

ANNUAL REPORT 2015

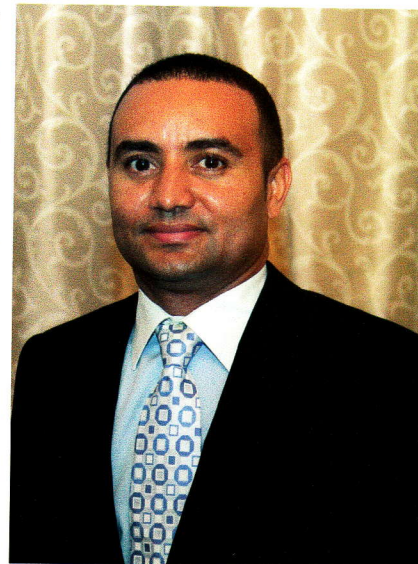


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In 2015, Seychelles Commercial Bank has performed exceptionally well by earning Profit before Tax amounting to SR 17.93 M, registering an increase of 45% over the profit of SR 12.35M in 2014. Similarly, the After-tax Profit went up to SR 12.04 M in 2015 from SR 8.80 M, which is an increase of 37% over 2014.

The Board of Directors has accordingly recommended a higher Dividend amounting to SR 4.80 M for the year ended December 2015 as against SR 4.20 M and SR 3.00 M respectively paid in 2014 and 2013. The Dividend proposed for 2015 works out to a return on investment of 8% compared with 7% in 2014 and 5% in 2013.



The Government of Seychelles is on its course to delivering on its promise to sell additional shares to the account holders of the Bank. The Offer of Sale Document to sell 16.55% Shares has been released on 28th March, 2016 and the entire process is expected to conclude by 15th July, 2016. Once the shares on offer have been sold out, the Government of Seychelles will hold 60% and the Account holders will retain the remaining 40% of the Paid up-Capital of SR 60 M.

The Bank has already launched Utility Bills Payment Services through its ATMs as well as the SMS Alerts facility which have been widely welcomed by Bank's customers. Moreover, the Bank's Praslin Branch has been fully refurbished providing more space and convenience to its customers.

The Bank will launch many important projects this year including SEFT-2, Internet banking, Bank's website, issuance of International Debit Cards and introduction of POS machines.

SCB believes in nurturing and retaining its talented employees as well as attract new talent from the local market so as to attain sustained improvements in efficiency as well as to innovate in line with customers' expectations.

Finally, I wish to place on record my heartfelt appreciation towards customers, staff members and my fellow directors for their continued loyalty, dedication and support to the organization which have made these results possible.

A handwritten signature in black ink, appearing to read 'Patrick Payet', written over a horizontal line.

Mr. Patrick Payet
Chairperson

ANNUAL REPORT

2015



SEYCHELLES COMMERCIAL
BANK

MANAGING DIRECTOR'S REPORT - DECEMBER 31, 2015

Dear Shareholders,

I am delighted to inform you that your Bank has done exceedingly well during the year ended 31st December, 2015 and posted a record Profit before Tax and Net profit amounting to SR 17.93 million and SR 12.04 million respectively as against SR 12.35 million and SR 8.80 million respectively recorded in 2014.

The Board of Directors has, therefore, recommended a higher dividend amounting to SR 4.80 million (SR 4.20 M in 2014) giving you a return of 8% on your investment. The return of 8% on your shareholdings is far in excess of the Savings and Fixed deposit interest rates offered by commercial banks in Seychelles. It is also worth mentioning that your Bank has paid out a total dividend amounting to SR 18 million since 2012 (including the proposed dividend of SR 4.80M for 2015) giving you a cumulative return of 30% on the Bank's Share Capital of SR 60 million.

Deposits from customers have marginally increased to SR 831.70 million in 2015 from SR 829.79 million recorded last year. The loan portfolio, on the other hand, decreased to SR 464.34 million from SR 486.37 million due to regular repayments on normal loans and accelerated recovery of many non-performing loans. Total equity of the Bank has increased to SR 124.95 million in 2015 from SR 120.34 million in 2014.



Apart from unprecedented financial results in 2015, your Bank was able to achieve the following milestones;

- Installed an additional ATM at Unity House, taking the total to 7 in the country.
- A Customer Meeting Room was made available at the 1st Floor Kingsgate house and relocated many departments such as Credit, Internal Audit, Legal and Debt Recovery departments to provide good working conditions to staff members as well as to provide efficient services to Customers. A new Compliance & Fraud Prevention Department was established to protect the interest of the Bank and its Customers.
- Established correspondent banking relationship with ICBC Bank (Hong Kong)
- 28 staff members attended banking course at UniSey and few others attended workshops and seminars.
- Started renovation and extension work at Praslin branch which was completed in March 2016.
- Extended the repayment period of housing loans to 25 years from 15 years.

Apart from investing in latest technology, your Bank is also investing in Human Capital so as to come up with newer banking products and services for its customers on the one hand and increase profitability to pay higher dividends to its Shareholders on the other.

Your Bank is also conscious of its corporate and social responsibilities and made contribution to the Cancer Society of Seychelles. You will be happy to know that our staff members distributed fruits and juices to all patients in the Seychelles Hospital on the Christmas Eve.

The Bank has already launched Utility Bills Payment Service that allows SCB Card holders to pay their Electricity and Water Bills, free of cost, through any of our ATMs without personally going to any office of PUC. This facility will be extended to other Service Providers in the coming months.

The internet banking facility will be launched after implementation of SEFT-2 (Seychelles Electronic Funds Transfer) in the month of August/September this year. The Bank will simultaneously launch its website.

The Bank has many ambitious plans including issuance of International Debit Cards, its own POS Machines, acquiring Master Cards, Maestro Cards and Union Pay International Cards on all ATMs of the Bank.

I would like to thank all Shareholders of the Bank for their trust, our customers for their continued loyalty and Central Bank of Seychelles for its guidance.

