Seychelles Pension Fund

Financial Statements

Year ended December 31, 2009

SEYCHELLES PENSION FUND

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REPORT OF THE BOARD OF TRUSTEES

The Board presents its report together with the audited financial statements of the Group and the Fund for the year ended December 31, 2009.

THE FUND

Seychelles Pension Scheme was established under the Seychelles Pension Scheme Act, 1990, CAP 220 and commenced effective 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 In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and it was replaced by the Seychelles Pension Fund Act, 2005 under which the body corporate was renamed as Seychelles Pension Fund.

PRINCIPAL ACTIVITIES

The principal activities of the Fund comprise of providing financial security to the retiring members that 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 Section 4 of the Act and the applicable Regulations.

RESULTS

		December 31, 2009	
		THE GROUP	**THE FUND**
		SR	**SR**
Deficit for the year		(35,054,765)	(17,748,295)
Retained surplus brought forward		178,845,440	173,486,443
Retained surplus carried forward	**SR**	**143,790,675**	**155,738,148**

INTEREST ON MEMBERS' FUND

The Board recommended interest of 5% for the year under review to be credited to the members on their contributions (2008: 6%).

PROPERTY & EQUIPMENT

The Fund acquired property and equipment amounting to SR 3.2 million during the year comprising of improvements to leasehold buildings, equipment and furniture and fittings. In 2008, freehold land and buildings on freehold and leasehold land were revalued by SR 9.2m. The next revaluation is expected to be performed in 2010.

The Board is of the opinion that the market or saleable value of the property & equipment at December 31, 2009 does not differ substantially from the amount at which it is included in 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, 2009, these totalled SR 333 million (2008: SR 276 million). During the year, additions amounted to SR 56 million (2008: SR 45 million) and there was no increase in fair value (2008: SR 92 million).

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

S. Cesar (as from 01.01.09)
M Afif
G Beaudoin
R Weber
M Stravens (as from 01.01.2009)
G d'Offay (as from 01.01.2009)
R Spiro
L Woodcock
M Felix
S Labrosse
A Mousbe
J Esparon

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 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 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	**Willy Confait**
Chairperson	Chief Executive Officer

Dated: March 15, 2010
Victoria, Seychelles

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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE THE SEYCHELLES PENSION FUND TO THE MINISTER FOR FINANCE

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 2009 as set out on pages 3 to 35.

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. 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 obt basis for my audit opinion.

Opinion

In my opinion:

- the financial statements on pages 3 to 35 give a true and fair view of the financial position of the Group and of the Fund at December 31, 2009, 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;
- I have obtained the information necessary for the purpose of the audit and am satisfied with the information received; and
- the financial information given in paragraph 17 (pages 45-46) of the Annual Report is consistent with the accounts.

Emphasis of matter

Without qualifying my opinion, we draw attention to the fact that the actuarial review report of the Fund as at December 31, 2008 issued on September 9, 2009 stipulates that the existing contribution will not sustain the Fund in the long term. It recommended to change the current 'flat rate' contribution to a 'percentage of salary' in order to meet future pension liabilities. There was an increase in rates in 2008 but this was not in line with the Actuarial recommendations. It has however recently been announced in the National Budget that, as from January 2011, every employer and every employee will contribute the equivalent of 1.5% of the employee's salary to the Fund. Nevertheless, there still exists the risk of uncertainty with respect to the adequacy of the Fund's future liabilities towards its members.

