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DBS HIGHLIGHTS

Loan approved (Years)	2010	2009	2008
Number of loans	486	169	221
Value of loans (SR million)	271.7	78.21	86.19
Breakdown by sector (SR million)			
Agriculture	3.5	5.91	17.15
Fisheries	6.5	3.35	1.87
Industrial	22.8	10.41	5.83
Tourism	159.9	35.83	47.09
Services	78.9	22.7	14.26

Audited financial account summary	2010	2009	2008
Total assets	474.15	345.87	342.3
Paid up capital	39.2	39.2	39.2
Reserve / Retained earnings	73.15	56.33	(27.8)
Total income	38.05	41.51	30.06
Operating expenses	11.42	8.9	9.06
Operating profit	20.39	9.98	6.4
Profit for the year	16.82	84.13	(106.61)

Ratios	2010	2009	2008
Return on assets (%)	4.3	6.86	4.88
Return on equity (%)	20.22	24.83	146
Return on capital (%)	4.35	2.22	5.84

MANAGEMENT REPORT

Introduction

Loans

For the year 2010, the Bank continued to provide financial support to the productive sectors amid the economic downturn. A total of 486 loans were approved for the value of SR271.69 million. These figures represent a huge increase of 187.6% number-wise and an increase of 247.4% value-wise above 2009 results. Demand for loan was at a record high as a result of favourable lending terms and conditions provided by the DBS. Out of the SR271.69 million loans approved, SR210.998million were approved by Board of Directors, a total of SR56.82 million was approved at Loans Committee level and finally SR3.87 million worth of loans were approved by the Managing Director.

Finance

Finance-wise, the Bank realized an operating profit of SR20.39 million, showing an increase of 48% compared to 2009 which achieved an operating profit of SR9.9 million. Contrarily, profit for 2010 receded to SR16.82million, showing a large decrease compared to 2009 which recorded a profit of SR84.128 million which was mainly attributable to unrealised gain in foreign exchange. Growth on net income increased by 25% compared to 2009. Although, the DBS achieved higher income in 2009, 2010 was a better year as net income (gross profit) as a percentage of turnover was better by 56% compared to 25% in 2009.

One major achievement and ventures for DBS in 2010, was the issuing of bonds – first finance institution to engage in Bond Issue after the Government of Seychelles. It is to be noted that the Issue was a success.

Recovery

On the recovery side, the Bank managed to reduce arrears on loans by SR2.4 million in 2010 representing 15%. A lot of efforts were made to reduce the number of legal cases by 14%. Notably, the Bank also managed to beat the forecasted recovery amount of SR1 million by SR1.47 million. The Recovery Department worked extra hard to curtail the increase in defaulters. The Department intensified their efforts through constant monitoring of client's files, more after care services were offered, regular site visits, regular meetings and group review as means to tackle cases before they become severe and staff adopted a new approach in convincing clients to meet their obligations on time.

Information Technology

Like all successful organisation, information technology plays a vital role in sustaining its day to day activities and ensuring control on information risk. During the year 2010, the Bank invested in new computers and hardware to ensure that it operates with appropriate and suitable technology.

Corporate Governance

The Bank has a Board of Directors that is responsible for all the policy decisions of the Bank and oversees the performance of management. The Board is elected as per the Bank's Decree No.21 and FIA Act 2004, Regulations 2010 that came into effect in February 2010. The Board Members represent various sectors of the economy and their expertises are essential to the Bank. Notably, in mid February 2010, the Bank had a complete change in members of the Board, apart from one Director who was on previous board. Another major move by the Bank was the setting up of an Audit Committee and a Remuneration Committee at Board level. Along with best practices, the Internal Auditor reports functionally to the Audit Committee and administratively to the Managing Director.

Risk

The Bank has just set up its Risk Unit that will assist the Board to identify and propose ways to mitigate if not eliminate risks that are causing hindrances to an effective and smooth operation of the Bank. The risk unit falls under the Secretariat Unit and has a Board sub-committee - Risk Committee that oversees and reports to Board on all matter of risks concerning the Bank.

Audits

External

The DBS has been subject to several audits and bank examination by external auditors since the beginning of 2010, when it was placed under the regulation of the Central Bank of Seychelles (CBS). The Financial Institution Act, Regulations 2010 came into effect on 1st February 2010. During the year, a due diligence audit was carried out by BDO Associates (an international Accounting Firm) at the request of CBS. Then in November, a review of the Bank was carried out by World Bank under the FISRT Initiative Program. Out of the review, several recommendations were made, of which some are being considered for adoption by the Bank in the coming year, and some other will be adopted gradually during the years ahead.

Internal

The internal auditor is responsible for promoting and evaluation of areas of risks and internal controls to ensure compliances, reporting of reliable and timely financial information and measures and processes for sound and effective internal controls. In line with good governance and best practices, an Audit Committee was set during the year and it is chaired by one Non-Executive Director and two other Non-Executive Directors are members. The Internal Auditor reports directly to the Audit Committee for independency. The Audit Committee, a sub-committee of the Board of Directors is responsible for the overseeing, ensuring implementation of effective internal controls, risk management and efficient use of the Bank's assets. Following its set up late during the year, the Committee met to discuss and agree on its responsibility, approve its charter and review Bank's financial accounts.