I would also like to thank my fellow Directors, the Management and Staff of the Bank for their valuable contribution during 2015 without which these results would not have been made possible.

SYED NAQI
Managing Director

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DIRECTORS' REPORT - DECEMBER 31, 2015

The Directors are pleased to submit their report together with the audited financial statements of Seychelles Commercial Bank Limited (hereafter called the "Bank") for the year ended December 31, 2015.

PRINCIPAL ACTIVITY

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

RESULTS

Profit before tax	SR
Tax expense	17,933,399
Profit for the year	(5,890,605)
Transfer to statutory reserve	<u>12,042,794</u>
Dividends (2013-2015)	(2,408,558)
Retained earnings brought forward	(12,000,000)
Retained earnings carried forward	23,001,776
	<u><u>20,636,012</u></u>

DIVIDENDS

The Board has proposed a dividend of SR 8 per share amounting to SR 4.8m for the year ended December 31, 2015 (2014: SR 4.2m).

PROPERTY AND EQUIPMENT

Additions to property and equipment totalled SR 1.3m for the year under review (2014: SR 2.1m) and comprised mainly buildings, furniture and fittings and computer equipment.

The buildings of the Bank were revalued during the year under review with a net of SR 4.6m taken to revaluation reserve under equity. The Directors are of the opinion that the carrying amounts of the assets approximate their fair value at the end of the reporting period 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:

	<u>Number of ordinary shares</u>
Patrick Payet (Chairman) (Appointed on February 28, 2014)	-
Syed Naqi (Managing Director)	100
Robert Morgan	250
Esther Boniface	-
Sandy Mothee (Appointed on February 23, 2015)	-
Jenna Thelermont (Appointed on January 6, 2016)	250
Michael Benstrong (Resigned effected January 31, 2015)	150

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


BOARD APPROVAL



Patrick Payet
Chairman



Syed Naqi
Managing Director



Robert Morgan
Director



Esther Boniface
Director



Sandy Mothee
Director



Jenna Thelemont
Director

Date: April 28, 2016
Victoria, Seychelles

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

This report is made solely to the members of Seychelles Commercial Bank 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 Commercial Bank Limited set out on pages 5 to 39 which comprise the Statement of Financial Position as at December 31, 2015, the Statement of Profit or Loss and Other Comprehensive Income, the 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

As stated on page 3(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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Opinion

In our opinion, the financial statements on pages 5 to 39 give a true and fair view of the financial position of the Bank as at December 31, 2015 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 Companies Act, 1972.

Report on Other Legal Regulatory Requirements***Companies Act, 1972***

We have no relationship with, or interests, in the Company 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.



BDO ASSOCIATES
Chartered Accountants

Date: April 28, 2016
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	Notes	2015 SR	2014 SR
ASSETS			
Cash and cash equivalents	5	226,873,094	227,187,782
Loans and advances	6	464,338,105	486,376,277
Held-to-maturity financial assets	7	215,010,016	172,357,095
Property and equipment	8	43,471,725	38,975,744
Intangible assets	9	10,699,720	10,930,904
Other assets	10	20,615,744	24,003,829
Tax recoverable	11(i)	426,559	2,914,822
Total assets		981,434,963	962,746,453
LIABILITIES			
Customer deposits	12	831,695,279	829,789,474
Other liabilities	13	9,612,895	5,359,801
Dividends payable	14	4,800,000	46,000
Deferred tax liabilities	15	5,998,913	3,027,716
Retirement benefit obligations	16	4,380,421	4,174,643
Total liabilities		856,487,508	842,397,634
EQUITY			
Share capital	17	60,000,000	60,000,000
Statutory reserve	18	18,122,837	15,714,279
Revaluation reserve		26,188,606	21,632,764
Retained earnings		20,636,012	23,001,776
TOTAL EQUITY		124,947,455	120,348,819
Total liabilities and equity		981,434,963	962,746,453
CONTINGENT LIABILITY			
Guarantees		600,000	1,115,000

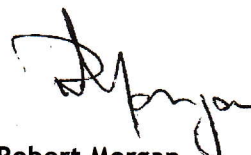
These financial statements have been approved for issue by the Board of Directors on:



Patrick Payet
Chairman



Syed Naqi
Managing Director



Robert Morgan
Director



Esther Boniface
Director



Sandy Mothee
Director



Jenna Thelermont
Director

The notes on pages 10 to 39 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

STATEMENT OF PROFIT OR LOSS - YEAR ENDED DECEMBER 31, 2015

	Notes	2015 SR	2014 SR
Interest income	19	76,868,011	64,420,596
Interest expense	20	(26,490,724)	(22,550,621)
Net interest income		50,377,287	41,869,975
Other income			
Fee income and commissions	21	793,337	773,291
Profit arising from transactions in foreign currencies		-	3,338,131
Sundry income	22	15,259,427	10,026,887
		16,052,764	14,138,309
Net interest and other income		66,430,051	56,008,284
Non-interest expenses			
Employee benefit expense	23	(23,008,866)	(20,314,344)
Depreciation of property and equipment	8	(2,647,349)	(2,613,720)
Amortisation of intangible assets	9	(1,410,420)	(1,399,384)
Loss arising from transactions in foreign currencies		(971,186)	-
Other expenses	24	(20,480,253)	(19,035,782)
		(48,518,074)	(43,363,230)
Operating profit before provision		17,911,977	12,645,054
Reversal of/(Provision for) credit impairment	6(b) & 25(a)	21,422	(297,369)
Profit before taxation charge		17,933,399	12,347,685
Tax charge	11(ii)	(5,890,605)	(3,544,113)
Profit for the year		12,042,794	8,803,572

The notes on pages 10 to 39 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2015



