

AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	THE GROUP			THE BANK		
	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	543,026,048	323,159,918	263,779,220	543,017,482	323,159,918	263,761,845
Interest expense	(324,266,104)	(215,633,180)	(202,691,017)	(324,271,915)	(215,650,919)	(202,851,809)
Net interest income	218,759,944	107,526,738	61,088,203	218,745,567	107,508,999	60,910,036
Fees and commission income	53,752,370	54,020,198	19,954,450	53,752,370	53,893,502	19,443,923
Fees and commission expense	(11,037,085)	(9,643,792)	(5,163,580)	(10,942,605)	(9,571,814)	(5,109,862)
Net fees and commission income	42,715,285	44,376,406	14,790,870	42,809,765	44,321,688	14,334,061
Net trading income	107,997,630	79,348,764	81,627,576	107,978,574	78,905,252	80,721,966
Other operating income	341,655	10,794	3,849,112	144,357	-	3,839,112
Total operating income	369,814,514	231,262,702	161,355,761	369,678,263	230,735,939	159,805,175
Net allowance for credit impairment	(25,299,641)	(31,963,872)	(11,161,755)	(25,299,641)	(31,963,872)	(11,161,755)
Net operating income	344,514,873	199,298,830	150,194,006	344,378,622	198,772,067	148,643,420
Personnel expenses	(126,720,957)	(90,316,955)	(73,602,489)	(126,720,957)	(90,316,955)	(72,716,773)
Depreciation of equipment	(3,058,647)	(2,804,560)	(2,294,902)	(3,046,724)	(2,792,710)	(2,283,447)
Amortisation of intangible assets	(3,601,221)	(3,874,861)	(3,221,622)	(3,601,221)	(3,874,861)	(3,221,622)
Other operating expenses	(68,561,015)	(54,327,744)	(46,747,487)	(68,297,982)	(53,647,698)	(46,169,073)
Total operating expenses	(201,941,840)	(151,324,120)	(125,866,500)	(201,666,884)	(150,632,224)	(124,390,915)
Operating profit	142,573,033	47,974,710	24,327,506	142,711,738	48,139,843	24,252,505
Share of profit of joint venture	5,703,724	1,263,493	-	-	-	-
Share of profit of associate	2,662,251	-	-	-	-	-
Profit before tax	150,939,008	49,238,203	24,327,506	142,711,738	48,139,843	24,252,505
Tax expense	(26,552,498)	(10,768,115)	(3,775,820)	(26,567,883)	(10,792,251)	(3,762,868)
Profit for the year	124,386,510	38,470,088	20,551,686	116,143,855	37,347,592	20,489,637
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	124,386,510	38,470,088	20,551,686	116,143,855	37,347,592	20,489,637
Profit attributable to equity holders of the Parent	124,386,510	38,470,088	20,551,686	116,143,855	37,347,592	20,489,637
Total comprehensive income attributable to equity holders of the Parent	124,386,510	38,470,088	20,551,686	116,143,855	37,347,592	20,489,637
Earnings per share: Basic and diluted	2.28	0.80	0.48	2.13	0.78	0.48

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

	THE GROUP			THE BANK		
	2011	2010	2009	2011	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS						
Cash and balances with the Central Bank	1,085,084,764	998,421,458	207,964,884	1,085,084,764	998,421,458	207,964,884
Due from banks	3,945,077,133	1,806,969,731	2,751,535,864	3,944,929,389	1,806,870,654	2,715,056,629
Derivative financial instruments	181,201,384	188,708,824	149,082,366	101,097,074	71,085,788	51,654,502
Other financial assets held-for-trading	441,804,000	367,509,475	103,171,720	441,804,000	367,509,475	103,171,720
Loans and advances to customers	8,549,378,712	4,851,153,148	2,106,644,479	8,549,378,712	4,851,153,148	2,106,644,479
Investment in subsidiary	-	-	-	25,000,000	25,000,000	1,000,000
Investment in joint venture	46,616,525	40,912,801	-	-	-	-
Investment in associate	7,684,689	-	-	5,022,438	-	-
Financial investments held-to-maturity	2,560,492,783	846,580,424	638,610,782	2,560,492,783	846,580,424	638,610,782
Equipment	13,364,250	13,408,600	11,307,572	13,354,813	13,387,240	11,285,287
Intangible assets	13,591,022	15,048,060	13,580,739	13,591,022	15,048,060	13,580,739
Deferred tax assets	2,532,127	2,228,541	3,272,492	2,494,027	2,205,826	3,272,492
Other assets	19,907,408	16,588,108	210,494,775	19,900,410	16,510,859	215,071,306
TOTAL ASSETS	16,866,734,797	9,147,529,170	6,195,665,673	16,762,149,432	9,013,772,932	6,067,312,820
LIABILITIES AND EQUITY						
Due to banks	28,483,333	96,186,070	142,670,271	28,483,333	96,186,070	142,670,271
Derivative financial instruments	125,325,638	208,988,419	147,711,855	48,321,328	94,465,383	50,283,991
Deposits from customers	14,962,435,979	7,985,565,513	5,027,223,830	14,962,538,164	7,985,730,346	5,059,541,818
Debts issued	547,090,779	115,251,460	151,235,328	421,574,481	-	-
Amount due to subsidiary	-	-	-	125,516,298	115,251,460	151,235,327
Current tax liabilities	18,385,558	9,324,978	11,680	18,385,558	9,324,978	-
Deferred tax liabilities	-	-	2,055	-	-	-
Other liabilities	116,129,669	49,757,591	86,998,049	97,941,160	31,611,632	23,898,388
TOTAL LIABILITIES	15,797,850,956	8,465,074,031	5,555,853,068	15,702,760,322	8,332,569,869	5,427,629,795
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Issued capital	921,638,335	653,977,649	653,977,649	921,638,335	653,977,649	653,977,649
Retained earnings/(revenue deficit)	100,758,107	16,059,240	(19,797,819)	91,263,376	14,807,164	(19,927,399)
Other reserves	46,487,399	12,418,250	5,632,775	46,487,399	12,418,250	5,632,775
TOTAL EQUITY	1,068,883,841	682,455,139	639,812,605	1,059,389,110	681,203,063	639,683,025
TOTAL LIABILITIES AND EQUITY	16,866,734,797	9,147,529,170	6,195,665,673	16,762,149,432	9,013,772,932	6,067,312,820

