

SEYCHELLES PENSION FUND
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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 the Auditors report and the audited Financial Statements for the year ended December 31, 2018. 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 In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 under which the scheme became a statute body and was renamed as Seychelles Pension Fund.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 pensioners and their 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	2018	Re stated
	SCR	2017
Surplus brought forward	-	89,805,931
Restatement for salary	-	(1,411,169)
Amortisation of deferred Government Grant (restatement)	-	108,680
Surplus for the year	147,949,600	88,503,442
Fair values adjustments transferred to other reserves	-	(60,701,773)
Prior year adjustment on value on investment properties acquired from Government (restatement)	-	(80,379,644)
Retained surplus brought forward	699,497,068	752,075,044
Retained surplus carried forward	847,446,668	699,497,069

INTEREST ON MEMBERS' FUND

Interest rate for the period 01.01.2018 to 30.09.2018 was 2.5%. As at 01.10.2018, new interest rates of 4.81% and 5.99% for mandatory and voluntary contributions respectively were approved as per a new policy for interest credited to members. This took effect from 01.10.2018 after the approval of the Minister of Finance as per the Act. The rates are based on 12 month average 91 days and 365 days Treasury Bills rate respectively for the previous year end 2017, as published by Central Bank Of Seychelles. (2017: 3.5%).

PLANT AND EQUIPMENT

Seychelles Pension Fund acquired property and equipment amounting to SCR 2.5 m during the year, comprising of furniture, fittings and motor vehicle (2017: SCR 1.4m).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2018 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 amount in properties for rental and capital appreciation purposes. As at December 31, 2018, these totaled SCR 1.44b (2017: SCR1.39b). During the year, additions amounted to SCR 35.4m (2017: SCR 49m). The net fair value increase on investment properties as at December 31, 2018 amounts to SCR 8.7m (2017: nil).

**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:

Jacquelin Dugasse- Chairman (From 18th September 2018)
Edwin Palmer-Chairman (From 1st March 2018- 17th September 2018)
Patrick Payet-Chairman (From July 2013 to February 2018)
Patrick Payet (From February 2018)
Lambert Woodcock (From January 2006 to February 2018)
Walter Labrosse (September 2014 to February 2018)
Suzanne Labrosse (From January 2006 to February 2018)
Antonio Lucas (From August 2010 to February 2018)
Elizabeth Agathine (From February 2015 to February 2018)
Alexandra Madeleine (From February 2017 to February 2018)
Marie-Claire Marie (From August 2017)

Malika Jivan (From February 2015)
Antoine Robinson (From February 2015)
Brenda Morin (From 1st March 2018)
Peter Sinon (From 1st March 2018)
Elsie Morel (From 1st March 2018)
Cindy Vidot (From 1st March 2018)
Bernard Adonis (From February 2015)
Ravi Valmont (From 1st March 2018)
Cillia Mangroo (From January 2015)

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

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

- ensure that the financial statements are on the going concern basis unless it is inappropriate to assume continuance of the Fund;
- 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 and the Chief Executive Officer also have the general responsibility for taking reasonable steps to safeguard the assets of SPF and detect fraud and other irregularities.

The Board and the Chief Executive Officer consider 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. They have outsourced the services to Pool and Patel for the year 2018.

TRUSTEES


Jacquelin Dugasse


Marie-Claire Marie


Cindy Vidot


Patrick Payet


Peter Sinon



Cillia Mangroo



Ravi Valmont


Bernard Adonis


Brenda Morin


Antoine Robinson


Elsie Morel


Malika Jivan

Date: 21 03 2019



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Please address all correspondence to the Auditor General

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 7 to 45, which comprise of the statement of assets available for benefits as at 31 December 2018, the statement of income and expenditure of members' account, statement of income and expenditure on investments, 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 7 to 45 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2018 and of its financial performance and its cash flows for the year then ended, 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

22 March 2019
Victoria, Seychelles



INDEPENDENT AUDITOR'S REPORT SEYCHELLES PENSION FUND

Opinion

We have audited the financial statements of Seychelles Pension Fund on pages 7 to 45, which comprise the statement of net assets available for benefits as at 31 December, 2018, 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 7 to 45 present fairly, in all material respects, the financial position of the Fund as at 31 December, 2018, 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)

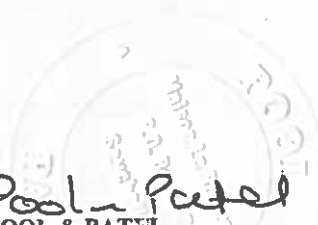
SEYCHELLES PENSION FUND

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
21.03.19

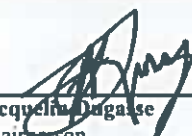
SEYCHELLES PENSION FUND
STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - 31ST DECEMBER 2018

	Notes	2018	Re stated 2017
		SCR	SCR
ASSETS			
Non-current assets			
Property and equipment	6	35,753,062	39,366,251
Investment properties	7	1,441,036,578	1,396,362,857
Deposit on leasehold land	8	43,170,103	43,685,567
Investment in subsidiary	9	44,426,026	44,426,026
Investment in associates- Seybrew	10	258,539,268	215,449,390
Investment in associates- Al Salam Bank	10	21,836,581	20,975,220
Investment in financial assets	11	367,835,607	393,327,730
Loan to PMC	13	123,970,625	-
		2,336,567,850	2,153,593,041
Current assets			
Investment in financial assets	11	573,231,988	384,083,534
Receivables and prepayments	12	81,080,344	80,186,186
Loan to PMC	13	14,786,813	-
Cash and cash equivalents	26	97,597,640	220,146,494
		766,696,785	684,416,214
Total assets		3,103,264,635	2,838,009,255
Current liability			
Other payables	14	21,685,241	17,676,668
Non-current liability			
Retirement benefit obligations	15	6,231,559	4,741,028
Deferred Government Grant	16	6,744,074	6,852,754
Net assets available for benefits	19	3,068,603,761	2,808,738,805
Made up as follows:			
Member's fund	17	1,521,918,474	1,417,563,303
Other fund	18	533,279,754	533,279,754
Reserve funds	20	14,568,591	14,568,591
Other reserves	21	151,390,274	143,830,089
Retained earnings		847,446,668	699,497,068
		3,068,603,761	2,808,738,805

