SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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CORPORATE INFORMATION - DECEMBER 31, 2013

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

The Directors are pleased to submit their report together with the audited financial statements of **Seychelles International Mercantile Banking Corporation Limited** (hereafter called the "Bank") for the year ended December 31, 2013.

PRINCIPAL ACTIVITY

The principal activity of the Bank remained unchanged during the year under review and comprised the provision of banking services in Seychelles.

RESULTS

	SR'000
Profit before taxation	**140,714**
Taxation expense	**(43,543)**
Profit for the year	**97,171**
Other comprehensive income	**5,050**
Retained earnings brought forward	**173,186**
Profit available for distribution	**275,407**
Dividends	**(100,000)**
Retained earnings carried forward	**175,407**

DIVIDENDS

The Directors proposed and paid the following:

	2013	2012
	SR'000	SR'000
Dividend for the reporting period ended December 31, 2013		
- Interim dividend of SR 500 per share proposed on December 26, 2013 and paid on December 31, 2013	**50,000**	-
Dividend for the reporting period ended December 31, 2012		
- Interim dividend of SR 500 per share proposed on October 12, 2012 and paid on October 19, 2012	**-**	50,000
- Final dividend of SR 500 per share proposed on May 7, 2013 and paid on May 10, 2013	**50,000**	-
Dividend for the reporting period ended December 31, 2011		
- Final dividend of SR 500 per share proposed on March 19, 2012 and paid on March 26, 2012	**-**	50,000
	100,000	100,000

PROPERTY AND EQUIPMENT

Additions to property and equipment totalled **SR 20.5m** for the year under review (2012: SR 23.3m) and comprised mainly computer equipment, furniture and equipment and capital work-in-progress. The Bank disposed equipment with net book value of **SR 9k** in respect of equipment (2012: SR 423k).

All property and equipment are stated at historical cost less accumulated depreciation. The Directors are of the opinion that the carrying amount of the assets approximate their fair value and do not require any adjustments for impairment.

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Bank since the date of the last report and the date of this report are:

Steve Fanny
Lise Bastienne
Stephen Jardine
Anil Dua
Charles Bastienne
Ahmad Saeed

In accordance with the Articles of Association, Mr. Steve Fanny retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Bank including its operations and the making of investment decisions.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies Act 1972, the Financial Institutions Act, 2004 and the Regulations and Directives of the Central Bank of Seychelles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that fall within the accounting policies adopted by the Bank as a whole; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Bank and those that are held in trust and used by the Bank.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The auditors, Messrs. BDO Associates, being eligible offer themselves for re-appointment.

BOARD APPROVAL

Steve Fanny Director	**Lise Bastienne** Director	**Stephen Jardine** Director
Anil Dua Director	**Charles Bastienne** Director	**Ahmad Saeed** Director

Dated: May 14, 2014
Victoria, Seychelles

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P.O. Box 18
The Creole Spirit
Quincy Street, Mahé
Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **Seychelles International Mercantile Banking Corporation Limited**, as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **Seychelles International Mercantile Banking Corporation Limited** set out on pages 4 to 42 which comprise the Statement of Financial Position as at December 31, 2013, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Directors' Responsibility for the Financial Statements

As stated on page 2(a) of the Directors' Report, the Board of Directors are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial statements.

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

BDO

Opinion

In our opinion, the financial statements on pages 4 to 42 give a true and fair view of the financial position of the Bank as at December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972.

Report on Other Legal Regulatory Requirements

Companies Act, 1972

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

We have obtained all information and explanations we have required.

Financial Institutions Act, 2004

The Financial Institutions Act, 2004 requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Financial Institutions Act, 2004.
- The explanations or information called for or given to us by the employees of the Bank were satisfactory.
- The Bank did not carry out any fiduciary duties for the year under review.

Public Enterprise Monitoring Commission Act, 2013

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

We have obtained all the information necessary for the purpose of our audit and are satisfied with the information received.

Other matter

The financial statements of the Bank for the year ended December 31, 2012 were audited by another auditors who expressed an unmodified opinion on May 7, 2013.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: May 14, 2014
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

	Notes	2013	Re-stated 2012	Re-stated 2011
		SR'000	SR'000	SR'000
ASSETS				
Cash and cash equivalents	5	**2,516,370**	2,078,411	1,428,656
Loans and advances	6	**1,373,064**	1,299,894	1,339,795
Investment in financial assets	7	**861,138**	389,542	534,873
Investment in associate	8	**22,091**	20,957	19,047
Property and equipment	9	**44,618**	26,907	6,077
Intangible assets	10	**10,904**	3,481	5,801
Other assets	11	**16,066**	25,010	15,537
Deferred tax assets	12	**38,650**	35,193	25,168
Total assets		4,882,901	3,879,395	3,374,954
LIABILITIES AND EQUITY				
LIABILITIES				
Customers deposits	13	**4,459,976**	3,117,792	2,935,732
Due to banks	14	-	325,204	2,887
Retirement benefit obligations	15	**5,667**	12,869	14,791
Other liabilities	16	**28,858**	21,858	28,960
Current tax liabilities	17	**9,196**	23,264	12,619
Total liabilities		4,503,697	3,500,987	2,994,989
EQUITY				
Share capital	18	**100,000**	100,000	100,000
Statutory reserve	19	**100,000**	100,000	100,000
Retained earnings	Page 6	**175,407**	173,186	174,555
Currency translation reserve	Page 6	**3,797**	5,222	5,410
Total equity		379,204	378,408	379,965
Total liabilities and equity		4,882,901	3,879,395	3,374,954
CONTINGENT LIABILITIES				
Guarantees, bills of collection, letters of credit...etc		**203,867**	120,455	175,548
Loan commitments		**148,673**	262,531	108,268

These financial statements have been approved for issue by the Board of Directors on May 13, 2014.

