



# DEVELOPMENT BANK OF SEYCHELLES

Independence Avenue, P.O. Box 217, Victoria, Mahe, Seychelles  
Tel: 4294400, Fax: 224274, E-mail: devbank@db.s.sc

Your Ref:

Our Ref: DBS/

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

## INDEX

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF COMPREHENSIVE INCOME	2
STATEMENT OF FINANCIAL POSITION	3
CASH FLOW STATEMENT	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 1



**Pool & Patel**  
Chartered Accountants

Maison La Rosiere; P.O.Box 117; Victoria; Mahé; Seychelles

Tel: +248 4323201

Fax: +248 4323518

Email: [pnp@seychelles.net](mailto:pnp@seychelles.net)

Website: [www.moorestephens.com](http://www.moorestephens.com)

Bernard L. Pool FCA . Suketu Patel FCA . Gémma Roberts FCCA

**Independent Auditor's Report**  
**Development Bank of Seychelles**

**Report on the Financial Statements**

1. We have audited the financial statements of Development Bank of Seychelles (the "Bank") on pages 2 to 10 which comprise the statement of financial position at 31 December 2011 and the statement of comprehensive income, the cash flow statement and the summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

2. The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Development Bank of Seychelles Decree 1977 and the Financial Institutions Act 2004. This responsibility includes, designing, implementing and maintaining internal control relevant to the presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion, the financial statements on pages 2 to 10 give a true and fair view of the financial position of the Bank at 31 December 2011 and of its financial performance and its cash flows for the year then ended and comply with the Development Bank of Seychelles Decree 1977 and the Financial Institutions Act 2004.

**Report on Other Legal and Regulatory Requirements**

7. The Financial Institutions Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:
  - (a) 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 and the regulations and guidelines of the Central Bank of Seychelles; and
  - (b) the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.
  - (b) the bank did not act as a fiduciary during the year.

*Pool & Patel*

**Pool & Patel**  
Chartered Accountants

26 March 2012

**MOORE STEPHENS**  
INTERNATIONAL LIMITED

An independent member firm of Moore Stephens International Limited - members in principal cities throughout the world

DEVELOPMENT BANK OF SEYCHELLES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

Financial statements are prepared in Seychelles Rupees


	Note		2010
Interest income	1 (g)		
Loan	3	40,327,552	34,168,381
Bank		1,785,582	2,357,753
		42,113,134	36,526,137
Interest Expense-Overseas loans	5	0	(27,193)
Interest Expense-Local loans		(2,867,861)	(3,762,084)
Interest Expenses-Bonds		(8,957,514)	(2,453,567)
		(11,825,375)	(6,242,843)
		30,287,759	30,283,283
Other income		2,805,715	1,526,763
Income (net)		33,093,474	31,810,057
Operating expenses			
Staff Costs		9,102,352	7,263,890
Administration expenses	7	4,771,496	3,765,302
Bad debts written-off		320	234
		(13,874,168)	(11,029,426)
Realised profit/(losses) on exchange		834,563	(387,126)
Surplus before provision		20,053,869	20,393,505
Provision for depreciation	14	(814,589)	(662,766)
Provision for doubtful debts	4	(8,080,481)	(3,422,234)
Provision for unrealised exchange (losses)/gains	13	(460,096)	511,226
Extraordinary profit on debt forgiveness	15	100,290,082	0
Profit/(loss) for the year		110,988,785	16,819,731
Retained earnings 1 January		29,241,590	12,421,859
Retained earnings 31 December		140,230,375	29,241,590

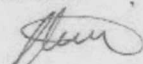
DEVELOPMENT BANK OF SEYCHELLES

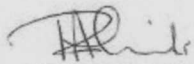
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

Financial statements are prepared in Seychelles Rupees

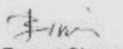
	Note		2010
<b>Assets</b>			
Cash at bank	10	42,260,119	51,616,209
Deposits with government	11	79,970,905	43,635,020
Accounts receivable	9	12,407,601	13,821,321
		<b>134,638,625</b>	<b>112,072,550</b>
Loans outstanding (gross)	4	472,952,250	387,704,829
Less: provision for irrecoverable loans	4	(37,190,865)	(29,110,384)
Loans outstanding (net)		<b>435,761,385</b>	<b>358,594,445</b>
Treasury bonds		1,235,000	1,235,000
Fixed assets	14	2,587,709	2,244,124
		<b>574,222,719</b>	<b>474,146,119</b>
<b>Liabilities</b>			
Accounts payable	12	6,085,822	5,365,413
Long term borrowing-Overseas	5 (a)		
Caisse Francaise de Development BADEA		0 5,996,035	195,717,735 0
		<b>5,996,035</b>	<b>195,717,735</b>
Long term borrowing-Locally	5 (b)	102,505,944	10,713,647
Bonds issued	5 (c)	200,000,000	100,000,000
Fund under management	8	36,298,788	49,001,979
Share Capital	6	39,200,000	39,200,000
Reserves	2	43,905,755	43,905,755
Retained Earnings		140,230,375	29,241,590
		<b>223,336,130</b>	<b>112,347,345</b>
<b>Total liabilities</b>		<b>574,222,719</b>	<b>474,146,119</b>


