SEYCHELLES PENSION FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

SEYCHELLES PENSION FUND

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REPORT OF THE BOARD OF TRUSTEES

The Board is pleased to present its report together with the audited financial statements of the Group and the Fund for the year ended December 31, 2010.

THE FUND

The Seychelles Pension Scheme was established under the Seychelles Pension Scheme Act, 1990, CAP 220 and commenced with effect on January 1, 1991. In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and it was replaced by the Seychelles Pension Fund Act, 2005 under which the scheme became a body corporate and was renamed as Seychelles Pension Fund.

PRINCIPAL ACTIVITIES

The principal activities of the Fund comprise provision of financial security to retiring members which include payment of accumulated contributions, monthly pension to the members, financial security to the dependents of the deceased members and other benefits under various schemes as more fully described under Section 4 of the Act and applicable Regulations.

RESULTS

		December 31, 2010	
		THE GROUP	THE FUND
		SR	SR
Surplus for the year		66,477,135	42,784,824
Retained surplus brought forward		142,344,147	155,738,148
Retained surplus carried forward	SR	**208,821,282**	**198,522,972**

INTEREST ON MEMBERS' FUND

The Board recommended for the year under review interest of 4% to be credited to members on their contributions (2009: 5%).

PROPERTY AND EQUIPMENT

The Fund acquired property and equipment amounting to SR 1.4 million during the year comprising improvements to leasehold buildings, equipment and furniture and fittings. In 2010, freehold land and buildings on freehold and leasehold land have been revalued by SR 2.6m (2009: Nil).

The Board is of the opinion that the fair value of the property and equipment at December 31, 2010 does not differ materially from their carrying amounts as per the statements of net assets available for benefits at that date.

INVESTMENT PROPERTIES

The Fund has invested substantial amounts in properties purchased for rental and capital appreciation purposes. At December 31, 2010, these totalled SR 408m (2009: SR 333m). During the year, additions amounted to SR 47.5m (2009: SR 56.5m) and increase in fair value amounts to SR 27.3m (2009: Nil).

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

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of the Fund is responsible for the overall management of the affairs of the Fund including the operation of the Fund and making investment decisions. The Chief Executive Officer of the Fund is, as defined in the Seychelles Pension Fund Act, 2005, responsible for the day to day administration of the Fund, including the collection of contributions, payment of pensions and other benefits, investment of surplus moneys of the Fund and accounting for all moneys collected, paid or invested by the Seychelles Pension Fund. The Board shall also ensure that proper accounts and other books and records in relation thereto in which all its financial transactions shall be recorded and maintained. In preparing those 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
- 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 Board and the Chief Executive Officer also have the general responsibility for taking reasonable steps to safeguard the assets of the Fund and detect fraud and other irregularities.

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

AUDITOR

The Auditor General of Seychelles is mandated to carry out the audit of the Fund by Section 53 (2) of the Seychelles Pension Fund Act, 2005.

Signed in accordance with the authorisation of the Board by

Sitna Cesar
Chairperson

Willy Confait
Chief Executive Officer

Dated: Mar 31 2011
Victoria, Seychelles

OFFICE OF THE AUDITOR GENERAL

P.O. Box 49 - Victoria,
Mahe, Republic of Seychelles
Telephone: (248) 610360 Fax: (248) 610365
E-mail: auditgen@oag.sc

Please address all correspondence to the Auditor General

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE THE SEYCHELLES PENSION FUND

Scope

Pursuant to the powers conferred on me by Section 53 (2) of the Seychelles Pension Fund Act, 2005, I have caused BDO Associates (Chartered Accountants) to audit on my behalf the financial statements of the Seychelles Pension Fund and its subsidiary (The Group) for the year ended 31 December 2010 as set out on pages 3 to 38.

The Board of Trustees Responsibility for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Pension Fund Act, 2005 and the Public Enterprise Monitoring Act, 2009. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on our audit and report it to the Minister for Finance. The audit was conducted in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion:

- the financial statements on pages 3 to 38 give a true and fair view of the financial position of the Group and of the Fund at December 31, 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005;
- proper accounting records have been kept by the Fund as far as it appears from my examination of those records; and
- I have obtained the information necessary for the purpose of the audit and am satisfied with the information received.

Emphasis of matter

Without qualifying my opinion, I draw attention that in 2009, based on the results of year ended December 31, 2008, the Fund's Actuary recommended that contributions from members had to be charged from a fixed amount to a percentage of salary basis in order to meet future pension liabilities and proposed a rate of 5.5% at least. Subsequently, during 2009, there was an increase in contribution but still on a fixed basis. The 2010 budget announced an increase in contribution based on a percentage basis of 1.5% by employee and employer respectively which, with effect from January 1, 2011 was finalized at 1%. The government took commitment for the remaining 1% thus bringing the total contribution to 3% of salary.

In the absence of a report from the Actuary projected on the revised contribution, I however highlight the fact that there may still be risks of uncertainty with respect to the Fund's adequacy to meet future pension liabilities. I understand that an Actuarial valuation will be requested for the year ending December 31, 2011.

Marc Benstrong
Auditor General

31 March 2011
Victoria, Seychelles

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2010

	Notes	THE GROUP		THE FUND	
		2010	2009	**2010**	2009
ASSETS		**SR**	SR	**SR**	SR
Non-current assets					
Property and equipment	6	**31,283,393**	30,387,233	**31,283,393**	30,387,233
Investment properties	7 (a)	**407,678,517**	332,857,921	**407,678,517**	332,857,921
Deposit on leasehold land	7 (c)	**42,930,761**	45,025,670	**42,930,761**	45,025,670
Investment in subsidiary company	8	**-**	-	**5,100**	5,100
Investment in associated companies	9	**83,259,462**	60,987,416	**59,662,908**	59,662,908
Investment in financial assets	10	**230,659,934**	148,219,492	**230,659,934**	148,219,492
Loans and receivables	11	**-**	21,017,637	**5,417,168**	26,422,135
		795,812,067	638,495,369	**777,637,781**	642,580,459
Current assets					
Investment in financial assets	10	**42,851,279**	173,682,098	**42,851,279**	173,682,098
Receivables and prepayments	12	**50,873,437**	14,863,612	**51,173,163**	14,989,126
Loans and receivables	11	**27,137,035**	32,609,100	**27,124,365**	32,609,100
Cash and cash equivalents	23(b)	**88,139,693**	36,176,490	**87,831,314**	35,930,558
		209,001,444	257,331,300	**208,980,121**	257,210,882
Total assets		**1,004,813,511**	895,826,669	**986,617,902**	899,791,341
Current liability					
Payables and accruals	13	**5,886,890**	9,877,244	**5,854,051**	9,768,498
Non-current liability					
Retirement benefit obligations	2 (l)	**466,071**	883,412	**466,071**	883,412
Net assets available for benefits	SR	**998,460,550**	885,066,013	**980,297,780**	889,139,431
Made up as follows:					
Members' fund	14	**664,330,620**	620,730,769	**664,330,620**	620,730,769
Other funds	15	**82,919,211**	82,919,211	**82,919,211**	82,919,211
Reserve funds	16	**14,568,591**	14,568,591	**14,568,591**	14,568,591
Other reserves	17	**24,065,609**	19,291,935	**19,956,386**	15,182,712
Retained earnings	Page 5	**207,382,730**	142,344,147	**198,522,972**	155,738,148
		993,266,761	879,854,653	**980,297,780**	889,139,431
Non-controlling interest	18	**5,193,789**	5,211,360	**-**	-
	SR	**998,460,550**	885,066,013	**980,297,780**	889,139,431

The financial statements have been approved for issue by the Board of Trustees on the 31st March 2011.

