

SEYCHELLES PENSION FUND
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

**SEYCHELLES PENSION FUND
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SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT

The Board of Trustees of the Seychelles Pension Fund is pleased to present its report together with Auditors report and the Annual Financial Statements for the year ended December 31, 2017. As per the SPF Act, the annual report is presented to the National Assembly and published in the official gazette.

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 In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005, and was renamed as Seychelles Pension Fund.

REGISTERED OFFICE OF SEYCHELLES PENSION FUND

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

PRINCIPAL ACTIVITIES

The principal activity of Seychelles Pension Fund is to collect contribution from members and pay benefits to retiring members. It includes payment of monthly pension to retired members and 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>2017</u>	<u>2016</u>
	SCR	SCR
Surplus for the year	89,805,931	216,832,148
Fair values adjustments transferred to other reserves	(60,701,773)	-
Retained surplus brought forward	<u>752,075,044</u>	<u>535,242,896</u>
Retained surplus carried forward	<u><u>781,179,202</u></u>	<u><u>752,075,044</u></u>

INTEREST ON MEMBERS' FUND

An interest of 3.5% was approved for the year under review to be credited to members accounts. (2016: 3.5%).

PLANT AND EQUIPMENT

Seychelles Pension Fund acquired property and equipment amounting to SCR 1.4 million during the year comprising of furniture, fittings and motor vehicles (2016: SCR 7m).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2017 does not differ materially from their carrying amounts as per the statements of net assets available for benefits at that date.

INVESTMENT PROPERTIES

Seychelles Pension Fund has invested substantial amounts in properties for rental and capital appreciation purposes. As at December 31, 2017, these totalled SCR 1.4b (2016: SCR1.3b). During the year, additions amounted to SCR 49m (2016: SCR: 88m). As per the policy, there was no fair value revaluations performed on investment properties as at December 31, 2017.



OFFICE OF THE AUDITOR GENERAL

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

Opinion

The accompanying financial statements of the Seychelles Pension Fund, set out on pages 5 to 46, which comprise of the statement of net assets available for benefits as at 31 December 2017, statement of income and expenditure on investments, the Fund account statement 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 my opinion,

- (a) proper accounting records have been kept by the Fund as far as it appeared from examination of those records; and
- (b) the financial statements on pages 5 to 46 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2017 and of its financial performance and its cash flows for the year then ended, partly in accordance with the applicable International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005 as amended.

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 my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), 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

Responsibilities of the Board of Trustees for the Financial Statements of the Fund

The Board of Trustees 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 the Board of Trustees 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 Board of Trustees 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.

Responsibilities of the Auditor General

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 Board of Trustees' internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees;
- concludes on the appropriateness of the Board of Trustees' 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 the Board of Trustees 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 March 2018
Victoria, Seychelles



INDEPENDENT AUDITOR'S REPORT

SEYCHELLES PENSION FUND

Opinion

We have audited the financial statements of Seychelles Pension Fund on pages 5 to 46, which comprise the statement of net assets available for benefits as at 31 December, 2017, the statement of income and expenditure on investments, the fund account statement, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in compliance with International Financial Reporting Standards.

This report is made solely for the Auditor General in accordance with the Seychelles Pension Fund Act, 2005. Our audit work has been undertaken so that we might state to the Auditor General those matters which we are required to state to him in accordance with our contract and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Auditor General for our audit work, for this report or the opinion we have formed.

In our opinion, the accompanying financial statements of Seychelles Pension Fund set out on pages 5 to 46 present fairly, in all material respects, the financial position of the Fund as at 31 December, 2017, and its financial performance and its cash flows for the year then ended partly in accordance with the reporting provision of the Seychelles Pension Fund Act, 2005 and the International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with requirements of the Seychelles Pension Fund Act, 2005, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

SEYCHELLES PENSION FUND

Auditor's Responsibilities for the Audit of the Financial Statements

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

We have no relationship with, or material interest in the Fund or its subsidiary other than in our capacity as auditors and arm's length dealings with the Fund in the ordinary course of business.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements and that these are in accordance with the accounting records maintained by the management. The procedures selected depends on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Pool & Patel
POOL & PATEL
CHARTERED ACCOUNTANTS
19 March 2018



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

BOARD OF TRUSTEES

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

Edwin Palmer- Chairman (From 1st March 2018)	Bernard Adonis (From February 2015)
Patrick Payet-Chairman (From July 2013 to February 2018)	Pamela Charlette (From February 2017 to July 2017)
Patrick Payet (From February 2018)	Alexandra Madeleine (From February 2017 to December 2017)
Lambert Woodcock (From January 2006 to February 2018)	Malika Jivan (From February 2015)
Walter Labrosse (September 2014 to February 2018)	Antoine Robinson (From February 2015)
Suzanne Labrosse (From January 2006 to February 2018)	Brenda Morin (From 1st March 2018)
Antonio Lucas (From August 2010 to February 2018)	Peter Sinon (From 1st March 2018)
Cillia Mangroo (From January 2013)	Elsie Morel (From 1st March 2018)
Elizabeth Agathine (From February 2015 to February 2018)	Cindy Vidot (From 1st March 2018)
Ravi Valmont (From 1st March 2018)	Marie Claire Marie (From July 2017)

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

The Board of Trustees is responsible for the overall management of Seychelles Pension Fund. The Board is also responsible for the proper accounts, books and records to be maintained in relation thereto. In preparing these financial statements, the Board has a general responsibility to:

- ensure that the financial statements are on the going concern basis;
- select suitable accounting policies and then apply them consistently;
- make judgment and estimates that are reasonable and prudent and;
- disclose and explain any material departures from applicable accounting standards.

The Chief Executive Officer of Seychelles Pension Fund 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 Seychelles Pension Fund.


The Board of Trustees and the Chief Executive Officer of Seychelles Pension Fund 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 they have met their aforesaid responsibilities.

AUDITORS


The Auditor General of Seychelles is mandated to carry out the audit of the Seychelles Pension Fund under Section 53(2) of the Seychelles Pension Fund Act, 2005. The audit for the year 2017 has been conducted by Pool and Patel, on behalf of the Auditor General, who will be able to form his opinion based on this report.

TRUSTEES


Patrick Payet


Lambert Woodcock


Elizabeth Agathine


Antoine Robinson


Walter Labrosse

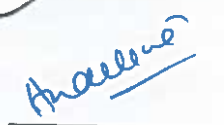

Suzanne Labrosse



Bernard Adonis


Marie Claire Marie


Antonio Lucas


Cillia Mangroo


Alexandra Madeleine


Malika Jivan

SEYCHELLES PENSION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2017

	Notes	2017 SCR	2016 SCR
ASSETS			
Non-current assets			
Property and equipment	6	39,366,251	43,800,068
Investment properties	7	1,396,362,857	1,340,455,559
Deposit on leasehold land	8	43,685,567	44,201,031
Investment in subsidiary	9	44,426,026	6,275,370
Investment in associates	10	215,449,390	198,876,360
Investment in financial assets	11	414,302,950	300,491,429
		<u>2,153,593,041</u>	<u>1,934,099,817</u>
Current assets			
Investment in financial assets	11	384,083,534	566,941,187
Receivables and prepayments	12	80,186,186	68,352,527
Cash and cash equivalents	24	220,146,494	68,053,825
		<u>684,416,214</u>	<u>703,347,540</u>
Total assets		<u>2,838,009,255</u>	<u>2,637,447,357</u>
Current liability			
Other payables	13	<u>16,265,499</u>	<u>16,105,692</u>
Non-current liability			
Retirement benefit obligations	14	<u>4,741,028</u>	<u>3,768,878</u>
Net assets available for benefits	17	<u>2,817,002,728</u>	<u>2,617,572,787</u>
Made up as follows:			
Member's fund	15	1,417,563,303	1,307,939,292
Other fund	16	459,861,543	459,861,543
Reserve funds	18	14,568,591	14,568,591
Other reserves	19	143,830,089	83,128,316
Retained earnings		<u>781,179,202</u>	<u>752,075,044</u>
		<u>2,817,002,728</u>	<u>2,617,572,787</u>

Valuation of net assets against actuarial value of promised retirement benefits

	SCR' BILLIONS
Net Assets Value	2.817
Additional fund required from contribution and investment	3.257
Present value of defined retirement benefit as per (Actuarial Estimates- 2016)	<u>6.074</u>
Vested Benefit (Future payments for current pensioners)	1.817
Non-Vested Benefit (Future pensioners required for a fully funded pension plan as estimated by Actuary in 2016)	4.257
Total Retirement Benefits	<u>6.074</u>
Refer to explanation on note 17 on page 39	

These Financial Statements have been approved for issue by the Board of Trustees on 22nd March 2018.