Public Relation

Like all past years, the Bank has remained committed towards its corporate and social responsibilities and has contributed generously to the community through various sponsorship and donations to several non-governmental agencies, educational institutions and charitable agencies. A total of SR267,750/- was contributed towards such humanitarian causes. A further SR104,054.91 went towards documentation, promotion and advertising.

Personnel and Administration

Investment in its human capacity remained fundamental to the success of the Bank. Many staff benefitted from training locally and overseas. As usual two staff were sent to Development Bank of Mauritius through the Bilateral Agreement. Last year, the Bank also welcomed back one of its staff who was following a Degree course in Australia. She has resumed work and has taken up the Post of Human Resources and Administration Manager, following her successful completion of a Bachelor's Degree in Business Studies. Locally, staff has also benefitted from courses conducted at SIM including Diploma in management, ACCA, Office management and other accounting courses.

The training and acquired skills and knowledge have paid off as in 2010, there were several promotions 12 staff in total from various departments.

Investment and Performance

The year 2010, was one year which saw a lot of demand for loan. This came as a result of the Bank revising its lending policy downward to attract more investors and stimulate the economy. The move was also done on the premise that the other commercial banks will also bring down their interest rate in order to reduce the cost of borrowing and bring back confidence in the business community. As mentioned previously, the Bank recorded the highest loan approval of 486 in total compared to the last five years. This trend is expected to continue in 2011 and the years ahead. The Bank is optimistic that, it will even out gradually as the economy picks up and business activity improves.

As usual, the service sector continued to dominate the total loan portfolio with 345 loans approved for the value of SR159.96 million. The main contributors to the service sector include commercial development (building of flats for rent) with 29 loans but worth SR63.72 million. Financing to pick-up trucks needed for commercial purposes also was quite large worth SR30.29 million for 95 loans. Another sub-sector that had joined the market and picked up rapidly is the omnibus. In total 22 loans were approved for this sub-sector worth well over SR13.323 million. Compared to 2009, the taxi industry also performed fairly well with 35 loan approval worth SR8.198 million, a slight increase of 8.13%. Figures 1 and 2 below shows the trend in loan approval over five years in terms of number and value:

Fig 1

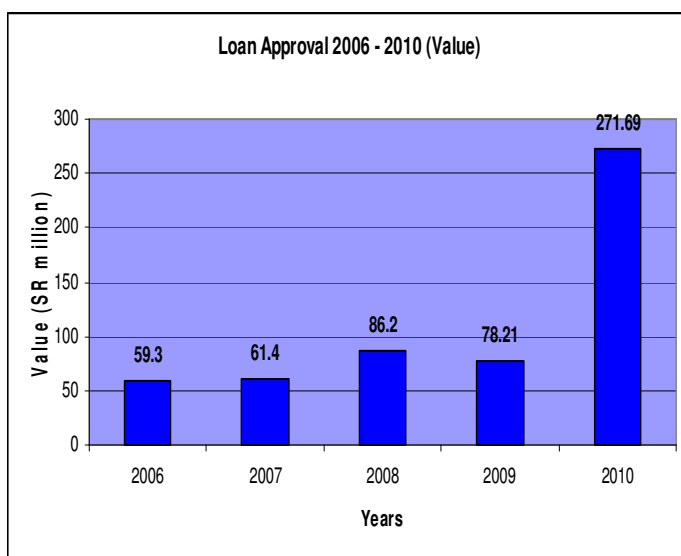
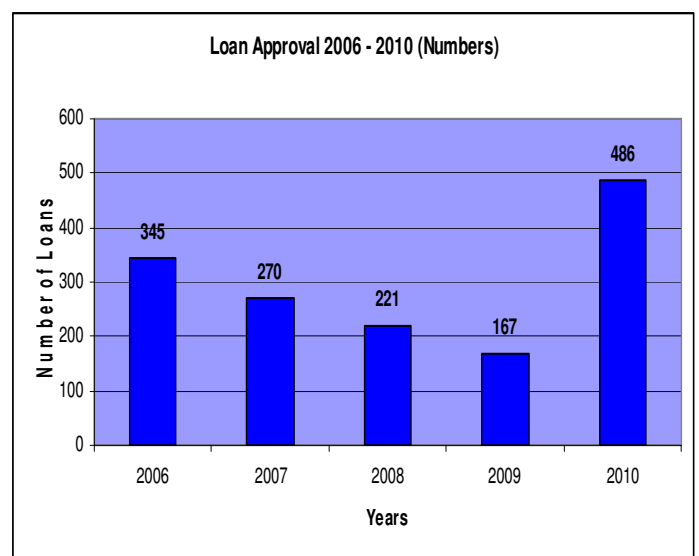


Fig 2



Operating and Financial Review

For the year 2010, the Bank achieved an operating profit of SR 20.39 million and a net profit of SR16.82 million. Compared to 2009, the operating profit recorded an increase of 104% which showed that operation-wise the Bank performed better in 2010. However, the net profit shows a huge decrease of 80%, although it is to be noted that last profit was due to unrealised gain from foreign loans of SR76.54 million. Interest on loans dropped by 8% and interest received on deposits went down by 29.5% as a result of interest rate cuts in the market. Despite the overall decreases, return on other income increased by 33% compared to 2009.

A look at the Bank's financial position, total assets increased significantly by 37% as compared to 2009 figures due to the European Union Fishery Funds and increase in loan debtors. There were no major changes in fixed assets.