[signature]	Willy Confait
Sitna Cesar	**Willy Confait**
Chairperson	Chief Executive Officer

The notes on pages 7 to 38 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED DECEMBER 31, 2010

		THE GROUP		THE FUND	
	Notes	2010	2009	2010	2009
		SR	SR	SR	SR
Compulsory contributions:					
- by employees		**21,072,572**	19,357,850	**21,072,572**	19,357,850
- by employers		**21,056,063**	19,394,150	**21,056,063**	19,394,150
Voluntary contributions					
- by employees		**3,457,904**	2,860,927	**3,457,904**	2,860,927
- by employers		**1,742,688**	1,741,616	**1,742,688**	1,741,616
		47,329,227	43,354,543	**47,329,227**	43,354,543
Interest received by members		**26,381,766**	29,446,196	**26,381,766**	29,446,196
Net change in fair value on financial assets	10	**2,194,487**	1,433,307	**2,194,487**	1,433,307
Revaluation of property and equipment	6	**2,579,187**	-	**2,579,187**	-
Net surplus/(deficit) for the year after non-controlling interest (page 5)		**33,792,937**	(26,147,482)	**42,784,824**	(17,748,295)
		64,948,377	4,732,021	**73,940,264**	13,131,208
Benefit payments :					
- Normal Retirement		**50,868,633**	40,352,122	**50,868,633**	40,352,122
- Death before Normal Retirement		**934,301**	675,046	**934,301**	675,046
- Permanent Incapacity		**6,789,246**	4,978,870	**6,789,246**	4,978,870
- Pre-Migration Retirement		**485,271**	252,222	**485,271**	252,222
- Death after Normal Retirement		**-**	2,600	**-**	2,600
- Surviving Spouse		**1,882,740**	1,359,265	**1,882,740**	1,359,265
- Children Pension		**878,139**	749,759	**878,139**	749,759
- Post retirement surviving spouse		**518,820**	305,980	**518,820**	305,980
- Post- retirement children pension		**53,304**	39,693	**53,304**	39,693
- Special Pension		**(3,400)**	(233)	**(3,400)**	(233)
- Refunds		**571,655**	934,995	**571,655**	934,995
- Unpresented cheques		**(10,290)**	-	**(10,290)**	-
Less:					
- Arrears for Social Security Fund Pension		**(5,815,303)**	(4,288,511)	**(5,815,303)**	(4,288,511)
- Social Security Fund Pension		**(27,041,974)**	(22,009,628)	**(27,041,974)**	(22,009,628)
		30,111,142	23,352,180	**30,111,142**	23,352,180
Net increase in Members' Fund	23(a)	**82,166,462**	24,734,384	**91,158,349**	33,133,571
Share of results of associated companies	9	**31,245,646**	(10,353,811)	**-**	-
Net assets available for benefits:					
Balance at January 1,		**879,854,653**	865,474,080	**889,139,431**	856,005,860
Balance at December 31,	SR	**993,266,761**	879,854,653	**980,297,780**	889,139,431

The notes on pages 7 to 38 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

INCOME AND EXPENDITURE ACCOUNT- YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP		THE FUND	
		2010	2009	**2010**	2009
		SR	SR	SR	SR
INCOME					
Interest income	19	**22,465,548**	46,208,147	**22,465,548**	46,023,055
Investment income	20	**4,978,587**	1,919,769	**12,496,064**	8,852,846
Rental income		**21,850,278**	16,956,596	**21,850,278**	16,956,596
Other income		**339,058**	377,101	**339,058**	377,101
Increase in fair value of investment properties	7(a)	**27,342,281**	-	**27,342,281**	-
		76,975,752	65,461,613	**84,493,229**	72,209,598
EXPENDITURE					
Interest credited to members	21	**26,381,766**	29,446,196	**26,381,766**	29,446,196
Administrative expenses	22	**12,857,709**	12,261,194	**12,821,850**	12,083,579
Property management expenses		**4,082,238**	2,158,573	**4,082,238**	2,158,573
Depreciation of property and equipment	6	**3,076,241**	2,615,330	**3,076,241**	2,615,330
Amortisation of deposit on lease	7(c)	**2,094,909**	1,899,758	**2,094,909**	1,899,758
Auditors' remuneration		**200,005**	262,359	**200,005**	235,300
(Profit)/Loss on disposal of available-for-sale financial assets		**(545,364)**	1,038,165	**(545,364)**	1,038,165
		48,147,504	49,681,575	**48,111,645**	49,476,901
		28,828,248	15,780,038	**36,381,584**	22,732,697
Gain/(Loss) on exchange differences		**6,403,241**	(40,480,992)	**6,403,240**	(40,480,992)
		35,231,489	(24,700,954)	**42,784,824**	(17,748,295)
Share of results of associated companies	9	**31,245,646**	(10,353,811)		-
Surplus/(Deficit) for the year		**66,477,135**	(35,054,765)	**42,784,824**	(17,748,295)
Surplus from prior years brought forward		**142,344,147**	178,845,440	**155,738,148**	173,486,443
Net Surplus for the year	SR	**208,821,282**	143,790,675	**198,522,972**	155,738,148
Attributable to:					
The Fund (page 3)		**207,382,730**	142,344,147	**198,522,972**	155,738,148
Non-controlling interest	18	**1,438,552**	1,446,528	**-**	-
	SR	**208,821,282**	143,790,675	**198,522,972**	155,738,148

The notes on pages 7 to 38 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2010

