

SEYCHELLES PENSION FUND
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020



SEYCHELLES PENSION FUND
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SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT

The Board of Trustees of the Seychelles Pension Fund (SPF) is pleased to present its report together with the auditors report and the audited Financial Statements for the year ended December 31, 2020. As per the SPF Act, Section 53, the annual report is presented to the Minister responsible for Finance, the National Assembly and a copy is made available on SPF's website.

BACKGROUND INFORMATION

Seychelles Pension Scheme 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 In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 under which the scheme became a statutory body and was renamed as SPF.

REGISTERED OFFICE OF SPF

The registered office of SPF is at Caravelle House, second floor, PO Box 576, Victoria, Mahe, Seychelles.

PRINCIPAL ACTIVITIES

The principal activity of SPF 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 FOR THE YEAR

	<u>2020</u>	<u>2019</u>
	SCR	SCR
Surplus for the year before fair value changes	80,918,993	49,462,764
Net changes in fair values of investments	(11,699,391)	46,499,482
Retained surplus brought forward	<u>943,408,914</u>	<u>847,446,668</u>
Retained surplus carried forward	<u>1,012,628,515</u>	<u>943,408,914</u>

INTEREST ON MEMBERS' FUND

Interest rate for the period 01.01.2020 to 31.03.2020 was 2.72% and 5.99% for Mandatory and Voluntary contributions respectively. As at 01.04.2020, the interest rate of voluntary contribution was revised to 5.0% leaving mandatory contribution as previous, the same was approved by the Board and Minister of Finance as per SPF Act. The rates are based on average 91 days treasury bills and average saving rates for the previous year end 2019, as published by Central Bank of Seychelles. (2019: Mandatory 4.81% and 2.72%, Voluntary 5.99%).

PLANT AND EQUIPMENT

SPF acquired property and equipment amounting to SCR 3.5m during the year, comprising mainly of equipment (2019: SCR 1.9m).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2020 did not differ materially from their carrying amounts as per the Statement of Net Assets available for benefits at that date.

INVESTMENT PROPERTIES

SPF has invested substantial amount in properties for rental and capital appreciation purposes. As at December 31, 2020, these totaled SCR 1.39b (2019: SCR 1.53b). During the year, additions amounted to SCR 72.37m (2019: SCR 107.8m). The net deficit on change in fair value on investment properties as at December 31, 2020 amounted to SCR 9.33m (2019: Surplus of SCR 32.7m).



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

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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 4 to 39, which comprise of the statement of financial position as at 31 December 2020; 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 Pool and Patel 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 4 to 39 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2020 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.

**SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT (CONT...)**

BOARD OF TRUSTEES

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

Resigned members

Jacquelin Dugasse-Chairman (From 18th September 2018 to 28th February 2021)
C Mangroo (January 2015 to 28th February 2021)
Antoine Robinson (From February 2015 to 28th February 2021)
Bernard Adonis (From February 2015 to 28th February 2021)
Marie-Claire Marie (From August 2017 to 28th February 2021)
Ravi Valmont (From 1st March 2018 to 28th February 2021)
Peter Sinon (From 1st March 2018 to 28th February 2021)
Cindy Vidot (From 1st March 2018 to 28th February 2021)

Existing members

Marc Houareau- Chairman (From 1st March 2021)
Patrick Payet (From February 2018)
Elsie Morel (From 1st March 2018)
Jovinella Rath (From 1st March 2021)
Shannon Jolicoeur (From 01st March 2021)
Jose St Ange (From 01st March 2021)
Shella Mohideen (From 01st March 2021)
Brenda Morin (From 01st March 2021)
Sarah Lang (From 01st March 2021)

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

The Board of Trustees is responsible for the overall management of the affairs of SPF and all its investment decisions. The Board also ensures that proper accounts and other books and records in relation thereto are maintained. In preparing these financial statements, the Board has a general responsibility to:

- ensure that the financial statements are on the going concern basis unless it is inappropriate to assume continuance of SPF;
- 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.

The Chief Executive Officer of SPF is, as defined in the Seychelles Pension Fund Act, 2005, 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 SPF.

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

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

AUDITORS

The Auditor General of Seychelles is mandated to carry out the audit of the SPF under Section 53(2) of the Seychelles Pension Fund Act, 2005. They have outsourced the services to Pool and Patel for the year 2020.

TRUSTEES



Marc Houareau



Patrick Payet



Elsie Morel



Brenda Morin



Jovinella Rath



Shannon Jolicoeur



Jose St Ange



Sarah Lang



Shella Mohideen

Date: 22/06/21

Material uncertainty relating to going concern

Attention is drawn to note 36 of the financial statement which indicates as a result of spread of Covid-19, economic uncertainties have risen which have negatively impacted companies (all businesses) in the Seychelles. The extent of the impact on the Fund's operations and financial performance will depend on the duration and spread of the outbreak and its effect on the economy, employees, customers and suppliers, all of which remains uncertain presently. These events indicates that an uncertainty exists which may cast doubt on the SPF's ability to continue as a going concern.

The Board of Trustees of the SPF are confident that they will continue to operate despite above events and are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate for the foreseeable future. Our opinion is not modified in respect of this matter.

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 property 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 the assumptions used in fair valuation, which included assessing the level of oversight, review and approval of valuation 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 related government 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:

- 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 completeness of the underlying information in financial assets used in the impairment calculations by agreeing details to the Fund's source documents and information in information technology system(IT).
- Assessing management's key assumptions. (Due to short term nature of the financial instruments held by the Fund, no forward looking assumptions have been incorporated in the expected credit loss calculation.
- Assessing the adequacy of the related financial statement disclosures.

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

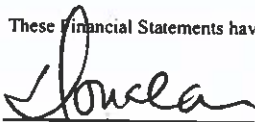


23 June 2021
Victoria, Seychelles

SEYCHELLES PENSION FUND
STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2020

	Notes	2020	2019
		SCR	SCR
ASSETS			
Non-current assets			
Property and equipment	7	20,789,806	31,391,046
Investment properties	8	1,395,698,478	1,528,634,904
Right to use on leasehold land	9	42,139,175	42,654,639
Investment in subsidiary-Opportunity Investment Company Limited	10	40,562,865	44,426,026
Investment in associates- Seychelles Breweries Limited	11	265,135,334	248,595,450
Investment in associates- Al Salam Bank Seychelles Limited	11	36,111,891	22,403,666
Investment in associates- Cable & Wireless Seychelles Limited	11	154,934,990	330,404,100
Investment in financial assets	14	613,641,987	412,392,968
Loan and receivables	16	90,778,933	108,036,059
		2,659,793,459	2,768,938,859
Current assets			
Investment in financial assets	14	410,949,766	516,928,203
Receivables and prepayments	15	81,564,966	73,327,280
Assets held for sale	12	203,923,578	55,481,321
Loan and receivables	16	17,257,127	15,934,566
Cash and cash equivalents	13	158,988,060	106,359,146
		872,683,497	768,030,516
Total assets		3,532,476,956	3,536,969,375
Current liability			
Other payables	17	81,349,149	232,465,077
Non-current liability			
Retirement benefit obligations	18	8,632,172	7,238,580
Deferred Property Lease	19	6,526,715	6,635,395
Net assets	20	3,435,968,920	3,290,630,324
Made up as follows:			
Member's fund	21	1,721,565,892	1,645,446,896
Other fund	22	533,279,754	533,279,754
Reserve funds	23	14,568,591	14,568,591
Other reserves	24	153,926,169	153,926,169
Retained surplus		1,012,628,515	943,408,914
		3,435,968,920	3,290,630,324

These Financial Statements have been approved for issue by the Board of Trustees on 22nd June 2021



 Marc Houreaux
 Chairperson



 Nisreen Abdulmajid
 Chief Executive Officer

The notes on pages 8 to 39 form an integral part of these financial statements.

