



Annual Report 2014

#### **ANNUAL REPORT 2014**



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#### CHAIRMAN'S REPORT



In this challenging and constantly changing environment, the Bank continued to focus on operational processes and quality of service. The Bank has, over the years, been investing heavily on latest software and hardware to provide efficient banking services to its customers.

The results for the year ended 2014 were quite satisfactory for the Bank. It earned a net profit of SR 8.80 million (after tax and provisions for credit impairment) compared with SR 4.33 million earned in 2013 in spite of the operating profit reducing slightly to SR 12.64 million compared with SR 13.21 million earned in 2013.

Customer deposits also increased to SR 829.78 million from SR 803.24 million in 2013. The loan portfolio also increased to SR 486.37 million from SR 469.69 M in 2013. Total equity of the Bank increased to SR 120.35 million. The revaluation reserve went up to SR 21.63 million. The retained earnings have gone up to SR 23.00 million. The Statutory Reserve has also gone up to SR 15.71 million compared with SR 13.95 million in 2013.



I am pleased to announce that the Board has recommended a higher Dividend of SR 4.20 million for the year ended December, 2014. This works out to SR 7 per Share or a return of 7% on a Share of SR 100 compared with SR 3.00 million for the year ended 2013.

Now that the banking software has stabilized, the Bank was successful in launching its E-Banking Department on 9th March, 2015 which provides specialized banking services to its customers such as local funds transfers, foreign transfers, MoneyGram and will also provide online banking services during the coming months.

It is heartening to note that the Bank has fully integrated its core banking software with the Seychelles Electronics Funds Transfer (SEFT) platform of Central Bank of Seychelles which has benefitted Salaried Customers of the Bank who are now able to withdraw funds from their accounts within minutes after its transfer from their employers.

The Bank will be shortly launching Utility Bills Payment Services through its ATMs which will allow its Cardholders to pay their Electricity and Water Bills through any ATMs of the Bank without personally going to any office of PUC. This facility will be provided free of cost to all customers of the Bank.

A Disaster Recovery & Business Continuity Site has been set up at Kingsgate House which will be activated to provide continuous services to the Bank's customers in case of any accident taking place at Head Office. The Bank will also be launching its website and online banking services before the end of the current year. The Praslin Branch of the Bank will also undergo major renovation during the current year.

Finally, I wish to place on records my heartfelt appreciation towards customers, staff members and my fellow directors for their continued loyalty, dedication and support to the organization which have made these results possible.

Mr. Patrick Payet

Chairperson

#### **ANNUAL REPORT 2014**

# SEYCHELLES COMMERCIAL BANK

#### MANAGING DIRECTOR'S REPORT

I am pleased to present to you the 4th Annual Report for the year ended December, 2014.

The year ended December 2014 was a satisfying year for the bank. The net profit (after tax and provisions for credit impairment) for the year more than doubled to SR 8.80 million (SR 4.33 M in 2013) even though the operating profit was slightly lower at SR 12.64 million (SR 13.21 M in 2013). The total interest income went up to SR 64.42 million (SR 60.19 M in 2013). Interest expenses, on the other hand, also increased to SR 22.55 million (SR 19.49 M in 2013) due to higher rates of interest paid on fixed deposits. Non-interest expenses have similarly gone up to SR 43.36 million (SR 38.39 M in 2013) due to increase in employee benefits, depreciation and other expenses.

Deposits from customers increased to SR 829.78 million (SR 803.24 M in 2013). The loan portfolio also increased to SR 486.37 million (SR 469.69 M in 2013). Cash and Cash equivalents decreased to SR 227.18 million (SR 305.70 in 2013) primarily due to increase in loan portfolio and investment made in treasury bills and bonds. Held-to maturity financial assets increased to SR 172.36 million (SR 82.14 M in 2013) due to purchase of treasury bills and bonds, albeit, at a lower rate of interest which reflected in lesser interest income thereon compared with the previous year.



Total equity of the bank increased to SR 120.35 million (SR 109.16 M in 2013). The revaluation reserve went up to SR 21.63 million (SR 19.25 M in 2013). The retained earnings have gone up to SR 23.00 million (SR 15.96 M in 2013). The Statutory Reserve has also gone up by SR 1.76 million to SR 15.71 million (SR 13.95 M in 2013) due to addition of 20% of net profit of the year therein as per the requirements of Financial Institution Act, 2004.

It is worthwhile to mention here that the bank upgraded its banking software to FLEXCUBE 12.01 from FLEXCUBE 6.0 in 2013. The bank faced a number of unexpected challenges during and after migration of the banking data which continued throughout the year 2014. The entire data has since been corrected by Consultants of Oracle Financial Services Software Ltd (OFSS) and the implementation partner.

The year 2015 will bring many positive developments for the bank and its customers. E-Banking Department has already opened its doors at Unity House since 9th March, 2015 which provides specialized banking services to our esteemed customers such as local funds transfers, foreign transfers, MoneyGram and will also provide online banking services during the coming months.

I am happy to report that we are the third bank after MCB and Nouvobanq which has fully integrated its core banking software with the Seychelles Electronics Funds Transfer (SEFT) platform of Central Bank of Seychelles that allows instant transfer of funds between local banks. This has greatly benefitted Salaried Customers of our bank who are now able to withdraw funds from their accounts within minutes after its transfer from their employers.

During the coming months, we will be launching Utility Bills Payment Services through our ATMs which will allow all ATM Cardholders of the bank to pay their Electricity and Water Bills through any of our ATMs without personally going to any office of PUC. This facility will be provided free of cost to our customers.

A Disaster Recovery & Business Continuity Site has been set up at Kingsgate House which will be equipped with Disaster Recovery Servers. These Severs will carry duplicate set of data which will be activated to provide uninterrupted banking services to our Customers in case of any unfortunate accident taking place at our IT Centre located at Orion Mall.

The bank also plans to launch its website and online banking services before the end of the current year. We have already signed a Consultancy Contract with an IT Company to provide technical support for a period of two years and an IT Consultant has already arrived in the Seychelles who is helping the bank in all IT related matters.

It would in order for me to place on record my sincere thanks to all the Shareholders of the bank for their trust, our customers for their continued loyalty, the Central Bank of Seychelles for its understanding, the External Auditors for their support, my fellow directors for their guidance and staff members of the bank for their dedication and hard work, without which these results would not have been made possible.

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#### **DIRECTORS' REPORT**

The Directors are pleased to submit their report together with the audited financial statements of Seychelles Commercial Bank Limited (hereafter called the "Bank") for the year ended December 31, 2014.

#### PRINCIPAL ACTIVITY

The principal activity of the Bank remained unchanged during the year under review and consists of the provision of banking services in Seychelles.