	Notes	THE GROUP 2010	THE GROUP 2009	THE FUND 2010	THE FUND 2009
		SR	SR	SR	SR
Cash flows from operations					
Net cash generated from operations	23(a)	**82,148,891**	23,604,653	**91,158,349**	33,133,571
Adjustments for:					
Depreciation of property and equipment	6	**3,076,241**	2,615,330	**3,076,241**	2,615,330
Amortisation of deposit on lease	7(c)	**2,094,909**	1,899,758	**2,094,909**	1,899,758
(Profit)/Loss on disposal of available-for-sale financial assets		**(545,364)**	1,138,165	**(545,364)**	1,138,165
Retirement benefit obligations		**(417,341)**	61,963	**(417,341)**	61,963
Revaluation of property and equipment	6	**(2,579,187)**	-	**(2,579,187)**	-
Fair value gains on investment properties	7(a)	**(27,342,281)**	-	**(27,342,281)**	-
Net change in fair value on financial assets		**(2,194,487)**	(1,433,307)	**(2,194,487)**	(1,433,307)
Interest income	19	**(22,465,548)**	(46,208,147)	**(22,465,548)**	(46,023,055)
Interest accrued	10(a)	**4,792,086**	(7,471,848)	**4,792,086**	(7,471,848)
Dividend income	20	**(4,978,587)**	(1,919,769)	**(12,496,064)**	(8,852,846)
		31,589,332	(27,713,202)	**33,081,313**	(24,932,269)
Changes in working capital:					
- Increase in receivables and prepayments		**(36,009,825)**	(2,820,597)	**(36,184,037)**	(1,705,274)
- (Decrease)/Increase in payables and accruals		**(3,990,354)**	5,812,629	**(3,914,447)**	6,798,866
Net cash outflow from operations		**(8,410,847)**	(24,721,170)	**(7,017,171)**	(19,838,677)
Cash flows from investing activities					
Purchase of property and equipment	6	**(1,393,214)**	(3,153,734)	**(1,393,214)**	(3,153,734)
Purchase of investment properties	7	**(47,478,315)**	(56,483,106)	**(47,478,315)**	(56,483,106)
Proceeds from disposal of property and equipment		**-**	1,107	**-**	1,107
Purchase of financial assets	10	**(78,377,558)**	(8,671,258)	**(78,377,558)**	(8,671,258)
Proceeds from disposal of financial assets		**124,715,700**	16,165,225	**124,715,700**	16,165,225
Interest received		**22,465,548**	46,208,147	**22,465,548**	46,023,055
Dividend received		**13,952,187**	10,308,969	**12,496,064**	8,852,846
Refund of loans granted		**26,489,702**	18,416,534	**26,489,702**	19,733,385
Net cash inflow from investing activities		**60,374,050**	22,791,884	**58,917,928**	22,467,520
Cash flows from financing activity					
Borrowings		**-**	(11,705,662)	**-**	(11,705,662)
Net increase/(decrease) in cash and cash equivalents		**51,963,203**	(13,634,948)	**51,900,756**	(9,076,819)
Cash and cash equivalents at January 1,		**36,176,490**	49,811,438	**35,930,558**	45,007,377
Cash and cash equivalents at December 31,	23(b) SR	**88,139,693**	36,176,490	**87,831,314**	35,930,558

The notes on pages 7 to 38 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

1. GENERAL INFORMATION

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

A description of the Pension Fund and its funding policy is detailed under note 3. There have been no changes in the Fund or its funding policy during the year.

The latest actuarial report detailing significant actuarial assumptions, the actuarial present value of promised retirement benefits and methods used to calculate the present value are available to members upon written request, at the Fund's registered office.

Investments of the Pension Fund as required by Part VII of the "Seychelles Pension Fund Act, 2005" are disclosed in notes 8, 9 and 10.

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. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Seychelles Pension Fund comply with the "Seychelles Pension Fund Act, 2005" and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) land and buildings are at revalued amounts;

(ii) investment properties are stated at fair value;

(iii) available-for-sale financial assets are stated at their fair value; and

(iv) loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

IAS 27, 'Consolidated and Separate Financial Statements' (Revised 2008), requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The revised standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This IAS will not have any impact on the Group's financial statements.

IFRS 3, 'Business Combinations' (Revised 2008), continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This IFRS will not have any impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) **Basis of preparation (cont'd)**

Amendments to IAS 39, 'Eligible hedged items', prohibit designating inflation as a hedgeable component of a fixed rate debt. In a hedge of one-sided risk with options, it prohibits including time value in the hedged risk. The amendment is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 1 and IAS 27, 'Cost of an Investment in a Subsidiary', clarify that the cost of a subsidiary, jointly controlled entity or associate in a parent's separate financial statements, on transition to IFRS, is determined under IAS 27 or as a deemed cost. Dividends from a subsidiary, jointly controlled entity or associate are recognised as income. There is no longer a distinction between pre-acquisition and post-acquisition dividends. The cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) is measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendment is not expected to have any impact on the Group's financial statements.

IFRIC 17, 'Distributions of Non-cash Assets to Owners', clarifies that a dividend payable is recognised when appropriately authorised and no longer at the entity's discretion. An entity measures distributions of assets other than cash when it pays dividends to its owners, at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. This IFRIC will not have any impact on the Group's financial statements.

IFRIC 18, 'Transfers of Assets from Customers', addresses the treatment for assets transferred from a customer in return for connection to a network or ongoing access to goods or services, or both. It requires the transferred assets to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period. This IFRIC will not have any impact on the Group's financial statements.

Amendments to IFRS 1, 'Additional Exemptions for First-time Adopters' exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease'. The amendment is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 2, 'Group Cash-settled Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. This amendment is not expected to have any impact on the Group's financial statements.

Improvements to IFRSs (issued May 22, 2008)

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations', clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The amendment will not have an impact on the Group's operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued April 16, 2009)

IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment is not expected to have any impact on the Group's financial statements.

IAS 7 (Amendment), 'Statement of Cash Flows', clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment is unlikely to have an impact on the Group's financial statements.

IAS 17 (Amendment) 'Leases', clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. A lease newly classified as a finance lease should be recognised retrospectively. The amendment will not have an impact on the Group's operations.

IAS 18 (Amendment), 'Revenue'. An additional paragraph has been added to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.

IAS 36 (Amendment), 'Impairment of Assets', clarifies that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8, 'Operating segments') before aggregation. The amendment will not have an impact on the Group's operations.

IAS 38 (Amendment), 'Intangible Assets', clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. Intangible assets acquired in a business combination that are separable or arise from contractual or other legal rights should be recognised. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market. The amendment is unlikely to have an impact on the Group's financial statements.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' clarifies that the scope exemption within IAS 39 only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction'. The amendment removes reference to transactions between segments as being hedgeable transactions in individual or separate financial statements and clarifies that amounts deferred in equity are only reclassified to profit or loss when the underlying hedged cash flows affect profit or loss. The amendment is not expected to have an impact on the Group's statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 16 April 2009) (Cont'd)

IFRS 2 (Amendment), 'Share-based Payment', confirms that, transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (2008) Business Combinations, contribution of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share-based Payment. The amendment will not have an impact on the Group's operations.