SEYCHELLES PENSION FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED 31st DECEMBER 2020

	Notes	2020	2019
Contribution Income		SCR	SCR
Compulsory contributions:			
- by employees		213,027,495	199,312,997
- by employers		212,094,704	196,031,445
Voluntary contributions:			
- by employees		25,851,795	21,072,271
- by employers		9,257,133	7,036,488
		460,231,127	423,453,201
Investment income			
Interest received by members	27	35,595,498	47,434,547
Revaluation of property to reserve	24	-	2,535,894
Surplus for the year from investments	Page 6	69,219,602	95,962,246
		104,815,100	145,932,687
Total contribution and investment income		565,046,227	569,385,888
Benefits Paid			
- Normal Retirement		323,292,156	257,883,358
- Voluntary retirement refund upon retirement		2,251,932	3,712,600
- Death before Normal Retirement		2,676,207	2,870,125
- Permanent Incapacity		52,552,315	45,468,748
- Pre-Migration Retirement		889,278	713,268
- Death after Normal Retirement		-	11,060
- Surviving Spouse Pension		12,648,606	11,188,849
- Children Pension		4,199,655	4,018,126
- Post-Retirement Surviving Spouse		11,572,678	9,784,281
- Post-Retirement Children Pension		1,216,417	1,078,091
- Voluntary retirement contribution refund at 55 yrs onwards		8,665,876	9,050,318
- Dependent/Severe Disability		12,516	-
- Refund of overpaid contributions		-	506,153
- Other adjustments		(270,006)	1,074,346
Total Benefits paid		419,707,631	347,359,324
Excess contribution over benefits paid		40,523,497	76,093,877
Overall surplus for the year- net increase in assets available for benefits		145,338,596	222,026,563
Balance at January 1,		3,290,630,324	3,068,603,761
Balance as at December 31,		3,435,968,920	3,290,630,324

The notes on pages 8 to 39 form an integral part of these financial statements.

SEYCHELLES PENSION FUND

STATEMENT OF SURPLUS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED 31st DECEMBER 2020

	Notes	2020	2019
		SCR	SCR
Income			
Interest income	25	45,427,219	50,720,458
Dividend income	26	22,311,789	20,541,298
Rental income	8d	114,219,599	118,023,582
Profit on sale of investment properties and other financial assets	33	17,573,504	-
Profit on Disposal of Property & Equipment		130,000	-
Other income- Surcharges		980,453	810,642
Amortisation of deferred Government Grant	19	108,680	108,680
		200,751,244	190,204,659
Expenditure			
Interest credited to members	27	35,595,498	47,434,547
Administrative expenses	28	48,629,326	47,741,010
Investment fees		220,447	362,721
Events and marketing		2,529,726	3,712,018
Property management expenses	8d	32,069,385	30,637,148
Covid -19 related expenses		303,239	-
Depreciation of property and equipment	7	6,049,691	6,296,444
Amortisation of right to use	9	515,464	515,464
Provision charge for bad and doubtful debts	15 (ii)	4,886,240	-
Auditors remuneration		400,000	460,000
Other professional fees	29	3,204,709	4,485,530
		134,403,727	141,644,881
Surplus for the year before fair value changes and exchange differences		66,347,517	48,559,778
Gain on exchange differences		14,571,476	902,986
Surplus for the year before fair value changes		80,918,993	49,462,764
(Decrease) /Increase in fair value of quoted equities	14d	(33,307)	3,420,841
(Decrease) in fair value of subsidiaries	10	(3,863,161)	-
(Decrease) /Increase in fair value of investment properties	8a	(9,328,282)	32,713,251
Increase /(Decrease) in fair value of associate (Seybrew)	11a (i)	16,539,884	(9,943,818)
Increase in fair value of associate (Al Salam Bank)	11a (ii)	13,708,224	567,086
(Decrease) in fair value of associate (Cable & Wireless)	11a (iii)	(175,469,110)	-
Total fair value changes		(158,445,752)	26,757,361
Other comprehensive income			
Increase in fair value of unquoted equities	14d	146,746,361	19,742,122
Total other comprehensive income		146,746,361	19,742,122
Net changes in fair values of investment		(11,699,391)	46,499,482
Surplus for the year		69,219,602	95,962,246
Retained surplus brought forward		943,408,914	847,446,668
Retained surplus carried forward		1,012,628,515	943,408,914

The notes on pages 8 to 39 form an integral part of these financial statements.

SEYCHELLES PENSION FUND
STATEMENTS OF CASH FLOWS - YEAR ENDED 31st DECEMBER 2020

	Notes	2020	2019
		SCR	SCR
Cash generated from operations			
Net increase in assets available for benefits	Page 5	145,338,596	222,026,563
Net cash generated from operations		145,338,596	222,026,563
<i>Adjustments for:</i>			
Depreciation of property and equipment	7	6,049,691	6,296,444
Amortization of right of use	9	515,464	515,464
Amortization of deferred government Grant	19	(108,680)	(108,680)
Write off of property plant and equipment		91,884	-
Profit on disposal of plant and equipment		(130,000)	-
Profit on disposal of held for sale assets	33	(11,754,518)	-
Retirement benefit obligation charge	18	1,393,593	1,007,021
Provision charge for bad and doubtful debts	15	4,886,240	-
Bad and doubtful debts written off against provision	15	(37,566)	(2,008,014)
Fair value loss on investment properties	8	9,328,282	(32,713,251)
Fair value gains transferred to reserve	8	-	(2,535,894)
Fair value gain on quoted and unquoted equities	14 (d)	(146,713,054)	(23,162,963)
Fair value loss on associates	11	145,221,001	9,376,732
Fair value loss on subsidiary	10	3,863,161	-
Interest receivable	25	(45,427,219)	(50,720,458)
Dividend income	26	(22,311,789)	(20,541,298)
		90,205,088	107,431,666
<i>Changes in working capital:</i>			
- Decrease/(Increase) in receivables and prepayments		(13,086,363)	9,761,075
- (Decrease)/Increase in payables and accruals		(151,115,920)	210,779,836
Net cash (used in)/ generated from operations		(73,997,196)	327,972,577
Cash flows from investing activities			
Purchase of property and equipment	7	(3,481,638)	(1,934,428)
Proceeds from disposal of property and equipment		130,000	-
Proceeds from disposal of asset held for sale		68,500,000	-
Purchase of assets held for sale	12	(1,264,165)	-
Purchase of investment properties	8	(72,374,133)	(107,830,502)
Purchase of shares- Cable & Wireless	11a (iii)	-	(330,404,100)
Repayment of loans by PMC	16	25,109,335	25,182,785
Purchase of financial assets	14 (e)	(351,529,515)	(566,766,528)
Proceeds from redemption of financial assets	14 (e)	402,971,987	601,675,917
Interest received (net of interest on PMC loan)	16&25	36,252,450	40,324,486
Dividend received	26	22,311,789	20,541,298
Net cash generated/ (used in) investing activities		126,626,110	(319,211,072)
Net increase in cash and cash equivalents		52,628,914	8,761,505
Cash and cash equivalents at January 1,		106,359,146	97,597,641
Cash and cash equivalents at December 31,	13	158,988,060	106,359,146

The notes on pages 8 to 39 form an integral part of these financial statements.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

1. General Information

SPF is established under the Seychelles Pension Fund Act, 2005. SPF is domiciled in the Republic of Seychelles and the address of its registered office is P.O Box 576, Caravelle House, Victoria, Mahe Seychelles.