Marc Benstrong
Auditor General

08 April 2010
Victoria, Seychelles

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2009

	Notes	THE GROUP		THE FUND	
		2009	2008	**2009**	2008
ASSETS		**SR**	SR	**SR**	SR
Non-current assets					
Plant and equipment	6	**30,387,233**	29,849,936	**30,387,233**	29,849,936
Investment properties	7 (a)	**332,857,921**	276,374,815	**332,857,921**	276,374,815
Deposit on leasehold land	7 (c)	**45,025,670**	46,925,428	**45,025,670**	46,925,428
Investment in subsidiary company	8	**-**	-	**5,100**	5,100
Investment in associated companies	9	**60,987,416**	79,730,427	**59,662,908**	59,662,908
Investment in financial assets	10	**148,219,492**	144,244,338	**148,219,492**	144,244,338
Loans and receivables	11	**21,017,637**	1,000,000	**26,422,135**	7,721,349
		638,495,369	578,124,944	**642,580,459**	564,783,874
Current assets					
Investment in financial assets	10	**173,682,098**	177,384,229	**173,682,098**	177,384,229
Receivables	12	**14,863,612**	12,043,015	**14,989,126**	13,283,852
Loans and receivables	11	**32,609,100**	71,043,271	**32,609,100**	71,043,271
Cash and cash equivalents	26(b)	**36,176,490**	49,811,438	**35,930,558**	45,007,377
		257,331,300	310,281,953	**257,210,882**	306,718,729
Total assets		**895,826,669**	888,406,897	**899,791,341**	871,502,603
Current liabilities					
Payables	13	**9,877,244**	4,064,615	**9,768,498**	2,969,632
Borrowings	14	**-**	2,231,328	**-**	2,231,328
		9,877,244	6,295,943	**9,768,498**	5,200,960
Non-current liabilities					
Borrowings	14	**-**	9,474,334	**-**	9,474,334
Retirement benefit obligations	2 (l)	**883,412**	821,449	**883,412**	821,449
		883,412	10,295,783	**883,412**	10,295,783
Net assets available for benefits	SR	**885,066,013**	871,815,171	**889,139,431**	856,005,860
Made up as follows:					
Members' fund	15	**620,730,769**	571,282,210	**620,730,769**	571,282,210
Other fund	16	**82,919,211**	82,919,211	**82,919,211**	82,919,211
Reserve fund	17	**14,568,591**	14,568,591	**14,568,591**	14,568,591
Other reserves	18	**19,291,935**	17,858,628	**15,182,712**	13,749,405
Retained earnings		**142,344,147**	178,845,440	**155,738,148**	173,486,443
		879,854,653	865,474,080	**889,139,431**	856,005,860
Minority interest	19	**5,211,360**	6,341,091	**-**	-
	SR	**885,066,013**	871,815,171	**889,139,431**	856,005,860

The financial statements were approved for issue by the Board of Trustees on March 15, 2010.

Sitna Cesar
Chairperson

Willy Confait
Chief Executive Officer

The notes on pages 7 to 35 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, 2009

