DEVELOPMENT BANK OF SEYCHELLES

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

DEVELOPMENT BANK OF SEYCHELLES

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DIRECTORS	:	Lekha Nair (Chairperson) Rupert Simeon (Vice Chairman) Annie Vidot (Chief Executive Officer) Ina Barbe Rosanda Alcindor Marc Naiken Roy Clarisse Mike Laval Jerry Morin
REGISTERED OFFICE	:	P O Box 217, Independence Avenue, Victoria, Mahé Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Independence Avenue, Victoria, Mahe, Seychelles
AUDITOR	:	BDO Associates Chartered Accountants
BANKERS	:	Barclays Bank (Seychelles) Limited Nouvobanq Seychelles Commercial bank Limited

The Directors are pleased to submit their report together with the audited financial statements of Development Bank of Seychelles (hereafter called the "Bank" or "DBS") for the year ended December 31, 2013.

PRINCIPAL ACTIVITY

The principal activity of the Bank is to establish, maintain or develop, or to assist in or promote the establishment, maintenance or development of, money or capital markets in Seychelles. This activity has remained unchanged in the year under review.

CURRENT YEAR EVENT

Effective this year, the Directors have decided to adopt International Financial Reporting Standards (IFRS) as the basis of preparation of the Bank's financial statements. Comparative figures for 2012 have been amended to conform with current year's presentation.

RESULTS FOR THE YEAR

	SR'000
Profit for the year	8,420
Retained earnings brought forward	159,666
Retained earnings carried forward	168,086

DIVIDENDS

The Directors did not recommend any dividend for the year under review (2012: Nil).

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Bank from the date of the last report to date are as follows:

Lekha Nair (Chairperson)
Rupert Simeon (Vice Chairman)
Annie Vidot (Chief Executive Officer)
Ina Barbe
Rosanda Alcindor
Marc Naiken
Roy Clarisse
Mike Laval
Jerry Morin

None of the Directors held any direct or indirect interest in the shares of the Bank.

PROPERTY AND EQUIPMENT

Additions to equipment totalled SR 337,816 for the year under review (2012: SR 245,934) and comprised mainly furniture and fittings and office equipment.

The Directors are of the opinion that the carrying value of the property and equipment at December 31, 2013 approximates their fair value at the end of the reporting period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Bank including its operations and the making of investment decisions.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Development Bank of Seychelles Decree, 1977 and the Financial Institutions (Application of Act) Regulations, 2010 and the Regulations and Directives of the Central Bank of Seychelles. 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 that fall within the accounting policies adopted by the Bank as a whole; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Bank and those that are held in trust and used by the Bank.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The auditors, Messrs. BDO Associates, retire and being eligible, offer themselves for re-appointment.

BOARD APPROVAL

Lekha Nair Director	Annie Vidot Director	Rupert Simeon Director
Ina Barbe Director	Rosanda Alcindor Director	Marc Naiken Director
Roy Clarisse Director	Mike Laval Director	Jefry Morin Director

Dated: 24 April 2014
Victoria, Seychelles

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Victoria, Seychelles

DEVELOPMENT BANK OF SEYCHELLES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report of the Bank is made solely to the members of the Development Bank of Seychelles as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which 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 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 Development Bank of Seychelles set out on pages 4 to 31 which comprise the Statement of Financial Position as at December 31, 2013, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Board's Responsibility for the Financial Statements

As stated on page 1(a) of the Directors' Report, the Board of Directors are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of 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 these 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 Bank Management 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.

BDO

DEVELOPMENT BANK OF SEYCHELLES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Opinion

In our opinion, the financial statements on pages 8 to 31 give a true and fair view of the financial position of the Bank as at December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Development of Seychelles Decree 1977.

Report on Other Legal Regulatory Requirements

Financial Institutions Act, 2004

The Financial Institutions Act, 2004 requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- 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 provisions of the Financial Institutions Act, 2004 as detailed under the Financial Institutions (Application of Act) Regulations, 2010.
- The explanations or information called for or given to us by the management and employees of the Bank were satisfactory.
- The Bank did not carry out any fiduciary duties for the year under review.

Other matter

The financial statement of the Bank for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on them on April 13, 2013.

BDO Associates
BDO ASSOCIATES
Chartered Accountants

Dated: 24 April 2014
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

	Notes	December 31, 2013	Re-stated December 31, 2012	Re-stated January 31, 2012
		SR	SR	SR
ASSETS				
Cash and cash equivalents	5	121,589,570	51,186,623	86,802,370
Loans and advances	6	375,955,930	436,913,571	445,802,275
Investment in financial asset	7	-	1,235,000	1,235,000
Intangible assets	8	2,384,157	3,652,179	4,583
Property and equipment	9	13,203,818	14,123,362	2,583,126
Other assets	10	4,293,388	3,721,833	2,366,711
Total assets		517,426,863	510,832,568	538,794,065
LIABILITIES				
Borrowings	11	148,284,517	102,133,814	108,501,979
DBS Bonds	12	100,000,000	150,000,000	200,000,000
Funds under management	13	2,656,566	870,134	870,134
Retirement benefit obligations	14	1,910,522	2,225,632	1,530,309
Other liabilities	15	3,201,934	2,649,465	4,555,513
Total liabilities		256,053,539	257,879,045	315,457,935
SHAREHOLDERS' EQUITY				
Share capital	16	39,200,000	39,200,000	39,200,000
Contingency reserve		41,385,320	41,385,320	41,385,320
Revaluation reserve		12,701,717	12,701,717	-
Retained earnings		168,086,287	159,666,486	142,750,810
Total equity		261,373,324	252,953,523	223,336,130
Total equity and liabilities		517,426,863	510,832,568	538,794,065

