

DEVELOPMENT BANK OF SEYCHELLES

Annual Report 2009



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DBS Highlights

Loans Approved	2009	2008	2007
Number of loans	167	221	270
Value of loans (SR million)	78.21	86.19	61.4
Breakdown by sector (SR million)			
Agriculture	5.91	17.15	2.10
Fisheries	3.35	1.87	1.40
Industrial	10.41	5.83	1.40
Tourism	35.83	47.09	8.76
Services	22.70	14.26	47.8

Audited Financial Account Summary	2009	2008	2007
Total Assets	345.87	342.30	325.23
Paid up Capital	39.2	39.2	39.2
Reserve / Retained Earnings	56.33	(27.80)	78.80
Total Income	41.51	30.06	28.78
Operating Expenses	8.9	9.06	7.20
Operating Profit	9.98	6.40	10.96
Profit for the Year	84.13	(106.61)	(34.38)

Ratios	2009	2008	2007
Return on assets (%)	6.86	4.88	5.60
Return on equity (%)	24.83	146	15.44
Return on capital (%)	2.22	5.84	3.04

Management Report

The management of the Development Bank of Seychelles is pleased to submit its annual report for 2009 together with the audited financial statements of the bank for the year ended December 2009

Bank's mission

The bank was established in 1978 under Decree No. 21 of 1977 (revised 1991) with a purpose to contribute to the economic development of the country. It is mandated to provide financial facilities to sound and technically feasible projects in all sectors of the economy.

In the future, the bank intends to become the leading financial institution in providing medium and long-term capital and other financial services to meet demands in the evolving economy and financial market.

Introduction

The year 2009 was undoubtedly one of the toughest years experienced by the Development Bank of Seychelles since its inception in 1978. The government had just introduced its two-year economic reform program as means to put the country's economy back on track after it defaulted on some of its commercial debts. With assistance from the IMF, the reform program commenced in November 2008, through which time the country went through a number of economic changes in relation to its monetary and fiscal policies, which evidently impacted on the business community, as well as the economic sectors predominantly the financial sector. The aftermath of these changes endured through 2009.

On a general note, inflation was fairly high during the first quarter of the year and the cost of living was also at a rise, causing disposable income to shrink. Many investors became reluctant to invest. During the first quarter of 2009, the bank approved 27 loan applications compared to 45 loan applications in the previous year, showing a decrease of 40%, although value-wise for the same period, the year 2009 recorded an increase of nearly 60% or SR10.3 million in loan approvals. Needless to say the few investors that came to borrow required more cash for their business ventures as a result of the devaluation in the Rupee.

The bank's financial position was rendered in doubt as up until March 2009, the Euro stood at SR21.73 and the US Dollar at SR16.65 on average against the Rupee. This factor posed a major threat on our long-term commitment, especially with the AFD lines of credit which remained unpaid due to previous national economic constraints. It is to be noted that the bank has been trying to repay the AFD lines of credits; and although no repayment has been remitted yet, the bank will have to wait until the Paris Club negotiations are finalized, before any repayments can be materialized.

Interest rate on DBS local long-term borrowings skyrocketed to approximately 19%. This surely affected the bank's financial position. The bank had no choice but to increase its lending rate as well. Taking into account its raison d'être, the bank increased its interest rate marginally to accommodate for the productive sectors of the economy namely fisheries, agricultural and manufacturing sectors. The bank had to suffice with a very low return.

Albeit, the bank began to pick up momentum later during 2009, as the Rupee started to appreciate against the three major currencies (US Dollar, Euro and Pound Sterling) on average. For the year 2009, the bank was able to report positive reserve and retained earnings of SR56.33 million compared to a loss of SR27.80 for 2008, attributable to the unrealized exchange losses on the overseas loans.

In the same context, the bank experienced a growth of 38.1% on its total income. Its operating profit increased from SR6.40 million to SR9.98 million, and for the year 2009, the bank is pleased to report a net profit of SR84.13 million compared to a net loss of SR106.6 million for the previous year.

Recovery Performance

During the year 2009, the Recovery Department continued to intensify its effort to recover arrears from bad debtors. More stringent measures continued to be implemented to curtail the rise in the number of defaulters. Appropriate strategic measures were undertaken with regards to seizure of pledged assets. A good number of vehicles were seized and disposed off by way of public auction as means to recoup losses.

Information Technology

The bank continued to upgrade its IT system in order to provide quality service to customers. Security was also taken into consideration to mitigate information risk. Management is very much aware of the important role played by the IT Department in improving business processes and information security. Hence, all measures were taken to ensure that the department is furnished with training, seminars and equipment as needed.

Public Relations

In line with its corporate social responsibility, the bank spent a total of approximately SR0.233 million towards donation and sponsoring various sports, educational, religious, social and cultural activities. While approximately SR59, 000 went towards promotion and advertising for the year 2009.

Personnel and Administration

As usual, training remains at the core of human resources effectiveness. Staffs at every level were able to attend some form of training in banking, finance, office management and other courses to better equip them with skills and competencies to cope with the new working environment. Furthermore, some bank officers attended overseas training to deepen their core expertise.

The Administration department continued to provide logistic support with the aim to increase the bank's operational effectiveness and improving the quality of its service delivery.