	<u>Note</u>	<u>2015</u> SR	<u>2014</u> SR
Profit for the year		12,042,794	8,803,572
<i>Other comprehensive income:</i>			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of land and buildings	8	5,840,823	-
Deferred tax effect on revaluation of buildings	15(b)	(1,927,472)	-
Reversal of deferred tax effect on revaluation of land and buildings	15(b)	642,491	2,379,604
		<u>4,555,842</u>	<u>2,379,604</u>
Total comprehensive income for the year		<u><u>16,598,636</u></u>	<u><u>11,183,176</u></u>

The notes on pages 10 to 39 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2015

	Note	Share capital SR	Statutory reserve SR	Revaluation reserve SR	Retained earnings SR	Total SR
Balance at January 1, 2015		60,000,000	15,714,279	21,632,764	23,001,776	120,348,819
Total comprehensive income for the year		-	-	4,555,842	12,042,794	16,598,636
Transfer to statutory reserve	18	-	2,408,558	-	(2,408,558)	-
Dividends		-	-	-	(12,000,000)	(12,000,000)
Balance at December 31, 2015		<u>60,000,000</u>	<u>18,122,837</u>	<u>26,188,606</u>	<u>20,636,012</u>	<u>124,947,455</u>
Balance at January 1, 2014		60,000,000	13,953,565	19,253,160	15,958,918	109,165,643
Total comprehensive income for the year		-	-	2,379,604	8,803,572	11,183,176
Transfer to statutory reserve	18	-	1,760,714	-	(1,760,714)	-
Balance at December 31, 2014		<u>60,000,000</u>	<u>15,714,279</u>	<u>21,632,764</u>	<u>23,001,776</u>	<u>120,348,819</u>

The notes on pages 10 to 39 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2015

	Notes	2015 SR	2014 SR
Cash generated from operations			
Profit before taxation charge		17,933,399	12,347,685
<i>Adjustments for:</i>			
Depreciation of property and equipment	8	2,647,349	2,613,720
Profit from disposal of property and equipment		(171,475)	-
Amortisation of intangible assets	9	1,410,420	1,399,384
Net accrued interest on loans and advances	6	(619,590)	(163,752)
Provision for credit impairment	6(a)/25(a)	(21,422)	297,369
Reversal of provision for credit impairment	10	(456,669)	-
Accrued interests on held-to-maturity financial assets	7	(4,251,489)	(1,556,995)
Increase in retirement benefit obligations	16	1,561,021	1,687,776
Effect of foreign exchange differences		(1,644,082)	1,156,411
		<u>16,387,462</u>	<u>17,781,598</u>
<i>Changes in working capital:</i>			
Increase in loans and advances	6	22,679,184	(16,819,192)
Increase in other assets	10	3,844,754	(5,489,229)
Increase in customer deposits	12	1,905,805	26,547,154
Increase in other liabilities		4,253,094	1,880,095
Net cash generated from operations		<u>49,070,299</u>	<u>23,900,426</u>
Net tax paid	11(i)	(1,716,126)	(5,478,039)
Retirement benefit obligations paid		(1,355,243)	(1,202,135)
Net cash generated from operating activities		<u>45,998,930</u>	<u>17,220,252</u>
Cash flows from investing activities			
Additions to property and equipment	8	(1,302,507)	(2,148,823)
Proceeds from disposal of property and equipment		171,475	-
Additions to intangible assets	9	(1,179,236)	(3,774,645)
Addition to investment in financial assets	7	(133,945,527)	(178,754,600)
Redemption of investment in financial assets	7	95,544,095	90,097,324
Net used in investing activities		<u>(40,711,700)</u>	<u>(94,580,744)</u>
Cash flows from financing activity			
Dividends paid and net cash used in financing activity	14	(7,246,000)	(200)
Net decrease in cash and cash equivalents		<u>(1,958,770)</u>	<u>(77,360,692)</u>
Movement in cash and cash equivalents			
At January 1,		227,187,782	305,704,885
Decrease		(1,958,770)	(77,360,692)
Effect of foreign exchange differences		1,644,082	(1,156,411)
At December 31,	5	<u>226,873,094</u>	<u>227,187,782</u>

The notes on pages 10 to 39 form an integral part of these financial statements.
Auditors' report on pages 4 and 4(a).

1. GENERAL INFORMATION

Seychelles Commercial Bank Limited is a limited liability Company incorporated and domiciled in Seychelles. The registered address of the Bank is at Orion Mall, Mahé, Seychelles.

The Bank changed its name from Seychelles Savings Bank Limited to Seychelles Commercial Bank Limited on October 25, 2013.

The main activities of the Bank is as stated on page 1.

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 Commercial Bank 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) Land and buildings are carried at revalued amounts;
- b) Held-to-maturity financial assets and relevant financial assets and financial liabilities are stated at their amortised costs as applicable; and
- c) Relevant financial assets and financial liabilities are stated at their fair value.

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

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary.

Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. *The amendment has no impact on the Bank's financial statements.*

Annual Improvements 2010-2012 Cycle

IFRS 2, 'Share based payments' amendment is amended to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. *The amendment has no 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)***

IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. *The amendment has no impact on the Bank's financial statements.*

IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. *The amendment has no impact on the Bank's financial statements.*

IFRS 13 (Amendment), 'Fair Value Measurement' clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. *The amendment has no impact on the Bank's financial statements.*

IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. *The amendment has no impact on the Bank's financial statements.*

IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. *The amendment has no impact on the Bank's financial statements.*

IAS 38, 'Intangible Assets' is amended to require an entity to take into account accumulated impairment losses when adjusting the amortisation on revaluation. *The amendment has no impact on the Bank's financial statements.*

Annual Improvements 2011-2013 Cycle

IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. *The amendment has no impact on the Bank's financial statements, since the Bank is an existing IFRS preparer.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)

IFRS 3, 'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. *The amendment has no impact on the Bank's financial statements.*

IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. *The amendment has no impact on the Bank's financial statements.*

IAS 40, 'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. *The amendment has no impact on the Bank's 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 1 January 2016 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

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

IFRS 14 Regulatory Deferral Accounts

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IFRS 15 Revenue from Contract with Customers

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRSs 2012-2014 Cycle

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Disclosure Initiative (Amendments to IAS 1)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(b) Financial assets**Categories of financial assets

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

(i) 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) 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.