Patrick Payet
Chairperson


Lekha Nair
Chief Executive Officer

The notes on pages 10 to 46 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
	SCR	SCR	SCR
Income			
<i>Compulsory contributions:</i>			
- by employees		140,104,697	105,795,220
- by employers		115,167,845	105,843,556
<i>Voluntary contributions</i>			
- by employees		10,851,829	8,094,848
- by employers		3,712,007	3,317,356
		<u>269,836,378</u>	<u>223,050,980</u>
Other income			
Interest received by members		61,485,976	54,099,894
Net change in fair value on financial assets		(831,827)	6,841,077
Net surplus for the year from investments		90,637,757	216,832,148
		<u>151,291,907</u>	<u>277,773,119</u>
Total income		<u>421,128,285</u>	<u>500,824,099</u>
Expenditure			
<i>Benefits payments:</i>			
- Normal Retirement		163,582,491	209,516,530
- Death before Normal Retirement		2,550,005	2,196,327
- Permanent Incapacity		34,380,652	37,930,341
- Pre-Migration Retirement		548,873	438,026
- Death after Normal Retirement		8,005	10,188
- Surviving Spouse Pension		9,137,504	7,109,894
- Children Pension		3,513,763	2,714,392
- Post-Retirement Surviving Spouse		6,601,622	5,548,421
- Post-Retirement Children Pension		509,872	485,433
- Early Retirement Benefits		118,839	49,144
- Refunds		292,277	117,459
<i>Less:</i>			
- Prior year adjustments		702,658	-
- Arrears for Social Security Fund Pension		-	(1,051,684)
- Social Security Fund Pension		(248,731)	(107,398,379)
Total expenditure		<u>221,697,829</u>	<u>157,666,092</u>
Surplus for the year - net increase in assets available for benefits		199,430,456	343,158,007
Net assets available for benefits brought forward January 1,		<u>2,617,572,272</u>	<u>2,274,414,264</u>
Balance at December 31,		<u>2,817,002,728</u>	<u>2,617,572,272</u>

The notes on pages 10 to 46 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE ON INVESTMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		SCR	SCR
INCOME			
Interest income	20	47,828,062	46,018,333
Investment income	21	14,149,084	11,870,624
Rental income	7	108,122,984	92,858,203
Surcharges (including for rentals)		3,427,293	620,298
Other income		415,284	87,866
Profit on disposal of property and equipment		64,557	147,485
Profit on sale of investments		-	506,591
Increase in fair value of investment properties	7	6,996,859	55,240,057
Increase in fair value of subsidiaries	9	38,028,081	-
Increase in fair value of associates	10	16,573,030	139,213,452
		235,605,234	346,562,909
EXPENDITURE			
Interest credited to members	22	61,485,976	54,099,894
Administrative expenses	23	39,096,913	38,708,371
Decrease in fair value of financial assets		831,827	-
Investment fees		273,248	-
Impairment loss on trade and other receivables		5,174,077	1,358,394
Events, marketing and publicity		4,024,242	-
Property management expenses	7	30,029,455	28,413,320
Depreciation of property and equipment	6	6,045,524	7,018,224
Amortisation of deposit on lease	8	515,464	515,464
Auditors remuneration		402,500	402,500
Other professional fees		599,321	-
		148,478,548	130,516,167
Surplus before gain on exchange		87,126,687	216,046,742
Gain on exchange differences		2,679,244	785,406
Surplus for the year		89,805,931	216,832,148
Fair value adjustments transferred to other reserves		(60,701,773)	-
Surplus brought forward		752,075,044	535,242,896
Net Surplus carried forward		781,179,202	752,075,044

The notes on pages 10 to 46 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		SCR	SCR
Cash generated from operations			
Net increase in assets available for benefits		199,429,942	343,158,007
Net cash generated from operations		199,429,942	343,158,007
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	6,045,524	7,018,224
Amortisation of deposit on lease	8	515,464	515,464
Profit on disposal of plant and equipment		(64,371)	-
Gain on transfer of property plant and equipment		(342,078)	-
Profit on sale of investments		-	(506,591)
Retirement benefit obligations		972,150	976,621
Effect of foreign exchange in financial assets		(5,481,549)	1,134,103
Fair value gains on investment properties	7	(6,996,859)	(55,240,057)
Fair value gains on subsidiaries	9	(38,150,656)	-
Fair value gains on associates	10	(16,573,030)	-
Net change in fair value on financial assets		831,827	(6,841,077)
Interest receivable	20	(47,828,062)	(46,018,333)
Dividend income	21	(14,149,084)	(11,870,624)
Effect of change in exchange rates		(4,892,891)	(785,406)
		73,316,326	231,540,332
<i>Changes in working capital:</i>			
- (Increase)/Decrease in receivables and prepayments		(11,833,659)	7,424,981
- Increase/(Decrease) in payables and accruals		159,807	(1,203,448)
Net cash inflow from operations		61,642,475	237,761,866
Cash flows from investing activities			
Purchase of property and equipment	6	(1,373,254)	(7,236,538)
Purchase of investment properties	7	(48,910,439)	(88,032,732)
Proceeds from disposal of property and equipment		167,996	323,276
Purchase of financial assets		(407,714,756)	(585,950,167)
Investment in associates adjusted	10	-	(139,213,452)
Proceeds from redemption of financial assets		481,410,610	473,635,495
Interest received	20	47,828,062	46,018,333
Dividend received	21	14,149,084	11,870,624
Net cash outflow from investing activities		85,557,303	(288,585,161)
Net (decrease)/increase in cash and cash equivalents		147,199,778	(50,823,296)
Effect of change in exchange rates		4,892,891	785,406
Cash and cash equivalents at January 1,		68,053,825	118,091,715
Cash and cash equivalents at December 31,	24	220,146,494	68,053,825

The notes on pages 10 to 46 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

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

The last Actuarial Report from Actuary Price Waterhouse Coopers is for the year 2016 and it details significant actuarial assumptions, the actuarial present value of promised retirement benefits and methods used to calculate the present value of Seychelles Pension Fund. The report is available to members upon written request, at the Seychelles Pension Fund's registered office.

Investments of the Seychelles Pension Fund as required by Part VII of the "Seychelles Pension Fund Act, 2005" are disclosed in the notes to the financial statements.

These financial statements will be submitted before the National Assembly and published in the official Gazette in accordance with Section 54 of the Seychelles Pension Fund Act, 2005.