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment will not have an impact on the Group's operations.

IFRS 8 (Amendment), 'Operating Segments', clarifies that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker reviews that information. This amendment is unlikely to have an impact on the Group's financial statements.

IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives', clarifies that embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture are outside the scope of IFRIC 9. This amendment is unlikely to have an impact on the Group's financial statements.

IFRIC 16 (Amendment), 'Hedges of a Net Investment in a Foreign Operation', clarifies that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged. This amendment is unlikely to have an impact on the Group's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2011 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Classification of Rights Issues (Amendment to IAS 32) (Effective February 1, 2010)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective July 1, 2010)
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IAS 24 Related Party Disclosures (Revised 2009)
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1)
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
IFRS 9 Financial Instruments
Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)

Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters (Effective July 1, 2010)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)

Improvements to IFRSs (issued May 6, 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 3 Business Combinations (Effective 1 July 2010)
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 27 Consolidated and Separate Financial Statements(Effective 1 July 2010)
IAS 34 Interim Financial Reporting
IFRIC 13 Customer Loyalty Programmes

Where relevant, the Group/Company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(b) Property and equipment

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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 Account.

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

	Years
- Buildings	50
- Improvement to buildings	15
- Equipment	5
- Furniture & Fittings	10
- Motor Vehicles	5

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment (Cont'd)

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 an 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.

(c) Investment properties

Properties held to earn rentals/or for capital appreciation or both are classified as investment properties. Investment properties are carried at fair value, representing open-market value determined bi-annually by external valuers and subject to yearly reviews by the valuers. Changes in fair values are recognised in the Income and Expenditure Account and subsequently in net assets available for benefits.

(d) Investment in subsidiary company

Separate financial statements of the Fund

Investments in subsidiaries are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investment in subsidiary company (Cont'd)

Consolidated financial statements (Cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income and expenditure accounts.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Investment in associated company

Separate financial statements of the Fund

In the separate financial statements of the investor, investments in associated companies are carried at cost (or at fair value). The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control. Investments in associates are accounted for by the equity method except when classified as held-for-sale. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Investments is associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

The Group classifies its financial assets into the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the investments at initial recognition and re-evaluates this at every reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments

Financial assets

(i) Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets when maturity is within twelve months to the end of the reporting period or non-current assets for maturities greater than twelve months.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period. Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recorded at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at their fair values.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the statement of net assets available for benefits and the fair value reserves until the security is disposed of or found to be impaired, at which time the cumulative gain or loss previously recognised in fair value reserves is included in the Income and Expenditure Account.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and net assets basis.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is measured as the difference between acquisition cost and the current fair value, less any impairment loss previously recognised, is removed from the fair value reserve and recognised in the Income and Expenditure Account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Financial assets (Cont'd)

(iii) Available-for-sale financial assets (Cont'd)

If there is evidence of impairment loss on loans carried at amortised cost, the amount of loss is measured as the difference between the asset's carrying amount and present value of estimated cashflows, discounted at the asset's original effective interest rate. The amount of loss is recognised in the Income and Expenditure Account.

(iv) Contributions receivable

Contributions receivable are recognised when due. Contributions receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(v) Benefits payable

Benefits payable are stated at their nominal value.

The nominal value of contributions receivable and benefits payable are assumed to approximate their fair values.

(vi) Trade receivables

Trade receivables are recognised 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 when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The carrying amounts of trade receivables and payables and other receivables and payables are assumed to approximate their fair values.

(viii 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.

(g) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income and expenditure statement over the period of the borrowings income, using the effective interest method.

(g) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) **Foreign currencies**

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Changes in Net Assets Available for Benefits.

(i) **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) **Leases**

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

(k) **Contributions, interest and income**

Revenue after eliminating revenue within the Group comprises:

- Employeers' and employees' contributions to the Pension Fund.
- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired,
- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income. interest income on impair loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.
- Dividend income - when the shareholder's right to receive payment is established.
- Rental income - as it accrues based on the terms of the rental contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Retirement benefit obligations

Post-retirement benefits comprise of end-of-contract gratuities and Labour Act length of service compensation. The Fund computes this liability in respect of eligible employees at the end of each year based on the current salaries of those employees. Excess or shortfall to the provision is adjusted to the Income and Expenditure Account.

(m) Taxation

The Fund is exempt from taxation. As such, no provision is made for taxation on the surplus for the year.

(n) Provisions

Provisions are recognised when the Group 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.

3. DESCRIPTION OF THE PENSION FUND AND FUNDING POLICY

3.1 The Fund

The Seychelles Pension Scheme was established under the Seychelles Pension Scheme Act, 1990, CAP 220" and commenced with effect on 1 January 1991. In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and it was replaced by the Seychelles Pension Fund Act, 2005 under which the body was renamed as Seychelles Pension Fund.

The Fund is under the administration of the Board made up of twelve (12) Trustees.

The Fund is a defined contribution scheme which accumulate funds to build up reserve for the payment of pension to its members. The principal activities of the Fund comprise of providing financial security to the retiring members which include payment of accumulated contributions, monthly pension to the members, financial security to the dependents of the deceased members and other benefits under various schemes as fully described in Part II, Section 4 of the Act and applicable Regulations. Membership is mandatory for every worker who is a citizen of Seychelles. A self-employed person or other person citizen of Seychelles can become a member of the Fund and pay contributions.

3.2 Funding policy

The overriding principle of the funding policy is that investment must yield maximum returns to strengthen the financial position of the Fund to be able to meet its objectives. Funds which are not required for current benefit payments or administration expenses must be invested to provide return to assist in sustaining the Fund in the medium to long-term.

The main objective of the funding policy is to invest the assets so as to ensure that the Fund will always be able to meet its obligations to its members, without any increase to current contribution rates. Subject to this primary objective, the Board of Trustees aims to optimise returns to its members so as to protect their purchasing power against price inflation. Contribution rates and interest payable decisions are determined by the Minister upon recommendation of the Board.

Investments are in bank deposits, treasury bills and bonds, other government bonds, shares, commercial, resident and industrial properties, housing and direct lending provided the Board is satisfied that there is sufficient security.

3.3 Valuation of the Fund

Under Section 55 of the Seychelles Pension Fund Act 2005, the Board is required to make an actuarial investigation of its assets and liabilities at intervals of not more than 3 years. The last actuarial review report as at December 31, 2008 was issued on September 9, 2009 and the next one due for the year ending December 31, 2011.

