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FOR THE YEAR ENDED 31 DECEMBER 2014

ANNUAL REPORT
2014

Chairman's Report

FOR THE YEAR ENDED 31 DECEMBER 2014

In 2014, Nouvobanq has attained steady and sustainable growth rates as a result of the Bank's ommitment to the strategies adopted by the Board of Directors. This responds to the aspirations of the Bank's shareholders which has always been the enhancement of the return on their investment. The solidity and the quality of our performance have guaranteed the strength and durability of the financial position of our bank for the past years.

The Board and Management have continuously focused on developing new business directions and products as well as improving risk management policies to ensure the Bank's profitability and stable liquidity.

The final outcome of such responsible management is reflected in the positive indicators we are proud to present in this review. The 34% increase in our profits this year is one of these numerous positive highlights. We have succeeded in bringing a unique blend of an excellent client base, a strong supporting Board of Directors as well as dedicated and focused employees.

It is universally known that the strengths of any bank are its capital position, its asset quality, its strategy, the quality of management to execute that strategy, its earnings and its liquidity. Our Board has relentlessly worked to blend these requirements to produce the achieved results.

We have made it a sacred practice to ensure that the Board and Management work well together, in full respect of their respective mandates. At Board level, we are convinced of the corporate governance systems and policies that safeguard and advance the interests of our shareholders and other stakeholders. This can only consolidate our competitive positioning in the banking sector in Seychelles.

All of our business aspirations are dependent upon the capability of our people. We continue to make substantial investments in staff education and skill enhancement, which includes training in specific products, systems, and processes. Our culture of excellence encourages our people to explore, innovate and deliver solutions to our clients that make our Bank a distinctive organization to work for.

In 2014, Seychelles has fared resolutely and successfully through the manifold challenges against the backdrop of yet another shaky economic situation in the world. The country's financial authorities have prudently and efficiently managed for the maintenance of a sound financial system. We are proud at Nouvobanq for our contribution in this endeavour.

Our business approach is based on a diversified consumer and business lending, the nurturing and retention of talented employees, paying close attention to customers' needs, prudent investments and a willingness to innovate so as to attain sustained improvements in efficiency.

I would like to thank my fellow Directors, the Management and Staff for their valuable contribution throughout 2014 and the Managing Director, Mr Saeed, for the initiatives and innovations which he ushered in our operations. We have a strong and focused Management team coupled with hardworking and committed employees. They are more than capable of facing the challenges that lie ahead.

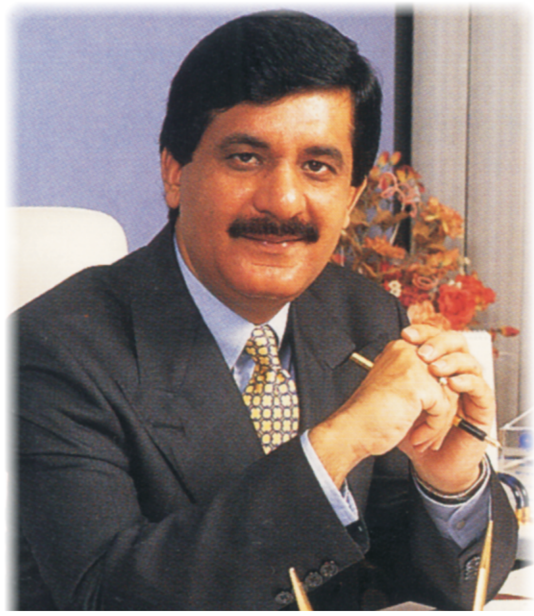
Since our foundation, we have always been convinced that a rigorous focus on the fundamentals of risk management is critical for the success of our company. Those who get it right succeed and those who do not, falter or fail. Risk management has always been a fundamental strength of Nouvobanq and, long before many others, we established a deeply embedded risk culture that stresses accountability and includes the full involvement of the Managing Director, senior executive team and the Board of Directors.

Seychelles is witnessing an exciting phase of growth and our Bank is fully geared t accelerate into the next trajectory of growth with confidence and conviction.

Steve Fanny
Chairman

Managing Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2014



Our performance during the past year has continued on its growth orientation built on a foundation of trust, underpinned by knowledge, backed by leading-edge technology, determined by transparency, and dedication to responsible banking.

Nouvobanq has assisted in boosting national growth and has played a considerable role in the development across the broad span of the economic activities in Seychelles. My pivotal message today is that the Bank is continuing to move in the right direction. We are implementing our strategy and have made progress towards our financial targets.

Within a testing economic environment in 2014, our Bank has been of major importance, being one of the foremost sources of injection of new, long-term funding for infrastructure projects while at the same time supporting the country's security of supply.

In line with its project funding policy and continuous pledge to productive investment, Nouvobanq proudly took part in a syndicated loan agreement with the Eastern and Southern African Trade and Development Bank (PTA Bank) to finance a project on the Félicité Island. This initiative highlights the bank's increasing role in funding the project that has been having positive impact on the creation of new jobs for Seychellois as well as on the protection of the country's natural treasures.
Our efficient branches have pursued theirduty with international best practices, highest standards of service quality and operational excellence, and have offered comprehensive banking and financial solutions to all our valued customers. Ever since the date of its creation,Nouvobanq has been searching for a place of its own and we are nearly approaching this goal with the on-going construction of our Head Office Building on Francis Rachel Street. This achievement symbolizes the dreams and ambitions of our Bank and will inspire us to be better.

During the past year, the Bank witnessed yet another milestone in its rich history by officially launching its innovative internet banking services. This has enabled both consumer and corporate customers to perform banking functions when, and where they want. Our valued customers can now better manage their own finances on their own schedule when they want without waiting and are empowered with unprecedented flexibility to be their own financial managers. At Nouvobanq, we believe that the future of banking lies in a fine blend of offline and online channels employing innovation and technology, combined with the effectiveness of human touch points as a means of achieving service excellence.

With technology transforming financial services, we more than ever firmly believe that motivated and knowledgeable people are key to delivering best in- class client experience—whether that involves providing advice, responding to information requests, or handling a transaction. For this reason, one of our priorities is to constantly nurture the engagement of our employees.

Managing Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2014

But in addition to investments in infrastructure, we are also investing in people. Talent has become the world's most sought-after commodity. We understand that successful competition requires people who are both capable and creative at all levels. In 2014, we have made it a fundamental policy to ensure continuous training and self-development courses be delivered to our fellow staff members. We have also made it a focal initiative to recruit people with the appropriate profile and attitude for them to blend in this unique Nouvobanq family.

This human and technological partnership makes our brand unique in Seychelles, a brand of service to customers based a promise that our Bank intends to keep as we continue to grow. We follow a unique knowledge-based approach that provides customers with well-informed and customized solutions. We are ever watchful that a key contributor to our business success rests in the support of our clients. In 2014 our lines of business held dedicated to their mission of intensifying our customer relationships and enhancing value to the client.

