Condensed audited financial statements for the year ended 30 June 2018

AFRASIA BANK LIMITED

CONDENSED AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	**2,324,779**	1,849,228	1,608,833	**2,324,623**	1,848,643	1,604,388
Interest expense	**(699,391)**	(716,175)	(797,206)	**(695,565)**	(709,355)	(774,912)
Net interest income	**1,625,388**	1,133,053	811,627	**1,629,058**	1,139,288	829,476
Fee and commission income	**820,711**	680,539	581,849	**730,260**	608,662	457,243
Fee and commission expense	**(309,428)**	(242,283)	(159,458)	**(306,402)**	(239,566)	(159,440)
Net fee and commission income	**511,283**	438,256	422,391	**423,858**	369,096	297,803
Net trading income	**818,964**	685,705	590,892	**816,767**	686,021	594,683
Other operating income	**27,707**	15,048	4,170	**32,977**	17,979	5,975
Total operating income	**2,983,342**	2,272,062	1,829,080	**2,902,660**	2,212,384	1,727,937
Net impairment loss on financial assets	**(1,067,581)**	(580,549)	(508,334)	**(1,067,581)**	(580,549)	(508,334)
Net operating income	**1,915,761**	1,691,513	1,320,746	**1,835,079**	1,631,835	1,219,603
Personnel expenses	**(570,135)**	(463,512)	(452,346)	**(529,664)**	(436,358)	(396,790)
Depreciation of property and equipment	**(35,608)**	(25,271)	(22,788)	**(34,370)**	(24,091)	(20,504)
Amortisation of intangible assets	**(37,310)**	(23,185)	(33,145)	**(27,005)**	(12,810)	(9,224)
Other operating expenses	**(351,378)**	(258,893)	(343,440)	**(336,362)**	(238,902)	(269,564)
Total operating expenses	**(994,431)**	(770,861)	(851,719)	**(927,401)**	(712,161)	(696,082)
Operating profit	**921,330**	920,652	469,027	**907,678**	919,674	523,521
Loss on winding up of subsidiary	**(10,353)**	(5,004)	(4,185)	**-**	-	-
Impairment of intangible assets	**-**	-	(100,514)	**-**	-	-
Impairment of available-for-sale investment	**-**	(5,128)	-	**-**	-	-
Gain on liquidation of subsidiary	**-**	-	372,447	**-**	-	-
Profit before tax	**910,977**	910,520	736,775	**907,678**	919,674	523,521
Tax expense	**(148,115)**	(106,411)	(97,036)	**(141,224)**	(102,676)	(89,885)
Profit for the year	**762,862**	804,109	639,739	**766,454**	816,998	433,636
Other comprehensive income that may be subsequently reclassified to profit or loss:						
Net gain / (loss) on available-for-sale investments	**10,722**	(9,888)	(6,867)	**10,722**	(12,259)	(579)
Movement in other reserves	**-**	-	(1,309)	**-**	-	-
Exchange differences on translation of foreign operations	**(523)**	3,331	(17,165)	**-**	-	-
Recycling of retranslation reserve on winding up	**523**	-	-	**-**	-	-
	10,722	(6,557)	(25,341)	**10,722**	(12,259)	(579)
Other comprehensive income that will not be reclassified to profit or loss:						
Remeasurement of retirement benefit obligation	**(11,611)**	-	-	**(11,611)**	-	-
Deferred tax of remeasurement on retirement benefit obligation	**819**	-	-	**819**	-	-
	(10,792)	-	-	**(10,792)**	-	-
Other comprehensive loss for the year	**(70)**	(6,557)	(25,341)	**(70)**	(12,259)	(579)
Total comprehensive income for the year attributable to equity holders of the parent	**762,792**	797,552	614,398	**766,384**	804,739	433,057