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

THE GROUP	Issued capital	Retained earnings/ (revenue deficit)	Other reserves	Total
	Rs.	Rs.	Rs.	Rs.
At 1 July 2008	250,000,000	(40,349,505)	-	209,650,495
Issue of shares	403,977,649	-	-	403,977,649
Profit for the year	-	20,551,686	-	20,551,686
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	20,551,686	-	20,551,686
Share-based payments	-	-	5,632,775	5,632,775
At 30 June 2009	653,977,649	(19,797,819)	5,632,775	639,812,605
At 1 July 2009	653,977,649	(19,797,819)	5,632,775	639,812,605
Profit for the year	-	38,470,088	-	38,470,088
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	38,470,088	-	38,470,088
Share-based payments	-	-	4,172,446	4,172,446
Appropriation of reserves	-	(2,613,029)	2,613,029	-
At 30 June 2010	653,977,649	16,059,240	12,418,250	682,455,139
At 1 July 2010	653,977,649	16,059,240	12,418,250	682,455,139
Issue of shares	267,660,686	-	-	267,660,686
Profit for the year	-	124,386,510	-	124,386,510
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	124,386,510	-	124,386,510
Share-based payments	-	-	3,953,869	3,953,869
Appropriation of reserves	-	(30,115,280)	30,115,280	-
Dividends paid	-	(9,572,363)	-	(9,572,363)
At 30 June 2011	921,638,335	100,758,107	46,487,399	1,068,883,841
THE BANK	Issued capital	Retained earnings/ (revenue deficit)	Other reserves	Total
	Rs.	Rs.	Rs.	Rs.
At 1 July 2008	250,000,000	(40,417,036)	-	209,582,964
Issue of shares	403,977,649	-	-	403,977,649
Profit for the year	-	20,489,637	-	20,489,637
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	20,489,637	-	20,489,637
Share-based payments	-	-	5,632,775	5,632,775
At 30 June 2009	653,977,649	(19,927,399)	5,632,775	639,683,025
At 1 July 2009	653,977,649	(19,927,399)	5,632,775	639,683,025
Profit for the year	-	37,347,592	-	37,347,592
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	37,347,592	-	37,347,592
Share-based payments	-	-	4,172,446	4,172,446
Appropriation of reserves	-	(2,613,029)	2,613,029	-
At 30 June 2010	653,977,649	14,807,164	12,418,250	681,203,063
At 1 July 2010	653,977,649	14,807,164	12,418,250	681,203,063
Issue of shares	267,660,686	-	-	267,660,686
Profit for the year	-	116,143,855	-	116,143,855
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	116,143,855	-	116,143,855
Share-based payments	-	-	3,953,869	3,953,869
Appropriation of reserves	-	(30,115,280)	30,115,280	-
Dividends paid	-	(9,572,363)	-	(9,572,363)
At 30 June 2011	921,638,335	91,263,376	46,487,399	1,059,389,110