Valuation of net assets against actuarial value of promised retirement benefits

	SCR' BILLIONS
Net Assets Value	3.068
Additional fund required from contribution received/investment	3.006
Present value of defined retirement benefit (Actuarial Estimates)	6.074
Vested Benefit	1.817
Non-Vested Benefit	4.257
Total Retirement Benefits	6.074
Refer to explanation on note 17 on page 41	

These Financial Statements have been approved for issue by the Board of Trustees on 21st March 2019


Jacquelin Daga-se
Chairperson


Lekha Nair
Chief Executive Officer

The notes on pages 11 to 45 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE OF MEMBERS ACCOUNT - YEAR ENDED 31ST DECEMBER 2018

	Notes	2018	Re stated 2017
		SCR	SCR
Compulsory contributions:			
- by employees		184,690,529	140,104,697
- by employers		147,694,145	115,167,845
Voluntary contributions			
- by employees		14,254,039	10,851,829
- by employers		4,167,743	3,712,007
		350,806,456	269,836,378
Other income			
Interest received by members	24	38,405,594	61,485,977
Net change in fair value on financial assets		(1,507,759)	(831,827)
Net surplus for the year from investments		149,457,359	89,335,268
		186,355,194	149,989,418
Total income		537,161,650	419,825,796
Expenditure			
- Normal Retirement		216,476,494	163,582,491
- Death before Normal Retirement		1,460,202	2,550,005
- Permanent Incapacity		38,995,942	34,380,652
- Pre-Migration Retirement		1,119,454	548,873
- Death after Normal Retirement		16,815	8,005
- Surviving Spouse Pension		9,645,674	9,137,504
- Children Pension		3,768,460	3,513,763
- Post-Retirement Surviving Spouse		7,791,920	6,601,621
- Post-Retirement Children Pension		627,631	509,872
- Early Retirement Benefits		-	118,839
- Voluntary retirement lump sum		4,780,481	-
- Refund		330,475	292,277
<i>Less:</i>			
- Adjustments (reconciling)		547,068	702,658
- Social Security Fund Pension from ASP		-	(248,731)
Total Expenditure		285,560,616	221,697,829
Excess contribution over benefits paid		65,245,840	48,138,549
Adjustment: Prior year deferred lease	15	6,852,754	6,961,434
Adjustment- Salaries and amortisation (restated)	25	1,411,169	-
Overall surplus for the year- net increase in assets available for benefits		259,864,957	191,166,533
Balance at January 1,		2,808,738,805	2,617,572,272
Balance as at December 31,		3,068,603,761	2,808,738,805

The notes on pages 11 to 45 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE ON INVESTMENTS - YEAR ENDED 31ST DECEMBER 2018

	Notes	2018	Re stated 2017
		SCR	SCR
INCOME			
Interest income	22	44,101,740	47,828,062
Investment/ Dividend income	23	14,043,439	14,149,084
Rental income	7e	114,510,673	108,122,984
Surcharges		1,225,160	3,427,293
Other income		-	415,284
Profit on disposal of property and equipment		-	64,557
Decrease in provision for bad debts	12	1,041,128	-
Increase in fair value of unquoted equities	11	54,600,012	-
Increase in fair value of investment properties	7a	8,681,320	6,996,859
Increase in fair value of PPE	6	213,789	-
Increase in fair value of subsidiaries	9	-	38,028,081
Increase in fair value of associates	10	43,546,779	16,573,030
Amortisation of deferred Government Grant	16	108,680	108,680
		282,072,718	235,713,914
EXPENDITURE			
Interest credited to members	24	38,405,594	61,485,976
Administrative expenses	25	44,466,598	40,508,082
Decrease in fair value of quoted equities	11	1,507,759	-
Decrease in fair value of financial assets		-	831,827
Investment fees		347,554	273,248
Increase in provision for bad debts	12	-	5,174,077
Events and marketing		3,095,316	4,024,243
Property management expenses	7e	37,068,039	30,029,455
Depreciation of property and equipment	6	6,143,447	6,045,524
Amortisation of deposit on lease	8	515,464	515,464
Loss on disposal of Property, Plant and Equipment		154,930	-
Auditors remuneration		460,000	402,500
Other professional fees		1,195,595	599,321
		133,360,296	149,889,717
Gross Surplus		148,712,422	85,824,197
(Loss)/Gain on exchange differences		(762,822)	2,679,244
Surplus for the year		147,949,600	88,503,441
Fair value adjustments transferred to other reserves		-	(60,701,773)
Surplus brought forward as previously reported		699,497,068	752,075,044
Prior year adjustment (restatement)	29	-	(80,379,644)
Restated Surplus carried forward		847,446,668	699,497,068

The notes on pages 11 to 45 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
STATEMENTS OF CASH FLOWS - YEAR ENDED 31ST DECEMBER 2018

	Notes	2018	Re stated 2017
		SCR	SCR
Cash generated from operations			
Net increase in assets available for benefits		259,864,957	191,166,533
Net cash generated from operations		259,864,957	191,166,533
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	6,143,447	6,045,524
Amortisation of deposit on lease	8	515,464	515,464
Amortisation on deferred Government Grant	16	(108,680)	(108,680)
(Profit)/loss on disposal of plant and equipment		154,930	(64,371)
Gain on transfer of property plant and equipment		-	(342,078)
Rent surcharge written off		(1,647,613)	-
Retirement benefit obligations	15	1,490,531	972,150
Effect of foreign exchange in financial assets		5,918,219	(5,482,063)
Provision for bad debts	12	(1,041,128)	-
Fair value gains on investment properties	7	(8,681,320)	(6,996,859)
Fair value gains on PPE	6	(213,789)	-
Fair value gain on quoted equities		(54,600,012)	-
Fair value gain on unquoted equities		1,507,759	-
Fair value gains on subsidiaries	9	-	(38,150,656)
Fair value gains on associates	10	(43,546,779)	(16,573,030)
Net change in fair value on financial assets		-	831,827
Interest receivable	22	(44,101,740)	(47,828,062)
Dividend income	23	(14,043,439)	(14,149,084)
Effect of change in exchange rates		3,121,421	(4,892,891)
		110,732,229	64,943,724
<i>Changes in working capital:</i>			
- Decrease/(Increase) in receivables and prepayments		(894,158)	(11,833,659)
- (Decrease)/Increase in payables and accruals		4,008,573	1,570,976
Net cash inflow from operations		113,846,644	54,681,041
Cash flows from investing activities			
Purchase of property and equipment	6	(2,477,401)	(1,373,254)
Purchase of investment properties	7	(35,449,996)	(48,910,439)
Deferred Government Grant	16	(6,961,434)	6,961,434
Proceeds from disposal of property and equipment		-	167,996
Loan to PMC	13	(150,000,000)	-
Purchase of financial assets		(574,130,704)	(407,714,756)
Proceeds from redemption of financial assets		471,357,438	481,410,610
Interest received	22	44,101,740	47,828,062
Dividend received	23	14,043,439	14,149,084
Net cash outflow from investing activities		(239,516,918)	92,518,737
Net (decrease)/increase in cash and cash equivalents		(125,670,274)	147,199,778
Effect of change in exchange rates		3,121,421	4,892,891
Cash and cash equivalents at January 1,		220,146,494	68,053,825
Cash and cash equivalents at December 31,	26	97,597,640	220,146,494

