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Pension Fund



Annual Report | 2022

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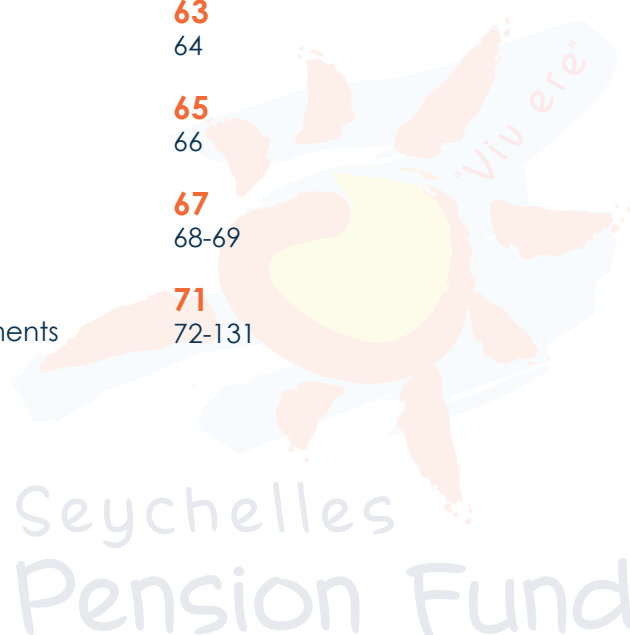
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Date: 28th April 2023

Mr. Naadir Hassan
Minister for Finance, National Planning and Trade
Liberty House
P.O. Box 313
Independence Avenue
Victoria

Dear Minister Hassan

Re: Submission of Annual Report in Accordance with Section 53 of the SPF Act 2005

I have the honour and pleasure to submit to you the 17th Annual report of the Seychelles Pension Fund in accordance with Section 53(5) of the SPF Act 2005, which includes the audited Financial Statements for the year ending 31st December 2022.

As per the normal established procedures, we shall table the report to the National Assembly as required under the same Act.

Yours sincerely



Nisreen Abdul Majid (Ms)
Chief Executive Officer

CHAPTER 1

INTRODUCTION

Foreword from Chairman

CEO's Report for 2022

1.1 2022 Highlights

1.2 Corporate Governance

1.3 Management of SPF

1.4 Organisation Structure



FOREWORD FROM THE CHAIRMAN

It is my pleasure, as Chairman of the SPF Board of Trustees, and in accordance with the SPF Act (2005), to present the 2022 Annual Report.

For the past 17 years, the Seychelles Pension Fund has successfully balanced present-day realities with our multi-generational obligations, and the experience acquired in the process are amongst our most valuable assets as we continue to fulfil our promise to our hardworking Seychellois citizens and those who have since retired.

Sadly, as this fiscal 2022 annual report is published, and while the impacts of the Covid-19 pandemic have stabilized in most parts of the world, we now face a grave obstacle to global peace and security in the Russia-Ukraine conflict. The world faces a crossroad in international relations, and the new global risks caused by this war and other geopolitical conflicts bring about supply chain disruptions, trade tensions, rising inflation, higher energy and food prices, let alone uncertainty and instability in investment strategies and portfolios.

And it is precisely during such unprecedented times that the long-term strategy guiding SPF's investments must continue to prove itself in order to deliver excellent returns that will benefit current and future generations of retirees. As we navigate the risks and opportunities, we will continue to take a long-term view and maintain focus on generating returns.

The diversification of our portfolio remains a key element of our strategy and a critical ingredient to our success. We continue to spread our risks across well-balanced asset classes in order to maximize returns while reducing our exposures in specific areas. In 2022, we started to dispose of legacy assets such as undeveloped land and underperforming properties that brought little or no return to the Fund, and this exercise will continue throughout 2023 as we aim to rebalance our investment portfolio.

There were many positives in 2022, starting with the completion of the Dreamgate Complex at Ile Du Port which was inaugurated by the Seychelles President. Our audited financial statements will show recorded capital gains from most of our equity holdings, and surplus for the year exceeded SCR 89m while our balance sheet increased in value by some SCR 563m. At fair value, investments in Seychelles Breweries Limited, Al Salam Bank and Cable & Wireless Seychelles increased by 64.5% from SCR 584m to SCR 961m. With the listing of Cable & Wireless Seychelles on the local MERJ Stock Exchange in October 2022, SPF's shares in the company increased in value by 124%, from SCR 294m in 2021 to SCR 660m. Dividends from local companies also grew considerably by 156% from SCR 21m in 2021 to SCR 55m, and SPF is proud of the support it has afforded local companies with prudent investments that continue to offer excellent returns to the Fund. SPF will of course continue to invest locally whenever the right opportunity avails itself.

In 2021, SPF paid out SCR 481m in pension benefits, whereas in 2022, this amount increased by 24% to SCR 599m. Given the increase in the number of retirees and significant improvements in life expectancy, it became evident that SPF needed to address these significant year-on-year increases as such outlays were simply not sustainable.

Following reforms to address the Fund's long-term sustainability, the SPF Act 2005 was amended in December 2022 to increase the age of retirement from 60 to 65. To mitigate the impact on potential retirees, SPF introduced a provision for an early retirement mechanism based on a reduction factor for members opting to retire between the ages of 60 to 64 as from January 2023. Meanwhile, starting from 2nd January 2023, the employee contribution rate will also increase from 4% to be at par with the existing employer contribution of 5%.

The decisions to enact such increases were not taken lightly, and it is worth noting that such amendments had been proposed by our actuary as far back as 2018. Nevertheless, they were overdue and necessary to ensure the long-term viability and sustainability of the Fund for decades to come. On behalf of SPF, I wish to thank our members as well as the Seychelles Government for their unwavering support in approving these fundamental and significant reforms.

I am also encouraged that 9,247 members of the Fund opted to make voluntary contributions towards their account in order to plan for a better retirement. The Fund continues to pay above market interest rate on these contributions and we will continue to encourage individuals to contribute in order to complement their retirement savings.

I would also like to take this opportunity to thank the CEO, the management and the employees of SPF who have worked diligently throughout the year across the Fund's comprehensive governance arrangements, to ensure that our members receive an excellent service throughout the year. Indeed, we experienced some challenges in processing retirement applications. This was due to the influx of applicants who turned 60 or above who took advantage of the opportunity to retire prior to the amendment in retirement age to 65, and we expect this backlog to normalise in the first quarter of 2023.

Furthermore, our entire executive team demonstrated steady commitments and agility in the face of complex changes and operating environment in 2022. Our board remains confident in the leadership team's ability to continue executing on the Fund's bold and ambitious strategy, and their dedication and skills continue to serve the best interest of our members under sometimes very difficult circumstances.

A strong, independent board is the foundation of good governance. In this spirit, I wish to thank our board

members for their hard work, their wise counsel and contributions, for professionally discharging their respective responsibilities in 2022, and for providing appropriate assurance that high standards of governance and compliance of the Fund were maintained.

The board remains resolute in ensuring that all risks are factored into investment decisions. As SPF grows in size and complexity, the board's responsibility for risk culture remains a key priority as proactive risk management underpins our investment strategies. We are and will continue to advance the organisation's risk culture with tools and processes to support risk measurement and management throughout, and we will continue to take a higher-level, forward-looking and generative approach to risk.

Much work was done in 2022 to pave the way for important SPF projects that have long been on the drawing board. In early 2023, SPF will start the long-awaited Pirates Arms project that will return an iconic building to its rightful place, and bring more entertainment and vibrancy to our small capital. Refurbishment of the Le Chantier Mall will also start in order to uplift the precinct. Last but not least, an intense digitisation project will begin in order to serve not only the company's objectives, but also to ensure that our members have on-demand, updated information at their fingertips.

In conclusion, it has been a challenging year for all concerned and there remains much uncertainty into 2023, especially in respect to growing inflation and the ongoing implications of the Russia-Ukraine conflict. Despite this backdrop, the fund remains in a stronger position entering fiscal year 2023 and as entrusted stewards, we remain confident that the Fund will continue to perform positively to ensure the plan's sustainability. Let me reassure our members that the board remains committed to upholding the highest standards of good governance to help protect the retirement security of the more than 44,200 members and our 8,135 pensioners.

Sincerely,

Marc Houareau
Chairman – Seychelles Pension Fund Board of Trustees



CHIEF EXECUTIVE OFFICER'S REPORT

Ensuring The Long-term Financial Security of SPF

As the Chief Executive Officer of the Seychelles Pension Fund (SPF) I am delighted to share with you the annual report of SPF for the year 2022 which covers the management and performance for the financial year 2022.

The purpose of the Annual Report is to provide information to our members, other interested parties and stakeholders on the management and administration of SPF during the year. The principal aim of SPF is to provide secured pensions effectively and efficiently administered at the lowest cost to contributing employees. This requires that SPF should strike a balance between achieving the most from its investments, sustainable pension contribution rates and the need to exercise prudence and caution in considering its future liabilities.

Fund performance

Despite the harsh economic challenges and the aftermath of the Covid 19 pandemic, the overall performance of SPF has been encouraging with a total surplus of income over expenditure of SCR 94.8m (surplus before fair value changes and exchange differences) which represents a 105% increase when compared with a surplus of SCR46.3m in 2021. It registered the highest amount collected in mandatory contribution of SCR611m, which is a 43% increase when compared with the sum of SCR 428m collected in 2021.

However, the financial security of the Fund is of paramount importance and during the year 2022, the SPF's total contribution received was SCR 646m as compared with total pension paid of SCR599m that exceeded the total pension payout by SCR47m. The situation should change in 2023 considering the sustainability measures and reform taking place.

Pension Reform

The actuarial valuation of the SPF in 2018 showed that SPF was not sustainable in the long term. It recommended inter alia the increase of the current rate of pension contribution as early as possible in a phased approach to be completed by July 2022 and that retirement age should be increased to 65 years.

The new Board and management since taking over in February 2021 undertook action to deal with this situation. After a series of public consultations involving all stakeholders and the support of the Government, the following sustainability measures were approved and came into force:

- Increase of pension contribution from 6% to 9% under SI 38 of 2022 (employer 5% and employee 4%) from the 1st April 2022 and to 10% from the 1st January 2023 (5% employer and 5% employee);

- Increase in retirement age to 65 years under the Seychelles Pension (Amendment) Act No 30 of 2022 and the Seychelles Pension Fund Retirement Regulations (SI 136 of 2022 with effect from the 1st January 2023;
- Introduction of reduced pension factor for early retirement from 60 to 64 years) from the 1st January 2023 under the Seychelles Pension Fund (Benefits) (Amendment) Regulations (SI. 135 of 2022),

Review of formula for indexation of retirement pension under SI 109 of 2021 took effect from 1 January 2022, in the spirit of regulating the benefits being paid out and relieving some pressure on the current contributors.

There is no doubt that these measures should strengthen the financial situation of SPF.

Investments

Investment income collected amounted to SCR223m representing a 36% increase from the investment income collected in 2021 SCR163.8m.

The real net return for the year 2022 is 13%.

Dividend income has increased from SCR21m in 2021 to SCR 55m in 2022 a remarkable increase of 156% due to dividend received from Cable and Wireless amounting to SCR19m and dividend received from Seybrew amounting to SCR 26m where a special dividend was declared for the 50th anniversary of Seybrew. Every effort is being made to ensure that SPF earns dividends on all of its investments. Currently, some investments are under review to ensure that they earn the much-needed return on investment.

The SPF's net asset value stood at SCR 4 billion as at 31st December 2022 an increase of 16% compared to the 2021 net asset value of SCR3.5billion. During the year 2022, SPF has continued to move in the right direction closer to attain its goal of asset class diversification although it still has a high exposure to the Real Estate Sector.

After much delay since 2018 to start the re-development of Pirates Arms, I am pleased to report that the contract for the project will be awarded soon and construction is expected to start in the second half of 2023. Refurbishment of Le Chantier Building will also start in 2023 following the fire that caused damage to the third and fourth floors of the building.

Membership

Members' funds continue to increase from SCR1.7billion in 2022 to SCR1.8 billion. The total registered members as at 31st December 2022 amounted to 44,233 a slight decrease of 0.47% from the 2021 number of 44,441.

The total number of active registered employers with SPF stood at 3,585 representing an increase of 3.37% as compared with the number of 3,468 in 2021. The active number of self-employed has also continued to increase by 7.38%.

Pension payments

SPF paid a total of SCR 599m to beneficiaries in 2022 as compared with SCR481m in 2021. For the payment of retirement pensions, the number of beneficiaries increased in 2022 from 5,433 to 6,229 in view of the uncertainty regarding the possible increase in retirement age to 65 years. It is to be noted that out of total recipients of 8,135, retirement beneficiaries accounts for 77% of the total recipients.

Property Management

Considerable attention was given to the importance of proper maintenance of SPF investment properties to ensure that they are kept in good state of repair and in keeping with market values. During the year, the Property Management has a new team leader with experience and the purpose of maintaining efficiency. The total amount spent in 2022 amounted to SCR23m.

Restructuring

SPF underwent a phase of restructuring to re-look at the nature of the business and the need to have committed staff with strong ethical background especially for key positions to move SPF to a higher level and promote a sustainable pension fund. Emphasis on the new organisation structure is to improve work operations efficiently and provide more productivity.

In pursuit of excellence, the annual team building exercise held in November 2022, was as usual well attended. It was used to give the opportunity for staff to reconnect with the basics of teamwork in order to enhance the organisation productivity and efficiency.

Customer service

The need to ensure confidence in SPF is crucial to improving its image. We are committed to provide our stakeholders in particular contributors and beneficiaries with the highest standard service. SPF offers a wide range of opportunities to interact with its members including in person-face to face meetings, telephone calls, e-mail contacts through its offices on Mahe, Praslin and La Digue in addition to, increasing our presence on social media platforms.

No doubt, SPF has continuously provided the right information to its members in respect of their rights and entitlements. This includes information on pension reforms and in respect of reform enquiries making it stronger and will continue to do so. SPF has continued to maintain high level of transparency through the press, website that has resulted in better understanding and visibility of our products and services we provide so that members can make better choices in terms of their contribution and pension arrangements.

Staff development

SPF has an ambitious annual training plan to ensure that all staff and board members with a role in the management and governance of the Fund are fully equipped with the knowledge, understanding to discharge the duties and responsibilities allocated to them and build up capacity and efficiency.



SPF has continuously made use of virtual training methods available in order to help staff members develop their knowledge and skill in pension management and development. SPF has also embarked on a World Bank program through RAMP (Reserve Advisory and Management Partnership) which provides technical assistance and training of SPF staff.

Conclusion

As always, I would like to thank the management team and all the staff of SPF for their contributions and continued support towards the current success of SPF. As the CEO I am very pleased to form part of such a hardworking and committed team in delivering an ever-improving and leading service for our pension members.

My sincere gratitude goes to the Chairman and the Board of Trustees for their important contributions, trust and continued support during challenging times.

Thank you for a good year of achievement and I look forward to a promising year ahead.

Nisreen Abdul Majid
Chief Executive Officer

2022 HIGHLIGHTS

A. Total Net Assets

SCR 4.0 Billion (2022)
SCR 3.5 Billion (2021)

B. Membership

Total Members' Funds:
SCR 1.8 Billion (2022)
SCR 1.7 Billion (2021)

Active Members: 44,233
(44,441 in 2021)

Total active employers registered with SPF: 3,585
(from 3468 in 2021)

New employers: 344
(401 in 2021)

Total active self-employed registered with SPF: 2,722
(from 2535 in 2021)

New Self Employed: 193
(from 158 in 2021)

C. Contributions

Mandatory Contributions:
SCR 611 million received from 44,233 contributors
(SCR 428 million from 44,441 in 2021)

Voluntary Contributions:
SCR 35 million received from 9247 contributors
(SCR 39 million from 9296 in 2021)

Total Contributions: SCR 646 million
(SCR 467 million in 2021)

D. Pension and Benefits

Total Pension and Benefits:
SCR 599 million paid to 8,135 beneficiaries
(SCR 481 million to 7194 in 2021)

Retirement pension (including voluntary):
SCR 467 million paid to 6,229 beneficiaries
(SCR 370 million to 5433 in 2021)

Permanent Incapacity pension:
SCR 65 million paid to 990 beneficiaries
(SCR 58 million to 929 in 2021)

Spouse Pension: SCR 33 million paid to 702 beneficiaries
(SCR 28 million to 627 in 2021)

Children Pension: SCR 7 million paid to 213 beneficiaries
(SCR 6 million to 204 in 2021)

Dependent with severe disability: SCR 0.02 million
(SCR 0.02 million paid to 1 beneficiary in 2021)

Others: SCR 5 million - refunds
(SCR 5 million in 2021)

Voluntary Contribution refund (55years+): SCR 18 million
(SCR 14 million in 2021)

E. Default cases of employers

356 cases (274 in 2021)

Amount recovered was: SCR 2.6 million
(SCR 1.7 million in 2021)

Surcharges levied was: SCR 0.9 million
(SCR 0.5 million in 2021)

F. Investments

Gross investment income without fair value and exchange differences: SCR 192 million
(SCR 163 million in 2021)

Gross investment income with fair value and exchange differences: SCR 575 million
(SCR 130 million in 2021)

Total expenditure for investments (excluding administrative expenses): SCR 25 million
(SCR 24 million in 2021)

Nominal return for 2022: 15%
(3% in 2021)

Real Rate of return for 2022 on all investments: 13%
(-7% in 2021)

Investment income without fair value represented 23% of total revenue of SPF
(26% in 2021)

Property maintenance expenses: SCR 23 million (23% of income)
(SCR 22 million in 2021 - 23% of income)

Average occupancy rate of all SPF properties for the year is 92%
(95.3% in 2021)

Real Estate worth SCR 1.6 billion (at market value)
(SCR 1.6 billion in 2021)

G. Surplus

Excess contributions over pension and benefits paid: SCR 47 million
(SCR -14 million in 2021)

Excess of gross investment income without fair value and exchange differences over expenditure: SCR 63 million
(SCR 45 million in 2021)

Total surplus without fair value for 2022: SCR 142 million
(SCR 32 million in 2021)

H. Properties

25-properties on Mahé, Praslin, La Digue

1-being developed
1-to be developed

Income from rentals: SCR 98 million
(SCR 94 million in 2021)

I. Projects

3-Ongoing projects
Le Chantier Refurbishment
Ex-Pirates Arms development
Renovation Praslin Holiday home

J. Staffing

SPF Workforce: 129
(2% increase from 126 in 2021)
16 Vacancies filled
10.32 % Staff Turnover
(5.56% in 2021)

Training
100% staff underwent some form of training during the year

K. Administrative Expenses

Administrative Expenses: SCR 51 million
(from SCR 44 million in 2021)

1.2 | CORPORATE GOVERNANCE

1.2.1 SPF BOARD OF TRUSTEES

Seychelles Pension Fund is governed by a Board of Trustees, which provides strategic direction and advice to the Management of SPF. The current Board's appointment took effect from 1st February 2021 and is for a period of three years.

In 2022 the composition was as below:



- **Mr Marc Houareau**
Chairman
- **Mr Patrick Payet**
Member
- **Ms Elsie Morel**
Member
- **Ms Brenda Morin**
Member
- **Ms Jovinella Rath**
Member
- **Ms Shannon Jolicoeur**
Member
- **Ms Shella Mohideen**
Member
- **Mr Jose St. Ange**
Member
- **Ms Sarah Lang**
Member

A total of 10 meetings were held during the year 2022 of which 2 meetings were conducted virtually. Two of those meetings were extraordinary ones. Attendance was as follows:

Mr Marc Houareau	Chairman	10/10
Mr Patrick Payet	Member	10/10
Ms Elsie Morel	Member	10 /10
Ms Brenda Morin	Member	9/10
Ms Jovinella Rath	Member	9/10
Ms Shannon Jolicoeur	Member	9/10
Ms Shella Mohideen	Member	7/10
Mr Jose St. Ange	Member	8/10
Ms Sarah Lang	Member	6/10

Attended

Ms Nisreen Abdul Majid	CEO	10/10
Mrs Audrey Nanon	GM Corporate Strategy	4/10
Ms Margaret Moumou	Secretary	9/10
Ms Maylene Spiro	Alternate Secretary	1/10

1.2.2 BOARD COMMITTEES

The Board of Trustees comprises of three committees;

- 1. Finance and Investment Committee** (Two meetings were held in 2022)
- 2. Audit and Risk Committee** (Five meetings were held in 2022)
- 3. Remuneration Committee** (Two meetings were held in 2022)

In addition to the above, there are also four independent committees assisting the Board and Management:

Independent committee assisting the Board and Management

a. Tender and Evaluation Committee

Assesses all tenders of SPF's projects and makes recommendations to the Board

The members of the Tender Evaluation Committee were as follows:

Mr. Jean Weeling-Lee	Chairperson – (Resigned 16.02.2022)
Mr. Mike Laval	Member
Mr. Jean Rassool	Member
Mr. Stephen Rousseau	Member
Mrs. Fanette Albert	Member
Mr. Vincent Adam	Secretary (SPF)

Two Tender Evaluation Committee meetings were held in 2022.

b. Tender Review Panel

Attends to all appeals from tenders done by SPF.

In 2022, five new members were appointed to the Tender Review panel for a period of 3 years effective 1st February 2022. One Tender Review Panel meeting was held in 2022.

The members of the Tender Review Panel were as follows:

Mrs. Marie Nella Fred	Chairperson
Mrs. Chantal Havelock	Member
Mr. Keith Arnephy	Member
Mr. Peter Hoffman	Member
Mr. Oswald Tirant	Member
Ms. Theressette Marie	Secretary (SPF)

c. Medical Board

The Medical Board reviews all applications for Permanent Incapacity' pension and "Adult Dependent with Severe Disability" pension. It comprises of medical practitioners both from the private and public sectors. 526 cases were referred to the Board for the year 2022 and 12 Medical Board meetings were held. The members of the Medical Board were as follows:

Dr. Meggy Louange	Chairperson
Dr. Vanessa Lesperance	Member
Dr. Henry Telemaque	Member
Dr. Miodrag Todorovic	Member
Ms. Beccy Farabeau	Secretary

d. Appeals Committee of the Medical Board

An Appeals Committee of the Medical Board was set up in 2019 to review appeals cases and in capacity pension applications. The composition of the Appeals Committee was as follows:

Dr Kenneth Henriette	Chairperson
Dr Daniella Malulu	Member
Dr Sethu Chetty	Member
Ms Beccy Farabeau	Secretary

1.3 | MANAGEMENT OF SPF

The Seychelles Pension Fund is headed by a Chief Executive Officer, appointed by the President. This role has been occupied by Ms. Nisreen Abdul Majid since February 2021.

The CEO is assisted by a management team as shown below.

Name	Designation	Date joined SPF
Ms Nisreen Abdul Majid	CEO	01 February 2021
Mrs Audrey Nanon	GM Corporate Strategy	01 February 2017
Mr Jeffrey Moses	Chief Pension Administration	01 May 1999
Mr Davis Laporte	Chief Investment Officer	15 July 2019
Mrs Menatie Verghese	Chief Finance Officer	02 March 2020
Ms Evelina Antha	Chief Risk & Policies Officer	17 November 2022
Ms Vanessa Chang-Lam	Chief Internal Audit	01 April 2022
Ms Marlene Khan	Head of Properties	27 April 2022
Ms Jane Suzette	Head of Enforcement and Processing	01 May 2010
Ms Theresette Marie	Head, Investment Analysis	21 June 2010
Mr Steven Rosalie	Head of Information Technology	01 May 2013
Mr Evans Mondon	Financial Controller	01 April 1993
Mrs Lyne Bonte	Head of HR and Administration	01 September 2005
Mr Darell Bristol	Head of Corporate Communications	01 October 2004
Ms Maylene Spiro	Head of Risk Management	01 September 2015
Mrs Magalie Essack	Head of Business Development	01 August 2022
Mr Vincent Adam	Head of Project	01 June 2009
Ms Celine Pool	Manager, Enforcement	26 November 2007
Mrs Tessy Paris	Manager, Inner Islands	18 April 2006
Mrs Lyn Moustache	Quality Assurance Analyst	19 February 2007
Mr Pedro Eugénie	Manager, Property	16 August 2022
Mr Nicholas Etienne	Manager, Customer Relations	12 January 1998
Mrs Chantal Roselie	Manager, Benefit	10 October 2005
Mr Christopher Nicette	Manager, Project	01 November 2017
Ms Mandy Payet	Manager, Processing	01 January 2006
Mr Adrian Pillay	Manager, Audit	04 September 2017
Ms Peggy Lucas	Manager, HR and Administration	01 April 2014
Mr Marius Esparon	Manager, Risk	17 November 2014
Mrs Nane William	Manager, IT	18 October 2004
Mr. Paul Morel	Manager, Portfolio Management	25 May 2020

1.3.1 | MANAGEMENT COMMITTEES

a. Management Investment Committee

The Management Investment Committee meets every month or as required and is the forum for anything relating to investments and projects where they are initially screened and recommended to the Board.

b. Procurement Committee

The Procurement Committee was established to ensure compliance with SPF's procurement policy. The committee ensures that the most competitive procurements are always made. Procurement committee is made up of the Chief Executive Officer, Chief Pension Administrator, Chief Investment Officer, Chief Finance Officer, and Head of Human Resource and Administration.