Based on the last actuarial review, the Actuary worked out that the 'flat rate' of pension contribution be changed to contribution based on a 'percentage of salary' in order to sustain the Fund in the long term. As a result to this, it has been announced in the National Budget Address for the year 2010 that, as from January 1, 2011, every employee and every employer shall contribute the equivalent of 1.5% of the employee's salary to the Fund. Subsequently, this rate was adjusted to 1% for employee and employer respectively and the remaining 1% to be contributed by the Government.

4. RISK MANAGEMENT

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

4.1 Investment risk

The various risks directly linked to the investments constitute by far the main threat to the Fund's activities. Sustained poor performance would lead to returns to members and ultimately to benefit reduction or to increased employer contributions. Traditionally the contributions are fixed according to pre-established rates. In general, therefore, the option to increase contributions is to be considered as a risk measure of last resort and the 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 the 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 identified:

(i) ***Interest rate risk***

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

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

Several specific risk measures may be cited:

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

At December 31, 2010, if interest rates on local investments in money markets and securities had been 50 basis points higher/lower with all other variables held constant, surplus for the year would have been SR. **59,423** (2009: SR.207,296) for the Fund and SR. **59,423** (2009: SR.208,222) for the Group higher/lower mainly as a result of higher/lower interest income on floating rate loans.

4. RISK MANAGEMENT

4.1 Investment risk (Cont'd)

(ii) ***Market risk***

The risk that a sudden fall in asset values restricts the Fund's ability to pay benefits.

There are several ways in which the Fund manages this risk:

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

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

Sensitivity analysis

The table below summarises the impact of increases/decreases in the fair value of the investments on the fund's increase in fair value of financial assets. The analysis is based on the assumption that the fair value had increased/ decreased by 5%.

		2010	2009
Categories of investments:		SR	SR
Available-for-sale	SR.	**133,687**	132,261

(iii) ***Liquidity risk***

The risk that cash flow requirements will force the Fund to realise 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).

The 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 the fund to take appropriate actions.

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

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

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

4. RISK MANAGEMENT (CONT'D)

4.1 Investment risk (cont'd)

(iii) ***Liquidity risk (Cont'd)***

(iv) ***Credit risk***

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

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

(v) ***Currency risk***

The Fund's activities are not exposed to currency risk. However, the Fund requires foreign exchange for developing its investment policies which are met through requests with financial institutions.

Only a small percentage of the portfolio is invested in the overseas stock market. The Fund's portfolio in key holdings yielded lower returns in 2010 compared to 2009.

(vi) ***Counter-party risk***

The risk that an external fund manager defaults on its contractual responsibilities.

This risk is mitigated via the following measures:

- All fund managers are subject to rigorous assessment prior to appointment, and to regular appraisal thereafter,
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records,
- The Fund seeks independent professional advice on overseas fund managers.
- There is presently only one fund manager with whom the Fund has entrusted with investing in the Mauritian market.
- The fund manager provides regular reports to the Fund based on an established investment policy.

4.2 Economic risk

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

4. RISK MANAGEMENT

4.2 Economic risk (Cont'd)

(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 the 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 realisation of assets of fund would provide the necessary liquidity to counter the cash flow need.

(ii) ***Inflation risk***

Whilst the Central Bank does pursue a policy of price stability, one cannot assume that a small isolated country such as Seychelles will always be able to control inflation. Inflation would not necessarily be a problem for the Fund if it was accompanied by compensatory increases in investment returns. The smallness and inefficiency of the local market, however, suggest that one could not necessarily always count on the alignment of inflation and yields.

The 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, the Fund demands a significant yield compensation for inflation risk on longer term instruments.

4.3 Operational risk

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

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

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

4.4 Legal risk

The risk that the Fund commits an act that is subsequently deemed illegal and that the Fund pays some penalty.

4. RISK MANAGEMENT (CONT'D)

4.4 Legal risk (Cont'd)

This risk is somewhat limited since the Fund is governed principally under a single, clear piece of legislation: The "Seychelles Pension Fund Act, 2005". All the actions of the Fund are regulated by the Act, and the Fund's procedures are all based on strict observance of the Act's provisions. The Board of Trustees is accountable to the Minister of Finance and the National Assembly.

4.5 Disaster recovery risk

The risk that a disaster wipes out the 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 disks must be scanned on this machine prior to contact with the network. The presence of an IT Officer adds to the security of the back-ups of electronic information.

As to the risk to the 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 the Fund.

4.6 Reputational risk

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

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

The 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.

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.

5.1 Critical accounting estimates and assumptions

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

(a) Held-to-maturity investments

The Group follows the guidance of International Accounting Standard (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(b) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(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 best estimates.

(d) Fair value estimation

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

5.1 Critical accounting estimates and assumptions (Cont'd)

(d) Fair value estimation (Cont'd)

The 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.

The following table shows an analysis of financial instruments recorded at fair value by level of their value hierarchy:

		Level 1	Level 2	Level 3	Total
		SR	SR	SR	SR
2010					
Availabe-for-sale	**SR**	**16,136,622**	**-**	**-**	**16,136,622**
2009					
Availabe-for-sale	SR	13,637,963	-	-	13,637,963

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

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

2010		Freehold land and buildings	Leasehold buildings & improvements	Equipment	Furniture & fittings	Motor vehicles	Total
		SR	SR	SR	SR	SR	SR
COST AND VALUATION							
At January 1, 2010		6,369,350	25,151,292	2,541,596	2,248,452	462,897	36,773,587
Additions		-	7,000	1,228,769	157,445	-	1,393,214
Revaluation (note 17)		768,455	1,810,732	-	-	-	2,579,187
At December 31, 2010							
COST		3,176,645	18,347,674	3,770,365	2,405,897	462,897	28,163,478
VALUATION		3,961,160	8,621,350	-	-	-	12,582,510
		7,137,805	26,969,024	3,770,365	2,405,897	462,897	40,745,988
DEPRECIATION							
At January 1, 2010		125,886	4,533,541	897,385	573,639	255,903	6,386,354
Charge for the year		91,522	2,231,088	435,050	228,183	90,399	3,076,241
At December 31, 2010		217,408	6,764,629	1,332,435	801,822	346,302	9,462,595
NET BOOK VALUE							
At December 31, 2010	SR	6,920,397	20,204,395	2,437,930	1,604,075	116,595	31,283,393