The notes on pages 11 to 45 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General Information

Seychelles Pension Fund was established by the "Seychelles Pension Act, 2005". 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 and projections as well as, the actuarial present value of promised retirement benefits and the present value of Seychelles Pension Fund. The next Actuarial valuation is due in 2019.

Investments of the 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 laid before the National Assembly and published in the Official Gazette in accordance with Section 55 of the Seychelles Pension Fund Act, 2005.

2. Funding policy

The overriding principle of the Seychelles Pension Funding policy is that contributions are increased in a steady and phased manner as recommended by Seychelles Pension Fund's Actuary by Seychelles Pension Fund and excess funds invested to yield maximum returns on the assets matching Seychelles Pension Fund's liabilities. In other words, funds which are not required for current benefit payments and administration expenses are invested to provide returns to assist in sustaining the Seychelles Pension Fund in the medium to long-term. As at 31.12.2018, Seychelles Pension Fund had 67% of its members below the age of 45 which means that Seychelles Pension Fund can invest 67% of its funds as it only needs to meet the long term liabilities of these members after 15 years.

3. Valuation of 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 19.

(i) Type of pension system

Seychelles Pension Fund operates a pay-as-you-go, a solidarity between generations, what the generation of today pays for retirees of today and children will pay for tomorrow's retirees.

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 been prepared under the historical cost concept, except as disclosed in the accounting policies below.

Seychelles Pension Fund adopted the IFRS 10 consolidation exemption with regards to 'investment entities' with a date of initial application of 1 January 2017. Seychelles Pension Fund 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. Seychelles Pension Fund further noted that preparing consolidated financial statements for such entities could hinder users' ability to assess their financial position and results; this is because consolidated financial statements emphasise the financial position, operations and cash flow of their investees, rather than those of the entities themselves.

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

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

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

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

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

In applying the investment entity exemption, the following subsidiary will cease to be consolidated from 31 December 2018.

Subsidiary: Opportunity Investment Company Limited

(b) Changes in significant accounting policies

The Company has initially applied IFRS 15 from 1 January 2018. However there was no significant impact on Financial Statements on adoption. Due to the transition methods chosen by Seychelles Pension Fund in applying these standards and immateriality of the implication, comparative information throughout these Financial Statements has not been restated to reflect the impact of the new standards on adoption.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of IFRS 15 did not have any significant effect on the Seychelles Pension Fund 's Financial Statements.

(c) IFRS 9- Financial Instruments

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

i. Classification of financial assets and financial liabilities

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.

Financial Assets: Classification, subsequent measurement and gains and losses

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 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, 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, 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

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 de-recognition are not considered sales for this purpose, consistent with 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

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, 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, 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 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

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.
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.

The application of these policies are explained below.

- a. The fixed deposits and treasury bonds are held by Seychelles Pension Fund in a separate portfolio to provide interest income. 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.
- b. The equity securities represent investments that Seychelles Pension Fund both intends to hold for long-term dividends and those managed on a fair value basis. 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 Seychelles Pension Fund have been classified as financial assets at FVTPL under IFRS 9.
- c. Trade and other receivables and Cash and cash equivalents are classified at amortised cost under IFRS 9.

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.

ii. 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 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.

iii. Derecognition

Financial assets

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 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

Seychelles Pension Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

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

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iv. 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.

v. 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.

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 action such as realising security (if any is held); or deposit withheld 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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The company uses an internally developed model for the measurement of ECL. However, this will not carry any significant effect on the Company's Financial Statements

Credit-impaired financial assets

At each reporting date, 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 Seychelles Pension Fund on terms that 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 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 Seychelles Pension Fund's procedures for recovery of amounts due.

(d) 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 every two year 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 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;

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	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 every two years 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 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.

(f) Investment in associates

Separate Financial Statements

In the separate financial statements of the investor, Seychelles Pension Fund elected to measure investments in associates at fair value through profit or loss in accordance with IFRS 9 with the exemption taken from applying the equity method based on IAS 28.

(i) Contributions receivable

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

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

(j) Benefits payable

Benefits payable are stated at their nominal value.

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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 C (v).

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 Seychelles Pension Fund are presented in Seychelles Rupee, which is 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.

(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 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 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 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. Seychelles Pension Fund operates a Defined Benefit Plan.

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. This means a vested member meets the criteria of 10 years continuous contribution or 20 years aggregate for a pension. However the criteria is prior to retirement to retirement for 10 years.

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 Seychelles Pension Fund

As per the Employment Act of Seychelles, compensation obligation is only paid to employees leaving after five years of continued service. The entitlement is usually conditional on the employee remaining in service up to existing and the completion of a minimum service period. In Seychelles, this is conditional on the employee remaining in employment for at least five years.

The obligation 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.

(r) Tax

In accordance with paragraph 69 of the Seychelles Pension Act, 2005, 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 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, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATION

(i) Standards, amendments to published standards and interpretations effective from 1 January 2017

The following amendments to IFRSs became mandatorily effective from 1 January 2017. 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 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.

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.

Seychelles Pension Fund has no liabilities that arise from financing activities, thus this amendment will have no impact on Seychelles Pension Fund.

**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.

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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 <i>Disclosure of Interests in Other Entities</i>	Clarification of the scope of the disclosure requirements in IFRS 12: <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.

These amendments will have no impact on Seychelles Pension Fund.