DBS Investment and Performance

During the year under review, the bank continued to provide financial assistance to the small and medium enterprise businesses of the various sectors of the economy mainly the fisheries, agricultural, industrial/ manufacturing, tourism and services with the aim of achieving a broad-based economic growth.

The bank approved a total loan amount of over SR78.21 million for 167 loan applications. The bank's total loan commitment had reduced from SR70.53 million to SR63.18 million, it came as a result of some investors pulling out their loan requests in view of the economic situation. Since 2006, the service sector has continued to dominate the total loan portfolio and at year-end 122 loans worth SR36.076 million were approved. A breakdown of the service sector, the bank extended finance for the value of SR11.75 million to commercial development, whilst SR15.44 million went to other different service developments like purchase of vehicle for business purposes in the retailing industry, renovating building for commercial activities and purchase of equipment and raw materials for take-away businesses. Out of the total loans, 39% loans were sanctioned to medium term type of loans, whilst 60% were sanctioned to long-term type of loans. In general, the bank continued to experience an upward trend in the number of application in loans for vehicles mainly for the purchase of taxi businesses, busses for shuttle ventures and pick-ups for commercial use. Figures 1 and 2 below show the trend in loan approval for the past five years in terms of number and in value.

Fig 1



Fig 2



Operating and Financial Review

For the year 2009, the bank achieved an operating profit of approximately SR10 million and a net profit of SR84.13 million. Due to appreciation in the Seychelles Rupee, the bank attained unrealized gain of SR76.5 million on foreign loans for the year 2009. In total a sum of SR71.66 million was collected in repayments, SR0.23 million on interest and SR0.674million on application fee. At the beginning of 2009, cash at bank was SR71.84 million but that reduced to SR 49.7 million since more monies were required for disbursement as a result of the devaluation in the Rupee.

Net income improved by 42% in 2009 and this was largely due to an increase in interest income. Total asset grew by 1%, whilst retained earnings have gone from losses of SR71.7 million to a gain of SR12.42 mainly due to appreciation of the Rupee. The bank's liquidity position remains positive, and our gearing level has also improved. Operating expenses for the year was SR8.9 million compared to SR9.06, showing a reduction of SR0.16 million as the bank adopted a cost cutting policy in some areas of its budgeted operating costs.

Creditors

The bank was able to meet its financial obligations locally and overseas except for its AFD loan. The latter loan remains badly in arrears and unsettled. As mentioned earlier, the AFD loan forms part of the Paris Club Negotiations and once a resolution has been reached only then will DBS be in a position to start making repayments.

Loan Commitment

A general observation showed that the bank's loan commitment in 2009 dropped down to SR63.2 million compared SR70.53 million in 2008 as investors remained prudent with their business undertakings, as well as, businessmen have to come face with the realities in the fluctuations of interest rates and foreign exchange as they move in the free market. Furthermore, it is fair to note that loan commitment was high toward end 2008 as investors felt confident to withdraw funds prior to the economic reform program.

Corporate Governance

The financial statements are prepared in compliance with the bank's Decree No.21 of 1977 and in accordance with international accounting standards. The board is responsible to ensure that the bank operates to the highest standards to guarantee business integrity transparency and professionalism. They are also responsible for safeguarding the bank's assets, thus takes reasonable measures for the prevention and detection of fraud and other irregularities. Furthermore, the board welcomed Government's initiative last year when it set up the Public Enterprise Monitoring Department (PEMD) within the Ministry of Finance, with aim to render more transparency and effectiveness in public enterprises. An agent from the PEMD now seats on all board meetings in an observer's capacity.

As part of its commitment and in compliance with principles of good corporate governance, last year the board of directors gave their approval to set up two sub committees to discharge its responsibilities being the audit committee and remuneration committee. The bank plans to set up a risk committee sometime in the foreseeable future.

Risk Management

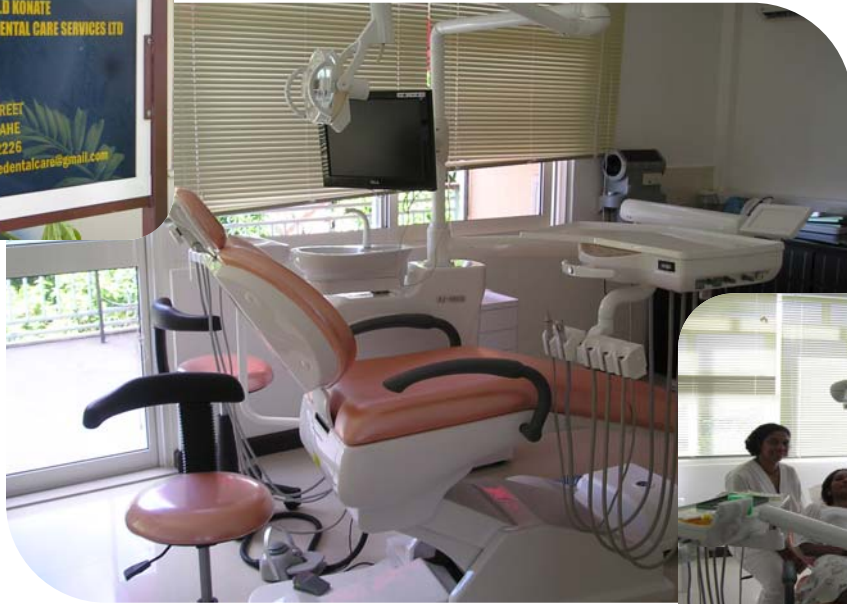
The bank's primary operation is development financing, as such it is exposed to various risks like capital risks, defaulters' risks, interest risks, foreign currency risk, liquidity risk and other market risks. Hence, specifically for the year 2009, a lot of effort was placed to mitigate the instabilities in the economy. With the financial industry becoming very volatile, the bank introduced certain measures to try and lessen the impact. Foreign exchange risk and interest rate risks were of major concern for the management last year as fluctuations were tremendous. Strategic policies were taken to ensure continuity in business.