		THE GROUP		THE FUND	
	Notes	**2009**	2008	**2009**	2008
		SR	SR	**SR**	SR
Compulsory contributions:					
- by employees		**19,357,850**	20,625,888	**19,357,850**	20,625,888
- by employers		**19,394,150**	20,823,263	**19,394,150**	20,823,263
Voluntary contributions					
- by employees		**2,860,927**	3,146,878	**2,860,927**	3,146,878
- by employers		**1,741,616**	1,350,867	**1,741,616**	1,350,867
- unallocated		**-**	(113,539)	**-**	(113,539)
		43,354,543	45,833,357	**43,354,543**	45,833,357
Interest received by members		**29,446,196**	30,514,049	**29,446,196**	30,514,049
Net change in fair value on financial assets		**1,433,307**	1,207,538	**1,433,307**	1,207,538
Revaluation of property and equipment	18	**-**	9,183,318	**-**	9,183,318
Net (deficit) / surplus for the year after minority interest (page 5)		**(26,147,482)**	134,388,657	**(17,748,295)**	142,384,992
		4,732,021	175,293,562	**13,131,208**	183,289,897
Benefit payments :					
- Normal Retirement		**40,352,122**	27,217,860	**40,352,122**	27,217,860
- Death before Normal Retirement		**675,046**	606,163	**675,046**	606,163
- Permanent Incapacity		**4,978,870**	3,462,353	**4,978,870**	3,462,353
- Pre-Migration Retirement		**252,222**	183,368	**252,222**	183,368
- Death after Normal Retirement		**2,600**	4,050	**2,600**	4,050
- Surviving Spouse		**1,359,265**	907,767	**1,359,265**	907,767
- Children Pension		**749,759**	581,408	**749,759**	581,408
- Post retirement surviving spouse		**305,980**	134,924	**305,980**	134,924
- Post- retirement children pension		**39,693**	14,287	**39,693**	14,287
- Special Pension		**(233)**	(21,200)	**(233)**	(21,200)
- Refunds		**934,995**	507,014	**934,995**	507,014
Less:					
- Arrears for Social Security Fund Pension		**(4,288,511)**	(279,211)	**(4,288,511)**	(279,211)
- Social Security Fund Pension		**(22,009,628)**	(16,331,406)	**(22,009,628)**	(16,331,406)
- Others		**-**	(114,234)	**-**	(114,234)
		23,352,180	16,873,143	**23,352,180**	16,873,143
Net increase in Members' Fund	26(a)	**24,734,384**	204,253,776	**33,133,571**	212,250,111
Net movement in Other Funds		**-**	4,764,491	**-**	4,764,491
Share of results of associated companies	9	**(10,353,811)**	8,524,959	**-**	-
Net assets available for benefits:					
Balance at January 1,		**865,474,080**	647,930,854	**856,005,860**	638,991,258
Balance at December 31,	SR	**879,854,653**	865,474,080	**889,139,431**	856,005,860

The notes on pages 7 to 35 form an integral part of these financial statements.

Auditors' report on pages 2 and 2(a).

INCOME AND EXPENDITURE ACCOUNT- YEAR ENDED DECEMBER 31, 2009

	Notes	THE GROUP		THE FUND	
		2009	2008	**2009**	2008
		SR	SR	**SR**	SR
INCOME					
Interest income	20	**46,208,147**	22,832,221	**46,023,055**	22,749,933
Investment income	21	**1,919,769**	1,610,019	**8,852,846**	8,529,727
Rental income		**16,956,596**	12,703,437	**16,956,596**	12,703,437
Other income		**377,101**	325,273	**377,101**	325,273
Increase in fair value of investment properties		**-**	91,660,730	**-**	91,660,730
		65,461,613	129,131,680	**72,209,598**	135,969,100
EXPENDITURE					
Interest credited to members	22	**29,446,196**	30,514,049	**29,446,196**	30,514,049
Administrative expenses	23	**12,261,194**	9,731,334	**12,083,579**	9,695,841
Property management expenses		**2,158,573**	1,015,333	**2,158,573**	1,015,333
Depreciation	6	**2,615,330**	1,629,225	**2,615,330**	1,629,225
Amortisation	7(c)	**1,899,758**	1,021,786	**1,899,758**	1,021,786
Auditors' remuneration		**262,359**	126,726	**235,300**	110,255
Loss on disposal of investments in available-for-sale financial assets	24	**1,038,165**	-	**1,038,165**	-
Loss on disposal of property and equipment		**-**	26,113	**-**	26,113
		49,681,575	44,064,566	**49,476,901**	44,012,602
		15,780,038	85,067,114	**22,732,697**	91,956,498
(Loss) / Gain on exchange differences	25	**(40,480,992)**	50,428,494	**(40,480,992)**	50,428,494
		(24,700,954)	135,495,608	**(17,748,295)**	142,384,992
Share of results of associated companies	9	**(10,353,811)**	8,524,959	**-**	-
(Deficit) / Surplus for the year		**(35,054,765)**	144,020,567	**(17,748,295)**	142,384,992
Surplus from prior years brought forward		**178,845,440**	35,931,824	**173,486,443**	31,101,451
Net Surplus for the year	SR	**143,790,675**	179,952,391	**155,738,148**	173,486,443
Attributable to:					
The Fund (page 3)		**142,344,147**	178,845,440	**155,738,148**	173,486,443
Minority Interest	19	**1,446,528**	1,106,951	**-**	-
	SR	**143,790,675**	179,952,391	**155,738,148**	173,486,443

The notes on pages 7 to 35 form an integral part of these financial statements.