The Bank is ever conscious of its corporate and social responsibilities too.We value the strong belief that the ties to the communities we serve must be powered by much more than commercial endeavours. During the year on review, Nouvobanq has tirelessly and massively supported actions that were destined to relieve the neediest, to support the most daring and to accompany the weaker and less fortunate. The bank pursues no narrow corporate purposes but rather, focuses on a higher goal, that of making the communities we serve better places to live.

Our financial results reflect strength upheld by solid and laudable achievements. This past year marked an unequalled profit before tax of SR191.7m, an increase of 36.25% over last and which demonstrates that we are focusing on the right priorities and pursuing the appropriate strategies. Our deposits increased by 6.15% to 4.73bn and advances by 22% to 1.7bn. In 2014 as in the past years, we have shown strong operating leverage thus reinforcing our stakeholders' confidence.

Our equity has also hit the heights with a closing figure of SR414M and posted a 32.64% increase of the return on equity ratio (ROE), the best for the past 5 years. It also depicts how much the shareholders earned for their investment in the company.

The significant growth in Customer Deposits demonstrates the strength of our forceful policy to offer products that best suit our customers. The degree of trust coupled with the excellent management of funds is the ingredients of this progress. We shall continue to offer a wide array of products to our customers to satisfy their growing needs in their quest for better financial management.

Importantly, this strong attainment would not have been possible without the indefectible support of the Chairman and the Board of Directors. I would like to thank them for their strong endorsement in my pursuit to lead this great institution.

As we are purposefully looking forward, this present review of the financial year sends a clear message to our shareholders, stakeholders and customers of a well-planned, well-managed and most importantly, a well-governed business.

AHMED SAEED
Managing Director

Corporate Information

FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS	:	Steve Fanny Lise Bastienne Stephen Jardine Anil Dua Charles Bastienne (Up to February 2, 2015) Ahmad Saeed
SECERTARY	:	Corporate Registrars (Pty) Ltd P.O Box 18, Victoria, Mahé, Seychelles
REGISTERED OFFICE	:	Victoria House, Victoria, Mahé, Seychelles
AUDITORS:	:	BDO Associates Chartered Accountants Seychelles

The Directors are pleased to submit their report together with the audited financial statements of Seychelles International Mercantile Banking Corporation Limited (here after 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 comprised the provision of banking services in Seychelles.

RESULTS

	SR'000
Profit before taxation	191,772
Tax expense	(60,414)
Profit for the year	131,358
Dividends	(100,000)
Retained earnings brought forward	181,037
Retained earnings carried forward	212,395

DIVIDENDS

The directors proposed and paid the following:

	2014 SR'OOO	2013 SR'OOO
Dividend for the reporting period ended December 31, 2014		
- Interim dividend of SR 500 per share proposed on August 21, 2014 and paid on October 2, 2014	**50,000**	-
Dividend for the reporting period ended December 31, 2013		
- Interim dividend of SR 500 per share proposed on May 13, 2014 and paid on May 19, 2014	**50,000**	-
- Final dividend of SR 500 per share proposed on December 26, 2013 and paid on December 31, 2013	-	50,000
- Dividend for the reporting period ended December 31, 2012		
- Final dividend of SR 500 per share proposed on May 7, 2013 and paid on May 10, 2013	-	50,000
	100,000	100,000

PROPERTY & EQUIPMENT

Additions to property and equipment totalled SR 2.32m for the year under review (2013: SR 20.5m) and comprised mainly motor vehicles and office equipment.

All property and equipment are stated at historical cost less accumulated depreciation. The Directors are of the opinion that the carrying amount 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 are:

Steve Fanny

Lise Bastienne

Stephen Jardine

Anil Dua

Ahmad Saeed

None of the Directors had any director or indirect interest in the shares of the Bank.

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 Finnancial 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 circumstance. 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, being eligible offer themselves for re-appointment.

BOARD APPROVAL

Steve Fanny
Chairman

Lise Bastienne
Director

Stephen Jardine
Director

Anil Dua
Director

Ahmad Saeed
Director

Dated: 23 March 2015
Victoria, Seychelles

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS

This report is made solely to the members of **Seychelles International Mercantile Banking Corporation 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 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 the opinions we have formed.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Seychelles International Mercantile Banking Corporation Limited** set out on pages 4 to 36 which comprise the Statement of Financial Position as at December 31, 2013, the Statement of Profit or Loss and other Comprehensive Income, 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 21(a) of the Directors' Report, the Board of Directors are responsible for preparation of the financial statement**s.**

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 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 evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements on pages 4 to 36 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 Seychelles Companies Act, 1972.

REPORT ON OTHER LEGAL REGULATORY REQUIREMENTS

Companies Act, 1972

We have no relationship with, or interests, in the Bank other than in our capacity as auditors, tax and business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

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 anyfiduciary 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

BDO ASSOCIATES
Chartered Accountants

Dated: 24 March 2015
Victoria, Seychelles

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SR'OOO	Re-stated 2013 SR'OOO
ASSETS			
Cash and cash equivalents	5	2,657,705	2,516,370
Loans and advances to customers	6	1,674,867	1,373,064
Investment in financial assets	7	715,295	861,138
Investment in associate	8	26,336	22,091
Property and equipment	9	43,847	44,618
Intangible assets	10	9,682	10,904
Other assets	11	23,075	16,066
Deferred tax assets	12	43,860	38,650
Total assets		5,194,667	4,882,901
LIABILITIES AND EQUITY LIABILITIES			
Customers deposits	13	4,734,244	4,459,976
Retirement benefit obligations	14	4,904	5,667
Other liabilities	15	33,994	28,858
Current tax liabilities	16(I)	7,048	9,196
Total liabilities		4,780,190	4,503,697
EQUITY			
Share capital	17	100,000	100,000
Statutory reserve	18	100,000	100,000
Retained earnings	Page 6	212,395	175,407
Other reserves / (deficit)	19	2,082	3,797
Total equity		414,477	379,204
Total liabilities and equity		5,194,667	4,882,901
CONTINGENT LIABILITIES			
Guarantees, bill of collection, letter of credit....etc	28	152,358	203,867
Loan commitments	28	528,356	148,673

These financial statements have been approved for issue by the Board of Directors on March 23, 2015

Steve Fanny
Chairman

Lise Bastienne
Director

Stephen Jardine
Director

Anil Dua
Director

Ahmad Saeed
Director

The notes on pages 7 to 38 form an integral part of these financial statements.
Auditors' report on pages 1 and 2.