Steve Fanny
Director

Lise Bastienne
Director

Stephen Jardine
Director

Anil Dua
Director

Charles Bastienne
Director

Ahmad Saeed
Director

The notes on pages 8 to 42 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2013

	Notes	2013	Re-stated 2012
		SR'000	SR'000
Interest income	20	**153,738**	167,482
Interest expense	21	**(37,671)**	(33,147)
Net interest income		**116,067**	134,335
Fees and commission income	22	**39,822**	38,257
Fees and commission expense		**(25,747)**	(25,402)
Net fee and commission income		**14,075**	12,855
Net interest,fee and commission income		**130,142**	147,190
Net trading income	23	**59,642**	79,754
Other operating income		**142**	1,766
		189,926	228,710
Other operating expenses	24	**(49,564)**	(41,351)
Amortisation of upfront lease payments	11(a)	**(53)**	(53)
Depreciation of property and equipment	9	**(2,735)**	(2,040)
Amortisation of intangible assets	10	**(4,269)**	(2,320)
Total operating expenses		**(56,621)**	(45,764)
Operating profit before provision for credit impairment		**133,305**	182,946
(Reversal)/Provision for credit impairment	6(b)	**7,292**	(37,942)
Operating profit after provision for credit impairment		**140,597**	145,004
Share of results of associate	8	**117**	2,098
Profit before taxation		**140,714**	147,102
Taxation expense	17	**(43,543)**	(48,607)
Profit for the year		**97,171**	98,495
Other comprehensive income			
Loss on retranslation of associate	8(a)	**(1,425)**	(188)
Movement in retirement benefit obligations	15(a)(ii)	**5,050**	136
	8(a)	**3,625**	(52)
Total comprehensive income for the year		**100,796**	98,443

The notes on pages 8 to 42 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2013

	Share capital	Statutory reserve	Retained earnings	Translation (deficit)/ reserve	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at January 1, 2013					
- As previously reported	**100,000**	**100,000**	**183,866**	**5,222**	**389,088**
- Prior year adjustment (note 30)	**-**	**-**	**(10,680)**	**-**	**(10,680)**
- As re-stated	**100,000**	**100,000**	**173,186**	**5,222**	**378,408**
Total comprehensive income for the year	**-**	**-**	**102,221**	**(1,425)**	**100,796**
Dividends (note 26)	**-**	**-**	**(100,000)**	**-**	**(100,000)**
Balance at December 31, 2013	**100,000**	**100,000**	**175,407**	**3,797**	**379,204**
Balance at January 1, 2013					
- As previously reported	100,000	100,000	186,974	5,410	392,384
- Prior year adjustment (note 30)	-	-	(12,419)	-	(12,419)
- As re-stated	100,000	100,000	174,555	5,410	379,965
Total comprehensive income for the year	-	-	98,631	(188)	98,443
Dividends (note 26)	-	-	(100,000)	-	(100,000)
Balance at December 31, 2013	100,000	100,000	173,186	5,222	378,408

The notes on pages 8 to 42 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2013

	Notes	2013	Re-stated 2012
		SR'000	SR'000
Cash generated from operations			
Profit before taxation		**140,714**	147,102
Adjustments for:			
Provision for credit impairment reversed during the year	6	**(853)**	-
Provision for credit impairment charged to profit or loss	6	**(7,292)**	37,942
Interest accrued on investment in financial assets	7	**(936)**	(6,819)
Interest released on investment in financial assets	7	**6,819**	2,041
Share of results in associate	8	**(117)**	(2,098)
Depreciation of property and equipment	9	**2,735**	2,040
Amortisation of intangible assets	10	**4,269**	2,320
Amortisation of upfront lease payments	11(a)	**53**	53
Movement in retirement benefit obligations	15	**2,282**	2,439
Currency translation differences		**(8,353)**	1,085
Property and equipment written off		**9**	423
		139,330	186,528
Changes in working capital:			
- Loans and advances		**(65,025)**	1,960
- Other assets		**8,891**	(9,527)
- Due to bank		**(325,204)**	322,317
- Customer deposits		**1,342,184**	182,060
- Due from other bank		**(621,585)**	(5,266)
- Other liabilities		**7,000**	(7,102)
		485,591	670,970
Contribution and direct benefits paid	15(a)(ii)	**(4,434)**	(4,225)
Tax paid	17	**(61,068)**	(47,987)
Net cash generated from operating activities		**420,089**	618,758
Cash flows from investing activities			
Additions to investment in financial assets	7	**(2,462,749)**	(3,273,751)
Maturity of investment in financial assets	7	**1,985,270**	3,423,860
Addition to investment in associate	8	**(2,442)**	-
Purchase of property and equipment	9	**(20,455)**	(23,293)
Purchase of intangible assets	10	**(11,692)**	-
Net cash (used in)/generated from investing activities		**(512,068)**	126,816
Cash flows from financing activity			
Dividends paid and net cash used in financing activity	26	**(100,000)**	(100,000)
Net (decrease)/increase in cash and cash equivalents		**(191,979)**	645,574
Movement in cash and cash equivalents			
At January 1,		**2,047,677**	1,403,188
(Decrease)/Increase		**(191,979)**	645,574
Currency translation differences		**8,353**	(1,085)
At December 31,		**1,864,051**	2,047,677

The notes on pages 8 to 42 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of **Seychelles International Mercantile Banking Corporation Limited** have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1972, the Financial Institutions Act, 2004 Regulations and Directives of the Central Bank of Seychelles. The financial statements of the Bank are prepared under the historical cost convention except that:

a) Held-to-maturity financial assets and relevant financial assets and financial liabilities are stated at their amortised costs as applicable; and
b) Relevant financial assets and financial liabilities are stated at their fair values.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. *The standard is not expected to have any impact on the Bank's financial statements.*

IAS 27, 'Separate Financial Statements' deals solely with separate financial statements. *The standard has no impact on the Bank's financial statements.*

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. *The standard is not expected to have any impact on the Bank's financial statements.*

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(a) **Basis of preparation (Cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. *The standard has no impact on the Bank's financial statements.*

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard has no impact on the Bank's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 13 for the impact on the financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', *has no impact on the Bank's financial statements.*

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures and *is not expected to have any impact on the Bank's financial statements.*

Amendment to IFRS 1 (Government Loans) *has no impact on the Bank's financial statements.*

Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 1 (Amendment), 'First time adoption of IFRS', has no impact on the Bank's operations.