(iii) 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)**(iii) Held-to-maturity financial assets(Cont'd)****Impairment of financial assets**

For loans and advances, 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.

(c) 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.

(d) 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.

(e) Property and equipment

Land and buildings are carried at revalued amounts and all other equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The next revaluation is expected to be in 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property and equipment (Cont'd)

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.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

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
Buildings	35 - 40
Furniture and equipment	10
Vehicles	5
Computer 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.

(f) 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 and are amortised using the straight line method over the estimated useful life of 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(g) Retirement benefit obligations***(i) Defined benefit plans*

The Bank provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, 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. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Bank did not carry out any actuarial valuation since the Directors have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(h) Taxation*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 from depreciation of equipment 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.

(i) 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)**(j) 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 its 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.

(k) 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.

(l) 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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. Its 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.

(i) Strategy in using financial instruments

The Bank accepts deposits from customers at fixed rates at variable terms and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

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.

(ii) Capital adequacy

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Regulations (Capital Adequacy) Regulations 2010 and those of the Central Bank of Seychelles. The ratio is given below:

	2015	2014
	SR'000	SR'000
Capital Base:		
Tier I Capital	101,125	91,673
Tier II Capital	16,563	13,399
Total Capital Base (a)	<u>117,688</u>	<u>105,072</u>
Risk Adjusted Assets (b)	<u>491,404</u>	<u>525,845</u>
Capital Adequacy (a/b * 100)	<u>24%</u>	<u>20%</u>
Minimum Requirement	<u>12%</u>	<u>12%</u>

The Bank has adhered to the capital requirements of Central Bank of Seychelles for the year under review.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) 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.

At December 31, 2015, 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 405,000 (2014: SR 1,075,000) 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

	SR	Euro	US Dollars	Others	Total
<u>At December 31, 2015</u>	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	216,218	5,248	4,063	1,344	226,873
Loans and advances	473,552	-	-	-	473,552
Held-to-maturity financial assets	215,010	-	-	-	215,010
Property and equipment	43,472	-	-	-	43,472
Intangible assets	10,700	-	-	-	10,700
Tax recoverable	427	-	-	-	427
Other assets	15,540	-	5,076	-	20,616
	<u>974,918</u>	<u>5,248</u>	<u>9,139</u>	<u>1,344</u>	<u>990,649</u>
Less allowances for credit impairment					(9,214)
					<u>981,435</u>
Liabilities					
Customer deposits	824,072	1,397	4,966	1,260	831,695
Other liabilities	9,613	-	-	-	9,613
Dividend proposed	4,800	-	-	-	4,800
Deferred tax liabilities	5,999	-	-	-	5,999
Retirement benefit obligations	4,380	-	-	-	4,380
	<u>848,864</u>	<u>1,397</u>	<u>4,966</u>	<u>1,260</u>	<u>856,487</u>
Net on balance sheet position	<u>126,054</u>	<u>3,851</u>	<u>4,173</u>	<u>84</u>	<u>134,162</u>
Less allowances for credit impairment					(9,214)
					<u>124,948</u>
Off balance sheet position	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Currency risk (Cont'd)

	SR	Euro	US Dollars	Others	Total
<u>At December 31, 2014</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Assets					
Cash and cash equivalents	209,150	7,258	10,374	406	227,188
Loans and advances	495,604	-	-	-	495,604
Held-to-maturity financial assets	172,357	-	-	-	172,357
Property and equipment	38,976	-	-	-	38,976
Intangible assets	10,931	-	-	-	10,931
Tax recoverable	2,915	-	-	-	2,915
Other assets	13,849	-	10,155	-	24,004
	<u>934,554</u>	<u>7,258</u>	<u>20,529</u>	<u>406</u>	<u>971,975</u>
Less allowances for credit impairment					(9,228)
					<u>962,747</u>
Liabilities					
Customer deposits	823,096	1,367	4,874	452	829,789
Other liabilities	5,360	-	-	-	5,360
Dividend proposed	46	-	-	-	46
Current tax liabilities	-	-	-	-	-
Retirement benefit obligations	4,175	-	-	-	4,175
	<u>835,705</u>	<u>1,367</u>	<u>4,874</u>	<u>452</u>	<u>842,398</u>
Net on balance sheet position	<u>98,849</u>	<u>5,891</u>	<u>15,655</u>	<u>(46)</u>	129,577
Less allowances for credit impairment					(9,228)
					<u>120,349</u>
Off balance sheet position	<u>1,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,115</u>

(v) 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.