Auditors' report on pages 2 and 2(a).

SEYCHELLES PENSION FUND

CASH FLOW STATEMENTS - YEAR ENDED DECEMBER 31, 2009

	Notes	THE GROUP 2009	THE GROUP 2008	THE FUND 2009	THE FUND 2008
Cash flows from operations		**SR**	SR	**SR**	SR
Net cash generated from operations	26(a)	**23,604,653**	209,033,126	**33,133,571**	217,014,602
Adjustments for:					
Depreciation	6	**2,615,330**	1,629,225	**2,615,330**	1,629,225
Amortisation of deposit on lease	7(c)	**1,899,758**	1,021,786	**1,899,758**	1,021,786
Loss on sale of property and equipment		**-**	26,113	**-**	26,113
Loss on disposal of available-for-sale financial assets		**1,138,165**	-	**1,138,165**	-
Retirement benefit obligations		**61,963**	197,900	**61,963**	197,900
Revaluation of property and equipment	18	**-**	(9,183,318)	**-**	(9,183,318)
Fair value gains on investment properties	7	**-**	(91,660,730)	**-**	(91,660,730)
Net change in fair value on financial assets		**(1,433,307)**	(1,207,538)	**(1,433,307)**	(1,207,538)
Interest income	20	**(46,208,147)**	(22,832,221)	**(46,023,055)**	(22,749,933)
Interest accrued	10	**(7,471,848)**	(694,568)	**(7,471,848)**	(694,568)
Dividend income	21	**(1,919,769)**	(1,610,019)	**(8,852,846)**	(8,529,727)
		(27,713,202)	84,719,756	**(24,932,269)**	85,863,812
Changes in working capital:					
- Increase in receivables		**(2,820,597)**	(4,035,534)	**(1,705,274)**	(5,170,490)
- Increase in payables		**5,812,629**	2,485,304	**6,798,866**	1,994,871
Net cash (outflow) / inflow from operations		**(24,721,170)**	83,169,526	**(19,838,677)**	82,688,193
Cash flows from investing activities					
Purchase of property and equipment	6	**(3,153,734)**	(7,018,528)	**(3,153,734)**	(7,018,528)
Investment properties in progress	7	**(52,785,966)**	(15,610,098)	**(52,785,966)**	(15,610,098)
Purchase of investment properties	7	**(3,697,140)**	(29,358,034)	**(3,697,140)**	(29,358,034)
Proceeds from disposal of property and equipment		**1,107**	24,104	**1,107**	24,104
Purchase of financial assets	10	**(8,671,258)**	(8,265,476)	**(8,671,258)**	(8,265,476)
Proceeds from disposal of financial assets		**16,165,225**	53,177,963	**16,165,225**	53,177,963
Interest received		**46,208,147**	22,832,221	**46,023,055**	22,749,933
Dividend received		**10,308,969**	9,621,821	**8,852,846**	8,529,727
Refund of loans granted		**18,416,534**	-	**19,733,385**	-
Loans granted		**-**	(72,043,271)	**-**	(72,076,213)
Net cash inflow / (outflow) from investing activities		**22,791,884**	(46,639,298)	**22,467,520**	(47,846,622)
Cash flows from financing activity					
Borrowings		**(11,705,662)**	3,456,139	**(11,705,662)**	3,456,139
Net cash (outflow) / inflow from financing activity		**(11,705,662)**	3,456,139	**(11,705,662)**	3,456,139
Net (decrease) / increase in cash and cash equivalents		**(13,634,948)**	39,986,367	**(9,076,819)**	38,297,710
Cash and cash equivalents at January 1,		**49,811,438**	9,825,071	**45,007,377**	6,709,667
Cash and cash equivalents at December 31,	26(b) SR	**36,176,490**	49,811,438	**35,930,558**	45,007,377

The notes on pages 7 to 35 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.

