

# Bank One Limited Audited Financial Statements

for the 18-month period ended 31<sup>st</sup> December 2008



## 2008 – YEAR OF TURNAROUND

On 22<sup>nd</sup> February 2008, CIEL Investment Limited and I&M Bank of Kenya jointly acquired the Bank, then known as First City Bank Ltd. The Bank also acquired Edge Forex Ltd holding a Foreign Exchange dealer license, owned by the CIEL Group.

Bank One's financial performance since 22<sup>nd</sup> February 2008, demonstrates the benefits of the takeover by the new shareholders and the execution and implementation of the strategic priorities.

Deposit base increased to Rs 6.1bn an increase of Rs 2bn, which has been realised wholly during the ten months after February 2008.

Loan book made a noteworthy progress of Rs 2.9bn to reach Rs 4.7bn in December 2008.

Total assets increased from Rs 4.4bn in February 2008 to Rs 6.8bn in December 2008, a growth of 55%.

## Rebranding

The Bank was rebranded as Bank One Limited on 08.08.08 to make a fresh start on more solid grounds. This was also followed by an aggressive marketing strategy to rebuild the corporate image of the Bank, including new products, new marketing campaigns and the progressive refurbishment of the branches, starting with a newly designed Rose Hill Branch.

## Financial Results

Operating losses started to go down as from March 2008 itself and in December 2008, Bank One had returned back to profitability in 10 months of operation after acquisition.

For the 18 months period under review, the Bank suffered net losses of Rs 120m of which Rs 115m pertain to pre acquisition losses and Rs 5m to post acquisition losses, between March 2008 to December 2008.

This was made possible with significant improvements in fees, trading income, deposits and loans. Impaired advances were brought down substantially with recovery of Rs 150m. Net NPA/Net advances improved from 17% in June 2007 to 4% in December 2008.

## Income Statement

	Post acquisition Mar 08 to Dec 08 Rs'000	Pre acquisition July 07 to Feb 08 Rs'000
Net interest income	32,037	(2,668)
Net fee and commission income	19,024	4,596
Net trading income	43,118	7,145
<b>Operating income</b>	<b>94,179</b>	<b>9,073</b>
<b>Non-interest expense</b>	<b>(157,090)</b>	<b>(90,816)</b>
<b>Operational loss before exceptional items</b>	<b>(62,911)</b>	<b>(81,743)</b>
Exceptional items	30,190	-
<b>Loss before impairment and tax</b>	<b>(32,721)</b>	<b>(81,743)</b>
Allowance for credit impairment	4,620	(33,668)
<b>Loss before tax</b>	<b>(28,101)</b>	<b>(115,411)</b>
Income tax	22,708	-
<b>Loss after tax</b>	<b>(5,393)</b>	<b>(115,411)</b>

## Capital Management

The shareholders injected Rs 463m of fresh capital. The accumulated losses of Rs 435m prior to acquisition were offset following a capital reduction scheme.

## The Outlook for Year 2009

2009 is going to be a difficult year globally. Despite that, the financial results for 2009 are expected to show marked improvement with the Bank reporting profits since the beginning of this year. The implementation of new services like Internet Banking, credit cards and wealth-management services will allow the Bank to be more competitive in the market.

**Jean Pierre Dalais**  
Chairman of the  
Board of Directors

**Raj Dussoye**  
Chief Executive  
Officer

**Pratul Hemraj Dhamshah**  
Director & Chairman of  
Audit Committee

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

## Report on the Financial Statements

We have audited the financial statements of Bank One Limited (Formerly First City Bank Limited) which comprise the Balance Sheet at 31<sup>st</sup> December 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' Responsibility for the Financial Statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and 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. 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting 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 give a true and fair view of the financial position of the Bank at 31<sup>st</sup> December 2008, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

## 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 and business advisers and dealings in the ordinary course of business. We have obtained all 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 basis consistent with that of the preceding year 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 Bank were satisfactory.

On 25<sup>th</sup> November 2008, the Board of Directors resolved to and on 14<sup>th</sup> December 2008 the shareholders agreed to the issue of 2,220,000 new ordinary shares for a total consideration of Rs 222m. Bank of Mauritius approval was received on 26<sup>th</sup> December 2008, and the funds were paid in on 14<sup>th</sup> January 2009. The Prime Minister's office approval was also received on 19<sup>th</sup> March 2009.

The capital adequacy ratio at 31<sup>st</sup> December 2008 was 7% and increased to 11% on 14<sup>th</sup> January 2009.