#### **RESULTS**

	SR
Profit before tax	12,347,685
Tax expense	(3,544,113)
Profit for the year	8,803,572
Transfer to statutory reserve	(1,760,714)
Retained earnings brought forward	15,958,918
Retained earnings carried forward	23,001,776

#### **DIVIDENDS**

The Board has proposed a dividend of SR 7 per share amounting to SR 4.2m for the year ended December 31, 2014 (2013: SR 3m).

#### PROPERTY AND EQUIPMENT

Additions to property and equipment totalled SR 2.1m for the year under review (2013: SR 2.9m) and comprised mainly buildings, furniture and fittings and computer equipment.

Land and buildings are carried at revalued amounts and all other equipment is stated at historical cost less accumulated depreciation. The Directors are of the opinion that the carrying amounts of the assets approximate their fair value and do not require any adjustments for impairment.

#### **DIRECTORS AND DIRECTORS' INTEREST**

The Directors of the Bank since the date of the last report and the date of this report are:

	Number of
	ordinary shares
Patrick Payet (Chairman) (Appointed on February 28, 2014)	-
Syed Naqi (Managing Director)	100
Robert Morgan	250
Esther Boniface	- <del>,</del>
Sandy Mothee (Appointed on February 23, 2015)	- · · · · · · · · ·
Michael Benstrong (Resigned effected January 31, 2015)	150
Joel de Commarmond (Resigned effected June 20, 2014)	250

#### DIRECTORS' REPORT (CONT'D)



#### 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 Companies Act, 1972, the Financial Institutions Act, 2004 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 retiring auditors, Messrs. BDO Associates, being eligible offer themselves for re-appointment.

**BOARD APPROVAL** 

**Patrick Payet** 

Chairman

**Esther Boniface** 

Date: May 29, 2015 Victoria, Seychelles

Director

Syed Nagi

Managing Director

Director

Director

Sandy Mothee



#### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Seychelles Commercial Bank Limited, 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 Seychelles Commercial Bank Limited set out on pages 3 to 34 which comprise the Statement of Financial Position as at December 31, 2014, 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.

#### **Directors' Responsibility**

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 on 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 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.

#### **ANNUAL REPORT 2014**



#### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

#### Opinion

In our opinion, the financial statements on pages 3 to 34 give a true and fair view of the financial position of the Bank as at December 31, 2014 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 Companies Act, 1972.

#### Report on Other Legal Regulatory Requirements

#### Companies Act, 1972

We have no relationship with, or interests, in the Company 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.

#### 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 the Financial Institutions Act, 2004.
- The explanations or information called for or given to us by the employees of the Bank were satisfactory.
- The Bank did not carry out any fiduciary duties for the year under review.

#### Public Enterprise Monitoring Commission Act, 2013

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

We have obtained all the information necessary for the purpose of our audit and are satisfied with the information received.

**BDO ASSOCIATES** 

Chartered Accountants

BDO Associates

Date: **May 29, 2015** Victoria, Seychelles

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#### STATEMENT OF FINANCIAL POSITION

	Notes	2014	2013
		SR	SR
ASSETS			
Cash and cash equivalents	5	227,187,782	305,704,885
Loans and advances	6	486,376,277	469,690,702
Held-to-maturity financial assets	7	172,357,095	82,142,824
Property and equipment	8	38,975,744	39,440,641
Intangible assets	9	10,930,904	8,555,643
Tax recoverable	14(i)	2,914,822	1,194,698
Other assets	10	24,003,829	18,514,600
Total assets		962,746,453	925,243,993
LIABILITIES			000 040 000
Customer deposits	11	829,789,474	803,242,320
Other liabilities	12	5,359,801	3,479,706
Dividends payable	13	46,000	46,200
Deferred tax liabilities	15	3,027,716	5,621,122
Retirement benefit obligations	16	4,174,643	3,689,002
Total liabilities		842,397,634	816,078,350
EQUITY			
Share capital	17	60,000,000	60,000,000
Statutory reserve	18	15,714,279	13,953,565
Revaluation reserve		21,632,764	19,253,160
Retained earnings		23,001,776	15,958,918
TOTAL EQUITY		120,348,819	109,165,643
Total liabilities and equity		962,746,453	925,243,993
CONTINGENT LIABILITY			
Guarantees		1,115,000	4,225,000

These financial statements have been approved for issue by the Board of Directors on: May 29, 2015

Patrick Payet

Chairman

Syed Naqi

Managing Director

Robert Morgan

Director

**Esther Boniface** 

Director

Sandy Mothee

Director

#### STATEMENT OF PROFIT OR LOSS

	Notes	2014	2013
		SR	SR
Interest income	19	64,420,596	60,186,624
Interest expense	20	(22,550,621)	(19,491,340)
Net interest income		41,869,975	40,695,284
Other income			
Fee income and commissions	21	773,291	774,878
Profit arising from transactions in foreign currencies		3,338,131	105,347
Sundry income	22	10,026,887	10,024,961
		14,138,309	10,905,186
Net interest and other income		56,008,284	51,600,470
Non-interest expenses			
Employee benefit expense	23	(20,314,344)	(18,249,959)
Depreciation of property and equipment	8	(2,613,720)	(2,511,362)
Amortisation of intangible assets	9	(1,399,384)	(526,363)
Other expenses	24	(19,035,782)	(17,100,262)
		(43,363,230)	(38,387,946)
Operating profit before provision		12,645,054	13,212,524
Provision for credit impairment	6(a) & 25(a)	(297, 369)	(2,420,962)
Profit before taxation charge		12,347,685	10,791,562
Tax charge	14(ii)	(3,544,113)	(6,457,527)
Profit for the year		8,803,572	4,334,035

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2014	2013
		SR	SR
Profit for the year		8,803,572	4,334,035
Other comprehensive income:			
Items that will not be reclassified to profit or loss: Reversal of deferred tax effect on revaluation of			
land and buildings	15(b)	2,379,604	2,379,604
Total comprehensive income for the year		11,183,176	6,713,639

#### STATEMENT OF CHANGES IN EQUITY

	Note	Share capital SR	Statutory reserve SR	Revaluation reserve SR	Retained earnings SR	Total SR
Balance at January 1, 2014 Total comprehensive income		60,000,000	13,953,565	19,253,160	15,958,918	109,165,643
for the year		-		2,379,604	8,803,572	11,183,176
Transfer to statutory reserve	18		1,760,714		(1,760,714)	
Balance at December 31, 2014		60,000,000	15,714,279	21,632,764	23,001,776	120,348,819
Balance at January 1, 2013 Total comprehensive income		60,000,000	13,086,758	16,873,556	12,491,690	102,452,004
for the year		-	-	2,379,604	4,334,035	6,713,639
Transfer to statutory reserve	18		866,807		(866,807)	
Balance at December 31, 2013		60,000,000	13,953,565	19,253,160	15,958,918	109,165,643