DBS Future

The Development Bank of Seychelles will continue to play an important role in the development of the economy by strengthening key sectors. In line with Government's national plans, DBS effectively play a major role to assist in the realization of Government's new strategic policies. Furthermore, as of 2010 DBS will be regulated by the Central bank of Seychelles (CBS) and other regulatory financial institutional laws. Consultant from the World Bank through CBS has been secured to conduct a strategic study on DBS and develop a roadmap on "the way forward and its future role in the economy". In the same context, the bank is expected to undergo a due diligence exercise during the first half of 2010 which would entail a fit and proper test on its Board members as well as its employees and management to ensure that they meet the necessary criteria to manage the affairs of the bank.

Acknowledgement

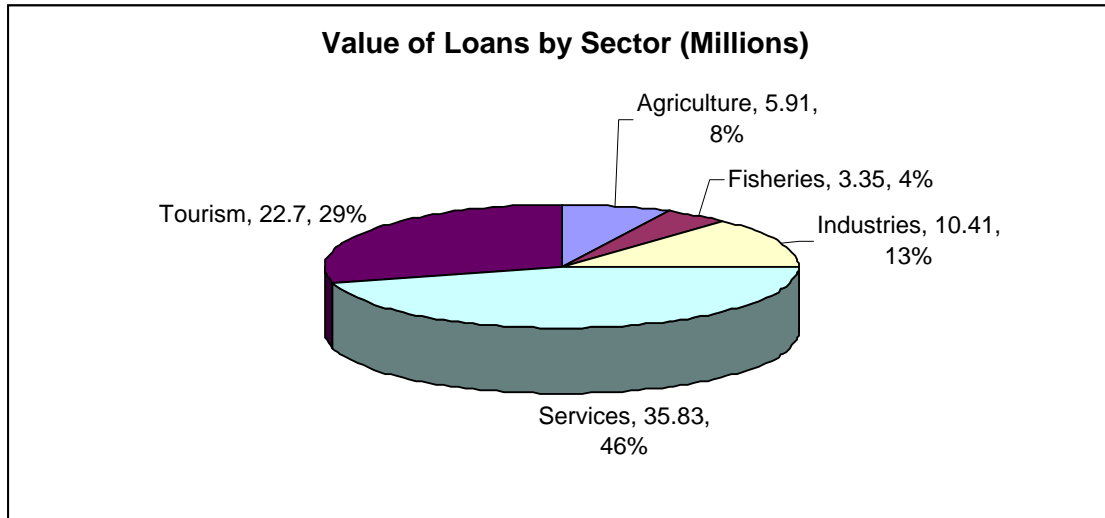
The management of DBS would like to thank its board of directors, staff, clients, government, financial institutions and other stakeholders for their continued support and cooperation, without which its objectives would not be attained.



Sectorial Analysis



In 2009 a total of 167 loans were approved for the value of SR78.21 million, of which SR4.67million accounted as additional loans. Comparative figures for 2008 and 2009 by sector are as follows:

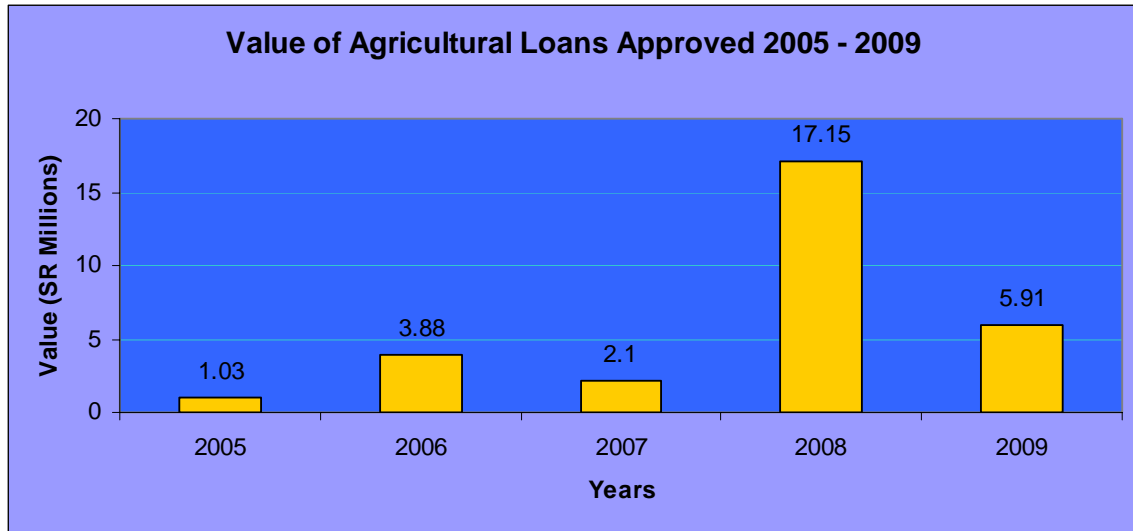


DBS loan portfolio comprise of five main sectors namely, agriculture, fisheries, industries (manufacturing), tourism and services. As it can be observed, the service sector has once again been the best performer in the year 2009, whilst the fishery sector has contributed only 4% in terms of value. The service sector performance has surpassed the tourism sector for sometime now and this kind of trend is likely to continue in the future as more and more tourism projects tend to seek for financial assistance from the commercial banks which can provide the foreign exchange component required by many tourism developments. On the other hand, small businesses like hairdresser, bakery, tailoring industry tend to come to DBS and these make up for the most part of the services sector.

Agriculture

A total of 6 projects were approved for the agricultural sector for the year 2009 for the value of SR5.91 million. Apart from the uncertainties in the economy caused by the reform program, reduction in the value of agricultural projects has been observed also due to the Food Crisis Program that ceased during the same year. Nonetheless, the bank is optimistic that this area of economic development will lift up in the coming year as the economy starts to stabilize. Figure 3 below shows trend on the performance of this sector for the last five years.

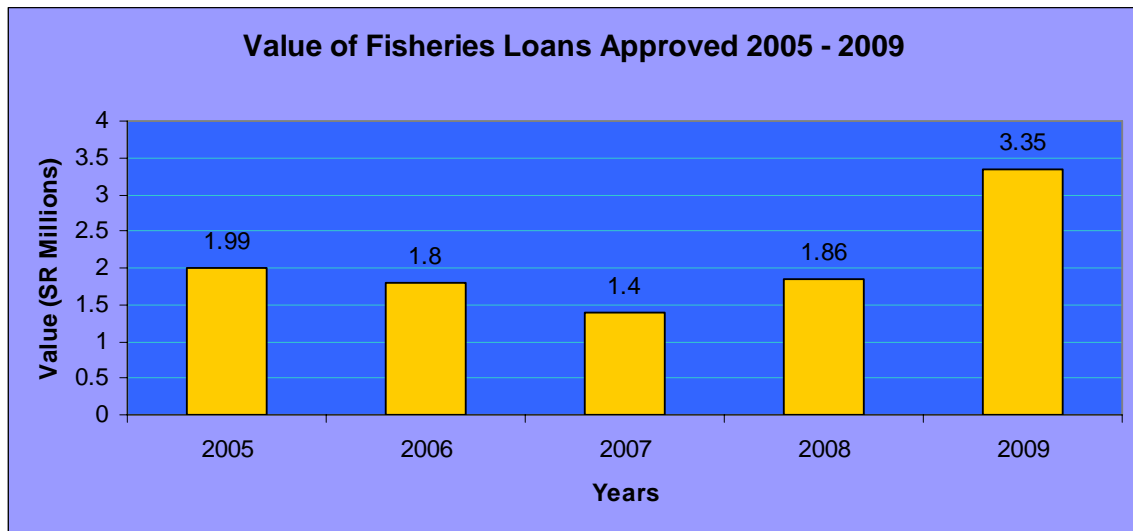
Fig 3



Fisheries

Investment by the fishery sector has always fluctuated within the same range of SR1 million and SR3 million. It is one of the productive sectors where large scale venture has not flared as expected by the bank. Albeit, most projects for this sector, include purchase of fishing vessels or renovation of fishing vessels and purchase of boat equipments. A total of SR3.35 millions for 18 loans was sanctioned for the fishery sector. Figure 4 below shows a five year trend for the sector.