2. Seychelles Pension Funding policy

The overriding principle of the Seychelles Pension Funding policy is that contributions are increased in a steady and phased manner and excess funds invested to yield maximum returns to strengthen the financial position to be able to meet Seychelles Pension Fund's objectives. In other words, funds which are not required for current benefit payments and administration expenses must be invested to provide return to assist in sustaining the Seychelles Pension Fund in the medium to long-term.

3. Valuation of the Seychelles Pension Fund

Under Section 55 of the Seychelles Pension Fund Act 2005, the Board of Trustees is required to make an actuarial evaluation of its assets and liabilities every 3 years. The latest actuarial review report was at December 31, 2016. See details of actuary evaluation in Note 17.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. Changes in the preparation method and accounting policies have been specified in 4(a) Basis of preparation and 4(b) Changes in accounting policy below.

(a) Basis of preparation

The financial statements of Seychelles Pension Fund comply with the "Public Enterprise Monitoring Commission Act, 2013" and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been compiled under the historical cost convention, except as disclosed in the accounting policies below.

In the current year the Board has agreed to adopt the IFRS 10 consolidation exemption with regards to 'investment entities' with a date of initial application of 1 January 2017. The board 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. The Board 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.

SEYCHELLES PENSION SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(a) Basis of preparation (continued)

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

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

- obtains Seychelles Pension Funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest Seychelles Pension 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 Seychelles Pension Fund is to accumulate contributions from both employers and employees and to invest these Seychelles Pension 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.

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

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

In applying the investment entity exemption the following subsidiaries will cease to be consolidated 31 December 2017.

Subsidiary: Opportunity Investment Company Limited

This will also result in a change in accounting policy on investments in subsidiaries effected 1 January 2017, detailed below:

Old policy: Investment at cost
New policy: Investment at fair value

For the details regarding the change in accounting policy of subsidiaries please refer to Note 4(b)B.

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(b) Changes in accounting policy

A. IFRS 9 Financial Instruments

The Seychelles Pension Fund has early adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Seychelles Pension Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Seychelles Pension Fund adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line in the statement of profit or loss and OCI. Previously the Seychelles Pension Fund's approach was to include the impairment of trade receivables in property management expenses. Additionally, the Seychelles Pension Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2017 but generally have not been applied to comparative information.

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Seychelles Pension Fund classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 11.

The adoption of IFRS 9 has not had a significant effect on the Seychelles Pension Fund's accounting policies for financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied as described below.

- Comparative figures have not been restated for retrospective application. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2017. Accordingly, the information presented for 2016 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Seychelles Pension Fund assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Seychelles Pension Fund has early transitioned into IFRS 9, although due to complexities arising from lack of market data and risk analysis, not all elements have been considered fully. To that effect, the Seychelles Pension Fund will be in a better position to implement IFRS 9 fully for the 2018 financial statements after having compiled all necessary data taking into consideration all risks.

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The transition to IFRS 9 had no impact on reserves and retained earnings at 1 January 2017.

(b) Changes in accounting policy (continued)

iv. Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Seychelles Pension Seychelles Pension Fund's financial assets as at 1 January 2017.

<i>In millions of rupees</i>	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Fixed deposits	12	Loans and receivables	Amortised cost	248	248
Treasury bonds	12	Held-to-maturity	Amortised cost	448	448
Equity securities	12	Available-for-sale	Mandatorily at FVTPL	172	172
Trade and other receivables	13	Loans and receivables	Amortised cost	68	68
Cash and cash equivalents	25	Loans and receivables	Amortised cost	68	68
Total financial assets				1004	1004

The Seychelles Pension Fund's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 4(g). The application of these policies resulted in the reclassifications set out in the table above and explained below.

- a. The fixed deposits and treasury bonds categorised as Loans and Receivables and Held-to-Maturity respectively under IAS 39 are held by the Seychelles Pension Fund in a separate portfolio to provide interest income. The Seychelles Pension Fund considers that these instruments are held within a business model whose objective is achieved by holding financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value). The instruments mature in one to seven years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at amortised cost under IFRS 9. No impairment allowance was recognised in opening retained earnings at 1 January 2017 on transition to IFRS 9.
- b. The equity securities represent investments that the Seychelles Pension Fund both intends to hold for long-term dividends and those managed on a fair value basis. The Seychelles Pension Fund has decided to not elect the FVOCI classification option for equity instruments not held for trading, therefore the entire equity portfolio of the Seychelles Pension Fund have been classified as financial assets at FVTPL under IFRS 9.
- c. Trade and other receivables and Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. There was no increase in the allowance for impairment recognised in retained earnings at 1 January 2017 on transition to IFRS 9.

B. Investment in subsidiaries

As a result of the adoption of 'investment entity' exemption as discussed in the Basis for Preparation note, the Seychelles Pension Fund has changed its accounting policy of recognising investments in subsidiaries at cost to fair value method.

The effects on the separate financial statements of this change in accounting policies resulting from cost to fair value has been summarised below.

Subsidiary	<i>Amount in rupees</i>
<i>Opportunity Investment Company Limited</i>	
Carrying amount – cost (1 January 2017)	6,275,370
Increase in investment	122,575
Fair value adjustment (as per accounting policy change)	38,028,081
Carrying amount – fair value (31 December 2017)	44,426,026

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(c) Property and equipment

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 bi-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 the Seychelles Pension Fund 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.

(d) 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 bi-annually by external valuers and subject to yearly reviews by the 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 from property and equipment when they cease to meet the recognition criteria.

(e) Investment in subsidiary

Consolidation

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

Separate financial statements

Subsidiaries are measured and accounted for at fair value in accordance with the requirements of 'investment entities'. Fair value gains or losses on subsidiaries are recognised on a separate line on the income statement under profit or loss.

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(f) Investment in associates

Separate Financial Statements

In the separate financial statements of the investor, investments in associated companies are carried at fair value.

(g) Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Seychelles Pension Fund becomes a party to contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transactions costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2017

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity instrument; or FVTPL.

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

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

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

Financial assets: Business model assessment – Policy applicable from 1 January 2017

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

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- 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 Seychelles Pension Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 January 2017

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Seychelles Pension Fund'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.

Financial assets: Subsequent measurement and gains and losses - Policy applicable from 1 January 2017

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. 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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.

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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.
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(g) Financial instruments (continued)

Financial assets - Policy applicable before 1 January 2017

The Seychelles Pension Fund classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading;
 - derivative hedging instruments; or
 - designated as at FVTPL.

Financial assets: Subsequent measurement and gains and losses - Policy applicable before 1 January 2017

Financial assets at FVTPL	Measured at fair value and changes therein, including and interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

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. 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.

Derecognition

Financial assets

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

Financial liabilities

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

SEYCHELLES PENSION FUND
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(g) Financial instruments (continued)

Offsetting

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

(h) Impairment

Financial instruments and contract assets – Policy applicable from 1 January 2017

Seychelles Pension Fund recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

Seychelles Pension Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Seychelles Pension Fund considers reasonable and supportable information that is relevant and available without undue effort or cost. This includes both quantitative and qualitative information and analysis, based on Seychelles Pension Fund's historical experience and informed credit assessment and including forward-looking information. Seychelles Pension Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Seychelles Pension Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to Seychelles Pension Fund in full, without recourse by Seychelles Pension Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Seychelles Pension Fund considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which Seychelles Pension Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Seychelles Pension Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

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Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Seychelles Pension Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

(h) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Seychelles Pension Fund assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Seychelles Pension Fund on terms that the Seychelles Pension Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

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

Policy applicable before 1 January 2017

Financial assets not classified as at FVTPL, were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Seychelles Pension Fund on terms that the Seychelles Pension Fund would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable date indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below cost.

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(i) Contributions receivable

Contributions receivable are recognized when due. 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.