## STATEMENT OF CASH FLOWS

	Notes	2014	2013
		SR	SR
Cash generated from operations		42 247 495	10,791,562
Profit before taxation charge		12,347,685	10,791,302
Adjustments for:	8	2,613,720	2,511,362
Depreciation of property and equipment	9	1,399,384	526,363
Amortisation of intangible assets	6	(163,752)	53,223
Net interest accrued and released	6(a)/25(a)	297,369	2,420,962
Provision for credit impairment	16	485,641	556,750
Increase in retirement benefit obligations		16,980,047	16,860,222
Changes in working capital:		444 040 402)	(70 479 954)
Increase in loans and advances		(16,819,192)	(70,478,854)
Change in accrued interests	7	(1,556,995)	(1,237,535)
Increase in other assets		(5,489,229)	(144,880)
Increase in customer deposits		26,547,154	147,140,143
Increase/(Decrease) in other liabilities		1,880,095	(1,996,130)
Net cash generated from operations		21,541,880	90,142,966
Tax paid	14(i)	(5,478,039)	(7,014,761)
Net cash generated from operating activities		16,063,841	83,128,205
a later from investing activities			
Cash flows from investing activities	8	(2,148,823)	(2,886,246)
Additions to property and equipment	9	(3,774,645)	(8,116,596)
Additions to intangible assets	7	(178,754,600)	(120,350,489)
Addition to investment in financial assets	7	90,097,324	181,638,049
Redemption of investment in financial assets  Net (used in)/cash generated from investing activities		(94,580,744)	50,284,718
ner (asea m), easi general			
Cash flows from financing activity		(200)	(2 000 425)
Dividends paid and net cash used in financing activity	13	(200)	(2,980,435)
Net (decrease)/increase in cash and cash equivalents		(78,517,103)	130,432,488
Movement in cash and cash equivalents			
At January 1,		305,704,885	175,272,397
(Decrease)/Increase		(78,517,103)	130,432,488
At December 31,	5	227,187,782	305,704,885
At becomes, 5.9			

27 form an integral part of these financial statements



#### 1. **GENERAL INFORMATION**

Seychelles Commercial Bank Limited is a limited liability Company incorporated and domiciled in Seychelles. The registered address of the Bank is at Orion Mall, Mahé, Seychelles.

The Bank changed its name from Seychelles Savings Bank Limited to Seychelles Commercial Bank Limited on October 25, 2013.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Bank.

#### 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.

#### Basis of preparation

The financial statements of Seychelles Commercial Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1972, the Financial Institutions Act, 2004, Regulations and Directives of the Central Bank of Seychelles.

The financial statements of the Bank are prepared under the historical cost convention except that:

- a) Land and buildings are carried at revalued amounts;
- b) Held-to-maturity financial assets and relevant financial assets and financial liabilities are stated at their amortised costs as applicable; and
- c) Relevant financial assets and financial liabilities are stated at their fair value.

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

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, clarify the requirements relating to the offset of financial assets and financial liabilities. The amendment is not expected to have any impact on the Banks financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities, define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the Bank is not an investment entity, the standard has no impact on the Banks financial statements.

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating event that gives rise to pay a levy and when should a liability be recognised. The Bank is not subject to levies so the interpretation has no impact on the Banks financial statements.

#### NOTES TO THE FINANCIAL STATEMENTS

#### SIGNIFICANT ACCOUNTING POLICIES (CONT'D) 2.

#### (a) Basis of preparation (Cont'd)

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

Amendments to IAS 36, Recoverable Amount Disclosures for Non-financial Assets, remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated. The amendment has not impact on the Banks financial statements.

Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting, provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendment has no impact on the Banks financial statements.

#### Annual Improvements 2010-2012 Cycle

IFRS 13 (Amendment), Fair Value Measurement clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Banks financial statements.

#### Annual Improvements 2011-2013 Cycle

IFRS 13 (Amendment), First-time Adoption of International Financial Reporting Standards clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entitys first IFRS financial statements. The Bank is an existing preparer of IFRS and the amendment has no impact on the Banks 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, 2015 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

Defined Benefit Plans: Employee contributions (Amendments to IAS19)

Annual Improvements to IFRSs 2010-2012 cycle

Annual Improvements to IFRSs 2011-2013 cycle

IFRS 14 Regulatory Deferral Accounts

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IFRS 15 Revenue from Contract with Customers

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)



#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)

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 assets

#### Categories of financial assets

The Bank classifies its financial assets in the following categories: loans and advances and held-tomaturity investments. Management determines the classification of its financial assets at initial recognition and this classification depends on the purpose of the investment.

#### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with the Central Bank of Seychelles and amounts due from other banks. 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.

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 Classification and Provisioning Regulations 2010, as amended in 2011 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-tomaturity 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.

#### NOTES TO THE FINANCIAL STATEMENTS

#### SIGNIFICANT ACCOUNTING POLICIES (CONT'D) 2.

- (b) Financial assets (Cont'd)
- (iii) Held-to-maturity financial assets(Cont'd)

#### 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.

#### Impairment of financial assets

For loans and advances, 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.

#### (c) Deposits

Deposits are initially recognised on the day they are originated. Other financial liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

#### 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.

#### (e) Property and equipment

Land and buildings are carried at revalued amounts and all other equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the quisition of the items. The next revaluation is expected to be in 2015.

#### NOTES TO THE FINANCIAL STATEMENTS

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Property and equipment (Cont'd)

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 the statement of profit or loss.

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

	Years
Buildings	35 - 40
Furniture and equipment	10
Vehicles	5
Computer equipment	5

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 disposals of equipment are determined by comparing the proceeds with their carrying amount and are included in the statement of profit or loss.

#### (f) 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 the estimated useful life of 10 years.

#### NOTES TO THE FINANCIAL STATEMENTS

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Retirement benefit obligations (g)

#### (i) Defined benefit plans

The Bank provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, 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 did not carry out any actuarial valuation since the Directors 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.

#### Taxation (h)

#### Current tax

Tax in the statement of profit or loss relates to current year's tax which is the expected amount of tax payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

#### Deferred tax

Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of equipment and provision for retirement benefit obligation. The rates enacted or subsequently enacted at the date of the reporting period are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

#### **Acceptances** (i)

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.



#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) 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 Rupees, which is its 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 profit or loss.