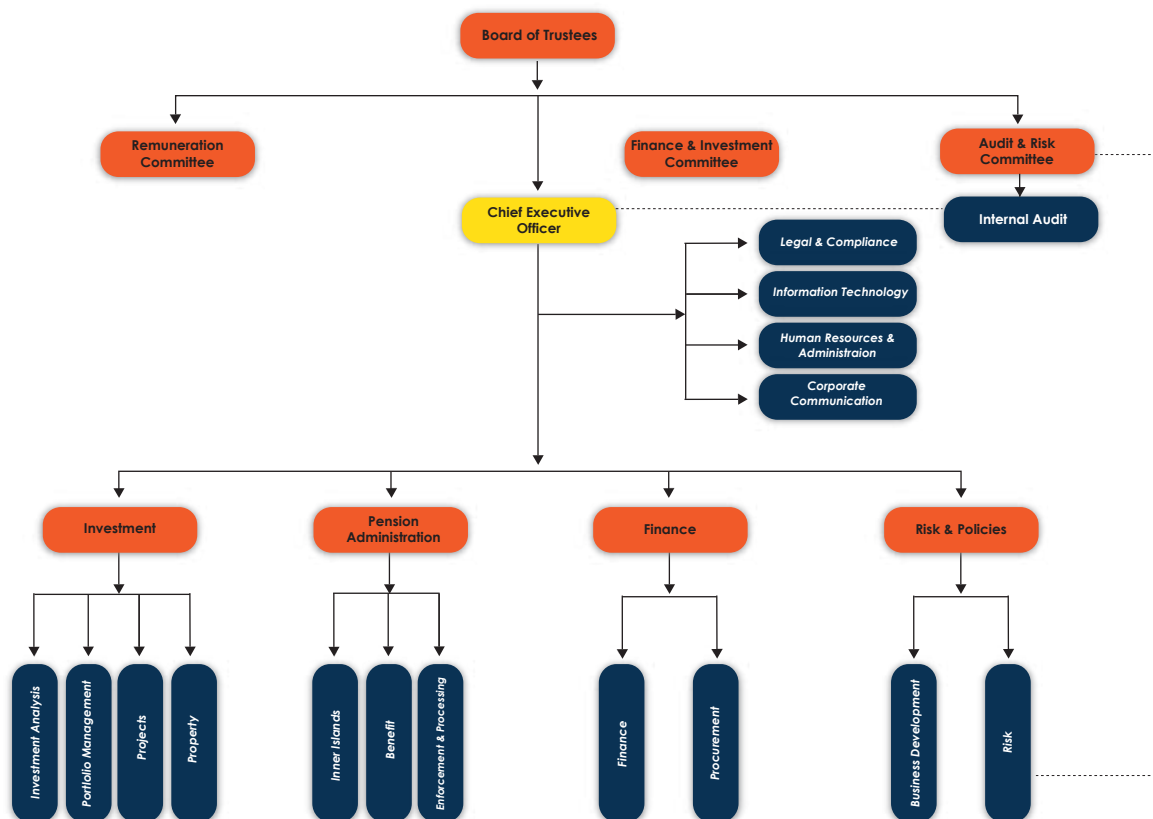
c. Disciplinary Committee

This Committee deals with all unethical work practices and disciplinary issues of SPF staff. The Head of Human Resource and Administration is the Chairperson of the committee and is assisted by Chief Risks and Policies Officer, Chief Investment Officer, Manager Benefit and Manager Human Resource and Administration.

d. Risk Management Executive Committee

The Committee was established in 2022 to oversee and ensure the efficient and effective management of material risks to the operations of SPF. It is also charged with the responsibility of establishing, maintaining and reviewing procedures at management and operational level to monitor risks in accordance with risk oversight and management policies. The Chief Risk and Policies Officer is the Chairperson of the Committee and is assisted by the Chief Executive Officer, Chief Finance Officer, Chief Investment Officer, Chief Pension Administrator, Head of Risks, Manager Risks and the Assistant Quality Assurance Analyst. The Chief of Internal Audit attends all meetings of the Committee.

Organisation Structure of SPF



CHAPTER 2

THE OPERATING ENVIRONMENT

2.1 Economic Background

2.2 Corporate Information



2.1 ECONOMIC BACKGROUND

The lingering effects of the pandemic and the geopolitical tension between Russia and Ukraine have dimmed the prospects of a strong post-pandemic recovery of the global economy. There have been concerns of these effects on the domestic economy. However, the country's strong performance in the tourism industry has provided the much-needed support for a bounce back of the economy. This is also evident in the improvement of the employment rate, which has provided some relief over concerns on SPF pension's contribution trajectory and long-term sustainability.

The conflict between Russia and Ukraine introduced notable disruptions in global trade and supply chains since its onset. These were coupled by bouts of fuel price shocks in 2022. Of note, domestic prices of Gasoil and Gasoline in June 2022 peaked to SCR25.61/L and SCR25.20/L respectively. These conditions contributed to higher inflation rates in emerging and advanced economies. A remedial approach adopted by authorities globally was a tighter monetary policy stance, which in turn dampened global financing conditions and caused economic activities to either depress or remain stagnant across many economies. The Eurozone has been particularly affected, with a looming recession being projected in 2023.

As one of the main trade partners of Seychelles and one of the country's main tourist hub, it is expected that the economic challenges of the Eurozone may have adverse spill-over consequences domestically. Despite these uncertainties, a total of 332,068 travelers visited the country by the close of 2022, surpassing the previous year's figures by 82 per cent. The European market remained the country's main tourism market, accounting for 73% of the total arrivals in 2022. The good performance was particularly reflected in an increase in tourism earnings, which enhanced activity in the foreign exchange market and a strengthening of the local currency against the three main currencies (USD, Euro and GBP). On the side of domestic inflation figures, the year-on-year rate stood at 2.53% while the 12-month average level was 2.63%; which were significantly lower compared to figures reported in 2021.

According to Fitch Ratings, the prospects of sustained growth reduced external borrowing as well as strengthening of the exchange rate, all contributed to an upgrade of Seychelles' Long-term foreign currency issuer Default Rating (LTFC IDR) from 'B+' to 'BB-'. Moreover, it was revealed that Seychelles is on track to reduce its Debt-to-GDP ratio to around 56% by the end of 2024 after it peaked at 92.2 in 2020. The positive performance of the tourism industry, an observed ease in supply chain restrictions, strengthening of the Seychelles Rupees and an improved sovereign rating, are all vital in sustaining a favourable investment environment in the country. SPF expects to benefit from these positive outlooks, both as a long-term investor and on the side of its pension administration activities. Nonetheless, the strong economic recovery does not spare the country from being vulnerable to external shocks. The anticipated recession in the Eurozone remains a threat to the domestic economy, with uncertainties surrounding energy and commodity prices as well as a downtrend in the performance of the tourism industry. It is therefore important for SPF to operate on the side of caution to support its continued success despite the uncertainties in the global economy.

Sources: Central Bank of Seychelles, Ministry of Finance National Planning Trade and Economic Planning, National Bureau of Statistics, Ministry of Health Seychelles.



*To this... and many more
memories beyond retirement*

WHO WE ARE

Seychelles Pension Fund (SPF) was established in January 2006, by an Act of Parliament, as an earning replacement mechanism to enable qualifying members to live in basic comfort upon retirement.

SPF operates a Defined Benefit pension system where its members – Seychellois employees, receive a prescribed pension amount as per a formula, upon retirement for life. It is a 'Pay-as-you-go' plan where the workers of today pay for the workers of yesterday and the workers of tomorrow, pays for the workers of today.

WHAT WE DO

SPF manages the national pension system of the country. SPF collects contributions from its members who are Seychellois workers and provides them or their dependents with pensions and / or benefits. Seychellois workers are those in employment, including all workers from the formal sector, both the public and private sector, informal employment, self-employed, part-time and casual workers.

VISION

The Seychelles Pension Fund will be a leader and model among retirement systems, by providing the best retirement and related benefit package for its members.

MISSION

The Seychelles Pension Fund is dedicated to manage and secure its funds through prudent investments and innovative methods to pay out the optimum retirement and related benefits to its members.

AUDITORS

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Out and about in our quest to generate a pension literate population



CHAPTER 3

ACTIVITIES OF SPF

3.1 PENSION ADMINISTRATION DEPARTMENT

- 3.1.1 Enforcement
- 3.1.2 Processing
- 3.1.3 Benefit
- 3.1.4 Inner Islands

3.2 INVESTMENT DEPARTMENT

- 3.2.1 Investment
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- 3.2.3 Property

3.3 CEO's SECRETARIAT

- 3.3.1 Information Technology
- 3.3.2 Corporate Communications
- 3.3.3 Human Resources & Administration
- 3.3.4 Legal & Compliance

3.4 RISK AND POLICIES DEPARTMENT

- 3.4.1 Risk Management
- 3.4.2 Business Development

3.5 FINANCE DEPARTMENT



3.1 | PENSION ADMINISTRATION DEPARTMENT

The Pension Administration Department is made up of the following sections:

- a) Enforcement for collection of contributions
- b) Processing for the updating of members' accounts
- c) Benefits for payment of pensions and refunds
- d) Inner Islands (Praslin and La Digue Offices) to ensure decentralisation and extension of SPF services

3.1.1 | ENFORCEMENT SECTION

This section is responsible for the prompt collection of contributions both mandatory and voluntary from the employers and the self-employed and other persons who have voluntarily registered with SPF.

a) Registered members

The total registered active membership of SPF for the year 2022 was 44,233 members, a decrease of 0.5% compared to 44,441 in 2021.

Figure 1 : Total Active Members

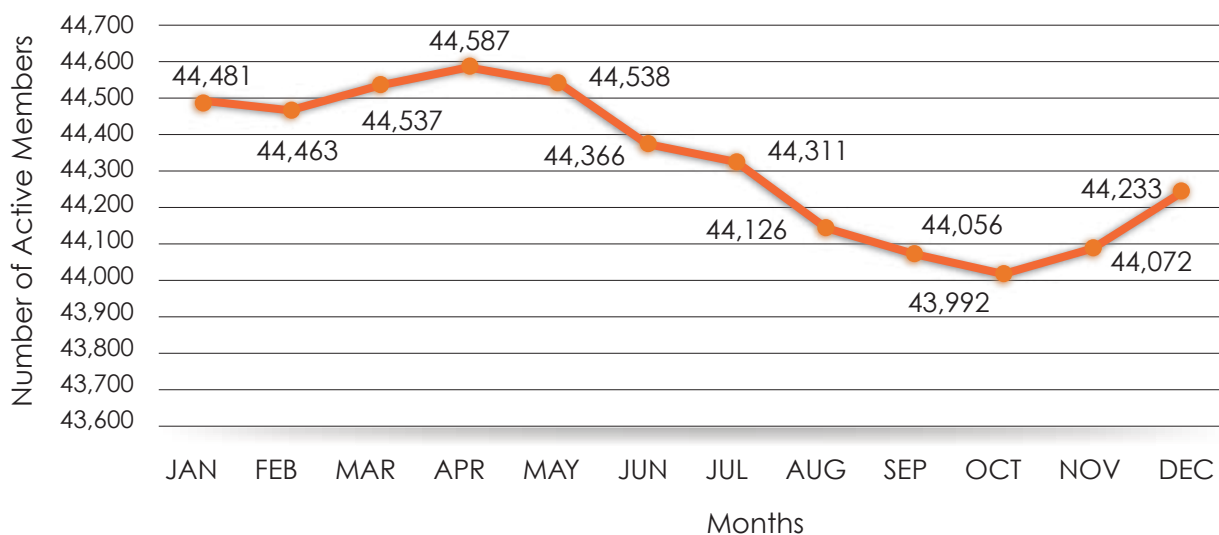
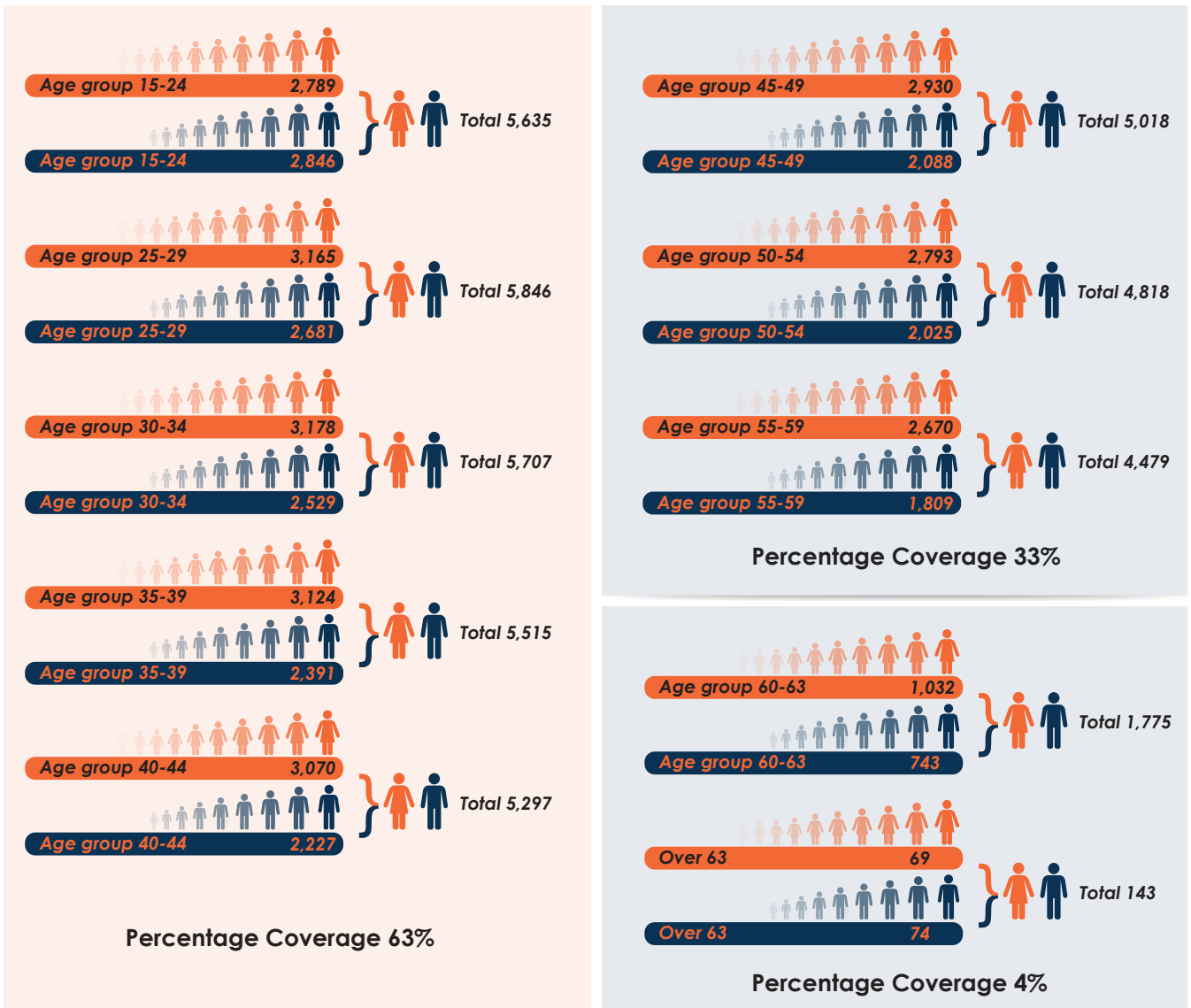


Figure1: Active membership of SPF classified by age group and gender



As illustrated in figure 1, 63% of SPF's members fall within the age range of 15 to 44 years and are thus considered young, meaning they will be contributing to SPF for a period of at least 15 years. On the other hand, SPF has to ensure that it has sufficient funds to provide future pension for the remaining 37% of its members who would be retiring in 15 years or less, including those who are over 60 years and still in employment.

b) Collection of contributions

SPF has an obligation under the SPF ACT 2005 to ensure the prompt collection of contributions from employers / employees/self-employed and allocate these contributions to the member's accounts accurately and in a timely manner.

The Act also prescribes for the SPF to investigate any issues relating to non-payment of contributions and unregistered employers and employees and to collect arrears with surcharges if necessary. In addition, the education of employers and employees are also carried out in tandem with these monitoring and compliance activities to encourage compliance.

(i) Mandatory contribution

For 2022, a total of SCR 611 million was collected as Mandatory contributions representing an increase of 43% compared to SCR 428 million in 2021. This growth is a result of the increase in contribution rates effective April 2022.

The total contribution rate applicable for January to March 2022 remained the same as 2021 at a rate of 6% - 3% from the employees and 3% from the employers. Effective April 2022, the rate increased to a total of 9% -5% employers and 4% employees. Self-employed persons also contributed 6% of the declared salary or SCR 448, whichever is greatest for the period January to March 2022 and 9% effective April 2022 or SCR672 whichever is greatest.

The mandatory contributions guarantee a monthly pension for life to each pensioner provided that they meet the eligibility criteria, which is a minimum of 10 years of continuous contribution to SPF immediately prior to retirement or an aggregate period of 20 years of contribution prior to retirement.

(ii) Voluntary Contribution

The Voluntary Contributions mechanism encourage members to make additional savings towards their retirement by contributing more on a voluntary basis. The minimum monthly voluntary contribution is SCR 50. Voluntary Contributions are refunded to members, with interest, when they retire or at the age of 55 years when members can withdraw the full or partial amounts from their voluntary contributions account. For 2022, a total of SCR 34.1 million was collected as voluntary contributions from 9,247 members, a decrease of 13% compared to SCR 39 million in 2021. A total of 417 members claimed voluntary contributions at the age of 55 years and above and the total amount paid was SCR 18 million.

c) Match it Scheme

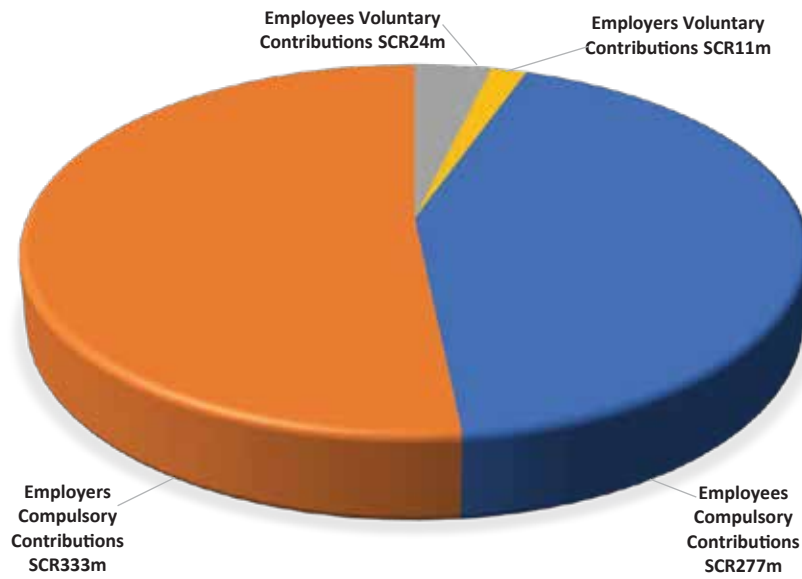
SPF has a Match-It Scheme that encourages employers to match, in full or in part, whatever voluntary contributions their employees make. No new employers joined the scheme in 2022. However, as at the end of 2022 a total of 15 employers participated in the scheme.

d) Contributions collected for 2022

Table 1 : Comparison of contributions collected over the past two years

Years	2021		2022	
	Contributors	Amount SCR'M	Contributors	Amount SCR'M
Voluntary	9,296	39	9,247	35
Mandatory	44,441	428	44,233	611
Total Contribution SCR'M	467		646	

Figure 3: Contributions collected for 2022



e) Recovery of unpaid contributions

A total 356 assessments cases were made against employers in default of contributions in 2022 and a sum of SCR2.6 million was recovered as contribution and SCR 0.9 million in surcharges.

f) Total Employers and self employed

New Employers registration decreased and new self-employed registrations increased in 2022, by 14% and 22% respectively compared to 2021. A total of 222 employers were coded as cease/inactive for the year, a decrease of 44% compared to 2021.

(i) Total Employers

The total new employers registered in 2022 was 344 compared to 401 in 2021. At the end of December 2022 the total number of active employers was 3,585 an increase of 3% from 3,468 in 2021.

Table 2: showing total employers for the past five years

Years	2018	2019	2020	2021	2022
Total	3,120	3,328	3,496	3,468	3,585

(ii) Total Self Employed

New self-employed registration for 2022, 193 compared to 158 in 2021. At the end of December 2022 total active self-employed was 2,722, an increase of 7 % from 2,535 in 2021.

Table 3: showing total self-employed for the last five years

Years	2018	2019	2020	2021	2022
Total	1,896	2,106	2,357	2,535	2,722

g) New Employers and new self-employed for the last 5 years

There has been a decrease in new employers and an increase in new self-employed registration for 2022, as shown in the tables above.

Table 4: showing new employers and new self-employed registered

Employers					Self Employed/Others				
2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
314	307	465	401	344	243	220	304	158	193

h) Detection of unregistered employers

Throughout 2022, SPF made several spot checks for unregistered employers and followed up on complaints lodged by employees. In total, 19 Complaints were lodged, an increase of 12% compared to 17 complaints in 2021. From complaints received, 4 unregistered employers were detected. The remaining 15 cases were dealt with as queries on missing contributions.

Table 5: Rate of growth in total membership and pensioners of the Seychelles Pension Fund

Members			Pensioners		
Year	Active Members	Rate of Growth	Year	Number of Pensioners	Rate of Growth
2006	33,505	N/A	2006	362	N/A
2007	32,104	-5.0%	2007	691	91%
2008	32,174	0.0%	2008	1,041	51%
2009	30,166	-6.0%	2009	1,429	37%
2010	33,371	11.0%	2010	1,786	25%
2011	35,252	6.0%	2011	2,166	21%
2012	39,461	12.0%	2012	2,528	17%
2013	40,279	2.0%	2013	2,910	15%
2014	38,117	-5.0%	2014	3,274	13%
2015	41,787	10.0%	2015	3,670	12%
2016	41,085	-2.0%	2016	4,287	17%
2017	42,720	4.0%	2017	4,929	15%
2018	43,561	1.5%	2018	5,501	12%
2019	43,715	0.4%	2019	5,918	8%
2020	42,901	-2.0%	2020	6,501	10%
2021	44,441	3.6%	2021	7,194	11%
2022	44,233	-0.47%	2022	8,135	13%

Figure 4: Comparison of pensioners with active contributors for the past 5 years

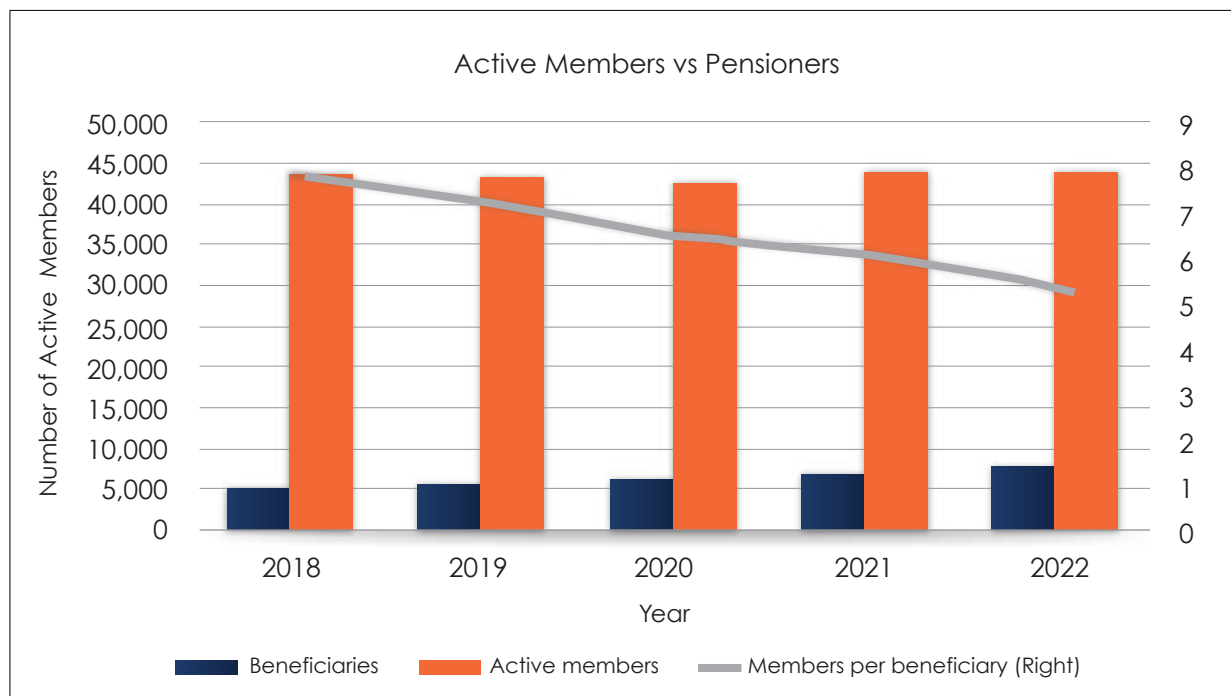
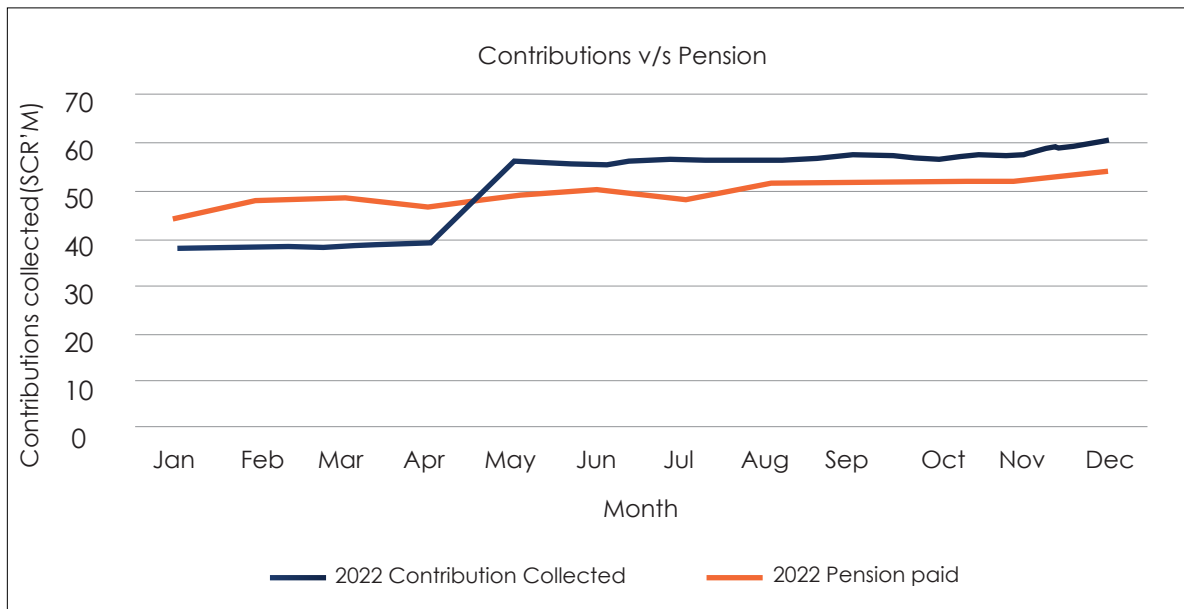


Table 6: Excess of contributions over pension payments

	2013 SCR'M	2014 SCR'M	2015 SCR'M	2016 SCR'M	2017 SCR'M	2018 SCR'M	2019 SCR'M	2020 SCR'M	2021 SCR'M	2022 SCR'M
Contribution collected (as per Financial statement)	128	184	205	223	270	351	423	460	467	646
Pension Paid (as per Financial statement)	65	80	104	158	222	286	347	420	481	599
Surplus of contribution (as per Financial statement)	63	104	101	65	48	65	76	40	-14	47

Figure 5: Comparison of mandatory contributions collected vs. pension payout



3.1.2 | PROCESSING SECTION

This section is responsible for updating all members account with the prescribed contribution payable by the employers every month. The crediting of members account is done manually or automatically through the allocation process based on pension report submitted by the employer when remitting the payment. The Processing section also has the responsibility of updating the employment history of each member.

a) Members' Accounts

An account is maintained with SPF for each registered member. The account is maintained separately for the mandatory and voluntary contributions and the interest is also credited to the respective accounts.

Members' Fund stood at SCR1.8 billion in 2022 and represented a 6% increase over 2021 (SCR1.7 billion).

b) Interest for Members' Accounts

Members' accounts accrued interest on a yearly basis which are added to their contributions.