CONDENSED AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
ASSETS	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with the Central Bank	**3,196,233**	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536
Due from banks	**52,073,585**	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675
Derivative financial instruments	**897,052**	318,120	138,647	**208,490**	228,533	33,644
Financial investments - held-for-trading	**3,855,950**	3,806,253	4,893,741	**2,958,296**	2,944,577	3,542,070
Loans and advances to customers	**28,066,483**	27,512,745	21,958,341	**28,066,483**	27,512,745	21,958,341
Financial investments - available-for-sale	**4,074,500**	5,745,972	350,798	**4,055,941**	5,726,288	316,033
Financial investments - held-to-maturity	**27,360,177**	21,190,422	11,538,879	**27,360,177**	21,190,422	11,538,879
Investment in subsidiary	**-**	-	-	**189,563**	189,563	189,563
Property and equipment	**192,285**	189,287	140,101	**189,854**	186,269	135,991
Intangible assets	**417,919**	334,494	300,804	**249,585**	155,855	111,841
Other assets	**1,685,508**	1,436,888	1,363,800	**1,841,173**	1,427,433	1,439,777
Deferred tax assets	**141,747**	147,057	60,441	**141,462**	147,057	60,441
TOTAL ASSETS	**121,961,439**	101,398,622	88,550,615	**120,400,413**	100,406,283	87,122,791
LIABILITIES AND EQUITY						
Due to banks	**932,755**	1,500,815	173,510	**932,755**	1,500,815	173,510
Derivative financial instruments	**752,944**	294,047	232,917	**64,382**	204,460	127,914
Deposits from customers	**111,136,100**	90,601,331	80,012,268	**111,385,467**	91,082,564	80,378,976
Debts issued	**855,302**	1,673,625	1,489,943	**600,208**	1,111,493	1,111,032
Other liabilities	**473,048**	381,589	422,717	**445,380**	361,347	407,506
Financial liabilities designated at FVTPL	**897,654**	861,677	1,348,159	**-**	-	-
Retirement benefits obligation	**42,776**	23,000	-	**41,688**	23,000	-
Current tax liabilities	**34,780**	130,156	84,510	**31,281**	130,156	84,379
Deferred tax liabilities	**-**	129	125	**-**	-	-
TOTAL LIABILITIES	**115,125,359**	95,466,369	83,764,149	**113,501,161**	94,413,835	82,283,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Ordinary shares	**3,641,049**	3,197,608	2,595,363	**3,641,049**	3,197,608	2,595,363
Class A shares	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	**1,200,350**	870,794	448,491	**1,277,521**	944,373	493,283
Other reserves	**594,913**	464,083	342,844	**594,914**	464,699	365,060
TOTAL EQUITY	**6,836,080**	5,932,253	4,786,466	**6,899,252**	5,992,448	4,839,474
TOTAL LIABILITIES AND EQUITY	**121,961,439**	101,398,622	88,550,615	**120,400,413**	100,406,283	87,122,791

The financial statements have been approved by the Board of Directors and authorised for issue on 20 September 2018.

LIM SIT CHEN LAM PAK NG
Chairman

SANJIV BHASIN
Chief Executive Officer

ARVIND SETHI
Director

CONDENSED AUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

(a) THE GROUP

Attibutable to equity holders of the parent	Ordinary shares	Class A shares	Share application monies	Retained earnings/ (Accumulated losses)	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015	2,590,959	1,399,768	17,261	(142,091)	419,748	4,285,645
Profit for the year	-	-	-	639,739	-	639,739
Other comprehensive loss	-	-	-	-	(25,341)	(25,341)
Total comprehensive income/(loss) for the year	-	-	-	639,739	(25,341)	614,398
Issue of shares	17,261	-	(17,261)	-	-	-
Indemnity costs	(12,857)	-	-	-	-	(12,857)
Consolidation adjustment	-	-	-	(1,718)	-	(1,718)
Appropriation of reserves	-	-	-	51,563	(51,563)	-
Dividends	-	-	-	(99,002)	-	(99,002)
At 30 June 2016	2,595,363	1,399,768	-	448,491	342,844	4,786,466
At 1 July 2016	2,595,363	1,399,768	-	448,491	342,844	4,786,466
Profit for the year	-	-	-	804,109	-	804,109
Other comprehensive loss	-	-	-	-	(6,557)	(6,557)
Total comprehensive income/(loss) for the year	-	-	-	804,109	(6,557)	797,552
Deconsolidation adjustment	-	-	-	(15,898)	15,898	-
Share-based payments	-	-	-	-	(11,061)	(11,061)
Appropriation of reserves	-	-	-	(122,959)	122,959	-
Issue of shares	602,245	-	-	-	-	602,245
Dividends	-	-	-	(242,949)	-	(242,949)
At 30 June 2017	3,197,608	1,399,768	-	870,794	464,083	5,932,253
At 1 July 2017	**3,197,608**	**1,399,768**	**-**	**870,794**	**464,083**	**5,932,253**
Profit for the year	**-**	**-**	**-**	**762,862**	**-**	**762,862**
Other comprehensive (loss)/income	**-**	**-**	**-**	**(10,792)**	**10,722**	**(70)**
Total comprehensive income for the year	**-**	**-**	**-**	**752,070**	**10,722**	**762,792**
Share-based payments	**-**	**-**	**-**	**-**	**(2,862)**	**(2,862)**
Appropriation of reserves	**-**	**-**	**-**	**(122,355)**	**122,355**	**-**
Issue of shares	**446,291**	**-**	**-**	**-**	**-**	**446,291**
Reclassification adjustments relating to foreign operations disposed of in the year	**-**	**-**	**-**	**-**	**615**	**615**
Indemnity costs	**(2,850)**	**-**	**-**	**-**	**-**	**(2,850)**
Dividends	**-**	**-**	**-**	**(300,159)**	**-**	**(300,159)**
At 30 June 2018	**3,641,049**	**1,399,768**	**-**	**1,200,350**	**594,913**	**6,836,080**