These financial statements have been approved for issue by the Board of Directors on 24 April 2014

Lekha Nair Director	Annie Vidot Director	Rupert Simeon Director
Ina Barbe Director	Rosanda Alcindor Director	Marc Naiken Director
Roy Clarisse Director	M.Laval Mike Laval Director	Jerry Morin Director

The notes on pages 8 to 31 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2013

	Notes	2013	Re-stated 2012
		SR	SR
Interest income	17	45,509,210	47,728,871
Interest expense	18	(13,092,539)	(13,228,839)
Net interest income		32,416,671	34,500,032
Other income	19	1,406,050	1,817,732
Net foreign exchange gain		681,607	151,441
Net operating income		34,504,328	36,469,205
Employee benefit expenses	20	(9,777,119)	(9,491,863)
Other operating expenses	21	(5,397,734)	(4,494,629)
Bad debts (written off)/recovered		(1,815,437)	7,142,323
Amortisation of intangible assets	9	(1,409,197)	(457,773)
Depreciation of property and equipment	10	(1,248,782)	(1,400,728)
Total operating expenses		(19,648,269)	(8,702,670)
Operating profit before provision of credit impairment		14,856,059	27,766,535
Provision for credit impairment	6(b)	(6,436,258)	(10,850,859)
Profit for the year		8,419,801	16,915,676
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Revaluation of land and building	10	-	12,701,717
Total comprehensive income for the year		8,419,801	29,617,393

The notes on pages 8 to 31 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2013

	Share Capital	Retained earnings	Revaluation earnings	Contingency reserve	Total
	SR	SR	SR	SR	SR
At January 1, 2013					
- As perviously stated	39,200,000	157,146,051	12,701,717	43,905,755	252,953,523
- Effect of adopting IAS 37	-	2,520,435	-	(2,520,435)	-
- As re-stated	39,200,000	159,666,486	12,701,717	41,385,320	252,953,523
Total comprehensive income	-	8,419,801	-	-	8,419,801
At December 31, 2013	39,200,000	168,086,287	12,701,717	41,385,320	261,373,324
At January 1, 2012					
- As perviously stated	39,200,000	140,230,375	-	43,905,755	223,336,130
- Effect of adopting IAS 37	-	2,520,435	-	(2,520,435)	-
- As re-stated	39,200,000	142,750,810	-	41,385,320	223,336,130
Total comprehensive income	-	16,915,676	12,701,717	-	29,617,393
At December 31, 2012	39,200,000	159,666,486	12,701,717	41,385,320	252,953,523

The notes on pages 8 to 31 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2013

	Notes	2013	Re-stated 2012
		SR	SR
Cash generated from operations			
Profit before tax		8,419,801	16,915,676
Adjustments for :			
Movement in provision for retirement benefit obligations	14	(315,110)	695,323
Provision for credit impairment	6(a)	6,436,258	10,850,859
Bad debts written off against provision for credit impairment	6(a)	(13,426,178)	(17,004,304)
Amortisation of intangible asset	8	1,409,197	457,773
Depreciation of property and equipment	9	1,248,782	1,400,728
Loss on disposal of property and equipment		51	3,493
		3,772,801	13,319,548
Changes in working capital:			
- loans and advances		67,947,561	15,042,149
- other assets		2,566,732	(1,355,122)
- funds under management		1,786,432	-
- other liabilities		552,469	(1,906,048)
Net cash generated from operating activities		76,625,995	25,100,527
Cash flows from investing activities			
Purchase of intangible assets	8	(141,175)	(4,105,369)
Purchase of property and equipment	9	(337,816)	(245,934)
Net proceeds from maturity/(investment) in financial assets		1,235,000	-
Proceeds on disposal of property and equipment		8,527	3,194
Net cash generated from/(used in) investing activities		764,536	(4,348,109)
Cash flows from financing activities			
Proceeds from borrowings	11(a)	47,336,763	-
Maturity of DBS Bonds	12	(50,000,000)	(50,000,000)
Rrepayment of borrowings		(4,324,347)	(6,368,165)
Net cash used in financing activities		(6,987,584)	(56,368,165)
Net increase/(decrease) in cash and cash equivalents		70,402,947	(35,615,747)
Movement in cash and cash equivalents			
At January 1,		51,186,623	86,802,370
Increase/(Decrease)		70,402,947	(35,615,747)
At December 31,	5	121,589,570	51,186,623

The notes on pages 8 to 31 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

1. GENERAL INFORMATION

The Development Bank of Seychelles was established in 1977 under the Law of Seychelles - Development Bank of Seychelles Decree (Chapter 63) as a corporate body. The registered address of the Bank is at Independence Avenue, Victoria, Mahé, Seychelles.