(j) Benefits payable

Benefits payable are stated at their nominal value.

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

(k) 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. A provision for impairment of trade receivables is established in accordance with Note 4(h).

The carrying amounts of receivables are assumed to approximate their fair values.

(l) 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.

(m) Foreign currencies

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions and from 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 fair value through profit or loss, 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 fair value reserve in equity.

SEYCHELLES PENSION SEYCHELLES PENSION FUND
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(n) 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).

(o) Leases

Leases where a significant portion of risks and rewards of ownership are retained by lessor are classified as operating leases. Lease rental charges are charged to the Income and Expenditure Account on a straight-line-basis over the period of lease. The amount paid at inception by the Seychelles Pension Fund to acquire lease interest on land has been capitalized and accounted as deposit on leasehold land and depreciated over the lease term.

(p) Interest and dividend income

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Seychelles Pension Fund's right to receive payment is established.

The 'effective interest method' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. 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.

(q) Retirement benefit obligations

Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a Seychelles Pension Fund together with investment earnings thereon.

Defined benefit plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.

Actuarial present value of promised retirement benefits is the present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Vested benefits are benefits, the rights to which, under the conditions of a retirement benefit plan, are not conditional on continued employment.

Retirement benefit plans are normally described as either defined contribution plans or defined benefit plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. Such hybrid plans are considered to be defined benefit plans for the purposes of this standard.

Defined benefit plan – Employees of the Seychelles Pension Fund

As per the Employment Act of Seychelles, retirement benefit obligation is only paid to employees retiring after five years of continued service. This type of benefit has characteristic of a jubilee benefit. The entitlement to jubilee benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. In Seychelles, this is conditional on the employee remaining in employment for at least five years.

SEYCHELLES PENSION SEYCHELLES PENSION FUND
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The obligation is calculated using a projected unit credit method, adjusted for a probability that the employee will remain in service up to 5 years. The management computed the obligation and did not utilise any external, independent actuaries. The obligation is calculated, along with unrecognised gains and losses which are recognised in the Income and Expenditure when incurred. Obligations are derecognised upon settlement or curtailment of the obligation.

Retirement benefit plans – The Seychelles Pension Fund

Retirement benefit plans are arrangements whereby an entity provides benefits for employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices.

(q) Retirement benefit obligations (continued)

Retirement benefit plans are normally described as either defined contribution plans or defined benefit plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. Such hybrid plans are considered to be defined benefit plans for the purposes of this Standard

(r) Tax

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

(s) Accruals

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

(t) STANDARDS, AMENDMENT TO PUBLISHED STANDARDS AND INTERPRETATION

(i) Standards, amendments to published standards and interpretations effective in the reporting period

The following amendments to IFRSs became mandatorily effective in the current year. All these amendments to IFRSs generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

**Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
(Effective for annual periods beginning on or after 1 January 2017)**

The IASB issued the amendment to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments apply retrospectively.

These amendments will not have an effect as the Seychelles Pension Fund is exempt from taxation.

**Amendments to IAS 7: Disclosure Initiative
(Effective for annual periods beginning on or after 1 January 2017)**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt.

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The amendment requires entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes (such as foreign exchange gains or losses).

On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

The Seychelles Pension Fund has not liabilities that arise from financing activities, thus this amendment will have no impact on the Seychelles Pension Fund.

(t) STANDARDS, AMENDMENT TO PUBLISHED STANDARDS AND INTERPRETATION (CONTINUED)

(i) Standards, amendments to published standards and interpretations effective in the reporting period (continued)

Amendments to IFRS 12: Annual Improvements to IFRS Standards 2014-2016 Cycle
(Effective for annual periods beginning on or after 1 January 2017)

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. 2014-2016 cycle (issued December 2016)

Following is a summary of the amendments from the 2014-2016 annual improvements cycle.

Standard	Details
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Deletion of short-term exemptions for first-time adopters <ul style="list-style-type: none"> • Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. • The amendment is effective from 1 January 2018.
IAS 28 <i>Investments in Associates and Joint Ventures</i>	Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice <ul style="list-style-type: none"> • The amendments clarify that: <ul style="list-style-type: none"> - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on investment-by-investment basis, to measure its investments in associates or joint ventures at fair value through profit or loss. - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. • The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.
IFRS 12	Clarification of the scope of the disclosure requirements in IFRS 12:

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<i>Disclosure of Interests in Other Entities</i>	<ul style="list-style-type: none"> • The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale. • The amendments are effective from 1 January 2017 and must be applied retrospectively.
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These amendments will have no impact on the Seychelles Pension Fund.

(t) STANDARDS, AMENDMENT TO PUBLISHED STANDARDS AND INTERPRETATION (CONTINUED)

(ii) Standards, amendments to published standards and interpretations issued but not yet effective

IFRS 9 Financial instruments

(Effective for annual periods beginning on or after 1 January 2018)

Classification and measurement of financial assets

The standard state that all financial assets are measured at fair value on initial recognition, adjusted for transaction cost, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases.

The amendment has been early adopted as at 1 January 2017. Refer to Note 4(b)A for the detailed impact of transition to IFRS 9 on the Seychelles Pension Fund.

IFRS 15 Revenue from contracts with customers

(Effective for annual periods beginning on or after 1 January 2018)

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted and must be disclosed.

This standard will have an impact on the financial statements once implemented. Management is still in the process of determining the full impact implementation.

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective

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date:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases – Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(t) STANDARDS, AMENDMENT TO PUBLISHED STANDARDS AND INTERPRETATION (CONTINUED)

(ii) Standards, amendments to published standards and interpretations issued but not yet effective (continued)

Identification of a lease IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

- a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- b) the right to direct the use of that asset.

The Standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lessee accounting IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16. In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

For additional information, please refer to the Deloitte publications IFRS in Focus and IFRS Industry Insights which highlight the practical implications of IFRS 16 to various industries. These publications can be downloaded at <http://www.iasplus.com/en/tag-types/global/newsletters/IFRS-industry-insights>.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

Due to the fact that the Seychelles Pension Fund has a large amount of lease contracts where they act as both lessee and lessor, this standard will have an impact on the financial statements once implemented. Management is in the process of determining the full impact of this standard.

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Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax

(t) STANDARDS, AMENDMENT TO PUBLISHED STANDARDS AND INTERPRETATION (CONTINUED)

(ii) Standards, amendments to published standards and interpretations issued but not yet effective (continued)

authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

(i) the original liability is derecognised;

(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

This standard will have no impact on the Seychelles Pension Fund, as they do not make share based payments.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective for annual periods beginning on or after a date to be determined)

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.

This amendment will have no impact on the Seychelles Pension Fund as is currently structured.

SEYCHELLES PENSION SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2018)

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standards that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

The Seychelles Pension Fund does not issue insurance contracts, therefore this amendment will have no impact on the Seychelles Pension Fund.

(t) STANDARDS, AMENDMENT TO PUBLISHED STANDARDS AND INTERPRETATION (CONTINUED)

(ii) Standards, amendments to published standards and interpretations issued but not yet effective (continued)

Amendments to IAS 40: Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Early application of the amendments is permitted and must be disclosed.

The Seychelles Pension Fund holds a substantial amount of property as investments. The amendment will not have a material impact on the Seychelles Pension Fund.

IFRIC Interpretation 22 Foreign Currency: Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation; or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation will have no effect on the Seychelles Pension Fund since there is no advance consideration in the books of the Seychelles Pension Fund.

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.