(b) THE BANK

	Ordinary shares	Class A shares	Share application monies	Retained earnings	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2015	2,590,959	1,385,768	17,261	107,086	417,202	4,518,276
Profit for the year	-	-	-	433,636	-	433,636
Other comprehensive loss	-	-	-	-	(579)	(579)
Total comprehensive income/(loss) for the year	-	-	-	433,636	(579)	433,057
Issue of shares	17,261	-	(17,261)	-	-	-
Indemnity costs	(12,857)	-	-	-	-	(12,857)
Appropriation of reserves	-	-	-	51,563	(51,563)	-
Dividends	-	-	-	(99,002)	-	(99,002)
At 30 June 2016	2,595,363	1,385,768	-	493,283	365,060	4,839,474
At 1 July 2016	2,595,363	1,385,768	-	493,283	365,060	4,839,474
Profit for the year	-	-	-	816,998	-	816,998
Other comprehensive loss	-	-	-	-	(12,259)	(12,259)
Total comprehensive income/(loss) for the year	-	-	-	816,998	(12,259)	804,739
Share-based payments	-	-	-	-	(11,061)	(11,061)
Issue of shares	602,245	-	-	-	-	602,245
Appropriation of reserves	-	-	-	(122,959)	122,959	-
Dividends	-	-	-	(242,949)	-	(242,949)
At 30 June 2017	3,197,608	1,385,768	-	944,373	464,699	5,992,448
At 1 July 2017	**3,197,608**	**1,385,768**	**-**	**944,373**	**464,699**	**5,992,448**
Profit for the year	**-**	**-**	**-**	**766,454**	**-**	**766,454**
Other comprehensive (loss)/income	**-**	**-**	**-**	**(10,792)**	**10,722**	**(70)**
Total comprehensive income for the year	**-**	**-**	**-**	**755,662**	**10,722**	**766,384**
Share-based payments	**-**	**-**	**-**	**-**	**(2,862)**	**(2,862)**
Issue of shares	**446,291**	**-**	**-**	**-**	**-**	**446,291**
Indemnity costs	**(2,850)**	**-**	**-**	**-**	**-**	**(2,850)**
Appropriation of reserves	**-**	**-**	**-**	**(122,355)**	**122,355**	**-**
Dividends	**-**	**-**	**-**	**(300,159)**	**-**	**(300,159)**
At 30 June 2018	**3,641,049**	**1,385,768**	**-**	**1,277,521**	**594,914**	**6,899,252**