These financial statements will be submitted for consideration and approval at the forthcoming Board Meeting and by the Ministry of Finance, Trade and Investment.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

IFRS 1, "First-time adoption of IFRS" has been applied in the preparation of these financial statements. The Bank has adopted International Financial Reporting Standards for the first time for the year ended December 31, 2013 while previously the financial statements were prepared under Seychelles GAAP. Where necessary, comparative figures have been amended to conform with change in presentation in current year. The Bank's transition date is January 1, 2012.

The financial statements of the Bank are prepared under the historical cost convention, except that:
(i) Land are carried at their revalued amounts;
(ii) Relevant financial assets and liabilities are stated at their fair values; and
(iii) borrowings and other relevant financial liabilities are stated at their amortised costs.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. *The standard is not expected to have any impact on the Bank's financial statements.*

IAS 27, 'Separate Financial Statements' deals solely with separate financial statements. *The standard has no impact on the Bank's financial statements.*

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than it's legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. *The standard is not expected to have any impact on the Bank's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. *The standard has no impact on the Bank's financial statements.*

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. *The standard has no impact on the Bank's financial statements.*

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). *This revision to the standard is not expected to have any impact on the financial statements.*

IFRIC 20, 'Stripping costs in the production phase of a surface mine', *has no impact on the Bank's financial statements.*

Amendment to IFRS 7, "Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures and *is not expected to have any impact on the Bank's financial statements.*

Amendment to IFRS 1 (Government Loans) *has no impact on the Bank's financial statements.*

Annual improvements to IFRSs 2009-2011 Cycle

IFRS 1 (Amendment), 'First time adoption of IFRS', *has no impact on the Bank's operations.*

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

IAS 16 (Amendment), 'Property, plant and equipment', clarifies the spare parts and servicing equipment are classified as property , plant and equipment rather than inventory when they meet the definition of property, plant and equipment. *The amendment does not have an impact on the Bank's operations.*

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. *The amendment does not have an impact on the Bank's operations.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Annual Improvements to IFRSs 2009-2011 Cycle

IAS 34 (Amendment), 'Interim financial reporting', clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2014 or later periods, but which the Bank has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21: Levies
Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36)
Notation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IFRS 9 Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
Defined Benefit Plans: Employees Contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010-2012 cycle
Annual Improvements to IFRSs 2011-2013 cycle

Where relevant, the Bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(b) Financial instruments

The Bank classifies its financial assets and liabilities in the following categories: loans and advances, held-to-maturity investments, DBS Bonds and borrowings. Management determines the classification of its financial assets and liabilities at initial recognition and this classification depends on the purpose of the instruments.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, balances with the Central Bank of Seychelles and cash at bank. A further breakdown of cash and cash equivalents is given in note 5 to the financial statements.

(ii) *Loans and provision for credit impairment*

Loans and advances originated from the Bank by providing money directly to the borrower are categorised as loans and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments (Cont'd)

(ii) *Loans and provision for credit impairment (Cont'd)*

All loans and advances are recognised when cash is advanced to borrowers. A provision for credit impairment is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the contractual terms of the loans. The amount of the provision is the difference between the carrying amount recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loans.

The Bank also follows the regulations on Credit Policy, Credit Classification for Provisioning and Income Recognition issued by the Central Bank of Seychelles.

(iii) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Derecognition
The Bank derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Subsequent measurements
Financial assets are derecognised when the rights to receive cash flows from the investments have expired or they have been transferred and the Bank has also transferred substantially all risks and rewards of ownership.

Impairment of financial assets

Financial assets carried at amortised cost

For loans and advances category, the amount of the impairment of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement on the borrower's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments (Cont'd)

(iv) *Borrowings*

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of Profit of Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least twelve months after the date of the reporting period.

(v) *DBS Bonds*

DBS Bonds, which were issued for the purpose of raising capital are measured at amortised cost using the straight line method.

(vi) *Share capital*

Ordinary Shares are classified as equity.

(c) Intangible assets - Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives of 3 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

(d) Property and equipment

Buildings are carried at their revalued amounts based on valuations by external independent valuers every three years, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other items of property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to other comprehensive income.

Properties in the course of construction for operation purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property and equipment (Cont'd)

Depreciation is calculated on the straight line method to write off the cost of the assets, to their residual values over their estimated useful life as follows:

	Years
Buildings	10 - 25 years
Equipment	3 - 6 years
Furniture and fittings	3 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are included in statement of profit or loss and other comprehensive income. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserves is transferred directly to retained earnings.

(e) Retirement benefit obligations

Defined benefits plan

The Bank provides for payments of compensation to permanent employees for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Bank does not carry out any actuarial valuation since the Bank's management have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legal enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Foreign currencies

Functional and presentation currency
Items included in the financial statements are measured using Seychelles Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Bank are presented in Seychelles Rupee, which is it's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(h) Taxation

The Bank is exempt from the provisions of the Business Tax Act, 2009.

(i) Interest income and expense

Interest income and expense are recognised in the Statement of Profit or Loss for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price except in the respect of loans on fixed interest rates where the interest income is recognised on receipt basis.