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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vi) Interest risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2015					
Assets					
Cash and cash equivalents	80,000	-	-	146,873	226,873
Loans and advances	211,212	38,572	223,768	-	473,552
Held-to-maturity financial assets	171,295	22,000	21,715	-	215,010
Property and equipment	-	-	-	43,472	43,472
Intangible assets	-	-	-	10,700	10,700
Tax recoverable	-	-	-	427	427
Other assets	-	-	-	20,616	20,616
	<u>462,507</u>	<u>60,572</u>	<u>245,483</u>	<u>222,087</u>	<u>990,649</u>
Less allowances for credit impairment					(9,214)
					<u>981,435</u>
Liabilities					
Deposits from customers	561,232	66,973	54,525	148,965	831,695
Other liabilities	-	-	-	9,613	9,613
Dividend proposed	-	-	-	4,800	4,800
Deferred tax liabilities	-	-	-	5,999	5,999
Retirement benefit obligations	-	-	-	4,380	4,380
	<u>561,232</u>	<u>66,973</u>	<u>54,525</u>	<u>173,757</u>	<u>856,487</u>
Interest sensitivity gap	<u>(98,725)</u>	<u>(6,401)</u>	<u>190,958</u>	<u>48,330</u>	134,162
Less allowances for credit impairment					(9,214)
					<u>124,948</u>
At December 31, 2014					
Assets					
Cash and cash equivalents	75,000	-	-	152,188	227,188
Loans and advances	54,935	49,620	391,049	-	495,604
Held-to-maturity financial assets	55,017	95,625	21,715	-	172,357
Property and equipment	-	-	-	38,976	38,976
Intangible assets	-	-	-	10,931	10,931
Tax recoverable	-	-	-	2,915	2,915
Other assets	-	-	-	24,004	24,004
	<u>175,722</u>	<u>193,487</u>	<u>364,524</u>	<u>229,014</u>	<u>971,975</u>
Less allowances for credit impairment					(9,228)
					<u>962,747</u>
Liabilities					
Deposits from customers	321,508	3,634	374,016	130,631	829,789
Other liabilities	-	-	-	5,360	5,360
Dividend proposed	46	-	-	-	46
Deferred tax liabilities	-	-	-	3,028	3,028
Retirement benefit obligations	-	-	-	4,175	4,175
	<u>321,554</u>	<u>3,634</u>	<u>374,016</u>	<u>143,194</u>	<u>842,398</u>
Interest sensitivity gap	<u>(145,832)</u>	<u>189,853</u>	<u>(9,492)</u>	<u>85,820</u>	129,577
Less allowances for credit impairment					(9,228)
					<u>120,349</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vi) Interest risk (Cont'd)

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:

	2015	2014
	SR'000	SR'000
Impact on results	<u>± 38</u>	<u>± 113</u>

(vii) 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.

(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 in addition to the regulations of the Financial institutions (Credit Classification and Provisioning) Regulations 2010, as amended 2011, 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) *Held-to-maturity investments*

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)Critical accounting estimates and assumptions (Cont'd)**(c) Held-to-maturity investments (Cont'd)**

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) Revaluation

The Bank measures land and buildings at revalued amounts with increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss. The Bank engaged independent valuation specialists to determine fair value of its properties as at December 31, 2011. The Directors are of the opinion that the carrying amount of the property and equipment approximate its fair value at December 31, 2014. The next revaluation is expected in 2015.

(f) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from for example, a stock exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)Critical accounting estimates and assumptions (Cont'd)**(g) Pension benefits**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The Company has not carried out any actuarial valuation since the Directors have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(h) Functional currency

The Board of Directors have determined the Seychelles Rupees to be the functional currency of the Company.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



5. CASH AND CASH EQUIVALENTS

	2015	2014
	SR	SR
Cash in hand	25,055,176	24,193,897
Foreign currency notes and coins	4,256,085	3,774,728
Balances with Central Bank of Seychelles	186,533,445	182,251,576
Balances with banks abroad	7,167,709	3,332,231
Balances with local banks		
- Seychelles rupees	1,913,181	4,661,374
- Foreign currencies	1,947,498	8,973,976
	<u>226,873,094</u>	<u>227,187,782</u>

6. LOANS AND ADVANCES

	2015	2014
	SR	SR
Gross loans and advances (see note (a) below)	471,482,203	494,153,605
Accrued interest	2,069,909	1,450,319
Less: Provision for credit impairment (see note (b) below)	(9,214,007)	(9,227,647)
	<u>464,338,105</u>	<u>486,376,277</u>

(a) Maturity and currency profiles of loans and advances are detailed under notes 3(iii), (iv) & (vi).

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

	2015	2014
	SR	SR
At January 1,	9,227,647	9,606,389
Written back/(off) during the year (note 25(a))	7,782	(679,288)
(Credit)/Charged to statement of profit or loss (note 25(a))	(21,422)	300,546
At December 31,	<u>9,214,007</u>	<u>9,227,647</u>

Summarised as:

- General provisions	4,520,456	4,595,060
- Specific provisions	4,693,551	4,632,587
	<u>9,214,007</u>	<u>9,227,647</u>

(c) The fair value of loans and advances approximate their amortised cost and they are all denominated in Seychelles rupees.

(d) Credit concentration of risk by industry sectors:

	2015	2014
	SR	SR
Trade	27,555,896	24,769,038
Building and construction	47,425,319	49,407,715
Tourism	39,402,072	41,239,425
Personal	142,028,039	133,050,445
Others	215,070,877	245,686,982
Total gross loans	471,482,203	494,153,605
Accrued interest	2,069,909	1,450,319
Less: Provision for credit impairment (see note (b) above)	(9,214,007)	(9,227,647)
	<u>464,338,105</u>	<u>486,376,277</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



7. HELD-TO-MATURITY FINANCIAL ASSETS

(a) The movement in held-to-maturity financial assets is as summarised below:

	2015	2014
	SR	SR
At January 1,	172,357,095	82,142,824
Additions	133,945,527	178,754,600
Matured	(95,544,095)	(90,097,324)
Accrued interests	4,251,489	1,556,995
At December 31,	215,010,016	172,357,095
<i>Analysed as: Non-current</i>	<i>(43,715,000)</i>	<i>(81,715,000)</i>
<i>Current</i>	<i>171,295,016</i>	<i>90,642,095</i>

(b) Held-to-maturity financial assets include the following:

	Maturity Date	Interest Rate	2015	2014
		%	SR	SR
Treasury bills	Mar - Dec 2016	1.4% - 15%	132,804,207	90,168,130
Treasury bonds	Mar 16 - Jun 19	4% - 5.50%	80,126,631	80,126,631
Government stock	Jan 2017	8.50%	2,079,178	2,062,334
			215,010,016	172,357,095

(c) Maturity and currency profiles of held-to maturity financial assets are detailed under notes 3(iii), (iv) & (vi).

(d) The fair value of held-to-maturity financial assets approximate their amortised cost and they are all denominated in Seychelles rupees.

