

TO THE PARENT OF BANK OF BARODA - SEYCHELLES BRANCH

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Bank of Baroda – Seychelles Branch “the branch” set out on pages 6 to 32, which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and a five year financial summary.

In our opinion, the accompanying financial statements of the branch give a true and fair view of the financial position of the branch as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with the, financial reporting provisions of International Financial Reporting Standards “IFRS’s”; Seychelles companies Act 1972; Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the branch in accordance with the International Ethics Standards for Accountants’ *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of our financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

➤ *Impairment allowance for loans and advances and investments in financial assets at amortised cost*

Our audit considered impairment allowance for loans and advances and investments in financial assets at amortised cost as a key audit matter. The materiality of the reported amounts and impairment allowance thereof, the subjectivity associated with management’s impairment estimation, involvement of complex manual calculations underpinned our basis for considering it as a key audit matter.

As at 31 December 2022, 76 % of its total assets of the branch consisted of loans and advances and investments in financial assets at amortised cost totaling SCR 1,013,771,869, after an impairment allowance of SCR 4,912,400.

Significant estimates and assumptions used by the management in impairment calculations are disclosed in Note 4.

To assess the reasonableness of the impairment allowance, our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, included the following:

- We evaluated design effectiveness of controls over estimation of impairment of loans and advances and investments in financial assets at amortised cost, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee (Parent) and management of the branch.

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Report on the audit of the financial statements (cont...)

Key audit matters/ Impairment allowance for loans and advances and investments in financial assets at amortised cost (cont...)

- We test-checked the underlying calculations and data.
- We assessed the completeness of the underlying information in loans and advances and investments in financial assets at amortised cost used in the impairment calculations by agreeing details to the branch's source documents and information in information technology system(IT).
- We assessed management's key assumptions, such as: definition of default, probability of default, loss given default, significant increases in credit risk and the staging applied by management, forward looking assumptions and the determination of lifetime probability of default curves.
- We also considered reasonableness of macro-economic and other factors used by management in their judgemental overlays for various types of loans and advances and investments in financial assets at amortised cost, by comparing them with publicly available data and information sources. Also assessed whether the macroeconomic factors have been used with the latest available information and economic forecasts.
- Evaluating and testing the mathematical accuracy of models applied and post-model adjustments.
- We assessed the adequacy of the related financial statement disclosures.

➤ *IT systems and controls over financial reporting:*

The branch's key financial accounting and reporting processes are highly dependent on the automated controls over the branch's information systems. As such that there exists a risk that gaps in the IT control environment, including automated accounting procedures, IT dependent manual controls could result in the financial accounting and reporting records being materially misstated. The IT systems and controls, as they impact the financial accounting and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the branch's IT controls.

We performed the following procedures, among others.

- Understanding and evaluation of design effectiveness of key controls implemented by management over generation of multiple system reports and collation of required information underpinning the significant amounts in the financial statements.
- Understanding the entity level control environment over IT redundancy process.
- Examining management's reconciliations between source systems and the general ledgers through to the spreadsheet workings, including substantiation of the source system balances.
- Test-checking;
 - source data with those of the related systems,
 - calculations to ensure accuracy of system parameters, and
 - process level maker checker mechanism in the system.
 - material post-closing adjustments to appropriate supporting evidence.

Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with financial reporting provisions of IFRS's and Seychelles Companies Act, 1972 and the Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles, and for such internal control as the management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the parent bank either intends to liquidate the branch or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the branch's financial reporting process.

TO THE PARENT OF BANK OF BARODA - SEYCHELLES BRANCH
Report on the audit of the financial statements (cont...)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal regulatory requirements

Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles

The Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles 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, as amended and Regulations and Directives of the Central Bank of Seychelles.
- the explanations or information called for or given to us by management and employees of the branch were satisfactory.
- the branch did not carry out any fiduciary duties during the year under review.

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Report on the audit of the financial statements (cont...)

Report on other legal regulatory requirements (cont...)

Seychelles Companies Act, 1972

The Seychelles Companies Act 1972 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that we have obtained all the information and explanations necessary for the performance of our audit, and in our opinion,

- (i) proper books of accounting have been kept by the branch based on our examination of those records; and
- (ii) the branch's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns.

ICAEW membership number of the engagement partner responsible for signing this independent auditor's report is 6813446.

Pool & Patel

POOL & PATEL
CHARTERED ACCOUNTANTS
Date: 30 March 2023

BANK OF BARODA - SEYCHELLES BRANCH


Statement of financial position

Financial statements are prepared in Seychelles Rupees

		As at 31 December	
	Notes	2022	2021
Assets			
Cash and cash equivalents	5	302,079,090	366,046,442
Loans and advances at amortised cost	6	366,232,942	360,866,590
Investments in financial assets at amortised cost	7	647,538,927	868,186,901
Equipment	8	598,189	732,111
Right of use asset	9	3,424,946	4,947,144
Deferred tax asset	10	2,214,360	4,717,347
Other assets	11	3,146,326	2,818,724
Total assets		1,325,234,780	1,608,315,259
Liabilities			
Lease liability	9	3,943,568	5,406,842
Deposits from customers & banks	12	1,078,145,217	1,306,888,762
Retirement benefit obligations	13	1,825,023	1,863,881
Borrowing from central bank of seychelles	14	40,000	80,000
Current tax liability	10	3,797,770	2,403,763
Other liabilities	15	5,953,057	5,352,008
Total liabilities		1,093,704,635	1,321,995,256
Assigned capital	16	20,000,000	20,000,000
Statutory reserve	17	20,000,000	20,000,000
Retained earnings		191,530,145	246,320,003
Equity		231,530,145	286,320,003
Total liabilities and equity		1,325,234,780	1,608,315,259
Contingent liabilities	24	1,797,801	7,064,036

The notes on pages 10 to 31 form an integral part of these financial statements.

These financial statements have been approved for issue by the branch management on 30 March 2023


Mathi Chakravarthy
Chief Executive Officer


C J Ramprasad
Chief Manager

BANK OF BARODA - SEYCHELLES BRANCH

Statement of profit or loss & other comprehensive income

Financial statements are prepared in Seychelles Rupees

	Notes	Year ended 31 December	
		2022	2021
Interest income	18	51,826,150	58,432,286
Interest expense	19	(11,626,646)	(12,842,068)
Net interest income		40,199,504	45,590,218
Net fees and commission income	20	3,605,786	2,889,930
Net interest, fee and commission income		43,805,290	48,480,148
Net foreign exchange gains		3,721,672	3,420,801
Other income		5,025	29,181
Total operating income		47,531,987	51,930,130
Reversal/ (charge) of credit impairment	6	7,656,840	(4,515,995)
Net operating income		55,188,827	47,414,135
Employment costs	21	(6,824,456)	(6,983,892)
Depreciation of equipment	8	(171,692)	(155,545)
Amortisation of right of use asset	9	(1,522,198)	(1,522,198)
Other operating expenses	22	(3,406,574)	(2,707,689)
Total operating expenses		(11,924,920)	(11,369,324)
Profit before taxation		43,263,907	36,044,811
Tax charge	10	(14,633,765)	(11,847,682)
Total comprehensive income for the year		28,630,142	24,197,129

The notes on pages 10 to 31 form an integral part of these financial statements.