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CONDENSED AUDITED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
OPERATING ACTIVITIES	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Profit before tax	**910,977**	910,520	736,775	**907,678**	919,674	523,521
Adjustments for:						
Change in operating assets	**(6,996,844)**	(17,636,696)	(5,789,631)	**(6,532,006)**	(18,074,127)	(5,676,597)
Change in operating liabilities	**20,253,960**	11,633,569	13,245,873	**19,677,838**	12,061,742	13,431,735
Non-cash items included in profit before tax	**1,167,055**	909,865	820,825	**1,144,072**	892,638	686,074
Tax paid	**(234,266)**	(152,379)	(120,916)	**(230,460)**	(143,508)	(97,668)
Net cash flows from/(used in) operating activities	**15,100,882**	(4,335,121)	8,892,926	**14,967,122**	(4,343,581)	8,867,065
INVESTING ACTIVITIES						
Purchase of property and equipment	**(45,121)**	(80,287)	(76,808)	**(44,470)**	(79,532)	(69,330)
Purchase of intangible assets	**(122,809)**	(61,256)	(78,392)	**(122,809)**	(61,209)	(73,047)
Dividend received	**-**	-	-	**22,000**	-	-
Proceeds from sale of property and equipment	**89**	-	-	**89**	-	-
Net cash flows used in investing activities	**(167,841)**	(141,543)	(155,200)	**(145,190)**	(140,741)	(142,377)
FINANCING ACTIVITIES						
Issue of shares	**446,291**	602,245	-	**446,291**	602,245	-
Indemnity paid on shares issued	**(2,850)**	-	(12,857)	**(2,850)**	-	(12,857)
Repayment of subordinated debt	**(682,475)**	-	-	**(682,475)**	-	-
Dividends paid	**(300,159)**	(242,949)	(168,698)	**(300,159)**	(242,949)	(168,698)
Net cash flows (used in)/generated from financing activities	**(539,193)**	359,296	(181,555)	**(539,193)**	359,296	(181,555)
Net cash flows for the year	**14,393,848**	(4,117,368)	8,556,171	**14,282,739**	(4,125,026)	8,543,133
Movement in cash and cash equivalents						
Cash and cash equivalents at 1 July	**35,711,751**	39,825,786	31,288,032	**35,691,908**	39,816,934	31,273,801
Net increase/(decrease) in cash and cash equivalents	**14,393,848**	(4,117,368)	8,556,171	**14,282,739**	(4,125,026)	8,543,133
Net foreign exchange difference	**(523)**	3,333	(18,417)	**-**	-	-
Cash and cash equivalents at 30 June	**50,105,076**	35,711,751	39,825,786	**49,974,647**	35,691,908	39,816,934
Operational cash flows from interest						
Interest paid	**(732,067)**	(714,991)	(867,855)	**(662,889)**	(708,169)	(845,561)
Interest received	**2,808,791**	1,947,515	1,535,327	**2,808,635**	1,946,930	1,530,882

MANAGEMENT COMMENTS

AfrAsia Bank Limited (the 'Bank') recorded a strong growth where total operating income grew by 31% to MUR 2.9bn. The Bank also took exceptionally higher provisions resulting in a drop of 6% in the reported net profit after tax for 2018.

During the year, the Bank wrote off fully provided non performing assets from its statement of financial position thus bringing the total non performing assets down from 10% of loans and advances to customers in 2017 to 5% in 2018.

Deposit from customers grew by 22% indicating the confidence shown by the increasing customer base worldwide. All business segments recorded good growth and demonstrated sustainable progress.