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

IAS 16 (Amendment), 'Property, plant and equipment', clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. *The amendment does not have an impact on the Bank's operations.*

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. *The amendment does not have an impact on the Bank's operations.*

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(a) **Basis of preparation (Cont'd)**

Annual Improvements to IFRSs 2009-2011 Cycle (Cont'd)

IAS 34 (Amendment), 'Interim financial reporting', clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2014 or later periods, but which the Bank has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21: Levies
Recoverable Amount Disclosures for Non- financial Assets (Amendments to IAS 36)
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IFRS 9 Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010-2012 cycle
Annual Improvements to IFRSs 2011-2013 cycle

Where relevant, the Bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(b) **Investment in associates**

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

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

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(b) **Investment in associates (Cont'd)**

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

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

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

(c) **Financial assets**

(i) *Categories of financial assets*

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

Loans and provision for credit impairment

Loans and advances originated from the Bank by providing money directly to the borrower are categorised as loans and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. A provision for credit impairment is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the contractual terms of the loans. The amount of the provision is the difference between the carrying amount recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loans.

The Bank also follows the regulations on Credit Classification and Provisioning Regulations 2010, as amended in 2011 issued by the Central Bank of Seychelles.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Derecognition

The Bank derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(c) **Financial assets (Cont'd)**

(i) *Categories of financial assets (Cont'd)*

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

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, balances with the Central Bank of Seychelles and amounts due from other banks. A further breakdown of cash and cash equivalents is given in note 5 to the financial statements.

(ii) *Recognition and measurement*

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

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

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

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

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

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(c) **Financial assets (Cont'd)**

(iii) *Impairment of financial assets*

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

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

Impairment losses recognised in the profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Financial assets carried at amortised cost

For loans and advances category, the amount of the impairment of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement on the borrower's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(d) **Deposits**

Deposits are initially recognised on the day they are originated. Other financial liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(e) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legal enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and liability simultaneously.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(f) **Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Properties in the course of construction for production, or administrative purposed or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

	Years
Leasehold improvements	5
Furniture and fittings	5
Motor vehicles	4
Premises' fixed equipment	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of equipment are determined by comparing the proceeds with their carrying amount and are included in the Statement of profit or loss.

(g) **Intangible assets**

Computer software
Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. They are amortised over a useful life of five years.

(h) **Retirement benefit obligations**

(i) *Length-of-service compensation*

The Bank provides for a payment of length-of-service compensation to permanent employees. Such compensations are paid every five years (except in the case of early retirement), for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(h) **Retirement benefit obligations (Cont'd)**

(i) *Defined benefit plans*

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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

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

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

(i) **Tax**

Current tax
Tax in the Statement of profit or loss relates to current year's tax which is the expected amount of tax payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

Deferred tax
Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise mainly from depreciation of equipment, provision for credit impairment on loans and advances and provision for retirement benefit obligation. The rates enacted or subsequently enacted at the date of the reporting period are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

(j) **Acceptances**

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(k) **Foreign currencies**

Functional and presentation currency
Items included in the financial statements are measured using Seychelles Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Bank are presented in Seychelles Rupees, which is it's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(l) **Operating leases**

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

(m) **Interest income and expense**

Interest income and expense are recognised in the Statement of profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price except in the respect of loans on fixed interest rates where the interest income is recognised on receipt basis.

Interest income includes coupons earned on fixed income investment and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans are classified doubtful of collection, such as when overdue by more than six months, or, when the borrower or securities issuer defaults, if earlier than six months. Such income is excluded from interest income until received.

(n) **Fees and commission income**

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(o) **Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. It's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Bank's financial performance.

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

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees and other financial commitments.

(i) *Capital adequacy*

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Regulations (Capital Adequacy) Regulations 2010. The Bank's ratio was 21.4% as at December 31, 2013 (2012: 24.14%) which was above the minimum requirement of 12%.

(ii) *Credit risk*

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Board of Directors with discretionary limits set for the Bank's management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

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

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

	Gross maximum exposure	
	2013	2012
	SR'000	SR'000
Cash and cash equivalents	**2,516,370**	2,078,411
Loans and advances to customers	**1,373,064**	1,299,894
Investment in financial assets	**861,138**	389,542
	4,750,572	3,767,847
Contingent liabilities	**352,540**	382,986
Total credit risk exposure	**5,103,112**	4,150,833

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) *Credit risk (Cont'd)*

Risk concentrations of maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as of December 31, 2013 was **SR 661.6m** (2012: SR 953.2m) in respect of placements with a bank.

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

	Gross maximum exposure	
	2013	2012
	SR'000	SR'000
Agriculture	**2,038**	1,940
Construction, infrastructure and real estate	**206,618**	332,731
Financial and business services	**12,489**	16,326
Government	**335,797**	460,557
Manufacturing	**5,988**	2,244
Tourism	**157,125**	244,501
Personal	**616,747**	210,831
Traders	**36,262**	30,764
	1,373,064	1,299,894

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are as follows:
- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

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

Credit quality per class of financial assets

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

	2013		2012	
	Loans and advances	**Impairment provision**	Loans and advances	Impairment provision
	%	**%**	%	%
Pass	**83.82**	**7.91**	80.23	10.25
Special mention	**3.56**	**-**	0.21	-
Substandard	**3.89**	**0.02**	4.31	0.03
Doubtful	**-**	**-**	5.03	-
Loss	**8.73**	**92.07**	10.22	89.72
	100.00	**100.00**	100.00	100.00

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(ii) ***Credit risk (Cont'd)***

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

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. As a result thereof, the Bank has made specific provision amounting to **SR 111.3m** (2012: SR 119.7m) as at December 31, 2013 (note 6(b)).