Investments made by SPF as required under Section 50 of the Seychelles Pension Fund Act, 2005 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 under SPF's website in accordance with Section 53 of the SPF Act, 2005.

2. Funding policy

The overriding principle of the SPF's Funding policy is that contributions are increased in a steady and phased manner as recommended by SPF's Actuary and excess funds invested to yield maximum returns on the assets matching SPF'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 SPF in the medium to long-term. As at 31.12.2020, SPF had 64% of its members below the age of 45 which means that SPF can invest 64% of its funds, as it only needs to meet the long term liabilities of these members much after 15 years.

3. Valuation of SPF

Under Section 55 of the SPF Act 2005, the Board of Trustees is required to make an actuarial evaluation of its assets and liabilities every 3 years. The last actuarial evaluation was done in the reporting year 31 December 2018 and next due in 31 December 2021. The last actuarial valuation was done by BBL World Actuaries from Quebec, Canada.

Type of pension system

SPF 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 a pre-determined formula as per Regulation 8 (1B) of the SPF (Benefits) Regulations.

4. Significant accounting policies

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

The financial statements are presented in Seychelles Rupees (SCR) and all values have not been rounded up except when otherwise indicated.

(a) Basis of preparation

The Financial Statements of SPF comply with the "Public Enterprise Monitoring Commission Act, 2013", including any amendments thereof, and have been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost concept, except as disclosed in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(a) Basis of preparation (cont..)

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 SPF'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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Consolidation

SPF adopted IFRS 10 (Consolidated financial statements) consolidation exemption with regards to 'investment entities'. SPF believes that a class of entity (an investment entity) uses a different business model to most other entities. It manages all of 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).

SPF 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.

The Board has found that the SPF complies with all the definitions of an investment entity and possesses all the characteristics of an investment entity; namely:

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(a) Basis of preparation/ Consolidation (cont..)

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

(b) Going concern

The Board of Trustees have made an assessment of SPF'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 are not aware of any material uncertainties that may cast significant doubt upon SPF's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of SPF. Therefore, the financial statements continue to be prepared on the going concern basis.

(c) Comparative information

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

(d) New standards, amendments and interpretation

New standards, amendments and interpretation adopted by the SPF

The following amendments to the International Accounting Standards that are relevant for the preparation of the financial statements have been adopted by the SPF for the first time with effect from financial year beginning on 1 January 2020.

- IFRS 10 and IAS 28 - Sale or contribution of assets between investor and its associates or joint venture.
- Amendment to IFRS 3 - Definition of a business.
- Amendment to IAS 1 & 8 - Definition of materiality, presentation of financial statements, accounting policies and changes in estimates.
- IFRS7, 9 and IAS 39 - Interest rate benchmark reform.
- IFRS 16 amendment - Covid-19-Related Rent Concessions.

New standards and amendments issued but not yet effective

- IAS 1 amendments on classification of liabilities as current or non-current.
- IFRS 17 - Insurance contracts and amendments to insurance contracts.
- Amendments to IAS 16 - Proceeds before intended use.
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 37- Onerous contracts.
- Amendment to IFRS 3 updating a reference to the Conceptual Framework.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform — Phase 2.

The above standards have not, and are not expected to have, a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(e) Financial Instruments

Recognition and initial measurement

Financial instruments are recognised in the statement of financial position when SPF 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 profit and loss (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 Profit and Loss (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 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 solely payments of principal and interest 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, SPF 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, SPF 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.

Business model assessment

SPF 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 and 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;
- how 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 SPF's continuing recognition of the assets.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(e) Financial instruments (cont..)

Assessment whether contractual cash flows are solely payments of principal and interest

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, SPF 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, SPF 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 SPF's claim to cash flows from specified assets (e.g. non-recourse features).

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 (but unpaid) 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 SPF 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 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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
	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.
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 profit or loss.
	Unlisted private equities which are managed and their performance is evaluated, on a fair value basis and are not designated as FVTPL included in this category.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(e) Financial instruments (cont..)

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 profit or loss. 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 profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. This includes deposits from tenants and other payables.

Derecognition

Financial assets

SPF 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 SPF 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

SPF derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. SPF 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 profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, SPF 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 SPF applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. The SPF 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 SPF 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 SPF's procedures for recovery of amounts due.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(f) Property and equipment

Capitalisation Policy for the acquisition, management, sale and disposal of SPF-owned fixed assets were implemented during the year. Its aim is to establish standard guidelines for capitalisation of fixed assets owned by SPF in conformity with IFRS and SPF's valuation policy and is followed for the accounting and management of all SPF-owned fixed assets. These relate to all transactions relating to the acquisition, maintenance, sale, construction and final disposal of SPF'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 is 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 SPF and the cost of the item can be measured reliably.

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 income and expenditure accounts.

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
Improvement	15
Equipment	5
Furniture & Fittings	10
Motor Vehicle	5

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

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

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

(g) 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 by external valuers. Changes in fair values are recognized in the Income and Expenditure Account and subsequently in net assets available for benefits.

Investment properties are transferred to property and equipment or asset held for sale when they cease to meet the recognition criteria.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(h) Investment in subsidiary

Consolidation

The subsidiaries of SPF 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 on the income statement.

(i) Investment in associates

Separate Financial Statements

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

(j) Contributions receivable

Contributions receivable are recognized when due which is 21st of the second 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.

(k) Benefits payable

Benefits payable are stated at their nominal value.

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

(l) Receivables

Receivables and prepayments are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less and are measured at amortised cost.

(n) Foreign currencies

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are converted into the functional currency using the Central Bank of Seychelles (CBS) exchange rates. The CBS par rate shall be applied to convert any foreign exchange assets or liabilities including all other income and expenses into SCR. The 'par rate' is calculated as the average of the CBS telegraphic transfer (TT) buying and selling mid rates. On the date of effecting transactions, the actual rate shall be booked. At year end or at reporting

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(n) Foreign currencies (cont..)

periods, all assets and liabilities will be valued as per the Investment Policy or the CBS par rate as per this 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 comprehensive income.

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 comprehensive income 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 reserves in equity.

(o) 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).

(p) Leases

Leases as lessee

The amount paid at inception by SPF to acquire lease interest on land has been capitalized as right of use asset and depreciated over the lease term.

Leases as lessor

SPF leases out its investment properties and are classified as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Lease rental charges are charged to the income and expenditure account on a straight-line-basis over the period of lease.

(q) 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 SPF 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 SPF's activities.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the SPF 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

4. Significant accounting policies (cont...)

(q) Revenue recognition (cont...)

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

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

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.

(r) Employment Compensation

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.

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.

(s) Tax

In accordance with paragraph 69 of the Seychelles Pension Act, 2005, SPF 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 SPF as a Value Added Tax Business on the 1st January 2020; and SPF deduct income tax for its employees' salary for onward remittance to SRC including tax on the Income and Non-Monetary Benefits Act.

