Condensed Audited Financial Statements for the year ended 30 June 2019

AFRASIA bank different

AFRASIA BANK LIMITED

CONDENSED AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	**3,169,022**	2,405,712	1,921,852	**3,169,047**	2,405,556	1,921,267
Interest expense	**(858,407)**	(699,391)	(716,175)	**(858,274)**	(695,565)	(709,355)
Net interest income	**2,310,615**	1,706,321	1,205,677	**2,310,773**	1,709,991	1,211,912
Fee and commission income	**767,392**	739,778	607,915	**718,151**	649,327	536,038
Fee and commission expense	**(293,084)**	(309,428)	(242,283)	**(291,379)**	(306,402)	(239,566)
Net fee and commission income	**474,308**	430,350	365,632	**426,772**	342,925	296,472
Net gain from derecognition of financial assets measured at amortised cost	**23,927**	-	-	**23,927**	-	-
Net trading income	**228,862**	142,122	188,494	**228,862**	142,122	188,494
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	**98**	34,582	9,624	**98**	34,582	9,624
Net gain from foreign exchange and derivatives	**684,180**	642,260	487,587	**687,941**	640,063	487,903
Other operating income	**5,598**	27,707	15,048	**15,118**	32,977	17,979
Total operating income	**3,727,588**	2,983,342	2,272,062	**3,693,491**	2,902,660	2,212,384
Net impairment loss on financial assets	**(468,380)**	(1,067,581)	(580,549)	**(468,380)**	(1,067,581)	(580,549)
Net operating income	**3,259,208**	1,915,761	1,691,513	**3,225,111**	1,835,079	1,631,835
Personnel expenses	**(685,120)**	(570,135)	(463,512)	**(646,296)**	(529,664)	(436,358)
Depreciation of property and equipment	**(37,726)**	(35,608)	(25,271)	**(36,361)**	(34,370)	(24,091)
Amortisation of intangible assets	**(72,014)**	(37,310)	(23,185)	**(38,586)**	(27,005)	(12,810)
Other operating expenses	**(405,437)**	(351,378)	(258,893)	**(387,303)**	(336,362)	(238,902)
Total operating expenses	**(1,200,297)**	(994,431)	(770,861)	**(1,108,546)**	(927,401)	(712,161)
Operating profit	**2,058,911**	921,330	920,652	**2,116,565**	907,678	919,674
Impairment loss on investment in subsidiary	**-**	-	-	**(189,563)**	-	-
Impairment loss on receivable from subsidary	**-**	-	-	**(103,000)**	-	-
Loss on winding up of subsidiary	**(57,210)**	(10,353)	(5,004)	**-**	-	-
Impairment loss on goodwill	**(134,903)**	-	-	**-**	-	-
Impairment of available-for-sale investment	**-**	-	(5,128)	**-**	-	-
Profit before tax	**1,866,798**	910,977	910,520	**1,824,002**	907,678	919,674
Tax expense	**(238,826)**	(148,115)	(106,411)	**(239,219)**	(141,224)	(102,676)
Profit for the year	**1,627,972**	762,862	804,109	**1,584,783**	766,454	816,998
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:						
Net gain/(loss) on available-for-sale investments	**-**	10,722	(9,888)	**-**	10,722	(12,259)
Movement in investment revaluation reserve for debt instrument measured at fair value through other comprehensive income:						
- gains arising during the year	**2,574**	-	-	**2,574**	-	-
- reclassification of losses included in profit or loss on derecognition	**(98)**	-	-	**(98)**	-	-
Gain on equity instruments designated at fair value through other comprehensive income	**6,205**	-	-	**1,122**	-	-
Exchange differences on translation of foreign operations	**-**	(523)	3,331	**-**	-	-
Recycling of retranslation reserve on winding up	**-**	523	-	**-**	-	-
	8,681	10,722	(6,557)	**3,598**	10,722	(12,259)
Other comprehensive income/(loss) that will not be reclassified to profit or loss:						
Remeasurement of retirement benefits obligation	**(10,179)**	(11,611)	-	**(9,269)**	(11,611)	-
Deferred tax of remeasurement on retirement benefits obligation	**426**	819	-	**381**	819	-
	(9,753)	(10,792)	-	**(8,888)**	(10,792)	-
Other comprehensive loss for the year	**(1,072)**	(70)	(6,557)	**(5,290)**	(70)	(12,259)
Total comprehensive income for the year attributable to equity holders of the parent	**1,626,900**	762,792	797,552	**1,579,493**	766,384	804,739