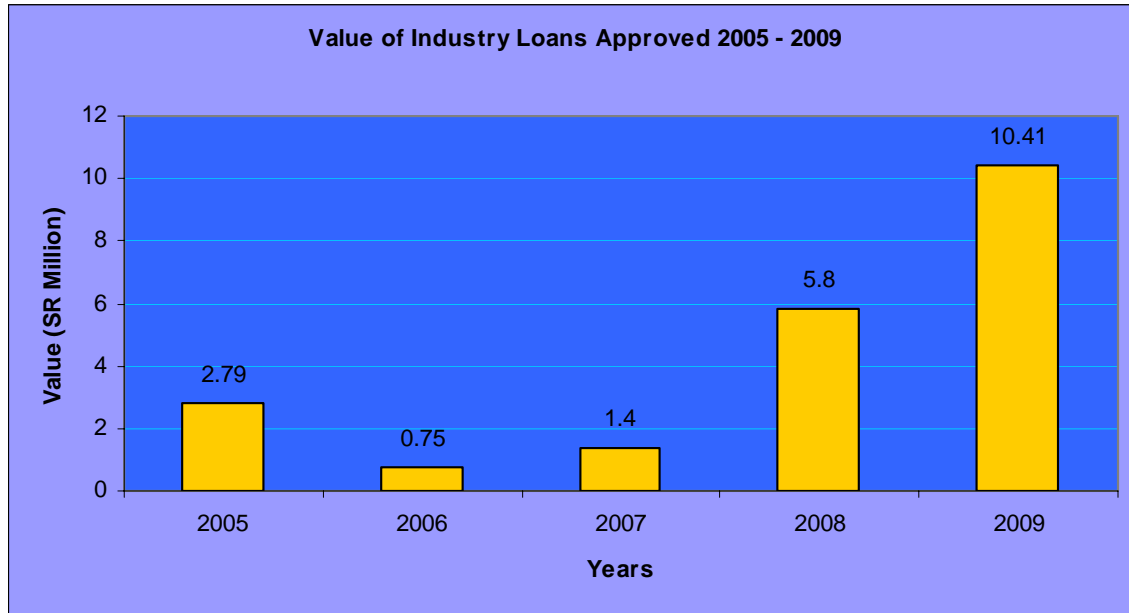
Fig 4



Industry

A total of SR10.41 million was sanctioned for this sector. Compared to 2008, the figure has nearly doubled. The sector started to show an upward trend since last year and the bank is optimistic that it will continue on in the same direction in the future. Development projects for the industry sector mostly involve manufacturing businesses like snack production, artisanal craft as well as water bottling and cinnamon production. The graph below gives an overall picture on the performance of the sector for the last five years.

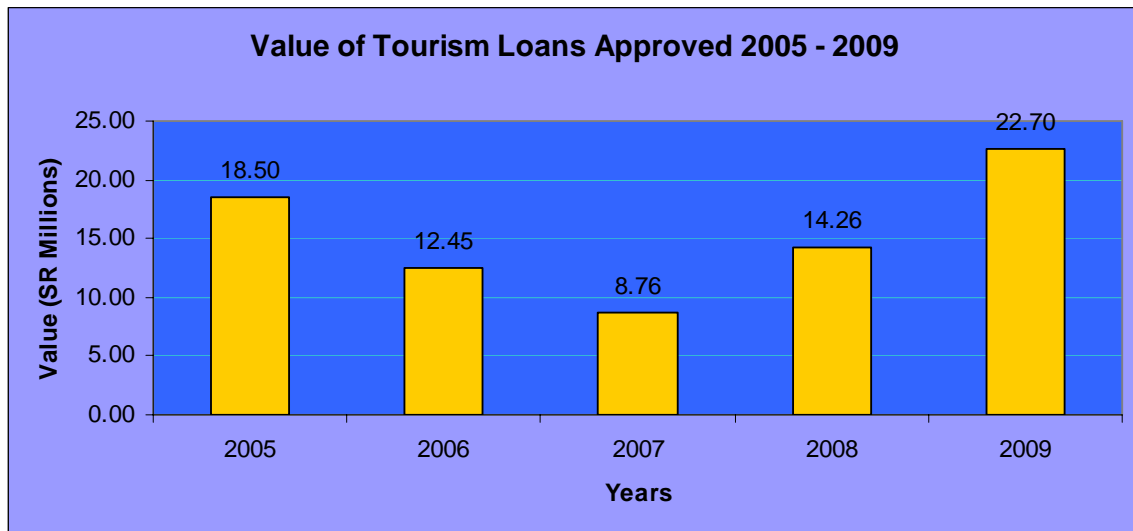
Fig 5



Tourism

In terms of value, SR22.70 million was sanctioned to the tourism sector compared to 2008 with SR14.26 million. The number of approved projects declined from 22 loans in 2008 to 16 loan approvals in 2009. It was observed that the increase in value has mainly been due to an increase in the number of approved loans for car hire, boat charter, small establishment and restaurants which accounts for nearly SR16.81 million in the tourism sector portfolio.

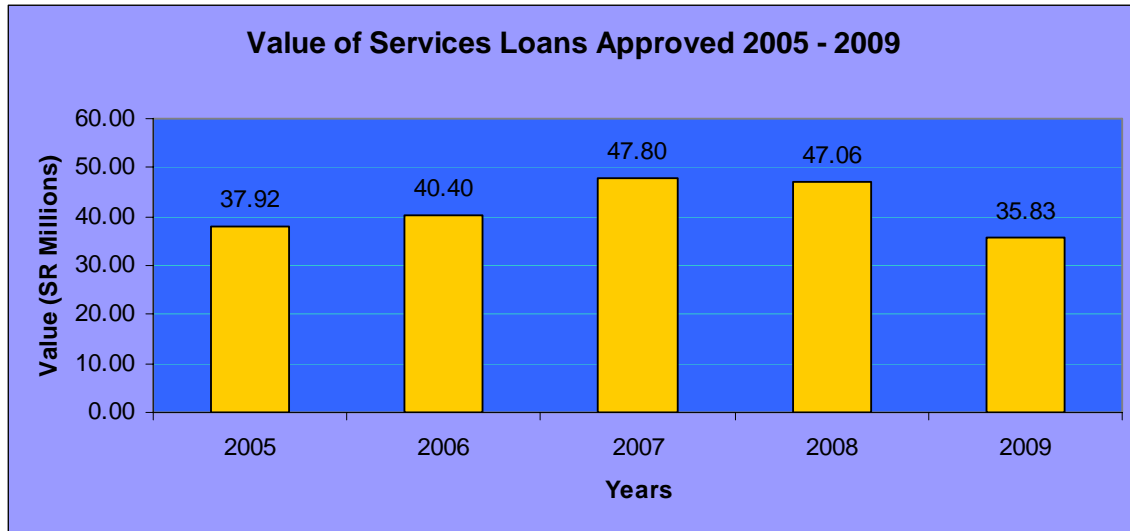
Fig 6



Services

Business in the service sector contracted further by 26% for 2009 compared to 2008. The main areas of financing for the service sector include taxi, pick-up for hire and commercial development. For 2009 a total of SR11.75 million was allocated to commercial development, SR3.47 million to the pick-up hiring business and SR3.9 millions to the taxi services. Other businesses like purchasing equipment to set up take-away business, setting up of retail shop, purchase of vehicle for commercial purposes and purchasing of musical equipment for entertainment took up the major part of investment of SR15.64 millions. Performance of this sector is depicted in the graph below.