The Bank increased its share capital by MUR 443.4m during the course of the year to support its future growth. The Capital Adequacy Ratio stood at 14.71% as at end of June 2018 against a regulatory limit of 12.00%.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **AfrAsia Bank Limited** (the "Bank") and its subsidiaries (the "Group") set out on pages 6 to 91, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2018, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated and separate financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Loans and Advances to customers – Allowance for credit impairment	
Allowance for credit impairment on loans and advances to customers at 30 June 2018 amount to MUR 1,273,954,000 and the charge to profit or loss for the year amount to MUR 898,558,000. Due to the substantial amount of the allowance for credit impairment on loans and advances to customers at the reporting date and the significance of the judgements applied for determining the allowance for credit impairment, this item is considered as a key audit matter. The use of assumptions for the measurement of allowance for credit impairment is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details allowance for credit impairment on loans and advances to customers are disclosed in Notes 2C and 16 to the financial statements. The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used	Our audit procedures included among others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification and collateral valuation; • Inspecting the minutes of Credit Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.
Impairment assessment of goodwill	
Goodwill arising from the acquisition of AfrAsia Capital Management Limited is recognized in the financial statements at MUR 134.9 million (refer to Note 20(c)). Management conducts annual impairment test to assess the recoverability of the carrying value of goodwill. This is performed by calculating the asset's value-in-use using discounted cash flow models. As disclosed in Notes 2C and 20, there is inherent uncertainty and significant judgement involved in preparing future cash flow forecasts and applying the appropriate discount rate to determine the value-in-use amount of the cash generating unit. Accordingly, the impairment test of goodwill is considered to be a key audit matter.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following: • Reviewing the inputs used in the cash flow forecast against historical performance and in comparison to management's strategic plans; • Compared the growth rates used to historical data regarding economic growth rates in the cash generating unit; • Reviewed appropriateness of discount factors used, including any illiquidity and size factors; • Verified the mathematical accuracy of the valuation; and • Performed sensitivity analyses on the growth rates and discount rates to evaluate the extent of impact on the value in use. We found the assumptions used and disclosures in the financial statements to be appropriate.
Fair value of financial instruments	
In the Bank's separate financial statements, financial assets and financial liabilities amounting to MUR 7,222,727,000 and MUR 64,382,000 respectively are carried out at fair value as at 30 June 2018. In determining the fair value of these financial instruments, the Bank uses a variety of methods and makes assumptions that are based on market conditions existing at reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable inputs are used, in particular for level 2 instruments, pricing inputs were developed based on the quoted data in secondary market. The disclosures relating to financial instruments held at fair value have been provided in Notes 2C, 14, 15, 17(a) and 30 to the financial statements. The valuation of the Bank's financial instruments held at fair value is a key area of the audit focus due to the complexity involved in the valuation process.	Our audit procedures included among others: • Reviewed the Bank's controls relating to the fair valuation of financial investments; • Evaluated the appropriateness of the valuation methodology and models used; • Verified the pricing inputs used to source data, including external data; and • Involved our valuation specialist in evaluating the fair valuation of financial instruments as at reporting date. We found the assumptions used and disclosure in the financial statements to be appropriate.
Deferred tax assets	
As disclosed in Notes 2C and 10(d), the Group and the Bank have recognized deferred tax assets as at 30 June 2018 for deductible temporary differences that they have assessed to be recoverable. The recoverability of recognized deferred tax assets is in part dependent on the ability of the Group and the Bank to generate future taxable profits to utilize deductible temporary differences as well as to obtain the tax benefits on thereon. We have determined this to be a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our procedures in relation to management's assessment about the recoverability of deferred tax assets included: • Challenging the assumptions made by management to assess whether the recognition of deferred tax assets is appropriate; • Evaluating the management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including business plans and strategy, minutes of the directors' meetings and our knowledge of the business; and • Assessing the trend of the recoverability of the tax benefit. We found the assumptions used and disclosure in the financial statements to be appropriate.

Condensed audited financial statements for the year ended 30 June 2018

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AFRASIA BANK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED (Cont'd)

Report on other legal and regulatory requirements

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Bank and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

The Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines issued by Bank of Mauritius in relation to banks; and

- 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. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the Corporate Governance Report is consistent with the requirements of the Code.

Other information

The directors are responsible for the other information. The other information comprises the following: Corporate Profile & Overview, Our Approach to Sustainability, Our Performance, Management Discussion and Analysis, Statement of Management's Responsibility for Financial Reporting and Certificate from the Company Secretary, which we obtained prior to the date of this auditor's report. The other information does not include the Corporate Governance Report, the consolidated and separate financial statements and our auditor's report thereon.

Our opinions on the consolidated and separate financial statements as well as the Corporate Governance Report do not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible 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.

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

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte
Chartered Accountants

Jacques de C. Du Mée, ACA
Licensed by FRC

By Order of the Board
Company Secretary
20 September 2018

For the information of stakeholders, AfrAsia Bank Limited is pleased to present its condensed audited financial statements for the year ended 30 June 2018.

This notice is issued pursuant to the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.

Copies of the condensed audited financial statements (which can also be viewed on the Bank's website www.afrasiabank.com) is available free of charge, upon request made to the Company Secretary, 4th Floor, IBL House, Caudan Waterfront, Port Louis, Mauritius. The statement of direct and indirect interests of officers, pursuant to Rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, is also available free of charge, upon request from the Company Secretary.