Critical accounting estimates and assumptions

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

(a) Classification of financial assets

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

(b) Impairment of financial assets

Seychelles Pension Fund follows the guidance of IFRS 9 ‘expected credit losses’ method to determine whether its financial assets requires impairment. Expected credit losses are calculated by identifying scenarios in which a loan or receivable defaults; estimating the cash shortfall that would be incurred in each scenario if a default were to happen; multiplying that loss by the probability of the default happening; and summing the results of all such possible default events. This process requires significant judgement. In making this judgement, Seychelles Pension Fund 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) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Seychelles Pension Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Seychelles Pension Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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:

31 December 2017 In thousands of rupees	Note	Carrying amount		Fair value				
		Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measure at fair value								
Equity securities	12	168,594	-	168,594	21,724	-	146,870	168,594
Financial assets not measured at fair value								
Fixed deposits	12	-	289,283	289,283				
Treasury bonds	12	-	340,509	340,509				
Cash and cash equivalents	25	-	220,146	220,146				
Trade and other receivables	13	-	85,187	85,187				
		-	935,125	935,125				
31 December 2016								
In thousands of rupees								
Financial assets measure at fair value								
Equity securities	12	166,165	-	166,165	21,563	-	144,602	166,165
Financial assets not measured at fair value								
Fixed deposits	12	-	247,738	247,738				
Treasury bonds	12	-	453,530	453,530				
Cash and cash equivalents	25	-	68,054	68,054				
Trade and other receivables	13	-	68,353	68,353				
		-	837,675	837,675				

SEYCHELLES PENSION FUND
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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Retirement benefit obligation

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

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

(g) Contributions receivable

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. PROPERTY AND EQUIPMENT

(a) December 31, 2017

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total	
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
COST AND VALUATION										
At January 1, 2017	20,984,147	15,793,073	31,083,347	2,948,739	70,809,306					
Additions	-	993,677	379,577	-	1,373,254					
Transfer	19,996,484	48,760	(19,872,028)	-	173,216					
Disposals	-	(543,682)	(121,949)	-	(665,631)					
At December 31, 2017	40,980,631	16,291,828	11,468,947	2,948,739	71,690,145					
<i>Analysed as:</i>										
- Cost	39,260,971	16,291,828	11,468,947	2,948,739	69,970,485					
- Increase in valuation	1,719,660	-	-	-	1,719,660					
	40,980,631	16,291,828	11,468,947	2,948,739	71,690,145					
DEPRECIATION										
At January 1, 2017	13,292,900	6,575,586	5,744,751	1,396,001	27,009,238					
Charge for the year	2,694,806	1,817,389	1,022,164	511,166	6,045,524					
Disposal adjustments	-	(502,967)	(59,225)	-	(562,192)					
Transfer	2,591,718	(165,317)	(2,595,078)	-	(168,676)					
At December 31, 2017	18,579,424	7,724,692	4,112,612	1,907,167	32,323,894					
NET BOOK VALUE										
At December 31, 2017	22,401,207	8,567,137	7,356,335	1,041,573	39,366,251					

(b) The Board is of the opinion that the fair value of property and equipment at 31 December 2017 does not differ materially from their carrying amounts.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. PROPERTY AND EQUIPMENT (CONTINUED)

(c) December 31, 2016

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total	
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
COST AND VALUATION										
At January 1, 2016	18,916,202	13,204,364	29,159,964	2,544,654	63,825,184					
Additions	2,067,945	2,628,641	1,949,757	590,196	7,236,539					
Disposals	-	(39,931)	(26,374)	(186,111)	(252,416)					
At December 31, 2016	20,984,147	15,793,073	31,083,347	2,948,739	70,809,306					
<i>Analysed as:</i>										
- Cost	19,264,489	15,793,073	31,083,346	2,948,739	69,089,648					
- Valuation	1,719,660	-	-	-	1,719,660					
	20,984,149	15,793,073	31,083,346	2,948,739	70,809,308					
DEPRECIATION										
At January 1, 2016	11,893,953	5,054,022	3,703,159	1,050,767	21,701,901					
Charge for the year	1,398,947	1,561,229	2,063,218	531,345	5,554,739					
Disposal adjustments	-	(39,665)	(21,626)	(186,111)	(247,402)					
At December 31, 2016	13,292,900	6,575,586	5,744,751	1,396,001	27,009,238					
NET BOOK VALUE										
At December 31, 2016	7,691,247	9,217,487	25,338,596	1,552,738	43,800,068					

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

	2017		2016	
	SCR	SCR	SCR	SCR
Cost	39,260,971	39,260,971	19,264,489	19,264,489
Accumulated depreciation	(13,636,832)	(13,636,832)	(11,558,693)	(11,558,693)
Net book value	25,624,139	25,624,139	7,705,796	7,705,796

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. PROPERTY AND EQUIPMENT (CONTINUED)

- (c) The land and buildings were valued at December 31, 2016 by independent valuers. The revaluation surplus was credited to revaluation reserve.
- (f) The fair value of land and buildings fall within category 3 of the fair value hierarchy. No changes noted during the year.
- (g) The fair value of freehold land ranged between SR 3,000 to SR 11,000 per square metre for the properties transferred from SSF Investment Fund.

7. INVESTMENT PROPERTIES

(a) Fair value	2017	2016
	SCR	SCR
At January 1,	1,340,455,559	1,197,182,770
Additions	48,910,439	88,032,732
Increase in fair value	6,996,859	55,240,057
At December 31,	1,396,362,857	1,340,455,559

- (b) The value of the investment properties is subject to reviews every two years and the last one was carried out at December 31, 2016 by Gustave Larue, Gerard Renaud and Bryan Felix, independent professionally qualified valuers, on an open-market basis with existing tenancies. Two valuers was taken to value each property and the average was accounted for at the end of the reporting period.
- (c) The fair value of the properties has been valued by external valuers and fall within category level 3 of the fair value hierarchy. The increase in fair value in the current year relates to transfers from property, plant and equipment to investment properties in 2015 not being transferred and revalued correctly.

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

	2017			2016
	Land	Building	Total	Total
Cost	176,774,099	755,237,622	932,011,721	932,011,721
Accumulated depreciation	-	(60,432,713)	(60,432,713)	(45,327,961)
Net book value	176,774,099	694,804,909	871,579,008	886,683,760

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

	2017	2016
	SCR	SCR
Rental income	108,122,984	92,858,203
Direct operating expenses generating rental income	(30,029,455)	(28,413,320)
Profit arising from investment property	78,093,528	64,444,883

- (f) As at 31 December 2017, several Investment properties under construction are carried at cost SCR 131m (2016: SCR 67m) because their fair values could not be reliably measured.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. DEPOSIT ON LEASEHOLD CARAVELLE HOUSE

- (a) Deposit was paid to Mascareignes Properties Limited in 2005 on a long term lease of 97 years. The initial deposit on the lease amounting to SR 50 million is being amortised over the term of lease and the movement is as follows:

	2017	2016
Cost		
As at 1 January	50,000,000	50,000,000
Amortisation		
At 1 January,	5,798,969	5,283,505
- Charge for the year	515,464	515,464
At 31 December	6,314,433	5,798,969
Net Book Value		
At 31 December	43,685,567	44,201,031

9. INVESTMENT IN SUBSIDIARY

Opportunity Investment Company Limited	2017	2016
Balance as at January 1,	6,275,370	6,275,370
Loan capitalised	122,575	-
Fair value adjustment (as per new policy)	38,028,081	-
Balance as at December 31,	44,426,026	6,275,370
Proportionate shareholding	51%	51%

- (a) Details of the Fund's subsidiary, Opportunity Investment Company Limited (OICL), are given below:

	OICL
Class of shares held:	Ordinary
Year end:	31 December
Proportion of ownership interest and voting power held (direct):	51%
Country of incorporation and residence:	Seychelles
Activity:	Investment holding

OICL was incorporated as an investment vehicle solely for the purpose of acquiring shares in SACOS. OICL currently holds 757,477 shares in SACOS which represents an ownership interest of 19.32%.