Fig 7.



Auditor's Report

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF DEVELOPMENT BANK OF SEYCHELLES

We have audited the financial statements for the year ended 31 December 2009 on pages 19 to 30 which have been prepared under the historical cost convention and the accounting policies set out on page 22.

This report is made solely to the Bank's members as a body in accordance with the Development Bank of Seychelles Decree 1977. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do accept or assume responsibility to anyone other than the Bank's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As described on page 3 the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

Basis of opinion

We conducted our audit in accordance with international standards on auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with or material interest in the bank other than in our capacities as auditors.

Going concern.

In forming our opinion we have considered the disclosures made in the financial statements concerning the long term overseas loans which under their terms repayment must be made in the currency of the original loan (note 5).

These loans which represent over 79% of the Bank's liabilities (excluding equity & reserves) are now all in arrears due to the Bank's inability to effect the repayments on the due date.

The lenders have not foreclosed nor given notice to foreclose but are charging penal interest on those loans in accordance with the terms of the loan agreement.

The financial statements have therefore been prepared under the going concern bases on the assumption that the lenders will not call for repayment of the loans within the next twelve months.

Opinion

On the basis herein therefore mentioned, in our opinion, the financial statements give a true and fair view of the Bank's affairs at 31 December 2009 and of its profit and cash flow for the year then ended and have been properly prepared in accordance with the Development Bank of Seychelles Decree 1977 and accounting principals generally followed in Seychelles.

Pool & Patel
Chartered Accountants

03rd March 2010

DEVELOPMENT BANK OF SEYCHELLES
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

Financial statements are prepared in Seychelles Rupees

	Note		2008
Interest Income	1 (g)		
Loan	3	37,017,862	26,832,476
Bank		<u>3,344,517</u>	1,976,251
		40,362,379	28,808,727
Interest Expense-Overseas Loans-Normal		(3,270,894)	(2,395,120)
-Penal		(5,952,224)	(6,183,410)
Interest Expenses-Local Loans		<u>(8,567,450)</u>	(4,771,326)
		(17,790,568)	(13,349,856)
		<u>22,571,811</u>	15,458,871
Other Income		<u>1,144,495</u>	1,251,157
Income net		23,716,306	16,710,028
Operating expenses			
Staff costs		5,015,025	5,709,531
Administration expenses	7	3,095,068	3,268,076
Computer software w/off		730,688	0
Bad debts written-off		<u>82,749</u>	85,079
		(8,923,530)	(9,062,868)
Realized losses on exchange		<u>(4,809,531)</u>	(1,245,613)
Surplus before provision		9,983,245	6,401,729
Provision for Depreciation	17	(764,550)	(673,860)
Provision for doubtful debts	4	(1,631,283)	13,935,031
Provision for unrealized exchange (losses) gains	16	<u>76,541,562</u>	(126,268,516)
Profit/(loss) for the year		84,128,974	(106,605,316)
Retained earnings 1 January		(71,707,115)	34,898,201
Transfer to E.I.B. reserve	2	0	0
Retained earnings 31 December		<u>12,421,859</u>	(71,707,115)

DEVELOPMENT BANK OF SEYCHELLES
BALANCE SHEET AS AT 31 DECEMBER 2009

Financial statements are prepared in Seychelles Rupees

	Note		2008
Assets			
Cash at bank	14	49,709,889	71,844,385
Deposits with Government		0	0
Accounts receivables	13	<u>9,661,398</u>	9,594,126
			81,438,511
		59,371,287	
Loans outstanding (gross)	4	308,830,382	280,866,360
Less: provision for irrecoverable loans	4	<u>(25,864,200)</u>	(24,284,467)
Loans outstanding (net)			256,581,893
		282,966,182	
Treasury bonds		1,235,000	1,435,000
Fixed assets (net)	17	<u>2,294,732</u>	2,840,576
		345,867,201	342,295,980
Liabilities			
Accounts payable	15		3,858,124
Dividends payable			1,457,327
Long term borrowing-Overseas	5 (a)		
CFD		37,748,925	37,748,925
ADB		0	338,466
BADEA		<u>547,073</u>	2,144,607
		38,295,998	40,231,998
Add: accrued interest thereon		<u>95,194,547</u>	116,375,912
		133,490,545	156,607,910
Provision for unrealized exchange losses (Gain)	1 ('c)	<u>64,285,489</u>	110,828,509
		197,776,034	267,436,419
Long term borrowing-Locally	5 (b)		54,628,998
Fund under management	8		3,516,472
		3,953,544	
Share capital	6	39,200,000	39,200,000
Reserves	2	43,905,755	43,905,755
Retained earnings		<u>12,421,859</u>	(71,707,115)
		95,527,614	11,398,640
		345,867,201	342,295,980