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

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 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.

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:

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- 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 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.

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

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 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.

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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 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 Seychelles Pension Fund as is currently structured.

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.

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

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.

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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.

Seychelles Pension Fund holds a substantial amount of property as investments. The amendment will not have a material impact on 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 Seychelles Pension Fund since there is no advance consideration in the books of 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.

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(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) Retirement benefit obligation

The cost of compensation has been determined using the method as per the Seychelles Employment Act and have been estimated which will not be materially different had it been computed by an external Actuary.

(e) 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.

(f) 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.

(g) 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.

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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 2018 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	11	239,017	-	239,017	12,313	-	226,704	239,017
Financial assets not measured at fair value								
Fixed deposits	11	-	356,842	356,842	-	-	-	356,842
Treasury bonds	11	-	345,208	345,208	-	-	-	345,208
Cash and cash equivalents	26	-	97,598	97,598	-	-	-	97,598
Trade and other receivables	13	-	85,662	85,662	-	-	-	85,662
			885,310	885,310				885,310
31 December 2017								
In thousands of rupees								
Financial assets measure at fair value								
Equity securities	12	147,619	-	147,619	12,478	-	135,141	147,619
Financial assets not measured at fair value								
Fixed deposits	12	-	289,283	289,283	-	-	-	289,283
Treasury bonds	12	-	340,509	340,509	-	-	-	340,509
Cash and cash equivalents	26	-	220,146	220,146	-	-	-	220,146
Trade and other receivables	13	-	85,187	85,187	-	-	-	85,187
			935,125	935,125				935,125

SEYCHELLES PENSION FUND
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5. FINANCIAL RISK MANAGEMENT

Seychelles Pension Fund's activities expose it to a variety of financial and non-financial risks. In 2018, a Risk Register was compiled by Seychelles Pension Fund to record and measure all risks. A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Investment risk

There are some directly linked to the investments of Seychelles Pension Fund. Sustained poor performance would lead to insufficient returns that are currently topping up the surplus of excess contribution over pension payments. 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 Trustees 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 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 borrow, so the cost of borrowing is nil and unaffected by rate rises.
- There is a loan portfolio of loans to PMC at "fixed" rates. Although these rates are adjusted where the spread between 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.

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, 2018 would be impacted as follows:

	Amortised Cost Financial Assets	
	2018	2017
	SR'000	SR'000
Impact on surplus for the year (+/- 100 basis points)	7,021	6,298

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 less.

SEYCHELLES PENSION FUND
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5. 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	
	2018 SR'000	2017 SR'000
Impact of change in fair value of 5%	11,951	7,381

(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 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 from contributions. Seychelles Pension Fund has established procedures to ensure that rental agreements are made with tenants with an appropriate credit history and though a newly introduced standing order "monthly rent payments 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 overseas investment which are met through requests with financial institutions.

Only a small percentage of the portfolio is invested overseas mainly in listed foreign market and recently a foreign bank.

5. 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 in-house assessment and due diligence from re known, independent external experts prior to appointment, and to regular appraisal thereafter,
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records,
- 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 monthly 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.
- For pension there is a capping of 5% inflation.

(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 that is given a monthly report.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

There is also an internal audit department who assesses the existing situation and reinforce any shortfalls that could come across. A risk department and a Quality Assurance Analyst also does thorough "audits" to ensure that there are no malpractices and fraud.

(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 PEMC and is also accountable to the Minister of Finance. Annual report of Seychelles Pension Fund are also submitted to 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. All records of members have also been digitalised. IT Section also undertakes a vigorous audit of its IT System, practices and users every 2 years by an independent external IT auditor from Mauritius.

As to the risk to 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 certain activities of Seychelles Pension Fund be badly perceived by the public, thus damaging Seychelles Pension Fund's capacity to operate.

Seychelles Pension Fund's policy of transparency and open communication together with corporate governance framework will protect it from this risk. Although reputation is a fragile quality, Seychelles Pension Fund has established a sound and credible reputation. Seychelles Pension Fund has always promoted transparency especially with members, notably via dissemination of information and explanatory literature. Its very detailed annual report and financial statements each year also promotes clarity and full comprehensive details of all Seychelles Pension Fund's activities for the year. Website and other social media platforms are also well used as regular communication and information channels to all Seychelles Pension Fund stakeholders, especially its members.

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.) An annual General Meeting started in 2017 will also help in addressing such risk.

(g) Anti-Money Laundering Act and prevention of Terrorism Act

Seychelles Pension Fund complies fully with Financial Institutions Act, Anti-Money Laundering Act, 2006 and Prevention of Terrorism Act, 2004. Seychelles Pension Fund observes all requirements and policies to ensure that there is no money laundering and terrorist financing sources of funds. Seychelles Pension Fund's main two sources of funds come via the banking system through contributions from employers and employees mostly via Company bank

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accounts or personal bank accounts with minimal cash. The other source of funds are from investment returns all from banking system. All banks are supervised by Central Bank of Seychelles and have stringent Anti- Money Laundering systems in place. Other mechanisms that Seychelles Pension Fund observes are;

- Employee training in AML.
- Independent audits
- Policies and procedures to detect and report suspicious transactions and ensure compliance with the laws.
- Timely Communications with regulators.

There were no non-compliances cases concerning to AML and Terrorist Financing. This is because Seychelles Pension Fund does not receive any income in foreign currency outside Seychelles other than return from Seychelles Pension Fund investments which are all bank transactions.

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6. PROPERTY AND EQUIPMENT

(a) December 31, 2018

	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, 2018	40,980,631	16,291,828	11,468,947	2,948,739	71,690,145					
Additions	-	2,218,022	259,378	-	2,477,401					
Revaluation	213,789	-	-	-	213,789					
Disposals	-	(841,235)	(659,653)	-	(1,500,888)					
At December 31, 2018	41,194,420	17,668,616	11,068,672	2,948,739	72,880,447					
<i>Analysed as:</i>										
- Cost	39,260,971	17,668,616	11,068,672	2,948,739	70,946,998					
- Valuation	1,933,449	-	-	-	1,933,449					
	41,194,420	17,668,616	11,068,672	2,948,739	72,880,447					
DEPRECIATION										
At January 1, 2018	18,579,424	7,724,691	4,112,612	1,907,167	32,323,894					
Charge for the year	2,709,058	2,011,478	983,704	439,211	6,143,447					
Disposal adjustments	-	(749,499)	(590,459)	-	(1,339,958)					
At December 31, 2018	21,288,482	8,986,670	4,505,857	2,346,378	37,127,383					
NET BOOK VALUE										
At December 31, 2018	19,905,938	8,681,946	6,562,816	602,361	35,753,062					

(b) The Board is of the opinion that the fair value of property and equipment at 31 December 2018 does not differ materially from their carrying amounts.