Interest income is computed on reducing monthly balances on the assumption that loan repayment instalments are made on time. Whenever necessary penal interest is charged to adjust for late payment. This is done on final payment of the loan and is not accrued for in the period to which the interest relates.

Interest income is recognised as it accrues unless collectability is in doubt. For non-performing loans, the interest is transferred to interest in suspense account.

(j) Fees

Fees recognised on an accrual basis when the service has been provided. Fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(k) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. It's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Bank financial performance.

A description of the significant risks is given below together with the risk management policies applicable.

(i) Capital adequacy

Capital adequacy is closely monitored by the Bank's management in line with the requirements of the Financial Institutions (Capital Adequacy) Regulations, 2010 which states that banks will be required to hold a minimum level of regulatory capital of SR 20m effective as at the end of 2012 and are currently required to maintain a ratio of total regulatory capital to the risk-weighted asset at a minimum of 12%.

The required information is filed with the Central Bank of Seychelles on a monthly basis.

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Institutions Act, 2004 and those of the Central Bank of Seychelles. The ratio is given below:

	2013	2012
Capital base:	SR'000	SR'000
Tier I Capital	240,252	223,336
Tier II Capital	9,370	17,994
Total Capital Base (a)	249,622	241,330
Risk Weighted Assets (b)	387,808	468,052
Capital Adequacy Ratio (a/b * 100) (%)	64%	52%
Minimum Requirement (%)	12%	12%

The bank has adhered to the capital requirements of Central Bank of Seychelles for the year under review.

(ii) Credit risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Head Office with discretionary limits set for the Bank's Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

Credit quality of loans and advances

	2013	2012
	SR'000	SR'000
Neither past due nor impaired	258,032	257,896
Past due but not fully impaired	105,510	209,422
Impaired	36,462	633
Gross	400,004	467,951
Less Provision for credit impairment	(24,048)	(31,037)
Net	375,956	436,914
% of non-performing loans to gross loans	18.3%	36.1%
Fair value of eligible collaterals	515,406	515,005

Credit classification and provisioning requirements

The Bank also complies with the Financial Institutions (Credit Classification and Provisioning) Regulations, gazetted in 2010 and then amended in 2011 which requires the classification of it's credits into specific categories and gives guidance on the minimum provisioning required for each categories.

(iii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. The latter is exposed with respect to foreign currency arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

Concentration of assets and liabilities by currency

At December 31, 2013

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	68,932	2,057	50,601	-	121,590
Loans and advances	375,956	-	-	-	375,956
Intangible assets	2,384	-	-	-	2,384
Property and equipment	13,204	-	-	-	13,204
Other assets	4,293	-	-	-	4,293
	464,769	2,057	50,601	-	517,427
Liabilities					
Borrowings	95,242	36,072	16,971	-	148,285
DBS bonds	100,000	-	-	-	100,000
Funds under management	2,657	-	-	-	2,657
Retirement benefit obligations	1,911	-	-	-	1,911
Other liabilities	3,202	-	-	-	3,202
	203,012	36,072	16,971	-	256,055
Net assets	261,757	(34,015)	33,630	-	261,372

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Currency risk (Cont'd)

Concentration of assets and liabilities by currency (Cont'd)

At December 31, 2012	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	45,542	2,116	3,529	-	51,187
Loans and advances	436,914	-	-	-	436,914
Investment in financial assets	1,235	-	-	-	1,235
Intangible assets	3,652	-	-	-	3,652
Property and equipment	14,123	-	-	-	14,123
	3,722	-	-	-	3,722
	505,188	2,116	3,529	-	510,833
Liabilities					-
Borrowings	96,428	-	5,706	-	102,134
DBS bonds	150,000	-	-	-	150,000
Funds under management	870	-	-	-	870
Retirement benefit obligations	2,226	-	-	-	2,226
Other liabilities	2,649	-	-	-	2,649
	252,173	-	5,706	-	257,879
Net assets	253,015	2,116	(2,177)	-	252,954

(iv) Interest risk

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Interest risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

At December 31, 2013

	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	68,932	2,057	50,601	-	121,590
Loans and advances	400,004	-	-	-	400,004
Intangible assets	2,384	-	-	-	2,384
Property and equipment	13,204	-	-	-	13,204
Other assets	4,293	-	-	-	4,293
	488,817	2,057	50,601	-	541,475
Liabilities					
Borrowings	-	-	148,285	-	148,285
DBS bonds	100,000	-	-	-	100,000
Funds under management	2,657	-	-	-	2,657
Retirement benefit obligations	1,911	-	-	-	1,911
Other liabilities	3,202	-	-	-	3,202
	107,770	-	148,285	-	256,055
Interest sensitivity gap	381,047	2,057	(97,684)	-	285,420
Less: Provision for credit impairment					(24,048)
					261,372

At December 31, 2012

	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	51,187	-	-	-	51,187
Loans and advances	467,951	-	-	-	467,951
Investment in financial assets	1,235	-	-	-	1,235
Intangible assets	3,652	-	-	-	3,652
Property and equipment	14,123	-	-	-	14,123
Other assets	3,722	-	-	-	3,722
	541,870	-	-	-	541,870
Liabilities					
Borrowings	-	-	102,134	-	102,134
DBS bonds	150,000	-	-	-	150,000
Funds under management	-	-	-	870	870
Retirement benefit obligations	-	-	-	2,226	2,226
Other liabilities	-	-	-	2,649	2,649
Total liabilities	150,000	-	102,134	5,745	257,879
Interest sensitivity gap	391,870	-	(102,134)	(5,745)	283,991
Less: Provision for credit impairment					(31,037)
					252,954