Amendments to published Standards, Standards and Interpretations effective in the reporting period

IFRIC 13, 'Customer Loyalty Programmes (effective July 1, 2008)' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This IFRIC will not have any impact on the Fund’s financial statements.

Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets (effective July 1, 2008) permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permit an entity to transfer, from the available-for-sale category to the loans and receivables category a, financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments will not have any impact on the Fund’s financial statements.

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' clarifies that the net investment hedging relates to differences in functional currency and not presentation currency, and hedging instruments that may be held by an entity. This IFRIC will not have any impact on the Fund's financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

Amendments to published Standards, Standards and Interpretations effective in the reporting period (cont'd)

IAS 1 'Presentation of Financial Statements' (Revised 2007), prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in either one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). There is no impact on the Fund's financial statements.

IAS 23 'Borrowing Costs' (Revised 2007), requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This IAS will not have any impact on the Fund's financial

IFRS 8 'Operating Segments', requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. This IFRS is not expected to have any impact on the Fund's financial statements.

Amendments to IAS 32 and IAS 1 'Puttable financial instruments and obligations arising on liquidation', require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The amendment is not expected to have any impact on the Fund's financial statements.

Amendments to IFRS 2 'Vesting Conditions and Cancellations', clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to have any impact on the Fund's financial statements.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments', requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the Fund's financial statements.

IFRIC 15 'Agreements for the Construction of Real Estate', clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. IFRIC 15 is not relevant to the Fund's operations.

Improvements to IFRSs (issued 22 May 2008)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. This amendment is not expected to have any impact on the Fund's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 22 May 2008) (cont'd)

IAS 8 (Amendment), 'Accounting Policies, Changes in Accounting Estimates and Errors' clarifies that application of the guidance issued with IFRSs that is not an integral part of the Standard is not mandatory in selecting and applying accounting policies. This amendment is unlikely to have an impact on the Fund's financial statements.

IAS 10 (Amendment), 'Events after the Reporting Period' reinforces the clarification of the explanation as to why a dividend declared after the reporting period does not result in the recognition of a liability.

IAS 16 (Amendment), 'Property, Plant and Equipment' requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and transfer the carrying amount of the asset to inventories when the asset becomes held for sale. Consequential amendment to IAS 7 requires that cash flows arising from purchase, rental and sale of those assets to be classified as cash flows from operating activities. The amendment will not have an impact on the Fund's operations.

IAS 18 (Amendment), 'Revenue', removes the inconsistency between IAS 39 and the guidance in IAS 18 relating to the definition of costs incurred in originating a financial asset that should be deferred and recognised as an adjustment to the effective interest rate.

IAS 19 (Amendment), 'Employee Benefits', clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

IAS 20 (Amendment) 'Government Grants and Disclosure of Government Assistance', clarifies that the benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. This amendment will not have an impact on the Fund's operations.

IAS 23 (Amendment), 'Borrowing Costs', has amended the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This amendment will not have any impact on the Fund's operations.

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements' requires an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', and is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', to continue to apply IAS 39. The amendment will not have an impact on the Fund's operations.

IAS 28 (Amendment), 'Investments in Associates' clarifies that an investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. Where an investment in an investment in an associate that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made. This amendment will not have an impact on the Fund's operations.

IAS 29 (Amendment), 'Financial Reporting in Hyperinflationary Economies' has amended the guidance to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Fund's operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 22 May 2008) (cont'd)

IAS 31 (Amendment), 'Interests in Joint Ventures' requires where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made. The amendment will not have an impact on the Fund's operations.