The fair value of OICL is derivative of 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 exchange was SCR 115.

Total value of SACOS shares in OICL as at 31 December 2017 (757,477 at SCR 115 each):	SCR 87,109,855
Seychelles Pension Fund's 51% portion of the total value	44,426,026

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

As at 31 December 2017, the Fund holds 20.64% in SACOS in total of which 19.32% through OICL and 1.33% directly in SACOS at a total fair value of SCR 47,481,461.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. INVESTMENT IN SUBSIDIARY (CONTINUED)

(b) Summarised financial information in respect of the Fund's subsidiary is set out as below:

(i) Summarised statement of Financial position and statement of profit or loss and other income:

Opportunity Investment Company Limited	2017	2016
	SCR'000	SCR'000
Current assets	5,645	371
Non-current assets	87,110	106,047
Current liabilities	5,301	29
Non-current liabilities	-	-
Revenue	5,302	6,439
Total comprehensive profit or loss for the year	(13,664)	6,404

(ii) Summarised cash flow information:

Opportunity Investment Company Limited	2017	2016
	SCR'000	SCR'000
Operating activities	5,243	6,697
Investment activities	-	(287)
Financing activities	(5,272)	(6,409)
Net change in cash and cash equivalents	(29)	1

10. INVESTMENT IN ASSOCIATES

Seychelles Breweries Limited	2017	2016
	SCR	SCR
Balance as at January 1,	198,876,360	59,662,908
Fair value adjustments	16,573,030	139,213,452
Balance as at December 31,	215,449,390	198,876,360
Proportionate shareholding	26%	26%

Investment in associates are accounted for using the fair value method in accordance with IFRS 9.

Seychelles Breweries has a financial reporting period ending 30 June.

At 31 December 2017, the fair value of the Fund's interest in Seychelles Breweries Limited, which is listed on the Trop-X exchange, was SCR 65 per share (2016: SCR 60) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. INVESTMENT IN ASSOCIATES (CONTINUED)

(b) Details of the Fund's associates at the end of the reporting period:

Name	Seychelles Breweries Limited
Principle Activities	Beverage manufacturing

(i) Summarised statement of Financial position and statement of profit or loss and other income:

	<u>30 June 2017</u>	<u>30 June 2016</u>
	SCR '000	SCR '000
Current assets	171,649	172,740
Non-current assets	259,365	238,781
Current liabilities	121,947	101,887
Non-current liabilities	29,165	35,161
Revenues	335,606	323,109
Profit before tax	28,248	72,476
Other comprehensive income	-	500
Total comprehensive income	18,029	12,200
Proportion of ownership interest and voting rights (Direct)	26%	26%

(ii) Summarised cash flow information:

	<u>30 June 2017</u>	<u>30 June 2016</u>
	SCR '000	SCR '000
Operating activities	6,806	108,838
Investment activities	(47,247)	(83,134)
Financing activities	(12,600)	(37,800)
Net change in cash and cash equivalents	(53,041)	(12,096)

11. INVESTMENT IN FINANCIAL ASSETS

	<u>2017</u>	<u>2016</u>
	SCR	SCR
Non-current investments		
Fixed deposits - Money market	-	64,632,963
Fixed deposits - Amortised cost	115,664,315	-
Treasury bonds - Held-to-maturity	-	77,133,279
Treasury bonds - Amortised cost	142,522,825	-
Equity securities - Available-for-sale	-	158,725,187
Equity securities - mandatorily at fair value through profit or loss	156,115,810	-
	<u>414,302,950</u>	<u>300,491,429</u>
Current investments		
Fixed deposits - Money market	-	183,104,785
Fixed deposits - Amortised cost	173,618,785	-
Treasury bonds - Held-to-maturity	-	370,403,866
Treasury bonds - Amortised cost	197,986,556	-
Equity securities - Available-for-sale	-	13,432,536
Equity securities - mandatorily at fair value through profit or loss	12,478,193	-
	<u>384,083,534</u>	<u>566,941,187</u>

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. INVESTMENT IN FINANCIAL ASSETS (CONTINUED)

- (a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 2% (for USD account) and 4.5% to 8% (on local currency account) per annum (2016: USD 2%, SCR 4.5% to 10%) with maturity dates from 17 February 2018 to 24 April 2025.
- (b) Investments in treasury bonds comprise bonds with interest rates ranging from 4.50% to 7.50% per annum (2016 : 4.50% to 7.50%) and treasury bills from 3.85% to 7.83% per annum (2016 : 5.66% to 7.83%) maturity dates from 18 January 2018 to 31 October 2024.
- (c) Equity securities comprise local securities listed on the Seychelles stock exchange, unquoted foreign securities, an exchange traded fund and a Mauritian equity portfolio. Hierachy of fair value levels is detailed under Note 5 (d).

Due to limited information available for the fair value determination of the unquoted foreign securities, their fair values represent the cost of the equity securities. The details of these instruments are as follows:

	2017	2016
	SCR	SCR
Afreximbank	32,557,830	32,055,195
Alsalam Bank	20,975,220	20,651,400
Trade and Development Bank Class B Shares	93,336,985	91,896,029
	146,870,035	144,602,624

- (d) None of the financial assets are either past due or impaired.
- (c) Investments in financial assets are denominated in the following currencies:

	2017	2016
	SCR	SCR
Seychelles Rupee	583,173,847	676,615,783
Mauritian Rupee	24,520,357	31,704,268
US Dollar	190,692,280	159,112,566
	798,386,484	867,432,617

12. RECEIVABLES AND PREPAYMENTS

	2017	2016
	SCR	SCR
Contributions receivables from members	23,163,015	17,247,016
Amount receivable from the Government of Seychelles	12,361,435	2,843,047
Interest receivable	24,714,198	29,199,886
Rental income receivable	2,249,314	8,511,090
Advance payment on capital projects	660,566	1,309,560
Prepayments	988,825	750,493
Other receivables	16,048,833	8,491,435
	80,186,186	68,352,527

- (a) The carrying amount of trade and other receivables are denominated in Seychelles rupees and approximate their fair
- (b) The contributions receivable from members are contributions for December 2017 due on the 21st day of January
- (c) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement) which the Fund paid to its members on behalf of and refundable by the Government of Seychelles.
- (d) Other receivables comprise of sundry debtors, staff loan and debtors clearing.
- (f) Provision for bad debts have been provided for total debt in excess of historic debtors days.
- (g) The Fund does not hold any collateral as security.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. OTHER PAYABLES

	2017	2016
	SCR	SCR
Rental deposits	9,718,379	9,240,809
Advance on rent	839,456	1,473,621
Accrued expenses	4,077,286	2,710,972
Other payables	54,205	-
Retention payable	1,576,173	2,680,290
	16,265,499	16,105,692

- (a) The carrying amount of other payables are denominated in Seychelles rupees and approximate their fair value.
(b) Other payables are denominated in Seychelles rupees.

