538
TOTAL ASSETS	6,195,665,673	3,094,376,071	6,067,312,820	2,977,928,252
LIABILITIES AND EQUITY				
Due to banks	142,670,271	143,028,710	142,670,271	143,028,710
Derivative financial instruments	147,711,855	166,266,907	50,283,991	66,191,342
Deposits from customers	5,027,223,830	2,357,809,589	5,059,541,818	2,434,596,321
Capital guaranteed contracts	151,235,328	101,475,191	-	-
Amount due to subsidiary	-	-	151,235,327	101,475,191
Current tax liabilities	11,680	9,566	-	-
Deferred tax liabilities	2,055	2,484	-	-
Other liabilities	86,998,049	116,133,129	23,898,388	23,053,724
TOTAL LIABILITIES	5,555,853,068	2,884,725,576	5,427,629,795	2,768,345,288
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT				
Issued capital	653,977,578	250,000,000	653,977,578	250,000,000
Revenue deficit	(19,797,748)	(40,349,505)	(19,927,328)	(40,417,036)
Other reserves	5,632,775	-	5,632,775	-
TOTAL EQUITY	639,812,605	209,650,495	639,683,025	209,582,964
TOTAL LIABILITIES AND EQUITY	6,195,665,673	3,094,376,071	6,067,312,820	2,977,928,252

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

THE GROUP	Issued capital	Revenue deficit	Other reserves	Total
	Rs.	Rs.	Rs.	Rs.
Issue of shares	250,000,000	-	-	250,000,000
Loss for the period	-	(40,349,505)	-	(40,349,505)
At 30 June 2008	250,000,000	(40,349,505)	-	209,650,495
At 1 July 2008	250,000,000	(40,349,505)	-	209,650,495
Issue of shares	403,977,578	-	-	403,977,578
Profit for the year	-	20,551,757	-	20,551,757
Share-based payments	-	-	5,632,775	5,632,775
At 30 June 2009	653,977,578	(19,797,748)	5,632,775	639,812,605
THE BANK	Issued capital	Revenue deficit	Other reserves	Total
	Rs.	Rs.	Rs.	Rs.
Issue of shares	250,000,000	-	-	250,000,000
Loss for the period	-	(40,417,036)	-	(40,417,036)
At 30 June 2008	250,000,000	(40,417,036)	-	209,582,964
At 1 July 2008	250,000,000	(40,417,036)	-	209,582,964
Issue of shares	403,977,578	-	-	403,977,578
Profit for the year	-	20,489,708	-	20,489,708
Share-based payments	-	-	5,632,775	5,632,775
At 30 June 2009	653,977,578	(19,927,328)	5,632,775	639,683,025

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	THE GROUP		THE BANK	
	Year ended 30 June 2009	18 months ended 30 June 2008	Year ended 30 June 2009	18 months ended 30 June 2008
	Rs.	Rs.	Rs.	Rs.
OPERATING ACTIVITIES				
Profit/(loss) before tax	24,327,577	(47,372,815)	24,252,576	(47,452,396)
Adjustments for:				
Change in operating assets	(1,525,906,798)	(1,472,864,192)	(1,536,198,867)	(1,369,720,790)
Change in operating liabilities	2,649,707,701	2,831,128,434	2,637,866,401	2,714,760,196
Non-cash items included in profit/loss before tax	(37,997,733)	(5,609,432)	(37,831,021)	(19,160)
Interest received	253,284,974	74,736,117	253,267,599	74,670,937
Interest paid	(166,714,637)	(36,402,730)	(166,875,429)	(41,928,450)
Tax paid	(11,267)	-	-	-
Net cash flows from operating activities	1,196,689,817	1,343,615,382	1,174,481,259	1,330,310,337
INVESTING ACTIVITIES				
Purchase of equipment	(1,845,744)	(14,561,783)	(1,845,744)	(14,527,415)
Proceeds from sale of equipment	39,586	49,899	39,586	49,899
Purchase of intangible assets	(549,136)	(21,052,738)	(549,136)	(21,052,738)
Investment in subsidiary	-	-	-	(1,000,000)
Net cash flows used in investing activities	(2,355,294)	(35,564,622)	(2,355,294)	(36,530,254)
FINANCING ACTIVITIES				
Issue of share capital	201,988,789	250,000,000	201,988,789	250,000,000
Net cash flows from financing activities	201,988,789	250,000,000	201,988,789	250,000,000
Net cash flows for the year/period	1,396,323,312	1,558,050,760	1,374,114,754	1,543,780,083
Movement in cash and cash equivalents				
Cash and cash equivalents at beginning of the year/period	1,558,050,760	-	1,543,780,083	-
Net increase in cash and cash equivalents	1,396,323,312	1,558,050,760	1,374,114,754	1,543,780,083
Cash and cash equivalents at June 30	2,954,374,072	1,558,050,760	2,917,894,837	1,543,780,083

The financial statements have been approved for issue by the Board of Directors on 2 September 2009.

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumiére
Director

MANAGEMENT'S COMMENTS

AfrAsia Bank Limited has now emerged into a recognized local and international player providing customers with a tangible and "different" banking choice. The Bank celebrated several milestones, including award-winner of the Most Innovative Bank in Mauritius, additional Mauritian and International strategic shareholders on board, substantial increase in its capital base and launch of several pioneering products and services.

Since its launch, AfrAsia Bank has enjoyed great customer loyalty, good brand recognition and a reputation for innovation. Operating performance is summarized as below:

- ✓ The Bank retained a conservative balance sheet structure with customer deposits increasing rapidly by 108% to over Rs.5bn equivalent at June 2009 from Rs.2.4bn at June 2008
- ✓ Shareholder capital increased to Rs.654m from Rs.250m with existing and new shareholders continuing to invest heavily in the growth of the Bank
- ✓ Customer loans grew substantially to Rs.2.1bn from Rs.947m and with stability returning to global markets, the Bank is poised to grow its customer lending relationships
- ✓ Liquidity position was very strong throughout the year and at June 2009, loan to deposit ratio stood at 42%
- ✓ Treasury and capital markets activities drove excellent trading income by providing clearly competitive and responsive rates and service

The key ingredient in this successful year, despite massive market turmoil, has been the strength of the Bank's client relationships. With the recent approval of a representative office in Cape Town, the Bank has achieved a further milestone to be the reference point for Corporate & Investment Banking, Private Banking and International Banking Solutions linking Mauritius and the Africa Asia trade corridor by being closer to those markets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRASIA BANK LIMITED AND ITS SUBSIDIARY

We have audited the financial statements of AfrAsia Bank Limited for the year ended 30 June 2009, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 2 September 2009, 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.

The independent auditors' report on the complete set of financial statements reads as follows:

Report on the Financial Statements

We have audited the financial statements of AfrAsia Bank Limited (the "Bank") and its subsidiary (altogether the "Group") on pages 7 to 81 which comprise the balance sheets as at 30 June 2009 and the income statements, the statements of changes in equity and consolidated cash flow statements for the year 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 Mauritian Companies Act 2001 and Banking Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 auditor's judgment, 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 Group'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 Group'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 consolidated financial statements on pages 7 to 81 give a true and fair view of the financial position of the Group and the Bank as of 30 June 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001 and Banking Act 2004.

Other matter

This report, including the opinion, has been prepared for and only for the Bank's members, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Bank other than in our capacity as auditors, tax advisors and dealings with the Group and the Bank in the ordinary course of business.

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 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and 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 Group and the Bank were satisfactory.

ERNST & YOUNG
Port Louis, Mauritius
2 September 2009

PATRICK NG TSEUNG, A.C.A.