Profit or Loss & Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SR'OOO	Re-stated 2013 SR'OOO
Interest income	20	**154,558**	153,738
Interest expense	21	**(28,918)**	(37,671)
Net interest income		**125,640**	116,067
Fees and commission income	22	**47,227**	39,822
Fees and commission expense		**(26,584)**	(25,747)
		20,643	14,075
Net interest,fee and commission income		**146,283**	130,142
Net trading income	23	**105,446**	59,642
Other operating income		**473**	142
Total operating income		**252,202**	189,926
Other operating expenses	24	**(50,581)**	(49,564)
Amortisation of upfront lease payments	11(a)	**(53)**	(53)
Depreciation of property and equipment	9	**(3,044)**	(2,735)
Amortisation of intangible assets	10	**(3,945)**	(4,269)
Total operating expenses		**(57,623)**	(56,621)
Operating profit before provision		**194,579**	133,305
(Provision for) / Reversal of credit impairment	6(b)	**(3,276)**	7,292
Operating profit after provision		**191,303**	140,597
Share of results of associate	8	**469**	117
Profit before taxation		**191,772**	140,714
Tax expense	16(ii)	**(60,414)**	(43,543)
Profit for the year		**131,358**	97,171
Items that may be reclassified subsequently to profit or loss:			
Currency translation of associate	8 & 19	**3,776**	(1,425)
Items that may be reclassified subsequently to profit or loss:			
Movement in retirement benefit obligations	14(b)(ii) & 19	**139**	5,050
		3,915	3,625
Total comprehensive income for the year		**135,273**	100,796

The notes on pages 7 to 38 form an integral part of these financial statements.
Auditors' report on pages 1 and 2.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Share Capital SR'OOO	Statutory Reserve SR'OOO	Retained Earnings SR'OOO	Translation (deficit)/ Reserve SR'OOO	Actuarial losses SR'OOO	Total SR'OOO
Balance at January 1, 2014		100,000	100,000	181,037	3,797	(5,630)	379,204
Total comprehensive income for the year		-	-	131,358	3,776	139	135,273
Dividends	25	-	-	(100,000)	-	-	(100,000)
Balance at December 31, 2014		100,000	100,000	212,395	7,573	(5,491)	414,477
Balance at January 1, 2013							
- As previously reported		100,000	100,000	183,866	5,222	-	389,088
- Prior year adjustment		-	-	-	-	(10,680)	(10,680)
- As re-stated		100,000	100,000	183,866	5,222	(10,680)	378,408
Total comprehensive income for the year		-	-	97,171	(1,425)	5,050	100,796
Dividends	25	-	-	(100,000)	-	-	(100,000)
Balance at December 31,2013		100,000	100,000	181,037	3,797	(5,630)	379,204

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SR'OOO	Re-Stated 2013 SR'OOO
CASH GENERATED FROM OPERATIONS			
Profit before taxation		**191,772**	140,714
Adjustments for:			
Provision for credit impairment reversed during the year	6(b)	**18,466**	(853)
Provision for credit impairment credit/(charged) to profit or loss	6(b)	**3,276**	(7,292)
Interest accrued on loans and advances	6	**(15,085)**	(5,582)
Interest accrued on investment in financial assets	7(b)	**(1,379)**	(936)
Interest released on investment in financial assets	7(b)	**936**	6,819
Share of results in associate	8	**(469)**	(117)
Depreciation of property and equipment	9	**3,044**	2,735
loss on asset written off	9	**46**	9
Amortisation of intangible assets	10	**3,945**	4,269
Amortisation of upfront lease payments	11(a)	**53**	53
Movement in retirement benefit obligations	14(a)	**1,510**	2,282
Currency translation differences		**26,065**	(8,353)
		232,180	139,330
CHANGES IN WORKING CAPITAL:			
- Loans and advances		**(308,460)**	(65,025)
- Other assets		**(7,062)**	8,891
- Bank balances		**342,210**	(325,204)
- Customer deposits		**274,268**	1,342,184
- Due from other bank		**-**	(621,585)
- Other liabilities		**5,136**	7,000
		538,273	485,591
Contribution and direct benefits paid	14(a)(ii)	**(2,134)**	(4,434)
Tax paid	16(i)	**(67,772**	(61,068)
Net cash generated from operating activities		**468,367**	420,089
Cash flows from investing activities			
Additions to investment in financial assets	7(b)	**(5,937,124)**	(2,462,749)
Maturity of investment in financial assets	7(b)	**6,083,410**	1,985,270
Addition to investment in associate	8	**-**	(2,442)
Purchase of property and equipment	9	**(2,319)**	(20,455)
Purchase of intangible assets	10	**(2,723)**	(11,692)
Net cash (used in)/generated from investing activities		**141,244**	(512,068)
Cash flows from financing activity			
Dividends paid and net cash used in financing activity	25	**(100,000)**	(100,000)
Net increase/(decrease) in cash and cash equivalents		**509,611**	(191,979)
Movement in cash and cash equivalents			
At January 1,		**1,864,051**	2,047,677
Increase/(Decrease)		**509,611**	(191,797)
Currency translation differences		**(26,065)**	8,353
At December 31,	5(a)	**2,347,597**	1,864,051

1. GENERAL INFORMATION

Seychelles International Mercantile Banking Corporation Limited is a limited liability Company incorporated and domiciled in Seychelles. The registered address of the Bank is at Victoria House, Mahé, Seychelles.

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

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

The financial statements of Seychelles International Mercantile Banking Corporation 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) Held-to-maturity financial assets and relevant financial assets and financial liabilities are stated at their amortised costs as applicable; and

b) Relevant financial assets and financial liabilities are stated at their fair values.

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 Bank's 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 Bank's 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 Bank's financial statements.

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 Bank's 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 not impact on the Bank's financial statements.

Annual Improvements to IFRSs 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 Bank's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle
IFRS 1 (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 entity's first IFRS financial statements. The amendment has no impact on the Bank's financial statements, since the Bank is an existing preparer of financial statements under IFRS.

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 1 January 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 IAS 19)
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)
Annual Improvements to IFRSs 2012-2014 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) Investment in associate

An associate is an entity over which the Bank has significant influence but not control, or joint control, generally accompanying a shareholding between 20% to 50% voting rights. Investments in associates are accounted for by the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Bank's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Bank's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Bank's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Bank's share of the associate's profit or loss.

When the Bank's share of losses exceeds its interest in an associate, it discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Bank's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Bank.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Financial Assets

(I) Categories of financial assets

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 subatantially all the risk 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.

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

Loans and provision for credit impairment
Loans 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 Policy, Credit Classification and Provisioning Regulations 2010, as amended in 2011 issued by the Central Bank of Seychelles.

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.

Available-for-sale financial assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months to the end of the reporting period.

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) Recognition and measurement

Purchases and sales of available-for-sale financial assets are recognised on trade-date (or settlement date), the date on which the Bank commits to purchase or sell the asset. They are initially measured at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at their fair values.

Available-for-sale financial assets and financial assets through profit or loss are subsequently carried at their fair values.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(iii) Derecognition

Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

(iv) Impairment of financial assets

(a) Financial assets classified as available-for-sale

The Bank assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less impairment loss on the financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

If the fair value of a previously impaired debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss.

(b) 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 the 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 extend 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.

(d) 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.

(e) 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.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated 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.

Properties in the course of construction for production, or administrative purposed or for purposes not yet determined 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.
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
Leasehold improvements	5
Furniture and fittings	5
Motor vehicles	4
Premises' fixed 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.

(g) 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. They are amortised over a useful life of five years.

(h) Retirement benefit obligations

(i) Length of service compensation
The Bank provides for a payment of length-of-service compensation to permanent employees. Such compensations are paid every five years (except in the case of early retirement), 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.