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NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

6. PROPERTY AND EQUIPMENT (CONT'D)

(c) December 31, 2017

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total	
	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	
- Valuation	1,719,660		-		-		-		1,719,660	
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		7,724,691		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		1,041,572		39,366,251	

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

	2018	2017
Cost	SCR	SCR
Accumulated depreciation	39,260,971	39,260,971
Net book value	(16,254,230)	(13,636,832)
	23,006,741	25,624,139

6. PROPERTY AND EQUIPMENT (CONTINUED)

- (e) The land and buildings were valued at December 31, 2018 by an independent valuer. The value of the land and buildings is subject to reviews every two years and the last one was carried out December 31, 2018.
- (f) The fair value of land and buildings fall within category 3 of the fair value hierarchy. No changes noted during the year.

7. INVESTMENT PROPERTIES

(a) Fair value	2018	2017
	SCR	SCR
At January 1,	1,396,362,857	1,340,455,559
Additions	35,449,996	48,910,439
Revaluation on investment properties	8,681,320	6,996,859
Adjustment	542,406	-
At December 31,	1,441,036,578	1,396,362,857

- (b) The value of the investment properties are subject to reviews every two years and the last one was carried out at December 31, 2018 by an independent professionally qualified valuer, on an open-market basis with existing tenancies based on income method approved by the Board. A Valuation Committee has been set up to review the value of the investment properties on an annual basis. The Valuation Committee is chaired by a qualified Quantity Surveyor. A valuation of properties policy has also been introduced.

- (c) The fair value of the properties has been valued by external valuers and fall within category level 3 of the fair value hierarchy.

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

	2018			2017
	Land SCR	Building SCR	Total SCR	Total SCR
Cost	176,774,099	755,237,622	932,011,721	932,011,721
Accumulated depreciation	-	(75,537,465)	(75,537,465)	(60,432,713)
Net book value	176,774,099	679,700,157	856,474,256	871,579,008

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

	2018	2017
	SCR	SCR
Rental income	114,510,673	108,122,984
Direct operating expenses generating rental income	(37,068,039)	(30,029,455)
Profit arising from investment property	77,442,634	78,093,529
Increase in fair value	8,681,320	6,996,859
Total	86,123,954	85,090,388

- (f) As at 31 December 2018, several investment properties under construction are carried at cost SCR 38.4 m (2017: SCR 131m) because their fair values could not be reliably measured.

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 paid in 2006 is being amortised over the term of lease and the movement is as follows:

	<u>2018</u>	<u>2017</u>
Cost	SCR	SCR
As at 1 January	50,000,000	50,000,000
Amortisation		
At 1 January,	6,314,433	5,798,969
- Charge for the year	515,464	515,464
At 31 December	6,829,897	6,314,433
Net Book Value		
At 31 December	43,170,103	43,685,567

9. INVESTMENT IN SUBSIDIARY

	<u>2018</u>	<u>2017</u>
Proportionate shareholding	51%	51%
Opportunity Investment Company Limited - At fair value (2017: SCR 115 per share)	44,426,026	44,426,026

- No fair value adjustment has been made in view that there was no change in fair value as at 31.12.2018.

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

	<u>OICL</u>
Class of shares held:	Ordinary
Year end:	31 December
Proportion of ownership interest and voting power held (direct):	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 derived from the fair value of the SACOS shares it holds. At the end of the reporting period the value per SACOS share as listed on the stock exchange was SCR 115.

Total value of SACOS shares in OICL as at 31 December 2018 (757,477 at SCR 115 each):	<u>SCR</u> <u>87,109,855</u>
Seychelles Pension Fund's 51% portion of the total value	<u>44,426,026</u>

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

As at 31 December 2018, SPF 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.

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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	2018	2017
	SCR'000	SCR'000
Current assets	1,507	5,645
Non-current assets	87,110	87,110
Current liabilities	1,135	5,301
Non-current liabilities	-	-
Revenue	1,135	5,302
Total comprehensive profit or loss for the year	1,134	(13,664)

(ii) Summarised cash flow information:

Opportunity Investment Company Limited	2018	2017
	SCR'000	SCR'000
Operating activities	2,332	5,243
Investment activities	-	-
Financing activities	1,106	(5,272)
Net change in cash and cash equivalents	1,226	(29)

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

10. INVESTMENT IN ASSOCIATES

(a) At fair value	2018	2017	2018	2017
	% Held	% Held	SCR	SCR
Seychelles Breweries Limited	26%	26%	258,539,268	215,449,390
Al Salam Bank (non- listed)	30%	30%	21,836,581	20,975,220
(i) Movements- Seybrew			2018	2017
			SCR	SCR
Balance as at January 1,			215,449,390	198,876,360
Fair value adjustments			43,546,779	16,573,030
Balance as at December, 31			258,539,268	215,449,390

Seychelles Breweries has a financial reporting period ending 30 June.

At 31 December 2018, the fair value of the Fund's interest in Seychelles Breweries Limited, which is listed on the Trop-X exchange, was SCR 78 per share (2017: SCR 65) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(ii) Movements- Al Salam bank

	2018	2017
	SCR	SCR
Balance as at January 1,	20,975,220	20,651,400
Fair value adjustments	861,361	323,820
Balance as at December, 31	21,836,581	20,975,220

The Al Salam Bank has a financial reporting period ending 31st December and has only started full operations from February 2019 onwards.

As at 31 December 2018, the fair value of the shares in respect of Al Salam Bank which is a non- listed company were calculated using the adjusted net asset value method which is a level 3 input in terms of IFRS 13. This is as per SPF's new policy on valuation of unlisted equities.

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 as per the Audited Financial Statements.