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

2009		Freehold land and buildings	Leasehold buildings & improvements	Equipment	Furniture & fittings	Motor vehicles	Total
		SR	SR	SR	SR	SR	SR
COST AND VALUATION							
At January 1, 2009		6,369,350	23,511,806	1,402,627	1,876,668	462,897	33,623,348
Additions		-	1,639,486	1,142,464	371,784	-	3,153,734
Disposals		-	-	(3,495)	-	-	(3,495)
At December 31, 2009							
COST		3,176,645	18,340,674	2,541,596	2,248,452	462,897	26,770,264
VALUATION		3,192,705	6,810,618	-	-	-	10,003,323
		6,369,350	25,151,292	2,541,596	2,248,452	462,897	36,773,587
DEPRECIATION							
At January 1, 2009		45,035	2,613,367	568,510	383,176	163,324	3,773,412
Charge for the year		80,851	1,920,174	331,263	190,463	92,579	2,615,330
Disposal adjustments		-	-	(2,388)	-	-	(2,388)
At December 31, 2009		125,886	4,533,541	897,385	573,639	255,903	6,386,354
NET BOOK VALUE							
At December 31, 2009	SR	6,243,464	20,617,751	1,644,211	1,674,813	206,994	30,387,233

7. INVESTMENT PROPERTIES

		THE GROUP AND THE FUND	
		2010	2009
(a) Fair value		SR	SR
At January 1,		332,857,921	276,374,815
Additions		32,104,688	3,697,140
Work in progress		15,373,627	52,785,966
Increase in fair value		27,342,281	-
At December 31,	SR.	407,678,517	332,857,921

(b) The value of the investment properties was subject to a bi-annual review at December 31, 2010 by Mr. Bryan J.K.Felix of Baseline Surveys & Co. (Pty) Ltd and Mr. Lester J.W Quatre of Lester J.W Quatre & Co, independent professionally qualified valuers, on an open-market basis with existing tenancies. The next valuation is expected to be performed in 2012.

(c) The investment properties are on leasehold land from Mascareignes Properties Limited. The initial deposit on the lease amounting to SR. 50million is being amortised over the term of the lease, i.e., 99 years.

		THE GROUP AND THE FUND	
		2010	2009
		SR	SR
Cost			
At January 1 and December 31,	SR.	50,000,000	50,000,000
Amortisation			
At January 1,		4,974,330	3,074,572
Charge for the year		2,094,909	1,899,758
At December 31,	SR.	7,069,239	4,974,330
Net Book Value			
At December 31,	SR.	42,930,761	45,025,670

8. INVESTMENT IN SUBSIDIARY COMPANY

		THE FUND
		2010 & 2009
		SR
COST		
At January 1, and December 31,	SR.	5,100

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

	THE FUND
	2010 & 2009
Opportunity Investment Company Limited	
Class of shares held	Ordinary
Year end	December 31,
Proportion of ownership interest and voting power held - direct	51%
Country of incorporation and residence	Seychelles

The subsidiary is engaged in investment holding.

9. INVESTMENT IN ASSOCIATED COMPANIES

(a) **THE FUND - AT COST**

		THE FUND 2010 & 2009
		SR
At January 1, and December 31,	SR	59,662,908

(b) **THE GROUP**

Group's share of net assets		2010	2009
		SR	SR
At January 1,		60,987,416	79,730,427
Share of results for the year		31,245,646	(10,353,811)
Dividends		(8,973,600)	(8,389,200)
At December 31,	SR	83,259,462	60,987,416

(c) The Group's interest in the associated companies was as follows:

Name	Year end	Assets	Liabilities	Revenues	Profit / (Loss)	Proportion of ownership interest and voting rights (Direct)	Proportion of ownership interest and voting rights (Indirect)
		SR	SR	SR	SR	%	%
2010							
Seychelles Breweries Ltd	**30 June**	**358,215,045**	**139,785,069**	**422,295,434**	**103,855,915**	**26**	**-**
State Assurance Co. Ltd (SACL)	**31 December**	**256,838,787**	**116,575,578**	**66,497,419**	**39,141,600**	**-**	**18.87**
2009							
Seychelles Breweries Ltd	30 June	466,337,132	311,443,071	408,976,750	(41,207,621)	26	-
State Assurance Co. Ltd (SACL)	31 December	181,799,138	83,002,268	87,644,144	11,707,955	-	18.87

(d) Shares in SACL are held by the Fund through its subsidiary, Opportunity Investment Company Limited, and the Directors consider that significant influence exist to recognised SACL as an associated company.

(e) Where necessary, appropriate adjustments have been made to the financial statements of associated companies to bring the accounting policies used in line with those adopted by the Group.

10. INVESTMENT IN FINANCIAL ASSETS

		2010				2009
		Unquoted		Listed		
		Money markets	Held-to-Maturity	Available-for-sale	Total	Total
		SR	SR	SR	SR	SR
(a)	THE GROUP AND THE FUND					
	At January 1,	46,436,917	261,826,710	13,637,963	321,901,590	321,628,567
	Additions	77,318,050	-	1,059,508	78,377,558	8,671,258
	Increase in fair value (note 17)	-	-	2,673,744	2,673,744	2,645,214
	Disposals/redemptions	-	(123,415,000)	(1,234,593)	(124,649,593)	(18,515,297)
	Accrued interest	-	(4,792,086)	-	(4,792,086)	7,471,848
	At December 31,	SR 123,754,967	133,619,624	16,136,622	273,511,213	321,901,590
	Analysed as follows :					
	Non-current				230,659,934	148,219,492
	Current				42,851,279	173,682,098
				SR	273,511,213	321,901,590

(b) Investment in money markets represent term deposits with banks with interest rates ranging from **2.8% to 7%** p.a (2009: 2.9% to 12%).

(c) Held-to-maturity investments comprise treasury bonds with interest rates ranging from **7% to 8.25%** (2009: 14% to 16.5%) and treasury bills from **5.35% to 10.87%** (2009: 5.35% to 25.31%).

(d) Available-for-sale investments comprise foreign securities quoted on overseas stock markets.

(e) None of the financial assets are either past due or impaired.

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

	THE GROUP AND THE FUND	
	2010	2010
	SR	SR
Seychelles Rupee	257,374,591	308,263,627
Mauritian Rupee	14,572,776	12,337,290
United States Dollar	1,563,846	1,300,673
	SR 273,511,213	321,901,590

11. LOANS AND RECEIVABLES

	THE GROUP		THE FUND	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
Loan and receivables	**27,137,035**	53,626,737	**27,124,365**	53,537,949
Loan to subsidiary company	-	-	**5,417,168**	5,493,286
	27,137,035	53,626,737	**32,541,533**	59,031,235
Classified as follows:				
- Non current	-	21,017,637	**5,417,168**	26,422,135
- Current	**27,137,035**	32,609,100	**27,124,365**	32,609,100
	27,137,035	53,626,737	**32,541,533**	59,031,235

(a) Loans and receivables have been granted to third parties under following terms:

(i) A loan totalling USD 7.5m was disbursed between April 2008 and February 2010 out of which USD 6m was recovered as at December 31, 2010. This loan bears interest at 9% per annum (2009: 3.75% per annum) and is repayable in monthly installments of USD 250k until full repayment by October 2011. The loan is secured by a deed of suretyship.