(ii) Defined benefit plans
A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 period less fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are accumulated in a separate reserve and will not be reclassified to profit or loss in the subsequent periods.

The Bank determines the net interest/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

(I) Taxation

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, provision for credit impairment on loans and advances 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.

(j) Acceptances

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.

(k) 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 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 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.

(l) Operating leases

Lease rentals paid under operating leases are included in the statement of profit or loss. Deposits paid on such leases are included in other assets on the Statement of financial position and are amortised over the period of the lease.

(m) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income 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.

(n) Fees and commission income

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.

(o) 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's financial performance.

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

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 and other financial commitments.

(I) Capital adequacy

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Regulations (Capital Adequacy) 2010. The Bank's ratio was 14.61% as at December 31, 2014 (2013: 21.4%) which was above the minimum requirement of 12%.

(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 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.

Maximum exposure to credit risk without taking account of any collateral and other enhancements.

The table below shows the maximum exposure to credit risk for components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure	
	2014	2013
	SR'OOO	SR'OOO
Cash and cash equivalents	**2,657,705**	**2,516,370**
Loans and advances to customers	**1,674,867**	**1,373,064**
Investment in financial assets	**715,295**	**861,138**
	5,047,867	**4,750,572**
Contingent liabilities	**680,714**	**352,540**
Total credit risk exposure	**5,728,581**	**5,103,112**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as of December 31, 2014 was **SR 1,335.8m** (2013: SR 953.2m) in respect of placements with a bank.

The following table shows the Bank's credit exposure in respect of its loans to external customers:

	Gross maximum exposure	
	2014	2013
	SR'OOO	SR'OOO
Agriculture	**2,888**	2,038
Construction, infrastructure and real estate	**263,522**	206,618
Financial and business services	**659,738**	12,489
Government	**286,907**	335,797
Manufacturing	**873**	5,988
Tourism	**280,275**	157,125
Personal	**116,945**	616,747
Traders	**63,719**	36,262
	1,674,867	1,373,064

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Bank also requests for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and related companies.

Credit quality per class of financial assets

The table below shows the percentage of the Bank's financial assets relating to loans and advances that are passed due and have therefore been impaired using the rating categories as taken from the Central Bank Directive:

	2014	**2014**	**2013**	**2013**
	Loans and advances	**Impairment provision**	**Loans and advances**	**Impairment provision**
	%	**%**	%	%
Pass	**88.58**	**8.94**	83.82	7.91
Special mention	**0.22**	**-**	3.56	-
Substandard	**3.40**	**0.03**	3.89	0.02
Doubtful	**0.10**	**-**	-	-
Loss	**7.70**	**91.03**	8.73	92.07
	100.00	**100.00**	100.00	100.00

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue and if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the originals terms of contract. The Bank addresses impairment assessment in two areas:

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. As a result thereof, the Bank has made specific provision amounting to **SR 129.9m** (2013: SR 119.7m) as at December 31, 2014 (note 6(b)).

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information; historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by the credit management to ensure alignment with the Bank's overall policy.

3. FINANCIAL RISK MANAGEMENT

(ii) Credit risk (Cont'd)

Maturity profile of assets and liabilities are as follows:

At December 31, 2014

	up to 3 months SR'000	3 - 12 months SR'000	1 - 5 Years SR'000	Over 5 Years SR'000	Non-maturity items SR'000	Total SR'000
Assets						
Cash and cash equivalents	2,362,690	295,015	-	-	-	2,657,705
Loans and advances	195,820	34,864	362,295	1,081,888	-	1,674,867
Investment in financial assets	362,377	224,069	128,349	-	500	715,295
Investment in associate	–	-	-	-	26,336	26,336
Property and equipment	-	-	-	-	43,847	43,847
Intangible assets	-	-	-	-	9,682	9,682
Other assets	-	-	-	-	23,075	23,075
Deferred tax assets	-	-	-	-	43,860	43,860
	2,920,887	553,948	490,644	1,081,888	147,300	5,194,667
Liabilities						
Customer deposits	4,271,702	389,713	72,829	-	-	4,734,244
Retirement benefit obligations	-	-	-	-	4,904	4,904
Other liabilities	-	-	-	-	33,994	33,994
Current tax liabilities	-	-	-	-	7,048	7,048
	4,271,702	389,713	72,829	-	45,946	4,780,190
Maturity gap	(1,250,815)	164,235	417,815	1,081,888	101,354	414,477

3. FINANCIAL RISK MANAGEMENT

(ii) Credit risk (Cont'd)

Maturity profile of assets and liabilities are as follows:

At December 31, 2013

	up to 3 months SR'000	3 - 12 months SR'000	1 - 5 Years SR'000	Over 5 Years SR'000	Non-maturity items SR'000	Total SR'000
Assets						
Cash and cash equivalents	2,247,900	268,470	-	-	-	2,516,370
Loans and advances	221,280,	210,522	640,510	300,752	-	1,373,064
Investment in financial assets	635,033	217,808	7,797	-	500	861,138
Investment in associate	–	-	-	-	22,091	22,091
Property and equipment	-	-	-	-	44,618	44,618
Intangible assets	-	-	-	-	10,904	10,904
Other assets	-	-	-	-	16,066	16,066
Deferred tax assets	-	-	-	-	38,650	38,650
	3,104,213	696,800	648,307	300,752	132,829	4,882,901
Liabilities						
Customer deposits	4,384,590	75,386	-	-	-	4,459,976
Retirement benefit obligations	-	-	-	-	5,667	5,667
Other liabilities	-	-	-	-	28,858	28,858
Current tax liabilities	-	-	-	-	9,196	9,196
	4,384,590	75,386	-	-	43,721	4,503,697
Maturity gap	(1,280,377)	621,414	648,307	300,752	89,108	379,204

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

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 as per the requirements of the Financial Institutions (Foreign Currency Exposure) Regulations, 2009.

At December 31, 2013, 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 377,775** (2013: SR 685,138) 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

At December 31, 2014

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	285,107	642,668	1,650,333	79,597	2,657,705
Loans and advances	1,158,948	141,108	374,811	-	1,674,867
Investment in financial assets	715,295	-	-	-	715,295
Investment in associate	-	-	26,336	-	26,336
Property and equipment	43,847	-	-	-	43,847
Intangible assets	9,682	-	-	-	9,682
Other assets	19,820	2,901	354	-	23,075
Deferred tax assets	43,860	-	-	-	43,860
	2,276,559	786,677	2,051,834	79,597	5,194,667
Liabilities					
Customer deposits	1,917,436	774,360	1,967,050	75,398	4,734,244
Retirement benefit obligations	4,904	-	-	-	4,904
Other liabilities	18,980	1,764	11,317	1,933	33,994
Current tax liabilities	7,048	-	-	-	7,048
	1,948,368	776,124	1,978,367	77,331	4,780,190
Net assets	328,191	10,553	73,467	2,266	414,477

At December 31, 2014

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	165,634	538,310	1,750,239	62,187	2,516,370
Loans and advances	1,004,450	69,450	299,164	-	1,373,064
Investment in financial assets	861,138	-	-	-	861,138
Investment in associate	-	-	22,091	-	22,091
Property and equipment	44,618	-	-	-	44,618
Intangible assets	10,904	-	-	-	10,904
Other assets	14,652	1,192	222	-	16,066
Deferred tax assets	38,650	-	-	-	38,650
	2,140,046	608,952	2,071,716	62,187	4,882,901
Liabilities					
Customer deposits	2,211,798	261,921	1,928,181	58,076	4,459,976
Retirement benefit obligations	5,667	-	-	-	5,667
Other liabilities	16,306	1,683	9,128	1,741	28,858
Current tax liabilities	9,196	-	-	-	9,196
	2,242,967	263,604	1,937,309	59,817	4,503,697
Net assets	(102,921)	345,348	134,407	2,370	379,204

Sensitivity analysis

If exchange rates had been 5 points higher/lower and all other variables were held constant as at year-end.