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Interest risk (Cont'd)

Sensitivity analysis

If interest rates had been 5 points higher/lower and all other variables were held constant as at year-end, the Bank's results would have been increased/decreased as follows:

	2013	2012
	SR'000	SR'000
Impact on results	± 1,604	± 1,725

(iv) Liquidity risk

The Bank is exposed to daily calls on its available cash resources from deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls. The Bank maintains cash resources to meet all of these needs based on experience. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing that should be in place to cover withdrawals at unexpected levels of demand.

On the other hand, the Bank also complies with The Central Bank of Seychelles' requirement for all commercial banks to maintain 20% of total liabilities in liquid assets under the Financial Institutions (Liquidity Risk Management) Regulations, 2009.

(v) Fair values

In respect of the on-balance sheet financial assets and liabilities of the Bank consisting of fixed assets, investments and current taxation except for loans and advances, the estimated fair values as at the date of the reporting period approximate their carrying amounts as shown in the statement of financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of loans and advances*

The Bank reviews its loans and advances portfolio on a regular basis to assess whether any allowance for credit impairment losses for loans and advances should be recognised in the statement of comprehensive income. In particular, judgement is made about the amount and timing of future cash flows when determining the level of allowance required. The allowance for credit impairment losses is based on the best estimates available. However, the actual amount of impairment may differ from amount provided resulting in higher or lower charges to the statement of comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting estimates and assumptions (Cont'd)

(b) *Impairment of other assets*

At each financial reporting year end, Bank's Management reviews and assesses the carrying amounts of other assets and where relevant, write them down to their recoverable amounts based on best estimates.

(c) *Held-to-maturity investments*

The Bank follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

(d) *Revaluation of buildings*

Buildings and investment property are carried at fair value, representing their replacement cost determined by external valuers. The Directors have estimated that the frequency of revaluation should be every 3 years in the local context.

(e) *Retirement benefit obligations*

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(e) *Useful lives and residual values of equipment*

Determining the carrying amounts of equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Bank Management have used historical information relating to the Bank and the relevant industry in which it operates in order to best determine the useful lives and residual values of equipment.

(f) *Limitation of sensitivity analysis*

The sensitivity analysis of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2013	Re-stated 2012
	SR	SR
Balances with local banks	121,588,667	51,186,623
Cash in hand	903	-
	121,589,570	51,186,623

(a) The currency profile and maturity terms of cash and cash equivalents are detailed under note 3(iii) & (iv).

6. LOANS AND ADVANCES

	2013	Re-stated 2012
	SR	SR
Loans and advances	390,101,882	457,875,108
Staff loans	9,901,548	10,075,883
	400,003,430	467,950,991
Less : Provision for credit impairment (see note (a) below)	(24,047,500)	(31,037,420)
	375,955,930	436,913,571

(a) Provision for credit impairment

	Specific	General	2013 Total	2012 Total
	SR	SR	SR	SR
At January 1,	29,959,555	1,077,865	31,037,420	37,190,865
Bad debts written off	(13,426,178)	-	(13,426,178)	(17,004,304)
Charge for the year	6,564,046	(127,78B)	6,436,258	10,850,859
At December 31,	23,097,423	950,077	24,047,500	31,037,420

(b) Credit concentration of risk by industry sectors

	2013	2012
	SR	SR
Agriculture Loan	16,213,363	18,146,757
Fisheries Loan	9,244,107	14,215,322
Food Securities Loan	7,826,675	8,319,664
Industry Loan	21,695,338	23,232,744
Service Loans	227,048,799	265,642,790
Tourism Loan	112,478,900	135,047,142
Staff loan	9,901,548	10,078,173
	404,408,730	474,682,592
Less: Accrued interest	(4,405,300)	(6,731,601)
Less: Provision for credit impairment	(24,047,500)	(31,037,420)
	375,955,930	436,913,571

(c) The currency profile and maturity terms of loans and advances are detailed under note 3(iii) & (iv).

7. INVESTMENT IN FINANCIAL ASSET

Held-to-maturity financial assets

	2013	Re-stated 2012
	SR	SR
Treasury Bills		
- Maturity of less than one year	-	1,235,000

Investment in financial assets are denominated in Seychelles Rupees.