IAS 34 (Amendment), 'Interim Financial Reporting' clarifies that the presentation of basic and diluted earnings per share in interim financial reports is required only when the entity is within the scope of IAS 33.

IAS 36 (Amendment), 'Impairment of Assets' clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible Assets' clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Advertising and promotional activities includes mail order catalogues.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement', clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. The amendment is not expected to have any impact on the Fund's financial statements.

IAS 40 (Amendment) 'Investment Property', clarifies that property under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Fund's

IAS 41 (Amendment), 'Agriculture', requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment replaces the terms 'point-of sale costs' and 'estimated point-of-sale costs' with 'costs to sell'. The amendment will not have an impact on the Fund's operations, as no agricultural activities are undertaken.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures', clarifies that interest income is not a component of finance costs.

Amendments to published Standards, 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 1 January 2010 or later periods, but which the Fund has not early adopted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

Amendments to published Standards, Standards and Interpretations issued and not yet effective but relevant to the Fund's operation

IFRIC 18 Transfers of Assets from Customers
Amendments to IFRS 1 Additional Exemptions for First-time Adopters
Classification of Rights Issues (Amendment to IAS 32)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IAS 24 Related Party Disclosures (Revised 2009)
IFRS 9 Financial Instruments

Amendments to published Standards, Standards and Interpretations issued, not yet effective and not relevant to the Fund's operation

Amendments to IFRIC 9 and IAS 39 Embedded Derivatives
IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
IFRS 3 Business Combinations (Revised 2008)
Amendments to IAS 39 Eligible hedged items
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary
IFRIC 17 Distributions of Non-cash Assets to Owners
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

Improvements to IFRSs (issued 22 May 2008) not relevant to the Fund's operation

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Improvements to IFRSs (issued 16 April 2009)

At the reporting date of these financial statements, the following were issued, not effective but relevant to the Fund's operation

IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 17 Leases
IAS 18 Revenue
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

At the reporting date of these financial statements, the following were issued, not effective and not relevant to the Fund's operation

IFRS 2 Share-based Payment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 8 Operating Segments
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Where relevant, the Fund is still evaluating the effect of these amendments to published Standards, 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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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

In the separate financial statements of the Fund, investment in the subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of the investment.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Fund and enterprises controlled by the Fund made up to December 31, each year. Control is achieved where the Fund has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income and Expenditure Account from the effective date of their acquisition or up to the effective date of their disposal.

The consolidated financial statements have been prepared in accordance with the purchase method. Excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income and Expenditure Account in the year of acquisition.

All significant intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments

Financial assets

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.

(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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (cont'd)

Financial assets (cont'd)

(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.

(vii) Trade and other payables

Trade payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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:

- Employers' and employees' contributions to the Pension Fund.
- 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 impaired 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.

(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 effective 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.

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 2011, every employee and every employer will contribute the equivalent of 1.5% of the employee's salary to the Fund.

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 Fund has written policies regarding maximum and minimum ceilings for investments in various categories of assets.

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 have any interest swap to minimise its exposure to interest rate volatility.
- 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, 2009, 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.**207,296** (2008: SR.123,518) for the Fund and SR**.208,222** (2008: SR.107,006) for the Group higher/lower mainly as a result of higher/lower interest income on floating rate loans.

(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:

- *Diversification* -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.

4. RISK MANAGEMENT (CONT'D)

4.1 Investment risk (cont'd)

(ii) ***Market risk (cont'd)***

<u>Sensitivity analysis</u>

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%.

		2009	2008
Categories of investments:		**SR**	SR
Available for sale	SR.	**132,261**	60,377

(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.

(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 2009 compared to 2008.

4. RISK MANAGEMENT (CONT'D)

4.1 Investment risk (cont'd)

(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:

(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. RISK MANAGEMENT (CONT'D)

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.

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 <u>Critical accounting estimates and assumptions</u>

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.