	2014	2013
	SR'OOO	SR'OOO
Impact on results	± **4,314**	± 2,390

(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.

(iv) *Liquidity risk*

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.

(v) *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.

Interest sensitivity of assets and liabilities - repricing analysis

At December 31, 2014

	< 1 year	1 - 3 year	> 3 year	Non Interset bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	1,971,519	-	-	686,186	2,657,705
Loans and advances	230,684	362,295	1,081,888	-	1,674,867
Investment in financial assets	586,446	128,644	-	500	715,295
Investment in associate	-	-	-	26,336	26,336
Intangible assets	-	-	-	9,682	9,682
Property and equipment	-	-	-	43,847	43,847
Other assets	-	-	-	23,075	23,075
Deferred tax assets	-	-	-	43,680	43,860
	2,788,649	490,644	1,081,888	833,486	5,194,667
Liabilities					
Customer deposits	3,784,314	72,829	-	877,101	4,734,244
Retirement benefit obligations	-	-	-	4,904	4,904
Other liabilities	-	-	-	33,994	33,994
Current tax liabilities	-	-	-	7,048	7,048
	3,784,314	72,829	-	923,047	4,780,190
Interest sensitivity gap	(995,665)	417,815	1,081,888	(89,561)	414,477

FINANCIAL RISK MANAGEMENT

Interest risk

At December 31, 2013

	< 1 year	1 - 3 year	> 3 year	Non Interset bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	1,900,070	-	-	616,300	2,516,370
Loans and advances	431,802	206,218	735,044	-	1,373,064
Investment in financial assets	852,841	7,797	-	500	861,138
Investment in associate	-	-	-	22,091	22,091
Intangible assets	-	-	-	10,904	10,094
Property and equipment		-	-	44,618	44,618
Other assets	-	-	-	16,066	16,066
Deferred tax assets	-	-	-	38,650	38,650
	3,184,713	214,015	735,044	749,129	4,882,901
Liabilities					
Customer deposits	2,043,470	75,386	-	2,341,120	4,459,976
Retirement benefit obligations	-	-	-	5,667	5,667
Other liabilities	-	-	-	28,858	28,858
Current tax liabilities	-	-	-	9,196	9,196
	2,043,470	75,386	-	2,384,481	4,503,697
Interest sensitivity gap	1,141,243	138,629	742,841	(1,635,712)	379,204

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:

	2014 SR'OOO	2013 SR'OOO
Impact on results	±**10,888**	±10,077

(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.

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.

The Bank follows the guidelines of the Central Bank of Seychelles 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) *Investment in financial assets*

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) *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) 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 that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2014 SR'OOO	2013 SR'OOO
Cash in hand	**54,473**	55,516
Balances with Central Bank of Seychelles (CBS)	**494,853**	300,500
Balances with banks abroad (note 5(b))	**2,086,236**	2,071,799
Balances with local banks	**22,143**	88,555
	2,657,705	2,516,370

(a) For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	2014 SR'OOO	2013 SR'OOO
Cash in hand	**54,473**	55,516
Short-term deposit	**1,800,419**	1,508,035
Current account with Central Bank of Seychelles (CBS)	**492,705**	300,500
	2,347,597	1,864,051

(b) Maturity of deposits are as follows:

	2014 SR'OOO	2013 SR'OOO
Less than 3 months	**1,800,419**	1,508,035
3-12 months	**285,817**	563,764
	2,086,236	2,071,799

6. LOANS AND ADVANCES

	2014 SR'OOO	2013 SR'OOO
Gross loans and advances (see note (a) below)	**1,789,057**	1,480,597
Interest accrued	**28,412**	13,327
	1,817,469	1,493,924
Less: Provision for credit impairment (see note (b) below)	**(142,602)**	(120,860)
	1,674,867	1,373,064

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

(b) Movement in provision for credit impairment is given below:

	2014 SR'OOO	2013 SR'OOO
At January 1,	**120,860**	129,005
Amount reversed during the year	**18,466**	(853)
(Credited)/Charged to statement of profit or loss (page 5)	**3,276**	(7,292)
At December 31,	**142,602**	120,860

Provision for credit impairment is also analysed as follows:

	2014 SR'OOO	2013 SR'OOO
- General provisions	**12,748**	9,561
- Specific provisions	**129,853**	111,299
	142,602	120,860

(c) **Loans and advances to customers past due but not impaired**

Loans and advances to customers less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Business		Personal	
	2014 SR'OOO	2013 SR'OOO	2014 SR'OOO	2013 SR'OOO
Ageing of past due but not impaired				
- Less than 30 days	**-**	-	**-**	-
- Between 31 & 90 days	**-**	52,742	**4,010**	-
- Greater than 90 days	**-**	-	**-**	-
	-	52,742	**4,010**	-

(d) **Credit concentration of risk by industry sectors**

	2013 SR'OOO	2012 SR'OOO
Civil engineering	**263,522**	206,618
Commerce	**63,719**	36,242
Tourism	**280,275**	157,125
Agriculture	**2,888**	2,038
Fishing	**29,989**	12,489
Manufacturing	**873**	5,988
Transport	**14,143**	23,369
Government	**286,907**	335,797
Others	**732,551**	593,398
	1,674,867	1,373,064

7. INVESTMENT IN FINANCIAL ASSETS

	2014 SR'OOO	2013 SR'OOO
Available-for-sale financial asset		
- Unquoted investment (see note (a) below)	**500**	500
Held-to-maturity financial assets (see note (b) below)		
- Treasury bills	**430,916**	365,202
- Treasury bonds	**100,460**	-
- DSB bonds	**20,092**	-
- Government bonds	**7,797**	30,318
- Deposit auction arrangements (DAA)	**155,530**	465,118
	714,795	860,638
Total	**715,295**	861,138

(a) Available-for-sale financial asset

(I) The above available-for-sale financial asset has been kept at cost since its fair value cannot be reliably estimated. There is no market for this investment and the Bank intends to hold it for the long-term.

(ii) Fair value estimation

The Bank uses the following hierarchy in determining and disclosing the fair value of its available-for-sale financial assets by valuation techniques:
Level 1:quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3:techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The available-for-sale financial asset held by the Bank is classified under level 2.