Collectively assessed allowances

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

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) *Credit risk (Cont'd)*

Maturity profile of assets and liabilities are as follows:

At December 31, 2013

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) *Credit risk (Cont'd)*

At December 31, 2012

	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-maturity items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets						
Cash and cash equivalents	2,047,677	30,734	-	-	-	2,078,411
Loans and advances	259,948	125,676	303,888	610,382	-	1,299,894
Available-for-sale financial assets	251,716	107,008	30,318	-	500	389,542
Investment in associate	-	-	-	-	20,957	20,957
Property and equipment	-	-	-	-	26,907	26,907
Intangible assets	-	-	-	-	3,481	3,481
Other assets	-	-	-	-	25,010	25,010
Deferred tax assets	-	-	-	-	35,193	35,193
	2,559,341	263,418	334,206	610,382	112,048	3,879,395
Liabilities						
Customer deposits	2,873,102	231,690	13,000	-	-	3,117,792
Retirement benefit obligations	-	-	-	-	12,869	12,869
Due to banks	325,204	-	-	-	-	325,204
Other liabilities	30,309	-	-	-	-	21,858
Current tax liabilities	23,264	-	-	-	-	23,264
	3,251,879	231,690	13,000	-	12,869	3,500,987
Maturity gap	**(692,538)**	**31,728**	**321,206**	**610,382**	**99,179**	**378,408**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) *Currency risk*

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. The latter is exposed with respect to foreign currency arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

The Bank managed its foreign currency exposure during the year under review to remain within limits set by the Central Bank of Seychelles which requires that long and short position to capital is not more than 30% respectively as per the requirements of the Financial Institutions (Foreign Currency Exposure) Regulations, 2009.

At December 31, 2013, if the Seychelles Rupee had weakened/strengthened by 5% against foreign currencies (mainly US dollar and Euro) with all other variables held constant, profit for the year would have been **SR 685,138** (2012: SR 730,434) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities balances.

Concentration of assets and liabilities by currency

At December 31, 2013

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

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(iii) ***Currency risk (Cont'd)***

Concentration of assets and liabilities by currency (Cont'd)

At December 31, 2012

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	229,308	257,129	1,538,274	53,700	2,078,411
Loans and advances	905,049	109,617	285,228	-	1,299,894
Investment in financial assets	389,542	-	-	-	389,542
Investment in associate	-		20,957	-	20,957
Property and equipment	26,907	-	-	-	26,907
Intangible assets	3,481	-	-	-	3,481
Other assets	21,003	3,600	407	-	25,010
Deferred tax assets	35,193	-	-	-	35,193
	1,610,483	370,346	1,844,866	53,700	3,879,395
Liabilities					
Customer deposits	1,417,693	429,767	1,234,537	35,795	3,117,792
Due to banks	278	1,126	323,800	-	325,204
Retirement benefit obligations	12,869	-	-	-	12,869
Other liabilities	8,751	854	10,212	2,041	21,858
Current tax liabilities	23,264	-	-	-	23,264
	1,462,855	431,747	1,568,549	37,836	3,500,987
Net assets	147,628	(61,401)	276,317	15,864	378,408

Sensitivity analysis

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

	2013	2012
	SR'000	SR'000
Impact on results	**± 2,390**	± 2,779

(iv) ***Liquidity risk***

The Bank is exposed to daily calls on its available cash resources from deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls. The Bank maintains cash resources to meet all of these needs based on experience. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing that should be in place to cover withdrawals at unexpected levels of demand.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(iv) ***Liquidity risk (Cont'd)***

On the other hand, the Bank also complies with The Central Bank of Seychelles' requirement for all commercial banks to maintain 20% of total liabilities in liquid assets under the Financial Institutions (Liquidity Risk Management) Regulations, 2009 as amended in 2012.

(v) ***Interest risk***

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending and deposit taking.

Interest sensitivity of assets and liabilities - repricing analysis

At December 31, 2013	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	**1,900,070**	**-**	**-**	**616,300**	**2,516,370**
Loans and advances	**431,802**	**206,218**	**735,044**	**-**	**1,373,064**
Investment in financial assets	**852,841**	**7,797**	**-**	**500**	**861,138**
Investment in associate	**-**	**-**	**-**	**22,091**	**22,091**
Intangible assets	**-**	**-**	**-**	**10,904**	**10,904**
Property and equipment	**-**	**-**	**-**	**44,618**	**44,618**
Other assets	**-**	**-**	**-**	**16,066**	**16,066**
Deferred tax asset	**-**	**-**	**-**	**38,650**	**38,650**
	3,184,713	**214,015**	**735,044**	**749,129**	**4,882,901**
Liabilities					
Deposits from customers	**2,043,470**	**75,386**	**-**	**2,341,120**	**4,459,976**
Retirement benefit obligations	**-**	**-**	**-**	**5,667**	**5,667**
Other liabilities	**-**	**-**	**-**	**28,858**	**28,858**
Current tax liabilities	**-**	**-**	**-**	**9,196**	**9,196**
	2,043,470	**75,386**	**-**	**2,384,841**	**4,503,697**
Interest sensitivity gap	**1,141,743**	**130,832**	**742,841**	**(1,639,611)**	**375,805**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(v) *Interest risk (Cont'd)*

At December 31, 2012

	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	1,637,048	-	-	441,363	2,078,411
Loans and advances	385,624	303,888	610,382	-	1,299,894
Investment in financial assets	358,724	30,318	-	500	389,542
Investment in associate	-	-	-	20,957	20,957
Property and equipment	-	-	-	26,907	26,907
Intangible assets	-	-	-	3,481	3,481
Other assets	-	-	-	25,010	25,010
Deferred tax assets	-	-	-	35,193	35,193
	2,381,396	334,206	610,382	553,411	3,879,395
Liabilities					
Deposits from customers	1,009,758	70,810	-	2,037,224	3,117,792
Due to bank	325,204	-	-	-	325,204
Retirement benefit obligations	-	-	-	12,869	12,869
Other liabilities	-	-	-	21,858	21,858
Current tax liabilities	-	-	-	23,264	23,264
	1,334,962	70,810	-	2,095,215	3,500,987
Interest sensitivity gap	1,046,434	263,396	610,382	(1,541,804)	378,408