	30 June 2018	30 June 2017
	SCR '000	SCR '000
Assets		
Current assets	151,422	171,649
Non-current assets	314,647	259,365
Liabilities		
Current liabilities	129,692	121,947
Non-current liabilities	39,057	29,165
Revenues	375,534	335,606
Profit before tax	62,113	28,248
Other comprehensive income	-	-
Total comprehensive income	42,618	18,029
Proportion of ownership interest and voting rights (Direct)	26%	26%

(ii) Summarised cash flow information:

	30 June 2018	30 June 2017
	SCR	SCR
Operating activities	94,038	6,806
Investment activities	(75,171)	(47,247)
Financing activities	(25,200)	(12,600)
Net change in cash and cash equivalents	(6,333)	(53,041)

(iii) There is no contingent liability as at the reporting period. However, capital commitments reported during the period amounted to SCR 23.2m.

(c) Name	Al Salam Bank Seychelles
Principle Activities	Banking Services

(i) Summarised statement of Financial position and statement of profit or loss and other income as per unaudited Financial Statements.

	31 December 2018	31 December 2017
	USD	USD
Assets		
Liabilities	41,326,712	33,511,545
Equity	35,832,429	28,148,653
	5,494,283	5,362,892
Revenues	1,736,030	1,255,852
Profit before tax	198,072	168,218
Tax charge	10,071	7,783
Total comprehensive income	161,883	160,435
Proportion of ownership interest and voting rights (Direct)	30%	30%

(ii) Summarised cash flow information:

	31 December 2018	31 December 2017
	USD	USD
Operating activities	7,478,550	5,810,003
Investment activities	845,037	963,612
Financing activities	(100,000)	30,000
Net change in cash and cash equivalents	8,223,587	4,876,391

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

11. INVESTMENT IN FINANCIAL ASSETS

	2018	2017
	SCR	SCR
Non-current investments		
Fixed deposits - Amortised cost	45,637,293	115,664,315
Treasury bonds - Amortised cost	95,494,391	142,522,825
Equity securities - mandatorily at fair value through profit or loss	226,703,923	135,140,590
	367,835,607	393,327,730
Current investments		
Fixed deposits - Amortised cost	147,618,783	168,594,003
Treasury Bills - Amortised cost	7,380,939	-
Treasury bonds - Amortised cost	7,381	21,723,968
Equity securities - mandatorily at fair value through profit or loss		
	573,231,988	384,083,534

- (a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 2.25% to 3.80% for USD account (2017: USD 2%) and 4.90% to 7% (on local currency account) per annum (2017: SCR 4.5% to 8%) with maturity dates from 22 February 2019 to 24 April 2025.
- (b) Investments in Treasury Bonds comprise bonds with interest rates ranging from 5.50% to 7.50% per annum (2017 : 4.50% to 7.50%) and treasury bills from 4.76% to 7.30% for 365 days, 1.05% to 1.14% for 91 days (2017 : 3.85% to 7.83%) maturity dates from 16 March 2019 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. Hierarchy 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 have been determined based on the adjusted net assets value which is a level 3 hierarchy classified as an unobservable input of IFRS 13. The fair value of the unquoted equities has been calculated for the first time in 2018. The details of these instruments are as follows:

	2018	2017
	SCR	SCR
Afeximbank	37,209,707	32,557,830
Alsalam Bank (re- classified as Associates in Notes 10)	-	20,975,220
PTA Class B Shares	145,519,224	93,336,985
	182,728,931	146,870,035

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

	2018	2017
	SCR	SCR
Afexim Bank	4,024,073	-
TDB Class B shares	50,382,444	-
Seychelles Commercial Bank	193,495	-
	54,600,012	-

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

	2018	2017
	SCR	SCR
Exchange Traded Fund	1,192,373	-
Mauritius Stock Exchange	315,386	-
	1,507,759	-

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

	2018	2017
	SCR	SCR
Seychelles Rupee	598,431,979	583,173,847
Mauritian Rupee	32,318,319	24,520,357
US Dollar	310,317,297	190,692,280
	941,067,595	798,386,484

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12. RECEIVABLES AND PREPAYMENTS

		2018	2017
		SCR	SCR
i)	Contributions receivables from members	27,860,479	23,163,015
	Amount receivable from the Government of Seychelles	116,999	12,361,435
	Interest receivable	27,493,332	24,714,198
	Rental income receivable	5,882,904	2,249,314
	Advance payment on capital projects	4,176,802	660,566
	Prepayments	3,423,626	988,825
	Other receivables	12,126,202	16,048,833
		81,080,344	80,186,186
		2018	2017
		SCR	SCR
ii)	Rental income receivable	10,464,611	7,423,391
	Provision for bad and doubtful debts (Note f)	(4,581,707)	(5,174,077)
	Net rent receivable	5,882,904	2,249,314
		2018	2017
		SCR	SCR
	Opening balance January 1	5,174,077	-
	Movement	(1,041,128)	5,174,077
	Adjustment	448,758	-
	Closing balance December 31	4,581,707	5,174,077

The provision for bad and doubtful debts is as follows:

- (a) The carrying amount of trade and other receivables are denominated in Seychelles rupees and approximate their fair value.
- (b) The contributions receivable from members are contributions for December 2018 due on the 21st day of January 2019 and other contribution in arrears.
- (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) Rental income receivable represents outstanding rent from tenants of which around SCR 0.8m was collected in January 2019, SCR 2m are cases at the Rent Board and SCR 1.6m are inactive tenants, enacted for non-payments of rent.
- (e) Other receivables comprise of sundry debtors, staff loan and debtors clearing.
- (f) A new policy for Provision for bad debts was approved by the Board in January 2019 for implementation in 2018. The calculation is based as per IFRS 9 whereby the expected credit losses are determined based on current data and adjusted using a macro-economic factor, in this case, the inflation rate at the end of 2018 which was 3.70%. Full provision for bad debts have been provided for total debts in excess of 90 debtors days and non active tenants as per the policy.
- (g) The Fund does not hold any collateral as security.
- (h) Interest receivable includes interest receivable from Fixed Deposit, Treasury Bill and Treasury Bonds.

13. RECEIVABLE FROM PROPERTY MANAGEMENT CORPORATION (PMC)

	2018	2017
	SCR	SCR
Opening balance	-	-
Additions-Disbursement	150,000,000	-
Total repayment	(18,611,654)	-
Interest receivable	7,369,092	-
	138,757,438	-
Current	14,786,813	-
Non-Current	123,970,625	-
	138,757,438	-

The amount receivable from Government PMC loan, represents the loan disbursed to Government of Seychelles for housing projects undertaken by Government of Seychelles.