Current liability increased by 57% as compared to 2009. The foreign debts remained mostly the same and the local debts increased by 145% following the issue of the SR100million bond.

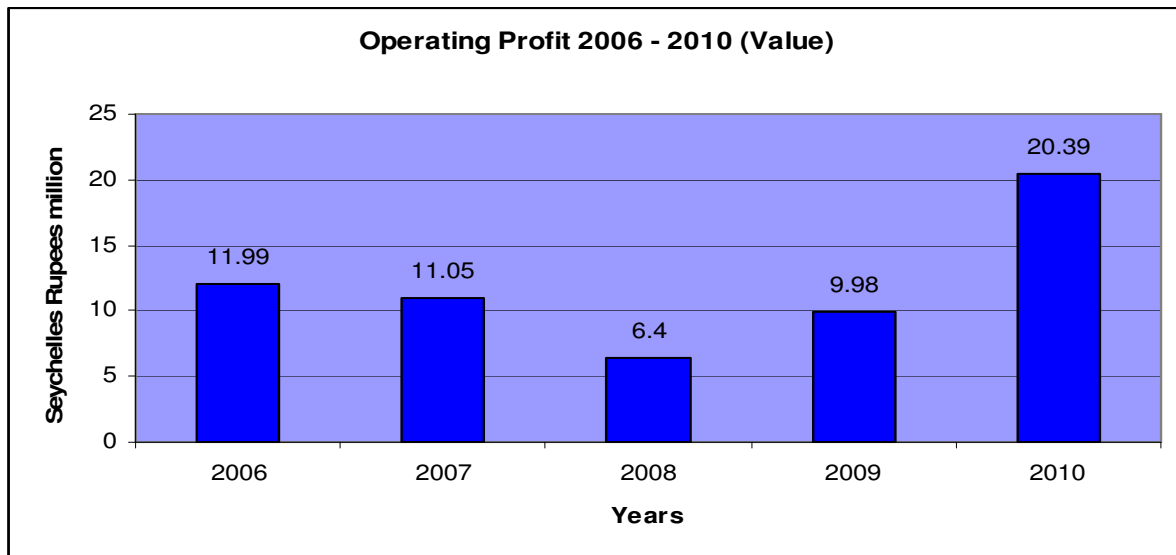
The Bank managed to service its loan commitment locally and overseas and provisions are being made to clear off the Barclays loan early in 2011.

DBS interest income in 2010 exceeded its target by SR647,000 which was very favourable. The interest expenses were also favourable by SR7.432 million. Operating expenses were higher than what was budgeted bringing an adverse effect, although, it can be said that overall DBS did better than what was budgeted for 2010.

Loan commitment

The Bank's loan commitment for 2010 was SR358.59 million compared to SR282.97 million in 2009, showing an increase of over 21%. It is foreseen that this trend will continue throughout 2011, and possibly even out towards the end of the year as the economy picks up.