The interest rate for the year 2022 for Voluntary contributions was 4%. For Mandatory contributions interest of 2.53% was credited for 2022. Interest is allocated to only 'non-vested' members i.e. those not qualifying for a pension, and a total of SCR37.5 million was payable as interest to members accounts for 2022, a SCR0.2 million increase compared to 2021 (SCR37.3 million).

The interest rate is based on 12 months average savings rates for mandatory contributions for non-vested members whereas for voluntary contributions it is based on a 12 months average of both the 91- and 365-days Treasury Bills rates. Both savings and T-Bills are as published on the Central Bank of Seychelles website.

c) Allocation of contributions

SPF ensures that the prescribed contributions paid by employers are allocated to each member's account in a timely manner. The update was done automatically through XML files for employers in the public Sector, Parastatals and private employers with more than 50 employees. The payrolls for self-employed and employers with a maximum of 49 employees, were automatically generated by SPF upon payment of contribution and uploaded into their account. For the year 2022, SPF is once again proud to announce that all contributions paid by employers were allocated to members' individual accounts.

3.1.3 | BENEFITS SECTION

a) Types of pensions and benefits paid

1. Retirement Pension
2. Permanent Incapacity Pension
3. Surviving Spouse's Pension
4. Children's Pension
5. Dependent adult with severe disabilities Pension
6. Refunds – Migration and non-qualifying refunds

b) Pensions and benefits paid in 2022

SPF paid SCR599 million to 8135 beneficiaries in 2022, representing an increase of 24% in the amount paid and increase of 13% in beneficiaries compared to the year 2021.

For **Retirement pension**, aged 60 years and above, a total amount of SCR467 million was paid to 6229 retirees, representing an increase of 26% for amount paid and 15% retirees compared to 2021. An additional SCR21.3 million was also paid as voluntary contribution refund upon retirement and to members attaining 55 years or more.

For **Permanent Incapacity pension**, a total of SCR65 million was paid out in monthly pensions to 990 beneficiaries, an increase of 6% in beneficiaries and 12% on amount paid over 2021

Surviving Spouse pension payments was SCR15 million to 300 beneficiaries, which reflected an increase of 6% in beneficiaries and 7% on amount paid over 2021 figures.

Post Surviving Spouse pension paid out was SCR18 million to 402 beneficiaries, which reflected an increase of 16% in beneficiaries and 28% on amount paid over 2021 figures.

Children pension payments was SCR5 million to 152 beneficiaries, which reflected a decrease of 2% in beneficiaries and an increase of 10% on amount paid over 2021 figures.

Post Children pension paid was SCR2 million to 61 beneficiaries, which reflected an increase of 27% in beneficiaries and 100% on amount paid over 2021 figures.

The **Dependent person with Severe Disability pension** payment was SCR0.02 million and made to one beneficiary.

For lump sum refunds, a total amount of SCR5 million was paid to 298 applicants. This figure represents an increase of 25% in amount paid compared to 2021 but a decrease of 21% in application for refunds.

Figure 6: Illustrates the pension amount and the number of beneficiaries per benefit type

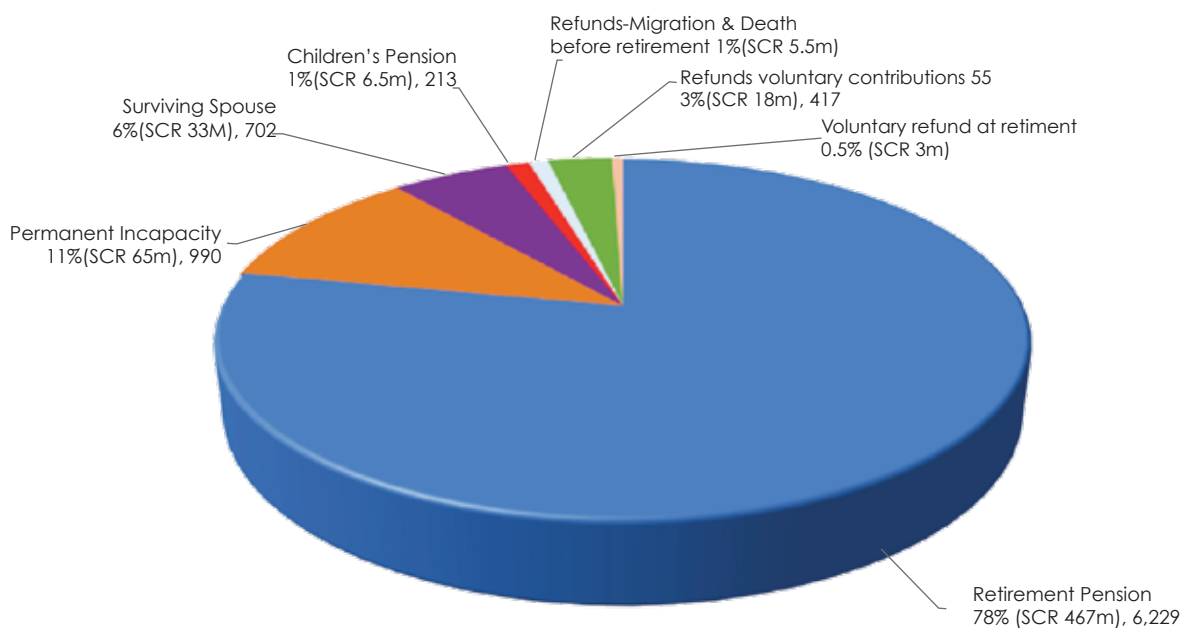


Table 7: Details of pensions paid over the last 5 years

*Voluntary Contribution are payable from 55 years since 2019. For previous years, Voluntary Contributions were paid with Retirement Pension

Year	2016		2017		2018		2019		2020		2021		2022	
	Beneficiaries	Amount paid SCR m	Beneficiaries	Amount paid SCR m	Beneficiaries	Amount paid SCR m	Beneficiaries	Amount paid SCR m	Beneficiaries	Amount paid SCR m	Beneficiaries	Amount paid SCR m	Beneficiaries	Amount paid SCR m
Retirement Pension	3,294	95	3,765	164	4,214	221	4,482	265	4,886	323	5,433	368	6,229	467
Permanent Incapacity	527	36	632	34	710	39	774	45	872	53	929	58	990	65
Surviving Spouse Pension	337	13	381	16	420	18	486	21	560	24	627	28	702	33
Children's Pension	129	3	151	4	157	5	176	5	182	5	204	6	213	7
Dependent with severe disability									1	0.01	1	0.02	1	0.02
Refunds		3		4		3		2		4		5		5
Total	4,287	158	4,929	222	5,501	286	5,918	338	6,501	405	7,194	460	8,135	577
Voluntary Contribution (refund at Retirement)		3		4		3		4		2		2		3
Voluntary Contribution (refund at 55 years)								9		9	332	14	410	18

c) Indexation of pension

The indexation is a mechanism used to adjust pensions annually to cater for the rise in the cost of living. As per Section, 46 (2) of the SPF Act the increase shall take into consideration the percentage growth in the Consumer Price Index for the preceding period of twelve months up to a maximum of 5 per cent. SPF's Benefit Regulations 36 requires that the CPI as of 31st October of the previous year be used for indexation. The CPI as of October 2021, as published by NBS was 8.85% and in accordance to S. 1109 of 2021 of the SPF's Benefit Regulations, indexation for the year 2022 were as follows:

Pension Amount	Indexation
Minimum Wage and below	100% of CPI
Up to 2 times Minimum Wage	75% of CPI
Above 2 times - Below 5 times Minimum Wage	50% of CPI
Above 5 times up to SCR49,999	25% of CPI
Above SCR50,000	No Increase

d) Administration of Public Sector Special Pension on behalf of the Government of Seychelles

The administration of the Public Sector Special pension on behalf of the government for 72 pensioners continued in 2022 with a total of SCR0.9 million paid and refunded by Government. In addition, the pension for Seychelles Defence Forces (SDF) personnel also continued to be administered and paid by SPF. In 2022, a total amount of SCR2.8 million was fully refunded by the government.

3.1.4 | INNER ISLANDS

The offices on Praslin & La Digue continues to ensure that SPF is able to successfully reach out to all its members on the islands and to guarantee that services on offer are easily accessible to them.

Both offices are involved in the collection of contributions, the provisions of advisory services and are able to receive and process applications for benefits whilst the payments of pensions and benefits are administered directly from the SPF Head Office.

There are 410 active registered employers on Praslin an increase of 12% from 365 in 2021 and 222 active registered self-employed an increase of 16% from 192 in 2021. Whereas on La Digue there were 182 active registered employers an increase of 0.6% from 172 in 2021 and 71 active registered self-employed an increase of 6% from 67 in 2021. During the year 2022, the Inner Island office registered a total of 183 benefit applications.



*New projects, new milestones,
new targets, same ambition – a financially
secured retirement for all*

3.2 | INVESTMENT DEPARTMENT

The Investment Department comprises of three sections:

- i) Investment section - initiates and implements investment decisions as well as manage investments funds;
- ii) Project section responsible for the implementation of SPF's real estate projects
- iii) Property Management section responsible for the management of all SPF's real estates

3.2.1 | INVESTMENT SECTION

a) Overview

SPF managed to improve its year-on-year investment performance in 2022, despite the lingering uncertainties of the global pandemic and the Russia-Ukraine war on the global economy. The institution recorded a real investment return of 13% for the year, which outperformed both the real return target of 3% and the real return of -7% recorded for 2021. The good performance was sourced from a combination of multiple factors.

Notably, Cable & Wireless Seychelles (CWS), which is SPF's largest equity holding, was listed on the MERJ Exchange in the third quarter of 2022. The event's aftermath resulted in a significant capital gain of SCR 366 million or 124% for the asset holding and also increased the overall liquidity of SPF's investment portfolio (the Portfolio). These aligned well with the institution's long-term portfolio diversification and liquidity management objectives. Prior to being listed, CWS approved a 1:4 share split, which allowed SPF to maintain its original shareholding of 22% in the company.

A significant increase in dividend income was also recorded for the financial year, faring 156% higher than that for 2021. This rebound in Equities' performance follows a strong recovery of the domestic economy from the pandemic. A more active approach towards liquidity reserves management was also adopted during the year, which improved short-term investment returns and efficiency. This involved adopting a reserves coverage of 1.5 months' worth of institution-wide working capital requirements as cash and a further 1.5 months of reserves for similar coverage as cash equivalents. The new approach is compared to the practice of previous years of maintaining reserves solely as cash and providing 4 months' coverage for future benefit payments only.

Notwithstanding the strong performance of the tourism industry and strengthening of the local currency during 2022, the institution observed a slight drop in value of its foreign currency assets.

b) Asset allocation

Figure 1: Asset allocation



The Portfolio is made up of 5 asset classes which spans across 9 different sector classifications. By the end of 2022, it was valued at SCR 3.95 billion, which represents an increase of 17% in its size, from SCR 3.39 billion recorded for 2021. Despite a year-on-year reduction of 6% in Real estate allocation in 2022, the sector remained SPF's largest pool of investments, accounting for 41% of the Portfolio. This was caused primarily by the passive portfolio rebalancing which occurred as a consequence of the capital gains from CWS upon going public. Nevertheless, SPF continued its pursuit to achieve its target asset allocation throughout the year, which involved purchasing 19 additional shares in Africa Export-Import Bank (Afreximbank) for the value of USD 334,085 (being 40% paid-in capital) as well as its efforts to dispose some earmarked properties.

Table 1: Asset allocation

Asset Class	Allocation December 2020	Allocation December 2021	Allocation December 2022	Allocation Target	Allocation Bond
Cash and Cash Equivalents	5%	10%	9%	5%	4%-6%
Fixed Income	23%	16%	17%	25%	10%-35
Equity (listed & unlisted)	26%	27%	33%	29%	0%-55%
Real Estate	47%	47%	41%	40%	0%-60%

c) Investment Performance

The Portfolio reported a real return of 13%, which outperformed the Investment Policy's long-term real return target of 3%. In turn, the 12-month volatility of the Portfolio's return was 9% versus the target of 12% (band +/-2%). The Portfolio's performance was largely influenced by the CWS listing, where the total value of the investment increased by 124% as at year-end of 2022. However, the positive performance was slightly dampened by foreign exchange losses.

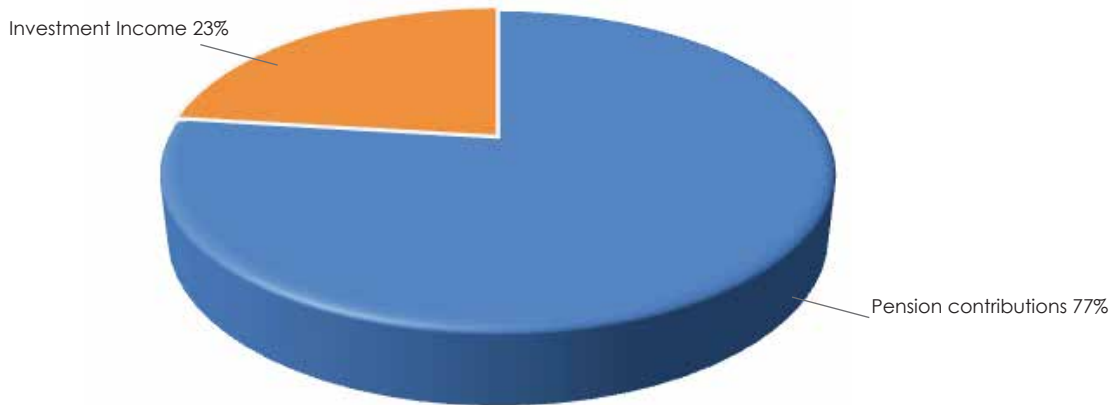
Table 2: Investment Performance

Asset Class	2020	2021	2022	Long term target performance (net of fees) p.a per IP
Cash and Cash Equivalents	52%	-7%	-1%	
Fixed Income	6%	4%	5%	CPI+1%=3.63%
Equity (listed & unlisted)	2%	5%	45%	6%
Real Estate	5%	4%	6%	8%
Overall performance (Real Return)	5%	-7%	13%	3%

d) Share of total revenue

Overall, the total revenue for the year stood at SCR 838 million, comprising of SCR 192 million (23%) sourced from investment income and SCR 646 million (77%) from pension contributions. This compares to the SCR 630 million of total revenue recorded in 2021. The figures represent an increase of SCR 29 million in investment income and SCR179 million in pension contributions. The large increase in revenue from pension contributions was largely due to changes in the contribution rate, which came into effect as from April 2022.

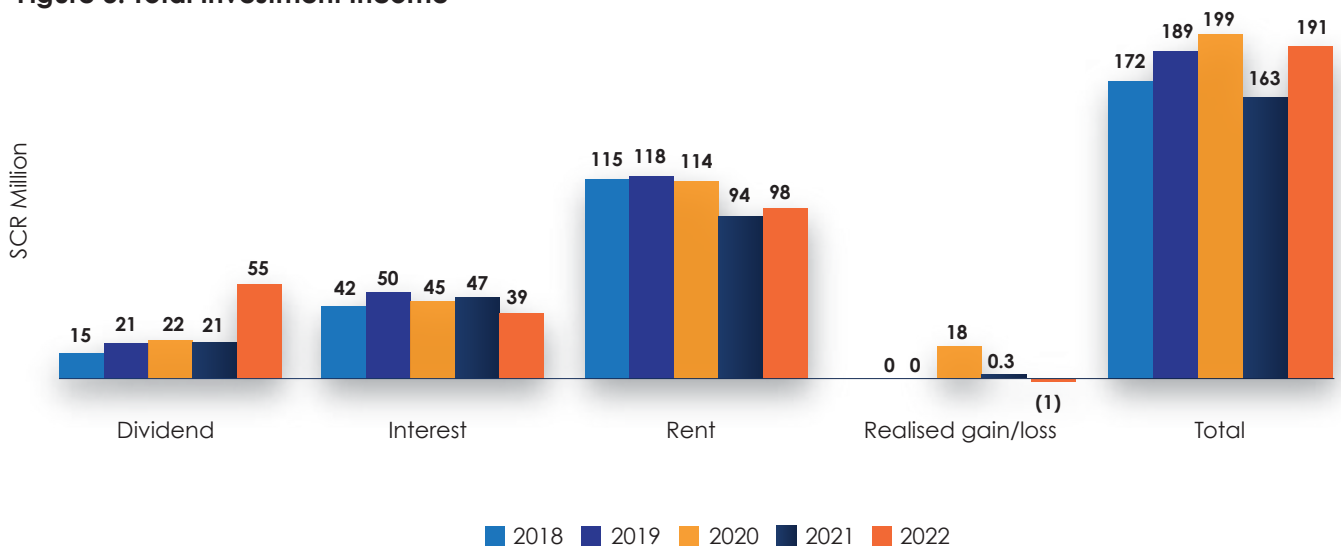
Figure 2: Investment Income as a share of total revenue



e) Total investment income

Gross investment income recorded (excluding foreign exchange and fair value changes) for the year was SCR 192 million, which represents an 18% increase relative to the level of SCR 163 million reported in 2021. Similarly, net investment income (excluding foreign exchange and fair value changes) in 2022 increased to SCR 169 million from SCR 141 million in 2021. This derived mainly from improvements in the global economy, where most of SPF investments have returned profits. After considering the effects of fair value and foreign exchange fluctuations, the value of net investment income for 2022 stood at SCR 533 million, with fair value gains of SCR 383 million and foreign exchange losses of SCR 19 million.

Figure 3: Total Investment Income



f) Real Estate

SPF's Real Estate assets carried a value of SCR 1,635 million at the end of 2022, which represented an allocation of 41% in the Portfolio. To note, gross rental income levelled at SCR 98 million in 2022 representing an increase of SCR 4 million relative to the preceding year. On the side of property management expenses, SCR 23 million was recorded for the year which corresponds a year-on-year increase of 5%.

g) Fixed Income

SPF's Fixed Income asset class consists of a Government loan, Treasury securities, Government-Agency securities and long-term deposits with domestic commercial banks. By close of the year, the Portfolio's allocation of Fixed Income was 17% and had a carrying value of SCR 662 million. This signified an increase of 21% relative to the SCR 548 million recorded in 2021. Total interest income collected from the asset class in 2022 was SCR 39 million, which represents a reduction of 18% compared to 2021. This was largely influenced by an observed decline in market interest rates.

h) Equity

The market value for SPF's Domestic Equity investments was SCR 1,020 million by the close of the year, carrying an exposure of 26% in the Portfolio. The shareholdings spanned across 6 domestic companies, with the size of share ownership as follows: Seychelles Breweries (26%), SACOS (21%), Al Salam Bank of Seychelles (30%), Seychelles Commercial Bank (6%), Central Common Cold Store (10%), and in Cable and Wireless (Seychelles) Ltd (22%).

As for investments in International Equity, the holdings were mostly in unlisted instruments in Emerging markets. These account for a market value of SCR 272 million, with an exposure of 7% in the Portfolio. SPF's shareholdings in these assets are as follows: Afreximbank (0.13%), The Eastern and Southern African Trade and Development bank (TDB) (3.35%), African Financial Corporation (AFC) (0.22%).

In a tactical move during the year, SPF exited its position of 300,000 shares in a listed equity investment; Grit Real Estate Income Group (GRIT), as it was not performing as expected.

Total dividend amassed from both domestic and international equities in 2022 was SCR 55 million, reflecting an increase of 162% from the SCR 21 million of dividend income received in 2021.

3.2.2 | PROJECTS SECTION

This section implements projects of SPF once investment decisions have been made.

Ongoing Projects

a) Refurbishment of Le Chantier mall

After the fire incident that severely damaged the building in 2021, SPF is planning to refurbish the property in the near future.

Situation as at 31st December 2022

The Board of Trustees has approved for a complete refurbishment of the building, which will commence in 2023.

b) Commercial Building on Independence Avenue – Ex-Pirates Arms property

A new multi-storey commercial building with a modern look, including a feel of the creole architecture has been approved for the Ex-Pirates Arms Property. The building will comprise of an entertainment block including restaurants, shops, a business hotel and other commercial areas. The total area for the entire building will be 13,631 square metres.

Situation as at 31th December 2022

SPF is in active discussion with the building's prospective tenants. The tender for construction was launched in December 2022.



Consultants and Contractors appointed after tender for the Project

- **Project Manager: Atvantage Group**
- **Architect: Ekoarkitek**
- **Structural Engineer: F&D Structural Consultants**
- **Quantity Surveyor: Hooloomann Project Services Ltd**
- **Mechanical/Electrical/Plumbing Consultant: APEXIA**

c) Ile du Port Micro Enterprise Project

From inception, the project aimed to cater for the high demand for warehouses and archives in the local market. The buildings total area is 11,215 m². The construction contract was awarded to WellPoint Development Pty Ltd.

Situation as at 31st December 2022

The project was officially completed in February 2022. However, SPF only obtained a certificate of partial occupancy rather than full occupancy at the time, as some of the spaces still awaited the approval for change of use from the Seychelles Planning Authority. The property was officially opened on 27th May 2022, but SPF received approval for change of use on 11th July 2022. The certificate of full occupancy was obtained thereafter.



Consultants and Contractor Involved on the Project

- Architect: R & R Architect
- Structural Engineer: F&D Structural Consultants
- Quantity Surveyor: LQ Consulting
- Mechanical Electrical and Plumbing Consultant: PROBURO
- Electrical & Fire Alarm System Contractor: Vijay Construction
- Public Health & Fire Alarm System Contractor: Rey & Lenferna (Sey)
- HVAC Contractor: Machinery and Equipment
- Piling Contractor: United Concrete Products (Seychelles)
- Main Building Contractor: WellPoint Development Pty Ltd

d) Office alteration at Caravelle House

To improve the working environment at SPF, the institution made some investments to improve the office set-up at its headquarter, with the aim to create more space in its existing offices.

Situation as at 31st December 2022

An office alteration work was undertaken by Allied Builders (Seychelles) Ltd in one of the sections, for the amount SCR350,102.82. The work was completed on 12th August 2022.

e) Refurbishment of Praslin Holiday Home

The apartments required major refurbishment works before it could be re-opened for business. To note, the property was previously being used as quarantine site for Covid-19.

Situation as at 31st December 2022

Allied Builders was awarded the tender for the refurbishment project, which should be at a cost of SCR2.4 million. The works commenced on 17th October 2022 and is on-going.

3.2.3 Property Section

a) Introduction

The property section manages SPF's rental properties and its principal responsibility is the timely collection of rental income and the diligent management of maintenance expenses.

SPF has a portfolio of 25 properties of which 18 are generating income through rental to tenants, 2 are under refurbishment, 1 is in the tender stage, 2 are in the ongoing process of disposal and 2 of the properties are undeveloped plots of land.

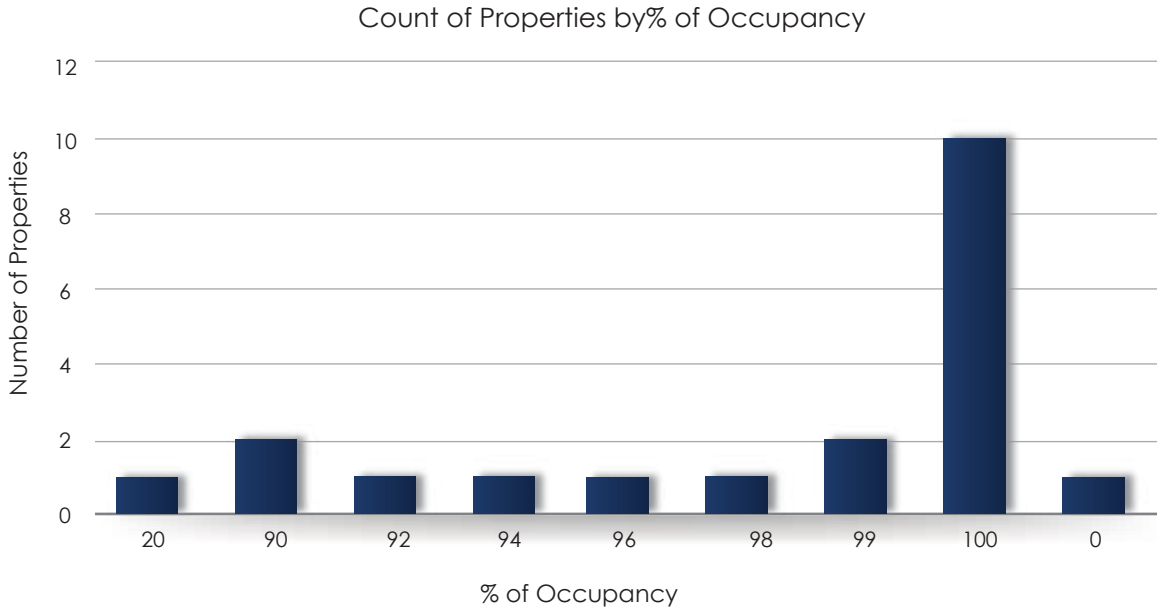
Table 3: Details of SPF properties

NO	PROPERTY NAME	LOCATION	NO OF RENTABLE UNITS	% Occupancy
1	Huteau Lane Complex	Victoria	44	99
2	Caravelle House	Victoria	2	100
3	La Clementine	Baie Ste Anne Praslin	6	90
4	Port Glaud Craft Village	Port Glaud	1	100
5	Providence Micro Enterprise	Providence Industrial Estate	1	100
6	Providence Warehouse	Providence Industrial Estate	30	99
7	Pension Complex Praslin	Grand Anse Praslin	54	99
8	Praslin Holiday Home	Grand Anse Praslin	20	0
9	Eve Island Enterprise	Baie Ste Anne, Praslin	5	90
10	Eve Island Cold Storage	Baie Ste Anne, Praslin	1	100
11	Eve Island Dry Goods store	Baie Ste Anne, Praslin	1	100
12	La Passe Pension House	La Digue	14	92
13	Unity House	Victoria	145	94
14	Maison Collet	Victoria	106	100
15	Corail D'Or Apartments	North East Point, Glacis	28	20
16	Continental Complex	Victoria	25	100
17	Ocean Gate House	Victoria	11	100
18	Le Chantier Mall	Victoria	28	N/A
19	Orion Mall (second floor)	Victoria	17	96
20	Maison Simone	Anse Boileau	1	100
21	Pointe au Sel land	Au Cap	N/A	N/A
22	Ex-Pirates Arms land	Victoria	N/A	N/A
23	Dreamgate Complex	Ile du Port	42	45
24	Parcel No. LD1556	La Digue	N/A	N/A
25	Parcel No. V18604	5 th June Avenue opposite Maison Collet Victoria	N/A	N/A

b) Occupancy Rate

The year 2022 has more or less continued to follow the same occupancy trend as 2021. There was an added uncertainty on the potential disposal of certain properties, namely La Passe Pension House, La Clementine and Corail D'or Apartments. As a result, several tenants opted to seek alternative accommodation. This had a significant impact on the occupancy rate of these properties.