14. OTHER PAYABLES

		Re stated	
		2018	2017
		SCR	SCR
	Rental deposits	10,144,970	9,718,379
	Advance on rent	4,411,061	839,456
	Accrued expenses	7,018,027	4,077,286
	Other payables	111,183	54,205
	Provision- Salaries	-	1,411,169
	Retention payable	-	1,576,173
		21,685,241	17,676,668

- (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 and it includes pension payments returned due to incorrect bank accounts/details of the pensioners/members.

SEYCHELLES PENSION FUND
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15. RETIREMENT BENEFIT OBLIGATIONS

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

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

	2018	2017
	SCR	SCR
Present value of unfunded obligation	6,231,559	4,741,028

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

	2018	2017
	SCR	SCR
At January 01,	4,741,028	3,768,878
Charge for the year	1,490,531	972,150
At December 31,	6,231,559	4,741,028

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

16. DEFERRED PROPERTY LEASE

	2018	Re stated 2017
Cost		
At 1 January 2018	7,846,750	7,846,750
Additions	-	-
Disposal	-	-
At 31 December 2018	7,846,750	7,846,750
Amortisation and Impairment		
At 1 January 2018	993,996	885,316
Charge for the year	108,680	108,680
Disposal	-	-
At 31 December 2018	1,102,676	993,996
Carrying amount		
At 1 January 2018	6,852,754	6,961,434
At 31 December 2018	6,744,074	6,852,754

The value leasehold land was originally accounted for at SCR 1, the value at which it was transferred from the Government of Seychelles, this value has been restated to fair value at the time of acquisition in the 2017 comparatives. The leasehold properties are Providence Micro Enterprise, Providence Warehouse, Port- Glaud Micro Enterprise, Eve Island Enterprise. The benefit received from Government is being taken to Income over the life of the underlying assets (60 - 99 years).

17. 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:

	2018	2017
	SCR	SCR
Net members fund	1,521,918,474	1,417,563,303
Funds taken from investment returns	782,876,497	578,968,586
Members fund	2,304,794,971	1,996,531,889
Details of members fund are as follows:		
Mandatory contribution	1,692,661,970	1,432,924,265
Voluntary contribution	85,345,469	77,227,975
Interest on mandatory contributions	505,304,646	468,783,277
Interest on voluntary contributions	21,482,887	17,596,372
	2,304,794,971	1,996,531,889

18. OTHER FUNDS

	2018	Re stated 2017
	SCR	SCR
Contributions from Social Security Division (note (a) below)	532,099,144	532,099,144
Payments made for Social Security Pension	(520,395,209)	(520,395,209)
	11,703,935	11,703,935
Net contributions from Social Security carried forward	11,703,935	11,703,935
Receipts from National Provident Fund (note (b) below)	71,215,276	71,215,276
SSF Investment Funds transferred to SPF	406,870,976	406,870,976
SPF contribution from Govt (note (c) below)	43,489,567	43,489,567
At 31 December	533,279,754	533,279,754

The 2017 figure for SSF investment funds transferred to SPF has been restated to account for the initial fair value in 2015 of the following properties (Le Chantier property, La Digue land, Orion Mall building and Oceangate house property) these have been transferred to other reserves from prior year retained earnings.

18. OTHER FUNDS (CONTINUED)

- (a) 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.

19. 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 in its last Actuarial valuation as at 31st December 2016 and actuarial value of necessary retirement benefit of SCR.6.074b required to pay all of SPF's members for the period up to 2050. Since Seychelles Pension Fund is only 11 years old and currently immature the Actuary has confirmed that under that under SPF's "pay as you go" scheme (not a Fully Funded scheme), it is normal for the Fund's assets to be less than projected benefits required to pay all current members, provided that periodic adjustments are made in contribution rates as per Actuary's recommendations, over the next 18 years when Seychelles Pension Fund will get 9.5% contribution from each of its members by the year 2035 to meet all benefit obligations. The Actuary has also confirmed the following;

1. SPF continues to be in a sound financial position.
2. As at 31st December 2016 the level of SPF's total funds represents 11 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 9.5% of salaries by the year 2035.

20. RESERVE FUND

	2018	2017
	SCR	SCR
Reserve Fund	14,568,591	14,568,591

The Chief Executive Officer, acting on the advice of the Board of Trustees, has not made any annual transfer which up to the year 2006 on the amount set aside which was 30% of the difference between the interest earned by 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 reserve.

21. OTHER RESERVES

	2018				2017	
	Revaluation reserve	Fair value reserve	Other reserves	property reserve	Total	Total
	SCR	SCR	SCR	SCR	SCR	SCR
At January 1,	76,988,431	11,395,977	55,445,682	-	143,830,090	83,128,316
Net change in fair value of associates and subsidiaries	-	-	-	-	-	54,601,111
Net change in FV of properties	-	-	-	7,752,600	7,752,600	-
Net change in fair value of financial assets	-	(192,415)	-	-	(192,415)	6,100,661
At December 31,	76,988,431	11,203,562	55,445,682	7,752,600	151,390,274	143,830,089

22. INTEREST INCOME

	2018	2017
	SCR	SCR
<i>Interest income under the effective interest method on:</i>		
- Fixed deposits - at amortised cost	15,238,968	17,318,339
- Treasury bonds - at amortised cost	20,866,925	29,781,986
- Equity securities	230,997	338,591
- Bank balances	59,648	92,188
- Staff loans	336,110	296,958
- Loan to PMC	7,369,092	-
	44,101,740	47,828,062

23 INVESTMENT INCOME

	2018	2017
	SCR	SCR
Dividends on local securities	7,976,323	8,442,891
Dividends on foreign securities	6,067,116	5,706,193
	14,043,439	14,149,084

Dividend income is recognised in the financial statements when their right to be received is firmly established.

24. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund was 2.5% from 01.01.2018 to 30.09.2018. From 01.10.2018 to 31.12.2018 as per the new Interest Policy approved by the Board, the interest was revised upwards to 4.81% on mandatory contributions and 5.99% on voluntary contributions. The new interest policy effective 01.10.2018 credits interest to non-vested members only as they can withdraw the amounts from their account since they do not qualify for a pension. The other vested members are eligible for pension and as such do not need the interest credited on their mandatory accounts. (Prior policy credited interest to all members). The amount of SCR 38m was paid for the year ended December 31, 2018 (2017: 3.5% - SR 61m).