8. PROPERTY AND EQUIPMENT

	Buildings on leasehold land	Furniture and equipment	Motor vehicles	Computer equipment	Total
	SR	SR	SR	SR	SR
Cost and valuation					
At January 1, 2014	35,771,255	6,136,591	1,892,805	12,599,295	56,399,946
Additions	513,636	563,240	922,000	149,947	2,148,823
At December 31, 2014	36,284,891	6,699,831	2,814,805	12,749,242	58,548,769
Additions	31,898	602,544	-	668,065	1,302,507
Disposals	-	-	(982,061)	-	(982,061)
Revaluation surplus	3,058,555	-	-	-	3,058,555
At December 31, 2015	39,375,344	7,302,375	1,832,744	13,417,307	61,927,770
Accumulated depreciation					
At January 1, 2014	1,863,512	4,990,512	1,527,126	8,578,155	16,959,305
Charge for the year	954,708	220,945	262,314	1,175,753	2,613,720
At December 31, 2014	2,818,220	5,211,457	1,789,440	9,753,908	19,573,025
Charge for the year	955,505	262,416	240,955	1,188,473	2,647,349
Disposals	-	-	(982,061)	-	(982,061)
Revaluation surplus	(2,782,268)	-	-	-	(2,782,268)
At December 31, 2015	991,457	5,473,873	1,048,334	10,942,381	18,456,045
NET BOOK VALUE					
At December 31, 2015	38,383,887	1,828,502	784,410	2,474,926	43,471,725
At December 31, 2014	33,466,671	1,488,374	1,025,365	2,995,334	38,975,744

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



8. PROPERTY AND EQUIPMENT (CONT'D)

(a) Analysis of cost and valuation

	Buildings on leasehold land
	SR
Cost	21,266,844
Revaluation surplus	20,858,870
	<u>42,125,714</u>

(b) Had buildings been kept at cost, the net book value would have been as follows:

	2015	2014
	SR	SR
Cost	21,266,844	21,266,844
Accumulated depreciation	(9,129,384)	(8,594,720)
	<u>12,137,460</u>	<u>12,672,124</u>

- (c) Land and buildings comprise payments in respect of leasehold land and improvements to leasehold land and buildings amounting to SR 1,322,957 and SR 7,080,182 respectively. The period of the lease is 77 years ending in the year 2071.
- (d) The Bank's land and buildings were last revalued at January 8, 2015 by Nigel Antoine Roucou & Co, Quantity Surveyor and Property Consultant, an independent professionally qualified valuer, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The present market value was determined on an open-market basis by reference to market evidence of transaction prices for similar properties. There has been no change to the valuation technique during the year. The next revaluation is expected to be in 2018.
- (e) The Directors are of the opinion that the carrying amounts of property and equipment approximate their fair value at December 31, 2015.
- (f) Significant unobservable valuation input
- | | |
|------------------------|-------------------------------|
| Price per square metre | Range - SR
10,528 - 29,101 |
|------------------------|-------------------------------|
- Significant increase/(decrease) in estimated price per square metre in isolation would result in significantly higher/(lower) fair value.
- (g) The valuation of land and buildings of the Bank were carried out by external values and falls within category level 2 of the fair value hierarchy. No change was noted during the current year.
- (h) One of the buildings of the Bank on Praslin Island was not revalued during the year since it is undergoing renovation and the Directors have therefore estimated that the carrying amount of that asset approximates its fair value at December 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



9. INTANGIBLE ASSETS

	Computer software	
	2015	2014
	SR	SR
Cost		
At January 1,	20,026,590	16,251,945
Additions	1,179,236	3,774,645
At December 31,	21,205,826	20,026,590
Amortisation		
At January 1,	9,095,686	7,696,302
Charge for the year	1,410,420	1,399,384
At December 31,	10,506,106	9,095,686
Net book value		
At December 31,	10,699,720	10,930,904

10. OTHER ASSETS

	2015	2014
	SR	SR
Other receivables	6,743,209	12,386,222
Less: provision for credit impairment (note 25)	-	(456,669)
	6,743,209	11,929,553
Prepayments	3,944,935	2,146,676
Receivable from Government of Seychelles (Notes (b) and 17)	9,927,600	9,927,600
	20,615,744	24,003,829

- (a) The carrying amount of other receivables approximate their fair values.
- (b) Amount due from Government of Seychelles is unsecured, non-interest bearing and have no fixed repayment terms and has been classified as current asset based on Directors' opinion.
- (c) The carrying amount of 'other assets' approximate their fair value and are denominated in the following currencies:

	2015	2014
	SR	SR
US Dollars	5,075,863	10,152,402
Seychelles Rupees	15,539,881	13,851,427
	20,615,744	24,003,829

11. TAX

(i) Statement of financial position - tax recoverable

	2015	2014
	SR	SR
At January 1,	(2,914,822)	(1,194,698)
Charge for the year (see note (iii))	4,204,389	3,757,915
Payments during the year	(4,670,991)	(5,478,039)
Refunds during the year	2,954,865	-
At December 31,	(426,559)	(2,914,822)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

11. TAX (CONT'D)

(ii) Statement of profit or loss -tax charge

	2015	2014
	SR	SR
Current tax on adjusted profit for the year at applicable tax rates (see note (iv))	4,204,389	3,757,915
Deferred taxes (note 15(b))	1,686,216	(213,802)
	<u>5,890,605</u>	<u>3,544,113</u>

(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:

	2015	2014
	SR	SR
Profit before tax	17,933,399	12,347,685
Tax calculated at applicable tax rates (note (iv) below)	5,838,022	3,994,736
Income not subject to tax	(1,673,903)	(841,079)
Expenses not deductible for tax purposes	332,359	550,716
(Surplus)/Deficit of capital allowance over depreciation	(292,089)	53,542
	<u>4,204,389</u>	<u>3,757,915</u>

(iv) Applicable tax rates

Taxable income threshold2015 & '2014Tax rates - %

≤ SR 1,000,000

25%

>SR 1,000,000

33%

12. CUSTOMER DEPOSITS

	2015	2014
	SR	SR
Current accounts	149,074,528	130,631,461
Savings deposits	407,957,311	337,245,812
Time deposits	266,982,824	358,122,829
Accrued interest	7,680,616	3,789,372
	<u>831,695,279</u>	<u>829,789,474</u>

(a) Analysis of customer deposits currency-wise is given below:

	2015	2014
	SR	SR
- Seychelles rupees	824,072,000	823,097,127
- US Dollars	4,966,000	4,872,738
- Euro	1,397,000	1,367,282
- Others	1,260,279	452,327
	<u>831,695,279</u>	<u>829,789,474</u>

(b) Maturity profile of customer deposits are detailed under notes 3(iii), (iv) & (vi).