8. INTANGIBLE ASSETS

	2013	Re-stated 2012
	SR	SR
COST		
At January 1,		
- As previously stated	-	-
- Effect of adopting IAS 38 (notes 9 & 25(b)(iv)	4,432,904	327,535
- As re-stated	4,432,904	327,535
Additions	141,175	4,105,369
At December 31,	4,574,079	4,432,904
AMORTISATION		
At January 1,		
- As previously stated	-	-
- Effect of adopting IAS 38 (notes 9 & 25(b)(iv)	780,725	322,952
- As re-stated	780,725	322,952
Charge for the year (page 5)	1,409,197	457,773
At December 31,	2,189,922	780,725
NET BOOK VALUE		
At December 31,	2,384,157	3,652,179

9. PROPERTY AND EQUIPMENT

(a) December 31, 2013

	Freehold land and buildings	Equipment	Furniture and fittings	Motor vehicles	
	Valuation	Cost	Cost	Cost	Total
	SR	SR	SR	SR	SR
COST					
At January 1, 2013					
- As previously stated	18,858,812	7,438,709	873,638	791,317	27,962,476
- Effect of adopting IAS 38 (notes 8 & 25(b)(iv)	-	(4,432,905)	-	-	(4,432,905)
- As re-stated	18,858,812	3,005,804	873,638	791,317	23,529,571
Additions	-	133,454	204,362	-	337,816
Disposals	-	-	(28,917)	-	(28,917)
At December 31, 2013	18,858,812	3,139,258	1,049,083	791,317	23,838,470
DEPRECIATION					
At January 1, 2013					
- As previously stated	5,697,198	3,240,732	757,625	491,379	10,186,934
- Effect of adopting IAS 38 (notes 8 & 25(b)(iv)	-	(780,725)	-	-	(780,725)
- As re-stated	5,697,198	2,460,007	757,625	491,379	9,406,209
Charge for the year	670,427	314,144	123,211	141,000	1,248,782
Disposal adjustments	-	-	(20,339)	-	(20,339)
At December 31, 2013	6,367,625	2,774,151	860,497	632,379	10,634,652
NET BOOK VALUE					
At December 31, 2013	12,491,187	365,107	188,586	158,938	13,203,818

9. PROPERTY AND EQUIPMENT (CONT'D)

(b) December 31, 2012

	Freehold land and buildings Valuation	Equipment Cost	Furniture and fittings Cost	Motor vehicles Cost	Total
	SR	SR	SR	SR	SR
COST					
At January 1, 2012					
- As previously stated	6,157,094	3,113,390	864,407	791,317	10,926,208
- Effect of adopting IAS 38 (notes 8 & 25(b)(iv)	-	(327,535)	-	-	(327,535)
- As re-stated	6,157,094	2,785,855	864,407	791,317	10,598,673
Revaluation surplus	12,701,717	-	-	-	12,701,717
Additions	-	219,948	25,986	-	245,934
Disposals	-	-	(16,755)	-	(16,755)
At December 31, 2012	18,858,811	3,005,803	873,638	791,317	23,529,569
DEPRECIATION					
At January 1, 2012					
- As previously stated	4,858,809	2,463,423	665,888	350,379	8,338,499
- Effect of adopting IAS 38 (notes 8 & 25(b)(iv)	-	(322,952)	-	-	(322,952)
- As re-stated	4,858,809	2,140,471	665,888	350,379	8,015,547
Charge for the year (page 5)	838,387	319,536	101,805	141,000	1,400,728
Disposal adjustments	-	-	(10,068)	-	(10,068)
At December 31, 2012	5,697,196	2,460,007	757,625	491,379	9,406,207
NET BOOK VALUE					
At December 31, 2012	13,161,615	545,796	116,013	299,938	14,123,362

9. PROPERTY AND EQUIPMENT (CONT'D)

(c) The land and buildings of the Bank was revalued by Blackburn Consulting (Pty) Ltd, an independent professionally qualified chartered surveyor, on December 14, 2011 at their market value as follows:

	2012
	SR
Land (688 square meter)	3,000,000
Building	11,000,000
	14,000,000

(d) Significant unobservable valuation input

	Range - SR
Price per square meter	19,000 - 21,000

Significant increase/(decrease) in estimated price per square meter in isolation would result in significantly higher/(lower) fair value.

(e) If land and buildings were stated at historical cost basis, their net carrying amounts would have been as follows:

	2013	2012
	SR	SR
Cost	6,157,094	6,157,094
Accumulated depreciation	(5,311,377)	(5,085,093)
Net book value	845,717	1,072,001

10. OTHER ASSETS

	2013	Re-stated 2012
	SR	SR
Recovery on Financial Guarantee Contract (see note (a) below & note 11))	3,138,287	-
Prepayments	251,442	302,606
Other receivables	903,659	3,419,227
	4,293,388	3,721,833

(a) DBS contracted a loan of Euro 2.5M with Nouvobanq during the year under review and in line with the Public Debt Management Act, the Bank signed a contract with the Ministry of Finance, Trade and Investment stating that foreign exchange losses arising on the loan facilities will be reimbursed by the latter.

(b) The carrying amount of other assets approximate their fair value.

11. BORROWINGS

	2013	Re-stated 2012
	SR	SR
Bank loans		
- Local	131,313,493	96,427,653
- Overseas	16,971,024	5,706,161
	148,284,517	102,133,814

11. BORROWINGS (CONT'D)

(a) Bank loans

	2013	Re-stated 2012
	SR	SR
At January 1,	102,133,814	108,501,979
Additions	47,336,763	-
Repayments	(4,324,347)	(6,368,165)
	145,146,230	102,133,814
Currency translation differences (note 10)	3,138,287	-
At December 31,	148,284,517	102,133,814

(b) The currency profile and maturity terms of borrowings are detailed under note 3(iii) & (iv).