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.

#### (k) 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 includes coupons earned on fixed income investment and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans are classified doubtful of collection, such as when overdue by more than six months, or, when the borrower or securities issuer defaults, if earlier than six months. Such income is excluded from interest income until received.

#### Fees and commission income (l)

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and 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.

#### (m) 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

#### SIGNIFICANT ACCOUNTING POLICIES (CONT'D) 2.

#### FINANCIAL RISK MANAGEMENT 3.

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's financial performance.

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

#### Strategy in using financial instruments (i)

The Bank accepts deposits from customers at fixed rates at variable terms and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees.

#### (ii) Capital adequacy

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Regulations (Capital Adequacy) Regulations 2010 and those of the Central Bank of Seychelles. The ratio is given below:

	2014	2013
	SR'000	SR'000
Capital Base:		
Tier I Capital	91,673	86,445
Tier II Capital	13,399	8,437
Total Capital Base (a)	105,072	94,882
		- 1 V
Risk Adjusted Assets (b)	525,845	488,592
Capital Adequacy (a/b * 100)	20%	19%
	*	
Minimum Requirement	12%	12%

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

#### NOTES TO THE FINANCIAL STATEMENTS

#### 3. FINANCIAL RISK MANAGEMENT (CONT'D)

#### (iii) 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 Board of Directors 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.

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Credit risk (Cont'd)

Total SR'000	227,188 486,376 172,357 38,976 10,931 2,915	,, [8]	829,789 5,360 46 3,028 4,175 842,398	120,349
Non-maturrity iter <sup>ms</sup> SR'0 <sup>1</sup> 00	38,976	14,076	467,878 5,360 3,028 4,475 480,441	(413, 943)
No 3-5 years SR'000	342,809	364,524	36,769	327,755
1-3 years SR'000	97,862	9,928	3,634	164,156
9-12 months SR'000	12,547	48,633	18,770	29,863
6-9 months SR'000	10,079	44,376	102,732	(58,356)
3-6 months SR'000	8,262 15,207	23,469	32,251 - 46 - 32,297	(8,828)
ilities are follo  Up to  3 months  SR'000	227,188 14,817 5,052	247,057	167,755	79,302
Maturities period of assets and liabilities are follows:  Up to  3 months  At December 31, 2014	Assets Cash and cash equivalents Loans and advances Held-to-maturity financial assets Property and equipment Intangible assets	Tax recoverable Other assets	Liabilities Customer deposits Other liabilities Dividend proposed Deferred tax liabilities Retirement benefit obligations	Maturity gap

# FINANCIAL RISK MANAGEMENT (CONT'D)

ii) Credit risk (Cont'd)

# NOTES TO THE FINANCIAL STATEMENTS

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BANK	

Maturities period of assets and liabilities are follows:	ilities are follo							
	Up to	3-6	6-9	9-12		Ž	Non-maturity	
	3 months	months	months	months	1-3 years	3-5 years	items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cash and cash equivalents	305,705		1		1			305,705
	1,891	8,644	5,641	12,174	87,275	354,066	r	469.691
Held-to-maturity financial assets	35,363	5,723	38,978	1	1	2,079	1	82,143
	1	1	1			i	39,441	39,441
	r		•			- I	8,556	8,556
			•				1,195	1,195
						9,928	8,587	18,515
	342,959	14,367	44,619	12,174	87,275	366,073	57,779	925,246
	102,993	25,494	43,583	27,832	133,885	8,166	461,289	803,242
	1	•					3,480	3,480
		46					1	46
				ı			5,621	5,621
Retirement benefit obligations		•		ı	Γ		3,689	3,689
	102,993	25,540	43,583	27,832	133,885	8,166	474,079	816,078
11	239,966	(11,173)	1,036	(15,658)	(46,610)	357,907	(416,300)	109,168



#### FINANCIAL RISK MANAGEMENT (CONT'D)

#### (iv) 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.

The Bank managed its foreign currency exposure during the year under review to remain within limits set by the Central Bank of Seychelles which requires that long and short position to capital is not more than 30% respectively.

At December 31, 2014, if the Seychelles Rupee had weakened/strengthened by 5% against foreign currencies (mainly US dollar and Euro) with all other variables held constant, profit for the year would have been SR 1,075,000 (2013: SR 812,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities balances.

Concentration of assets and liabilities by currency

	SR	Euro	<b>US Dollars</b>	Others	Total
At December 31, 2014	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	209,150	7,258	10,374	406	227,188
Loans and advances	486,376	-	-	-	486,376
Held-to-maturity financial assets	172,357		·		172,357
Property and equipment	38,976	-		-	38,976
Intangible assets	10,931		-	-	10,931
Tax recoverable	2,915	-	-		2,915
Other assets	13,849	-	10,155		24,004
	934,554	7,258	20,529	406	962,747
Liabilities				MTE 2 - 5.	
Customer deposits	823,096	1,367	4,874	452	829,789
Other liabilities	5,360				5,360
Dividend proposed	46	-	-	-	46
Deferred tax liabilities	3,028	-	-	_	3,028
Retirement benefit obligations	4,175		-	_	4,175
	835,705	1,367	4,874	452	842,398
Net assets	98,849	5,891	15,655	(46)	120,349



#### FINANCIAL RISK MANAGEMENT (CONT'D)

#### (iv) Currency risk (Cont'd)

SR	Euro	<b>US Dollars</b>	Others	Total
SR'000	SR'000	SR'000	SR'000	SR'000
288,537	13,547	3,297	324	305,705
469,691				469,691
82,143	-	-	-	82,143
39,441		-	-	39,441
8,556				8,556
1,195			-	1,195
15,662	-	2,853	- ·	18,515
905,225	13,547	6,150	324	925,246
800,096	1,638	1,455	53	803,242
3,480	-	- ·		3,480
46		-	-	46
5,621	_	_	_	5,621
3,689		- ·	-	3,689
812,932	1,638	1,455	53	816,078
02 202	11 000	4 605	271	109,168
	\$R'000 288,537 469,691 82,143 39,441 8,556 1,195 15,662 905,225 800,096 3,480 46 5,621 3,689	SR'000       SR'000         288,537       13,547         469,691       -         82,143       -         39,441       -         8,556       -         1,195       -         15,662       -         905,225       13,547         800,096       1,638         3,480       -         46       -         5,621       -         3,689       -         812,932       1,638	SR'000         SR'000         SR'000           288,537         13,547         3,297           469,691         -         -           82,143         -         -           39,441         -         -           8,556         -         -           1,195         -         -           15,662         -         2,853           905,225         13,547         6,150           800,096         1,638         1,455           3,480         -         -           46         -         -           5,621         -         -           3,689         -         -           812,932         1,638         1,455	SR'000         SR'000         SR'000           288,537         13,547         3,297         324           469,691         -         -         -           82,143         -         -         -           39,441         -         -         -           8,556         -         -         -           1,195         -         -         -           15,662         -         2,853         -           905,225         13,547         6,150         324           800,096         1,638         1,455         53           3,480         -         -         -           46         -         -         -           5,621         -         -         -           3,689         -         -         -           812,932         1,638         1,455         53