(t) Accruals

Accruals are recognised when SPF 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

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.

SPF 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

SPF follows the guidance of International Financial Reporting Standard (IFRS) 9 – “Financial instruments” on classifying non-derivative financial assets in accordance with SPF’s business model and cash flow test. This classification requires significant judgement. In making this judgement, SPF 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

SPF follows the guidance of IFRS 9 ECL method to determine whether its financial assets requires impairment. ECL is 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, SPF considers all facts and circumstances that are available at the reporting date.

(c) 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.

(d) 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 SPF’s asset and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent SPF’s views of possible near-term market changes that cannot be predicted with any certainty.

(e) Contributions receivable

As per SPF 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

5. Critical accounting estimates and judgements (cont...)

(f) Fair Value Estimation (cont...)

The quoted market price used for financial assets held by the SPF 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 is 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:

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020**

5. Critical accounting estimates and judgements (cont...)

(f) Fair Value Estimation (cont...)

31 December 2020 In thousands of rupees	Note	Carrying amount			Fair value			
		FV/TOCI FV/TPPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities	14	376,564	-	376,564	14	-	376,550	376,564
Financial assets not measured at fair value								
Fixed deposits	14	-	364,491	364,491	-	-	-	364,491
Treasury bills and bonds	14	-	283,537	283,537	-	-	-	283,537
			648,028	1,024,592				

31 December 2019 In thousands of rupees	Note	Carrying amount			Fair value			
		FV/TOCI FV/TPPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities	14	252,525	-	252,525	46,692	-	205,833	252,525
Financial assets not measured at fair value								
Fixed deposits	14	-	283,981	283,981	-	-	-	283,981
Treasury bills and bonds	14	-	392,816	392,816	-	-	-	392,816
			676,797	929,321				

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

6. Risk management

The Board of Trustees have overall responsibility for the determination of the risk management objectives and policies and, whilst retaining ultimate responsibility for them, it delegates the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the finance function.

SPF's activities expose it to a variety of financial and non-financial risks. The overall objective of the Board of Trustees is to set policies that seek to reduce risk as far as possible without unduly affecting the competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Investment risk

There are some directly linked to the investments of SPF. Sustained poor performance would lead to insufficient returns that are currently topping up the surplus of excess contribution over pension payments. SPF prefers a prudent approach to asset management that is likely to generate moderate, regular returns. The primary control measure is the regular appraisal of SPF's assets and investment strategy by the Board of Trustees upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risk can be justified:

Interest rate risk

The risk that falling interest rates will reduce investment income on the assets or lead to falling values of fixed income instruments.

SPF finances its operations through operating cash flows which are principally denominated in Seychelles Rupee.

Several specific risk measures may be cited:

- SPF'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.
- SPF does not borrow, so the cost of borrowing is nil and unaffected by rate rises.
- There is a loan portfolio of loans to PMC at "fixed" rates. Although these rates are adjusted where the spread between SPF's rates and bank rates becomes too significant, there is a certain inertia that tends to protect SPF from sudden or temporary falls.

Sensitivity analysis

If interest rates have been 100 basis points higher/lower and all other variables were kept constant, SPF's surplus for the year ended December 31, 2020 would be impacted as follows:

	Amortised Cost Financial Assets	
	2020	2019
	SR'000	SR'000
Impact on surplus for the year (+/- 100 basis points)	46	51

Price risk

The risk that a sudden fall in asset values restricts SPF's ability to pay benefits. There are several ways in which SPF 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

6. Risk management (cont...)

(a) Investment risk/ Price risk (cont...)

- Liquidity – great care is taken to ensure that SPF should not need to realize potentially volatile assets when their values are less.

SPF is exposed to equity securities price risk because of investments held by SPF and classified on the statement of net assets available-for-sale.

The table below summarises the impact of increases/decreases in fair value of the investments on SPF'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	
	2020	2019
	SR'000	SR'000
Impact of change in fair value of (+/- 100 basis points)	11	46

Liquidity risk

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

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

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

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 SPF by active workers are mandatory and contributions are deducted directly from employees' salaries and remitted to SPF. There is no history of material bad debts from contributions. SPF 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 late in the year. The policy aims to put in place effective procedures for SPF to manage its debts in an efficient manner.

Currency risk

SPF's activities are not exposed to currency risk. However, SPF 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

6. Risk management (cont...)

(a) Investment risk (cont...)

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.
- SPF seeks independent professional advice on overseas fund managers.
- SPF formally terminated the external fund management mandate. Almost all investments under the engagement had been liquidated by the end of 2020.
- SPF manager provides regular monthly reports to SPF based on an established investment policy.

(b) Economic risk

This corresponds to the risk that external economic events (other than those specifically related to investments) will weaken SPF's financial position. Two examples of such risk are apparent:

Industry risk

The risk that the economy collapses, leading to redundancies, early retirements and cessation of contributions, amongst other wider social, political and economic effects in Seychelles. The primary likely effect on SPF of such an outcome would be an increase in benefits outgo (early retirements) and an accelerated shift from positive net cash flow to negative net cash flow. Cash flow analysis of this kind of scenario suggests that realization of assets of SPF would provide the necessary liquidity to counter the cash flow need.

Inflation risk

Whilst the Central Bank has a policy of price stability, one cannot assume that a small isolated country such as Seychelles will always be able to control inflation. Inflation would not necessarily be a problem for SPF if it was accompanied by compensatory increase if one could not necessarily always count on the alignment of inflation and yields.

SPF protects itself in the following ways:

- Real assets, (property) would be expected to appreciate in value both in terms of capital and income growth,
- Overseas holdings would tend to buoy up returns since one might expect local inflation to be closely linked to Rupee depreciation,
- When considering the purchase of Government debt instruments, SPF demands a significant yield compensation for inflation risk on long term instruments.
- For pension there is a capping of 5% inflation.

(c) Operational risk

The risk that SPF may incur financial losses due to negligence or fraud.

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

6. Risk management (cont...)

(c) Operational risk (cont...)

There is also an Internal Audit department assessing and testing all risks and internal controls helping to reinforce any shortfalls that could come across. A Risk Department, a Quality Assurance Analyst and compliance function under the Business Development and Compliance Section also does thorough checks and risk mitigation processes to ensure that there are no malpractices and fraud.

(d) Legal risk

The risk that SPF commits an act that is subsequently deemed illegal and would be subject to penalty. This risk is somewhat limited since SPF is governed principally under a single, clear piece of legislation: The "Seychelles Pension Act, 2005". All the activities of SPF are regulated by the Act, and SPF are regulated by PEMC. SPF is also accountable to the Minister responsible for Finance for submission of its Annual report, a copy of which is also submitted to the National Assembly by the Minister. SPF also has in place a legal and compliance function to ensure compliance to legal obligations and a legal counsel on retainer.

(e) Disaster recovery risk

The risk that a disaster wipes out SPF's capacity to continue its operations.

The most obvious example is that the offices burn down, destroying all written and electronic records.

The written records would be lost if the entire offices were destroyed. Such loss is not considered to be significant, although it would represent an inconvenience. This is because all major files are stored electronically and centrally, and are subject to rigorous external backup procedures. In particular, the backups are also held off-site. On a related note, internet security issues have also been addressed. A single, isolated PC is dedicated to internet, and all external discs must be scanned on this machine prior to contact with the network. The presence of IT Office adds to the security of the back-ups of electronic information. All records of members have also been digitalised. IT Section also undertakes a vigorous audit of its IT System, practices and users every 2 years by an independent external IT auditor from Mauritius.

