



# DEVELOPMENT BANK OF SEYCHELLES

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Your Ref:

Our Ref: DBS/

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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## 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 2012 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 2012 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.
  - (c) the bank did not act as a fiduciary during the year.

*Pool - Patel*  
Pool & Patel  
Chartered Accountants

30 April 2013

# DEVELOPMENT BANK OF SEYCHELLES

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

Financial statements are prepared in Seychelles Rupees

	Note		2011
<b>Interest income</b>	<b>1 (g)</b>		
Loan	<b>3</b>	<b>47,379,582</b>	40,327,552
Bank		<b>343,138</b>	1,785,582
		<b>47,722,720</b>	42,113,134
<b>Interest Expense-Overseas loans</b>	<b>5</b>	<b>(471,310)</b>	0
<b>Interest Expense-Local loans</b>		<b>(2,055,994)</b>	(2,867,861)
<b>Interest Expenses-Bonds</b>		<b>(10,701,535)</b>	(8,957,514)
		<b>(13,228,839)</b>	(11,825,375)
		<b>34,493,881</b>	30,287,759
<b>Other income</b>		<b>2,099,890</b>	2,805,715
<b>Income (net)</b>		<b>36,593,771</b>	33,093,474
<b>Operating expenses</b>			
Staff Costs		<b>9,491,863</b>	9,102,352
Administration expenses	<b>8</b>	<b>4,491,136</b>	4,771,496
Bad debts written-off		<b>(6,862,823)</b>	320
		<b>(7,120,176)</b>	(13,874,168)
Realised/unrealised profit/(losses) on exchange		<b>(138,433)</b>	834,563
<b>Surplus before provision</b>		<b>29,335,162</b>	20,053,869
Provision for depreciation	<b>15</b>	<b>(1,858,501)</b>	(814,589)
Provision for doubtful debts	<b>4</b>	<b>(10,850,859)</b>	(8,080,481)
Provision for unrealised exchange (losses)/gains	<b>14</b>	<b>289,874</b>	(460,096)
Extraordinary profit on debt forgiveness	<b>16</b>	<b>0</b>	100,290,082
<b>Profit/(loss) for the year</b>		<b>16,915,676</b>	110,988,785
Retained earnings 1 January		<b>140,230,375</b>	29,241,590
Retained earnings 31 December		<b>157,146,051</b>	140,230,375

# DEVELOPMENT BANK OF SEYCHELLES


## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012


Financial statements are prepared in Seychelles Rupees

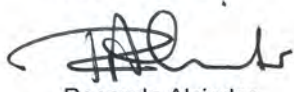
	Note		2011
<b>Assets</b>			
Cash at bank	11	56,146,383	42,260,119
Deposits with government	12	33,735,684	79,970,905
Accounts receivable	10	13,797,714	12,407,601
		<b>103,679,781</b>	<b>134,638,625</b>
Loans outstanding (gross)	4	457,875,108	472,952,250
Less: provision for irrecoverable loans	4	(31,037,420)	(37,190,865)
Loans outstanding (net)		<b>426,837,688</b>	<b>435,761,385</b>
Treasury bonds		1,235,000	1,235,000
Fixed assets	15	17,775,543	2,587,709
		<b>549,528,012</b>	<b>574,222,719</b>
<b>Liabilities</b>			
Accounts payable	13	4,875,097	6,085,822
Long term borrowing-Overseas	5 (a)		
BADEA		5,706,161	5,996,035
		<b>5,706,161</b>	<b>5,996,035</b>
Long term borrowing-Locally	5 (b)	96,427,653	102,505,944
Bonds issued	5 (c)	150,000,000	200,000,000
Fund under management	9	39,565,578	36,298,788
Share Capital	6	39,200,000	39,200,000
Reserves	2	43,905,755	43,905,755
Revaluation Reserve	7	12,701,717	0
Retained Earnings		157,146,051	140,230,375
		<b>252,953,523</b>	<b>223,336,130</b>
<b>Total liabilities</b>		<b>549,528,012</b>	<b>574,222,719</b>