(b) Held-to-maturity financial assets

	2014				2013
	Treasury bills SR'OOO	Government Bonds SR'OOO	DAA SR'OOO	Total SR'OOO	Total SR'OOO
At January 1,	365,202	30,318	**465,118**	**860,638**	389,042
Additions during the year	1,000,061	120,000	**4,817,063**	**5,937,124**	2,462,749
Matured during the year	(934,347)	(22,000)	**(5,127,063)**	**(6,083,410)**	(1,985,270)
Interest released	-	(818)	**(118)**	**(936)**	(6,819)
Interest accrued	-	849	**530**	**1,379**	936
At December 31,	430,916	128,346	**155,530**	**714,795**	860,638

(I) Maturity terms and currency profile of held-to-maturity financial assets are detailed under note 3(ii) & (iii).

(ii) The fair value of held-to-maturity financial assets approximate their amortised cost.

8. INVESTMENT IN ASSOCIATE

	2014 SR'OOO	2013 SR'OOO
At January 1,	**22,091**	20,957
Additions during the year	**-**	2,442
Share of results (page 5)	**469**	117
Currency translation differences (page 5)	**3,776**	(1,425)
At December 31,	**26,336**	22,091

(a) The Bank owns 50% stake in BMI Offshore Bank Limited based on a contractual arrangement between it and the other investor. The associate is a bank operating in Seychelles.

(b) The associate has a December 31st year-end and is unquoted.

(c) The associate has been accounted using the equity method.

(d) The summarised financial information other associate is given below:

	2013 SR'OOO	2012 SR'OOO
Assets	**1,147**	1,613,108
Liabilities	**(1,094)**	(1,568,926)
Revenue	**23472**	21,973
Total comprehensive income for the year	**937**	235

(e) With effect from November 11, 2014 and to date, the day to day management of BMI bank (the "Bank") was taken over by the Central Bank of Seychelles pursuant to paragraph 3(1) of Schedule 3 of the Financial Institutions Act 2004. The main reason of the take-over was the bank's loss and inability to reestablish its correspondent banking relationship which is critical for its banking activities.

The Directors are of the opinion that the investment is not impaired and the Bank should continue to account the investment in BMI Offshore bank Limited using the equity method.

9. PROPERTY AND EQUIPMENT

	Improvements to Leasehold land SR'OOO	Furniture, fittings & Equipment SR'OOO	Motor vehicles SR'OOO	Capital work in progress SR'OOO	Total SR'OOO
COST					
At January 1, 2013	4,554	13,755	2,294	19,640	40,243
Additions	613	2,956	-	16,886	20,455
Disposals	-	(336)	-	-	(336)
At January 1, 2014	**5,167**	**16,375**	**2,294**	**36,526**	**60,362**
Additions	**-**	**1,434**	**885**	-	2,319
Write offs	**-**	**(1,395)**	**(449)**	-	(1,844)
At December 31, 2014	**5,167**	**16,414**	**2,730**	**36,526**	60,837
ACCUMULATED DEPRECIATION					
At January 1, 2013	4,218	7,827	1,291	-	13,336
Charge for the year	133	2,233	369	-	2,735
Disposal adjustments	-	(327)	**-**	-	(327)
At January 1, 2014	**4,351**	**9,733**	**1,660**	-	**15,744**
Charge for the year	**193**	**2,314**	537	-	**3,044**
Write off adjustments	**-**	**1,350**	**448**	-	**(1,798)**
At December 31, 2014	**4,544**	**10,697**	**1,749**	-	**16,990**
NET BOOK VALUE					
At December 31, 2014	**623**	**5,717**	**981**	**36,526**	**43,847**
At December 31, 2013	**816**	**6,642**	**634**	**36,526**	**44,618**

10. INTANGIBLE ASSETS

	2014 SR'OOO	2013 SR'OOO
COST		
At January 1,	**24,986**	13,294
Additions	**2,723**	11,692
Disposal	**(1,691)**	-
At December 31,	**26,018**	24,986
AMORTISATION		
At January 1,	**14,082**	9,813
Charge for the year	**3,945**	4,269
Disposal adjustments	**(1,691)**	-
At December 31,	**16,336**	14,082
NET BOOK VALUE		
At December 31,	**9,682**	10,904

11. OTHER ASSETS

	2014 SR'OOO	2013 SR'OOO
Upfront lease payments (see note (a) below)	**4,826**	4,879
Prepayments	**3,200**	1,944
Refundable deposits	**149**	146
Stock of stationeries	**1,804**	1,796
Other receivables and prepayments (see note (b) below)	**13,096**	7,301
	23,075	16,066

Upfront lease payments

	2014 SR'OOO	2013 SR'OOO
COST		
At January 1, & December 31,	**5,250**	5,250
AMORTISATION		
At January 1,	**371**	318
Charge for the year (page 5)	**53**	53
At December 31,	**424**	371
NET BOOK VALUE		
At December 31,	**4,826**	4,879

(b) The carrying amount of 'other receivables and prepayments' approximate their fair values.

(c) Maturity terms and currency profile of other assets are detailed under note 3(ii) & (iii).

12. DEFERRED TAX ASSETS

(a) 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 SR'OOO	Re-stated 2013 SR'OOO
Deferred tax liability	**(3,199)**	(4,065)
Deferred tax asset	**47,059**	42,715
Net deferred tax liability	**43,860**	38,650

(b) The movement on the deferred tax account is as follows :

	2014 SR'OOO	Re-stated 2013 SR'OOO
At January 1,		
- As previously stated	**38,650**	38,449
- Prior year adjustment	**-**	(3,256)
- As re-stated	**38,650**	35,193
Charged to statement of profit or loss (note 17(ii))	**5,210**	3,457
At December 31,	**43,680**	38,650

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

(i) **Deferred tax liabilities**

	Accelerated tax de-preciation SR'OOO	Retirement benefit obligations SR'OOO	Total SR'OOO
At January 1, 2013	(4,972)	(4,247)	(9,616)
Credit for the year	2,777	2,377	5,551
At December 31, 2013	(2,195)	(1,870)	(4,065)
Credit for the year	614	252	866
At December 31, 2014	**(1,581)**	**(1,618)**	(3,199)

(ii) **Deferred tax assets**

	Provision for credit losses SR'OOO
At January 1, 2013	44,809
Charge for the year	(2,094)
At December 31, 2013	42,715
Credit for the year	4,344
At December 31, 2014	**47,059**

13. CUSTOMER DEPOSITS

	2014 SR'OOO	2013 SR'OOO
Current accounts	**3,179,102**	2,796,287
Term deposits	**1,555,142**	1,663,689
	4,734,244	4,459,976

(a) All term deposits mature within one year.

(b) Maturity terms and currency profile of customer deposits are detailed under note 3(ii) & (iii).

(c) The range of interest on customer deposits varied from 0.4% to 11% (2013: 0.5% to 9%).

14. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the statement of financial position:
as at December 31,

	2014 SR'OOO	Re-stated 2013 SR'OOO
Defined pension benefits (note (c)(ii) & (iii))	**(4,123)**	(2,963)
Other post retirement benefits (note (b))	**9,027**	8,630
	4,904	5,667

(a) Amounts charged to profit or loss:

	2014 SR'OOO	Re-stated 2013 SR'OOO
Defined pension benefits (note (c)(ii) & (iii))	**1,113**	2,103
Other post retirement benefits (note (b))	**397**	179
	1,510	2,282

(b) Amounts charged to other comprehensive income:

	2014 SR'OOO	Re-stated 2013 SR'OOO
Movement in retirement benefit obligations (note (c)(vi))	**139**	5,050

(c) **Defined pension benefits**

(I) The Bank contributes towards a defined benefit pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years of retirement.

The assets of the plan are administered by SIMBC Fiduciary Pension Fund.

(ii) The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at December 31, 2014 by Aon Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

(ii) Reconciliation of net defined benefit (asset)/liability

	2014 SR'OOO	Re-stated 2013 SR'OOO
At January 1,		
- As previously reported	**(2,963)**	(3,006)
- Prior year adjustment (note 30)	**-**	7,424
- As re-stated	**(2,963)**	4,418
Charge to statement of profit or loss	**1,113**	2,103
Charge to statement of other comprehensive income (notes (vi) & 19)	**(139)**	(5,050)
Less: Employer contributions	**(2,134)**	(4,434)
At December 31,	**(4,123)**	(2,963)

(iii) The amounts recognised in the statement of financial position are as follows:

	2014 SR'OOO	Re-stated 2013 SR'OOO
Defined benefit obligation (see note (iv) below)	**29,227**	27,702
Fair value of planned assets (see note (v) below)	**(33,350)**	(30,665)
(Asset)/Liability in the statement of financial position	**(4,123)**	(2,963)

(iv) The movement in the defined benefit obligations over the year is as follows:

	2014 SR'OOO	Re-stated 2013 SR'OOO
At January 1,	**27,702**	29,472
Current service cost	**1,414**	1,947
Interest cost	**2,067**	2,054
Actuarial loss	**(1,663)**	(5,515)
Benefits paid	**(293)**	(256)
At December 31,	**29,227**	27,702

(v) The movement in the fair value of plan assets of the year is as follows:

	2013 SR'OOO	2012 SR'OOO
At January 1,	**30,665**	25,054
Expected return on planned assets	**2,368**	1,898
Employer contributions	**2,134**	4,434
Benefit paid	**(293)**	(256)
Actuarial loss	**(1,524)**	(465)
At December 31,	**33,350**	30,665

The major categories of plan assets as a percentage of their fair value of total plan assets are as follows:

	2013 %	Re-stated 2012 %
Equities	**2**	2
Bonds	**3**	3
Deposits	**95**	95
	100	100

vi) The amounts recognised in other comprehensive income are as follows:

	2014 SR'OOO	Re-stated 2013 SR'OOO
Return on plan assets below interest income	**1,524**	465
Liability experience (gain)/loss	**(1,663)**	1,122
Liability gain due to change in financial assumptions	**-**	(6,637)
	(139)	(5,050)

(vii) The overall expected rate of return on planned assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligations is to be settled.

(viii) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	2014 SR'OOO	Re-stated 2013 %
Discount rate	**7.5**	7.5
Future salary growth rate	**4.0**	4.0

(ix) Sensitivity analysis on defined benefit obligations to a 1% change in each of the weighted principal assumptions in isolation is as follows:

	2014 Increase SR'OOO	2014 Decrease SR'OOO
Discount rate	**3,319**	4,142
Future salary growth rate	**2,679**	2,283

The above sensitivities have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(x) The defined benefit pension plan exposes the Bank to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

(xi) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xii) The Bank expects to pay SR 1.133m in contributions to its post-employment benefit plans for the year ending December 31, 2015.

(xiii) The weighted average duration of the defined benefit obligation is 13 years at the end of the reporting period.

(d) Other post retirement benefits

Other post retirement benefits comprise mainly of length-of-service compensation payable under the Seychelles Employment Act, as amended.

Movement in length-of-service compensation is as follows:

	2014 SR'OOO	2013 SR'OOO
At January 1,	**8,630**	8,451
Total expense charged to profit or loss	**397**	179
At December 31,	**9,027**	8,630

16. OTHER LIABILITIES

	2014 SR'OOO	2013 SR'OOO
Foreign drafts and local cheques payable	**16,801**	17,629
Other payables	**16,695**	10,669
Accruals	**498**	560
	33,994	28,858

(a) Maturity terms and currency profile of other liabilities are detailed under note 3(ii) & (iii).

16 CURRENT TAX LIABILITIES

(i) **Statement of financial position**

	2014 SR'OOO	2013 SR'OOO
At January 1,	**9,196**	23,264
Charge for the year (note (iii) below)	**65,624**	47,000
Payments during the year	**(67,772)**	(61,068)
At December 31,	**7,048**	9,196

(ii) **Statement of profit or loss**

	2014 SR'OOO	2013 SR'OOO
Current tax on adjusted profit for the year at applicable tax rates (see note (iii) & (iv))	**65,624**	47,000
Deferred taxes (note 12(b))	**(5,210)**	(3,457)
	60,414	43,543

(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 SR'OOO	Re-stated 2013 SR'OOO
Profit before tax	**191,772**	140,714
Less: Share of results of associate	**(469)**	(117)
	191,303	140,597
Tax calculated at applicable tax rates (see note (iv))	**63,130**	46,397
Income not subject to tax	**(141)**	(667)
Expenses not deductible for tax purposes	**1,835**	258
Excess of capital allowance over depreciation	**(719)**	(292)
Provision for tax contingency	**1,519**	1,304
	65,624	47,000

(iv) Applicable tax rates

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

17. SHARE CAPITAL

	2014 & 2013 SR'OOO
Authorised, issued and fully paid-up - 100,000 ordinary shares of SR 1,000 each	100,000

18. STATUTORY RESERVE

	2014 & 2013 SR'OOO
At December 31,	100,000

The statutory reserve is maintained in accordance with section 24(1) of the Financial Institutions Act 2004 which states that every financial institution shall maintain a reserve fund and shall, out of the profits of each year, before any dividend is declared or any profits are transferred to the head office or elsewhere, transfer to that reserve fund a sum equivalent to not less than 20% of those profits until the amount of the reserve fund is equal to the paid-up or assigned capital as the case may be.