As to the risk to SPF of death of one or more of its staff, it is our view that there is no "key man" such that this would materially affect SPF. There is also a clear and well defined succession planning within SPF, as per its Human Resources Policy.

(f) Reputational risk

The risk that certain activities of SPF be badly perceived by the public, thus damaging SPF's capacity to operate.

SPF's policy of transparency and open communication together with corporate governance framework will protect it from this risk. Although reputation is a fragile quality, SPF has established a sound and credible reputation. SPF has always promoted transparency especially with members, notably via dissemination of information and explanatory literature. It's very detailed annual report and financial statements each year also promotes clarity and full comprehensive details of all SPF's activities for the year. Website and other social media platforms are also well used as regular communication and information channels to all SPF stakeholders, especially its members. SPF has put in place its Corporate Communication Policy in 2020 aimed at guiding the extent, quality and output of communication with SPF's external stakeholders and on the adherence to and quality of internal communications in line with SPF's approved standards, as required in its Act, Regulations and Internal policies and procedures.

SPF also plans to introduce a culture of best practice in every segment of its activities by benchmarking on whatever appropriate procedures are applied by enterprises around the world (e.g. custodians, independent fund managers, application of International Accounting Standards, etc.) Annual General Meetings started in 2017, will also help in addressing such risk.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2020

6. Risk management (cont...)

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

SPF complies fully with Anti- Money Laundering Act, 2020 and Countering of Financial Terrorism Act, 2020 and its amendments thereof. SPF observes all requirements and policies to ensure that there is no money laundering and terrorist financing sources of funds. SPF's main two sources of funds come via the banking system through contributions from employers and employees mostly via SPF's bank accounts or personal bank accounts with minimal cash. The other source of funds are 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 SPF 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.

There were no reported non-compliance cases concerning AML/ CFT at SPF in 2020.

SEYCHELLES PENSION FUND
 NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

7. PROPERTY AND EQUIPMENT

(a) December 31, 2020

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total	
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
COST										
At January 1, 2020	41,194,420	19,113,732	11,287,824	3,218,899	74,814,875					
Additions	-	2,595,244	332,730	553,664	3,481,638					
Transfer to investment properties	(7,941,302)	-	-	-	(7,941,302)					
Direct write offs	-	-	(91,884)	-	(91,884)					
Disposals during the year	-	(137,278)	(26,325)	(518,675)	(682,278)					
At December 31, 2020	33,253,118	21,571,698	11,502,345	3,253,888	69,581,048					
ACCUMALTED DEPRECIATION										
At January 1, 2020	23,997,540	11,201,065	5,490,424	2,734,802	43,423,827					
Charge for the year	2,709,058	2,075,347	963,726	301,561	6,049,691					
Disposals during the year	-	(107,534)	(56,069)	(518,675)	(682,278)					
At December 31, 2020	26,706,598	13,168,878	6,398,081	2,517,688	48,791,240					
NET BOOK VALUE										
At December 31, 2020	6,546,519	8,402,823	5,104,264	736,196	20,789,806					

(b) The Board is of the opinion that the fair value of property and equipment at 31 December 2020 does not differ materially from their carrying amounts.

SEYCHELLES PENSION FUND
 NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

7. PROPERTY AND EQUIPMENT (CONT...)

(c) December 31, 2019

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total	
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
COST										
At January 1, 2019	41,194,420	17,668,616	11,068,672	2,948,739	72,880,447					
Additions	-	1,445,116	219,152	270,160	1,934,428					
At December 31, 2019	41,194,420	19,113,732	11,287,824	3,218,899	74,814,875					
ACCUMULATED DEPRECIATION										
At January 1, 2019	21,288,482	8,986,670	4,505,857	2,346,378	37,127,383					
Charge for the year	2,709,058	2,214,395	984,567	388,424	6,296,444					
At December 31, 2019	23,997,540	11,201,065	5,490,424	2,734,802	43,423,827					
NET BOOK VALUE										
At December 31, 2019	17,196,880	7,912,667	5,797,400	484,097	31,391,046					

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

8. INVESTMENT PROPERTIES

(a) At fair value	2020	2019
The movement of the investment properties during the year is as follows,	SCR	SCR
At January 1,	1,528,634,904	1,441,036,578
Additions	72,374,133	107,830,502
Transfer from property and equipment	7,941,302	
(Decrease)/ Increase in fair value	(9,328,282)	32,713,251
Revaluation of investment properties to reserve account '(g)	-	2,535,894
Transfer to assets held for sale (note 12)	(203,923,578)	(55,481,321)
At December 31,	1,395,698,478	1,528,634,904

(b) The value of the investment properties are subject to review every two 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 valuation of land.

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

	2020			2019
	Land SCR	Building SCR	Total SCR	Total SCR
Cost	176,774,099	755,237,622	932,011,721	932,011,721
Accumulated depreciation	-	(105,746,970)	(105,746,970)	(90,642,217)
Net book value	176,774,099	649,490,652	826,264,752	841,369,504

(d) The following amounts have been recognised in profit or loss:

	2020	2019
	SCR	SCR
Rental income	118,368,343	118,023,582
Concession provided to tenants	(4,148,743)	-
Net rental income	114,219,599	118,023,582
Property Management expenses:		
Direct operating expenses	(32,069,385)	(30,637,148)
Profit arising from investment property	82,150,214	87,386,433
(Decrease) /Increase in fair value	(9,328,282)	32,713,251
Surplus after fair value changes	72,821,932	120,099,685

(e) As at 31 December 2020, several investment properties under construction are carried at cost for a total amount of SCR 138.91m (2019: SCR 70.7m).

(f) The fair value changes of the properties which are leased from government of Seychelles at one rupee are directly recognised in other reserves.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

9. RIGHT TO USE ON LEASEHOLD LAND

SPF 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:

	2020	2019
	SCR	SCR
Cost		
As at 1 January & 31 December	50,000,000	50,000,000
Amortisation		
At 1 January,	7,345,361	6,829,897
Charge for the year	515,464	515,464
At 31 December	7,860,825	7,345,361
Net Book Value		
At 31 December	42,139,175	42,654,639

10. INVESTMENT IN SUBSIDIARY

- (a) Subsidiaries are investees controlled by SPF. The SPF "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.

	2020	2019
<i>At fair value,</i>		
Shareholding	100%	51%
Opportunity Investment Company Limited-OICL	40,562,865	44,426,026

The movement of the investment in subsidiary during the year is as follows,

	2020	2019
	SCR	SCR
Balance as at January 1,	44,426,026	44,426,026
Decrease in fair value	(3,863,161)	-
Balance as at December, 31	40,562,865	44,426,026

SPF holds 100 shares at SCR 100 per share in OICL as at 31 December 2020 representing a shareholding of 100% (In 2019 the SPF holds an investment of 51% in OICL where 49% is owned by a Company incorporated in Mauritius called SWAN. During the year, with the exit of SWAN, OICL is 100% owned by SPF.

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 19.32%.

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 SCR 105 per share. (2019: SCR 115 per share)

Total value of SACOS shares held in OICL as at 31 December 2020 is 386,313 at SCR 105 each.