  
Barry Faure  
Chairman

  
Ina Henriette  
Member

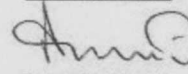
  
Rosanda Alcindor  
Member

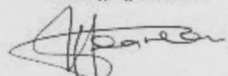
25th March 2012

  
Rupert Simeon  
Vice- Chairman

  
Santasha Hoareau  
Member

  
Serge Benstrong  
Member

  
Roger Toussaint  
Managing Director

  
Fred Hcuareu  
Member

**DEVELOPMENT BANK OF SEYCHELLES**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

Financial statements are prepared in Seychelles Rupees

		2010
<b>Net cash inflow from operating activities</b>		
Operating profit	19,239,280	19,730,739
Depreciation charges	814,589	662,766
Profit/(loss) on disposal of fixed assets	(102,977)	1,732
Bad debts w/off to provision	0	(176,050)
Loans to customers net of repayment	(85,247,421)	(78,874,447)
Decrease in debtors	1,413,720	(4,159,923)
Increase in creditors	720,409	2,673,496
Dividend paid	0	(720,721)
	<b>(63,162,400)</b>	<b>(60,862,408)</b>
<b>Investing Activities</b>		
Sale/(purchase) of treasury bonds/investment	0	0
Receipts from sale of tangible fixed assets	115,000	3,848
Payments to acquire tangible fixed assets	(1,170,197)	(617,738)
	<b>(1,055,197)</b>	<b>(613,890)</b>
<b>Net cash inflow before financing</b>	<b>(64,217,597)</b>	<b>(61,476,298)</b>
<b>Financing</b>		
External loans net of repayment	5,535,939	(547,073)
Local loans net of repayment	(4,635,356)	(34,483,724)
Decrease in managed funds	(12,703,191)	45,048,435
Increase in short term borrowings	100,000,000	100,000,000
<b>Net cash inflow from financing</b>	<b>88,197,392</b>	<b>110,017,638</b>
<b>Decrease in cash and cash equivalents</b>	<b>23,979,795</b>	<b>48,541,340</b>
<b>Cash &amp; cash equivalents 1 January</b>	<b>98,251,229</b>	<b>49,709,889</b>
<b>Cash &amp; cash equivalents 31 December</b>	<b>122,231,024</b>	<b>98,251,229</b>

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Financial statements are prepared in Seychelles Rupees

**1. Significant accounting policies**

The significant accounting policies adopted in the preparation of the financial statements of the Bank are set out below.

**(a) Statement of compliance**

The financial statements are prepared in accordance with the requirements of the Development Bank of Seychelles Decree 1977.

**(b) Measurement basis and accounting policies applied**

The measurement basis used is historical cost.

The accounting policies have been consistently applied by the Bank and are consistent with those of the previous year.

**(c) Foreign currency**

Transactions in currencies other than Seychelles Rupee are converted at the rate of exchange ruling at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the profit and loss account.

**(d) Property, plant and equipment**

Items of property, plant and equipment are stated at the lower of historical cost and recoverable amount and are depreciated using the straight line method over their estimated useful lives. Freehold land is not depreciated.

The rates of depreciation used are based on the following useful lives:

Buildings	10 - 25 years
Plant and equipment	3 - 6 years
Furniture, and fittings	3 years

Assets are depreciated or amortised from the date of acquisition.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred.

**(e) Investments**

*Valuation*

Investments classified as non-current assets are carried at cost.

**(f) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**(g) Revenue recognition**

Interest income is recognised as it accrues unless collectibility is in doubt.