(ii) A loan of SR 0.65m was granted in 2009 bearing interest rate of 2% p.a refundable by monthly installment of SR 12K when borrower's project becomes operational. The loan was secured by assets purchased with the loan and on land owned by the borrower. In August 2010, as per the terms of the agreement, the Fund repossessed assets (equipment) and the loan was cancelled.

(b) The carrying amounts of loans and receivables have been assumed to approximate their fair values.

(c) The loans and receivables are denominated in the following currencies:

	THE GROUP		THE FUND	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
USD	-	21,017,637	**5,417,168**	26,422,135
Seychelles Rupees	**27,137,035**	32,609,100	**27,124,365**	32,609,100
SR	**27,137,035**	53,626,737	**32,541,533**	59,031,235

12. RECEIVABLES AND PREPAYMENTS

	THE GROUP		THE FUND	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
Contributions receivable	**2,347,150**	1,900,250	**2,347,150**	1,900,250
Receivable from the Government	**10,419,392**	5,796,939	**10,419,392**	5,796,939
Interest receivable	**641,718**	385,195	**641,718**	385,195
Rental income receivable	**1,994,090**	1,495,569	**1,994,090**	1,495,569
Receivable from subsidiary company	-	-	**123,514**	125,514
Advance payment on construction works	**33,465,975**	4,408,478	**33,465,975**	4,408,478
Other receivables	**2,005,112**	877,181	**2,181,324**	877,181
SR	**50,873,437**	14,863,612	**51,173,163**	14,989,126

(a) The carrying amount of receivables and prepayments are denominated in Seychelles rupees and approximate their fair value.

(b) None of the above receivables and prepayments were past due or impaired.

(c) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. PAYABLES AND ACCRUALS

	THE GROUP		THE FUND	
	2010	2009	**2010**	2009
	SR	SR	**SR**	SR
Rental deposits	**2,492,127**	2,099,455	**2,492,127**	2,099,455
Advance on rent	**171,464**	222,170	**171,464**	222,170
Interest received in advance	**-**	132,691	**-**	132,691
Accrued expenses	**1,187,659**	4,609,933	**1,187,659**	4,609,933
Dividends payable	**-**	12,839	**-**	-
Retention payable for construction works	**1,977,121**	2,678,220	**1,977,121**	2,678,220
Withholding tax payable	**-**	2,266	**-**	-
Other payables	**58,519**	119,670	**25,680**	26,029
SR	**5,886,890**	9,877,244	**5,854,051**	9,768,498

(a) The carrying amounts of payables and accruals and denominated in Seychelles rupees approximate their fair value.

14. MEMBERS' FUND

Up to the year 2005, Members' Fund represented the balance of fund due to members who have not attained retirement age. However, with the introduction of the Seychelles Pension Fund Act 2005 which came into effect from January 1, 2006, new benefits were introduced to the members including monthly payment of pension if the members meet the eligibility criteria set under the new Act and Regulations.

The Members' Fund balances up to December 31, 2010 are reduced with the new benefits paid under the new scheme. The Members' Fund also includes accumulated balance of members who have reached the retirement age and are eligible for monthly pension. However, the accounts of the retirees should have been separated from the active members fund and reflected in the other fund created for this purpose. With the commissioning of the new computer system, the management is still in the process of segregating these amounts from the active Members' Fund in the next financial year.

15. OTHER FUNDS

	2010	2009
	SR	SR
THE GROUP AND THE FUND		
Contributions from Social Security Division (Note (a) below)	**101,232,901**	68,375,624
Payments made for Social Security Pension	**(89,528,966)**	(56,671,689)
	11,703,935	11,703,935
Receipt from National Provident Fund (Note (b) below)	**71,215,276**	71,215,276
	82,919,211	82,919,211

(a) Under the new scheme of benefits payable to the members, the Social Security Fund refunds the whole of the social security pension to the Seychelles Pension Fund for payment of Social Security and Benefits to the members eligible for monthly pension.

15. OTHER FUNDS (CONT'D)

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

16. RESERVE FUND

		2010 & 2009
		SR
THE GROUP AND THE FUND		
At January 1, and December 31,	SR	**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 2005 was 30% of the difference between the interest earned by the Fund and the interest paid to the members as there was no immediate need to do so.

The transfer to the Reserve Fund is made in order to provide for future liabilities arising as a result of the need to pay pensions to members living beyond the average life expectancy.

17. OTHER RESERVES

(a) THE GROUP

		2010				2009
		Revaluation reserve	Fair Value reserve	Associates' reserve	Total	Total
		SR	SR	SR	SR	SR
At January 1,		10,003,323	5,179,389	4,109,223	19,291,935	17,858,628
Revaluation of property and equipment (note 6)		2,579,187	-	-	2,579,187	-
Net change in fair value of financial assets (note 10)		-	2,673,744	-	2,673,744	2,645,214
Reversal of fair value reserve on disposal of available-for-sale financial assets		-	(479,257)	-	(479,257)	(1,211,907)
At December 31,	SR.	12,582,510	7,373,876	4,109,223	24,065,609	19,291,935

(b) THE FUND

		2010			2009
		Revaluation reserve	Fair Value reserve	Total	Total
		SR	SR	SR	SR
At January 1,		10,003,323	5,179,389	15,182,712	13,749,405
Revaluation of property and equipment (note 6)		2,579,187	-	2,579,187	-
Net change in fair value of financial assets (note 10)		-	2,673,744	2,673,744	2,645,214
Reversal of fair value reserve on disposal of available-for-sale financial assets		-	(479,257)	(479,257)	(1,211,907)
At December 31,	SR.	12,582,510	7,373,876	19,956,386	15,182,712

18. NON-CONTROLLING INTEREST

		2010	2009
		SR	SR
At January 1,		**5,211,360**	6,341,091
Share of results (page 5)		**1,438,552**	1,446,528
Minority share of movement in advance against equity		**-**	(1,120,136)
Share of dividends		**(1,456,123)**	(1,456,123)
At December 31, (page 3)	SR	**5,193,789**	5,211,360

19. INTEREST INCOME

		THE GROUP		THE FUND	
		2010	2009	2010	2009
		SR	SR	SR	SR
Interest on held-to maturity financial asset		**15,911,397**	37,581,298	**15,911,397**	37,396,206
Interest on investments in money markets		**2,528,728**	4,063,021	**2,528,728**	4,063,021
Interest on bank balances		**47,362**	35,810	**47,362**	35,810
Interest on loans to third parties		**3,940,056**	4,500,155	**3,940,056**	4,500,155
Interest on staff loans		**38,005**	27,863	**38,005**	27,863
	SR	**22,465,548**	46,208,147	**22,465,548**	46,023,055

20. INVESTMENT INCOME

		THE GROUP		THE FUND	
		2010	2009	2010	2009
		SR	SR	SR	SR
Dividends on local securities		**4,604,819**	1,543,156	**12,122,296**	8,476,233
Dividends on foreign securities		**373,768**	376,613	**373,768**	376,613
	SR	**4,978,587**	1,919,769	**12,496,064**	8,852,846

21. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund at 4% for the year ended December 31, 2010, amounted to SR **26.4m** to the Fund (2009: 5% per annum - SR 29.4m). However, only SR 3.4m were actually paid towards retiring members, death gratuities and migration allowance for the year under review. The remaining surplus balance is booked every year as a liability in the Members' Fund Account to be used for settlement of future obligations towards existing members.