The SPF has 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 31 December 2020, SPF holds 20.64% in SACOS directly and indirectly.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

10. INVESTMENT IN SUBSIDIARY (CONT...)

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

Name	Opportunity Investment Company Limited
Principal activity	Investment holding

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

(i)

	2020	2019
	SCR'000	SCR'000
Assets		
Current assets	129	391
Non-current assets	40,562	87,110
Liabilities		
Current liabilities	9	29
Equity	40,682	87,472
Revenue	-	1,515
Total comprehensive profit or (loss) for the year	(40,603)	1,476

(ii) Summarised cash flow information:

	2020	2019
	SCR'000	SCR'000
Operating activities	(71)	370
Investment activities	(192)	-
Financing activities	-	1,485
Net change in cash and cash equivalents	(263)	(1,115)

(iii) There were no commitment and contingencies as at the reporting period

11. INVESTMENT IN ASSOCIATES

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

At fair value	2020	2019	2020	2019
	% Held	% Held	SCR	SCR
Seychelles Breweries Limited (listed)	26%	26%	265,135,334	248,595,540
Al Salam Bank Seychelles Limited (non- listed)	30%	30%	36,111,891	22,403,666
Cable & Wireless Seychelles Limited (non-listed)	22%	22%	154,934,990	330,404,100

(i) Movements- Seybrew

	2020	2019
	SCR	SCR
Balance as at January 1,	248,595,450	258,539,268
Fair value adjustments	16,539,884	(9,943,818)
Balance as at December, 31	265,135,334	248,595,450

At 31 December 2020, the fair value of the SPF's interest in Seychelles Breweries Limited, which is listed on the MERJ exchange, was 3,314,606 shares at SCR 79.99 per share (2019: 3,314,606 shares at SCR 75) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(ii) Movements- Al Salam bank

	2020	2019
	SCR	SCR
Balance as at January 1,	22,403,667	21,836,581
Fair value adjustments	13,708,224	567,086
Balance as at December, 31	36,111,891	22,403,667

As at 31 December 2020, 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

11. INVESTMENT IN ASSOCIATES (CONT...)

(iii) Movements- Cable & Wireless

	2020	2019
	SCR	SCR
Balance as at January 1,	330,404,100	-
Additions	-	330,404,100
Fair value adjustments	(175,469,110)	-
Balance as at December, 31	154,934,990	330,404,100

SPF purchased 22% of shareholdings in Cable and Wireless (Seychelles) limited (the Company) in December 2019, for a consideration of SCR330,404,100. As per the Sale/Purchase agreement between SPF and the Shareholders, the Company was merged with one of its shareholders, being CWS Investment Limited. The merger was formalised during the year.

For the year ended on 31st December 2020, a fair value adjustment is done based on adjusted net asset approach as per IFRS 13 which is a level 3 input. The adjustment comprise of a gain of SCR 54,502,809 on capital values and a loss of SCR 229,971,919 on the conversion of foreign currency debt in Cable and Wireless (Seychelles) Limited.

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

(1)

Name	Seychelles Breweries Limited
Principle Activities	Beverage manufacturing

(i) Summarized statement of Financial position and statement of profit or loss and other income as per the unaudited financial statements.(Seychelles Breweries Limited has a financial reporting period ending 30th June)

	30 June 2020	30 June 2019
	SCR '000	SCR '000
Assets		
Current assets	192,522	148,280
Non-current assets	372,675	340,003
Liabilities		
Current liabilities	103,435	90,255
Non-current liabilities	61,395	51,212
Equity	400,367	346,816
Revenues	424,441	422,177
Profit before tax	112,826	111,790
Other comprehensive income	-	-
Total comprehensive income	81,902	80,996

(ii) Summarised cash flow information:

	30 June 2020	30 June 2019
	SCR '000	SCR '000
Operating activities	130,501	131,044
Investment activities	(59,693)	(59,792)
Financing activities	(30,855)	(31,500)
Net change in cash and cash equivalents	39,953	39,752

(iii) There were no contingent liability as at the reporting period

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

11. INVESTMENT IN ASSOCIATES (CONT...)

(2)

Name Al Salam Bank Seychelles
 Principle Activities Banking Services

(i) Summarised statement of Financial position and statement of profit or loss and other income as per unaudited financial statements.(Al Salam Bank Seychelles Limited has a financial reporting period ending 31st December)

	31 December 2020	31 December 2019
	SCR '000	SCR '000
Assets		
1,089,386	596,027	
Liabilities		
1,007,638	518,820	
Equity		
81,747	77,207	
Revenues	30,265	29,376
Profit before tax	3,936	2,269
Tax charge	605	1,013
Total comprehensive income	4,540	3,282

(ii) Summarised cash flow information:

	31 December 2020	31 December 2019
	SCR	SCR
Operating activities	196,252	(97,898)
Investment activities	(188)	2,554
Financing activities	191,441	(101,787)
Net change in cash and cash equivalents	387,505	(197,131)

(iii) There were no commitment and contingencies as at the reporting period

(3)

Name Cable & Wireless Seychelles Limited
 Principle Activities Telecommunication

(i) Summarised statement of Financial position and statement of profit or loss and other income as per the unaudited financial statements.(Cable & Wireless Seychelles Limited has a financial reporting period ending 31st December)

	31 December 2020	31 December 2019
	SCR'Mn	SCR'Mn
Assets		
Current assets	1,059	938
Non-current assets	1,260	1,220
Liabilities		
Current liabilities	507	194
Non-current liabilities	1,394	86
Equity	418	1,879

(ii) Summarised cash flow information:

	31 December 2020	31 December 2019
	SCR	SCR
Operating activities	216	198
Investment activities	(70)	(124)
Financing activities	(89)	(62)
Net change in cash and cash equivalents	57	12

(iii) There were no contingent liability as at the reporting period

12. ASSETS HELD FOR SALE

The movement during the year is as follows,

	2020	2019
	SCR	SCR
Balance as at January 1,	55,481,321	-
Transfer from investment properties	203,923,577	55,481,321
Additions	1,264,165	-
Disposals	(56,745,485)	-
Balance as at December, 31	203,923,578	55,481,321

SPF has the intention to dispose 7 investment properties as approved by the Board of Trustees in the foreseeable future not more than one year from the date of approval by the board of trustees. These assets are initially recognised at fair value when transferred.

The disposals reflect the property sold to the Government of Seychelles which is located at the Ile Perseverance at SCR68.5m.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

13. CASH AND CASH EQUIVALENTS

	2020	2019
	SCR	SCR
Cash at bank	158,952,684	106,297,545
Cash in hand	35,376	61,600
	158,988,060	106,359,146

14. INVESTMENT IN FINANCIAL ASSETS

	2020	2019
	SCR	SCR
Non-current investments		
Fixed deposits	Amortised cost	32,092,071
Treasury bonds	Amortised cost	205,000,000
Equity securities	Fair value through OCI	376,549,916
		613,641,987
Current investments		
Fixed deposits	Amortised cost	332,398,656
Treasury Bills	Amortised cost	49,592,400
Treasury bonds	Amortised cost	28,945,000
Equity securities	Fair value through P&L	13,711
		410,949,766
Total financial assets		1,024,591,753

- (a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 1% to 3.77% for USD account (2019: USD 2.25% to 3.80%) and 4.90% to 7% (on local currency account) per annum (2019: SCR 4.90% to 7%) with maturity dates from 23 January 2020 to 24 April 2025.
- (b) Investments in Treasury Bonds comprise bonds with interest rates ranging from 6% to 12% per annum (2019 : 5.50% to 7.50%) and treasury bills from 4.76% to 5.88% for 365 days (2019 : 4.76% to 5.88%) maturity dates from 12 March 2020 to 21 July 2027.
- (c) Equity securities comprise of local securities listed on the Seychelles stock exchange, unquoted foreign securities, exchange traded fund and a Mauritian equity portfolio.
- (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.