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	THE GROUP			THE BANK		
	2011	2010	2009	2011	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
OPERATING ACTIVITIES						
Profit before tax	150,939,008	49,238,203	24,327,506	142,711,738	48,139,843	24,252,505
Adjustments for:						
Change in operating assets	(6,039,474,270)	(3,068,955,914)	(1,976,467,177)	(6,039,544,521)	(3,061,209,133)	(1,986,759,246)
Change in operating liabilities	7,313,196,561	2,813,512,883	2,649,707,701	7,313,091,363	2,844,262,740	2,637,866,401
Non-cash items included in profit before tax	(26,021,612)	52,513,318	48,572,604	(17,667,560)	53,764,962	48,561,149
Tax paid	(17,795,504)	(419,918)	(11,267)	(17,795,504)	(400,607)	-
Net cash flows from / (used in) operating activities	1,380,844,183	(154,111,428)	746,129,367	1,380,795,516	(115,442,195)	723,920,809
INVESTING ACTIVITIES						
Purchase of equipment	(3,236,300)	(5,203,688)	(1,845,744)	(3,236,300)	(5,192,763)	(1,845,744)
Proceeds from sale of equipment	-	-	39,586	-	-	39,586
Purchase of intangible assets	(2,355,199)	(5,752,295)	(549,136)	(2,355,199)	(5,752,295)	(549,136)
Investment in joint venture	-	(21,700,000)	-	-	-	-
Investment in subsidiary	-	-	-	-	(24,000,000)	-
Investment in associate	(5,022,438)	-	-	(5,022,438)	-	-
Net cash flows used in investing activities	(10,613,937)	(32,655,983)	(2,355,294)	(10,613,937)	(34,945,058)	(2,355,294)
FINANCING ACTIVITIES						
Issue of shares	267,660,686	201,988,789	201,988,860	267,660,686	201,988,789	201,988,860
Dividends paid to equity holders of the parent	(9,572,363)	-	-	(9,572,363)	-	-
Net cash flows from financing activities	258,088,323	201,988,789	201,988,860	258,088,323	201,988,789	201,988,860
Net cash flows for the year	1,628,318,569	15,221,378	945,762,933	1,628,269,902	51,601,536	923,554,375
Movement in cash and cash equivalents						
Cash and cash equivalents at beginning of the year	2,422,740,283	2,407,518,905	1,461,755,972	2,422,641,206	2,371,039,670	1,447,485,295
Net increase in cash and cash equivalents	1,628,318,569	15,221,378	945,762,933	1,628,269,902	51,601,536	923,554,375
Cash and cash equivalents at 30 June	4,051,058,852	2,422,740,283	2,407,518,905	4,050,911,108	2,422,641,206	2,371,039,670

The financial statements have been approved for issue by the Board of Directors on 13 September 2011.

Arnaud Lagesse
Chairman

James Benoit
Chief Executive Officer

Jean de Fondaumière
Director

MANAGEMENT COMMENTS

Despite widespread troubles which remain in the global economy and which have not spared the Mauritian economy, AfrAsia's "bank different" strategy continued to align us with the leading economic growth markets in the world. Growth opportunities in Africa saw our South African representative offices and Global Business teams continue to book large deposits and treasury deals for clients across the region. Furthermore, the traditional strength of Mauritius as a leading jurisdiction for investment into India facilitated AfrAsia's strong deposits and loan growth related to Indian business.

To further its strategy and ensure its ability to compete, AfrAsia completed two capital raising events which included firstly, an increased paid up Tier 1 share capital from Rs 654m to Rs 922m as we added a new strategic international shareholder from France "PROPARCO" and secondly, a Tier 2 debt capital issue of Rs 417m from leading Mauritian institutional investors.

Some key operating and financial performance includes:

- ✔ A 211% increase in net profit after tax to reach Rs 116,1m at Bank's level and Rs 124,4m at Group's level;
- ✔ Return on Equity based on average equity and reserves increasing from 5.6% to 13.3%;
- ✔ An increase in earnings per share from Rs 0.78 to Rs 2.13;
- ✔ Customer loans growth by 76% from Rs 4,9bn to Rs 8,5bn in one year.

Our performance during the last few years along with our increased and diversified capital base will ensure that AfrAsia remains well positioned to grow profitably in our focused corporate and private client business in our home market of Mauritius. On the back of this and the ever increasing attractiveness of Mauritius as an international financial jurisdiction, our international operations can be scaled up and expanded opportunistically.

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

We have audited the financial statements of AfrAsia Bank Limited (the 'Bank') and its group entities (altogether the 'Group') for the year ended 30 June 2011, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 13 September 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 better understanding of the Group's and 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 read as follows:

Report on the financial statements

We have audited the financial statements of AfrAsia Bank Limited and its group entities on pages 4 to 88 which comprise the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows 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 Companies Act 2001 and Banking Act 2004 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, 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 financial statements on pages 4 to 88 give a true and fair view of the financial position of the Group and the Bank at 30 June 2011, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with 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, 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 capacities as auditors, tax advisors and in 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, 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.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report and making the disclosures required by section 8.4 of the Code of Corporate Governance of Mauritius (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.