22. ADMINISTRATIVE EXPENSES

		THE GROUP		THE FUND	
		2010	2009	2010	2009
		SR	SR	SR	SR
Salaries, wages and other related expenses		**8,856,707**	7,531,094	**8,856,707**	7,531,094
Administration costs		**2,088,606**	2,341,304	**2,088,606**	2,341,304
Motor vehicles running expenses		**174,868**	130,154	**174,868**	130,154
Other expenses		**1,737,528**	2,258,642	**1,701,670**	2,081,027
	SR.	**12,857,709**	12,261,194	**12,821,850**	12,083,579

23. NOTES TO CASH FLOW STATEMENTS

		THE GROUP		THE FUND	
		2010	2009	2010	2009
		SR	SR	SR	SR
(a) Cash generated from operations					
Net increase in net assets available for benefits (page 4)		82,166,462	24,734,384	91,158,349	33,133,571
Net change in non-controlling interest (note 18)		(17,571)	(1,129,731)	-	-
	SR	82,148,891	23,604,653	91,158,349	33,133,571

(b) Cash and cash equivalents		THE GROUP		THE FUND	
		2010	2009	2010	2009
		SR	SR	SR	SR
Cash at bank		87,109,983	35,213,202	86,886,123	35,051,789
Short term bank deposits		84,519	84,519	-	-
Cash in hand		10,979	6,800	10,979	6,800
Bank balance with fund managers		934,212	871,969	934,212	871,969
	SR	88,139,693	36,176,490	87,831,314	35,930,558

24. RELATED PARTY TRANSACTIONS

	THE GROUP		THE FUND	
	2010	2009	2010	2009
	SR	SR	SR	SR
Subsidiary company:				
- Investment	-	-	5,100	5,100
- Loan receivable	-	-	5,417,168	5,493,286
- Dividends receivable	-	-	-	-
-Other receivable	-	-	123,514	125,514
Enterprises on which the Company exerts significant influence:				
- Investment	83,259,462	60,987,416	59,662,908	59,662,908
- Dividends	8,973,600	8,389,200	8,973,600	8,389,200
Key management personnel:				
- Gross salaries	593,208	454,800	593,208	454,800
- Gratuity accumulated	237,283	90,960	237,283	90,960
Board of Trustees remuneration	466,014	413,010	466,014	413,010

24. RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are made at normal market prices.

Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2010, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2009: 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.

25. BOARD OF TRUSTEES REMUNERATIONS

These are detailed as follows:

		THE GROUP & THE FUND	
		2010	2009
		SR	SR
S Cesar		44,880	39,780
M Afif		38,280	33,930
G Beaudoin		38,280	33,930
R Weber		38,280	33,930
R Spiro		38,280	33,930
L Woodcock		38,280	33,930
M Felix		38,280	33,930
S Labrosse		38,280	33,930
A Mousbe		38,280	33,930
J Esparon		38,280	33,930
M Stravens		38,280	33,930
A. Lucas		14,490	-
G D'Offay		23,844	33,930
	SR	466,014	413,010

26. COMMITMENTS

		THE GROUP & THE FUND	
		2010	2009
(i) Capital commitments:		SR	SR
Approved and contracted for		111,813,669	26,031,652
Approved but not contracted for		14,000,000	174,782,326
	SR	125,813,669	200,813,978

(ii) Financial commitments

Loan and receivables approved for disbursement	SR	-	1,000,000

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2010 (2009: Nil).

FINANCIAL SUMMARY

		THE GROUP			THE FUND				
		2010	2009	2008	**2010**	2009	2008	2007	2006
		SR'000	SR'000	SR'000	**SR'000**	SR'000	SR'000	SR'000	SR'000
Interest income		**22,466**	46,208	22,832	**22,466**	46,023	22,750	22,229	21,390
Dividend income		**4,979**	1,920	1,610	**12,496**	8,853	8,529	7,918	6,961
Increase in fair value of investment properties		**27,343**	-	91,661	**27,342**	-	91,661	14,456	-
Rental and other income		**22,189**	17,334	13,029	**22,189**	17,334	13,029	11,759	5,270
		76,977	65,462	129,132	**84,493**	72,210	135,969	56,362	33,621
Interest credited to members		**(26,382)**	(29,446)	(30,514)	**(26,382)**	(29,446)	(30,514)	(23,454)	(21,423)
Expenditures		**(21,767)**	(20,235)	(13,551)	**(21,731)**	(20,030)	(13,498)	(9,825)	(6,999)
Gain/(Loss) on exchange differences		**6,404**	(40,481)	50,428	**6,403**	(40,481)	50,428	-	-
(Deficit) / Surplus for the year		**35,232**	(24,700)	135,495	**42,783**	(17,747)	142,385	23,083	5,199
Share of results of associates		**31,246**	(10,354)	8,525	-	-	-	-	-
Surplus from prior years		**142,344**	178,845	35,932	**155,740**	173,487	31,102	8,019	2,820
		208,822	143,791	179,952	**198,523**	155,740	173,487	31,102	8,019
Minority Interest		**(1,439)**	(1,447)	(1,107)	-	-	-	-	-
Transfer to Reserve Fund		-	-	-	-	-	-	-	-
Surplus carried forward	SR	**207,383**	142,344	178,845	**198,523**	155,740	173,487	31,102	8,019
FUNDS									
Members' fund		**664,331**	620,731	571,282	**664,331**	620,731	571,282	511,808	465,748
Reserve fund		**14,568**	14,568	14,568	**14,568**	14,568	14,568	14,568	14,568
Other fund		**82,919**	82,919	82,919	**82,919**	82,919	82,919	78,155	77,885
Retained surplus		**207,383**	142,344	178,845	**198,523**	155,740	173,487	31,102	8,019
Other reserves		**24,066**	19,292	17,859	**19,956**	15,182	13,750	3,358	-
	SR	**993,266**	879,854	865,473	**980,297**	889,140	856,006	638,991	566,220

Note: For reasons of practicability, comparative figures for the Group have not been disclosed for years prior to 2008.