(c) The range of interest on customer deposits varied from 1.25% to 8% (2014: 0.75% to 7%).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



13. OTHER LIABILITIES

	2015	2014
	SR	SR
Accruals	554,432	428,001
Other payables	9,058,463	4,931,800
	<u>9,612,895</u>	<u>5,359,801</u>

14. DIVIDENDS

	2015	2014
	SR	SR
At January 1,	46,000	46,200
Dividend of SR 5 per share for 2013	3,000,000	
Dividend of SR 7 per share for 2014	4,200,000	-
Final dividend of SR 8 per share for 2015	4,800,000	-
Paid during the year	(7,246,000)	(200)
At December 31,	<u>4,800,000</u>	<u>46,000</u>

15. DEFERRED TAXES

- (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:

	2015	2014
	SR	SR
Deferred tax liability	7,444,452	4,405,348
Deferred tax asset	(1,445,539)	(1,377,632)
Net deferred tax liability	<u>5,998,913</u>	<u>3,027,716</u>

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

	2015	2014
	SR	SR
At January 1,	3,027,716	5,621,122
Credit for the year (see below)	2,971,197	(2,593,406)
At December 31,	<u>5,998,913</u>	<u>3,027,716</u>

(Credit)/Charge for the year is analysed as follows:

- Statement of profit or loss (note 11(ii))	1,686,216	(213,802)
- Other comprehensive income	1,927,472	(2,379,604)
- Reversal to other comprehensive income	(642,491)	-
	<u>2,971,197</u>	<u>(2,593,406)</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



15. DEFERRED TAXES (CONT'D)

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

(i) Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of assets	Total
	SR	SR	SR
At January 1, 2014	4,458,889	2,379,604	6,838,493
Credited to statement of profit or loss	(53,541)	-	(53,541)
Credited to other comprehensive income	-	(2,379,604)	(2,379,604)
At December 31, 2014	4,405,348	-	4,405,348
Charged to statement of profit or loss	1,754,123	-	1,754,123
Charged to other comprehensive income	-	1,927,472	1,927,472
Reversal to other comprehensive income	-	(642,491)	(642,491)
At December 31, 2015	6,159,471	1,284,981	7,444,452

(ii) Deferred tax assets

	Retirement benefit obligations
	SR
At January 1, 2014	(1,217,371)
Credited to statement of profit or loss	(160,261)
At December 31, 2014	(1,377,632)
Credited to statement of profit or loss	(67,907)
At December 31, 2015	(1,445,539)

16. RETIREMENT BENEFIT OBLIGATIONS

Length of service compensation

Movement in length of service compensation payable under the Seychelles Employment Act is given below:

	2015	2014
	SR	SR
At January 1,	4,174,643	3,689,002
Paid during the year	(1,355,243)	(1,202,135)
Charged to statement of profit or loss (note 23)	1,561,021	1,687,776
At December 31,	4,380,421	4,174,643

17. SHARE CAPITAL

Authorised share capital

At December 31,

2015 & 2014

SR

60,000,000

Issued share capital

- Fully paid (See note 17(a))

- Unpaid (See notes 17(b) and 10)

50,072,400

9,927,600

60,000,000

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



17. SHARE CAPITAL (CONT'D)

- (a) During the year ended December 31, 2011, the issued share capital was increased from 50,000 shares of SR 200 each to 600,000 shares of SR 100 each. The increase of issued share capital was funded through capitalisation of retained earnings as bonus shares for SR 26 million and cash of SR 14 million.
- (b) A balance of SR 9.9 million is still due on the issued shares which under Section 56 of the Companies Act 1972 is payable within the next five years, i.e. by December 31, 2016.

18. STATUTORY RESERVE

	2015	2014
	SR	SR
At January 1,	15,714,279	13,953,565
Transfer during the year (page 5)	2,408,558	1,760,714
At December 31,	<u>18,122,837</u>	<u>15,714,279</u>

Section 24(1) of the Financial Institutions Act, 2004 requires that a Statutory Reserve Fund be maintained from an appropriation of not less than 20% of net profits for the year before any transfers until such reserve is equal to the Share Capital of SR 60 million.

19. INTEREST INCOME

	2015	2014
	SR	SR
Investment in held-to-maturity financial assets	11,496,719	5,091,106
Loans and advances	61,489,366	58,329,348
Cash and short term funds	3,881,926	1,000,142
	<u>76,868,011</u>	<u>64,420,596</u>

20. INTEREST EXPENSE

	2015	2014
	SR	SR
Customer deposits	26,246,763	22,388,660
Deposits and borrowing from other banks	243,961	161,961
	<u>26,490,724</u>	<u>22,550,621</u>

21. FEE INCOME AND COMMISSIONS

	2015	2014
	SR	SR
Fees and commissions arising on:		
- Commission	719,196	717,133
- Foreign currency transactions	74,141	56,158
	<u>793,337</u>	<u>773,291</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



22. SUNDRY INCOME

	2015	2014
	SR	SR
Bank charges and other related income	14,703,728	9,993,054
Sundries	555,699	33,833
	<u>15,259,427</u>	<u>10,026,887</u>