#### (v) 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 as amended in 2012.

#### (vi) 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 and deposit taking.

#### NOTES TO THE FINANCIAL STATEMENTS

#### 3. FINANCIAL RISK MANAGEMENT (CONT'D)

#### (vi) Interest risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

			N	on-interest	
	< 1 year	1 - 3 years	> 3 years	bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2014					
Assets					
Cash and cash equivalents	75,000	-		152,188	227,188
Loans and advances	45,705	97,862	342,809	-	486,376
Held-to-maturity financial assets	55,017	95,625	21,715	alida Ta	172,357
Property and equipment	-	30	-	38,976	38,976
Intangible assets	-	-		10,931	10,931
Tax recoverable	-	-	-	2,915	2,915
Other assets		Charles and a little		24,004	24,004
	175,722	193,487	364,524	229,014	962,747
Liabilities					
Deposits from customers	321,508	3,634	374,016	130,631	829,789
Other liabilities	-	- 1	m	5,360	5,360
Dividend proposed	46	-9491771-	- 1 To -	and the state of t	46
Deferred tax liabilities	-	-	-	3,028	3,028
Retirement benefit obligations			_	4,175	4,175
	321,554	3,634	374,016	143,194	842,398
Interest sensitivity gap	(145,832)	189,853	(9,492)	85,820	120,349
At December 31, 2013					
Assets					
Cash and cash equivalents	160,000			145,705	305,705
Loans and advances	28,350	87,275	354,066	-	469,691
Held-to-maturity financial assets	80,064		2,079		82,143
Property and equipment	-	- 500 BS-1.	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	39,441	39,441
Intangible assets		-	-	8,556	8,556
Tax recoverable		-	-	1,195	1,195
Other assets	-		-	18,515	18,515
	268,414	87,275	356,145	213,412	925,246
Liabilities					
Deposits from customers	500,353	133,885	8,166	160,838	803,242
Other liabilities	300,333		-	3,480	3,480
Dividend proposed	46			5,700	3,400
Deferred tax liabilities	-			5,621	5,621
Retirement benefit obligations				3,689	3,689
need different benefit obtigations	500,399	133,885	8,166	173,628	816,078
Interest consitivity see	(231,985)	(46, 610)	3/7 070	20 794	100 169
Interest sensitivity gap		(46,610)	347,979	39,784	109,168



#### FINANCIAL RISK MANAGEMENT (CONT'D)

#### (vi) Interest risk (Cont'd)

#### Sensitivity analysis

Impact on results

If interest rates had been 5 points higher/lower and all other variables were held constant as at yearend, the Banks results would have been increased/decreased as follows:

25 10((0115)	2014	2013
	SR'000	SR'000
	± 113	± 302

#### (vii) 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.

#### 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.

The Bank follows the guidelines of the Central Bank of Seychelles for provision for credit impairment in addition to the regulations of the Financial institutions (Credit Classification and Provisioning) Regulations 2010, as amended 2011, for provision for credit impairment. The Directors have estimated that these provisions do not materially differ from those required as per International Financial Reporting Standards (IFRS).

#### (b) Impairment of other assets

At each financial reporting year end, the 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

#### NOTES TO THE FINANCIAL STATEMENTS

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

<u>Critical accounting estimates and assumptions (Cont'd)</u>

#### (c) Held-to-maturity investments (Cont'd)

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) Property and equipment

Useful lives and residual values

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors 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 property and equipment.

#### (e) Revaluation

The Bank measures land and buildings at revalued amounts with 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 the statement of profit or loss. The Bank engaged independent valuation specialists to determine fair value of its properties as at December 31, 2011. The Directors are of the opinion that the carrying amount of the property and equipment approximate its fair value at December 31, 2014. The next revaluation is expected in 2015.

#### (f) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from for example, a stock exchange and those prices represent actual and regularly occurring market transactions on an arms length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

#### (g) Limitation of sensitivity analysis

The sensitivity analysis demonstrate 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.

The sensitivity analyses do 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

#### NOTES TO THE FINANCIAL STATEMENTS

5.	CASH AND	CASH	<b>EQUIVAL</b>	ENTS
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٥.	CASH AND CASH EQUIVALENTS		
		2014	2013
		SR	SR
	Cash in hand	24,193,897	17,702,518
	Foreign currency notes and coins	3,774,728	4,248,208
	Balances with Central Bank of Seychelles	182,251,576	269,638,212
	Balances with banks abroad	3,332,231	6,877,046
	Balances with local banks		
	- Seychelles rupees	4,661,374	2,718,310
	- Foreign currencies	8,973,976	4,520,591
		227,187,782	305,704,885
6.	LOANS AND ADVANCES	Carlos Sans	
		2014	2013
		SR	SR
	Gross loans and advances (see note (a) below)	494,153,605	478,010,524
	Accrued interest	1,450,319	1,286,567
	Less: Provision for credit impairment (see note (b) below)	(9,227,647)	(9,606,389)
		486,376,277	469,690,702

- (a) Maturity profile and terms of loans and advances are detailed under notes 3(iii) & (vi).
- (b) Movement in provision for credit impairment is given below:

	2014	2013
	SR	SR
At January 1,	9,606,389	7,435,672
Loans and advances written off during the year (note 25(a))	(679,288)	(250,245)
Charged to statement of profit or loss (note 25(a))	300,546	2,420,962
At December 31,	9,227,647	9,606,389
Summarised as:		
- General provisions	4,595,060	4,103,234
- Specific provisions	4,632,587	5,503,155
	9,227,647	9,606,389
		1.40

- (c) The fair value of loans and advances approximate their amortised cost and they are all denominated in Seychelles rupees.
- (d) Credit concentration of risk by industry sectors:

	2014	2013
	SR	SR
Trade	24,769,038	19,936,949
Building and construction	49,407,715	27,378,875
Tourism	41,239,425	43,290,931
Personal	133,050,445	121,954,968
Others	245,686,982	265,448,801
Total gross loans	494,153,605	478,010,524
Accrued interest	1,450,319	1,286,567
Less: Provision for credit impairment (see note (b) above)	(9,227,647)	(9,606,389)