19. OTHER RESERVES/(DEFICIT)

	Actuarial losses SR'OOO	Foreign currency exchange SR'OOO	Total SR'OOO
At January 1, 2013			
As previously reported	-	5,222	5,222
Prior year adjustment (note 30)			
-Remeasurement of defined benefit obligations	(10,680)	-	(10,680)
As restated	(10,680)	5,222	(5,458)
Other comprehensive income (note 14 (a)(ii))	5,050	(1,425	3,625
At December 31, 2013	(5,630)	3,797	(1,833)
Other comprehensive income (note 14 (a)(ii))	139	3,776	3,915
At December 31, 2014	**(5,491)**	7,573	2,082

20. INTEREST INCOME

	2014 SR'OOO	2013 SR'OOO
Investment in financial assets	**19,320**	32,084
Loans and advances	**118,140**	110,092
Cash and short term funds	**17,099**	11,562
	154,558	153,738

21. INTEREST EXPENSE

	2014 SR'OOO	2013 SR'OOO
Customer deposits	**28,871**	37,645
Deposits and borrowing from other banks	**47**	26
	28,918	37,671

22. FEE INCOME AND COMMISSIONS

	2014 SR'OOO	2013 SR'OOO
Fees and commissions arising on:		
- Commission	**38,609**	32,876
- Portfolio and other management fees	**2,679**	1,790
- Other fees received	**5,939**	5,156
	47,227	39,822

23. NET TRADING INCOME

	2014 SR'OOO	2013 SR'OOO
Net foreign exchange gains	**99,590**	54,849
Recovery of charges	**5,856**	4,793
	105,446	59,642

24. OTHER OPERATING EXPENSES

	2014 SR'OOO	Re-stated 2013 SR'OOO
Employee benefit expenses (note 25)	**28,177**	26,756
Auditor's remuneration	**305**	255
Administrative expenses	**10,050**	11,624
Computer costs	**2,588**	1,749
Rental expenses	**5,357**	4,927
Maintenance and other related costs	**4,104**	4,253
	50,581	49,564

25. EMPLOYEE BENEFIT EXPENSES

	2014 SR'OOO	Re-stated 2013 SR'OOO
Wages and salaries	**20,624**	19,098
Directors' emoluments (see note (a) below)	**2,345**	2,070
Movement in retirement benefit obligations (note 15)	**1,510**	2,282
Other staff costs	**3,698**	3,306
	28,177	26,756

Directors' emoluments

	2014			2013
	Directors' fees SR'OOO	Other emoluments SR'OOO	Total SR'OOO	Total SR'OOO
Ahmad Saeed	-	1,938	1,938	1,683
Anil Dua	41	153	194	202
Steve Fanny	62	7	69	62
Lise Bastienne	41	7	48	41
Charles Bastienne	41	7	48	41
Stephen Jardine	41	7	48	41
	226	2,119	2,345	2,070

26. DIVIDENDS

The Directors proposed and paid the following:

	2014 SR'OOO	2013 SR'OOO
Dividend for the reporting period ended December 31, 2014		
- Interim dividend of SR 500 per share proposed on August 28, 2014 and paid on October 02, 2014	**50,000**	-
Dividend for the reporting period ended December 31, 2012		
- Final dividend of SR 500 per share proposed on May 13, 2014 and paid on May 19, 2014	**50,000**	-
- Interim dividend of SR 500 per share proposed on December 26, 2014 and paid on December 31, 2013	**-**	50,000
Dividend for the reporting period ended December 31, 2011		
- Final dividend of SR 500 per share proposed on May 7, 2013 and paid on May 10, 2013	**-**	50,000
	100,000	100,000

27. COMMITMENTS

(a) **Capital commitments**

Capital commitments approved and contracted for were as follows:

	2014 SR'OOO	2013 SR'OOO
Property and equipment	**122,990**	10,499

(b) **Operating lease commitments - where the Bank is the lessee**

The Bank leases land under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

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

	2014 SR'OOO	2013 SR'OOO
Within 1 year	**1,144**	818
After one year but not more than 5 years	**5,061**	4,094
	6,205	4,912

28. CONTIGENT LIABILITIES

	2014 SR'OOO	2013 SR'OOO
(a) Instruments		
Guarantees/Acceptances	**152,358**	203,867
(b) Commitments		
Loans and other facilities	**528,356**	148,673

29. RELATED PARTY TRANSACTIONS

	Interest from related parties SR'OOO	Interest to related parties SR'OOO	Amount owed by related parties SR'OOO	Amount owed to related parties SR'OOO
December 31, 2014				
- Government of Seychelles	**20,584**	**-**	**286,907**	**2,655**
- State owned or controlled enterprises	**15,760**	**7,569**	**193,057**	**615,373**
- Minority shareholder of the Bank	**-**	**1**	**-**	**172**
- Directors	**115**	**21**	**1,138**	**661**
- Associate	**-**	**4,510**	**-**	**645,097**
December 31, 2013				
- Government of Seychelles	16,715	-	193,127	-
- State owned or controlled enterprises	4,842	6	142,670	14,343
- Minority shareholder of the Bank	-	-	-	9,528
- Directors	122	12	1,958	791
- Associate	-	1,306	-	59,864

(a) Transactions with related parties are made at normal market prices.

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2013, the Company had not recorded any impairment of receivables relating to amounts owed by related parties (2012: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

(I) Salaries and related costs

	2014 SR'OOO	2013 SR'OOO
Salaries and other benefits	**1,938**	1,683
Pension costs	**226**	205
	2,164	1,888

(ii) Amount receivables

	2014 SR'OOO	2013 SR'OOO
Loans and advances	**505**	631
Due to customers	**(207)**	2,083
	298	2,714

(iii) Transactions during the year

	2014 SR'OOO	2013 SR'OOO
Loans and advances	**126**	122
Due to customers	**(1,876)**	2,009

30. EVENT AFTER THE REPORTING PERIOD

The Directors of the Bank recommended a final dividend of SR 500 per share amounting to SR 50M on March 23, 2015 for the reporting period ended December 31, 2013. The approval of this dividend is subject to ratification by the shareholders of the Bank at its next Annual General Meeting.

31. PRIOR YEAR ADJUSTMENT

Prior year adjustment in 2013 resulted from remeasurement of Defined Benefit Obligation.

(i) Effect on statement of Financial position

	2013 SR'OOO
-Deferred tax (note 12 (b))	**3,2656**
-Defined Benefit Obligation (14(c)(ii))	**7,424**

(ii) Effect on:

	2013 SR'OOO
-Statement of profit or loss	**1,023**
-Statement of other comprehensive income	**136**

32. FIVE YEAR FINANCIAL SUMMARY

	2014 SR'OOO	2013 SR'OOO	2012* SR'OOO	2011* SR'OOO	2010 SR'OOO
Profit before taxation	191,772	140,714	147,102	140,776	98,791
Tax expense	(60,414)	(43,543)	(48,607)	(45,966)	(31,416)
Profit for the year	131,358	97,171	98,495	94,810	67,375
Retained earning brought forward	181,037	183,866	185,371	136,561	169,186
	312,395	281,037	283,866	231,371	236,561
Dividends	(100,000)	(100,000)	(100,000)	(50,000)	(100,000)
Retained earnings carried forward	212,395	181,037	183,866	181,371	136,561
EQUITY					
Share capital	100,000	100,000	100,000	100,000	100,000
Statutory reserve	100,000	100,000	100,000	100,000	100,000
Retained earnings	212,395	181,037	183,866	181,371	136,561
Other reserves/(deficit)	2,062	(1,833)	(5,458)	(5,406)	(10,635)
	414,457	379,204	378,408	379,965	346,141