Sensitivity analysis

If interest rates had been 5 points higher/lower and all other variables were held constant as at year-end, the Bank's results would have been increased/decreased as follows:

	2013	2012
	SR'000	SR'000
Impact on results	**± 10,077**	± 9,601

(vi) *Fair values*

In respect of the on-balance sheet financial assets and liabilities of the Bank consisting of fixed assets, investments and current taxation except for loans and advances, the estimated fair values as at the date of the reporting period approximate their carrying amounts as shown in the statement of financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting estimates and assumptions (Cont'd)

(a) *Impairment of loans and advances*

The Bank reviews its loans and advances portfolio on a regular basis to assess whether any allowance for credit impairment losses for loans and advances should be recognised in the statement of comprehensive income. In particular, judgement is made about the amount and timing of future cash flows when determining the level of allowance required. The allowance for credit impairment losses is based on the best estimates available. However, the actual amount of impairment may differ from amount provided resulting in higher or lower charges to the statement of comprehensive income.

The Bank follows the guidelines of the Central Bank of Seychelles for provision for credit impairment. The Directors have estimated that these provisions do not materially differ from those required as per International Financial Reporting Standards (IFRS).

(b) *Impairment of other assets*

At each financial reporting year end, the Bank's management reviews and assesses the carrying amounts of other assets and where relevant, write them down to their recoverable amounts based on best estimates.

(c) *Investment in financial assets*

The Bank follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

(d) *Property and equipment*

Useful lives and residual values
Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Bank and the relevant industry in which it operates in order to best determine the useful lives and residual values of property and equipment.

(e) Limitation of sensitivity analysis

The sensitivity analysis demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2013	2012
	SR'000	SR'000
Cash in hand	55,516	52,585
Balances with Central Bank of Seychelles	300,500	296,437
Balances with banks abroad (note 5(b))	2,071,799	1,706,156
Balances with local banks	88,555	23,233
	2,516,370	2,078,411

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

	2013	2012
	SR'000	SR'000
Cash in hand	55,516	52,585
Short-term deposit (see note (b) below)	1,508,035	1,698,655
Current account with Central Bank of Seychelles	300,500	296,437
	1,864,051	2,047,677

(b) Maturity of deposits are as follows:

	2013	2012
	SR'000	SR'000
Less than 3 months (see note (a) above)	1,508,035	1,698,655
3- 12 months	563,764	7,501
	2,071,799	1,706,156

6. LOANS AND ADVANCES

	2013	2012
	SR'000	SR'000
Gross loans and advances (see note (a) below)	1,480,597	1,421,154
Interest accrued	13,327	7,745
	1,493,924	1,428,899
Less : Provision for credit impairment (see note (b) below)	(120,860)	(129,005)
	1,373,064	1,299,894

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

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

	2013	2012
	SR'000	SR'000
At January 1,	129,005	91,063
Amount reversed during the year	(853)	-
(Credited)/Charged to statement of profit or loss (page 5)	(7,292)	37,942
At December 31,	120,860	129,005

Provision for credit impairment is also analysed as follows:

	2013	2012
	SR'000	SR'000
- General provisions	9,561	9,312
- Specific provisions	111,299	119,693
	120,860	129,005

6. LOANS AND ADVANCES (CONT'D)

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

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

	Business		Personal	
	2013	2012	**2013**	2012
	SR'000	SR'000	**SR'000**	SR'000
Ageing of past due but not impaired				
- Less than 30 days	**-**	2,994	**-**	33
- Between 31 & 90 days	**52,742**	61,131	**-**	62
- Greater than 90 days	**-**	216,673	**-**	-
	52,742	280,798	**-**	95

(d) Credit concentration of risk by industry sectors

	2013	2012
	SR'000	SR'000
Civil engineering	**206,618**	332,731
Commerce	**36,242**	30,764
Tourism	**157,125**	244,501
Agriculture	**2,038**	1,940
Fishing	**12,489**	16,326
Manufacturing	**5,988**	2,244
Transport	**23,369**	29,576
Government	**335,797**	460,557
Others	**593,398**	181,255
	1,373,064	1,299,894

7. INVESTMENT IN FINANCIAL ASSETS

	2013	2012
	SR'000	SR'000
Available-for-sale financial asset		
- Unquoted investment (see note (a) below)	**500**	500
Held-to-maturity financial assets (see note (b) below)		
- Treasury bills	**365,202**	272,723
- Government bonds	**30,318**	30,318
- Deposit auction arrangements (DAA)	**465,118**	86,001
	860,638	389,042
Total	**861,138**	389,542

(a) Available-for-sale financial asset

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

7. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

(ii) Fair value estimation

The Bank uses the following hierarchy in determining and disclosing the fair value of its available-for-sale financial assets by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

(b) **Held-to-maturity financial assets**

	2013				2012
	Treasury bills	**Government bonds**	**DAA**	**Total**	Total
	SR'000	**SR'000**	**SR'000**	**SR'000**	SR'000
At January 1,	**272,723**	**30,318**	**86,001**	**389,042**	534,373
Additions during the year	**625,162**	**-**	**1,837,587**	**2,462,749**	3,273,751
Matured during the year	**(532,683)**	**-**	**(1,452,587)**	**(1,985,270)**	(3,423,860)
Interest released	**-**	**(818)**	**(6,001)**	**(6,819)**	(2,041)
Interest accrued	**-**	**818**	**118**	**936**	6,819
At December 31,	**365,202**	**30,318**	**465,118**	**860,638**	389,042

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

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

8. INVESTMENT IN ASSOCIATE

	2013	2012
	SR'000	SR'000
At January 1,	**20,957**	19,047
Additions during the year	**2,442**	-
Share of results (page 5)	**117**	2,098
Currency translation differences (page 5)	**(1,425)**	(188)
At December 31,	**22,091**	20,957

(a) The Bank owns 50% stake in BMI Offshore Bank Limited based on a contractual arrangement between it and the other investor. The associate's main activity consists on the provision of offshore banking services in Seychelles.