CONDENSED AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
ASSETS	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	**50,700,638**	50,105,076	35,965,163	**50,698,992**	49,974,647	35,945,320
Due from banks	**12,967,930**	5,164,742	4,752,221	**12,967,930**	5,164,742	4,752,221
Derivative financial instruments	**744,595**	897,052	318,120	**92,413**	208,490	228,533
Loans and advances to banks	**6,019,048**	5,769,229	3,509,330	**6,019,048**	5,769,229	3,509,330
Loans and advances to customers	**22,150,196**	22,297,254	24,003,415	**22,150,196**	22,297,254	24,003,415
Investment securities	**46,203,952**	35,290,627	30,742,647	**45,308,171**	34,374,414	29,861,287
Investment in subsidiary	**-**	-	-	**-**	189,563	189,563
Property and equipment	**187,071**	192,285	189,287	**185,675**	189,854	186,269
Intangible assets	**243,401**	417,919	334,494	**243,398**	249,585	155,855
Deferred tax assets	**101,664**	141,747	147,057	**100,953**	141,462	147,057
Other assets	**2,042,215**	1,685,508	1,436,888	**2,106,722**	1,841,173	1,427,433
TOTAL ASSETS	**141,360,710**	121,961,439	101,398,622	**139,873,498**	120,400,413	100,406,283
LIABILITIES AND EQUITY						
Due to banks	**30,434**	932,755	1,500,815	**30,434**	932,755	1,500,815
Deposits from customers	**131,032,605**	111,136,100	90,601,331	**131,208,365**	111,385,467	91,082,564
Derivative financial instruments	**702,177**	752,944	294,047	**49,995**	64,382	204,460
Debts issued	**320,662**	855,302	1,673,625	**184,205**	600,208	1,111,493
Financial liabilities measured at fair value through profit or loss	**872,139**	897,654	861,677	**-**	-	-
Retirement benefits obligation	**67,307**	42,776	23,000	**64,652**	41,688	23,000
Current tax liabilities	**112,116**	34,780	130,156	**112,116**	31,281	130,156
Deferred tax liabilities	**-**	-	129	**-**	-	-
Other liabilities	**522,732**	473,048	381,589	**507,327**	445,380	361,347
TOTAL LIABILITIES	**133,660,172**	115,125,359	95,466,369	**132,157,094**	113,501,161	94,413,835
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Ordinary shares	**3,641,049**	3,641,049	3,197,608	**3,641,049**	3,641,049	3,197,608
Class A shares	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	**1,801,294**	1,200,350	870,794	**1,836,242**	1,277,521	944,373
Other reserves	**858,427**	594,913	464,083	**853,345**	594,914	464,699
TOTAL EQUITY	**7,700,538**	6,836,080	5,932,253	**7,716,404**	6,899,252	5,992,448
TOTAL LIABILITIES AND EQUITY	**141,360,710**	121,961,439	101,398,622	**139,873,498**	120,400,413	100,406,283