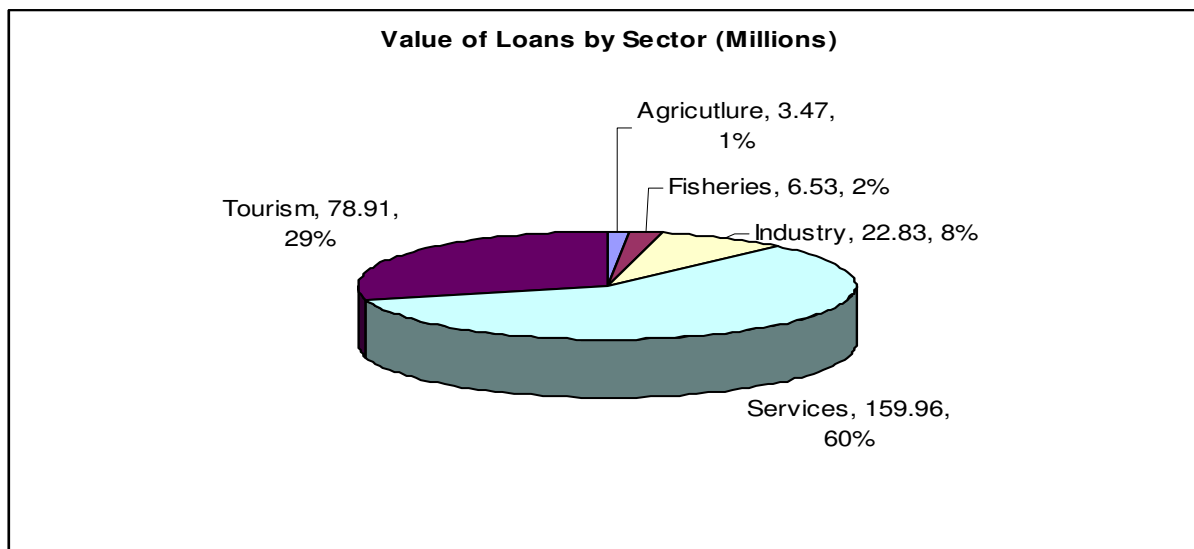
Fig. 3



SECTORIAL ANALYSIS



Fig. 4 DBS Loan portfolio by sector

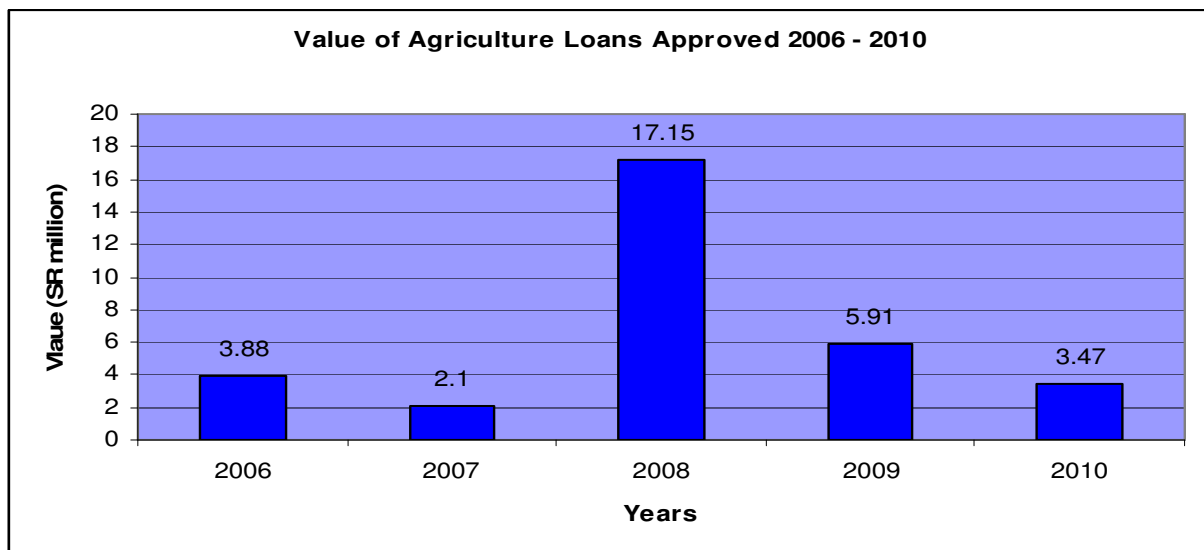


As previously mentioned, the services sector has dominated the loan portfolio with 60%, followed by the Tourism sector 29%. Compared to 2009, the Industry sector has performed fairly well with almost 23% as opposed to 13%. The Fisheries and the Agriculture sector remain the lowest contributors with 6.53% and 1% respectively. It is to be noted, that a lot of loan commitment went to commercial development worth SR 63.72 million followed by other small businesses like retailer, hairdresser, bakery and other small businesses. On overall, all the sectors out performed previous year results positively.

Agriculture

The agriculture sector did not pick up as anticipated compared to previous year. In 2009, although only 6 projects were approved, value-wise it outperformed 2010 which approved 16 projects for the value of SR3.47 million compared to SR5.91 million. It is to be noted that the decrease in loan demand for this sector may have been due to the draught condition throughout 2010, deterring agricultural and livestock farmers from wanting to invest further. Another factor contributing to the low demand in loans application may have been attributed to the high competition being faced by farmers from cheap importation of meat and fresh vegetables and fruits. This trend is deteriorating the market for farmers to sell their products competitively. Figure 5 below shows loan approval for the agriculture sector for the last five years.

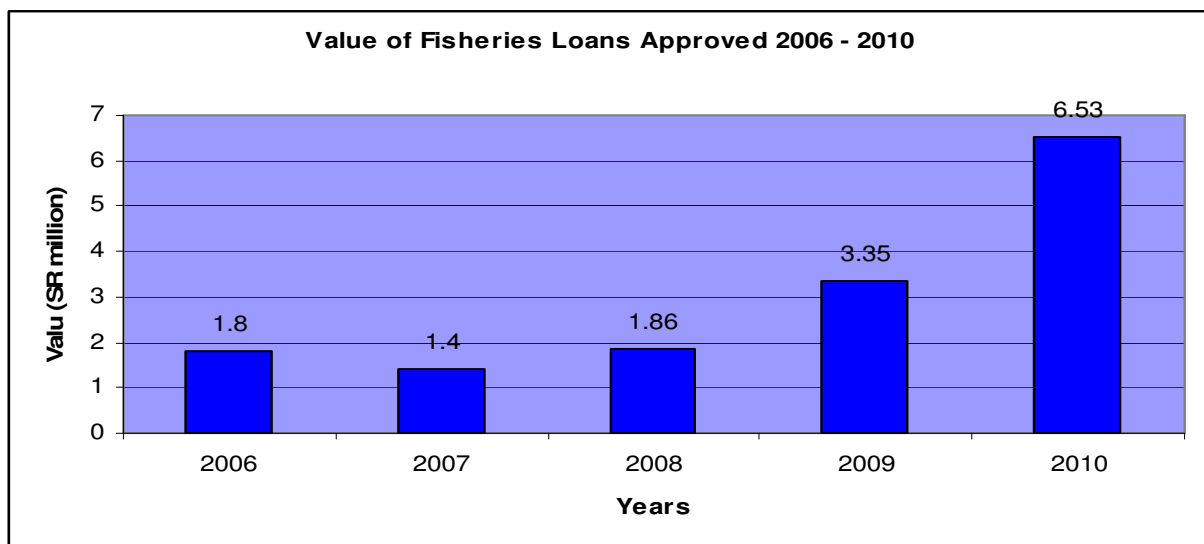
Fig. 5



Fisheries

Despite all economic conditions, the fisheries sector performed reasonably well compared to 2009, with 28 approved loans worth over SR6.53 million. This shows a 50% increase on a smaller scale. As usual, loans to this sector have mainly been towards financing boat engine, purchase, construction or repairing of fishing vessels and purchase of fishing equipment. With the problems of piracy in the Indian Ocean, the Bank is still optimistic on this sector as the fishery sector takes new dimension of investing more in other forms of fishing rather than traditional fishing in light of the dangers posed by the Somali pirates.