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

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

8. INVESTMENT IN ASSOCIATE (CONT'D)

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

	2013	2012
	SR'000	SR'000
Assets	**1,613,108**	1,161,150
Liabilities	**(1,568,926)**	(1,119,235)
Revenue	**21,973**	15,778
Total comprehensive income for the year	**235**	2,098

(e) On March 1, 2012, the Bank publicly announced the decision of its Board of Directors to dispose of its interest in the associate. Although a potential buyer has been identified, discussion is still in progress and the sale transaction is expected to be finalised in 2014.

Since discussion is still in progress, the Directors are of the opinion that the Bank should continue to account the investment in BMI Offshore Bank Limited using the equity method.

9. PROPERTY AND EQUIPMENT

	Improvements to leasehold land	Furniture, fittings & equipment	Motor vehicles	Capital work-in-progress	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
COST					
At January 1, 2012	4,464	9,358	2,068	1,980	17,870
Additions	146	4,433	1,054	17,660	23,293
Disposals	(56)	(36)	(828)	-	(920)
At January 1, 2013	**4,554**	**13,755**	**2,294**	**19,640**	**40,243**
Additions	**613**	**2,956**	**-**	**16,886**	**20,455**
Write offs	**-**	**(336)**	**-**	**-**	**(336)**
At December 31, 2013	**5,167**	**16,375**	**2,294**	**36,526**	**60,362**
ACCUMULATED DEPRECIATION					
At January 1, 2012	4,175	6,162	1,456	-	11,793
Charge for the year	98	1,693	249	-	2,040
Disposal adjustments	(55)	(28)	(414)	-	(497)
At January 1, 2013	**4,218**	**7,827**	**1,291**	**-**	**13,336**
Charge for the year	**133**	**2,233**	**369**	**-**	**2,735**
Write off adjustments	**-**	**(327)**	**-**	**-**	**(327)**
At December 31, 2013	**4,351**	**9,733**	**1,660**	**-**	**15,744**
NET BOOK VALUE					
At December 31, 2013	**816**	**6,642**	**634**	**36,526**	**44,618**
At December 31, 2012	336	5,928	1,003	19,640	26,907

10. INTANGIBLE ASSETS

	Computer software	
	2013	2012
COST	**SR'000**	SR'000
At January 1,	**13,294**	13,294
Additions	**11,692**	-
At December 31,	**24,986**	13,294
AMORTISATION		
At January 1,	**9,813**	7,493
Charge for the year	**4,269**	2,320
At December 31,	**14,082**	9,813
NET BOOK VALUE		
At December 31,	**10,904**	3,481

11. OTHER ASSETS

	2013	2012
	SR'000	SR'000
Upfront lease payments (see note (a) below)	**4,879**	4,932
Prepayments	**1,944**	2,008
Refundable deposits	**146**	104
Stock of stationeries	**1,796**	1,484
Other receivables and prepayments (see note (b) below)	**7,301**	16,482
	16,066	25,010

(a) **Upfront lease payments**

	2013	2012
	SR'000	SR'000
COST		
At January 1, & December 31,	**5,250**	5,250
AMORTISATION		
At January 1,	**318**	265
Charge for the year (page 5)	**53**	53
At December 31,	**371**	318
NET BOOK VALUE		
At December 31,	**4,879**	4,932

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

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

12. DEFERRED TAX ASSETS

(a) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity.

The following net amounts are shown in the statement of financial position:

	2013	Re-stated 2012
	SR'000	SR'000
Deferred tax liability	**(4,065)**	(9,616)
Deferred tax asset	**42,715**	44,809
Net deferred tax liability	**38,650**	35,193

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

	2013	Re-stated 2012
	SR'000	SR'000
At January 1,		
- As previously stated	**38,449**	29,737
- Prior year adjustment	**(3,256)**	(4,569)
- As re-stated	**35,193**	25,168
Charged to statement of profit or loss (note 17(ii))	**3,457**	10,025
At December 31,	**38,650**	35,193

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

(i) **Deferred tax liabilities**

	Accelerated tax de-preciation	Retirement benefit obligations	Provision for fraud	Total
	SR'000	SR'000	SR'000	SR'000
At January 1, 2012				
- As previously reported	(2,603)	(312)	-	(2,915)
- Prior year adjustment (note 30)	-	(4,569)	-	(4,569)
- As re-stated	(2,603)	(4,881)	-	(7,484)
Charge for the year	(2,369)	634	(397)	(2,132)
At December 31, 2012	(4,972)	(4,247)	(397)	(9,616)
Credit for the year	2,777	2,377	397	5,551
At December 31, 2013	(2,195)	(1,870)	-	(4,065)

(ii) **Deferred tax assets**

	Provision for credit losses	Provision for length-of-service compensation	Provision for law cost	Total
	SR'000	SR'000	SR'000	SR'000
At January 1, 2012	30,005	2,124	523	32,652
Credited for the year	12,348	264	(455)	12,157
At December 31, 2012	42,353	2,388	68	44,809
(Charge)/Credited for the year	(2,469)	443	(68)	(2,094)
At December 31, 2013	39,884	2,831	-	42,715

13. CUSTOMER DEPOSITS

	2013	2012
	SR'000	SR'000
Current accounts	**2,796,287**	2,473,531
Term deposits	**1,663,689**	644,261
	4,459,976	3,117,792

(a) All term deposits mature within one year.

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

(c) The range of interest on customer deposits varied from 0.5% to 9% (2012: 0.5% to 17%).