CONDENSED AUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

(a) THE GROUP

Attributable to owners of the Bank	Ordinary shares	Class A shares	Retained earnings	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
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	-	-	(10,792)	10,722	(70)
Total comprehensive income/(loss) 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
At 1 July 2018	**3,641,049**	**1,399,768**	**1,200,350**	**594,913**	**6,836,080**
Effect of adopting IFRS 9	**-**	**-**	**(429,481)**	**547**	**(428,934)**
At 01 July 2018 (as restated)	**3,641,049**	**1,399,768**	**770,869**	**595,460**	**6,407,146**
Profit for the year	**-**	**-**	**1,627,972**	**-**	**1,627,972**
Other comprehensive (loss)/income	**-**	**-**	**(9,753)**	**8,681**	**(1,072)**
Total comprehensive income for the year	**-**	**-**	**1,618,219**	**8,681**	**1,626,900**
Appropriation of reserves	**-**	**-**	**(254,286)**	**254,286**	**-**
Dividends	**-**	**-**	**(333,508)**	**-**	**(333,508)**
At 30 June 2019	**3,641,049**	**1,399,768**	**1,801,294**	**858,427**	**7,700,538**

CONDENSED AUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

(b) THE BANK

	Ordinary shares	Class A shares	Retained earnings	Other reserves	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
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
At 01 July 2018	**3,641,049**	**1,385,768**	**1,277,521**	**594,914**	**6,899,252**
Effect of adopting IFRS 9	**-**	**-**	**(429,380)**	**547**	**(428,833)**
At 01 July 2018 (as restated)	**3,641,049**	**1,385,768**	**848,141**	**595,461**	**6,470,419**
Profit for the year	**-**	**-**	**1,584,783**	**-**	**1,584,783**
Other comprehensive (loss)/income	**-**	**-**	**(8,888)**	**3,598**	**(5,290)**
Total comprehensive income for the year	**-**	**-**	**1,575,895**	**3,598**	**1,579,493**
Appropriation of reserves	**-**	**-**	**(254,286)**	**254,286**	**-**
Dividends	**-**	**-**	**(333,508)**	**-**	**(333,508)**
At 30 June 2019	**3,641,049**	**1,385,768**	**1,836,242**	**853,345**	**7,716,404**

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Condensed Audited Financial Statements for the year ended 30 June 2019

AFRASIA
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AFRASIA BANK LIMITED

CONDENSED AUDITED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
OPERATING ACTIVITIES						
Profit before tax	**1,866,798**	910,977	910,520	**1,824,002**	907,678	919,674
Adjustments for:						
Change in operating assets	**(19,935,395)**	(7,250,255)	(17,383,284)	**(20,018,305)**	(6,785,417)	(17,820,715)
Change in operating liabilities	**18,807,502**	20,253,961	11,633,569	**18,926,691**	19,677,838	12,061,742
Non-cash items included in profit before tax	**799,659**	1,167,055	909,865	**873,935**	1,144,072	892,638
Tax paid	**(99,738)**	(234,267)	(152,379)	**(96,254)**	(230,461)	(143,508)
Net cash flows from/(used in) operating activities	**1,438,826**	14,847,471	(4,081,709)	**1,510,069**	14,713,710	(4,090,169)
INVESTING ACTIVITIES						
Purchase of property and equipment	**(33,821)**	(45,121)	(80,287)	**(33,491)**	(44,470)	(79,532)
Purchase of intangible assets	**(33,692)**	(122,809)	(61,256)	**(33,692)**	(122,809)	(61,209)
Addition to investment	**(57,210)**	-	-	**-**	-	-
Dividend received	**-**	-	-	**-**	22,000	-
Proceeds from sale of property and equipment	**-**	89	-	**-**	89	-
Net cash flows used in investing activities	**(124,723)**	(167,841)	(141,543)	**(67,183)**	(145,190)	(140,741)
FINANCING ACTIVITIES						
Issue of shares	**-**	446,291	602,245	**-**	446,291	602,245
Indemnity paid on shares issued	**-**	(2,850)	-	**-**	(2,850)	-
Repayment of subordinated debt	**(385,033)**	(682,475)	-	**(385,033)**	(682,475)	-
Dividends paid	**(333,508)**	(300,159)	(242,949)	**(333,508)**	(300,159)	(242,949)
Net cash flows (used in)/generated from financing activities	**(718,541)**	(539,193)	359,296	**(718,541)**	(539,193)	359,296
Net cash flows for the year	**595,562**	14,140,437	(3,863,956)	**724,345**	14,029,327	(3,871,614)
Movement in cash and cash equivalents						
Cash and cash equivalents at 1 July	**50,105,076**	35,965,163	39,825,786	**49,974,647**	35,945,320	39,816,934
Net increase/(decrease) in cash and cash equivalents	**595,562**	14,140,437	(3,863,956)	**724,345**	14,029,327	(3,871,614)
Net foreign exchange difference	**-**	(524)	3,333	**-**	-	-
Cash and cash equivalents at 30 June	**50,700,638**	50,105,076	35,965,163	**50,698,992**	49,974,647	35,945,320
Operational cash flows from interest						
Interest paid	**(881,316)**	(732,067)	(714,991)	**(881,183)**	(662,889)	(708,169)
Interest received	**2,864,490**	2,808,791	1,947,515	**2,864,516**	2,808,635	1,946,930