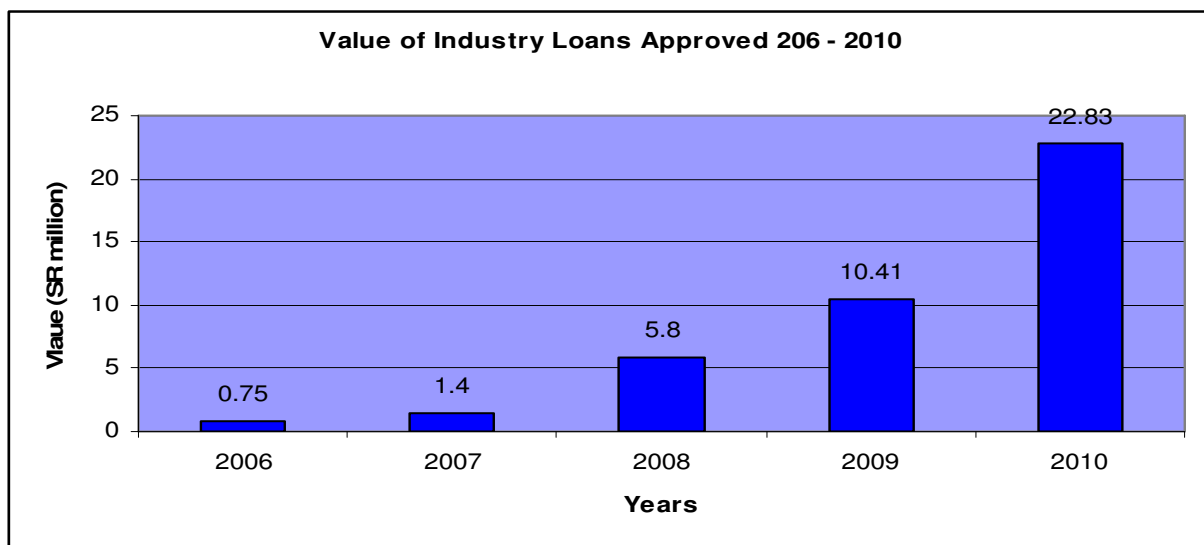
Fig. 6



Industry

As expected, the industry sector performed well nearly double that amount of 2009, same as was the case in 2008. For 2010, a total of 38 loans worth SR22.83 million were sanctioned for this sector. As usual, financing to this sector is mainly to manufacturing industries like tailoring, water bottling, handicraft, manufacturing of furniture and others of the likes. The graph below shows the overall performance of the sector for the last five years.

Fig. 7



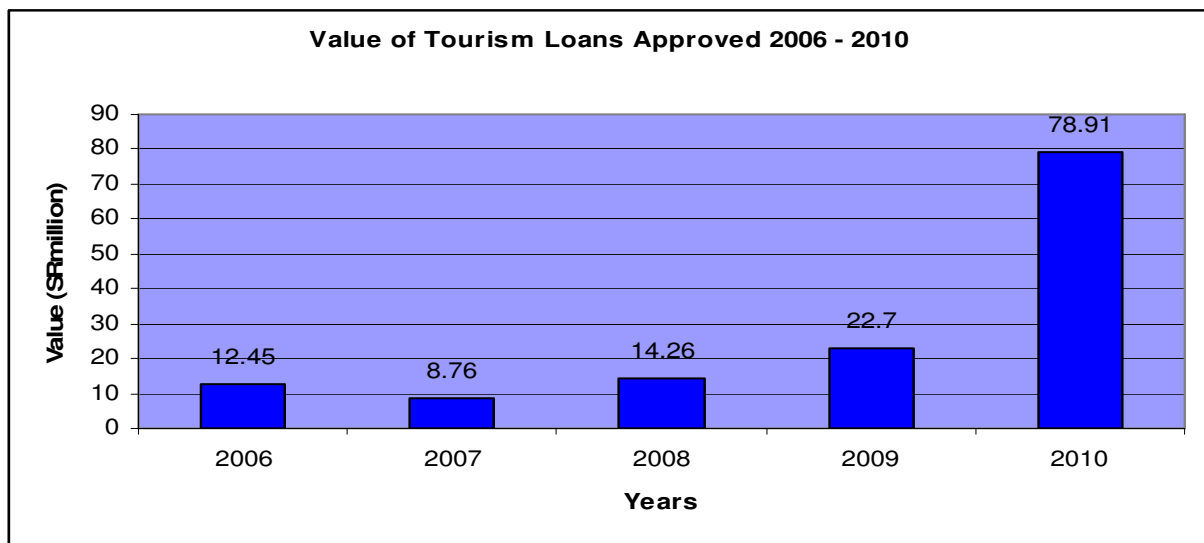
As it can be seen, businesses in the industry sector are picking up faster than expected, and in terms of value, it is doubling each year.