14. DUE TO BANKS

	2013	2012
	SR'000	SR'000
Bank overdrafts	**-**	324,926
Deposits from foreign banks	**-**	278
	-	325,204

15. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the statement of financial position:

	2013	Re-stated 2012
	SR'000	SR'000
Defined pension benefits (note (a)(iii))	**(2,963)**	4,418
Other post retirement benefits (note (b))	**8,630**	8,451
	5,667	12,869

Amounts charged to profit or loss:

	2013	Re-stated 2012
	SR'000	SR'000
Defined pension benefits (note (a)(iii))	**2,103**	1,875
Other post retirement benefits (note (b))	**179**	564
	2,282	2,439

Amounts charged to other comprehensive income:

	2013	Re-stated 2012
	SR'000	SR'000
Movement in retirement benefit obligations (note (a)(vi))	**5,050**	**136**

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined pension benefits

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

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at December 31, 2013 by Aon Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

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

	2013	Re-stated 2012
	SR'000	SR'000
At January 1,		
- As previously reported	**(3,006)**	(946)
- Prior year adjustment (note 30)	**7,424**	7,850
- As re-stated	**4,418**	6,904
Amount charged to profit or loss	**2,103**	1,875
Amount charged to other comprehensive income	**(5,050)**	(136)
Less: Employer contributions	**(4,434)**	(4,225)
At December 31,	**(2,963)**	4,418

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

	2013	Re-stated 2012
	SR'000	SR'000
Defined benefit obligation (see note (iv) below)	**27,702**	29,472
Fair value of planned assets (see note (v) below)	**(30,665)**	(25,054)
(Asset)/Liability in the statement of financial position	**(2,963)**	4,418

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

	2013	2012
	SR'000	SR'000
At January 1,	**29,472**	26,813
Current service cost	**1,947**	1,586
Interest cost	**2,054**	1,604
Actuarial loss	**(5,515)**	(368)
Benefits paid	**(256)**	(163)
At December 31,	**27,702**	29,472

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2013	2012
	SR'000	SR'000
At January 1,	**25,054**	19,909
Expected return on planned assets	**1,898**	1,315
Employer contributions	**4,434**	4,225
Benefit paid	**(256)**	(163)
Actuarial loss	**(465)**	(232)
At December 31,	**30,665**	25,054

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

	2013	Re-stated 2012
	%	%
Equities	**2**	2
Bonds	**3**	4
Deposits	**95**	94
	100	100

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

	2013	Re-stated 2012
	SR'000	SR'000
Return on plan assets below interest income	**465**	232
Liability experience loss	**1,122**	544
Liability gain due to change in financial assumptions	**(6,637)**	(912)
	(5,050)	(136)

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

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

	2013	Re-stated 2012
	%	%
Discount rate	**7.5**	7.0
Future salary growth rate	**4.0**	6.0

15. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2013	
	Increase	Decrease
	SR'000	SR'000
Discount rate	3,206	4,012
Future salary growth rate	1,925	1,641

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

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

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

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

(xii) The Bank expects to pay SR 2.1m in contributions to its post-employment benefit plans for the year ending December 31, 2014.

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

(b) **Other post retirement benefits**

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

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

	2013	2012
	SR'000	SR'000
At January 1,	8,451	7,887
Total expense charged to profit or loss	179	564
At December 31,	8,630	8,451

16. OTHER LIABILITIES

	2013	2012
	SR'000	SR'000
Foreign drafts and local cheques payable	17,629	15,957
Other payables	10,669	5,286
Accruals	560	615
	28,858	21,858

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

17. CURRENT TAX LIABILITIES

(i) Statement of financial position

	2013	2012
	SR'000	SR'000
At January 1,	**23,264**	12,619
Charge for the year (note (iii) below)	**47,000**	58,632
Payments during the year	**(61,068)**	(47,987)
At December 31,	**9,196**	23,264

(ii) Statement of profit or loss

	2013	2012
	SR'000	SR'000
Current tax on adjusted profit for the year at applicable tax rates (see note (iv))	**47,000**	**58,632**
Deferred taxes (note 12(b))	**(3,457)**	(10,025)
	43,543	48,607

(iii) Tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2013	Re-stated 2012
	SR'000	SR'000
Profit before taxation	**140,714**	147,102
Tax calculated at applicable tax rates (see note (iv))	**46,436**	48,544
Income not subject to tax	**(706)**	(792)
Expenses not deductible for tax purposes	**258**	1,711
Excess of capital allowance over depreciation	**(292)**	(771)
Provision for tax contingency	**1,304**	9,940
	47,000	58,632
Deferred taxes (note 12(b))	(3,457)	(10,025)
	43,543	48,607

(iv) Applicable tax rates

Taxable income threshold	2013 & 2012 Tax rates - %
≤ SR 1,000,000	25%
> SR 1,000,000	33%

18. SHARE CAPITAL

	2013 & 2012
	SR'000
Authorised, issued and fully paid-up	
- 100,000 ordinary shares of SR 1,000 each	100,000

19. STATUTORY RESERVE

	2013 & 2012
	SR'000
At December 31,	100,000

19. STATUTORY RESERVE (CONT'D)

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

20. INTEREST INCOME

	2013	2012
	SR'000	SR'000
Investment in financial assets	32,084	46,326
Loans and advances	110,092	110,826
Cash and short term funds	11,562	10,330
	153,738	167,482

21. INTEREST EXPENSE

	2013	2012
	SR'000	SR'000
Customer deposits	37,645	33,061
Deposits and borrowing from other banks	26	86
	37,671	33,147

22. FEE INCOME AND COMMISSIONS

	2013	2012
	SR'000	SR'000
Fees and commissions arising on:		
- Commission	32,876	30,541
- Portfolio and other management fees	1,790	2,158
- Other fees received	5,156	5,558
	39,822	38,257

23. NET TRADING INCOME

	2013	2012
	SR'000	SR'000
Net foreign exchange gains	54,849	73,400
Recovery of charges	4,793	6,354
	59,642	79,754