(c) The range of interest on borrowings varied between 2.75% and 4.96% (2012: 2.75% and 4%).

12. DBS BONDS

	2013	2012
	SR	SR
At January 1,	150,000,000	200,000,000
Redeemed during the year	(50,000,000)	(50,000,000)
At December 31,	100,000,000	150,000,000

(a) Interest rates on the above bonds ranged between 5.5% and 7.5% (2012: 5% and 7.5%).

(b) The currency profile and maturity terms of DBS bonds are detailed under note 3(iii) & (iv).

(c) The above bank loans are secured by the Government of Seychelles.

(d) The carrying amount of borrowings approximate their amortised costs.

13. FUNDS UNDER MANAGEMENT

	2013	2012
	SR	SR
Credit Guarantee Scheme (see note (a) below)	870,134	870,134
Amount payable to Managed Funds	1,786,432	-
	2,656,566	870,134

(a) This fund was created from a donation made by Frederick Ebert Stiftung (a private foundation in West Germany). The objective of the fund is to support small entrepreneurs and young graduates from the Polytechnic on ventures not exceeding SR 150,000. Loans are no longer being approved from this fund and no additional payments are being made therein since 2008.

14. RETIREMENT BENEFIT OBLIGATIONS

	2013	Re-stated 2012
	SR	SR
At January 1,		
- As previously stated	-	-
- Provision for length-of-service compensation	2,225,632	1,530,309
- As re-stated	2,225,632	1,530,309
Paid during the year	(964,638)	(217,095)
Charge for the year	649,528	912,418
At December 31,	1,910,522	2,225,632

14. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) The Directors have also estimated that the provisions as above which have been based on the requirements of Seychelles Employment Act are reasonable and would not materially differ had these been computed on an actuarial basis as mandated by IAS 19.

15. OTHER LIABILITIES

	2013	Re-stated 2012
	SR	SR
Retention of loans and advances	1,987,050	1,084,489
Other payables and accruals	1,214,884	1,564,976
	3,201,934	2,649,465

(a) The carrying amount of other liabilities approximate their amortised costs.

(b) The currency profile and maturity terms of other liabilities are detailed under note 3(iii) & (iv).

16. SHARE CAPITAL

	2013 & 2012
	SR
Authorised	
400,000 shares of SR 100 each	40,000,000
Issued and fully paid	
392,000 shares of SR 100 each	39,200,000

17. INTEREST INCOME

	2013	2012
	SR	SR
Loans and advances	45,168,444	47,379,582
Cash and cash equivalents	340,766	349,289
	45,509,210	47,728,871

18. INTEREST EXPENSE

	2013	2012
	SR	SR
Borrowings	4,987,707	2,527,304
DBS bonds	8,104,832	10,701,535
	13,092,539	13,228,839

19. OTHER INCOME

	2013	2012
	SR	SR
Management fees from funds under management	877,617	1,238,022
Fees from loans and advances	381,987	433,327
Application fees	146,446	146,383
	1,406,050	1,817,732

20. EMPLOYEE BENEFIT EXPENSES

	2013	2012
	SR	SR
Salaries and wages	8,217,589	7,856,698
Pension cost	102,035	100,831
Movement in retirement benefit obligations	649,528	912,418
Other staff-related expenses	807,967	621,916
	9,777,119	9,491,863

21. OTHER OPERATING EXPENSES

	2013	2012
	SR	SR
Utilities costs	763,527	817,611
Maintenance costs	687,979	226,478
Professional fees	658,865	528,385
Donations	270,561	243,686
Bank charges	36,012	28,339
Auditors' remuneration	336,731	172,500
Insurance expenses	97,076	102,675
Travelling expenses	531,154	460,544
Rental expenses	184,248	176,658
Office expenses	428,049	435,050
Promotion and advertising costs	346,716	211,379
Loss on disposal of property and equipment	51	3,493
Other administrative expenses	1,056,765	1,087,831
	5,397,734	4,494,629

22. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2013 (2012: Nil).

'23. CONTNGENT LIABILITIES

There were no contingent liabilities as at December 31, 2013 (2012: Nil).

24. RELATED PARTY TRANSACTIONS

	2013	2012
	SR	SR
Companies with common shareholders		
- Borrowings	36,071,900	-
- Interest on borrowings	1,340,859	261,532
Shareholders		
- Borrowings	95,241,593	96,427,653
- Interest on borrowings	2,988,503	1,895,695
- Other expenses	172,487	189,013
Directors		
- Remuneration	286,645	243,225

(a) Key management personnel

	2013	2012
	SR	SR
Salaries and related expenses	1,610,987	1,722,851
Other benefits	753,395	574,375
	2,364,382	2,297,226

25. RECONCILIATION OF TRANSITION FROM SEYCHELLES GAAP TO IFRS

(a) Reconciliation of Statement of Financial Position and Statement of Profit or Loss from Seychelles GAAP to IFRS

The following table reconciles the relevant items of the statement of financial position and the statement of profit or loss reported under Seychelles GAAP to the amounts reported under IFRS as at the Transition Date of January 1, 2012 and December 31, 2012. The adjustments did not impacted total equity and total comprehensive income but resulted in reclassifications only.