Tourism

The tourism sector performed tremendously well compared to previous years. A total record of 59 loans was approved worth SR78.91 million. The main contributors to this sector included car hires, boat charters, restaurants, luxury apartments to rent to tourists and others. Financial assistance was also extended to other tourism related service projects including finance for purchasing new car fleet for car hire operators, renovation of restaurants and boats for charting activities. Another major factor that has contributed to this huge increase in loan approval is the favourable lending terms. As a result, many clients transferred their loans from the commercial banks to DBS.

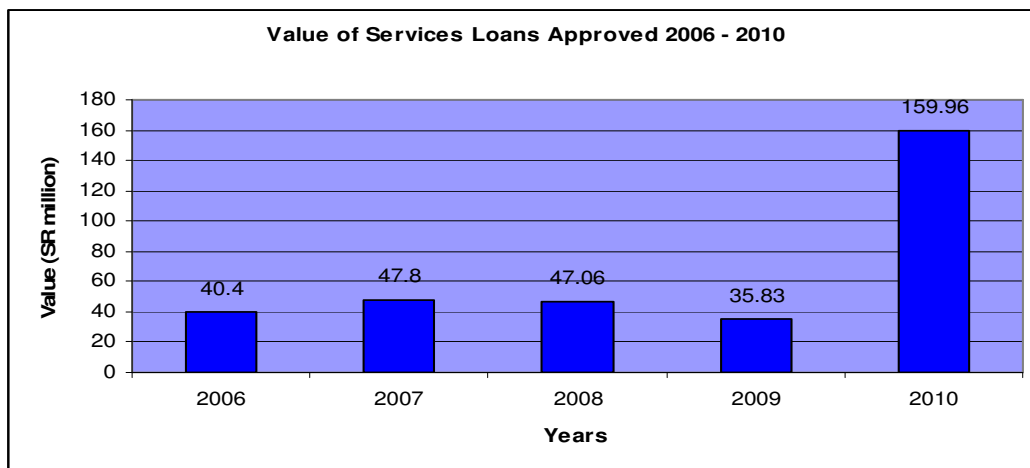
Fig. 8



Services

The service sector which dominates the loan portfolio, also performed exceptionally well compared to previous year. A total of 345 loans were granted for an amount of SR159.96 million. Financing to pick-up trucks for commercial activities was at an increase with 95 loan approval worth well over SR30 million, compared to 2009 which recorded 16 loans worth SR3.45 million. Other projects in the service sector that showed big increase has been projects in commercial development with 29 loans approval worth SR63.7 million compared to 2009 with 6 projects worth SR11.75 million. It is anticipated that this trend will continue through out 2011 as more clients venture into the service sector which involves trades like lawyers, consultancy, employment agency and others. The graph below shows the trend of financing in the service sector.

Fig. 9



AUDITOR'S REPORT

INDEPENDENT AUDITORS REPORT

DEVELOPMENT BANK OF SEYCHELLES

We have audited the accompanying financial statements of Development Bank of Seychelles on pages 3 to 11, which comprise the balance sheet as at December 31, 2010, the income statement including cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management , under the historical cost convention and the accounting policies set out on page 6.

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.

Management's Responsibility for the Financial Statements

Management is responsible for keeping proper accounting records and for the preparation of financial statements that give a true and fair view of the bank's affairs in accordance with the accounting policies of the Development Bank of Seychelles Decree 1977, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We concluded 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 about whether the financial statements are free from material misstatement.

We have no relationship with to material interest in the bank other than in our capacity as auditors and tax and business advisors and arms length dealings with the bank in the ordinary course of business.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and that these are in accordance with the accounting records maintained by the management. The procedures selected depend on the auditor's judgement, 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures 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 management, as well as evaluating the overall presentation of the financial statements.

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

Going Concern

In forming our opinion we have considered the disclosures made in the financial statements concerning the long term overseas loans (note 5).

These loans which represent around 54% of the bank's liabilities (excluding equity & reserves) are now all in arrears.

The lenders have not foreclosed nor given notice to foreclose but are together with the Paris Club Group, negotiating with the Government of Seychelles to agree a repayment for the loan.

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

Opinion

Apart from the above, in our opinion, the accompanying financial statements set out on pages 3 to 11 give a true and fair view of the financial position of the Development Bank of Seychelles as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Development Bank of Seychelles Decree 1977 and accounting principles generally followed in Seychelles.

Pool & Patel

Chartered Accountants

Date: 24th May 2011

DEVELOPMENT BANK OF SEYCHELLES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Financial statements are prepared in Seychelles Rupees