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Financial statements are prepared in Seychelles Rupees

2. Reserves

The movement in the reserves was as follows:-

		2010
(i) Contingency reserve		
Balance 1.1.2011	39,583,919	39,583,919
Transfer from E.I.B. special reserve	1,801,401	0
Balance 31.12.2011	41,385,320	39,583,919
(ii) E.I.B. Special Reserve		
Balance 1.1.2011	1,801,401	1,801,401
Transfer to Contingency reserve	(1,801,401)	0
Balance 31.12.2011	0	1,801,401
(iii) Foreign Exchange Equalisation Fund-(FEEF)		
Balance 1.1.2011	2,520,435	2,520,435
Transfer to staff training reserve	(2,520,435)	0
Balance 31.12.2011	0	2,520,435
(iv) Staff Training Reserve		
Balance 1.1.2011	0	0
Transfer from FEEF Fund	2,520,435	0
Balance 31.12.2011	2,520,435	0
	<b>43,905,755</b>	<b>43,905,755</b>

3. Loan interest

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

4. Loans to borrowers

The sum of R 358,594,445 shown in the balance sheet is made up as follows:-

		2010
Long term loans (exceeding 7 years)	268,898,190	233,608,409
Medium term loans (between 2 & 7 years)	202,165,748	152,255,082
Short term loans (not exceeding 2 years)	1,888,312	1,841,338
	472,952,250	387,704,829
Less provision against private sector loans which may prove irrecoverable	(37,190,865)	(29,110,384)
	<b>435,761,385</b>	<b>358,594,445</b>

The movement in the provisions for doubtful debts during the year is as follows:-

		2010
Balance 1 January 2011	29,110,384	25,864,200
Extra provision required during the year	8,080,481	3,422,234
Bad debts written off against provision	0	(176,050)
Balance 31 December 2011	<b>37,190,865</b>	<b>29,110,384</b>

Loans approved but not disbursed by the balance sheet date amounted to R 153,486,164 (prior year R 184,646,351).

**DEVELOPMENT BANK OF SEYCHELLES**

**NCTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

Financial statements are prepared in Seychelles Rupees

**5. Loan repayable**

**(a) Overseas loans**

	Balance 31.12.2011	Repayment period	1st Repayment due	Rate of interest per annum	Scheduled Yearly Repayment
Badea	5,535,939	9 years	Unknown	4%	1,909,196
Provision for unrealised exchange losses on capital outstanding	460,096				
	<u>5,996,035</u>				

The loan is stated at the amount translated in Seychelles rupees on the actual date of receipt although repayment thereof must be made in the currency of the original loan.

**(b) Local loans**

	Balance 31.12.2011	Repayment period	1st Repayment due	Rate of interest per annum	Scheduled Yearly Repayment
Barclays Bank (Seychelles) Ltd	1,791,074	5 mths	31.12.11	6.5%	1,791,074
Nnivoanq	4,287,217	7 years	24.04.06	8.26%	5,434,123
Seychelles Government	96,427,653	16 years	31.12.13	2.75%	2,372,120
	<u>102,505,944</u>				

**(c) Bonds issued**

Balance 31.12.2011	Repayment period	Rate of interest per annum
50,000,000	2 years	5%
50,000,000	3 years	5.5%
25,000,000	3 years	7%
50,000,000	5 years	6%
25,000,000	5 years	7.5%
<u>200,000,000</u>		

**6. Share capital**

The share capital of the bank is as follows:-

	1 Jan 2011	31 Dec 2011
Authorised		
400,000 shares of R 100 each	<u>R 40,000,000</u>	<u>R 40,000,000</u>
Issued and fully paid		
Share of R 100 each	<u>R 39,200,000</u>	<u>R 39,200,000</u>



**DEVELOPMENT BANK OF SEYCHELLES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

Financial statements are prepared in Seychelles Rupees

**7. Administration costs**

Included within the figure of R 4,771,496 is:

			2010
(i)	Auditors Remuneration	82,225	74,750
(ii)	Professional fees	399,805	286,005
(iii)	Directors fees	170,137	179,400

**8. Fund under management**

This comprises of the following funds:

			2010
(i)	Fisheries fund	0	170,596
(ii)	Credit guarantee scheme	c 870,134	870,134
(iii)	MAF (GTZ) fund	0	55,329
(iv)	SFA Fund	0	3,200
(v)	Agriculture Development Fund	a 1,101,790	1,887,301
(vi)	Seychelles Fishing Authority Fund	b 32,100,873	40,094,067
(vii)	Concessionary Loans Scheme Fund (CCA)	d 2,225,991	5,921,352
		36,298,788	49,001,979

**(a) Agricultural development fund**

This fund is managed by the bank for which it charges a processing fee of 2%.