DEVELOPMENT BANK OF SEYCHELLES
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Financial statements are prepared in Seychelles Rupees

		2008
Net cash inflow from operating activities		
Operating profit/(loss)	9,218,695	5,727,869
Depreciation charges	764,550	673,860
Loss on disposal of fixed assets	34,852	(23,467)
Profit/(Loss) on exchange on interest & commitment fees	29,998,542	(53,438,375)
Bad debts w/off to provision	(51,550)	(370,431)
Loans to customers net of repayment	(27,964,022)	4,219,280
Increase in debtors	(67,272)	(1,211,526)
Increase in creditors	(1,166,207)	1,191,102
Dividend paid	(736,606)	0
	10,030,982	(43,231,688)
Investing activities		
Sales/ (purchase) of treasury bonds/investment	200,000	765,000
Receipts from sale of tangible fixed assets	500	35,495
Payments to acquire tangible fixed assets	(254,058)	(493,262)
	(53,558)	307,233
Net cash inflow before financing	9,977,424	(42,924,455)
Financing		
External loans net of repayment	(23,117,365)	60,023,844
Local loans net of repayment	(9,431,627)	(9,607,820)
Increase in managed funds	437,072	(766,443)
Net cash inflow from financing	(32,111,920)	49,649,581
Decrease in cash and cash equivalents	(22,134,496)	6,725,126
Cash & cash equivalents 1 January	71,844,385	65,119,259
Cash & cash equivalents 31 December	49,709,889	71,844,385

DEVELOPMENT BANK OF SEYCHELLES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
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 the date. Resulting exchange differences are recognized 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 recognized as an expense when incurred.

(e) Investments

Valuation

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

DEVELOPMENT BANK OF SEYCHELLES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
Financial statements are prepared in Seychelles Rupees

(f) Borrowing costs

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

(g) Revenue recognition

Interest income is recognized as it accrues unless collectability is in doubt.

2. Reserves.

The Movement in the reserve was as follows:

		2008
(i)	Contingency reserve	
	Balance 1.1.2009	39,583,919
		<u>39,583,919</u>
	Balance 31.12.2009	39,583,919
(ii)	E.I.B Special reserve	
	Balance 1.1.2009	1,801,401
	Training in year	0
	Transfer during the year (note 13)	0
		<u>1,801,401</u>
	Balance 31.12.2009	1,801,401
(iii)	Foreign Exchange Equalisation Fund - (FEEF)	
	Provision for FEEF on E.I.B Loan No. 4	
	Balance 1.1.2009	2,520,435
	Provision for 2009	0
		<u>2,520,435</u>
	Balance 31.12.2009	43,905,755
		<u>43,905,755</u>

DEVELOPMENT BANK OF SEYCHELLES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
Financial statements are prepared in Seychelles Rupees

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.

4. Loans to Borrowers

The sum of SR 282,966,182 shown in the balance sheet is made up as follows:-

Long term loans (exceeding 7 years)	211,208,485
Medium term loans (between 2 & 7 years)	96,641,285
Short term loans (not exceeding 2 years)	980,612
	308,830,382
Less provision against private sector loans which may prove irrecoverable	(25,864,200)
	<u>282,966,182</u>

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

Balance 1 January 2009	24,284,467
Over provision written back during the year	1,631,283
Bad debts written off against provision	(51,550)
Balance 31 December 2009	<u>25,864,200</u>

Loans approved but not disbursed by the balance sheet date amounted to SR 63,178,314

DEVELOPMENT BANK OF SEYCHELLES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
Financial statements are prepared in Seychelles Rupees

5. Loan repayable
(a) Overseas loans

	Balance	Repayment	1st	Rate of	Scheduled
	31.12.2009	Period	Repayment	interest	Yearly
			due	per	Repayment
				annum	
African Development Bank					
Loan No. 3	0	7 years	01.02.2002	4%	640,987
BADEA	547,073	9 years	01.01.2002	5%	152,603
Caisse Francaise de Development					
Loan No. 2	4,085,910	10 years	31.10.1990	4.5%	1,020,910
Loan No. 3	2,436,292	10 years	31.10.1991	4.5%	464,050
Loan No. 4	2,441,347	10 years	31.10.1991	4.5%	464,050
Loan No. 5	4,419,372	9 years	30.04.1994	5.0%	1,031,221
Loan No. 6	4,102,267	10 years	31.10.1994	4.5%	464,050
Loan No. 7	9,786,415	10 years	31.10.2000	5.0%	978,641
Loan No. 8	7,543,586	8 years	31.10.1998	4.5%	942,948
Loan No. 9	<u>2,933,736</u>	5 years	31.10.1993	6.99%	1,113,720
	38,295,998				
Interest & commitments fees - accrued/exchange loss thereon	<u>95,194,547</u>				
	<u>133,490,545</u>				

The loans and interest thereon are 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 plan.

The following loans are further subjected to interest on any undrawn amounts as follows:-

Caisse Francaise de Development	-	0.50%
African Development Bank	-	0.75%

The loans from the Caisse Francaise de Development and the African Development Bank are guaranteed by the Seychelles Government.