Figure 6: Occupancy rate of SPF Properties as on average during 2022



c) Rent collection

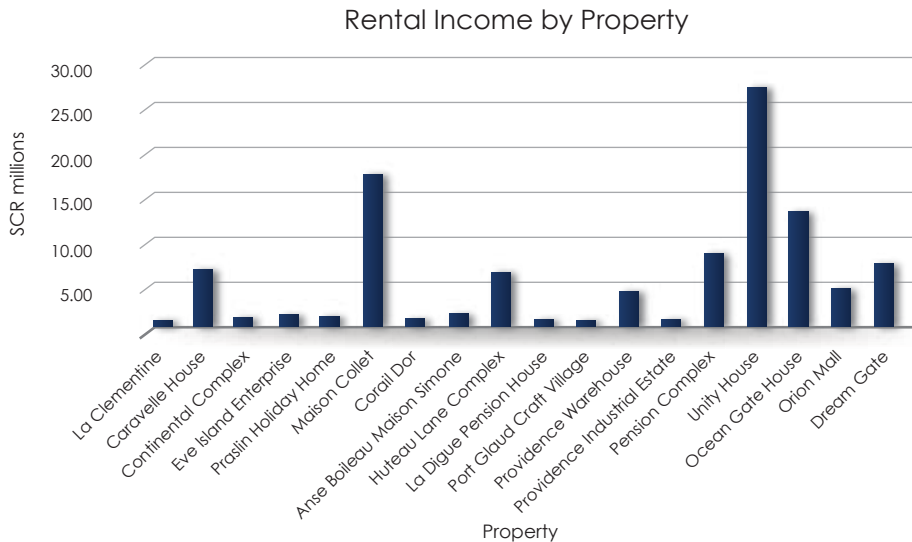
Rent collection is directly linked to occupancy rate. Therefore, the factors that affected occupancy, inevitably affected rental income. For example:

- The unfortunate fire event at Le Chantier Mall in 2021 continued to directly impact SPF's rental revenue in view that the property is still pending being refurbished
- Praslin Holiday Home which is undergoing refurbishment works
- Corail D'or Apartments has been earmarked for disposal.

SPF collected a total of SCR98.1 million from its properties in 2022.

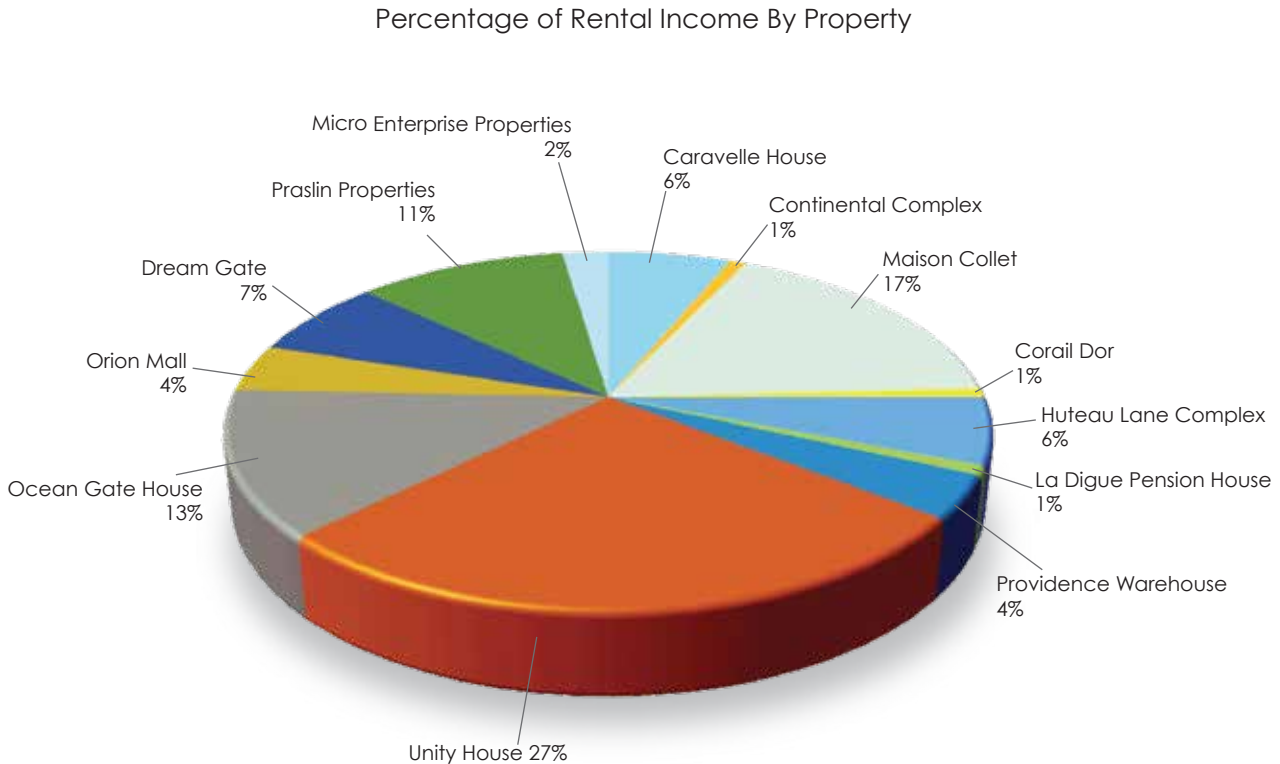
During the year 2022, the impact of the Covid 19 pandemic was still reflected in rent collection in view that some tenants continued to struggle to pay their rent on time and some could not meet the repayment plan as agreed. Despite several challenges, SPF has embarked on an exercise to deal with defaulters and expect to see significant improvement in rent debtors collection moving forward.

Figure 7: Rent collected as at 31st December 2022



Concessions were not awarded in 2022 and emphasis towards the second half of 2022 was for tenants to clear their arrears within the shortest time frame.y

Figure 8: Percentage of rental income per property as at 31st December 2022



d) Dream Gate Complex

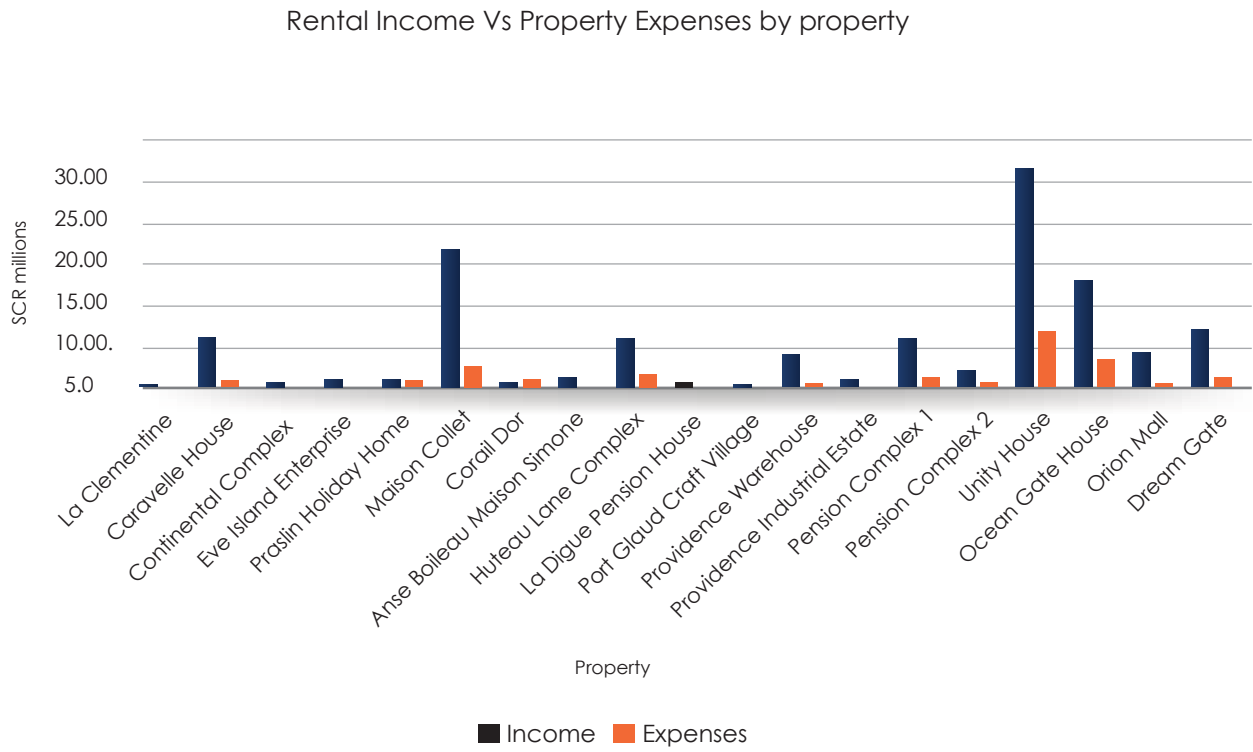
The opening of Dream Gate complex in May 2022, resulted in a new property being added to SPF's real estate portfolio and made available for rental. The property comprises of offices, warehouses and archives. The occupancy rate for the property as at December 2022 stood at 45%. The second floor of the buildings was originally earmarked for rental to Government Departments and Agencies for archiving of documents. However, this did not materialise. Furthermore, SPF had to apply for change of use for several spaces due to changes in tenant's requirements. This caused delays for tenants to occupy the premises.

Of note, the Seychelles Land Transport Authority (SLTA) vacated its the office building at SPF's Huteau Lane property, as at March 2022, to take up office spaces at Dream Gate Complex.

e) Service Delivery and Property/Facilities Management

The effects of the pandemic were also felt on SPF's service delivery. With less Income received, measures were taken to limit expenses in order to limit the negative impact on returns. The expense versus income flows by property are summarised below.

Figure 9: Graph illustrating relation between rent income and expenses as at 31st December 2022



The graph above shows the correlation between Property Management rent income and expenses. It is an important tool used when reviewing rent charges.



*Defying the odds to represent
SPF to the best of our abilities
in the inter organization sports day*

3.3 CEO'S SECRETARIAT

The CEO's secretariat is made up of the following sections:

- Information Technology
- Corporate Communications
- Human Resources and Administration
- Legal and Compliance

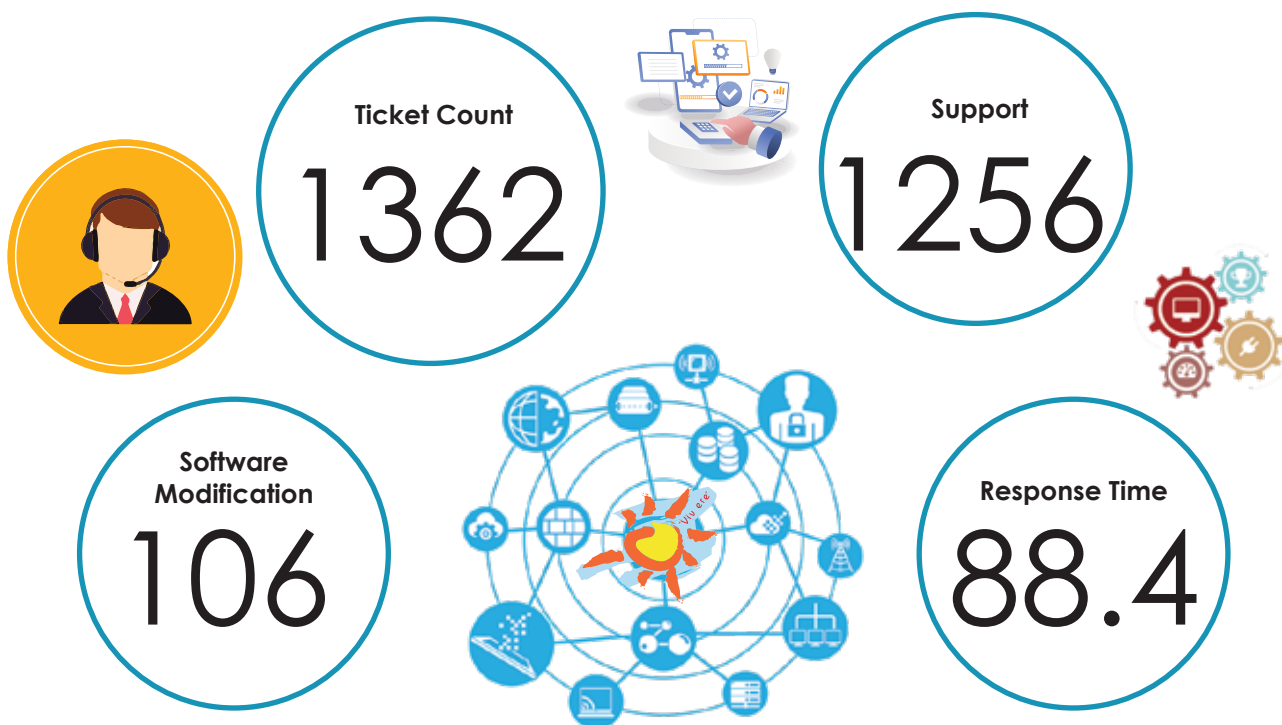
3.3.1 | Information Technology Section

For the year 2022, the IT section implemented new plans which aligned with SPF's business strategy, of staying abreast with new technologies and being proactive. IT section constantly responded to new developments in the SPF and concentrated on current issues and reactively responded to unforeseen events.

Highlights of some of the accomplishments made by the IT section in the year 2022.

a) Help Desk

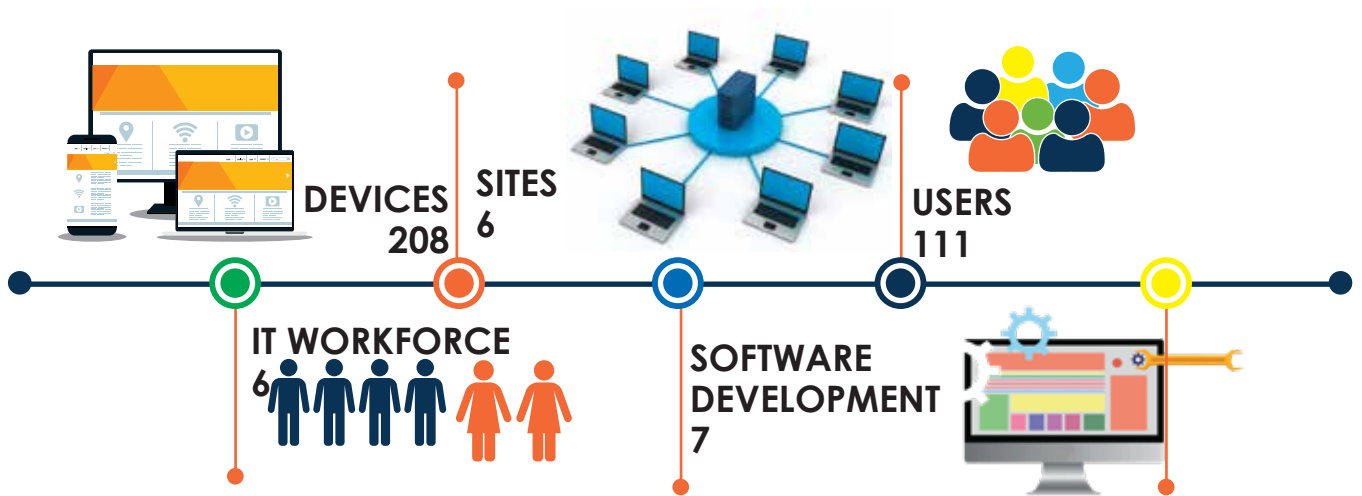
IT supports more users and more devices every year with no increase of the workforce within the section. The efficiency comes from more proactive desktop management, more efficient support processes, improved training, and better self-service tools.



b) Threat Protection Statistics



c) Support by the Numbers



Every year, the section's goals are reviewed to see what was accomplished. Below is summary of the main projects undertaken in 2022.

NETWORK OPERATIONS

1

The system support team concentrated on infrastructure upgrades with the installation of new PABX SYSTEM. Proactive maintenance work was conducted on the WIFI network whereby constant and rigorous inspection of the network to eliminate causes of failure.

The PC users were upgraded to laptops because of their portability. Light weight computing is perfect for those that needs to be mobile. Infrastructure upgrades continued as we replaced CCTV camera at Oceangate, Maison Collet and Unity House. These enhancements improved security and network connectivity. Finally, the active preventative maintenance program continued on a quarterly basis to address any issues and minimize costly unscheduled downtime.

2

SUPPORT SERVICES

Changes is usually driven by innovative thinking which is a requirement in today's fast-paced environment. We successfully setup and implemented the IT change management committee. Its greatest importance is that it provides conceptual scaffolding for people to navigate the processes, and facilitate the change implementation.

An IT audit was carried out by an external auditor which also included a vulnerability assessment to highlight any weaknesses. IT benefited by this audit since the IT risks identified were mitigated by improved security controls and resource re-allocation. All staff benefited with the Data Protection Awareness training. Overall this has increased the credibility of IT functions and processes.

RECORDS MANAGEMENT

3

All files were duly scanned for the Finance, CEO, Corporate Communications, Benefit, Investment, Project and Human Resources and Administration Sections. All physical records were transferred from Caravelle House to the new Archive at DreamGate complex. SPF will continue to convert all physical records into electronical format.

4

SYSTEM DEVELOPMENT

The system development team continued to work for the rollout of new features, which included the Automation of Standing Order, adjustment of duplicate salaries, Local Purchase Order Managements System and the Intranet.

3.3.2 | HUMAN RESOURCES & ADMINISTRATION

a) Organisation culture

The culture at SPF is very open and collaborative where SPF keeps its human resources development in focus with the wellbeing of its employees at all times. The aim of SPF is to continue to be an “Employer of Choice”; and upkeep a productive working environment along with having people with the right attitude on board.

Organisation structure

SPF has four departments and sixteen sections, whereby majority of its key staff have already reached professional level in their respective fields. There is also a clear succession planning with an annual training plan that provides opportunity for growth and development for all staff members. As part of its continued effort to obtain optimum efficiency and effectiveness in the work place, the Human Resources & Administration section persist in its effort to promote the right organisation functions in terms of the right staffing, providing a supportive working environment, promoting ethical conduct and strengthening mechanisms for the management and ensuring proper staff development of SPF.

b) Staff turnover

For 2022, Staff turnover has increased compared to the previous year. Percentage turnover recorded for 2022 is at 10.32%. As at 31st December 2022, staff count was 129 (101 female and 28 male workers) compared to 126 in 2021 representing a percentage increase 2.38% in workforce.

Figure 1: Staff count and resignations for the past 6 years

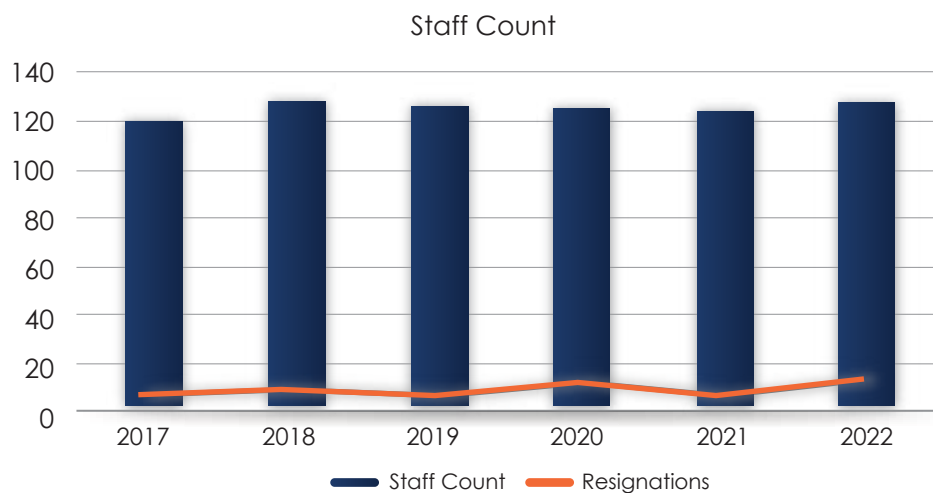
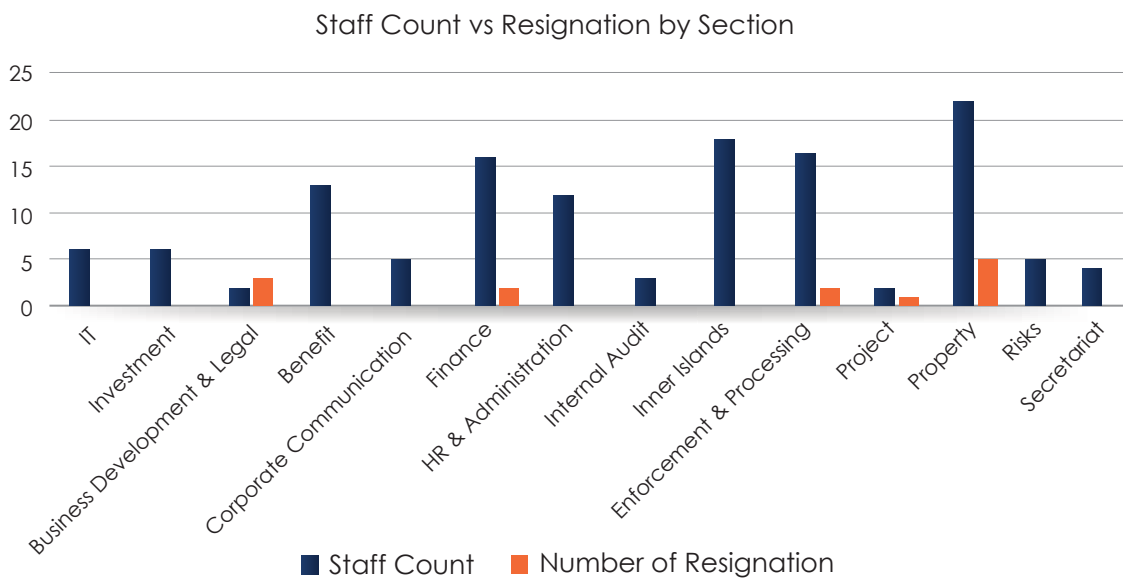


Figure 2: Staff resignation by section



c) Recruitment

As SPF continues to diversify its line of business, the need to build on its work pool with competent and capable staff is imperative to ensure its long-term sustainability. Positions filled for 2022 has been a result of both creation of new positions, resignations and retirement. Recruitment has been mainly in the Secretariat, Business Development, Legal & Compliance, Finance, Enforcement, Property, Internal Audit and Human Resources & Administration section. A total of 16 vacancies have been filled for 2022 as compared to 6 in 2021.

d) Training

In order to render the organization more effective and efficient in its undertakings, staff training is considered to be vital for staff development and professional growth. To ensure that this is achieved, a training plan is available. The training plan is for a period of five years and for the year 2022, the plan has been reviewed based on SPF's current training needs and availability of funds.

The Reserve Advisory and Management Partnership (RAMP) continues to remain one of our key partners in providing opportunity to build human capital and deliver assets management services. From January to December 2022, 7% of staff benefitted from training under the RAMP program. Notably for 2022, SPF has again been able to ensure that 100% of the workforce benefitted from both internal and external training which included both overseas and local, workshops, representations, in-house, short- and long-term management courses.

e) Staff incentives

Seychelles Pension Fund continues to provide a wide range of incentives to its staff members which in turn contribute to propel good work performance and maintain a high retention rate:

- a. Relevant training
- b. Flexi-time
- c. Uniform
- d. Working from home
- e. Corporate Rate
- f. Birthday leave
- g. Mobile phone facility

f) Team Building and annual staff meeting

After a two-year pause due to the COVID-19 pandemic, the Seychelles Pension Fund organised its fourth team bonding activity in 2022 with the Theme "Accountability", alongside its annual general staff meeting, which was a great success, whereby a participation rate of 78% was recorded.

g) Performance Management.

All staff members are required to identify 4 KPI's, this enables better assessment of staff individual performance. The HR system and this performance-based approach have been commended by the World Bank.

In addition, to the reintroduction of the Thirteenth month pay incentive, SPF was able to fully implement the Performance Contract system.

The following parameters are considered in order to maintain an effective and efficient workplace:

- Employees having clearly defined objectives
- Alignment of the organisation's goal to the activities
- Cost management
- Open communication
- Yearly reviewing of company's policies and booklets
- Employee appraisal are conducted on a yearly basis
- Achievement of key performance indicators (KPIs) to measure performance

h) Administrative cost

As a result of the nature of our business and the continued increase in activity, the administrative cost continues to augment in order to cope with new developments along with all operations resuming back to normal during the first quarter of the year 2022.

Table 1: Administrative cost

Year	2016	2017	2018	2019	2020	2021	2022
1. Cost per active member (SCR)	942	959	1,010	1,098	1,142	990	1,156
2. Cost as a % of investment income	26%	24%	25%	25%	25%	27%	27%
3. Cost as a % of total net assets	1.44%	1.40%	1.44%	1.45%	1.44%	1.26%	1.27%
4. Cost as a % of total income	10.0%	9.0%	8.0%	8.0%	7.0%	7.0%	6.0%
Administrative costs (SCR'M)	39	41	44	48	49	44	51
% Increase in administrative cost	26%	5%	7%	9%	2%	-10%	14%

3.3.3 | CORPORATE COMMUNICATION SECTION

Corporate Communication Section is responsible to develop a framework to promote the SPF brand, minimize discrepancies with the organization's identity, generate internal and external support and coordinate effectively with stakeholders. For the first half of the year, prominence has been placed on the proposed changes to the contribution rates and increased retirement age. To that end the following activities were held to improve stakeholders' engagement and product knowledge.

a) Section's targets

- Implement strategies to increase membership and revenue for voluntary contributions and increase voluntary contribution revenue from existing members.
- Strengthen promotion of the SPF brand through various forms of communication including but not limited to written media and publication, TV/Radio advertisements/spots, outdoor promotions and online communications channels.
- Enhance internal communication program that the management and internal/external customers are able to connect to employees, relaying relevant and timely information that are critical to the achievement of its corporate goals
- Liaise with members of the public in the capacity of Customer relations officers and SPF's Information Officer.

b) Summary of activities

- Awareness meetings; Classified stakeholders in interest groups to hold consultative meetings regarding the proposed changes in contribution rate and retirement age so as to have a cross-sectional perspective given restrictions for public meetings due to Covid 19. The different groups targeted included SPF's internal staff, the Citizen Engagement Platform (CEPS), various Labour Unions, Seychelles Chamber of Commerce and Industries (SCCI), Human Resources Managers, Virtual financial education sessions with members of the public who requested, the Youth team at SNYC, Journalists and media houses and the members of the National Assembly. For the benefits of members whom we could not have direct access to, contents were distributed through the National newspapers and 4 episodes of 13 minutes programs each were aired on SBC TV, whilst a question and answer session took place on SBC AM radio.
- E-spire- The e-spire service was launched in December 2021 to generate a secondary stream of voluntary contributors inspired by existing contributors. To date we have run campaigns for Valentine's day, Mother's Day and Fathers' Day.
- Customer Service Management System – Developing an in-house computer-based customer service management system to improve the level of customer service organisation-wide. The system which is still on trial mode aims at keeping a live update on all queries, applications and information lodged by members for ease of reference upon request.
- My e-service – Improved the e-statement portal with self-managed and secure features for registration and accessibility to statements at any time required. Previously all registrations were made through SPF staffs.
- Dreamgate Complex - Organized the official opening of 'Dreamgate Complex' held on Friday 27th May 2022 and spearheaded an aggressive marketing campaign involving direct mailing, newspaper and online poster adverts and posters on location targeting both government and private entities to attract new tenants to available spaces.
- Undertook 36 workplace information sessions, including 6 sessions at post-secondary institutions to introduce the concept of pension and retirement at an early age.
- Annual report – Coordinated tenders for graphic designers and Print houses, developed the graphic illustrations and printing requirements for 150 copies and e-copies of 2021 annual report.