MANAGEMENT COMMENTS

AfrAsia Bank Limited (the 'Bank') reported a profit after tax of MUR 1.6bn for the financial year ended 30 June 2019. The performance was mainly driven by the growth in its net interest income by 35% and lower impairment provision by 56% as compared to last year.

The adoption of IFRS 9 as from July 2018 has resulted in a change of MUR 429.4m to retained earnings.

Deposit grew by 18% indicating the confidence shown by the increasing customer base worldwide. All business segments recorded good growth and demonstrated sustainable progress.

The Bank's Capital Adequacy Ratio stood at 15.85% as at end of June 2019 against a regulatory limit of 12.88%. The Capital Adequacy Ratio was at 14.71% for last year.

By Order of the Board
Company Secretary
19 September 2019

For the information of stakeholders, AfrAsia Bank Limited is pleased to present its condensed audited financial statements for the year ended 30 June 2019.

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.

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 120, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and 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 2019, 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 Accountants Code of Ethics 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
Provision for credit losses – Financial assets which are not credit impaired	
IFRS 9 was implemented by the Bank on 1 July 2018. This new standard requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – the Bank has used a combination of statistical model and credit rating model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing a sample of the rating reports derived from the internal rating system and the corresponding mapping to S&P table; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro- economic forecasts used; • Independently assess probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses in the consolidated and separate financial statements and related disclosures to be appropriate.
Provision for credit losses – Credit impaired assets	
Provision for credit losses on credit-impaired loans and advances to customers at 30 June 2019 amount to MUR 1,566 million and the charge to profit or loss for the year amount to MUR 870 million. Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for credit losses, this item is considered as a key audit matter. The use of assumptions for the measurement of provision for credit losses 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 of allowance for credit impairment on loans and advances are disclosed in Notes 3B and 17 to the financial statements. The most significant judgments are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used	Our audit procedures included amongst 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 judgments 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 consolidated and separate financial statements to be appropriate.

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AFRASIA BANK LIMITED

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

Key audit matter (Cont'd)	How our audit addressed the key audit matter
Impairment assessment of goodwill	
Goodwill arising from the acquisition of AfrAsia Capital Management Ltd amounting to MUR 134.9 million was fully impaired in profit or loss at 30 June 2019. 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 Note 3B and 21, there is inherent uncertainty and significant judgements 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; • Comparing the growth rates used to historical data regarding economic growth rates in the cash generating unit; • Reviewing appropriateness of discount factors used; • Verifying the mathematical accuracy of the valuation; and • Performing sensitivity analyses on discount rates to evaluate the extent of impact on the value in use. We found the assumptions used and disclosures in the consolidated financial statements to be appropriate.
Deferred tax assets	
As disclosed in Note 3B and 12(d), the Group and the Bank have recognized deferred tax assets as at 30 June 2019 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 consolidated and separate financial statements to be appropriate.

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.

Other information

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

Our opinion on the consolidated and separate financial statements 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.

Corporate governance report

Our responsibility under Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Bank has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

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 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 consolidated and separate 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 — **Jacques de C. Du Mée, ACA**
Chartered Accountants — **Licensed by FRC**

19 September 2019