		December 31, 2012			January 1, 2012		
	Notes	Balance reported under Seychelles GAAP	Impact of IFRS	Balance reported under IFRS	Balance reported under Seychelles GAAP	Impact of IFRS	Balance reported under IFRS
		SR	SR	SR	SR	SR	SR
Statement of financial position							
Cash and cash equivalents	25(b)(i)	56,146,383	(4,959,760)	51,186,623	42,260,119	44,542,251	86,802,370
Deposits with Government of Seychelles	25(b)(ii)	33,735,684	(33,735,684)	-	79,970,905	(79,970,905)	-
Loans and advances	25(b)(iii)	426,837,688	10,075,883	436,913,571	435,761,385	10,040,890	445,802,275
Investment in financial assets	25(b)(ii)	-	1,235,000	1,235,000	-	1,235,000	1,235,000
Treasury bonds	25(b)(ii)	1,235,000	(1,235,000)	-	1,235,000	(1,235,000)	-
Property and equipment	25(b)(iv)	17,775,541	(3,652,179)	14,123,362	2,587,709	(4,583)	2,583,126
Intangible assets	25(b)(iv)	-	3,652,179	3,652,179	-	4,583	4,583
Other assets	25(b)(iii)	13,797,714	(10,075,881)	3,721,833	12,407,601	(10,040,890)	2,366,711
Long-term borrowings - Overseas	25(b)(v)	5,706,161	(5,706,161)	-	5,996,035	(5,996,035)	-
Long-term borrowings - Locally	25(b)(v)	96,427,653	(96,427,653)	-	102,505,944	(102,505,944)	-
Borrowings	25(b)(v)	-	102,133,814	102,133,814	-	108,501,979	108,501,979
DBS Bonds		150,000,000	-	150,000,000	200,000,000	-	200,000,000
Fund under management	25(b)(i)	39,565,578	(38,695,444)	870,134	36,298,788	(35,428,654)	870,134
Other liabilities	25(b)(vi)	4,875,097	(2,225,632)	2,649,465	6,085,822	(1,530,309)	4,555,513
Retirement benefit obligations	25(b)(vi)	-	2,225,632	2,225,632	-	1,530,309	1,530,309
Other reserve	25(b)(vii)	43,905,755	(2,520,435)	41,385,320	43,905,755	(2,520,435)	41,385,320
Retained earnings	25(b)(vii)	157,146,051	2,520,435	159,666,486	140,230,375	2,520,435	142,750,810
Statement of profit or loss and other comprehensive income							
Other comprehensive income	25(b)(viii)	-	12,701,717	12,701,717			

Analysis of the IFRS adjustments above are detailed under note 26(b).

25. RECONCILIATION OF TRANSITION FROM SEYCHELLES GAAP TO IFRS (CONT'D)

(b) Analysis of adjustments arising on transition from Seychelles GAAP to IFRS

(i) Cash and cash equivalents

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	56,146,383	42,260,119
Adjustments under IFRS		
- Elimination of funds under management	(37,667,297)	(35,428,654)
- Reclassification of short-term deposits	32,707,537	79,970,905
	(4,959,760)	44,542,251
Balance as reported under IFRS	51,186,623	86,802,370

(ii) Investment in financial assets

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	-	-
Adjustments under IFRS		
- Reclassification of held-to-maturity financial assets	1,235,000	1,235,000
Balance as reported under IFRS	1,235,000	1,235,000

(iii) Loans and advances

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	426,837,688	435,761,385
Adjustment under IFRS		
- Reclassification of staff loans from other assets	10,075,883	10,040,890
Balance as reported under IFRS	436,913,571	445,802,275

(iv) Property and equipment/Intangible asset

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	17,775,541	2,587,709
Adjustment under IFRS		
- Reclassification of intangible assets	(3,652,179)	(4,583)
Balance as reported under IFRS	14,123,362	2,583,126

25. RECONCILIATION OF TRANSITION FROM SEYCHELLES GAAP TO IFRS (CONT'D)

(b) Analysis of adjustments arising on transition from Seychelles GAAP to IFRS (Cont'd)

(v) Borrowings

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	-	-
Adjustments under IFRS		
- Reclassification of borrowings (overseas)	5,706,161	5,996,035
- Reclassification of borrowings (local)	96,427,653	102,505,944
	102,133,814	108,501,979
Balance as reported under IFRS	102,133,814	108,501,979

(vi) Other liabilities

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	4,875,097	6,085,822
Adjustments under IFRS		
- Reclassification of retirement benefit obligations	(2,225,632)	(1,530,309)
Balance as reported under IFRS	2,649,465	4,555,513

(vii) Other reserve/Retained earnings

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	43,905,755	43,905,755
Adjustments under IFRS		
- Effect of adopting IAS 37	(2,520,435)	(2,520,435)
Balance as reported under IFRS	41,385,320	41,385,320

(viii) Other comprehensive income

	December 31, 2012	January 1, 2012
	SR	SR
Balance as reported under Seychelles GAAP	-	-
Adjustments under IFRS		
- Reclassification of revaluation of property and equipment	12,701,717	-
Balance as reported under IFRS	12,701,717	-