- Content development, designing and marketing campaign for 2nd phase property disposal.
- Developed proposal to update the pension calculator page on the website to reflect real-time retirement benefits for members about to retire.
- Develop the 'prepare for your retirement early' manual to be implemented to speed up customers' experience upon applying for retirement.
- Run a PR campaign to solicit members to participate with photos for the 2023 calendar. The calendar targeted family as its main theme for the year. This is to help realign the importance of family as a guiding influence for the various benefits provided by the organisation.
- SPF and SRC signed a Memorandum of Understanding to share information to ensure better cohesion in the two organisations operations.

c) Customer Relations Management

The section also acts as the liaison function between SPF and its local stakeholders and members. The section provides advisory services to members, especially with regards to contribution and retirement. Additionally, the function helps in marketing and updating member's information in the SPF's database. The section received a total of 3900 visitors during the course of 2022. Most clients' enquiries were regarding benefits and benefit applications. A total of 2822 (72%) of clients were assisted to that end whilst 552 members enquired about statement of account as the second most sought services. A total of 3,451 incoming calls were also registered compared to 7,292 registered during the Covid lockdown period. Other fields of enquiries recorded were for the nomination of beneficiaries, enquiries regarding the e-contribution portal, the e-service portal, and missing contributions.

d) Information Officer

In line with the Access to Information Act 2018, the function of Information Officer has been allocated to the Office of the Head of Corporate Communication. It is responsible for managing and maintaining databases, information catalogues and web resources. The information officer ensures that the information they manage is safe, secure and easily accessible and provides information updates as per request. Below is a table of request entertained for 2022.

Table 2 : Request for information

	Nature of request	
01	The number of requests for access received	1
02	The number of requests for personal information received	1
03	The number of requests for access granted in full;	1
04	The number of requests for access refused - in full	0
05	The number of requests for access refused - in parts	0
06	The number of times each provision of Part III (EXEMPTIONS) was relied on to refuse access in full or in part;	0
07	The number of review applications lodged with the head of the information holder	0

3.3.4 LEGAL AND COMPLIANCE

a) Amendment of the SPF (Benefits) Regulations, 2005

The Section spearheaded the amendment of the SPF (Benefits) Regulations, 2005 which was completed through:

1. Amendment of the Seychelles Pension Fund (Membership and Contributions) Regulations, which was published on 11th April, 2022, for the increase in contributions in April 2022 and January 2023
2. Amendment of the Seychelles Pension Fund (Benefits) Regulations, published on 4th April, 2022, to adjust the revised indexation mechanism, as introduced in S.I. 109 of 2021, to address unfairness to 74 pensioners pension as a result of the 2021 revision to the mechanism
3. Amendment of the Seychelles Pension Fund (Benefits) Regulations S.I. 46 of 2005 under new S.I. 135 of 2022 to provide new definition for retirement age and making provision for a member of SPF serving the Seychelles Defence Forces will now retire at the age of 60 instead of 55 as of January 2023
4. Amendment of Seychelles Pension Fund (Retirement) Regulations under new S.I. 136 of 2022 to;
 - a. Increase the retirement age to 65 years of age
 - b. Allow a member who reaches the age of 60 to 64 years and qualifies for a retirement pension under section 33 of the Act may, apply to receive a retirement pension and shall be legible for indexation
 - c. Make pension amount payable under regulation 3 be based on a reducing factor and pension level factor with effect as of 2nd January 2023
5. Seychelles Pension Fund Interest Rate was reviewed effective 1st January 2023 to reflect the following
 - (i) 1.5% on mandatory contributions; and
 - (ii) 4% on voluntary contributions

b) Comprehensive review of the SPF Act and Regulations

Since the enactment of the SPF Act and Regulations in 2005, a number of amendments have been made to the legislation to date. In an attempt to consolidate these legislations, the Section is also spearheading the internal project to comprehensively review the SPF Act and its Regulations. This process entails reviewing legal aspects of the current law, as well as introducing new procedural measures and pension products to be established in the law.

The full comprehensive review is envisaged to be completed by September 2023 for its implementation by 1st January 2024.

c) Compliance to laws, Regulations, approved policies and procedures

Compliance reminders and checks for the implementation of policies and awareness within the organisation continued during the year 2022 to enculturate the compliance culture within SPF. The section focused on the following;

1. No Gift Policy, to enculturate the culture of ethical behaviour within the organisation when dealing with stakeholders.
2. Conflict of Interest policy awareness and reminder session with the Board of Trustees.
3. Debtors Management procedures were constantly followed to ensure legal action were taken up where necessary.
4. Follow up on Public Enterprise Monitoring Commission circular, where applicable and relevant to the organisation.

d) Addressing SPF's legal and compliance issues, including Court cases

The Section, with the assistance of external legal counsel in some circumstances, has further developed the services and products of SPF through:

- a. Conducting due diligence on bidders to ensure compliance with AML/CFT Act.
- b. Reviewing of contracts and clauses and proposed amendments where necessary.
- c. Work closely with the Legal Counsel to ensuring SPF recovers debts from tenants who default on their rent payments through the Rent Board.
- d. Support drafting and review of SPF Regulations for submission to the Ministry responsible for Finance for all required amendments.
- e. Coordinate liaison with Legal Counsel to ensure payment of benefits to new applicants in the category of dependant (spouse and children) is in line with SPF Act and all documents are in order.
- f. Conducting compliance checks to laws and regulations, policies, agreements and contracts when relevant.
- g. Onboarded one new Legal Counsel to address SPF's non-rental debtors, which includes contributions and staff debtors.

Table 3: Data in regards to court cases at 31st December,2022

	Rent Board	Magistrate Court	Supreme Court	Post Judgement Actions	Court of Appeal
Number of cases	2	2	2	0	1

e) Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT")

In accordance with Section 32 (1) of the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT Act), SPF as a reporting entity must take measures to identify, assess, understand and monitor its risks of money laundering and terrorism financing activities and take appropriate measures to mitigate the risks identified.

In line with Section 32 (5) of the AML/CFT Act the outcome of the risk assessment is required to be documented and made available to the Financial Intelligence Unit (FIU), as the Supervisory Authority, upon request.



Partner and stakeholder engagement remains a top priority in an ever-evolving pension environment



3.4 RISK AND POLICIES DEPARTMENT

The Risk & Policies Department is made up of the following two sections:

- a) Risk Management for undertaking risk assessments, monitoring, control review, managing risks relating to SPF's activities, quality assurance and actuarial support.
- b) Business Development for the development of policies and guidelines and review existing framework to be in line with best practices and undertake research to enhance SPF's services.

3.4.1 | RISK MANAGEMENT SECTION

Most modern pension systems are equipped with a risk management unit and here at SPF, it is no exception. SPF recognizes the importance of effective risk management in the course of delivering on its mandate, some risk-taking is inevitable if the organization is to achieve its objectives. SPF goes to great lengths to protect the public funds entrusted to it and remains committed to establishing a sound system of risk oversight; management and internal controls to identify, assess, monitor and manage risks related to the conduct of its activities to help mitigate the likelihood or impact of such risks materializing, thus allowing the organization to meet its obligations to key stakeholders, including employers, employees, regulators and the broader society.

Additionally, the function ensures SPF meets its obligations related to pension development and reporting requirements as outlined in the SPF Act 2005. It is also responsible for liaising with the Actuary for the actuarial valuation or any actuarial investigations requested by the Board and maintains international cooperation with international pension bodies.

a) Enterprise Risk Management function

SPF follows a risk framework to guide its activities and support a risk-aware culture characterized by robust evaluation and management of risks across the organization.

1.0 Risk Universe

SPF is exposed to a wide range of risks of different nature from past, present and future activities that could impact its ability to achieve its objectives, managing those risks is a core part of the day-to-day activities. The risks are of different types and range from Investment to demographic risks, their impact can be financial and non-financial and are categorised as Strategic and Operational.

2.0 Risk Governance

Over the past year, SPF has remained committed to managing risks identified and continued to develop the risk mitigation framework.

Risks are inherent in many of the activities, thus, governance arrangements in place, use of industry best practice and external advisors, ensure that the management of risks is undertaken to the highest levels and that potential adverse effect of risks are minimized.

The principal documents relating to risk management and controls are:

- Risk register
- Board charter
- Audit Committee Charter
- Risk Management Policy
- Investment Policy
- Funding Policy

We also include Business Continuity planning and IT disaster recovery in our coordinated approach to risk management.

3.0 Managing our Risks

3.1 SPF Risk Taxonomies

The SPF operational risk events have been defined through seven official Basel event types:

1. Internal Fraud
2. External Fraud
3. Employment practices & work place safety
4. Clients, products, & business practice
5. Damage to physical assets
6. Business disruption and systems failures
7. Execution, delivery, & process management

The SPF Strategic risk events have been categorised through seven event types:

1. Financial (incl. Investment Risks)
2. Legal & Regulatory
3. Governance
4. Market
5. Environmental and Climate (incl. Social & Health)
6. Funding
7. Stakeholder & Employer Related risk

3.2 Risk register

As part of our enterprise risk management approach and in line with international best practices, a detailed Risk Register is maintained by SPF whereby different risks both operational and strategic which could have a material impact on our activities or performance have been identified. These risks arise from internal events, external events, acts and/or omissions.

The risk register ensures that SPF has a coordinated enterprise-wide approach to identifying, assessing, managing and monitoring risk at a strategic and operational level; that risks are properly understood, and appropriate actions are taken to mitigate them. Risks identified within the risk register are assigned to 'risk owners' and mitigated through planned action by the owners.

The risk register is updated as and when new risks arise and after the risk assessment exercise; this ensures that risks are identified appropriately and are assessed and managed effectively, by evaluating the likelihood of those risks being realized, their impact should they be realised, and how to manage them efficiently, effectively and economically; ensuring correct controls are in place and that they remain relevant. If medium high to high risks are identified, these are prioritized and reported immediately to Management for prompt intervention.

As at 31st December 2022, the SPF risk register recorded 68 operational and 36 strategic risks (active) and 1 dormant strategic risk. These risks had the potential to make an adverse difference to our ability to deliver the mission of SPF if they were not managed.

The risks within the register relates to key areas such as Investment, Market, Funding, Information security, Process execution, Demographic and Regulatory; however, the risks being mentioned do not purport to be exhaustive as there are additional risks not mentioned and others that the organization has deemed to be immaterial.

3.3 Risk Assessment

As at 31st December 2022

- The operational risk exposure was Medium High
- The strategic risk exposure was Medium Low
- The overall enterprise risk exposure was Medium

Figure 1

Operational risk exposure 2022

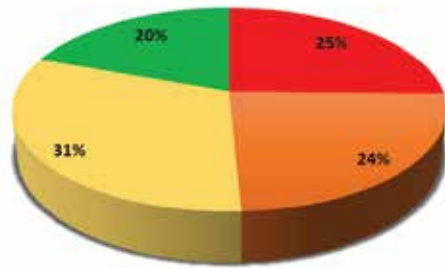
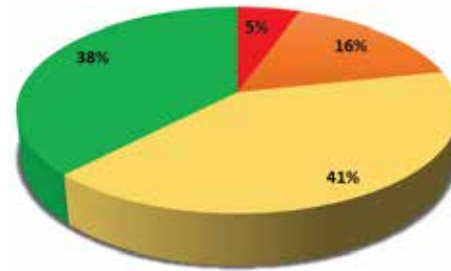


Figure 2

Strategic risk exposure 2022



■ Low ■ Medium Low ■ Medium High ■ High

3.4 ORM Tool / Key Risk Indicators (KRI's)

The ORM tool was launched in July 2021, it provides a comprehensive platform to anticipate, identify, prioritise, manage and monitor operational risks within each department of SPF through the identification and measurement of Key Risk Indicators (KRIs). The tool also facilitates the scoring of risks in the main risk register by providing historical data of risk events.

The KRIs which are metrics, provide a forward-looking view of risks whereby their potential impact on business performance can be measured beforehand. Additionally, if an event occurs, the KRIs allow Management to fully understand what happened, why it happened, the impact of the event, the necessary follow-up action items and the lines of accountability within each section. For each month the information recorded in the tool is compiled and a detailed report is generated.

b) Actuarial unit function

In accordance with the SPF Act, SPF contracted BBL World Actuaries to undertake the actuarial valuation of SPF as at 31st December 2021, to assess the performance and long-term sustainability of the fund. In 2022, the section coordinated the Actuary's first mission to SPF for the 2021 valuation. The Actuary Fund met with the SPF Board and Management including various external stakeholders such as Central Bank of Seychelles (CBS), National Bureau of Statistics (NBS), Agency for Social Protection (ASP), Workers Union representatives, Ministry of Finance, National Planning and Trade and representatives from the Ministry of Health.

Pension Reform

As the Actuarial liaison section at SPF, the Risk team played a major role in the implementation of the pension reforms that were announced by the Minister for Finance, National Planning and Trade in his budget address on the 12th November 2021.

The Section was actively involved in the organisation's preparedness for the application of the reforms, including awareness sessions with key stakeholders and to sensitise the general public on the rationale behind the reforms.

Following approval of the bill by the National Assembly in December 2022 the section facilitated several staff trainings on the reforms, including the early retirement reduction factor; a total of 73 staff from different departments benefited from the training enabling them to remain abreast with the reforms and to attend to members' queries.

c) International cooperation function

The section liaises on behalf of SPF with organisations such as ISSA, ILO, and World Bank. The interaction helps SPF secure much needed training and reference on the latest pension matters. In 2022, the section has been in close contact with the ISSA liaison officer for southern Africa, keeping the office informed on all the latest developments occurring locally and also liaising with them on various pension matters.

d) Reporting function

The section successfully compiled the SPF half year report 2022 which was submitted to the Ministry of Finance, National Planning and Trade.

e) Quality Assurance function

The Quality Assurance Unit became operational in June 2018. It forms part of our system of internal controls and its main function is to mitigate the risk of errors in pension project and some administrative payments, through verification of procedures, compliance with institutional policies and applicable laws/regulations.

The main activities are detailed in the table below

Section	Details of verifications												
Benefits	<p>i) Vetting of all benefit applications from members, either for monthly pension or lumpsum refund, prior to being approved by CEO.</p> <p>ii) Reconciliation of monthly pension roll and off-roll pension payments. This includes the indexation of pensions at the beginning of each year, and sampling check on applied interest rate for the year.</p> <p>iii) Vetting of Minimum Pension Subsidy / Early Retirement / Special Benefits (Home Carer / Self-employed / URS) & Special Payments (Special Entitlement) lists, prior to being claimed from Government.</p> <p>iv) Vetting of the following posting forms prior to processing payment: lump sum refund, voluntary contribution refund from the age of 55 and voluntary contribution refund for pensioners.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Benefit documents received for verification</th> <th>Total verified in 2022</th> </tr> </thead> <tbody> <tr> <td>Applications for monthly pension</td> <td style="text-align: right;">1,134</td> </tr> <tr> <td>Applications for lumpsum refund</td> <td style="text-align: right;">286</td> </tr> <tr> <td>Posting forms for refund of voluntary contribution from the age of 55</td> <td style="text-align: right;">406</td> </tr> <tr> <td>Posting forms for refund of voluntary contribution for pensioners</td> <td style="text-align: right;">579</td> </tr> <tr> <td>Posting forms for lumpsum refund</td> <td style="text-align: right;">298</td> </tr> </tbody> </table>	Benefit documents received for verification	Total verified in 2022	Applications for monthly pension	1,134	Applications for lumpsum refund	286	Posting forms for refund of voluntary contribution from the age of 55	406	Posting forms for refund of voluntary contribution for pensioners	579	Posting forms for lumpsum refund	298
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Posting forms for lumpsum refund	298												
H/R & Administration	<p>i) Reconciliation of staff payroll prior to approval for payment.</p> <p>ii) Vetting of annual gratuity, end of contract payments, gratuity for completion of five years employment, overtime claim forms, resignation / retirement benefits, payment to SRC and SPF deducted as PIT and Pension contributions from staff and any other staff payments that may arise.</p> <p>iii) Vetting of 13th month salary for the year 2022</p>												
Projects	<p>Verification of invoices from suppliers / contractors to ensure that procurement procedures have been followed, computations are correct and proper documentation are on file. A total of 11 documents were received for verification, up to April 2022.</p>												
Investments	<p>Verification of invoices from service providers, to ensure that procurement procedures have been followed, computations are correct and proper documentation are on file. A total of 9 documents were received for verification, up to April 2022.</p>												

3.4.2. BUSINESS DEVELOPMENT

The Business Development and Compliance section provides initiatives, strategies, plans, and ideas aimed towards further enhancing the products, services, policies and procedures at SPF whilst ensuring that the SPF's legal and compliance framework remains robust, updated and in line with legislative changes and in accordance with international best practices taking into consideration the economic and social environment in which SPF operates in.

During 2022, the Section focused on the following activities, namely:

a) Memorandum of Understandings and Non-Disclosure Agreements

Signing of the Memorandum of Understandings (MOUs) and Non-Disclosure Agreements (NDAs) with Seychelles Revenue Commission (SRC) with the aim of providing a framework between SPF and the entities for better flow of information and information sharing purposes.

b) New Policies

New policies approved in 2022 was 'SPF's No Gift Policy' which prohibits SPF employees from accepting any business courtesy offered, such as product discounts or any other benefits from stakeholders.

c) Development of SPF's services and products through establishing Standard Operating Procedures (SOPs)

The Section worked closely with Risk Section to finalise and review the Risk Policy which was reviewed and presented at Committee level with the aim to integrate risk management into the procedures and the day-to-day activities and processes of SPF as well as to promote good practices in governance. Additionally, the section worked closely with the Human Resources and Administration section to finalise and review the Mobile Phone Policy and Employee Recognition Program, all part of staff incentives for all SPF staff.

The Section continues to work with all units with the aim to ensure that all relevant Policies, SOPs and Guidelines are in place to ensure smooth operations and processes.

3.5 Finance Department

The Finance Department is one of the key functions at SPF and is primarily responsible for all the processing and recording of financial activities including reporting.

There are 4 Units within the department: Expenditure, Contribution, Rent & Other Investment and Reporting & Control.

Key elements to achieving the objectives of the department are:

- Sound fiscal & operational policies
- Sound internal control policies and procedures
- Timely & accurate financial reports
- Effective use of information technology

The main focus remains financial accountability, transparency, consistency as well the promotion of an ethical, reliable and sound accounting system, in line with all relevant accounting standards, policies including SPF's Acts and regulations.

The finance department oversees the organisational processes at a micro level and these includes:

- Budget preparation, management and control
- Processing of all non-pension payments
- Collection of all pension contributions
- Collection of rental income
- Timely payment of pensions and associated benefits
- Cash flow management
- Financial and management reporting
- Preparation of year end financial statements
- Oversee annual statutory audit process

Since SPF is supervised and regulated by PEMC, monthly financial reports are submitted to PEMC along with quarterly results and audited annual financial statements. The annual report and audited financial statements are also submitted to the Ministry of Finance, and also copies are sent to the National Assembly, as required under SPF Act.

Financial statement compilation, face increasingly complex standards and disclosure requirements and in 2022 the dedicated team has ensured that all the accounts are International Financial Reporting Standards (IFRS) compliant as far as possible and the department is pleased to record that it has complied with all such requirements.

The audited financial statements are shown in Chapter 7.

CHAPTER 4

Internal Audit

Report from Chief Internal Audit



5. INTERNAL AUDIT

The SPF's Internal Audit (IA) section provides objective and independent assurance on the adequacy and effectiveness of the Fund's governance, risk management and control processes. The IA section reports functionally to the Audit and Risk Committee (ARC) and administratively to the Chief Executive Officer (CEO). The section is governed by its Internal Audit Charter, which is approved by ARC. The risk-based audit approach aligns with the Institute of Internal Auditors' (IIA) and International Professional Practice Framework (IPPF). For the calendar year 2022, the section comprised of 3 staff, a Chief Internal Audit (recruited in April 2022), an Internal Audit Manager and an Internal Auditor. Qualifications-wise, the Chief Internal Audit is ACCA/CIA certified and team members are pursuing the CIA accreditation with support from Management. The team undertook various training both internally and externally to keep abreast of changes and risks faced by the industry. The training includes; operational risk management, data protection, pension indexation, bid rigging and project management. The IA section also works in close collaboration with the Risk Management, Legal and Compliance sections to enhance the Fund's governance practices.

Despite the ongoing realities of the COVID-19, the IA section remained committed to providing objective assurance and consulting activities that add value and provide high-quality services in an accountable, efficient, effective, and ethical manner. In accordance with the Fund's business continuity policy, effective methods for onsite and remote auditing were undertaken through work-from-home arrangements, and utilising technological tools such as Onspring audit software, Zoom, emails to allow for the completion of the planned audit activities. The same methods were utilised whilst undergoing the annual audit of the financial statements. An outsourced IT audit based on ISO 27002: 2022 was also conducted by the BDO Mauritius team. Due to travel limitations, for the most part, the audit was performed remotely and was completed within the set deadline.

With the appointment of the Chief Internal Audit, the Audit Plan was revised in June 2022 to review the internal audit processes, resources, capacity development, key performance indicators, and audit activities in line with the IIA-IPPF standards and Quality Assurance Improvement Programme. To this end, the internal audit activities and additional assignments requested by the CEO and ARC were achieved.

Our general opinion, based on the internal audit engagements conducted, is that the internal control system of the SPF has made continuous improvement. There is still room for improvement in aligning policies and implementing control processes with best practices standards. The move towards digitalisation and streamlining processes will render both the Fund's and the IA's activities more efficient. Management have provided their comments to the issues and concerns highlighted and IA continues to follow up on pending management actions, and progress is reported to ARC quarterly, as per the approved Charter and Annual Audit Plan.

The following audits from the Annual Internal Audit Plan 2022 were performed along with other audit inquiries as stipulated by the CEO and the Audit and Risk Committee;

1. Property Audit
2. Project Audit
3. Review of Pirates Arms contract payments
4. IT Internal Audit
5. Procurement Audit
6. Human Resources Audit
7. Finance Audit (Cash Collection).

CHAPTER 5

6. Actuarial Position



Actuarial Position

As stipulated by the SPF Act 2005, every 3 years SPF must undertake an actuarial valuation of its assets and liabilities and determine the funding level. The valuation reviews the financial position, contribution rates payable in future and other actions that should be taken, which are necessary for the sustainability of SPF. In the last Actuarial valuation undertaken in 2018, SPF was labelled as a "YOLD" pension scheme, young and old, because it's been only 16 years old since it was established and yet we are calculating and paying pension after considering 44 years.

The last full triennial actuarial valuation of the Seychelles Pension Fund was undertaken in 2022 for the year ending 31st December 2021 in accordance with the SPF Act by SPF Actuary, from BBL World Actuaries Canada and is ongoing.

CHAPTER 6

Way Forward



Way Forward

Introduction

Going forward, SPF is in the process of modernising the Seychelles Pension Fund Act 2005 which is now over 15 years and as such requires a comprehensive review in order to align it with the other relevant Acts and Regulations. This exercise is also necessary to take into consideration the concerns of the members and beneficiaries whilst considering sustainability and affordability factors.

Investment

SPF will continue to pursue its diversification strategy and investments in longer-term assets in order to achieve its return-maximisation objective, as prescribed by the Investment Policy. It is expected that these would be made possible by investing in new asset classes, such as Commodities, Infrastructure and Private Equity Funds (Alternatives), while also considering the Environment, Social and Governance (ESG) impacts.

During the year, the Board of Trustees approved a revised disposal plan for several of its earmarked Real Estate properties. In addition, a new plan was put in place for investing in ESG-related Exchange Traded Funds (ETFs). Due to heightened market volatility in 2022, it is anticipated that onboarding of the ETFs should only materialise in 2023.

SPF also remains committed towards the professional development of its employees within the area of investment management. The institution, is currently on the second year of its capacity-building mandate with the World Bank, under the Reserves Advisory Management Partnership (RAMP).

Digitilisation

A key aspect of helping SPF's members to build their financial futures is supporting them throughout every step of their journey. A strategic focus for SPF is harnessing digital technology so our members have relevant, engaging, connected and interactive experiences from the time they register, right through to when they retire.

Digitalisation of SPF's system will assist to ease the processing of transactions which in return should improve the processing time of applications and financial transactions. These in return will improve customer services and enabling the members and beneficiaries to access their information at their fingertips. This shall include the use of modern technologies such as online portal and mobile app where members can at their own time access their individual member's accounts, contribute to their voluntary accounts, access their member balance as well as self-employed members being able to process their contribution payments. These digital tools will promote a more comprehensive customer database to warrant more personalized communication and services and empower SPF's members to make more informed financial decisions.

Investing in technology shall not stop with our members as we intend to embark on or journey to streamline and enhance our processes by investing in a suitable accounting software. We are thoughtful about where we devote our time and resources.

Communication

Pension education persists as being one of the leading topics of interest amongst our members and stakeholders. Over the years, strategies such as 'Pas kot Fon Pansyon pour en konversasyon' has brought forth certain degree of success, whilst, on the other hand, a more digitally savvy customer base has emerged combined with a heavily segmented channel of communication – e.g. viewership of audio visual is no longer commanded by the national television. Other emerging channels including, but not limited to social media, online streaming services, international tv services are now limiting SPF's ability to educate members. With the complexity of technicalities involved with such a set-up, the 2023 Marketing and Communication Plan has been designed to meet the requirements of a more strategic and robust communication approach.

Risk Management

The focus to improve the organisation's risk culture and enhanced risk monitoring remains a priority for SPF. The organisation will continue to strengthen its governance structure and risk management framework. A more detailed insights of the risk landscape will be provided to the Board to allow them to better assist SPF in changing the risk culture. Moving forward, risk objectives have been included in key performance indicators of all staff, with the aim of reducing the different risk events associated with execution, delivery, and management processes. All of these measures will assist in achieving a full-fledged culture of risk awareness and risk mitigation.

Conclusion

The Pension Reform which took into consideration, the recommendations of the Actuary were fully approved at the end of December 2022 and is aimed to address SPF's long-term sustainability through collection of more contributions and anticipated reduction in the pace at which benefits payments are increasing. As we look to the future, we are optimistic about what's to come and we remain committed to all members and beneficiaries to ensure that they all retire at their comfort and that SPF continues to provide the financial security following their retirement.