23. EMPLOYEE BENEFIT EXPENSE

	2015	2014
	SR	SR
Wages and salaries	17,703,823	15,013,813
Directors' fees and remuneration (see note (a) below)	2,411,769	2,174,991
Retirement benefit obligations (note 16)	1,561,021	1,687,776
Other pension costs	320,869	290,444
Other staff costs	1,011,384	1,147,320
	<u>23,008,866</u>	<u>20,314,344</u>

(a) Directors' fees and other emoluments are detailed below:

	2015	2014
	SR	SR
<u>Directors' fees</u>		
Esther Boniface	14,400	14,400
Joel de Commarmond	-	9,160
Robert Morgan	14,400	14,400
Patrick Payet	28,800	24,000
Sandy Mothee	12,257	-
	<u>69,857</u>	<u>61,960</u>
<u>Directors' other emoluments</u>		
Michael Benstrong	405,195	662,826
Syed Naqi	1,936,717	1,450,205
	<u>2,341,912</u>	<u>2,113,031</u>
Total	<u>2,411,769</u>	<u>2,174,991</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



24. OTHER EXPENSES

	2015	2014
	SR	SR
Auditors' remuneration	100,625	123,625
Premises cost	4,733,656	4,536,117
Computer maintenance expenses	3,940,124	4,110,537
Card expenses	3,520,900	2,978,890
Security services	1,371,921	1,308,875
Stationery and postage expenses	1,326,968	1,343,018
Advertising and promotion expenses	308,650	649,296
CSR tax	389,975	375,259
Tourism marketing tax	389,975	375,259
Fuel, conveyance and vehicles maintenance	413,433	338,343
Legal and professional charges	913,308	110,200
Licenses, insurance and subscription	643,656	972,174
Telecommunication	1,419,031	1,407,695
AGM expenses	154,329	-
Others	853,704	406,494
	<u>20,480,253</u>	<u>19,035,782</u>

25. PROVISION FOR CREDIT IMPAIRMENT

	2015	2014
	SR	SR
Loans and advances (note 6(b))	9,214,007	9,227,647
Other assets (note 10(b))	-	456,669
	<u>9,214,007</u>	<u>9,684,316</u>

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

	2015	2014
	SR	SR
At January 1,	9,684,316	10,066,235
Loans and advances written off during the year (note 6(b))	7,782	(679,288)
Reversal of provision during the year (note 10)	(456,669)	-
(Credited)/Charged to statement of profit or loss (note 6(b))	(21,422)	297,369
At December 31,	<u>9,214,007</u>	<u>9,684,316</u>

26. COMMITMENTS

(a) Capital commitments

	2015	2014
	SR	SR
Approved and contracted for:		
Property and equipment	6,325,421	6,529,500
Intangible assets	2,096,000	1,500,000
	<u>8,421,421</u>	<u>8,029,500</u>

(b) Loan commitments

	2015	2014
	SR	SR
Loans approved but not yet disbursed	<u>63,256,000</u>	<u>14,957,000</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



26. COMMITMENTS (CONT'D)

(c) Operating lease commitments

The Bank leases various outlets under operating lease agreements which have varying terms, escalation clauses and renewal rights.

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

	2015	2014
	SR	SR
Within one year	1,303,600	1,303,600
Later than one year and not later than five years	5,211,400	5,211,400
Later than five years	16,134,600	17,437,200
	<u>22,649,600</u>	<u>23,952,200</u>

27. RELATED PARTY TRANSACTIONS

	Deposits	Interest on deposits
	SR'000	SR'000
December 31, 2015		
Parastatals	206,586	3,313
Government organisations and agencies other than parastatals	61,890	992
	<u>268,476</u>	<u>4,305</u>
December 31, 2014		
Parastatals	142,395	773
Government organisations and agencies other than parastatals	147,381	122
	<u>289,776</u>	<u>895</u>

- (a) Transactions with related parties are made at normal market prices.
- (b) Outstanding balances at the year-end are interest-bearing. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2015, the Bank has not recorded any impairment of receivables relating to amounts owed by related parties (2014: 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.

(c) Key management personnel

	2015	2014
	SR	SR
Salary and short term employment benefits	2,341,912	2,113,031
	<u>2,341,912</u>	<u>2,113,031</u>

28. CONTINGENT LIABILITIES

At December 31, 2015, the Bank had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities would arise. The Bank has given guarantees in the ordinary course of business, amounting to SR 600k (2014: SR 1.1m) to third parties.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



29. EVENTS AFTER REPORTING PERIOD

The Minister of Finance and the Blue Economy announced the second round of sale of shares of the Government to account holders and staff of the Bank on March 23, 2016. This second round will comprise the sale of 99,276 shares at a face value of SR 100 which remained unsubscribed during the first round of sale of shares in 2011.

30. FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
	SR'000	SR'000	SR'000	SR'000	SR'000
Operating profit before provision	17,912	12,645	13,213	17,366	16,509
Provision for credit impairment	21	(297)	(2,421)	(3,440)	(3,071)
Profit before tax	17,933	12,348	10,792	13,926	13,438
Tax expense	(5,891)	(3,544)	(6,458)	(4,472)	(7,458)
Profit for the year	12,042	8,804	4,334	9,454	5,980
Transfer to statutory reserve	(2,409)	(1,761)	(867)	(1,891)	(1,196)
Dividends	(12,000)	-	-	(6,000)	-
Retained earning brought forward	23,002	15,959	12,492	10,287	32,145
Bonus shares issued	-	-	-	-	(26,000)
Retained earnings carried forward	<u>20,635</u>	<u>23,002</u>	<u>15,959</u>	<u>12,492</u>	<u>10,929</u>
EQUITY					
Share capital	60,000	60,000	60,000	60,000	60,000
Statutory reserve	18,123	15,714	13,953	13,087	11,196
Revaluation reserve	26,189	21,633	19,253	16,873	21,633
Retained earnings	20,636	23,002	15,959	12,492	10,929
	<u>124,948</u>	<u>120,349</u>	<u>109,165</u>	<u>102,452</u>	<u>103,758</u>



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