The BADEA and ADB No. 3 loans are being paid in accordance with new terms, apart from that there were no repayments made during the year on the other loans.

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(b) Local loans

	Balance 31.12.2009	Repayment period	1st Repayment due	Rate of interest per annum	Scheduled yearly Repayment
Barclays bank (Seychelles) Ltd	31,677,680	7 years	31.07.06	14.85%	12,564,954
Nouvobanq	<u>13,519,691</u>	7 years	24.04.06	11.25%	5,434,123
	<u>45,197,371</u>				

6. Share capital

The share capital of the bank is as follows:-

	1 Jan 2009	31 Dec 2009
Authorised 400,000 shares of R 100 each	<u>R40,000,000</u>	<u>R40,000,000</u>
Issued and fully paid Share of R 100 each	<u>R39,200,000</u>	<u>R39,200,000</u>

7. Administration costs

Included within the figure of R 3,095,068 is:-

			2008
(i)	Auditors Remuneration	69,671	66,353
(ii)	Professional fees	122,750	93,135
(iii)	Directors fees	<u>172,350</u>	195,000

8. Fund under management

This comprises of the following funds: -

(i)	Fisheries fund	170,596
(ii)	Credit guarantee scheme	870,134
(iii)	MAF (GTZ) fund	55,329
(iv)	SFA fund	3,200
(v)	Agriculture Development Fund	2,854,744
(vi)	Seychelles Fishing Authority Fund	<u>(459)</u>
		<u>3,953,544</u>

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9. Agricultural development fund

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

10. 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 2%.

11. Credit guarantee scheme

This fund of R 1,335,871 comprises of 4 years of annual contribution of R 60,000 each from Federick 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.

12. M.AF/GTZ revolving fund

This fund represents proceeds from sale of agricultural equipment donated by GTZ, a German state owned company. The fund is managed by DBS on behalf of Ministry of Agriculture & fisheries. It will be utilized for the purchase of equipment for sale, or eventually for other purposes in accordance with agreement between GTZ and M.A..F.

13. Accounts receivable

Included in this item is the sum of R 8,245,918 which represents the balance outstanding on loans made to staff members.

14. Cash at bank

The amount of R 49,709,889 is made up as follows:-

	R
DBS bank accounts	47,319,473
Amount held in trust for:-	
Agriculture Development Fund-(ADF)	<u>2,390,416</u>
	<u>49,709,889</u>

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15. Accounts payable

	R
Provision for staff gratuity & compensation	1,044,325
Other payables & accruals	<u>1,647,592</u>
	<u>2,691,917</u>

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 the bank, other Parastatal companies or the Seychelles Government.

16. Provision for exchange differences

This is made up as follows:-

	R
Realized losses on loans repaid	4,809,531
Decrease in balance sheet provisions	(46,543,020)
Decrease in exchange differences on interest accrued	<u>(29,998,542)</u>
	<u>(71,732,031)</u>

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17. Fixed assets

	Freehold Property	Furniture & Fittings	Office Equipment	Motor Vehicle	Total
COST					
At 1 January 2009	6,155,544	622,050	3,006,525	462,317	10,246,436
Additions	0	38,190	215,868	0	254,058
Disposal	(40,950)	(23,554)	(8,130)	0	(72,634)
At 31 December 2008	6,114,594	636,686	3,214,263	462,317	10,427,860
DEPRECIATION					
At 1 January 2009	4,201,930	372,180	2,488,506	343,244	7,405,860
Additions	224,584	114,235	368,902	56,829	764,550
Disposals	(8,463)	(20,689)	(8,130)	0	(37,282)
At 31 December 2009	4,418,051	465,726	2,849,278	400,073	8,133,128
Net book value	1,696,543	170,960	364,985	62,244	2,294,732
At 31 December 2008	1,953,614	249,870	518,019	119,073	2,840,576

18. Financial instruments

Fair value

The bank's current assets and liabilities are stated at historical cost with due provision for currency rate fluctuation. The carrying amounts of these assets and liabilities approximate their fair value.

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Currency risk

Some of the bank's assets and liabilities are denominated in foreign currency. Consequently the bank is exposed to the risk that the exchange rate of the Seychelles rupee relative to the foreign currencies may change in a manner which has a material effect on the report values of the bank's foreign assets and liabilities.

The currency profile of the bank's financial assets and liabilities is summarised as follows:-

	Financial assets R	Financial liabilities R
Euro	21,578	197,365,862
US \$	3,065,452	1,130,893
Seychelles R	<u>340,485,439</u>	<u>51,842,832</u>
	<u>343,572,469</u>	<u>250,339,587</u>

The rates of exchange at the Balance Sheet date were as follows:-

Euro 1.00 = R 16.2112
US \$ 1.00 = R 11.3095

Liquidity risk

Over the above its commitments to service the loans detailed in Note 5 above, the Bank has committed itself to further lending in the sum of R 63,178,314 (see Note 4) at the Balance Sheet date. The bank mitigates its liquidity risks by a strict monitoring of lending portfolio.

Interest rate

Interest rate risk is the potential impact of the changes in market rates on the fair value of the bank's assets and liabilities on the balance sheet date and on the annual interest income and expenses in the income statement. The Bank mitigates its interest rate risk by enduring a fair positive margin between borrowing and lending rate.

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