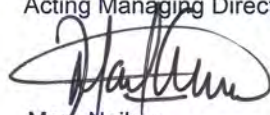
  
Lekha Nair  
Chairman

  
Rupert Simeon  
Vice- Chairman

  
Annie Vidot  
Acting Managing Director

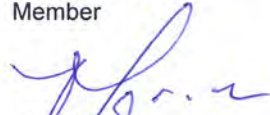
  
Ina Barbe  
Member

  
Rosanda Alcindor  
Member

  
Marc Naiken  
Member

  
Roy Clarisse  
Member

  
Mike Laval  
Member

  
Jerry Morin  
Member

30 April 2013

## DEVELOPMENT BANK OF SEYCHELLES

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

Financial statements are prepared in Seychelles Rupees

		2011
<b>Net cash inflow from operating activities</b>		
Operating profit	27,476,661	19,239,280
Depreciation charges	1,858,501	814,589
Profit/(loss) on disposal of fixed assets	3,493	(102,977)
Bad debts w/off to provision	(17,004,304)	0
Loans to customers net of repayment	8,476,100	(85,247,421)
Increase in debtors	(1,390,113)	1,413,720
Increase in creditors	5,390,317	720,409
Dividend paid	0	0
	<b>24,810,655</b>	<b>(63,162,400)</b>
<b>Investing Activities</b>		
Sale/(purchase) of treasury bonds/investment	0	0
Receipts from sale of tangible fixed assets	3,195	115,000
Payments to acquire tangible fixed assets	(4,351,306)	(1,170,197)
	<b>(4,348,111)</b>	<b>(1,055,197)</b>
<b>Net cash inflow before financing</b>	<b>20,462,544</b>	<b>(64,217,597)</b>
<b>Financing</b>		
External loans net of repayment	0	5,535,939
Local loans net of repayment	(6,078,291)	(4,635,356)
Increase in managed funds	3,266,790	(12,703,191)
Decrease in short term borrowings	(50,000,000)	100,000,000
<b>Net cash inflow from financing</b>	<b>(52,811,501)</b>	<b>88,197,392</b>
<b>Decrease in cash and cash equivalents</b>	<b>(32,348,957)</b>	<b>23,979,795</b>
<b>Cash &amp; cash equivalents 1 January</b>	<b>122,231,024</b>	<b>98,251,229</b>
<b>Cash &amp; cash equivalents 31 December</b>	<b>89,882,067</b>	<b>122,231,024</b>

## DEVELOPMENT BANK OF SEYCHELLES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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, except for the building as they are valued on valuation model.

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 are stated in valuation cost, 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 expenses 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. For non-performing loans the interest is transferred to interest in suspense account.

**DEVELOPMENT BANK OF SEYCHELLES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

Financial statements are prepared in Seychelles Rupees

**2. Reserves**

The movement in the reserves was as follows:-

		2011
(i)	Contingency reserve	
	Balance 1.1.2012	39,583,919
	Transfer from E.I.B. special reserve	1,801,401
	<b>Balance 31.12.2012</b>	<b>41,385,320</b>
(ii)	E.I.B. Special Reserve	
	Balance 1.1.2012	1,801,401
	Transfer to Contingency reserve	(1,801,401)
	<b>Balance 31.12.2012</b>	<b>0</b>
(iii)	Foreign Exchange Equalisation Fund-(FEEF)	
	Balance 1.1.2012	2,520,435
	Transfer to staff training reserve	(2,520,435)
	<b>Balance 31.12.2012</b>	<b>0</b>
(iv)	Staff Training Reserve	
	Balance 1.1.2012	0
	Transfer from FEEF Fund	2,520,435
	<b>Balance 31.12.2012</b>	<b>2,520,435</b>
	<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 433,438,730 shown in the balance sheet is made up as follows:-

		2011
	Long, medium and short term loans	472,952,250
	Less provision against private sector loans which may prove irrecoverable	(37,190,865)
	<b>426,837,688</b>	<b>435,761,385</b>

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

		2011
	Balance 1 January 2012	29,110,384
	Extra provision required during the year	8,080,481
	Bad debts written off against provision	0
	<b>Balance 31 December 2012</b>	<b>31,037,420</b>

Loans approved but not disbursed by the balance sheet date amounted to R 39,474,484 (prior year R 153,486,164).