## INCOME STATEMENT -18 months period ended 31<sup>st</sup> December 2008

	18 months period to Dec-08 Rs'000	Restated year ended Jun-07 Rs'000	Year ended Jun-06 Rs'000
Interest income	593,717	343,953	308,932
Interest expense	(564,348)	(297,766)	(268,734)
<b>Net interest income</b>	<b>29,369</b>	<b>46,187</b>	<b>40,198</b>
Fee and commission income	29,455	15,633	11,837
Fee and commission expense	(5,835)	(3,917)	(3,557)
<b>Net fee and commission income</b>	<b>23,620</b>	<b>11,716</b>	<b>8,280</b>
Net trading income	49,588	11,569	10,404
Other operating income	675	3,683	277
	50,263	15,252	10,681
<b>Operating income</b>	<b>103,252</b>	<b>73,155</b>	<b>59,159</b>
Net impairment loss on financial assets	(29,048)	(9,053)	(66,250)
Personnel expenses	(125,636)	(62,777)	(59,985)
Depreciation and amortisation	(35,456)	(22,268)	(25,036)
Other expenses	(86,814)	(53,514)	(57,454)
	(276,954)	(147,612)	(208,725)
<b>Operating loss before exceptional items</b>	<b>(173,702)</b>	<b>(74,457)</b>	<b>(149,566)</b>
Exceptional items	30,190	-	-
<b>Loss before tax</b>	<b>(143,512)</b>	<b>(74,457)</b>	<b>(149,566)</b>
Income tax expense	22,708	(125,111)	6,507
<b>Loss for the period/year</b>	<b>(120,804)</b>	<b>(199,568)</b>	<b>(143,059)</b>
<b>Loss per share - Basic (Rs)</b>	<b>(23.51)</b>	<b>(44.35)</b>	<b>(31.79)</b>

These financial statements have been approved for issue by the Board of Directors on 20<sup>th</sup> March 2009

## CASH FLOW STATEMENT for the period ended 31<sup>st</sup> December 2008

	18 months period to Dec-08 Rs'000	Year ended Jun-07 Rs'000	Year ended Jun-06 Rs'000
<b>Cash flows from operating activities</b>			
Loss for the period/year	(143,512)	(74,457)	(149,566)
<b>Adjustments for:</b>			
Depreciation	34,609	21,203	17,798
Amortisation	846	1,065	7,237
Impairment on financial assets	(3,079)	(174,731)	(99,401)
Profit on sale of land and equipment	(13,486)	(3,272)	-
Fair value gain on available for sale securities	(16,911)	-	-
Net interest income	(29,369)	(46,187)	(40,198)
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease in loans and advances	(404,879)	-	-
-to banks	(2,316,676)	427,892	406,638
-to customers	(100,137)	(23,487)	76,565
(Increase)/decrease in other assets	2,023,312	416,615	(614,854)
Increase/(decrease) in deposits from customers	34,790	13,043	(18,749)
Increase/(decrease) in other liabilities	593,717	343,952	308,932
Interest received	(564,348)	(297,766)	(268,734)
Interest paid	(905,123)	603,870	(374,332)
<b>Net cash/(used in)/from operating activities</b>	<b>-</b>	<b>(473,245)</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities	969,294	-	343,167
Proceeds from sale and redemption of investment securities	(33,715)	(6,481)	(33,391)
Purchase of property and equipment	207	3,272	-
Proceeds from sale of property and equipment	(26,304)	(310)	(287)
Purchase of intangible assets	909,482	(476,764)	309,489
<b>Net cash from/(used in) investing activities</b>	<b>(14,252)</b>	<b>(51,187)</b>	<b>18,510</b>
<b>Cash flows from financing activities</b>			
(Decrease)/increase in other borrowed funds	254,136	-	-
Issue of shares	239,884	(51,187)	18,510
<b>Net cash from/(used in) financing activities</b>	<b>244,243</b>	<b>75,919</b>	<b>(46,333)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>284,706</b>	<b>208,787</b>	<b>255,120</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>528,949</b>	<b>284,706</b>	<b>208,787</b>

## STATEMENT OF CHANGES IN EQUITY - 31<sup>st</sup> December 2008

	Stated capital Rs'000	Calls on shares Rs'000	Statutory reserve Rs'000	Capital reserve Rs'000	Revaluation reserve Rs'000	Retained earnings Rs'000	Total Rs'000
<b>Balance as at 1<sup>st</sup> July 2005</b>	450,000	-	1,519	25,000	71,687	649	548,855
Loss for the year	-	-	-	-	-	(143,059)	(143,059)
Total income and expense for the year	-	-	-	-	-	(143,059)	(143,059)
<b>Balance as at 30<sup>th</sup> June 2006 and 1<sup>st</sup> July 2006</b>	450,000	-	1,519	25,000	71,687	(142,410)	405,796
Loss for the year	-	-	-	-	-	(199,568)	(199,568)
Total income and expense for the year	-	-	-	-	-	(199,568)	(199,568)
<b>Balance as at 30<sup>th</sup> June 2007</b>	450,000	-	1,519	25,000	71,687	(341,978)	206,228
<b>Balance as at 1<sup>st</sup> July 2007</b>	450,000	-	1,519	25,000	71,687	(263,136)	285,070
- As previously reported	-	-	-	-	-	(78,842)	(78,842)
- Prior year adjustment*	450,000	-	1,519	25,000	71,687	(341,978)	206,228
- As restated	-	-	-	-	-	(120,804)	(120,804)
Loss for the period	-	-	-	-	-	(120,804)	(120,804)
Total income and expense for the period	-	-	-	-	-	(120,804)	(120,804)
Issue of shares	254,136	-	-	-	-	-	254,136
Movement during the year	(434,680)	222,000	-	(25,000)	-	-	197,000
Capital reduction	(180,544)	222,000	-	(25,000)	-	313,876	330,332
<b>Balance as at 31<sup>st</sup> December 2008</b>	<b>269,456</b>	<b>222,000</b>	<b>1,519</b>	<b>-</b>	<b>71,687</b>	<b>(28,102)</b>	<b>536,560</b>

\* Prior year adjustment is in respect of write off of deferred tax asset on tax losses which should not have been recognised in prior year due to conditions existed at 30<sup>th</sup> June 2007. Comparative figures for 2007 have been amended accordingly.