24. OTHER OPERATING EXPENSES

	2013	Re-stated 2012
	SR'000	SR'000
Employee benefit expenses (note 25)	26,756	21,411
Auditor's remuneration	255	411
Administrative expenses	11,624	9,853
Computer costs	1,749	2,035
Rental expenses	4,927	3,897
Maintenance and other related costs	4,253	3,744
	49,564	41,351

25. EMPLOYEE BENEFIT EXPENSES

	2013	Re-stated 2012
	SR'000	SR'000
Wages and salaries	**19,098**	15,315
Directors' emoluments (see note (a) below)	**2,070**	1,720
Movement in retirement benefit obligations (note 15)	**2,282**	2,439
Other staff costs	**3,306**	1,937
	26,756	21,411

(a) **Directors' emoluments**

	2013			2012
	Directors' fees	**Other emoluments**	**Total**	Total
	SR'000	**SR'000**	**SR'000**	SR'000
Mohammed Afif	**-**	**-**	**-**	31
Ahmad Saeed	**-**	**1,683**	**1,683**	1,443
Panos Papakokkinos	**-**	**-**	**-**	7
Anil Dua	**202**	**-**	**202**	178
Patrick Payet	**-**	**-**	**-**	19
Marie Pierre Lloyed	**-**	**-**	**-**	19
Steve Fanny	**62**	**-**	**62**	8
Lise Bastienne	**41**	**-**	**41**	5
Charles Bastienne	**41**	**-**	**41**	5
Stephen Jardine	**41**	**-**	**41**	5
	387	**1,683**	**2,070**	1,720

26. DIVIDENDS

The Directors proposed and paid the following:

	2013	2012
	SR'000	SR'000
Dividend for the reporting period ended December 31, 2013		
- Interim dividend of SR 500 per share proposed on December 26, 2013 and paid on December 31, 2013	**50,000**	-
Dividend for the reporting period ended December 31, 2012		
- Interim dividend of SR 500 per share proposed on October 12, 2012 and paid on October 19, 2012	**-**	50,000
- Final dividend of SR 500 per share proposed on May 7, 2013 and paid on May 10, 2013	**50,000**	-
Dividend for the reporting period ended December 31, 2011		
- Final dividend of SR 500 per share proposed on March 19, 2012 and paid on March 26, 2012	**-**	50,000
	100,000	100,000

27. COMMITMENTS

(a) Capital commitments

Capital commitments approved and contracted for were as follows:	2013	2012
	SR'000	SR'000
Property and equipment	**110,499**	138,392
Intangible assets	**-**	1,266
	110,499	139,658

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

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

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

	2013	2012
	SR'000	SR'000
Within 1 year	**818**	976
After one year but not more than 5 years	**4,094**	3,904
	4,912	4,880

28. RELATED PARTY TRANSACTIONS

	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	SR'000	SR'000	SR'000	SR'000
December 31, 2013				
- Government of Seychelles	**16,715**	**-**	**193,127**	**-**
- State owned or controlled enterprises	**4,842**	**6**	**142,670**	**14,343**
- Minority shareholder of the Bank	**-**	**-**	**-**	**9,528**
- Directors	**122**	**12**	**1,958**	**791**
- Associate	**-**	**1,306**	**-**	**59,864**
December 31, 2012				
- Government of Seychelles	12,475	-	140,081	1,338
- State owned or controlled enterprises	24,775	3,190	311,275	60,110
- Minority shareholder of the Bank	-	-	-	153
- Directors	-	14	-	909
- Associate	-	-	-	32,909

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

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2013, the Company had not recorded any impairment of receivables relating to amounts owed by related parties (2012: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

28. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management personnel

(i) Salaries and related costs

	2013	2012
	SR'000	SR'000
Salaries and other benefits	**1,683**	1,443
Pension costs	**205**	173
	1,888	**1,616**

(ii) Amount receivables

	2013	2012
	SR'000	SR'000
Loans and advances	**631**	753
Due to customers	**2,083**	74
	2,714	827

(iii) Transactions during the year

	2013	2012
	SR'000	SR'000
Loans and advances	**122**	74
Due to customers	**2,009**	7
	2,131	81

29. EVENT AFTER THE REPORTING PERIOD

The Directors of the Bank recommended a final dividend of SR 500 per share amounting to SR 50M on May 13, 2014 for the reporting period ended December 31, 2013. The approval of this dividend is subject to ratification by the shareholders of the Bank at its next Annual General Meeting.

30. PRIOR YEAR ADJUSTMENT

The prior year adjustment is in respect of compliance with IAS 19 pertaining mainly to changes in financial assumptions, including deferred tax effect:

	2012	2011
	SR'000	SR'000
Effect on:		
- Net assets	10,680	12,419
- Statement of profit or loss	1,023	
- Statement of other comprehensive income	136	

31. FIVE YEAR FINANCIAL SUMMARY

	2013	2012*	2011*	2010	2009
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**140,714**	147,102	140,776	98,791	115,092
Tax expense	**(43,543)**	(48,607)	(45,966)	(31,416)	(44,907)
Profit for the year	**97,171**	98,495	94,810	67,375	70,185
Other comprehensive income/ (loss)	**5,050**	136	(12,419)	-	-
Retained earning brought forward	**173,186**	174,555	142,164	174,789	154,604
	275,407	273,186	224,555	242,164	224,789
Dividends	**(100,000)**	(100,000)	(50,000)	(100,000)	(50,000)
Retained earnings carried forward	**175,407**	173,186	174,555	142,164	174,789
EQUITY					
Share capital	**100,000**	100,000	100,000	100,000	100,000
Statutory reserve	**100,000**	100,000	100,000	100,000	100,000
Currency translation reserve	**3,797**	5,222	5,410	3,977	3,015
Retained earnings	**175,407**	173,186	174,555	142,164	174,789
	379,204	378,408	379,965	346,141	377,804

* **Note**: The financial statements for the years ended December 31, 2011 and 2012 have been re-stated with the prior year adjustment mentioned in note 30 above. However, the financial statements for the years prior to December 31, 2011 were not re-stated for reasons of practicality.