*Social activities
coming together as one*



CHAPTER 7

Board of Trustees Report and Audited Financial Statements



SEYCHELLES PENSION FUND

**BOARD OF TRUSTEES' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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Statement of surplus and other comprehensive income	7
Statement of cash flows	8
Notes to the financial statements	9 - 56

BOARD OF TRUSTEES' REPORT

The Board of Trustees of the Seychelles Pension Fund ("the Fund") is pleased to present its report together with the audited Financial Statements for the year ended December 31, 2022. As required under Section 54 of the Seychelles Pension Fund Act, 2005 (as amended), the annual report is presented to the Minister responsible for Finance, the National Assembly and a copy is made available on the website of the Fund.

BACKGROUND INFORMATION

Seychelles Pension Scheme ("SPS") commenced its operations under the Seychelles Pension Scheme Act, 1990, CAP 220 with effect from January 1, 1991. In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 (as amended) under which the scheme became a statutory body and was renamed as Seychelles Pension Fund ("the Fund").

REGISTERED OFFICE

The registered office of Seychelles Pension Fund is situated at Caravelle House, second floor, Victoria, Mahé, Seychelles with its postal address, P O Box 576.

PRINCIPAL ACTIVITIES

The principal activity of Seychelles Pension Fund is to collect contributions from members and pay benefits mostly to retiring members. It includes payment of monthly pension to pensioners and the dependents of the deceased members, as well as other benefits under various schemes as per Section 4 of the Act and applicable Regulations.

RESULTS

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Surplus for the year before fair value changes	89,169,829	1,459,610
Net changes in fair values of investment	389,281,440	17,243,131
Retained surplus brought forward	1,031,331,255	1,012,628,514
Retained surplus carried forward	<u>1,509,782,524</u>	<u>1,031,331,255</u>

INTEREST ON MEMBERS' FUND

Interest rate for the year 2022 was 2% and 4% for Mandatory and Voluntary contributions respectively. The rates are based on average 91 days treasury bills and average saving rates for the previous 12 months ending November 2021, as published by Central Bank of Seychelles (2021: Mandatory 2.53%, Voluntary 5%).

PROPERTY AND EQUIPMENT

Additions of SR. 3,521,712 to property and equipment during the year comprised of buildings, equipment, furniture and fittings (2021: SR 2,576,867). Disposals during year comprised of furniture and equipment carried at net book value of SR. 233,013 (2021: SR. nil).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2022 did not differ materially from its carrying amount as per the Statement of Financial Position at the reporting date.

BOARD OF TRUSTEES' REPORT *Continued***INVESTMENT PROPERTIES**

Seychelles Pension Fund invested substantial amounts in properties for earning rental income and capital appreciation purposes. As at December 31, 2022, these totalled to SR. 1.46 billion (2021: SR. 1.41 billion). During the financial year under review, additions to investment properties amounted to SR. 24.5 million (2021: SR. 36.8 million). The net surplus on change in fair value on investment properties as at December 31, 2022 amounted to SR. 13.1 million (2021: Deficit of SR. 15.7 million).

BOARD OF TRUSTEES

The composition of Board of Trustees since the date of the last report and the date of this report are:

Marc Houareau	Chairman
Patrick Payet	Trustee
Elsie Morel	Trustee
Jovinella Rath	Trustee
Shannon Jolicoeur	Trustee
Jose St Ange	Trustee
Shella Mohideen	Trustee
Brenda Morin	Trustee
Sarah Lang	Trustee

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of Trustees is responsible for the overall management of the affairs of the Fund and all its investment decisions. The Board is required to appoint a secretary who is responsible for convening all meetings of the Board, the proper recording of its decisions and communications of those decisions to those who are required to act on them. The Board also ensures that proper books of accounts and other records in relation thereto are maintained. In preparing these financial statements, the Board has a general responsibility to:

- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to assume continuance of the Fund;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent and;
- disclose and explain any material departures from applicable accounting standards.

As defined in the Seychelles Pension Fund Act, 2005 (as amended), the Chief Executive Officer ("CEO") is responsible for the day to day administration, including the collection of contributions, payment of pensions and other benefits, investment of surplus monies and accounting for all monies collected, paid or invested by the Fund.

The Board and the Chief Executive Officer also have the general responsibility for taking reasonable steps to safeguard the assets of the Fund and detect fraud and other irregularities.

The Board and the Chief Executive Officer consider that they have met their aforesaid responsibilities.

BOARD OF TRUSTEES' REPORT *Continued*

AUDITORS

The Auditor General of Seychelles is mandated to carry out the audit of the Fund under Section 53(2) of the Seychelles Pension Fund Act, 2005 (as amended). They have outsourced the services to Baker Tilly Seychelles for the year 2022.

TRUSTEES



Marc Houareau
Chairman



Patrick Payet
Trustee



Elsie Morel
Trustee



Jovinnella Rath
Trustee



Shannon Jolicoeur
Trustee



Jose St Ange
Trustee



Shella Mohideen
Trustee



Brenda Morin
Trustee



Sarah Lang
Trustee

Dated: *March 30, 2023*
Mahé, Seychelles



Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

Telephone: 248-4672500 Email: auditgen@oag.sc

Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

OPINION OF AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE SEYCHELLES PENSION FUND

Opinion

The accompanying financial statements of the Seychelles Pension Fund, set out on pages 5 to 56, which comprise of the statement of financial position as at 31 December 2022; statement of surplus and other comprehensive income; statement of changes in net assets available for benefits; and statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Baker Tilly Chartered Accountants (auditors), appointed under Section 19 of the Auditor General Act, 2010 read with Section 53(2) of the Seychelles Pension Fund Act, 2005 as amended. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit, have been obtained.

Accordingly, in our opinion,

- (a) proper accounting records have been kept by the Fund as far as it appeared from examination of those records; and
- (b) the financial statements on pages 5 to 56 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2022 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards, Seychelles Pension Fund Act, 2005 and Public Enterprise Monitoring Commission Act, 2013.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of this report. I am independent of the Fund in accordance with the INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of 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.

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.

➤ *Fair valuation of financial assets and investment properties based on IFRS 13:*

Our audit considered fair valuation of financial assets and investment properties as a key audit matter. The materiality of the reported amounts in the financial statements, inherent subjectivity due to the estimates used in determining the fair values and use of inputs from various sources in the fair value calculation underpinned our basis for considering it as a key audit matter.

To assess the reasonableness of the fair value of financial assets and investment properties, the audit procedures (among others) were designed to obtain sufficient and appropriate audit evidence, including the following:

- Evaluating the design effectiveness of controls over estimation of impairment of financial assets, which included assessing the level of oversight, review and approval of impairment policies of the Fund;
- Test-checking the underlying calculations and data;
- Assessing the valuation expert's competency, experience, qualifications and independence where necessary;
- Verifying the reasonability of the assumptions used in fair valuation;
- Obtaining a written representation in regard to the valuation decisions and assumptions;
- Assessing the adequacy of the related financial statement disclosures.

➤ *Impairment allowance for Financial assets based on IFRS 9:*

The audit considered impairment allowance for financial assets as a key audit matter. The materiality of the reported amounts in the financial statements, subjectivity associated with Management's impairment estimation, probable impacts of COVID -19 outbreak and the related government rental relief measures on the key assumptions underpinned our basis for considering it as a key audit matter.

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

- Performing procedures in order to assist our understanding of the methodology applied by management in their IFRS 9 model;
- Evaluating the impairment methodology applied against the requirements of IFRS 9; financial instruments;
- Evaluating the completeness of data in the impairment model by reconciling the data used in the impairment model to the debtor's source;
- Agreeing source data used in the modelling to supporting documentation on a sample basis to assess accuracy and validity;
- Testing the assumptions and calculations used in the ECL, including, but not limited to performing an assessment of the developed methodology applied in calculating the ECL allowance and reasonableness of the overlays that management calculated to determine the potential impact of Covid-19 and other legislation on the impairment allowance.

As a result of the above audit procedures, no material differences were noted.

Responsibilities of management and those charged with governance for the Financial Statements

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Pension Fund Act, 2005 as amended and for such internal control as management determine, is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Fund'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 Board of Trustees either intends to liquidate the Fund or cease operations, or has no realistic alternative to do so.

The Board of Trustees are also responsible for the overall management of the affairs of the Fund including the operation of the Fund and making investment decisions and financial reporting process.

Responsibilities of the Auditor General

My responsibility is to express an opinion on those financial statements based on our audit and report it to the Board of Trustees.

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Seychelles

Pension Fund Act, 2005 as amended. 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 the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the 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 SPF's internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- concludes on the appropriateness of the management's use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the fund to cease to continue as a going concern;
- evaluates 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;
- communicates with those charged with governance among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.



Gamini Herath
Auditor General

11 April 2023
Victoria, Seychelles



STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

	Notes	2022 SR	2021 SR
ASSETS			
Non-current assets:			
Property and equipment	7	18,911,746	17,809,512
Investment properties	8	1,462,974,021	1,408,297,206
Right-of-use on assets	9	41,072,247	41,623,711
Investment in subsidiary - OICL	10	34,768,170	40,562,865
Investment in associates - SBL	11	275,112,298	264,339,829
Investment in associates - ASBS	11	25,830,747	25,333,715
Investment in associates - CWS	11	660,000,000	294,435,792
Investment in financial assets	14	603,944,552	564,242,410
Loan receivable	16	53,257,472	71,946,931
		<u>3,175,871,253</u>	<u>2,728,591,971</u>
Current assets:			
Investment in financial assets	14	413,548,450	336,280,046
Receivables and prepayments	15	98,048,973	78,597,741
Assets held for sale	12	177,247,916	206,565,978
Loan receivable	16	18,832,001	18,832,001
Cash and bank balances	13	198,102,513	143,932,704
		<u>905,779,853</u>	<u>784,208,470</u>
Total assets		<u>4,081,651,106</u>	<u>3,512,800,441</u>
Current liabilities:			
Other payables	17	22,994,455	20,951,340
Non-current liabilities:			
Retirement benefit obligations	18	11,886,011	8,225,665
Deferred property lease	19	6,309,355	6,418,035
		<u>18,195,366</u>	<u>14,643,700</u>
Net assets		<u>4,040,461,285</u>	<u>3,477,205,401</u>
Made up as follows:			
Members' fund	21	1,828,904,247	1,744,099,632
Other fund	22	533,279,754	533,279,754
Reserve fund	23	14,568,591	14,568,591
Other reserves	24	153,926,169	153,926,169
Retained surplus		<u>1,509,782,524</u>	<u>1,031,331,255</u>
		<u>4,040,461,285</u>	<u>3,477,205,401</u>

These financial statements were approved for issue by the Board of Trustees on March 30, 2023


Marc Houareau
 Chairman


Nisreen Abdulmajid
 Chief Executive Officer

The notes on pages 9 to 56 form an integral part of these financial statements
 Auditor General's report on page 4

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED DECEMBER 31, 2022

	Notes	2022 SR	2021 SR
Contribution Income			
Compulsory contributions:			
- by employees		277,399,009	213,810,890
- by employers		333,474,246	214,389,034
Voluntary contributions:			
- by employees		24,174,448	29,022,839
- by employers		10,825,297	9,739,544
		<u>645,873,000</u>	<u>466,962,307</u>
Investment income			
Members' interest	27	37,522,644	37,306,953
Surplus for the year from investments		478,451,269	18,702,741
		<u>515,973,913</u>	<u>56,009,694</u>
Total contribution and investment income		<u>1,161,846,913</u>	<u>522,972,001</u>
Benefits paid			
- Normal retirement		466,881,914	368,478,144
- Voluntary retirement refund upon retirement		3,132,930	1,730,613
- Death before normal retirement		4,448,539	4,245,118
- Permanent Incapacity		65,113,687	58,448,508
- Pre-Migration retirement		535,542	202,740
- Surviving spouse pension		15,223,508	13,696,747
- Children pension		4,544,728	4,482,746
- Post-Retirement surviving spouse		18,152,468	14,224,134
- Post-Retirement children pension		1,967,694	1,332,423
- Voluntary retirement contribution refund at 55 years onwards		18,244,174	14,346,191
- Dependent/Severe disability		26,532	25,252
- Refund of overpaid contributions		519,081	528,115
- Other adjustments		(199,768)	(5,211)
Total benefits paid		<u>598,591,029</u>	<u>481,735,520</u>
Excess/(deficit) contribution over benefits paid		<u>47,281,971</u>	<u>(14,773,213)</u>
Net increase in assets available for benefits for the year		<u>563,255,884</u>	<u>41,236,481</u>
Balance at January 1,		<u>3,477,205,401</u>	<u>3,435,968,920</u>
Balance as at December 31,		<u>4,040,461,285</u>	<u>3,477,205,401</u>

The notes on pages 9 to 56 form an integral part of these financial statements

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STATEMENT OF SURPLUS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2022

	Notes	2022 SR	2021 SR
Income			
Interest income	25	38,905,922	47,391,176
Dividend income	26	54,738,004	21,350,691
Rental income	8 (e)	98,300,973	94,098,444
Profit on sale of investments	33	-	286,778
Profit on disposal of property and equipment		153,486	-
Other income - surcharges		1,303,967	566,019
Insurance claim proceeds received		30,019,819	
Amortisation of deferred Government Grant	19	108,680	108,680
		<u>223,530,851</u>	<u>163,801,788</u>
Expenditure			
Interest credited to members	27	37,522,644	37,306,953
Administrative expenses	28	51,153,087	44,448,384
Investment fees		1,102,897	1,122,597
Events and marketing		1,557,572	1,601,639
Property management expenses	8 (e)	23,034,657	21,964,936
Covid -19 related expenses		120,064	271,046
Depreciation of property and equipment	7	5,362,986	5,557,161
Amortisation of right-to-use on assets	9	551,464	515,464
Loss on disposal of investments	33	886,040	-
Provision for credit impairment	15 (ii)	2,250,738	1,142,001
Auditors' remuneration		385,000	385,000
Other professional fees	29	4,788,869	3,195,882
		<u>128,716,018</u>	<u>117,511,063</u>
Surplus before fair value changes and exchange differences		94,814,833	46,290,725
Loss on exchange		(5,645,004)	(44,831,115)
Surplus for the year before fair value changes		89,169,829	1,459,610
Decrease in fair value of quoted equities	14 (e)	(398,535)	(2,533,531)
Decrease in fair value - OICL	10 (a)	(5,794,695)	-
Increase/(Decrease) in fair value of investment properties	8 (e)	13,053,990	(15,678,063)
Increase/(Decrease) in fair value of associate - SBL	11 (a)	10,772,470	(795,505)
Increase/(Decrease) in fair value of associate - ASBS	11 (b)	497,032	(10,778,176)
Increase in fair value of associate - CWS	11 (c)	365,564,208	139,500,802
Total fair value changes		383,694,470	109,715,527
Other comprehensive income			
Increase/(Decrease) in fair value of unquoted equities	14 (e)	5,586,970	(92,472,396)
Total other comprehensive income		5,586,970	(92,472,396)
Net changes in fair values of investment		389,281,440	17,243,131
Surplus for the year		478,451,269	18,702,741
Retained surplus brought forward		1,031,331,255	1,012,628,514
Retained surplus carried forward		1,509,782,524	1,031,331,255

The notes on pages 9 to 56 form an integral part of these financial statements

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STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2022

	Notes	2022 SR	2021 SR
OPERATING ACTIVITIES			
Net increase in assets available for benefits		563,255,884	41,236,481
Adjustments for:			
Depreciation of property and equipment	7	5,362,986	5,557,161
Amortisation of right-to-use on assets	9	551,464	515,464
Amortisation of deferred government grant	19	(108,680)	(108,680)
Profit on disposal of property and equipment		(153,487)	-
Loss/(profit) on sale of investments	33	886,040	(286,778)
Retirement benefit obligation charge/(reversal)	18	3,660,346	(406,507)
Provision for credit impairment	15	2,250,738	1,142,001
Fair value (gain)/loss on investment properties (net)	8	(4,017,123)	16,581,882
Fair value (gain)/loss on quoted and unquoted equities	14(f)	(5,188,435)	95,005,927
Fair value gain on associates	11	(376,833,709)	(127,927,121)
Fair value loss on subsidiary	10	5,794,695	-
Interest receivable	25	(38,905,922)	(47,391,176)
Dividend income	26	(54,738,004)	(21,350,691)
Cash generated from/(used in) operations		101,816,793	(37,432,037)
Changes in working capital:			
Receivables and prepayments		(21,701,970)	1,825,224
Payables and accruals		2,043,115	(60,397,809)
Net cash inflow/(outflow) from operating activities		82,157,938	(96,004,622)
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(3,521,712)	(2,576,867)
Proceeds from disposal of property and equipment		386,500	-
Proceeds from disposal of investment properties	8	-	5,261,000
Purchase of investment properties	8	(24,518,151)	(36,797,232)
Loan repayment received from PMC	16	25,109,334	25,109,336
Purchase of financial assets	14 (f)	(738,135,989)	(344,319,818)
Proceeds from redemption of financial assets	14 (e) & 33	625,467,838	373,383,190
Interest received (net of interest on PMC loan)	16 & 25	32,486,047	39,538,966
Dividend received	26	54,738,004	21,350,691
Net cash (outflow)/inflow from investing activities		(27,988,129)	80,949,266
Net change in cash and cash equivalents		54,169,809	(15,055,356)
At January 1,		143,932,704	158,988,060
At December 31,	13	198,102,513	143,932,704

The notes on pages 9 to 56 form an integral part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. GENERAL INFORMATION

The Fund is established under the Seychelles Pension Fund Act, 2005 (as amended) and is domiciled in the Republic of Seychelles and its registered office situated at the Caravelle House, Victoria, with its postal address P.O Box 576, Mahé, Seychelles.

Investments made by the Fund as required under Section 50 of the Seychelles Pension Fund Act, 2005 (as amended) are disclosed in the notes to the financial statements.

These financial statements will be presented to the Minister responsible for Finance, laid before the National Assembly by the Minister responsible for Finance and made available on the website of the Fund as required in accordance with Section 53 of the Seychelles Pension Fund Act, 2005 (as amended).

Type of pension system

The Fund operates a Pay-As-You-Go pension plan, which is a solidarity between generations. This means that the working generation of today pays for retirees of today and the next generation pays for tomorrow's retirees. The pension plan is a Defined Benefits one where pensions are paid based on a pre-determined formula as per Regulation 8 (1B) of the Seychelles Pension Fund (Benefits) Regulations.

2. FUNDING POLICY

The overriding principle of the Fund's policy is that contributions are increased in a steady and phased manner as recommended by the Fund's Actuary and excess funds are invested to yield maximum returns on the assets matching the Fund's liabilities. In other words, funds which are not required for current benefit payments and administration expenses are invested to provide returns to assist in sustaining the Fund in the medium to long-term.

As at December 31, 2022, the total active members below the age of 45 were 28,000, representing 63.30% of the total active members.

3. VALUATION OF SEYCHELLES PENSION FUND

Under Section 55 of the Seychelles Pension Fund Act, 2005 (as amended), an actuarial valuation of the Fund shall be carried out every three years by an approved actuary. The last actuarial valuation exercise of the Fund was undertaken by BBL World Actuaries from Quebec, Canada in 2019 for the year ending December 31, 2018. The actuarial valuation for the year ended December 31, 2021 is currently ongoing and is being carried out by the same Actuaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently (subject to para 4.1 (f)), are set out below:

4.1 Basis of preparation

The financial statements of the Seychelles Pension Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Standards Interpretations Committee (the "Committee"), and comply with Seychelles Pension Fund Act, 2005 (as amended) and "Public Enterprise Monitoring Commission Act, 2013", including any amendments thereof.

(a) Accounting convention

These financial statements have been prepared in accordance with the historical cost convention, except for investment properties that have been measured at fair value.

(b) Reporting and functional currency

The reporting and functional currency of the Fund is Seychelles Rupee ("SR"), as most of the transactions are effected in Seychelles Rupees.

(c) Accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5 (Critical accounting estimates and judgements). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which it affects and also future periods if it affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***(d) Consolidation**

The Fund adopted IFRS 10 (Consolidated financial statements) consolidation exemption with regards to 'investment entities'. The Fund believes that a class of entity (an investment entity) uses a different business model to most other entities. It manages all its investments on a fair value basis, whether they are simple investments, associates or controlled. It provides fair value information to its users, and that fair value information is more useful for decision-making than consolidated information. All the subsidiaries, associates and joint ventures held as investments are measured in accordance with IFRS 9 (Financial instruments).

The Fund further noted that preparing consolidated financial statements for such entities could hinder users' ability to assess their financial position and results; this is because consolidated financial statements emphasise the financial position, operations and cash flow of their investees, rather than those of the entities themselves.

IFRS 10 requires an entity that is a parent, to present consolidated financial statements. The amendment provides a limited scope exception to parents that are 'investment entities'. If the entity is an investment entity under the standard, it is exempt from consolidating underlying investees that it controls; instead, it is required to account for these subsidiaries at fair value through profit or loss under IFRS 9, 'Financial instruments'.

The standard defines an investment entity as, an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

For an entity to qualify as an investment entity it must meet the above definition. The entity must also consider the following typical characteristics of an investment entity:

- holding more than one investment;
- having more than one investor;
- having investors that are not the entity's related parties; and
- Having ownership interests in the form of equity or similar interests.

As it stands the very purpose of a pension fund is to accumulate contributions from both employers and employees and to invest these funds for investment returns (both capital appreciation and investment income) and to distribute these returns once its members reach the age requirements in annuity until death and/or to their beneficiaries where applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***(d) Consolidation** *Continued*

The Board is of the opinion that the Fund complies with all the definitions of an investment entity and possesses all the characteristics of an investment entity, namely:

- The Fund holds various financial asset investments;
- The Fund investors include all Seychellois-employed residents;
- While the Fund may have a few members who are related to the Fund, this is purely incidental since the Fund supports, by definition, all Seychellois residents and this does not affect compliance with these characteristics; and
- The members have ownership interests in the Fund represented by the Member's fund displayed in equity under the Statement of Financial Position.

(e) Going concern

The Board of Trustees assessed the Fund's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Trustees is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern and it does not intend either to liquidate or to cease operations of the Fund. Therefore, the Board continue to prepare the financial statements on the going concern basis.

(f) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after January 1, 2022:

(i) New standards, improvements, interpretations and amendments issued

- Amendments to IFRS 3 : Reference to the Conceptual Framework.
- Amendments to IAS 16 : Property, Plant and Equipment - Proceeds before intended use.
- Amendments to IAS 37 : Onerous Contracts - Costs of fulfilling a Contract.
- *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle:-*
- *IFRS 1* : First-time Adoption of International Financial Reporting Standards - *Subsidiary as a first-time adopter.*
- *IFRS 9 Financial Instruments* : Fees in the '10 per cent' test for derecognition of financial liabilities.
- *IFRS 16 Leases* : Reimbursement of leasehold improvements.
- *IAS 41 Agriculture* : Taxation in fair value measurements.

These amendments had no impact on the consolidated financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***(f) Changes in accounting policies** *Continued***(ii) New standards, improvements, interpretations and amendments issued but not yet effective**

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory until the dates shown, and hence have not been early adopted by the Fund in preparing the financial statements for the year ended December 31, 2022.

- IFRS 17 & its amendments : Insurance Contracts (January 1, 2023)
- IFRS 10 and IAS 28 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date yet to be set).
- IAS 1 : Classification of Liabilities as Current or Non-Current (January 1, 2023).
- IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies (January 1, 2023).
- IAS 8 : Definition of Accounting Estimates (January 1, 2023).
- IAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction (January 1, 2023).

Management anticipates that all of the above standards, improvements, interpretations and amendments will be adopted by the Fund to the extent applicable from their effective dates. The adoption of these standards, improvements, interpretations and amendments is not expected to have a material impact on the financial statements of the Fund in the year of their initial application.

The financial statements will provide comparative information in respect of the previous period. In addition, the Fund will present an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at the beginning of the prior period will be presented in these financial statements due to the retrospective correction of an error.

(g) Comparative information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments****Recognition and initial measurement**

Financial instruments are recognised in the statement of financial position when the Fund becomes a party to the contractual provisions of the financial instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through statement of surplus (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Financial assets: Classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity instrument; or Fair Value through statement of surplus (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The financial statements do not include any debt investments measured at FVOCI.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued****Business model assessment***

The Fund makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies are objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- the risks that affect performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

Assessment whether contractual cash flows are SPPIs

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- Terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued contractual interest (which may also include reasonable additional compensation for early termination) is treated consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement and gains and losses

- ***Financial assets at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses are recognised in profit or loss.

Equity investments (listed) and unlisted private equities which are managed and their performance is evaluated, on a fair value basis and are designated as FVTPL are included in this category.

- ***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest rate. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of surplus. Any gain or loss on derecognition is recognised in statement of surplus.

Cash and cash equivalents, fixed deposits, contribution receivable from members, rental receivables, loans and receivables and investments in treasury assets are included in this category.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued*

- *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of surplus.

Unlisted private equities which are managed and their performance is evaluated, on a fair value basis and are not designated as FVTPL are included in this category.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of surplus. The financial statements do not include any FVTPL financial liabilities.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of surplus. Any gain or loss on derecognition is also recognised in the statement of surplus. This includes deposits from tenants and other payables.

Derecognition***Financial assets***

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in the statement of surplus.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued****Offsetting of financial assets and liabilities***

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The impairment for financial assets are derived based on an 'expected credit loss' (ECL) model and applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

ECL model is the impairment method prescribed under IFRS 9 on "Financial Instruments" and will be calculated by multiplying the current gross receivable balance by the probability adjusted loss rate. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used. However, only in case of trade receivables, The Fund applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Fund measures the impairment by applying a predetermined percentage to the receivables falling under different age buckets and is not significantly deviated had it been computed based on expected credit loss model.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

4.3 Current versus non-current classification

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or available to be settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

4.3 Current versus non-current classification *Continued*

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Fund classifies all other liabilities as non-current.

4.4 Property and equipment

Capitalisation Policy for the acquisition, management, sale and disposal of the Fund-owned fixed assets were implemented during the year. Its aim is to establish standard guidelines for capitalisation of fixed assets owned by the Fund in conformity with IFRS and Fund's valuation policy and is followed for the accounting and management of all the Fund-owned fixed assets. These relate to all transactions relating to the acquisition, maintenance, sale, construction, and final disposal of the Fund's fixed assets which will ensure transparency, consistency and accountability in the accounts.

Land and building, held for use in the production or supply of goods or for administrative purposes, are stated at their fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

	Years
Buildings	50
Leasehold improvements	15
Equipment	5
Furniture and Fittings	10
Motor vehicles	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.4 Property and equipment** *Continued*

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 asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Increases in the carrying amount arising on revaluation are credited to revaluation surplus in the statements of net assets available for benefits. Decreases that offset previous increases of the same asset are charged against revaluation surplus in the statements of net assets available for benefits directly; all other decreases are charged to the statement of surplus.

Gains and losses on disposals of property and equipment are determined by comparing proceeds with carrying amount and are included in the statement of surplus. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

4.5 Intangibles

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be reliably measured.

Intangible assets comprise software which have a finite economic life. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the statement of surplus when incurred.