(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

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
Disposal		-	-	(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 adjustment		-	-	(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**

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

2008		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, 2008		3,996,650	10,656,012	1,116,677	1,456,748	276,784	17,502,871
Additions		-	6,045,176	345,349	441,890	186,113	7,018,528
Disposals		-	-	(59,399)	(21,970)	-	(81,369)
Revaluation (note 18)		2,372,700	6,810,618	-	-	-	9,183,318
At December 31, 2008							
COST		3,176,645	16,701,188	1,402,627	1,876,668	462,897	23,620,025
VALUATION		3,192,705	6,810,618	-	-	-	10,003,323
		6,369,350	23,511,806	1,402,627	1,876,668	462,897	33,623,348
DEPRECIATION							
At January 1, 2008		-	1,511,497	345,715	219,465	98,662	2,175,339
Charge for the year		45,035	1,101,870	253,032	164,626	64,662	1,629,225
Disposal adjustments		-	-	(30,237)	(915)	-	(31,152)
At December 31, 2008		45,035	2,613,367	568,510	383,176	163,324	3,773,412
NET BOOK VALUE							
At December 31, 2008	SR	6,324,315	20,898,439	834,117	1,493,492	299,573	29,849,936

7. INVESTMENT PROPERTIES

		THE GROUP AND THE FUND	
		2009	2008
(a) Fair value		**SR**	SR
At January 1,		**276,374,815**	139,745,953
Additions		**3,697,140**	29,358,034
Work in progress		**52,785,966**	15,610,098
Increase in fair value		**-**	91,660,730
At December 31,	SR.	**332,857,921**	276,374,815

(b) The value of the investment properties was subject to a bi-annual review at December 31, 2008 by Messrs Bryan J.K.Felix, Baseline Surveys & Co. (Pty) Ltd, independent professionally qualified valuer, on an open-market basis with existing tenancies. The next valuation is expected to be performed in 2010

(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	
		2009	2008
		SR	SR
Cost			
At January 1 and December 31,	SR.	**50,000,000**	50,000,000
Amortisation			
At January 1,		**3,074,572**	2,052,786
Charge for the year		**1,899,758**	1,021,786
At December 31,	SR.	**4,974,330**	3,074,572
Net Book Value	SR.	**45,025,670**	46,925,428

8. INVESTMENT IN SUBSIDIARY COMPANY

		THE FUND
		2009 & 2008
		SR
COST		
At January 1, and December 31,	SR.	**5,100**

(a) The Fund's subsidiary is as follows:

	THE FUND
	2009 & 2008
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 and the provision of financial advisory services.

9. INVESTMENT IN ASSOCIATED COMPANIES

(a) THE FUND - AT COST

		THE FUND **2009** & 2008 **SR**
At January 1, and December 31	SR	**59,662,908**

(b) THE GROUP

Group's share of net assets		**2009** **SR**	2008 SR
At January 1,		**79,730,427**	79,217,268
Share of results of associated companies		**(10,353,811)**	8,524,959
Dividends		**(8,389,200)**	(8,011,800)
At December 31,	SR	**60,987,416**	79,730,427

(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**	**%**	**%**
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**	**194,961,644**	**84,624,873**	**58,290,015**	**13,429,579**	**-**	**18.87**
2008							
Seychelles Breweries Ltd	30 June	466,652,603	244,090,921	362,111,546	5,813,051	26	-
State Assurance Co. Ltd (SACL)	31 December	447,542,187	331,673,669	108,560,664	31,167,810	-	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 recognise SACL as an associated company.