	Note		2009
Interest income	1 (g)		
Loan	3	34,168,381	37,017,862
Bank		<u>2,357,756</u>	3,344,517
			40,362,379
Interest Expense-Overseas loans-Normal	5	(27,198)	(3,270,894)
-Penal	5	0	(5,952,224)
Interest Expense-Local loans		(3,762,084)	(8,567,450)
Interest Expenses - Bonds		<u>(2,453,567)</u>	0
		(6,242,849)	(17,790,568)
		30,283,288	22,571,811
Other income		1,526,769	1,144,495
Income (net)		31,810,057	23,716,306
Operating expenses			
Staff Costs		7,263,890	5,015,025
Administration expenses	7	3,765,302	3,095,068
Computer software w/off		0	730,688
Bad debts written-off		234	82,749
		(11,029,426)	(8,923,530)
Realised losses on exchange		387,126)	(4,809,531)
Surplus before provision		20,393,505	9,983,245
Provision for depreciation	14	(662,766)	(764,550)
Provision for doubtful debts	4	(3,422,234)	(1,631,283)
Provision for unrealised exchange (losses) gains	13	<u>(511,226)</u>	(76,541,562)
Profit/(loss) for the year		(16,819,731)	(84,128,974)
Retained earnings 1 January		12,421,859	(71,707,115)
Retained earnings 31 December		29,241,590	12,421,859

DEVELOPMENT BANK OF SEYCHELLES
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Financial statements are prepared in Seychelles Rupees

	Note		2009
Assets			
Cash at bank	10	51,616,209	49,709,889
Deposits with government	11	46,635,020	0
Accounts receivable	9	<u>13,821,321</u>	9,661,398
		112,072,550	59,371,287
Loans outstanding (gross)	4	387,704,829	308,830,382
Less: provision for irrecoverable loans	4	<u>(29,110,384)</u>	(25,864,200)
Loans outstanding (net)		358,594,445	282,966,182
Treasury bonds		1,235,000	1,235,000
Fixed assets (net)	14	<u>2,244,124</u>	2,294,732
		<u>474,146,119</u>	345,867,201
Liabilities			
Accounts payable	12	5,365,413	2,691,917
Dividend payable		0	720,721
Long term borrowing-Overseas	5 (a)		
Caisse Française de Development BADEA		<u>196,717,735</u> <u>0</u>	197,228,961 547,073
		196,717,735	197,776,034
Long term borrowing-Locally	5 (b)	10,713,647	45,197,371
Bonds issued	5 (c)	100,000,000	0
Fund under management	8	49,001,979	3,953,544
Share Capital	6	39,200,000	39,200,000
Reserves	2	43,905,755	43,905,755
Retained Earnings		<u>29,241,590</u>	12,421,859
		<u>112,347,345</u>	95,527,614
Total liabilities		474,146,119	345,867,201

DEVELOPMENT BANK OF SEYCHELLES**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010**

Financial statements are prepared in Seychelles Rupees

		2009
Net cash inflow from operating activities		
Operating profit/(loss)	19,730,739	9,218,695
Depreciation charges	662,766	764,550
Loss on disposal of fixed assets	1,732	34,852
Profit/(loss) on exchange on interest & commitment fees	0	29,998,542
Bad debts w/off to provision	(176,050)	(51,550)
Loans to customers net of repayment	(78,874,447)	(27,964,022)
Increase in debtors	(4,159,923)	(67,272)
Increase in creditors	2,673,496	(1,166,207)
Dividend paid	(720,721)	(736,606)
	(60,862,408)	10,030,982
Investing Activities		
Sale/(purchase) of treasury bonds/investment	0	200,000
Receipts from sale of tangible fixed assets	3,848	500
Payments to acquire tangible fixed assets	(617,738)	(254,058)
	613,890	(53,558)
Net cash inflow before financing	(61,476,298)	9,977,424
Financing		
External loans net of repayment	(547,073)	(23,117,365)
Local loans net of repayment	(34,483,724)	(9,431,627)
Decrease in managed funds	(45,048,435)	437,072
Increase in short term borrowings	100,000,000	0
Net cash inflow from financing	110,017,638	(32,111,920)
Decrease in cash and cash equivalents	48,541,340	(22,134,496)
Cash & cash equivalents 1 January	49,709,889	71,844,385
Cash & cash equivalents 31 December	98,251,229	49,709,889

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 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.

2. Reserves.

The Movement in the reserve was as follows:

		2009
(i) Contingency reserve		
Balance 1.1.2010	<u>39,583,919</u>	39,583,919
Balance 31.12.2010	<u>39,583,919</u>	39,583,919
(ii) E.I.B Special reserve		
Balance 1.1.2010	<u>1,801,401</u>	1,801,401
Balance 31.12.2010	<u>1,801,401</u>	1,801,401
(iii) Foreign Exchange Equalisation Fund - (FEEF) Provision for FEEF on E.I.B Loan No. 4	<u>2,520,435</u>	2,520,435
Balance 1.1.2010	<u>2,520,435</u>	2,520,435
Balance 31.12.2010	<u>43,905,755</u>	43,905,755

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 SR 358,594,445 shown in the balance sheet is made up as follows:-

		2009
Long term loans (exceeding 7 years)	233,608,409	211,208,485
Medium term loans (between 2 & 7 years)	52,255,082	96,641,285
Short term loans (not exceeding 2 years)	<u>1,841,338</u>	980,612
	387,704,829	308,830,382
Less provision against private sector loans which may prove irrecoverable	<u>(29,110,384)</u>	(25,864,200)
	<u>358,594,445</u>	282,966,182

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

		2009
Balance 1 January 2010	25,864,200	24,284,467
Extra provision required during the year	3,422,234	1,631,283
Bad debts written off against provision	(176,050)	(51,550)
Balance 31 December 2010	<u>29,110,384</u>	25,864,200

Loans approved but not disbursed by the balance sheet date amounted to SR184,646,351 (prior year SR63,178,314).