Intangible assets are amortised on a straight-line basis in the statement of surplus and other comprehensive income over their estimated useful lives, from the date that they are available for use. The estimated useful life of computer software for the current and comparative periods is 3 to 5 years. Intangible assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of surplus when the asset is derecognised.

4.6 Investment properties

Properties held to earn rent/or for capital appreciation or both are classified as investment properties. Investment properties are carried at fair value, representing open-market value determined annually. Changes in fair values are recognized in the statement of surplus and subsequently in net assets available. Investment properties are transferred to property and equipment, or asset held for sale when they cease to meet the recognition criteria.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.7 Investment in subsidiary***Consolidation*

The subsidiaries of the Fund are not consolidated due to the application of IFRS 10 consolidation exemption for 'investment entities'.

Separate financial statements

Investments in subsidiaries are measured and accounted for at FVTPL. Fair value gains or losses on subsidiaries are recognised on a separate line in the statement of surplus.

4.8 Investment in associates*Separate financial statements*

Investments in associates are measured and accounted for at FVTPL. Fair value gains or losses on associated are recognised on a separate line in the statement of surplus.

4.9 Receivables

Receivables are stated at original invoice amount less provision as per the expected credit loss model. Bad debts are written off when there is no possibility of recovery.

The Fund makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the provision, the Fund uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

The Fund assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to note 15 for a detailed analysis of how the impairment requirements of IFRS 9 are applied).

4.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with banks. For statement of cash flows purposes, cash and cash equivalents include bank overdrafts.

In the statement of cash flows, cash and cash equivalents includes cash in hand, balances with banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less at the date of inception and bank overdrafts, if any. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.11 Other current assets**

Other current assets include fixed deposits, prepaid expenses, advances to suppliers, and other deposits and advances which are carried at amounts recoverable through collection of monies or receipt of goods or services. Prepaid expenses pertain mainly to rent and medical insurance. Other deposits pertain to security deposits and advances pertain to staff advances.

4.12 Related parties

The Fund enters into transactions with companies and entities that fall within the definition of a related party as contained in IFRS. Related parties comprise companies and entities under joint or common management or control, their partners and key management personnel, subsidiaries, joint ventures, parent, associates, and other related parties.

4.13 Other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received and advance received from customers, whether claimed by the supplier or not. Monies received in advance for goods or services to be provided subsequent to the year-end are recognised as advances from customers in current liabilities. The carrying amount of other payables approximate their amortised cost.

4.14 Provisions

Provisions are recognised when the Fund 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 can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Accruals

Accruals are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation.

4.16 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.17 Employee benefits obligations**

Provision is made for the end of service benefits due to employees in accordance with current applicable Labour Laws for their periods of service up to the reporting date. The provision for the end of service benefits is calculated annually based on their current basic remuneration. As per the Employment Act of Seychelles, compensation obligation is only paid to employees leaving after five years of continued service. The entitlement is usually conditional on the employee remaining in service up to existing and the completion of a minimum service period. In Seychelles, this is conditional on the employee remaining in employment for at least five years.

Employment benefits

Employment benefits consist of short term employment benefits, long term employment benefits, and post-employment benefits. Accounting policies followed for each of these benefits are as follows:

Short term employment benefits

Short term employment benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Fund has a present legal or constructive obligation to pay this.

Long term employment benefits

In terms of Circular No 2 of 2016 issued by the Department of Public Administration whereby employees in a parastatal organisation are entitled to a gratuity on completion of 5 years in service and each 5 years anniversary dates during the terms of the circular at the rates defined in the circular. At the end of each reporting period, accumulated long term employment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by charge to the statement of profit or loss.

Post-employment benefits

Post-employment benefits consist of defined contribution plans and defined benefit plans.

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Fund pays fixed contributions to the Seychelles Pension Fund and the Fund has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.17 Employee benefits obligations** *Continued***(ii) Defined benefit plans**

A defined benefit plan is a post-employment benefit other than a defined contribution plan. Provision for post-employment benefits with respect to long service compensation commences and is recognized as soon as the employees meet the eligibility criteria specified under the Seychelles Employment Act with respect to completion of 5 years of continuous employment. The provision is made at one day for each completed month of service after completion of 5 years of continuous employment. The employees under fixed term contracts are eligible for End of Contract gratuity payable to employees under Fixed Term Contracts at rates between 5-15% applied to the total remuneration earned during the contractual term. For the provisioning requirement the highest rate of 15% is applied.

At the end of each reporting period, accumulated post-employment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by charge to the statement of profit or loss. Further provision is required for past services in the year if there is an increase in basic salary since the effect of increased salary would impact the existing provision. Provision is reversed to the statement of profit or loss when an employee defaults the eligibility criteria at the time or before termination of his employment. The liability recognized in the statement of financial position is the present value of the defined obligation at the reporting date.

The obligation has been determined using the method as per the Seychelles Employment Act and management has estimated that the amount of liability provided will not be materially different had it been computed by an external actuary.

4.18 Contingent liabilities

A contingent liability is disclosed when the Fund has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Fund; or when the Fund has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.19 Borrowings and borrowings costs

Borrowings are classified as current liabilities unless there is a formal agreement in place to defer repayment for a period in excess of 12 months, in which case the amount repayable after 12 months at the reporting date is classified as non-current liabilities.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

4.20 Foreign currencies

Transactions in foreign currencies are translated to Seychelles Rupees at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Seychelles Rupees at the exchange rate at that date. Foreign currency gains or losses on monetary items are the differences between the amortised cost in Seychelles Rupees at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in the statement of surplus. As at year end, the main exchange rates against the Seychelles Rupees were as follows:

Currencies	Exchange rates		Changes in % ge	
	2022	2021	2022	2021
United States Dollar	14.22	14.68	3.13%	-31.97%
Euro	14.94	16.58	9.89%	-37.27%

At the year-end or at reporting periods, all assets and liabilities will be valued as per the Investment Policy or the CBS par rate as per the Finance policy. These shall also be treated in accordance with IFRS. The translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of surplus.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of surplus within 'other (losses)/gains net'.

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 foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation difference on non-monetary items, such as equities held at FVTPL, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the other reserve in equity.

Currencies	Exchange rates as at		Changes in % ge
	Mar 8, 2023	Dec 31, 2022	
United States Dollar: SR	13.98	14.22	1.69%
Euro: SR	14.55	14.94	2.58%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.21 Leases*****Leases as lessee and right-of-use-assets***

The Fund assesses whether a contract is or contains a lease at inception of the contract, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease payments for short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease terms.

Right-of-use assets:

The Fund recognises lease liabilities to make lease payments and right-of-use assets at the commencement date of the date representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line over the lease term.

Right-of-use assets and lease liabilities are presented as separate line items in the statement of financial position. Depreciation related to right-of-use assets, interest costs on lease liabilities and rent concessions, if temporary, are shown separately in the income statement.

Short term leases and leases of low-value-assets:

The Fund applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

4.22 Contributions receivable

Contributions receivable are recognized when due which is 21st of the following month. Contributions receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The nominal value of contributions receivable is assumed to approximate its fair value.

4.23 Benefits payable

Benefits payable are stated at their nominal value.

The nominal value of benefits payable is assumed to approximate its fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.24 Revenue recognition**

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Fund's activities.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Interest income

Interest income or expense is recognised using the effective interest rate.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, the interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Dividend income

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets to the gross carrying amount of the financial asset.

Net income from financial instruments at FVTPL

Net income from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences, interest and dividend income.

4.25 Taxation

In accordance with paragraph 69 of the Seychelles Pension Act, 2005, the Fund is exempt from stamp duty, business tax, trade tax, goods and services tax and all other taxes, fees and duties on its assets, documents, instruments, profits, operations and properties.

However, Seychelles Revenue Commission (SRC) has registered the Fund as a Value Added Tax Business on the January 1, 2020; and the Fund deduct income tax for its employees' salary for onward remittance to SRC including tax on the Income and Non-Monetary Benefits Act.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

5. 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.

The Fund 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next year are discussed below.

(a) Classification of financial assets

The Fund follows the guidance of International Financial Reporting Standard (IFRS) 9 – “Financial instruments” on classifying non-derivative financial assets in accordance with the Fund’s business model and cash flow test. This classification requires significant judgement. In making this judgement, the Fund evaluates its intention and ability to hold such investments to collect contractual cash flows or to achieve an objective by both collecting contractual cash flows and selling financial assets.

(b) Impairment of financial assets

The Fund follows the guidance of IFRS 9 ECL method to determine whether its financial assets require impairment. Expected credit losses are calculated by identifying scenarios in which a loan or receivable defaults; estimating the cash shortfall that would be incurred in each scenario if a default were to happen; multiplying that loss by the probability of the default happening; and summing the results of all such possible default events. This process requires significant judgement. In making this judgement, the Fund considers all facts and circumstances that are available at the reporting date.

(c) Limitations of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates 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.

Sensitivity analysis does not take into consideration that the Fund’s asset and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Fund’s views of possible near-term market changes that cannot be predicted with any certainty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued***(d) Impairment of other assets**

At each balance sheet date, management reviews and assesses the carrying amounts of the other assets and where relevant writes them down to their recoverable amounts based on the best estimates.

(e) Contributions receivable

As per the Seychelles Pension Fund Act 2005, contributions are due on the 21st day of the following month. At year end, contributions for the month of December are due to be paid in January the following year which is not in the financial year. Therefore, an estimate is made based on the actual contribution received of the preceding months.

(f) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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 Fund 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.

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 are not based on observable market data, the instrument is included in level 3.

The following table shows the carrying amounts and fair values of financial assets; including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued*(f) *Fair Value Estimation Continued*

	Notes	Fair Value measurement using			Level 3 SR'000
		Total SR'000	Level 1 SR'000	Level 2 SR'000	
December 31, 2022					
Assets measured at FVTOCI/FVTPL:					
<i>Financial assets measured at fair value</i>					
Equity securities	14	296,440	14	-	296,426
Assets measured at Amortised cost:					
<i>Financial assets not measured at fair value</i>					
Fixed deposits	14	445,627	-	-	-
Treasury bills and bonds	14	275,426	-	-	-
		<u>1,017,493</u>	<u>14</u>	<u>-</u>	<u>296,426</u>
December 31, 2021					
Assets measured at FVTOCI/FVTPL:					
<i>Financial assets measured at fair value</i>					
Equity securities	14	288,893	14	-	288,879
Assets measured at Amortised cost:					
<i>Financial assets not measured at fair value</i>					
Fixed deposits	14	330,805	-	-	-
Treasury bills and bonds	14	280,824	-	-	-
		<u>900,522</u>	<u>14</u>	<u>-</u>	<u>288,879</u>

6. RISK MANAGEMENT

The Board of Trustees has the overall responsibility of determining the risk management objectives and policies of the Fund. It also delegates the authority for designing and implementing risk management processes to the risk management function.

The Fund's activities expose it to a variety of risks. The overall objective of the Board of Trustees is to set policies that seek to mitigate and reduce risks as far as possible, without unduly affecting the competitiveness and flexibility of the Fund's operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. RISK MANAGEMENT *Continued*

Further details regarding some of the main risks are set out below:

(a) Investment risk

There are some risks that are directly linked to the investments of the Fund. Sustained poor performance would lead to insufficient returns that are necessary to support the Fund's long-term sustainability.

The Fund has adopted a prudent approach to asset management that is likely to generate moderate, yet regular returns. The primary control measure is the regular appraisal of the Fund's assets and investment policy by the Board of Trustees upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risks can be justified:

Interest rate risk

The risk that falling interest rates will reduce investment income on fixed income instruments. The Fund finances its operations through operating cash flows which are principally denominated in Seychelles Rupee.

Several specific risk measures may be cited:

- The Fund's primary interest rate risk relates to interest-bearing investments. The information on maturity dates and effective interest rates of financial assets are disclosed under Note 14.
- The Fund does not borrow, so the cost of borrowing is nil and unaffected by raise in interest rates.
- There is a loan extended to Property Management Corporation ('PMC') at "fixed" rate. Although these rates are adjusted, where the spread between the Fund's rates and bank rates becomes too significant, there is a certain inertia that tends to protect the Fund from sudden or temporary falls.

Sensitivity analysis

If interest rates had been 100 basis points higher/lower with all other variables held constant, results for the year would have been as shown below:

	Financial Assets at amortised cost	
	2022	2021
	SR'000	SR'000
Impact on surplus for the year	± 389	± 47

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. RISK MANAGEMENT *Continued*(a) *Investment risk Continued**Price risk*

The risk that a sudden fall in asset values restricts the Fund's ability to pay benefits. There are several ways in which the Fund manages this risk:

- Diversification – the assets are held in a wide range of different investments, thus limiting the probability of all assets falling in values simultaneously. However, there are few investment mediums.
- Liquidity – great care is taken to ensure that the Fund should not need to realize potentially volatile assets when their values are less.

The table below summarises the impact of increases/decreases in fair value of the investments on the Fund's fair value of financial assets. The analysis is based on the assumption that the fair value had increased/decreased by 100 basis point.

	Financial Assets at FVTPL	
	<u>2022</u>	<u>2021</u>
	SR'000	SR'000
Impact of change in fair value	<u>± 3,837</u>	<u>± 17</u>

Liquidity risk

The risk that cash flow requirements will force the Fund to realize an investment on poor terms, either through the investment's non-marketability (a loan) or illiquidity (a building), or simply because the asset value is temporarily depressed (a share).

The Fund controls this risk primarily via a detailed annual budget to ensure that the investment strategy generate positive cash flows, including where necessary the proceeds of the sale of certain assets. Cash flow forecasts help the Fund to take appropriate actions.

The Fund also has a portfolio of liquid assets, the maturities of which falls either before or concurrent to the maturity of its obligations.

Procedures have also been established throughout the Fund so that all users channel their requirements to the finance function. This ensures that budget exercise is carried out in an effective manner.

Management monitors rolling forecasts of the Fund's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the short to medium term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. RISK MANAGEMENT *Continued***(a) Investment risk** *Continued***Credit risk**

The risk that a member defaults on his contributions or a possible default by a tenant.

The risk is minimised by the fact that contribution to the Fund by active workers are mandatory and contributions are deducted directly from employees' salaries and remitted to the Fund. There is no history of material bad debts from contributions. The Fund has established procedures to ensure that rental agreements are made with tenants with an appropriate credit history and through a newly introduced standing of order monthly rent payments which are assumed. Therefore, risks of bad debts are considered to be low.

A Debtor Management Policy was implemented in the year 2020. The policy aims to put in place effective procedures for the Fund to manage its debts in an efficient manner.

Currency risk

The Fund's activities are not exposed to currency risk. However, the Fund requires foreign exchange for developing its overseas investment which are met through requests with financial institutions. Only a small percentage of the portfolio is invested overseas mainly in listed foreign market and recently a foreign bank.

Counter party risk

The risk that an external fund manager defaults on its contractual responsibilities. The risk is mitigated via the following measures:

- All fund managers are subject to rigorous in-house assessment and due diligence from well known, independent external experts prior to appointment, and to regular appraisal thereafter.
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records.

(b) Economic risk

Economic risk refers to the possibility that changes in macroeconomic conditions which will negatively impact the Fund and its investments. For instance, political instability or exchange rate fluctuations can impact losses or gains this will weaken the Fund's financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. RISK MANAGEMENT *Continued***(b) Economic risk**

Two examples of such risk are:

Foreign Exchange risk

Foreign exchange risk refers to the risk Fund takes when conducting transactions in foreign currencies. All currencies can fluctuate, and this type of volatility can affect the profit margins of the Fund's foreign investments.

Inflation risk

Inflation Risk also known as Purchasing Power Risk, commonly refers to how the prices of goods and services increase more than expected. Inversely, such a situation results in the same amount of money resulting in less purchasing power. For instance, If the Fund buys a bond at the rate of 3%, then this would be the nominal return of the investment. However, if the inflation rate is at 2%, then the purchasing power is only really increasing by 1%.

The Fund recognizes the adverse effects of such risks and has put in place controls such as:

- Diversification of Investment.
- Index-linked investments.
- Indexation maximised at 5% in accordance with Regulation 36 of the Fund (Benefits).
- Regulations as amended in 2013 (S.I. 3 of 2013).
- Adopt tactical investment approach to lessen short term exposure from adverse market movements.
- Monitor the maturity profile of related investments and seek most favourable market rates for new placements.
- Funding policy in place.

(c) Operational risk

Operational risk describes as "The risk of loss resulting from inadequate or failed internal processes, people, systems or from external events".

Operational risk is, however, remote since the Fund's operations are supported by strong management structure and controls in place. These activities are under close supervision of the management in turn monitored by the Board of Trustees who is given a monthly report by the CEO.

There is also an internal audit department assessing and testing all risks and internal controls helping to reinforce any shortfalls that could arise. A Risk Department, a Quality Assurance Analyst and compliance function under the Business Development and Compliance Section also strengthens in risk mitigation process to ensure that there are no malpractices and fraud.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. RISK MANAGEMENT *Continued***(d) Legal risk**

Legal risks occur from negligence or a deliberate failure to comply with client obligations. All the activities of the Fund are determined by the "Seychelles Pension Act, 2005", and the Fund is regulated by PEMC. The Fund is also accountable to the Minister responsible for Finance for submission of its Annual report, and a copy of which is also submitted to the National Assembly by the Minister.

In addition, the Fund has in place a legal and compliance function to ensure compliance to legal obligations and a legal counsel on retainer. Legal and compliance section plays a major role in the mitigation of such risk in collaboration of the Risk and Business development section.

(e) Disaster recovery risk

An event such as a cyberattack, natural disaster, power outage, or human error can cause network failure, and seriously disrupt operations. So, disaster recovery is being able maintain or quickly restore your IT infrastructure and services in a disaster.

Any disaster recovery plan definition should relate to business continuity. The Fund aims to minimize business loss (productivity, revenue, data), and liability. Downtime derails processes or shuts down customer communication hence a speedy recovery is critical. Ever since the covid 19 pandemic the Fund has invested a lot of resource disaster recovery and business continuity. And this risk is being mitigated by the following controls in place:

- IT disaster recovery plan in place.
- Business continuity plan.
- System is hosted externally with backup.
- IT continuity plan reviewed when a service changes or a new service is added.
- External access through VPN services (work from home).

While in case of the death of a Fund staff member, a clear and well-defined succession planning within the Fund is in place, as per the Human Resources Policy.

(f) Reputational risk

Reputational risk is a threat or danger to the good name or standing of a business or entity. Reputational risk can occur in the following ways:

- Directly, as the result of the actions of the Fund.
- Indirectly, due to the actions of an employee or employees.
- Tangentially, through other peripheral parties, such as joint venture partners or suppliers.

The Fund is very dynamic and is continually evolving in terms of the services and the benefits it is offering to its members and at times the changes are not well perceived by the members and cause some trust or doubts amongst them.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. RISK MANAGEMENT *Continued***(f) Reputational risk** *Continued*

From analysis it was found that the main cause of the reputational risk for the Fund is misinformation and misunderstanding, as a result the corporate communication section have been doing some intensive work to mitigate such risk through:

- A communication policy and plan.
- Increased marketing activities through awareness campaigns (newspaper, TV, online) to promote the product and services of the Fund.
- Identify emerging organizations and marketing opportunities and undertake regular workplace meetings.
- In-house clinics targeting individuals and small groups at workplaces to conduct awareness sessions.
- Members are sensitized and briefed on the benefits operating model and the timing of accessing their benefits.
- Regular road shows.
- Brand training with staff.
- Digital communication portal is in operation.
- e-contribution portal.
- e-pension service is fully functional.
- Yearly Youth education and awareness session at post-secondary level.

(g) Compliance risk/ Anti- Money Laundering and prevention of Terrorism financing

The Fund complies fully with Anti-Money Laundering Act, 2020 (as amended) and Countering of Financial Terrorism Act, 2020 (as amended) and its amendments thereof. The Fund observes all requirements and policies to ensure that there is no money laundering and terrorist financing sources of funds. The main sources of funds come via the banking system through transactions from employers and employees mostly via the Fund's bank accounts with minimal cash. The other source of funds is from investment returns all from banking system. All banks are supervised by Central Bank of Seychelles and have stringent Anti- Money Laundering systems in place. Other mechanisms that the Fund observes are:

- Implementing its anti-money laundering and countering financing of terrorism anti-terrorism financing policies in place since 2019. This policy is being updated to ensure full compliance with the AML/CFT Act 2020 and its amendments.
- Employee training in AML.
- Independent audits.
- Policies and procedures to detect and report suspicious transactions and ensure compliance with the laws.
- Timely communications with the Financial Intelligence Unit (FIU).
- Submitting information to FIU, as requested.

There were no reported non-compliance cases concerning AML/ CFT at the Fund in the year 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

7. PROPERTY AND EQUIPMENT

	Buildings on leasehold land and improvements	Equipment	Furniture and fittings	Motor vehicles	Total
	SR	SR	SR	SR	SR
COST					
At January 1, 2021	33,253,118	21,571,698	11,502,345	3,253,888	69,581,049
Additions	1,003,649	1,491,562	81,656	-	2,576,867
At December 31, 2021	34,256,767	23,063,260	11,584,001	3,253,888	72,157,916
Additions	40,000	1,800,272	1,681,440	-	3,521,712
Disposals	-	(1,614,946)	(661,428)	-	(2,276,374)
At December 31, 2022	34,296,767	23,248,586	12,604,013	3,253,888	73,403,254
ACCUMULATED DEPRECIATION					
At January 1, 2021	26,706,597	13,168,877	6,398,081	2,517,688	48,791,243
Charge for the year	2,180,194	2,188,601	967,837	220,529	5,557,161
At December 31, 2021	28,886,791	15,357,478	7,365,918	2,738,217	54,348,404
Charge for the year	1,724,158	2,368,572	1,105,491	164,765	5,362,986
Adjustment (Note 8 (a))	(3,176,521)	-	-	-	(3,176,521)
Disposals	-	(1,497,828)	(545,533)	-	(2,043,361)
At December 31, 2022	27,434,428	16,228,222	7,925,876	2,902,982	54,491,508
NET BOOK VALUE					
At December 31, 2022	6,862,339	7,020,364	4,678,137	350,906	18,911,746
At December 31, 2021	5,369,976	7,705,782	4,218,083	515,671	17,809,512

The land and buildings were valued at December 31, 2022 by an independent valuer. The value of the land and buildings is subject to review as per the revised Valuation Policy for Investment Assets approved by the Board of Trustees in November 2020. The valuation and accounting recommended approaches guided under IAS 40 for valuation for investment properties and also as per IFRS 16 for leases.

Adjustment (Note 8 (a)) - In the prior year the Fund transferred the cost of a property of Orion Mall to assets held for sale. However, accumulated depreciation of SR. 3,176,521 carried in the books pertaining to this asset was not transferred to assets held for sale in the prior year. Accumulated depreciation was transferred to assets held for sale during the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

8. INVESTMENT PROPERTIES

	<u>2022</u>	<u>2021</u>
	SR	SR
(a) At fair value		
The movement during the year is as follows:		
At January 1,	1,408,297,206	1,395,698,478
Additions	24,518,151	36,797,232
Adjustment from property and equipment (note 7)	(3,176,521)	-
Transfer from assets held for sale (note 12)	55,413,503	-
Movements in fair values:		
Investment properties	27,826,264	(15,678,063)
Assets held for sale	(14,772,275)	(2,642,400)
Revaluation of investment properties to reserve account	5,735,409	(903,819)
Transfer to assets held for sale (note 12)	(40,867,716)	(4,974,222)
At December 31,	<u>1,462,974,021</u>	<u>1,408,297,206</u>

(b) The value of the investment properties is subject to review every year by an independent professionally qualified valuer, on an open-market basis with existing tenancies based on a Valuation of Properties Policy approved by the Board. A Valuation Committee has also been set up since 2018 to review the value of the investment properties on an annual basis. The Valuation Committee is chaired by an independent, experienced and qualified professional who is well versed in property valuation. All investment properties were revalued as at December 31, 2022 resulting in a gain of SR. 13.1 million on 23 properties (note 8 (e)).

(c) The fair value of the properties has been valued by an external valuer and administered by the Investment Department under the Property Valuation Committee, chaired by an independent individual.

(d) If Investment properties had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	<u>Land</u>	<u>Building</u>	<u>Total</u>	<u>Total</u>
	2022	2022	2022	2021
	SR	SR	SR	SR
Cost	176,774,099	755,237,622	932,011,721	932,011,721
Accumulated depreciation	-	(135,956,473)	(135,956,473)	(120,851,721)
Net book value	<u>176,774,099</u>	<u>619,281,149</u>	<u>796,055,248</u>	<u>811,160,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

8. INVESTMENT PROPERTIES *Continued*

(e) The following amounts have been recognised in statement of surplus:

	<u>2022</u>	<u>2021</u>
	SR	SR
Property Management income:		
Rental income	98,300,973	110,129,927
Concession provided to tenants	-	(16,031,483)
Net rental income	98,300,973	94,098,444
Property Management expenses:		
Direct operating expenses	(23,034,657)	(21,964,936)
Profit arising from investment property	75,266,316	72,133,508
Increase/(Decrease) in fair value	13,053,990	(15,678,063)
Surplus after fair value changes	88,320,306	56,455,445

(f) As at 31 December 2022, two properties that are under construction are carried at a total cost of SR. 147.4 million (2021: SR. 175.3 million) and one property was completed in the year 2022.

(g) The fair value changes of the properties which are leased from the Government of Seychelles at one rupee are directly recognised in other reserves. This relates to four properties with a total deferred income of SR 108,680 (2021 : SR 108,680).

9. RIGHT-OF-USE ON ASSETS

The Fund leased a land located at Caravelle House to run its business for a period of 97 years. The initial deposit on the lease amounting to SR. 50 million paid in 2006 is being amortised over the term of lease. The movement during the year is as follows:

	<u>2022</u>	<u>2021</u>
	SR	SR
Cost		
As January 1, and December 31,	50,000,000	50,000,000
Amortisation		
At January 1,	8,376,289	7,860,825
Charge for the year	551,464	515,464
At December 31,	8,927,753	8,376,289
Net Book Value		
At December 31,	41,072,247	41,623,711

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

10. INVESTMENT IN SUBSIDIARY

- (a) Subsidiaries are investees controlled by the Fund. The Fund "Controls" an investee if it is exposed to, or has right to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

	<u>Shareholding</u>	<u>2022</u>	<u>2021</u>
	% ge	SR	SR
At fair value:			
Opportunity Investment Company Limited - ('OICL')		<u>34,768,170</u>	<u>40,562,865</u>
Movements during the year:			
At January 1,	100%	40,562,865	40,562,865
Movement in fair value		<u>(5,794,695)</u>	<u>-</u>
At December 31,	100%	<u>34,768,170</u>	<u>40,562,865</u>

The Fund holds 100 shares of SR 100 each (at face value) in OICL as at December 31, 2022 representing a shareholding of 100%.