14. RETIREMENT BENEFIT OBLIGATIONS

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

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

	2017	2016
	SCR	SCR
Present value of unfunded obligation	4,741,028	3,768,878

- (ii) Amount recognised in the statement of comprehensive income:

	2017	2016
	SCR	SCR
Current service cost	966,587	991,238
Interest cost	48,588	52,151
Settlement loss	(43,025)	(66,769)
Actuarial gains	-	-
	972,150	976,620

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

	2017	2016
	SCR	SCR
At January 01,	3,768,878	2,792,259
Total expenses as above	972,150	976,619
Settlement Cost	-	-
At December 31,	4,741,028	3,768,878

- (iv) The principal actuarial assumptions used were as follows:

	2017	2016
	%/year old	%/year old
Discount rate	6.41	6.41
Future salary increases	8%	8%
Years liability fall due	25	25
% of liability to fall due after 25 years	100%	100%

The figure of 8% used to calculate future salary increases in no way commits the Company to such increase in salary and has been used for calculation purposes only.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. MEMBERS' FUND

Member's fund represents the balance due to members who have contributed to the Seychelles Pension Fund (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;

	2017	2016
	SCR	SCR
Net members fund	1,417,563,303	1,307,939,292
Funds taken from investment returns	578,968,586	415,330,950
Members fund	1,996,531,889	1,723,270,242
Details of members fund are as follows;		
Mandatory contribution	1,432,924,265	1,208,818,886
Voluntary contribution	77,227,975	65,229,018
Interest on mandatory contributions	468,783,277	432,490,476
Interest on voluntary contributions	17,596,372	16,731,862
	1,996,531,889	1,723,270,242

16. OTHER FUNDS

	2017	2016
	SCR	SCR
<i>Movement</i>		
Contributions from Social Security Division (note (a) below)	-	532,099,144
Payments made for Social Security Pension	-	(520,395,209)
	-	11,703,935
<i>Composition of fund</i>		
Net contributions from Social Security carried forward	11,703,935	-
Receipts from National Provident Fund (note (b) below)	71,215,276	71,215,276
SSF Investment Funds transferred to SPF	333,452,765	333,452,765
SPF contribution from Govt (note (c) below)	43,489,567	43,489,567
At 31 December	459,861,543	459,861,543

- (a) Under the new scheme of benefits payable to the members, the Social Security Fund refunds the whole of the social security pension to the Seychelles Pension Fund for payment of Social Security and Benefits to the members eligible for monthly pension.
- (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 Seychelles Pension Fund as required under Section 73(2) of the Seychelles Pension Fund Act, 2005.
- (c) Initial contribution from Government of Seychelles received on the gross salary of members. None were received during the year under review (2017: Nil).

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Valuation of net assets against actuarial value of promised retirement benefits

As per IAS 26, the actuary conducted a comparison of net assets of SCR 2.822b and actuarial value of promised retirement benefit of SCR 6.074b for the period up to 2050. The accrued benefits are separated between vested and non vested benefit. 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 a measure of the value of pension amounts that is accrued to contributing members at valuation date. The salary assumptions used to calculate the present value of non vested benefit is based on current salary assuming a salary increase of 5% per annum, pension indexation of 3% per annum after commencement and a discount rate of 7% per annum. Since Seychelles Pension Fund is only 11 years old and currently immature and has over 35% of its income from investment returns, the difference is immaterial. The Actuary has confirmed that such difference are normal and provided that periodic adjustments are made in contribution rates as per his recommendations, over the next 18 years. Seychelles Pension Fund will be able to meet all benefit obligations. The Actuary has also confirmed the following:

1. Seychelles Pension Fund continues to be in a sound financial position.
2. As at 31st December 2016 the level of SPF's total funds represents 13 times the benefit outgo today.
3. Over the years as Seychelles Pension Fund matures it is expected to become relatively stable especially when the contribution rate would have increased to 10.5% of salaries by the year 2035.

18. RESERVE FUND

	2017	2016
	SCR	SCR
Reserve Fund	14,568,591	14,568,591

The Chief Executive Officer, acting on the advice of the Board of Trustees of Seychelles Pension Fund, has not made any annual transfer since 2006 on the amount set aside which was 30% of the difference between the interest earned by Seychelles Pension Fund 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 reserves if necessary.

19. OTHER RESERVE

	2017			2016	
	Revaluation reserve	Fair value reserve	Other reserves	Total	Total
	SCR	SCR	SCR	SCR	SCR
At January 1,	69,991,572	12,051,945	1,084,799	83,128,316	76,287,240
Net change in fair value of associates and subsidiaries	-	-	54,601,111	54,601,111	-
Net change in fair value of financial assets	6,996,859	(655,969)	(240,228)	6,100,661	6,841,076
At December 31,	76,988,431	11,395,976	55,445,682	143,830,089	83,128,316

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. INTEREST INCOME

	2017	2016
	SCR	SCR
<i>Interest income under the effective interest method on:</i>		
- Fixed deposits - money market	-	20,758,242
- Fixed deposits - at amortised cost	17,318,339	-
- Treasury bonds - held-to-maturity	-	24,856,873
- Treasury bonds - at amortised cost	29,781,986	-
- Equity securities	338,591	158,192
- Bank balances	92,188	23,825
- Staff loans	296,958	221,201
	47,828,062	46,018,333

21. INVESTMENT INCOME

	2017	2016
	SCR	SCR
Dividends on local securities	8,442,891	8,466,108
Dividends on foreign securities	5,706,193	3,404,516
	14,149,084	11,870,624

22. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund at 3.5% for the year ended December 31, 2017, amounted to SR 61m to the Fund (2016: 3.5% - SR 54m). However, only SR 7.4m (2016: SR 6.4m) were actually paid towards retiring members, death gratuities and migration allowance for the year under review. The remaining surplus balance is booked every year in the Members' Fund Account to be used for settlement of future obligations towards existing members.

23. ADMINISTRATIVE EXPENSES

	2017	2016
	SCR	SCR
Salaries, wages and other related expenses	26,642,499	23,705,891
Administration costs	3,703,752	7,487,320
Motor vehicles running expenses	410,704	545,751
Postage, printing and	2,114,901	2,076,705
Telephone	1,099,996	1,303,134
Utilities	696,244	435,382
Repairs and maintenance	1,818,725	1,397,283
Other expenses	2,610,092	1,756,905
	39,096,913	38,708,371

24. CASH AND CASH EQUIVALENTS

	2017	2016
	SCR	SCR
Cash at bank	220,103,521	68,008,844
Cash in hand	42,973	44,981
	220,146,494	68,053,825

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. RELATED PARTY TRANSACTIONS

	2017	2016
	SCR	SCR
<i>Balances owing from related parties:</i>		
<i>Other related parties</i>		
- Government of Seychelles	12,361,435	-
<i>Transactions</i>		
<i>Dividends received:</i>		
- Opportunity Investment Company Limited	2,704,193	3,268,363
- Seychelles Breweries Limited	4,971,909	4,971,909
<i>Rental received:</i>		
- Government of Seychelles	56,278,455	-
<i>Key management personnel</i>		
- Gross salaries	1,747,028	2,265,773
Board of Trustees' remuneration (note 26)	808,488	709,968

- (a) Transactions with related parties are within the normal course of business.
- (b) For the year ended December 31, 2017, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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.

26. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

	2017	2016
	SCR	SCR
P Payet	74,376	58,512
L Woodcock	61,056	50,112
S Labrosse	61,056	50,112
J Esparon	4,176	50,112
W Labrosse	61,056	50,112
A Lucas	61,056	50,112
C Mangroo	61,056	50,112
Pamela Charlette (From February 1, 2017 to July 31, 2017)	25,056	-
Alexandra Madeleine (From February 1, 2017)	56,880	-
Marie-Claire Marie (From August 1, 2017)	30,000	-
Bernard Adonis (from February 1, 2015)	61,056	50,112
Elizabeth Agathine (from February 1, 2015)	61,056	50,112
Antoine Robinson (from February 1, 2015)	61,056	50,112
Basil Hoareau (up to January 31, 2017)	4,176	50,112
Malika Jivan (from February 1, 2015)	61,056	50,112
Secretariat		
Willy Confail (up to January 31, 2017) (Secretary)	4,176	50,112
Maylene Spiro (February 1, 2017 to April 30, 2017) (Secretary)	8,352	-
Audrey Nannon (From June 1, 2017) (Secretary)	35,088	-
Marie-Ange Waye-Hive (January 1, 2017 to April 31, 2017) (Alternate Secretary)	16,704	50,112
	808,488	709,968

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. COMMITMENTS

(a) Capital commitments

	2017	2016
	SCR'000	SCR'000
Approved and contracted for	33,060	13,566
Approved but not contracted for	15,047	443,250
	48,107	456,816

(b) Lease commitments

	2017	2016
	SCR	SCR
Within one year	50,102,539	13,798,863
After one year but not more than 5 years	134,461,529	35,557,551
More than 5 years	6,091,913	976,488
	190,655,980	50,332,902

28. CONTINGENT LIABILITIES

As at 31st December 2017, Seychelles Pension Fund has been undergoing piling works at the ex- Pirates Arms site to enable construction of the new building. During the process, the Central Bank of Seychelles' Annex building has encountered some structural defects. Decision was made jointly with Seychelles Pension Fund, Central Bank of Seychelles and Planning Authority to vacate the Annex so that "shoring" and "under-pinning" is done to the Annex. To note, Central Bank of Seychelles Annex was built on a floating raft foundation over ex-Pirates Arms old foundation and together with the piling works carried out the Annex had some "settlement" issues.

An independent investigation is being carried out by Seychelles Pension Fund to remedy the problem. It is estimated to cost around SCR 3- 5m which will be settled jointly by Central Bank of Seychelles and Seychelles Pension Fund as well as from the insurance cover of the piling contractor.

Seychelles Pension Fund Act 2006 Section (69) states that Seychelles Pension Fund is exempted from stamp duty, business tax, trades tax, goods and service tax and all other taxes, fees, duties on its assets, documents instruments, profits, operations and properties, therefore Seychelles Pension Fund believes that it is also exempted from VAT. Specific exemption of the Seychelles Pension Fund from VAT has not yet been enacted in the VAT Act, but the Seychelles Pension Fund has been advised by the Ministry of Finance that this will be done.

29. EVENTS AFTER REPORTING PERIOD

There is no event subsequent to the date of statement of financial position which may have a material effect on the financial statement as at December 31, 2017.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT

Seychelles Pension Fund's activities expose it to a variety of financial and non-financial risks. A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Investment risk

The various risks directly linked to the investments have been identified as the main threat to Seychelles Pension Fund's activities. Sustained poor performance would lead to insufficient returns to meet members benefit payments which could consequently lead to benefit reduction or increased employer contributions. Traditionally the contributions are fixed according to pre-established rates. In general, therefore, the option to increase contributions is to be considered as a risk measure of last resort and Seychelles Pension Fund prefers a prudent approach to asset management that is likely to generate moderate, regular returns. The primary control measure is the regular appraisal of Seychelles Pension Fund's assets and investment strategy by the Board of Trustee upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risk can be justified:

(i) Interest rate risk

The risk that falling interest rates will reduce investment income on the assets, or that rising interest rates will increase debt servicing costs or lead to falling values of fixed income instruments.

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

Several specific risk measures may be cited:

- Seychelles Pension Fund's primary interest rate risk relates to interest-bearing investments. The information on maturity dates and effective interest rates of financial assets are disclosed under Note 11.
- Seychelles Pension Fund does not generally borrow, so the cost of borrowing is nil and unaffected by rate rises.
- The loan portfolio is composed mainly of loans at "fixed" rates; although these rates are adjusted where the spread between Seychelles Pension Fund's rates and bank rates becomes too significant, there is a certain inertia that tends to protect Seychelles Pension Fund from sudden or temporary falls. Additionally, penalties apply on early repayments to discourage clients from switching loan provider.

Sensitivity analysis

If interest rates have been 100 basis points higher/lower and all other variables were kept constant, Seychelles Pension Fund's surplus for the year ended December 31, 2017 would be impacted as follows:

	Amortised Cost Financial Assets	
	2017	2016
	SR'000	SR'000
Impact on surplus for the year (+/- 100 basis points)	5,354	3,650

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

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Seychelles Pension Fund is exposed to equity securities price risk because of investments held by Seychelles Pension Fund 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 Seychelles Pension Fund's fair value of financial assets. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

Liquidity Risk	Financial assets at FVTPL	
	2017 SR'000	2016 SR'000
Impact of change in fair value of 5%	8,308	8,608

(i) Liquidity risk

The risk that cash flow requirements will force Seychelles Pension Fund 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).

Seychelles Pension Fund 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 Seychelles Pension Fund to take appropriate actions.

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

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

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

(ii) Credit risk

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

The risk is minimized by the fact that contributions or a possible default by a tenant.

The risk is minimised by the fact that contribution to Seychelles Pension Fund by active workers are mandatory and contributions are deducted directly from employees' salaries and remitted to Seychelles Pension Fund. There is no history of material bad debts. Seychelles Pension Fund has established procedures to ensure that rental agreements are made with tenants with an appropriate credit history and therefore risks of bad debts is considered to be low.

(iii) Currency risk

Seychelles Pension Fund's activities are not exposed to currency risk. However, Seychelles Pension Fund requires foreign exchange for developing its investment policies 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.

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30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) 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 assessment prior to appointment, and to regular appraisal thereafter,
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records,
- Seychelles Pension Fund seeks independent professional advice on overseas fund managers
- There is presently only one fund manager with whom Seychelles Pension Fund has entrusted with investing in Mauritian market,
- Seychelles Pension Fund manager provides regular reports to Seychelles Pension Fund 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 Seychelles Pension Fund's financial position. Two examples of such risk are apparent:

(i) 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 Seychelles Pension Fund 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 fund would provide the necessary liquidity to counter the cash flow need.

(ii) Inflation risk

Whilst the Central Bank does pursue of 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 be necessarily be a problem for Seychelles Pension Fund if it was accompanied by compensatory increase in one could not necessarily always count on the alignment of inflation and yields.

Seychelles Pension Fund protects itself in the following ways:

- Real assets (shares, 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, Seychelles Pension Fund demands a significant yield compensation for inflation risk on long term instruments.

(c) Operational risk

The risk that Seychelles Pension Fund may incur financial losses due to negligence or fraud.

Operational risk is, however, remote since the company'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.

There is also an internal audit department who assesses the existing situation and reinforce any shortfalls that could come across.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Legal risk

The risk that Seychelles Pension Fund commits an act that is subsequently deemed illegal and would be subject to penalty.

This risk is somewhat limited since Seychelles Pension Fund is governed principally under a single, clear piece of legislation: The "Seychelles Pension Act, 2005". All the activities of Seychelles Pension Fund are regulated by the Act, and Seychelles Pension Fund are regulated by the Trustees is accountable to the Minister of Finance and the National Assembly.

(e) Disaster recovery risk

The risk that a disaster wipes out Seychelles Pension Fund'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 an IT Officer adds to the security of the back-ups of electronic information.

As to the risk to Seychelles Pension Fund 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 Seychelles Pension Fund.

(f) Reputational risk

The risk that some act of Seychelles Pension Fund be badly perceived by the public, thus damaging Seychelles Pension Fund's capacity to operate.

It is to be hoped that Seychelles Pension Fund's corporate governance framework will protect it from this risk. Although reputation is a fragile quality, Seychelles Pension Fund has established a sound reputation, and has promoted transparency in its dealings with members, notably via the dissemination of explanatory literature and through the clarity and completeness of its annual report and financial statements.

Seychelles Pension Fund 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.)