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

	2020	2019
	SCR	SCR
Afexim Bank	25,151,926	4,550,436
TDB Class B shares	111,567,717	14,827,811
Seychelles Commercial Bank	375,236	147,036
Central Common Cold store	9,651,480	216,840
	146,746,361	19,742,122

The details of the fair value adjustments for the investments in quoted equities are as follows:

	2020	2019
Exchange Traded Fund	-	3,291,033
GRIT	232,383	-
SACOS	(265,690)	-
Mauritius Stock Exchange	-	129,808
	(33,307)	3,420,841

- (e) The net movement in the financial assets including equity securities is shown below.

	2020	2019
At January 1	929,321,171	941,067,595
Additions	351,529,415	566,766,528
Redemption	(402,971,987)	(601,675,917)
Fair value gain	146,713,054	23,162,965
At December 31	1,024,591,754	929,321,171

SEYCHELLES PENSION FUND
 NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

14. INVESTMENT IN FINANCIAL ASSETS (CONT...)

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

	2020	2019
	SCR	SCR
Seychelles Rupee	644,100,188	656,257,302
Mauritian Rupee	13,711	32,156,573
US Dollar	380,477,854	240,907,296
	1,024,591,753	929,321,171

15. RECEIVABLES AND PREPAYMENTS

	2020	2019
	SCR	SCR
i) Contributions receivables from members (note iv)	37,187,079	32,395,538
Amount receivable from the Government of Seychelles (note v)	1,978,839	-
Interest receivable (note ix)	29,541,195	27,270,655
Rental income receivable (note ii)	5,546,487	2,951,153
Advance payment on capital projects	118,160	118,160
Prepayments	852,610	892,759
Other receivables (note vi)	6,340,596	9,699,014
	81,564,966	73,327,280

	2020	2019
	SCR	SCR
ii) Rental income receivable	12,968,854	5,524,846
Provision for bad and doubtful debts (Note vii)	(7,422,367)	(2,573,693)
Net rent receivable	5,546,487	2,951,153

The provision for bad and doubtful debts is as follows:

	2020	2019
	SCR	SCR
At 1, January	2,573,693	4,581,707
Charge for the year	4,886,240	-
Write off against provision	(37,566)	(2,008,014)
At December 31	7,422,367	2,573,693

(iii) The carrying amount of the above receivables are denominated in Seychelles rupees and approximate their fair value.

(iv) The contributions receivable from members are contributions for 31 December 2020 due on the 21st day of January 2021 and other contribution in arrears.

(v) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement) which the SPF paid to its members on behalf of and refundable by the Government of Seychelles.

(vi) Other receivables comprise of sundry debtors, staff loan and debtors clearing accounts.

(vii) The above balances are net of provision for credit impairment. A Debtor Management Policy was implemented late in the year. The policy aims to put effective procedures for SPF to manage its debts in a efficient manner. As per the policy, provision of 50% has been made for outstanding debts over 60 days and 100% provision made for all debts over 120 days. Debtors with repayment plans in place have been excluded from the provision calculation. The provision is not significantly deviates, had it been computed based on expected credit loss model.

(viii) The SPF does not hold any collateral as security for the above receivables

(ix) Interest receivable includes interest receivable from Fixed Deposit, Treasury Bill and Treasury Bonds and PMC loan.

16. LOANS AND RECEIVABLE (TO PROPERTY MANAGEMENT CORPORATION (PMC))

	2020	2019
	SCR	SCR
At 1 January	123,970,625	138,757,438
Repaid during the year	(25,109,335)	(25,182,785)
Interest receivable (note 25)	9,174,770	10,395,971
	108,036,059	123,970,625
Current	17,257,127	15,934,566
Non-Current	90,778,933	108,036,059
	108,036,059	123,970,625

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

17. OTHER PAYABLES

	2020	2019
	SCR	SCR
Rental deposits	10,552,858	10,470,992
Advance on rent	1,763,003	5,690,522
Advance on Loan	6,277,334	-
Accrued expenses	7,190,118	4,333,567
Account payable-Apartment project	301,021	6,695,258
Account payable-Cable & Wireless (note c)	54,092,250	203,910,000
Sundry payables	1,172,565	1,364,738
	81,349,149	232,465,077

- (a) The carrying amount of other payables are denominated in Seychelles rupees and approximate their fair value.
- (b) Sundry payables includes pension payments returned due to incorrect bank accounts/details of the pensioners/members.
- (c) These are share purchase consideration payable to Cable and Wireless Seychelles Limited.

18. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations is in respect of length-of-service compensation as per the Seychelles Employment Act 1995 as amended.

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

	2020	2019
	SCR	SCR
Present value of unfunded obligation	8,632,172	7,238,580

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

	2020	2019
	SCR	SCR
At 1 January,	7,238,580	6,231,559
Charge for the year	1,393,593	1,007,021
At 31 December,	8,632,172	7,238,580

The retirement benefit obligation has not been valued by an actuary since the management decide that had it been valued by actuary the impact is not material.

19. DEFERRED PROPERTY LEASE

	2020	2019
Cost		
At 1 January & 31 December	7,846,750	7,846,750
Accumulated amortisation		
At 1 January,	1,211,356	1,102,676
Charge for the year	108,680	108,680
At 31 December	1,320,036	1,211,356
At 31 December	6,526,715	6,635,395

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

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. The vested benefits are the present value of all expected future payments to current pensioners and future spouses' pension on the death of current pensioners. Non vested benefit is the measure of the value of the amount standing in member accounts at valuation date. SPF will be able to meet all benefit obligations in the future if this is followed as SPF operates a 'pay-as-you-go' pension plan. Actuarial evaluation is done for the next 60 years.

21. MEMBERS' FUND

Member's fund represents the balance due to members who have contributed to the SPF (which also includes the Seychelles Pension Scheme from 1991). This includes mandatory and voluntary contributions from employer and employee and contributions from self-employed with accumulated interest over the years. The members fund is used to finance pension payment on a monthly basis and lump sum refunds for members not qualifying for a monthly pension. The total funds accumulated under Members' fund is as follows,

	2020	2019
Details of members fund are as follows;		
Mandatory contribution	1,062,571,607	1,004,963,832
Voluntary contribution	128,524,602	104,880,196
Interest on mandatory contributions	499,573,655	512,695,638
Interest on voluntary contributions	30,896,028	22,907,230
At 31 December	1,721,565,892	1,645,446,896

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

22. OTHER FUNDS

	2020	2019
	SCR	SCR
Net contributions from Social Security carried forward (note a)	11,703,935	11,703,935
Receipts from National Provident Fund	71,215,276	71,215,276
SSF Investment Funds transferred to SPF	406,870,976	406,870,976
SPF contribution from Govt	43,489,567	43,489,567
At 31 December	533,279,754	533,279,754

	2020	2019
	SCR	SCR
(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)
	11,703,935	11,703,935
(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 SPF as required under Section 73(2) of the Seychelles Pension Fund Act, 2005.		