#### NOTES TO THE FINANCIAL STATEMENTS

#### 7. HELD-TO-MATURITY FINANCIAL ASSETS

(a) The movement in held-to-maturity financial assets is as summarised below:

	2014	2013
	SR	SR
At January 1,	82,142,824	142,192,849
Additions	178,754,600	120,350,489
Matured	(90,097,324)	(181,638,049)
Accrued interests	1,556,995	1,237,535
At December 31,	172,357,095	82,142,824
Less: Non-current	(81,715,000)	(2,000,000)
Current	90,642,095	80,142,824

(b) Held-to-maturity financial assets include the following:

	Maturity Date	Interest Rate	2014	2013
		%	SR	SR
Treasury bills Treasury bonds Government stock	Feb - Dec 2015 Mar 16 - Jun 19 Jan 2017	1.4% - 15% 4% - 5.50% 8.50%	90,168,130 80,126,631 2,062,334	75,969,220 - 6,173,604
			172,357,095	82,142,824

- (c) Maturity and currency profiles of held-to maturity financial assets are detailed under notes 3(iii), (iv) & (vi).
- (d) The fair value of held-to-maturity financial assets approximate their amortised cost and they are all denominated in Seychelles rupees.

8.	PROPERTY AND EQUIPMENT	Leasehold land	Furniture	Motor	Computer	
		and buildings	and equipment	vehicles	equipment	Total
		SR	SR	SR	SR	SR
	Cost and valuation					
	At January 1, 2013	35,193,444	5,818,360	1,892,805	10,609,091	53,513,700
	Additions	577,811	318,231	-1	1,990,204	2,886,246
	At December 31, 2013	35,771,255	6,136,591	1,892,805	12,599,295	56,399,946
	Additions	513,636	563,240	922,000	149,947	2,148,823
	At December 31, 2014	36,284,891	6,699,831	2,814,805	12,749,242	58,548,769
	Accumulated depreciation					
	At January 1, 2013	923,493	4,798,174	1,192,990	7,533,286	14,447,943
	Charge for the year	940,019	192,338	334,136	1,044,869	2,511,362
	At December 31, 2013	1,863,512	4,990,512	1,527,126	8,578,155	16,959,305
	Charge for the year	954,708	220,945	262,314	1,175,753	2,613,720
	At December 31, 2014	2,818,220	5,211,457	1,789,440	9,753,908	19,573,025
	NET BOOK VALUE					
	At December 31, 2014	33,466,671	1,488,374	1,025,365	2,995,334	38,975,744
	At December 31, 2013	33,907,743	1,146,079	365,679	4,021,140	39,440,641

#### NOTES TO THE FINANCIAL STATEMENTS

#### 8. PROPERTY AND EQUIPMENT (CONT'D)

(a) Analysis of cost and valuation

	Leasehold land and buildings
	SR
Cost	21,266,844
Revaluation surplus	15,018,047
	36,284,891

(b) Had land and buildings been kept at cost, the net book value would have been as follow:

	2014	2013
	SR	SR
Cost	21,266,844	20,753,208
Accumulated depreciation	(8,594,720)	(8,059,120)
	12,672,124	12,694,088

- (c) Land and buildings comprise payments in respect of leasehold land and improvements to leasehold land and buildings amounting to SR 1,322,957 and SR 7,080,182 respectively. The period of the lease is 77 years ending in the year 2071.
- (d) The Bank's land and buildings were last revalued at December 31, 2011 by Nigel Antoine Roucou & Co, Quantity Surveyor and Property Consultant, an independent professionally qualified valuer, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The present market value was determined on an open-market basis by reference to market evidence of transaction prices for similar properties. There has been no change to the valuation technique during the year. The next revaluation is expected to be in 2015.
- (e) The Directors are of the opinion that the carrying amounts of property and equipment approximate their fair value at December 31, 2014.
- (f) Significant unobservable valuation input

Price per square metre 7,000 - 23,000

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

(g) The valuation of land and buildings of the Bank were carried out by external values and falls within category level 2 of the fair value hierarchy. No change was noted during the current year.

#### NOTES TO THE FINANCIAL STATEMENTS

9.	INTANGIBLE ASSETS	Computer software	
		2014	2013
	Cost	SR	SR
	At January 1,	16,251,945	8,135,349
	Additions	3,774,645	8,116,596
	At December 31,	20,026,590	16,251,945
	Accumulated depreciation		
	At January 1,	7,696,302	7,169,939
	Charge for the year	1,399,384	526,363
	At December 31,	9,095,686	7,696,302
	Net book value		
	At December 31,	10,930,904	8,555,643
10.	OTHER ASSETS		
		2014	2013
		SR	SR
	Other receivables	12,386,222	4,462,219
	Less: provision for credit impairment ( note 25)	(456,669)	(459,846)
		11,929,553	4,002,373
	Prepayments	2,146,676	4,584,627
	Receivable from Government of Seychelles (Notes (b) and 17)	9,927,600	9,927,600
		24,003,829	18,514,600

- The carrying amount of other receivables approximate their fair values. (a)
- (b) Amount due from Government of Seychelles is unsecured, non-interest bearing and have no fixed repayment terms and has been classified as current asset based on Directors' opinion.
- The carrying amount of 'other assets' approximate their fair value and are denominated in the (c) following currencies:

	2014	2013
	SR	SR
US Dollars	10,152,402	2,853,251
Seychelles Rupees	13,851,427	15,661,349
	24,003,829	18,514,600

#### 11. CUSTOMER DEPOSITS

COSTONIER		
	2014	2013
	SR	SR
Current accounts	130,631,461	160,837,939
Savings deposits	337,245,812	296,083,857
Time deposits	358,122,829	341,039,002
Accrued interest	3,789,372	5,281,522
	920 790 474	902 242 220

#### **MOTES TO THE FINANCIAL STATEMENTS**

#### 11. CUSTOMER DEPOSITS (CONT'D)

Analysis of customer deposits currency-wise is given below:

	SR	SR
- Seychelles rupees 82	23,097,127	790,067,485
- US Dollars	4,872,738	1,455,358
- Euro	1,367,282	1,638,477
- Others	452,327	10,081,000
82	29,789,474	803,242,320

- Maturity profile of customer deposits are detailed under note 3(iii).
- The range of interest on customer deposits varied from 0.75% to 7% (2013: 1.5% to 7%). (c)

#### **OTHER LIABILITIES** 12.

	2014	2013
	SR	SR
Accruals	428,001	546,765
Other payables	4,931,800	2,932,941
	5,359,801	3,479,706