5. Loan repayable
(a) Overseas loans

	Balance 31.12.2010	Repayment Period	1st Repayment due	Rate of interest per annum	Scheduled Yearly Repayment
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
	37,748,925				
Provision for unrealized exchange losses on capital outstanding	63,774,263				
Interest & commitments fees - accrued/exchange loss thereon as at 31.12.2009	<u>95,194,547</u>				
	<u>196,717,735</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 loan.

The loans from Caisse Française de Development are guaranteed by the Seychelles Government.

The Bank has been advised by the Government that the loans from Caisse Française de Development together with other Government debts are being re-negotiated with the Paris Club Group.

The Bank has therefore not revalued the interest on Caisse Française de Development loans as at 31 December 2010, nor has interest been accrued there on.

No agreement has yet been signed with Caisse Française de Development or the Government of Seychelles in regard to the above.

(b) Local loans

	Balance 31.12.2010	Repayment period	1st Repayment due	Rate of interest per annum	Scheduled yearly Repayment
Barclays Bank (Seychelles) Ltd	1,556,779	7 years	31.07.06	14.82%	12,564,954
Nouvobanq	<u>9,156,868</u>	7 years	24.04.06	8.25%	5,434,123
	<u>10,713,647</u>				

(c) Bonds issued

Balance 31.12.2010	Repayment period	Rate of interest per annum
50,000,000	2 years	5%
<u>50,000,000</u>	3 years	5.5%
<u>100,000,000</u>		

6. Share capital

The share capital of the bank is as follows:-

	1 Jan 2010	31 Dec 2010
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 3,765,302 is:-

			2009
(i)	Auditors Remuneration	74,750	69,671
(ii)	Professional fees	286,005	122,750
(iii)	Directors fees	179,400	172,350

8. Fund under management

This comprises of the following funds: -

			2009
(i)	Fisheries Fund	170,596	170,596
(ii)	Credit guarantee scheme	c 870,134	870,134
(iii)	MAF (GTZ) fund	d 55,329	5,329
(iv)	SFA Fund	3,200	3,200
(v)	Agriculture Development Fund	a 1,887,301	2,854,744
(vi)	Seychelles Fishing Authority Fund	b 40,094,067	(459)
(vii)	Concessionary Loans Scheme Fund (CCA)	e 5,921,352	0
		49,001,979	3,953,544

(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 2%.

(c). Credit guarantee scheme

This fund of R 870,134 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.

(d). 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 utilised for the purchase of equipment for sale, or eventually for other purposes in accordance with agreement between GTZ and M.A..F.

(e) 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 known as (CLS) of the Ministry of Finance. Government decided to transfer the management for the disbursement and recovery of CCA loans activities tot eh Bank for which it charges a processing fee of 1.5%

9. Accounts receivable

Included in this item is the sum of R 10,539,428 which represents the balance outstanding on loans made to staff members.

10. Cash at bank

The amount of R 51,616,209 is made up as follows:-

		2009
DBS bank accounts	44,248,798	47,319,473
Amount held in trust for: -		
Agriculture Development Fund - (ADF)	1,432,731	2,390,416
Concessionary Loans Scheme - (CLS)	5,934,680	0
	<u>51,616,209</u>	49,709,889

11. Deposit with government

The amount of SR46,635,020 is made up as follows:-

		2009
DBS bank accounts	6,540,953	0
Amount held in trust for: -		
Fisheries EU Fund - (SFA)	40,094,067	0
	<u>46,635,020</u>	0

12. Accounts payable

		2009
Provision for staff gratuity & compensation	1,913,726	1,044,325
Other payables & accruals	3,451,687	1,647,592
	<u>5,365,413</u>	2,691,917

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.

13. Provision for exchange differences

This is made up as follows:-

		2009
Realized losses on loans repaid	387,126	4,809,531
Decrease in balance sheet provisions	(511,226)	(46,543,020)
Decrease in exchange differences on interest accrued (not provided 2010)	<u>0</u>	(29,998,542)
	<u>(124,100)</u>	(71,732,031)

14. Fixed assets

	Freehold Property	Furniture & Fittings	Office Equipment	Motor Vehicle	Total
COST					
At 1 January 2010	6,114,594	636,686	3,214,263	462,317	10,247,860
Additions	22,500	138,493	179,745	277,000	617,738
Disposal	0	(55,589)	(972,028)	0	(1,027,617)
	<u>6,137,094</u>	<u>719,590</u>	<u>2,421,980</u>	<u>739,317</u>	<u>10,017,981</u>
At 31 December 2010	6,137,094	719,590	2,421,980	739,317	10,017,981
DEPRECIATION					
At 1 January 2010	4,418,051	465,726	2,849,278	400,073	8,133,128
Additions	224,627	118,472	274,338	45,329	662,766
Disposals	0	(51,080)	(970,957)	0	(1,022,037)
	<u>4,642,678</u>	<u>533,118</u>	<u>2,152,659</u>	<u>445,402</u>	<u>7,773,857</u>
At 31 December 2010	4,642,678	533,118	2,152,659	445,402	7,773,857
Net book value	<u>1,494,416</u>	<u>186,472</u>	<u>269,321</u>	<u>293,915</u>	<u>2,244,124</u>
At 31 December 2009	1,696,543	170,960	364,985	62,244	2,294,732

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