25. ADMINISTRATIVE EXPENSES

	2018	Re stated 2017
	SCR	SCR
Salaries, wages and other related expenses	32,252,201	26,642,499
Salaries and Wages adjustment-2017	-	1,411,169
Office running costs	4,447,210	3,703,752
Motor vehicles running expenses	441,772	410,704
Postage, printing and stationary	1,387,208	2,114,901
Telephone	1,398,123	1,099,996
Utilities	618,834	696,244
Repairs and maintenance	959,656	1,818,725
Other expenses	2,961,595	2,610,092
	44,466,598	40,508,082
Details of other expenses includes;	2018	2017
	SCR	SCR
Internet Charges	880,781	1,019,325
Rent- Caravelle House	1,702,235	783,512
Rent- Jupiter House	12,500	-
Cleaning	204,197	435,906
Medical Board Expenses	133,248	150,480
International Social Security Association (ISSA)	-	194,862
Official meeting expense	28,634	26,006
Total	2,961,595	2,610,092

The 2017 figure for salaries and wages been restated to account for part of bonus and part of 13th month salary for the year 2017 amounting to SCR 1,411,169 which was paid in 2018.

26. CASH AND CASH EQUIVALENTS

	2018	2017
	SCR	SCR
Cash at bank	97,554,037	220,103,521
Cash in hand	43,602	42,973
	97,597,640	220,146,494

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27. RELATED PARTY TRANSACTIONS

	2018	2017
	SCR	SCR
<i>Balances owing from related parties:</i>		
<i>Other related parties</i>		
Government of Seychelles	3,017,189	12,361,435
Receivable from PMC loan	138,757,438	-
<i>Transactions</i>		
<i>Dividends received</i>		
Opportunity Investment Company Limited	564,170	2,704,193
Seychelles Breweries Limited	6,629,212	4,971,909
<i>Rental received:</i>		
Government of Seychelles	57,257,215	56,278,455
<i>Key management personnel</i>		
- Gross salaries	2,665,200	1,747,020
Board of Trustees' remuneration (note28)	912,000	808,488

- (a) Transactions with related parties are within the normal course of business.
- (b) For the year ended December 31, 2018, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2017: 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.

28. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

	2018	2017
	SCR	SCR
J. Dugasse (From 17th September 2018)	30,000	-
E. Palmer (From 1st March 2018 to 16th September 2018)	45,000	-
P Payet	75,000	74,376
I. Woodcock	6,000	61,056
S Labrosse	-	61,056
J Esparon	-	4,176
W Labrosse	6,000	61,056
A Lucas	6,000	61,056
C Mangroo	72,000	61,056
R Valmont	60,000	-
B Morin (From 1st March 2018)	60,000	-
C Vidot (From 1st March 2018)	60,000	-
P Sinon (From 1st March 2018)	60,000	-
P Charlette (From February 1, 2017 to July 31, 2017)	-	25,056
A Madeleine (From February 1, 2017)	6,000	56,880
M C Marie (From August 1, 2017)	72,000	30,000
B Adonis (from February 1, 2015)	72,000	61,056
E Agathine (from February 1, 2015)	6,000	61,056
A Robinson (from February 1, 2015)	72,000	61,056
B Hoareau (up to January 31, 2017)	-	4,176
M Jivan (from February 1, 2015)	72,000	61,056
Elsie Morel (From 1st March 2018)	60,000	-
Secretariat		
Willy Confait (up to January 31, 2017) (Secretary)	-	4,176
Maylene Spiro (February 1, 2017 to April 30, 2017) (Secretary)	-	8,352
Audrey Nanon (From May 1, 2017) Secretary)	72,000	35,088
Marie-Ange Waye-Hive (January 1, 2017 to April 31, 2017) (Alternate Secretary)	-	16,704
	912,000	808,488

SEYCHELLES PENSION FUND
 NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

29. PRIOR YEAR RESTATEMENT

		2018	2017
		SCR	SCR
SSF Properties transferred to SPF	18	-	73,418,211
Deferred Government Grant	16	-	6,961,434
Total		-	80,379,644

30. COMMITMENTS

(a) Capital commitments

	2018	2017
	SCR'000	SCR'000
Approved and contracted for	224,974	33,060
Approved but not contracted for	52,665	15,047
	277,639	48,107

(b) Lease commitments

	2018	2017
	SCR	SCR
Within one year	77,086,466	50,102,539
After one year but not more than 5 years	153,008,047	134,461,529
More than 5 years	22,559,472	6,091,913
	252,653,985	190,655,981

31. CONTINGENT LIABILITIES

- (i) At the end of 2017, SPF contracted out the piling works at the ex- Pirates Arms site to Vijay Construction. However early in January 2018, during the piling, Central Bank Of Seychelles reported to SPF that their Annex building had suffered some structural damages such as floor/wall cracks and blocked doors. An independent investigation was then carried out by SPF through a geological expert from South Africa who concluded that the main causes of the structural defects amongst others were, a weak floating raft foundation of the Central Bank Of Seychelles Annex, piling method used and weak soil sub strata. The recommendation was to fix it through underpinning. Central Bank Of Seychelles however undertook a separate study in July 2018 and their consultant recommended that the building could not be 100% safe even if the "underpinning" is done. In January 2019, Central Bank Of Seychelles informed SPF that they expected SPF to pay the sum of SCR10.3m. In March 2019 the details of this costing was sought by SPF and Central Bank Of Seychelles clarified that it comprises of SCR 1m for demolition, SCR 7m for rebuilding the annex and SCR 2.3m for electrical and other fittings. SPF Board also decided to evoke the arbitration clause in the piling contract with the piling contractor. The matter is expected to be resolved after arbitration when a ruling would be given as to the cause and responsible party is identified.
- (ii) Seychelles Pension Fund Act 2005 Section (69) states that SPF 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. Thus Seychelles Pension Fund strongly believes that it is exempted from VAT, even if specific exemption has not yet been enacted in the VAT Act. The matter has been taken up with the Ministry of Finance throughout 2018, but as at end of the period this issue still remains pending.

Apart from the above there were no contingent liabilities as at 31 December, 2018.

32. 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, 2018.

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