#### 13. **DIVIDENDS**

	2014	2013
	SR	SR
At January 1,	46,200	3,026,635
Paid during the year	(200)	(2,980,435)
At December 31,	46,000	46,200

#### 14. TAX RECOVERABLE

(i)	Statement of financial position		2014	2013
			SR	SR
	At January 1,		(1,194,698)	1,177,874
	Charge for the year (see note (iii))		3,757,915	4,642,189
	Payments during the year		(5,478,039)	(7,014,761)
	At December 31,	`	(2,914,822)	(1,194,698)

(ii)	Statement of profit or loss	2014	2013
	Current tax on adjusted profit for the year at applicable tax	SR	SR
	rates (see note (iv))	3,757,915	4,642,189
	Deferred taxes (note 15(b))	(213,802)	1,815,338
		3.544.113	6.457.527



#### 14. TAX RECOVERABLE (CONT'D)

(iii) Tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2014	2013
	SR	SR
Profit before tax	12,347,685	10,791,562
Tax calculated at applicable tax rates (note (iv) below)	3,994,736	3,481,215
Income not subject to tax	(841,079)	(116,799)
Expenses not deductible for tax purposes	550,716	1,093,982
Deficit of capital allowance over depreciation	53,542	183,791
	3,757,915	4,642,189

(iv) Applicable tax rates

,	Taxable income threshold	<b>2014</b> & 2013
		Tax rates - %
	SR 1,000,000	25%
	>SR 1,000,000	33%

#### **DEFERRED TAXES**

There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity. The following net amounts are shown in the statement of financial position:

	2014	2013
	SR	SR
Deferred tax liability	4,405,348	6,838,493
Deferred tax asset	(1,377,632)	(1,217,371)
Net deferred tax liability	3,027,716	5,621,122

(b)

The movement on the deferred tax account is as follows:	2014	2013
	SR	SR
At January 1,	5,621,122	6,185,388
Credit for the year (see below)	(2,593,406)	(564,266)
At December 31,	3,027,716	5,621,122
(Credit)/Charge for the year is analysed as follows:		
- Statement of profit or loss (note 14(ii))	(213,802)	1,815,338
- Other comprehensive income	(2,379,604)	(2,379,604)

(2,593,406)

(564, 266)

#### **MOTES TO THE FINANCIAL STATEMENTS**

#### DEFERRED TAXES (CONT'D)

The movement in deferred tax assets and liabilities during the year is as follows:

#### Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of assets	Total
	SR	SR	SR
At January 1, 2013	2,459,823	4,759,208	7,219,031
Credited to statement of profit or loss	1,999,066	-	1,999,066
Credited to other comprehensive income		(2,379,604)	(2,379,604)
At December 31, 2013	4,458,889	2,379,604	6,838,493
Credited to statement of profit or loss	(53,541)		(53,541)
Credited to other comprehensive income	-	(2,379,604)	(2,379,604)
At December 31, 2014	4,405,348		4,405,348

#### Deferred tax assets

Deterred tax assets	Retirement benefit obligations
	SR
At January 1, 2013	(1,033,643)
Credited to statement of profit or loss	(183,728)
At December 31, 2013	(1,217,371)
Credited to statement of profit or loss	(160, 261)
At December 31, 2014	(1,377,632)

#### 16. RETIREMENT BENEFIT OBLIGATIONS

Length of service compensation

Movement in length of service compensation payable under the Seychelles Employment Act is given below:

	2014	2013
	SR	SR
At January 1,	3,689,002	3,132,252
Paid during the year	(1,202,135)	(623,125)
Charged to statement of profit or loss (note 23)	1,687,776	1,179,875
At December 31,	4,174,643	3,689,002

#### 17.

SHARE CAPITAL	1 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	
SHARE CAPITAL		2014 & 2013
		SR
Authorised share capital		
At December 31,		_60,000,000
Issued share capital		

- Fully paid (See note 17(a))	50,072,400
- Unpaid (See notes 17(b) and 10)	9,927,600
	60,000,000



#### 17. SHARE CAPITAL (CONT'D)

- (a) During the year ended December 31, 2011, the issued share capital was increased from 50,000 shares of SR 200 each to 600,000 shares of SR 100 each. The increase of issued share capital was funded through capitalisation of retained earnings as bonus shares for SR 26 million and cash of SR 14 million.
- (b) A balance of SR 9.9 million is still due on the issued shares which under Section 56 of the Companies Act 1972 is payable within the next five years, i.e. by December 31, 2016.

#### 18. STATUTORY RESERVE

	2014	2013
At January 1	SR	SR
At January 1,	13,953,565	13,086,758
Transfer during the year (page 5)  At December 31,	1,760,714	866,807
At December 31,	15,714,279	13,953,565

Section 24(1) of the Financial Institutions Act, 2004 requires that a Statutory Reserve Fund be maintained from an appropriation of not less than 20% of net profits for the year before any transfers until such reserve is equal to the Share Capital of SR 60 million.

#### 19. INTEREST INCOME

	2014	2012
		2013
Investment in held-to-maturity financial assets	SR 5 004 404	SR
Loans and advances	5,091,106	11,790,721
Cash and short term funds	58,329,348	47,689,446
and shore cerm rands	1,000,142	706,457
	64,420,596	60,186,624
20. INTEREST EXPENSE		27-24-24
	2014	2013
	SR	
Customer deposits		SR 40.204 544
Deposits and borrowing from other banks	22,388,660	19,304,546
	161,961	186,794
	22,550,621	19,491,340
21. FEE INCOME AND COMMISSIONS		
Fees and commissions arising	2014	2013
Fees and commissions arising on: - Commission	SR	SR
	717,133	707,464
- Foreign currency transactions	56,158	67,414
	773,291	774,878