**(b) Seychelles fishing authority fund**

This is a revolving fund for the Seychelles Fishing Authority which is managed by the Bank and for which it charges a processing fee of 1%.

**(c) Credit guarantee scheme**

This fund of R 870,134 comprises of 4 years of annual contribution of R 80,000 each from Frederick Ebert Stiftung (a private foundation in West Germany) the Social security division and Development Bank of Seychelles for the first three years and R 300,000 each for the fourth year together with interest accrued annually and deposits received from borrowers. The objective of this fund is to support small entrepreneurs and young graduates from the polytechnic on ventures not exceeding R 150,000.

Total guarantee that can be provided under the scheme should not exceed three times the value of fund. Guarantee provided as at Balance sheet date amounts to R 2,401,286.

**(d) Concessionary Loans Scheme fund**

In the effort to encourage local investors for them to perform as the primary engine of the economic growth of the country, the Government introduced the Concessionary Credit Agency (CCA) known as (CLS) of the Ministry of Finance. Government decided to transfer the management for the disbursement and recovery of CCA loans activities to the Bank for which it charges a processing fee of 1.5%.

**9. Accounts receivable**

Included in this item is the sum of R 10,040,890 which represents the balance outstanding on loans made to staff members. These loans are granted on preferential terms and conditions.

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Financial statements are prepared in Seychelles Rupees

10. Cash at Bank

The amount of R 42,260,119 is made up as follows:-

	R	2010
DBS bank accounts	38,812,871	44,248,798
Amount held in trust for:-		
Agriculture Development Fund-(ADF)	1,318,638	1,432,731
Concessionary Loans Scheme-(CLS)	2,128,610	5,934,680
	<b>42,260,119</b>	<b>51,616,209</b>

11. Deposits with government

The amount of R 79,970,905 is made up as follows:-

	R	2010
DBS bank accounts	47,852,420	6,540,953
Amount held in trust for:-		
Fisheries EU Fund-(SFA)	32,118,485	40,094,067
	<b>79,970,905</b>	<b>46,635,020</b>

12. Accounts payable

	R	2010
Provision for staff gratuity & compensation	1,530,309	1,910,720
Other payables & accruals	4,554,513	3,451,687
	<b>6,084,822</b>	<b>5,365,413</b>

The provision refers to gratuity and compensation payable to the Bank's staff, other than contract staff, on their attaining 15 years continuous service with either the bank, other parastatal companies or the Seychelles Government.

13. Provision for exchange differences

This is made up as follows:-

	R	2010
Realised profit on loans repaid	(834,563)	387,126
Increase in balance sheet provisions	460,096	(511,226)
	<b>(374,467)</b>	<b>(124,100)</b>

14. Fixed assets

	Freehold Property	Furniture & Fittings	Office Equipment	Motor Vehicle	Total
<b>COST</b>					
At 1 January 2011	6,137,094	719,590	2,421,980	739,317	10,017,981
Additions	41,850	149,937	691,410	287,000	1,170,197
Disposals	(21,850)	(5,120)	0	(235,000)	(261,970)
At 31 December 2011	<b>6,157,094</b>	<b>864,407</b>	<b>3,113,390</b>	<b>791,317</b>	<b>10,926,208</b>
<b>DEPRECIATION</b>					
At 1 January 2011	4,642,678	533,118	2,152,659	445,402	7,773,857
Additions	225,958	137,890	310,764	139,977	814,589
Disposals	(9,827)	(5,120)	0	(235,000)	(249,947)
At 31 December 2011	<b>4,858,809</b>	<b>665,888</b>	<b>2,463,423</b>	<b>350,379</b>	<b>8,338,499</b>
Net book value	<b>1,298,285</b>	<b>198,519</b>	<b>649,967</b>	<b>440,938</b>	<b>2,587,709</b>
At 31 December 2010	1,494,416	186,472	269,321	293,915	2,244,124

**DEVELOPMENT BANK OF SEYCHELLES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

Financial statements are prepared in Seychelles Rupees

**15. Extraordinary profit on debt forgiveness**

During the year the Government of Seychelles and the Caisse Francaise de Development renegotiated the terms of the Caisse Francaise Euro loan to the Development Bank of Seychelles.

Subsequently the Government of Seychelles agreed a loan repayment schedule with the Development Bank in regard to the loan. The loan is now repayable by the Development Bank to the Government of Seychelles in Seychelles Rupees.

As a result of the above agreement R 100,290,082 has been written back in regard to the amount owing on this loan by Development Bank of Seychelles.