23. RESERVE FUND

	2020	2019
	SCR	SCR
Reserve Fund	14,568,591	14,568,591

The Chief Executive Officer, acting on the advice of the Board of Trustees, has not made any annual transfer which up to the year 2006 on the amount set aside which was 30% of the difference between the interest earned by SPF and the interest paid to the members. This is a contingency fund set aside which can be used to meet the cost of pensions or interest paid to members in the event of a shortfall.

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

24. OTHER RESERVES

	2020		2019	
	Fair value reserve	Other reserves	Total	Total
	SCR	SCR	SCR	SCR
At January 1,	98,480,487	55,445,682	153,926,169	151,390,275
Net change in FV of properties	-	-	-	2,535,894
At December 31,	98,480,487	55,445,682	153,926,169	153,926,169

SEYCHELLES PENSION FUND

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25. INTEREST INCOME

	2020	2019
	SCR	SCR
- Fixed deposits	14,691,426	16,702,931
- Treasury bonds and bills	21,223,895	22,930,552
- Equity securities	40,496	195,410
- Bank balances	39,718	85,018
- Staff loans	256,915	410,574
- Loan and receivable from PMC	9,174,770	10,395,971
	45,427,219	50,720,458

26. DIVIDEND INCOME

	2020	2019
	SCR	SCR
Dividends on local equity investments	12,429,773	13,985,292
Dividends on foreign equity investments	9,882,016	6,556,006
	22,311,789	20,541,298

27. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund was 2.72% and 5.99% for mandatory and voluntary respectively from 01.01.2020 to 30.03.2020. From 01.04.2020 to 31.12.2020 as per the new Interest Policy approved by the Board, the interest was revised to 2.72% on mandatory contributions and 5.0% on voluntary contributions. The new interest policy effective 01.04.2019 calculate the 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 saving rate. The amount of SCR 36m was credited for the year ended December 31, 2020 (2019: Mandatory 2.5% and 4.81, Voluntary 5.99% - SR47m).

28. ADMINISTRATIVE EXPENSES

	2020	2019
	SCR	SCR
Salaries, wages and other related expenses	35,918,063	34,452,641
Office running costs	2,498,421	4,966,488
Motor vehicles running expenses	404,816	541,148
Postage, printing and stationary	1,539,116	1,319,349
Telephone	2,423,084	1,329,240
Utilities	919,651	648,216
Repairs and maintenance	1,044,961	363,508
Other expenses	3,881,213	4,120,419
	48,629,326	47,741,010
Details of other expenses includes,	2020	2019
	SCR	SCR
Internet Charges	1,093,652	966,011
Rent- Caravelle House	1,299,300	1,466,135
Rent- Jupiter House	137,500	283,285
Cleaning	291,952	241,443
Board of Trustees fees	816,000	876,000
Medical Board fees	176,400	246,240
Office consumables	66,409	41,305
Total	3,881,213	4,120,419

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

28. ADMINISTRATIVE EXPENSES (CONT...)

Details of Office running cost includes;	2020	2019
	SCR	SCR
Training	491,297	2,247,046
Uniforms	827,540	392,131
Travelling	158,517	721,341
Staff Welfare	407,834	894,253
Staff Insurance	13,249	9,852
Journals And Newspaper	2,500	26,640
Bank Charges	478,048	666,134
Miscellaneous Expense	119,437	9,092
	2,498,421	4,966,488

29. OTHER PROFESSIONAL FEES

It includes the fee paid to Reserve Advisory and Management Partnership (RAMP) for capacity building purposes, a partnership between SPF and the World Bank entered into in the year 2020.

30. RELATED PARTY TRANSACTIONS

	2020	2019
	SCR	SCR
<i>Balances owing from related parties:</i>		
<i>Other related parties</i>		
Government of Seychelles	3,846,745	1,781,474
Loans and receivable from PMC	108,036,059	123,970,625
<i>Transactions:</i>		
<i>Dividends received</i>		
Opportunity Investment Company Limited	-	757,327
Seychelles Breweries Limited	12,429,773	12,429,773
<i>Rental received:</i>		
Government of Seychelles	76,956,498	60,025,889
<i>Key management personnel</i>		
- Gross salaries	3,876,520	1,893,600
Board of Trustees' remuneration (note 31)	816,000	948,000

(a) Transactions with related parties are within the normal course of business.

(b) For the year ended December 31, 2020, the SPF has not recorded any impairment of receivables relating to amounts owed by related parties as its carrying value approximates their fair value. (2019: 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

	2020	2019
	SCR	SCR
J. Dugasse (From 18th September 2018)	96,000	96,000
P Payet (February 2018)	72,000	72,000
C Mangroo (January 2015)	72,000	72,000
R Valmont (1st March 2018)	72,000	72,000
B Morin (From 1st March 2018)	-	66,000
C Vidot (From 1st March 2018)	72,000	72,000
P Sinon (From 1st March 2018)	72,000	72,000
M C Marie (From 1st August 2017)	72,000	72,000
B Adonis (from 1st February 2015)	72,000	72,000
A Robinson (from 1st February 2015)	72,000	72,000
M Jivan (from 1st February 2015)	-	66,000
Elsie Morel (From 1st March 2018)	72,000	72,000
Secretariat		
Audrey Nanon (From May 1, 2017) Secretary)	72,000	72,000
	816,000	948,000

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2020

32. COMMITMENTS

Capital commitments

	<u>2020</u>	<u>2019</u>
	SCR'000	SCR'000
Approved and contracted for	190,621	155,941
Approved but not contracted for	<u>424,207</u>	<u>348,419</u>
	<u><u>614,828</u></u>	<u><u>504,360</u></u>

Capital commitments are ongoing projects which have been approved by the Board of Trustees as at the reporting date. It includes both contracted out projects as well as those yet to be contracted out. In view of the economic uncertainties, as result of the Covid-19 pandemic, the capital cost of the uncontracted projects maybe subjected material and significant changes.

33. PROFIT ON SALE OF INVESTMENT

	2020	2019
	SCR	SCR
Profit on sale of perseverance apartment	11,754,518	-
Profit on sale of foreign deposits, bonds and equities	<u>5,818,986</u>	-
	<u><u>17,573,504</u></u>	<u><u>-</u></u>

34. CONTINGENCIES

The Board of trustees are not aware of any contingent liabilities at December 31, 2020.

35. EVENTS OCCURING AFTER REPORTING PERIOD

Appreciation of Seychelles rupee

As of the signing date of the financial statement the Seychelles rupees stood at,

Currency	Exchange rates at		Changes in percent (SCR)
	05-May-21	31-Dec-20	
US \$/SCR	14.9411	21.6369	-31%
EURO/SCR	17.9488	26.3343	-32%

The exact impact of the above in the financial statements for the next reporting period cannot be predicted due to continued high volatility of the exchange rates.

36. GOING CONCERN

As a result of the spread of Covid 19, economic uncertainties have arisen which have negatively impacted the tourism and airline sector in the Seychelles and consequently the short term profitability of the SPF. The extent of the impact on the SPF's operations and financial performance will depend on the duration and spread of the outbreak and its effect on the economy, employees, customers and suppliers, all of which remains uncertain presently.

Due to global and national drive for mass vaccinations and the Seychelles Government's opening its borders in the 2nd quarter of 2021, the SPF is confident that it remains a going concern for the foreseeable future.

The financial statements have been prepared on the basis of the SPF being a going concern and on the assumption that they will continue to have the financial and otherwise support of the Government of Seychelles.