	SUNDRY INCOME		
		2014	2013
	P-1-1	SR	SR
	Bank charges and other related income	9,993,054	10,006,032
	Sundries	33,833	18,929
		10,026,887	10,024,961
23.	EMPLOYEE BENEFIT EXPENSE		
		2014	2013
	Wages and salarias	SR	SR
	Wages and salaries	15,013,813	14,241,171
	Directors' fees and remuneration (see note (a) below)	2,174,991	2,050,199
	Retirement benefit obligations (note 16)	1,687,776	1,179,875
	Other pension costs	290,444	203,904
	Other staff costs	1,147,320	574,810
		20,314,344	18,249,959
(a)	Directors' fees and other emoluments are detailed below:		
(a)	Directors' fees and other emoluments are detailed below:	2014	2013
(a)		2014 SR	2013 SR
(a)	Directors' fees	SR	
(a)	<u>Directors' fees</u> Esther Boniface	SR 14,400	
(a)	<u>Directors' fees</u> Esther Boniface Joel de Commarmond	SR 14,400 9,160	SR
(a)	<u>Directors' fees</u> Esther Boniface Joel de Commarmond Robert Morgan	SR 14,400 9,160 14,400	SR 14,400
(a)	<u>Directors' fees</u> Esther Boniface Joel de Commarmond Robert Morgan Patrick Payet	SR 14,400 9,160	SR 14,400 18,720
(a)	<u>Directors' fees</u> Esther Boniface Joel de Commarmond Robert Morgan	SR 14,400 9,160 14,400	SR 14,400 18,720
(a)	Directors' fees Esther Boniface Joel de Commarmond Robert Morgan Patrick Payet Sitna Cesar	SR 14,400 9,160 14,400	SR 14,400 18,720 3,840
(a)	Directors' fees Esther Boniface Joel de Commarmond Robert Morgan Patrick Payet Sitna Cesar  Directors' other emoluments	SR 14,400 9,160 14,400 24,000	SR 14,400 18,720 3,840 - 14,400
(a)	Directors' fees Esther Boniface Joel de Commarmond Robert Morgan Patrick Payet Sitna Cesar  Directors' other emoluments Michael Benstrong	SR 14,400 9,160 14,400 24,000	SR 14,400 18,720 3,840 - 14,400
(a)	Directors' fees Esther Boniface Joel de Commarmond Robert Morgan Patrick Payet Sitna Cesar  Directors' other emoluments	SR  14,400 9,160 14,400 24,000	5R 14,400 18,720 3,840 - 14,400 51,360
(a)	Directors' fees Esther Boniface Joel de Commarmond Robert Morgan Patrick Payet Sitna Cesar  Directors' other emoluments Michael Benstrong	SR  14,400 9,160 14,400 24,000	14,400 18,720 3,840 - 14,400 51,360

14 057 000

#### NOTES TO THE FINANCIAL STATEMENTS

Loans incurred but not yet disbursed

24. OTHER EXPENSES	2014	2013
	SR	SR
Auditors' remuneration	123,625	100,625
Premises cost	4,536,117	4,485,248
Computer maintenance expenses	4,110,537	3,723,889
Card expenses	2,978,890	1,873,639
Security services	1,308,875	1,257,961
Stationery and postage expenses	1,343,018	1,416,567
Advertising and promotion expenses	649,296	674,143
Donations	10,022	257,200
CSR tax	375,259	250,065
Tourism marketing tax	375,259	337,565
Fuel, conveyance and vehicles maintena	,- :-	324,488
Legal and professional charges	110,200	138,000
Licenses, insurance and subscription	972,174	539,002
Others	1,804,167_	1,721,870
	<u>19,035,782</u>	17,100,262
5. PROVISION FOR CREDIT IMPAIRMENT		
	2014	2013
	SR	SR
Loans and advances (note 6(b))	9,227,647	9,606,389
Other assets (note 10(b))	456,669	459,846
	9,684,316	10,066,235
a) Movement in provision for credit impairs	ment is given below:	
mpani	2014	2013
	SR	SR
At January 1,	10,066,235	7,895,518
Loans and advances written off during th		(250,245
Reversal of provision during the year (no	te 10) (3,177)	-
Charged to statement of profit or loss (n	ote 6(b)) 300,546	2,420,962
At December 31,	9,684,316	10,066,235
6. COMMITMENTS		
Capital commitments		
	2014	2013
Approved and contracted for:	SR	SR
Property and equipment	6,529,500	6,112,600
Intangible assets	1,500,000	1,350,000
	8,029,500	7,462,600
) Loan commitments		
	2014	2013
	SR	SR
Loans incurred but not yet disbursed	44.057.000	

#### NOTES TO THE FINANCIAL STATEMENTS

#### 26. COMMITMENTS (CONT'D)

#### (c) Operating lease commitments

The Bank leases various outlets under operating lease agreements which have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
	SR	SR
Within one year	1,303,600	1,303,600
Later than one year and not later than five years	5,211,400	5,212,400
Later than five years	17,437,200	18,739,800
	23,952,200	25,255,800

#### 27. RELATED PARTY TRANSACTIONS

		Interest on
	Deposits	deposits
	SR'000	SR'000
December 31, 2014		
Parastatals	142,395	773
Government organisations and agencies other than parastatals	147,381	122
December 31, 2013		
Parastatals	179,583	961
Government organisations and agencies other than parastatals	141,300	1,033

- (a) Transactions with related parties are made at normal market prices.
- (b) Outstanding balances at the year-end are interest-bearing. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2014, the Bank has not recorded any impairment of receivables relating to amounts owed by related parties (2013: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

#### (c) Key management personnel

	2014	2013
	SR	SR
Salary and short term employment benefits	2,113,031	2,006,394

#### 28. CONTINGENT LIABILITIES

At December 31, 2014, the Bank had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities would arise. The Bank has given guarantees in the ordinary course of business, amounting to **SR 1.1m** (2012: SR 4.2m) to third parties.



#### 29. EVENTS AFTER REPORTING PERIOD

During the Special Board Meeting held on April 30, 2015, the Board proposed a dividend of SR 7 per share amounting to SR 4.2m for the year ended December 31, 2014 and on February 23, 2015, the Board proposed a dividend of SR 5 per share amounting to SR 3m for the year ended December 31, 2013. The proposed dividends will be subject to ratification at the next Annual General meeting of the Bank. The Bank is currently awaiting approval from the Central Bank of Seychelles for payment of the same.

#### 30. FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
	SR'000	SR'000	SR'000	SR'000	SR'000
Operating profit before provision	12,645	13,213	17,366	16,509	13,363
Provision for credit impairment	(297)	(2,421)	(3,440)	(3,071)	(3,333)
Profit before tax	12,348	10,792	13,926	13,438	10,030
Tax expense	(3,544)	(6,458)	(4,472)	(7,458)	(3,654)
Profit for the year	8,804	4,334	9,454	5,980	6,376
Transfer to statutory reserve	(1,761)	(867)	(1,891)	(1,196)	-
Dividends			(6,000)		an to ex
Retained earning brought forward	15,959	12,492	10,929	32,145	25,769
Bonus shares issued		-		(26,000)	50,000 F.
Retained earnings carried forward	23,002	15,959	12,492	10,929	32,145
EQUITY		(			
Share capital	60,000	60,000	60,000	60,000	10,000
Statutory reserve	15,714	13,953	13,087	11,196	10,000
Revaluation reserve	21,633	19,253	16,873	21,633	_
Retained earnings	23,002	15,959	12,492	10,929	32,145
	120,349	109,165	102,452	103,758	52,145