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Financial statements are prepared in Seychelles Rupees

5. Loan repayable

(a) Overseas loans

	Balance 31.12.2012	Repayment period	1st Repayment due	Rate of interest per annum	Scheduled Yearly Repayment
Badea	5,535,939	9 years	01.11.14	4%	1,909,196
Provision for unrealised exchange losses on capital outstanding	<u>170,222</u>				
	<u>5,706,161</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 31.12.2012	Repayment period	1st Repayment due	Rate of interest per annum	Scheduled Yearly Repayment
Seychelles Government	<u>96,427,653</u>	16 years	31.12.13	2.75%	2,372,120
	<u>96,427,653</u>				

(c) Bonds issued

Balance 31.12.2012	Repayment period	Rate of interest per annum
50,000,000	3 years	5.5%
25,000,000	3 years	7%
50,000,000	5 years	6%
<u>25,000,000</u>	5 years	7.5%
<u>150,000,000</u>		

6. Share capital

The share capital of the bank is as follows:-

	1 Jan 2012	31 Dec 2012
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>

7. Revaluation reserve

Revaluation reserve represent the revalue of the Development Bank of Seychelles building carried out by Mr. Daniel Blackburn a chartered surveyor on the 14th December 2011 for the valued of R 14m.



## DEVELOPMENT BANK OF SEYCHELLES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Financial statements are prepared in Seychelles Rupees

#### 8. Administration costs

Included within the figure of R 4,491,136 is:

			2011
(i)	Auditors Remuneration	172,500	82,225
(ii)	Professional fees	185,160	399,805
(iii)	Directors fees	243,225	170,137

#### 9. Fund under management

This comprises of the following funds:

			2011
(i)	Fisheries fund	0	0
(ii)	Credit guarantee scheme	c	870,134
(iii)	MAF (GTZ) fund	0	0
(iv)	SFA Fund	0	0
(v)	Agriculture Development Fund	a	1,101,790
(vi)	Seychelles Fishing Authority Fund	b	32,100,873
(vii)	Concessionary Loans Scheme Fund (CCA)	d	2,225,991
		39,565,578	36,298,788

##### (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 60,000 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%.

#### 10. Accounts receivable

Included in this item is the sum of R 10,075,883 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 2012**

Financial statements are prepared in Seychelles Rupees

**11. Cash at Bank**

The amount of R 56,146,383 is made up as follows:-

	R	2011
DBS bank accounts	50,157,202	38,812,871
Amount held in trust for:-		
Agriculture Development Fund-(ADF)	5,416,028	1,318,638
Concessionary Loans Scheme-(CLS)	573,153	2,128,610
	<b>56,146,383</b>	<b>42,260,119</b>

**12. Deposits with government**

The amount of R 33,735,684 is made up as follows:-

	R	2011
DBS bank accounts	1,028,147	47,852,420
Amount held in trust for:-		
Fisheries EU Fund-(SFA)	32,707,537	32,118,485
	<b>33,735,684</b>	<b>79,970,905</b>

**13. Accounts payable**

Provision for staff gratuity & compensation  
Other payables & accruals

	R	2011
Provision for staff gratuity & compensation	2,225,632	1,530,309
Other payables & accruals	2,649,465	4,554,513
	<b>4,875,097</b>	<b>6,084,822</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.

**14. Provision for exchange differences**

This is made up as follows:-

	R	2011
Realised profit/(loss) on loans repaid	(138,433)	834,563
Increase/(decrease) in balance sheet provisions	289,874	(460,096)
	<b>151,441</b>	<b>374,467</b>

**15. Fixed assets**

	Freehold Property	Furniture & Fittings	Office Equipment	Motor Vehicle	Total
<b>COST</b>					
At 1 January 2012	6,157,094	864,407	3,113,390	791,317	10,926,208
Additions	12,701,717	25,986	4,325,319	0	17,053,022
Disposals	0	(16,755)	0	0	(16,755)
At 31 December 2012	<b>18,858,811</b>	<b>873,638</b>	<b>7,438,709</b>	<b>791,317</b>	<b>27,962,475</b>
<b>DEPRECIATION</b>					
At 1 January 2012	4,858,809	665,888	2,463,423	350,379	8,338,499
Additions	838,387	101,805	777,309	141,000	1,858,501
Disposals	0	(10,068)	0	0	(10,068)
At 31 December 2012	<b>5,697,196</b>	<b>757,625</b>	<b>3,240,732</b>	<b>491,379</b>	<b>10,186,932</b>
Net book value	<b>13,161,615</b>	<b>116,013</b>	<b>4,197,977</b>	<b>299,938</b>	<b>17,775,543</b>
At 31 December 2011	1,298,285	198,519	649,967	440,938	2,587,709

DEVELOPMENT BANK OF SEYCHELLES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

Financial statements are prepared in Seychelles Rupees

***16. 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.