Details of the SPF's subsidiary ('OICL'), are given below:

	<u>OICL</u>
Class of shares held	: Ordinary
Year end	: 31 December
Proportion of ownership interest and voting power held (direct)	: 100%
Country of incorporation and residence	: Seychelles
Activity	: Investment holding

OICL was incorporated as an investment vehicle solely for the purpose of acquiring shares in SACOS Group Limited ('SACOS'). OICL currently holds 386,313 shares in SACOS which represents an ownership interest of 19.31%.

The fair value of OICL is derived from the fair value of the SACOS shares it holds. At the end of the reporting period the value per SACOS share as listed on the stock exchange was SR. 90 per share (2021: SR. 105 per share).

Total value of SACOS shares held in OICL as at December 31, 2022 is 386,313 at SR. 90 each (2021: SR. 105 per share).

The Fund also directly invested in SACOS with a total investment of 26,569 shares which represents an ownership interest of 1.33%. This investment has been classified under financial assets measured at fair value through profit or loss.

As at December 31, 2022, the Fund holds 20.64% in SACOS directly and indirectly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

10. INVESTMENT IN SUBSIDIARY *Continued*

(b) Details of the Fund's subsidiary at the end of the reporting period is as follows:

Name : Opportunity Investment Company Limited ('OICL')
Principal activity : Investment holding

(i) Summarized statement of financial position and statement of profit or loss and other income as per audited financial statements:

	<u>2022</u>	<u>2021</u>
	SR'000	SR'000
Statement of financial position:		
Assets		
Current assets	106	147
Non-current assets	34,768	40,562
Liabilities		
Current liabilities	40	36
Equity	34,834	40,673
Statement of profit or loss:		
Total comprehensive (loss) or profit for the year	<u>(4,677)</u>	<u>1,890</u>

(ii) Summarized cash flow information:

Operating activities	1,121	1,918
Financing activities	(1,162)	(1,900)
Net change in cash and cash equivalents	<u>(41)</u>	<u>18</u>

(iii) There were no commitment and contingencies as at the reporting date (2021 : SR. nil).

11. INVESTMENT IN ASSOCIATES

Associates are those entities in which the Fund has significant influence, but not control, over variable returns through its power over investee. Significant influence is presumed to exist when the Fund holds 20% or more of voting power of another entity.

	<u>2022</u>	<u>2021</u>
	SR	SR
At fair value		
Seychelles Breweries Limited ('SBL') - (listed)	275,112,298	264,339,829
Al Salam Bank Seychelles Limited ('ASBS') - (non- listed)	25,830,747	25,333,715
Cable & Wireless (Seychelles) Limited ('CWS') - (listed)	660,000,000	294,435,792

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

11. INVESTMENT IN ASSOCIATES *Continued***(a) Seychelles Breweries Limited ('SBL')**

Principal activity : Beverage manufacturing
Shareholding: : 26% (2021: 26%)

	<u>2022</u>	<u>2021</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	264,339,829	265,135,334
Movement in fair value	<u>10,772,469</u>	<u>(795,505)</u>
At December 31,	<u>275,112,298</u>	<u>264,339,829</u>

The financial year of Seychelles Breweries Limited ends on 30 June each year.

At December 31, 2022, the fair value of the Fund's interest in Seychelles Breweries Limited, which is listed on the MERJ exchange, was 3,314,606 shares at SR. 83.00 per share (2021: 3,314,606 shares at SR. 79.75) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(i) Summarized statement of financial position and statement of surplus and other comprehensive income as per the unaudited financial statements:

	<u>June, 30</u>	<u>June, 30</u>
	2022	2021
	SR'000	SR'000
Statement of financial position:		
Assets		
Current assets	273,363	204,098
Non-current assets	393,931	388,774
Liabilities		
Current liabilities	157,163	100,184
Non-current liabilities	78,482	70,167
Equity	431,649	422,521
Statement of profit or loss:		
Revenues	513,847	443,946
Profit before tax	142,459	94,514
Total comprehensive income	<u>142,459</u>	<u>94,514</u>

(ii) Summarized cash flow information:

Operating activities	246,714	73,615
Investment activities	(61,236)	(50,733)
Financing activities	49,432	50,449
Net change in cash and cash equivalents	<u>234,910</u>	<u>73,331</u>

(iii) Capital commitments at December 31, 2022 was SR 49.6 million (2021: SR 55.4 million). There were no contingencies as at the reporting date (2021 : SR. nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

11. INVESTMENT IN ASSOCIATES *Continued***(b) Al Salam Bank Seychelles Limited ('ASBS')**

Principal activity : Banking Services
Shareholding: : 30% (2021: 30%)

	<u>2022</u>	<u>2021</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	25,333,715	36,111,891
Movement in fair value	497,032	(10,778,176)
At December 31,	<u>25,830,747</u>	<u>25,333,715</u>

As at December 31, 2022, the fair value of the shares in respect of Al Salam Bank which is a non-listed were calculated using the adjusted net asset value method which is a level 3 input in terms of IFRS 13.

(i) Summarized statement of financial position and statement of surplus and other comprehensive income as per the unaudited financial statements:

	<u>Dec, 31</u>	<u>Dec, 31</u>
	2022	2021
	SR'000	SR'000
Statement of financial position:		
Assets	870,627	895,522
Liabilities	783,640	810,209
Equity	86,987	85,313

Statement of profit or loss:

Revenues	26,353	29,262
Profit before tax	2,444	3,606
Tax charge	(770)	(40)
Total comprehensive income	<u>1,674</u>	<u>3,566</u>

(ii) Summarized cash flow information:

Operating activities	(133,368)	(83,700)
Investment activities	15,202	(132)
Financing activities	(7,272)	(112,112)
Net change in cash and cash equivalents	<u>(125,438)</u>	<u>(195,944)</u>

(iii) There were no commitment and contingencies as at the reporting date (2021: SR. nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

11. INVESTMENT IN ASSOCIATES *Continued***(c) Cable & Wireless (Seychelles) Limited ('CWS')**

Principal activity : Telecommunication

Shareholding: : 22% (2021: 22%)

	<u>2022</u>	<u>2021</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	294,435,792	154,934,990
Movement in fair value	365,564,208	139,500,802
At December 31,	<u>660,000,000</u>	<u>294,435,792</u>

Cable & Wireless (Seychelles) Limited ('CWS') was listed on the MERJ exchange in 2022. At December 31, 2022, the fair value of the Fund's interest in Cable and Wireless (Seychelles) Limited, which is listed on the MERJ exchange, was 1,320,000 shares at SR. 500.00 per share based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

As at December 31, 2021, the fair value of the shares in respect of Cable & Wireless (Seychelles) Limited which was a non-listed company then, was calculated using the adjusted net asset value method which is a level 3 input in terms of IFRS 13. This took into account the foreign currency obligation as well as the share premium of 168% paid by Seychelles Pension Fund for purchasing the shares in Cable and Wireless (Seychelles) Limited.

(i) Summarized statement of financial position as per the unaudited financial statements:

	<u>Dec, 31</u>	<u>Dec, 31</u>
	2022	2021
	SR'Mn	SR'Mn
Statement of financial position:		
Assets		
Current assets	615	692
Non-current assets	1,236	1,204
Liabilities		
Current liabilities	356	436
Non-current liabilities	681	742
Equity	814	718

(ii) Summarized cash flow information:

Operating activities	352	257
Investment activities	(118)	(98)
Financing activities	(71)	(96)
Net change in cash and cash equivalents	<u>163</u>	<u>63</u>

(iii) There were no commitment and contingencies as at the reporting date (2021 : SR. nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

12. ASSETS HELD FOR SALE

	<u>2022</u>	<u>2021</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	206,565,978	203,923,578
Transfer from investment properties (note 8 (a))	40,867,716	4,974,222
Transfer back to investment properties (note 8 (a))	(55,413,503)	-
Movements in fair values	(14,772,275)	2,642,400
Disposals	-	(4,974,222)
At December 31,	<u>177,247,916</u>	<u>206,565,978</u>

Transfer from investment properties as per note 8.

In the year 2022, the Fund intended to dispose seven investment properties. The date of approval from the Board of Trustees is not more than one year from the reporting date. These assets were initially recognised at fair value when transferred to assets held for sale. In the year 2022, negotiations for disposal of one property is still in process as at the end of the year and two properties were transferred back to investment properties.

As at December 31, 2022, there is an on-going negotiations with the Government of Seychelles for one property valued at SR 14.5 million. The Management is of the view that this issue will be resolved and will not affect the timely disposal of the property.

13. CASH AND BANK BALANCES

	<u>2022</u>	<u>2021</u>
	SR	SR
Cash at bank	198,064,306	143,896,252
Cash in hand	38,207	36,452
At December 31,	<u>198,102,513</u>	<u>143,932,704</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

14. INVESTMENT IN FINANCIAL ASSETS

		2022	2021
		SR	SR
Non-current	Measurement category		
Fixed deposits	Amortised cost	32,092,071	32,092,071
Treasury bonds	Amortised cost	275,426,612	243,271,250
Equity securities	Fair value through OCI	296,425,869	288,879,089
		<u>603,944,552</u>	<u>564,242,410</u>
Current	Measurement category		
Fixed deposits	Amortised cost	413,534,739	298,713,470
Treasury Bills	Amortised cost	-	37,552,865
Treasury bonds	Amortised cost	-	-
Equity securities	Fair value through P&L	13,711	13,711
		<u>413,548,450</u>	<u>336,280,046</u>
Total financial assets		<u>1,017,493,002</u>	<u>900,522,456</u>

- (a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 3.30% to 4.40% per annum for US Dollar accounts (2021: USD 0.13% to 2.80%) and 1.50% to 7.00% per annum for Seychelles Rupee accounts (2021: SR. 4.90% to 7%) and their maturity dates fall between January 6, 2023 and April 24, 2025.
- (b) Investments in Treasury Bonds comprise bonds with interest rates ranging from 3.50% to 12.00% per annum (2021 : 3.05% to 12.00%) and treasury bills from 4.76% to 6.10% for 365 days (2021 : 4.91% to 6.25%) and their maturity dates fall between July 13, 2023 and November 2, 2029.
- (c) Equity securities comprise local securities listed on the MERJ Exchange and other unlisted securities. They also include listed and unlisted foreign securities.
- (d) Hierarchy of fair value levels is detailed under note 5 (f). Due to limited information available for the fair value determination of the unquoted foreign securities, their fair values have been determined based on the adjusted net assets value which is a level 3 input in terms of IFRS 13. In July 2022, the Fund purchased 19 shares in Afrexim Bank for a consideration of USD 334,085, in line with its diversification strategy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

14. INVESTMENT IN FINANCIAL ASSETS *Continued*

(e) The details of the fair value adjustments for the investments in unquoted equities are as follows:

	<u>2022</u>	<u>2021</u>
	SR	SR
Africa Finance Corporation	(293,719)	6,953
Afrexim Bank	785,019	(17,886,179)
TDB Class B shares	5,605,066	(67,113,201)
Seychelles Commercial Bank	195,529	863,391
Central Common Cold store	(704,925)	(8,343,360)
	<u>5,586,970</u>	<u>(92,472,396)</u>

The net movement in the financial assets including equity securities is shown below:

	<u>2022</u>	<u>2021</u>
	SR	SR
GRIT	-	(2,533,531)
SACOS	(398,535)	-
	<u>(398,535)</u>	<u>(2,533,531)</u>

(f) The net movement in the financial assets including equity securities is shown below:

	<u>2022</u>	<u>2021</u>
	SR	SR
At January 1,	900,522,456	1,024,591,753
Additions	738,135,989	344,319,820
Redemption	(626,353,878)	(373,383,190)
Fair value gain/(loss)	5,188,435	(95,005,927)
At December 31,	<u>1,017,493,002</u>	<u>900,522,456</u>

(g) Investments in financial assets are denominated in the following currencies:

	<u>2022</u>	<u>2021</u>
	SR	SR
Seychelles Rupee	680,038,911	560,118,009
Mauritian Rupee	13,711	13,711
US Dollar	337,440,380	340,390,736
	<u>1,017,493,002</u>	<u>900,522,456</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

15. RECEIVABLES AND PREPAYMENTS

	2022	2021
	SR	SR
(i) Contributions receivables from members (note (iv))	51,023,958	34,809,687
Amount receivable from Seychelles Government (note (v))	4,766,906	4,731,403
Interest receivable (note (ix))	33,518,375	29,088,792
Rental income receivable (note (ii))	5,478,025	5,608,133
Prepayments	1,389,610	1,296,300
Other receivables (note (vi))	1,872,099	3,063,426
	<u>98,048,973</u>	<u>78,597,741</u>
(ii) Rental income receivable (Net of concessions allowed)	16,293,131	14,172,501
Provision for credit impairment (note (vii))	(10,815,106)	(8,564,368)
Net rent receivable	<u>5,478,025</u>	<u>5,608,133</u>
Movement in credit impairment:		
At January 1,	8,564,368	7,422,367
Charge for the year	2,250,738	1,142,001
At December 31	<u>10,815,106</u>	<u>8,564,368</u>
(iii) The carrying amount of the above receivables are denominated in Seychelles rupees and approximate their fair value.		
(iv) Contributions receivable from members are for the month of December 2022 that are due by January 21, 2023. These also include contribution that are receivable in arrears.		
(v) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement). This was paid by the Fund to its members and the same is due for refund by the Government of Seychelles.		
(vi) Other receivables comprise sundry debtors, staff loan and debtors clearing accounts.		
(vii) Rent receivables are net of provision for credit impairment. It is the Fund's policy to provide 50% for debts outstanding over 60 days and 100% for debts outstanding for over 120 days. Rent receivables with agreed repayment plans are excluded from provision for credit impairment.		
(viii) The Fund does not hold any collateral as security for the above receivables.		
(ix) Interest receivables comprise interest due on Fixed Deposit, Treasury Bill, Treasury Bonds and on loan receivable from PMC.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

16. LOAN RECEIVABLE

Loan receivable is from Property Management Corporation (PMC) a government entity, secured by Government Gazetted guarantee:

	<u>2022</u>	<u>2021</u>
	SR	SR
At January 1,	90,778,932	108,036,060
Repaid during the year	(25,109,334)	(25,109,336)
Interest receivable (note 25)	6,419,875	7,852,208
At December 31	<u>72,089,473</u>	<u>90,778,932</u>

Analysed:

Non-current	53,257,472	71,946,931
Current	18,832,001	18,832,001
	<u>72,089,473</u>	<u>90,778,932</u>

17. OTHER PAYABLES

	<u>2022</u>	<u>2021</u>
	SR	SR
Rental deposits	11,796,204	11,524,416
Advance on rent	1,365,473	1,216,240
Advance on Loan	-	6,277,334
Sundry and other payables	902,060	645,336
VAT overpaid	(1,326,348)	(3,688,253)
Accrued expenses	10,257,066	4,976,267
	<u>22,994,455</u>	<u>20,951,340</u>

- (a) The carrying amounts of other payables are denominated in Seychelles rupees and approximate their fair value.
- (b) Sundry payables include pension payments returned due to incorrect bank accounts/details of the pensioners/members.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

18. RETIREMENT BENEFIT OBLIGATIONS

The Fund recognised and provided for employee benefit obligations arising on account of gratuity based on the regulations applicable to parastatal organisations and length of service severance compensation based on the provisions of Seychelles Employment Act 1995, as amended. No provision was made for Gratuity in prior years.

(i) Amount recognised in the statement of financial position:

	<u>2022</u>	<u>2021</u>
	SR	SR
Present value of unfunded obligation:		
Gratuity	3,239,750	-
Compensation for length of service	8,646,261	8,225,665
	<u>11,886,011</u>	<u>8,225,665</u>

(ii) Movement in liability recognised in statement of financial position:

At January 1,	8,225,665	8,632,172
Charge/(Reversal) during the year	3,660,346	(406,507)
At December 31,	<u>11,886,011</u>	<u>8,225,665</u>

The Fund has estimated that the provisions for retirement benefit obligation is reasonable and would not materially differ had the obligation been computed based on an actuarial valuation as mandated by IAS 19.

19. DEFERRED PROPERTY LEASE

	<u>2022</u>	<u>2021</u>
	SR	SR
Cost		
As January 1, and December 31,	7,846,750	7,846,750
Amortisation		
At January 1,	1,428,715	1,320,035
Charge for the year	108,680	108,680
At December 31,	<u>1,537,395</u>	<u>1,428,715</u>
Net Book Value		
At December 31,	<u>6,309,355</u>	<u>6,418,035</u>

The leasehold land was originally accounted for at SR. 1, the value at which it was transferred to the Fund by the Government of Seychelles. This has been restated at fair value at the time of acquisition. The leasehold properties comprise, Providence Micro Enterprise, Providence Warehouse, Port-Glaud Micro Enterprise and Eve Island Enterprise. The fair value of the benefit is being taken to income over the life of the underlying assets (60 - 99 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

20. VALUATION OF NET ASSETS AGAINST ACTUARIAL VALUE OF PROMISED RETIREMENT BENEFITS

As per the actuary valuation, the accrued benefits are separated between vested and non-vested benefits. Vested benefits are at the present value of all expected future payments to current pensioners and future spouses' pension on the death of current pensioners. Non-vested benefits are the measure of the value of the amount standing in member accounts at valuation date. The Fund will be able to meet all benefit obligations in the future if this is followed since the Fund operates a 'pay-as-you-go' pension plan. Actuarial evaluation is carried out covering the next 60 years.

21. MEMBERS' FUND

Members' fund represents the balance due to members who have contributed to the Fund (It also includes the balance transferred from Seychelles Pension Scheme from 1991). This includes employee contributions both mandatory and voluntary, contributions from self-employed and employer contributions both mandatory and voluntary together with cumulative accumulated interest thereon. The members' fund is used to finance pension payment on a monthly basis and lump-sum refunds to members who do not qualify for monthly pension.

	<u>2022</u>	<u>2021</u>
	SR	SR
Details of members fund are as follows:		
At January 1,	1,744,099,632	1,721,565,892
Mandatory contribution	610,873,255	428,247,697
Voluntary contribution	34,999,744	38,762,383
Pension and Benefit payments	(576,694,843)	(465,135,811)
Other refunds (overpayments)	(21,896,185)	(16,647,482)
Interest for the year	37,522,644	37,306,953
At December 31,	<u>1,828,904,247</u>	<u>1,744,099,632</u>

22. OTHER FUND

	<u>2022</u>	<u>2021</u>
	SR	SR
Net contributions from Social Security inherited (note (a))	11,703,935	11,703,935
Receipts from National Provident Fund	71,215,276	71,215,276
Transfer from Social Security Fund - Investment Funds	406,870,976	406,870,976
Pension contributions from Govt	43,489,567	43,489,567
At December 31,	<u>533,279,754</u>	<u>533,279,754</u>

(a) Net contributions from Social Security includes following:

Contributions from Social Security Division	532,099,144	532,099,144
Payments made for Social Security Pension	(520,395,209)	(520,395,209)
	<u>11,703,935</u>	<u>11,703,935</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

22. OTHER FUND Continued

- (b) The National Provident Fund Act was repealed and after refunding the contributions to the persons entitled under the Act, the balance was transferred to the Fund as required under Section 73 (2) of the Seychelles Pension Fund Act, 2005.

23. RESERVE FUND

	<u>2022</u>	<u>2021</u>
	SR	SR
Reserve fund	14,568,591	14,568,591

The Fund transferred annually to this Reserve Fund, 30% of the surplus interest earned by the Fund after payment of interest to its members. The Chief Executive Officer, acting on the advice of the Board of Trustees, did not make any annual transfers subsequent to the year 2006.

The transfer to the Reserve Fund was made in order to increase the distributable reserve.

24. OTHER RESERVES

	<u>2022</u>	<u>2021</u>
	SR	SR
Fair value reserve		
At January 1,	153,926,169	153,926,169
Net change during the year	-	-
At December 31,	153,926,169	153,926,169

Other reserves comprise of the revaluation reserve, fair value reserves on the stock exchange of Mauritius (SEM), equity investments and property.

25. INTEREST INCOME

	<u>2022</u>	<u>2021</u>
	SR	SR
Fixed deposits	11,364,448	15,870,795
Treasury bonds and bills	20,778,425	22,491,122
Bank balances	292,779	1,008,744
Staff loans	50,395	168,306
PMC loan	6,419,875	7,852,209
	38,905,922	47,391,176

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

26. DIVIDEND INCOME

	<u>2022</u>	<u>2021</u>
	SR	SR
Dividends on local equity investments	47,176,944	14,462,417
Dividends on foreign equity investments	7,561,060	6,888,274
	<u>54,738,004</u>	<u>21,350,691</u>

27. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund was 2% and 4% for mandatory and voluntary respectively for the year 2022. The new interest policy effective April 1, 2019 is to calculate interest rate to be credited to non-vested members who can withdraw lump sum amounts from their account since they do not qualify for a pension based on the 12 months average savings rate. Amount credited for the year ended December 31, 2022 is SR. 37.5 million (2021: Mandatory 2.53% and Voluntary 5% - SR. 37.3 million).

28. ADMINISTRATIVE EXPENSES

	<u>2022</u>	<u>2021</u>
	SR	SR
Salaries, wages and other related expenses	32,187,024	32,491,195
13th month salary	1,914,340	-
Pension contribution	1,947,746	1,405,528
Provision for employee compensation	1,180,357	153,403
Provision for staff gratuity	3,389,485	-
Office operating costs (note (b))	2,718,357	1,969,232
Motor vehicles running expenses	351,211	378,731
Postage, printing and stationery	957,998	1,149,689
Telephone	835,074	945,569
Utilities	546,198	475,217
Repairs and maintenance	339,363	593,570
Other expenses (note (b))	4,785,934	4,886,250
	<u>51,153,087</u>	<u>44,448,384</u>

(a) Office operating costs are analysed as follows:

Training	643,882	461,855
Uniforms	405,460	194,261
Travelling	207,168	31,240
Staff welfare	791,025	724,084
Staff insurance	52,704	65,136
Journals and newspaper	64,700	36,084
Bank charges	464,604	343,459
Miscellaneous expense	85,091	90,041
Agency cost	3,723	23,072
	<u>2,718,357</u>	<u>1,969,232</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

28. ADMINISTRATIVE EXPENSES *Continued*

	<u>2022</u>	<u>2021</u>
	SR	SR
(b) Other expenses are analysed as follows:		
Internet charges	1,467,074	1,646,705
Rent - Caravelle House	1,390,800	1,354,200
Rent - Jupiter House	150,000	150,000
Rent - Pointe Conan	20,000	-
Cleaning	115,543	182,686
Board of trustees' fees	753,000	682,000
Medical board fees	176,400	176,400
Office consumables	38,243	10,738
VAT not claimable	674,874	683,521
	<u>4,785,934</u>	<u>4,886,250</u>

29. OTHER PROFESSIONAL FEES

Other professional fees include:

- (a) Professional fees paid to Reserve Advisory and Management Partnership (RAMP) for capacity building purposes, a partnership between the Fund and the World Bank entered into in the year 2020, Actuary and due diligence fees both services conducted in year 2022.
- (b) Professional fees paid to BBL World Actuaries for actuarial services which is carried out every three years.
- (c) Professional fees paid to Swan Corporate Advisors to undertake the due diligence analysis on Seafront Development LTD associated with real estate project.

30. RELATED PARTY TRANSACTIONS

	<u>2022</u>	<u>2021</u>
	SR	SR
Balances owing from related parties:		
Government of Seychelles	4,766,906	4,731,403
Loans and receivable from PMC	72,089,473	90,778,932
Transactions - Dividends received		
Opportunity Investment Company Limited	-	-
Seychelles Breweries Limited	26,306,397	12,429,773
Rental received:		
Government of Seychelles	57,186,738	31,386,669
Key management personnel		
Gross salaries (strategic management personnel)	4,112,287	3,528,487
Board of Trustees' remuneration (note 31)	744,000	682,000
	<u>4,112,287</u>	<u>3,528,487</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

30. RELATED PARTY TRANSACTIONS *Continued*

- (a) Transactions with related parties are within the normal course of business.
- (b) For the year ended December 31, 2022, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties as its carrying value approximates their fair value. (2021: SR. 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.

31. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

		<u>2022</u>	<u>2021</u>
		SR	SR
M. Houareau		96,000	80,000
J. Dugasse	resigned in 2021	-	8,000
P. Payet		72,000	66,000
C. Mangroo	resigned in 2021	-	6,000
R. Valmont	resigned in 2021	-	6,000
B. Morin		72,000	60,000
C. Vidot	resigned in 2021	-	6,000
P. Sinon	resigned in 2021	-	6,000
M. C. Marie	resigned in 2021	-	6,000
B. Adonis	resigned in 2021	-	6,000
A. Robinson	resigned in 2021	-	6,000
Elsie Morel		72,000	66,000
S. Mohideen		72,000	60,000
Jose St Ange		72,000	60,000
Sarah Lang		72,000	60,000
S. Jolicoeur		72,000	60,000
J. Rath		72,000	60,000
Secretariat			
Audrey Nanon	resigned in 2021	-	6,000
M. Pillay		72,000	54,000
		<u>744,000</u>	<u>682,000</u>

32. CAPITAL COMMITMENTS

	<u>2022</u>	<u>2021</u>
	SR'000	SR'000
Capital Commitments		
Approved and contracted	15,593	126,045
Approved but not contracted	230	516,900
	<u>15,823</u>	<u>642,945</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

32. CAPITAL COMMITMENTS *Continued*

Capital commitments are for ongoing projects which have been approved by the Board of Trustees as at the reporting date. They include projects that have been contracted and those that are yet to be contracted. In view of the economic uncertainties, as result of the Covid-19 pandemic, the capital cost of the uncontracted projects may be subjected to significant changes.

33. (LOSS)/PROFIT ON SALE OF INVESTMENTS

	<u>2022</u>	<u>2021</u>
	SR	SR
Profit on sale of Anse a La Mouche	-	286,778
Loss on sale of GRIT Investment	(770,435)	-
Loss on sale of foreign deposits, bonds and equities	(115,605)	-
	<u>(886,040)</u>	<u>286,778</u>

34. CONTINGENT LIABILITIES

The Board of trustees are not aware of any contingent liabilities at December 31, 2022 (2021: SR. nil).

35. EVENTS OCCURRING AFTER REPORTING PERIOD

The employee contribution rate shall increase from 4% to 5% and self-employed rate shall increase from 9% to 10% effective January 2023.

Following pension reform to address the Fund's long-term sustainability, the Seychelles Pension Fund Act, 2005 was amended in December 2022 to increase the retirement age to 65 years. The amendments also introduce provision for an early retirement mechanism which comprise a reduction factor for members who retire between the age of 60 to 64 as from January 2, 2023.

During the financial year under review, the Fund offered four properties for sale. These were the Corail D'Or apartments located at North East Point, the La Clementine property at Baie St Anne, the La Passe Pension House on La Digue and a property of 3 vacant land Parcels at Pointe Aux Sel. Tenders were received only for Corail D'Or apartments and the Pointe Aux Sel property. The offers for both the properties are being actively negotiated. It is expected that the completion of sale of both these properties would be concluded in the year 2023.

The Russia-Ukraine conflict which started late February 2022 may have an effect on Seychelles economy in terms of tourism, property investment and commodity prices.



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