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

10. INVESTMENT IN FINANCIAL ASSETS

		2009				2008
		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,		**51,384,229**	**256,939,862**	**13,304,476**	**321,628,567**	364,638,948
Additions		**-**	**5,415,000**	**3,256,258**	**8,671,258**	8,265,476
Increase in fair value (note 18)		**-**	**-**	**2,645,214**	**2,645,214**	1,207,538
Disposals/redemptions		**(4,947,312)**	**(8,000,000)**	**(5,567,985)**	**(18,515,297)**	(53,177,963)
Accrued interest		**-**	**7,471,848**	**-**	**7,471,848**	694,568
At December 31,	SR	**46,436,917**	**261,826,710**	**13,637,963**	**321,901,590**	321,628,567
Analysed as follows :						
Non-current					**148,219,492**	144,244,338
Current					**173,682,098**	177,384,229
				SR	**321,901,590**	321,628,567

(b) Investment in money markets represent term deposits with banks with interest rates ranging from **2.9% to 12%** p.a (2008: 2.9% to 12%).

(c) Held-to-maturity investments comprise of treasury bonds with interest rates ranging from **14% to 16.5%** (2008: 7% to 8.25%) and treasury bills from **5.35% to 25.31%** (2008: 13.52% to 23.31%).

(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	
		2009	2008
		SR	SR
Seychelles Rupee		**308,263,627**	308,324,091
Mauritian Rupee		**12,337,290**	11,845,871
United States Dollar		**1,300,673**	1,458,605
	SR	**321,901,590**	321,628,567

11. LOANS AND RECEIVABLES

	THE GROUP		THE FUND	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
Loan and receivables	**53,626,737**	72,043,271	**53,537,949**	72,043,271
Loan to subsidiary company	**-**	-	**5,493,286**	6,721,349
	53,626,737	72,043,271	**59,031,235**	78,764,620
Disclosed as follows:				
- Non current	**21,017,637**	1,000,000	**26,422,135**	7,721,349
- Current	**32,609,100**	71,043,271	**32,609,100**	71,043,271
	53,626,737	72,043,271	**59,031,235**	78,764,620

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

(i) A loan of USD 7.5m out of which USD 5.8m has been disbursed and USD 1.75m recovered at year end. This loan bears interest at 9% p.a (2008: 3.75%) and repayable by a first repayment of USD1m and monthly instalments of USD250k thereafter until full repayments within 24 months. The loan is secured by a deed of suretyship.

(ii) A loan of SR0.65m bearing interest rate of 2% p.a refundable by monthly instalment of SR12K when borrower's project becomes operational (now expected by May 2010). The loan is secured by assets puchased with the loan and on land owned by the borrower.

(b) The loan to subsidiary company is interest free with no fixed repayment terms.

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

12. RECEIVABLES

		THE GROUP		THE FUND	
		2009	2008	**2009**	2008
		SR	SR	**SR**	SR
Contributions receivable		**1,900,250**	3,361,850	**1,900,250**	3,361,850
Receivable from the Government		**5,796,939**	6,401,873	**5,796,939**	6,401,873
Interest receivable		**385,195**	619,526	**385,195**	600,181
Rental income receivable		**1,495,569**	818,575	**1,495,569**	818,575
Receivable from subsidiary company		**-**	-	**125,514**	1,260,182
Advance payment on construction works		**4,408,478**	-	**4,408,478**	-
Other receivables		**877,181**	841,191	**877,181**	841,191
	SR	**14,863,612**	12,043,015	**14,989,126**	13,283,852

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

(b) None of the receivables 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

	THE GROUP		THE FUND	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
Rental deposits	**2,099,455**	1,506,187	**2,099,455**	1,506,187
Advance on rent	**222,170**	189,400	**222,170**	189,400
Interest received in advance	**132,691**	228,136	**132,691**	228,136
Accrued expenses	**4,609,933**	949,603	**4,609,933**	949,603
Dividends payable	**12,839**	803,390	-	-
Retention payable for construction works	**2,678,220**	-	**2,678,220**	-
Withholding tax payable	**2,266**	273,022	-	-
Other payables	**119,670**	114,877	**26,029**	96,306
SR	**9,877,244**	4,064,615	**9,768,498**	2,969,632

The carrying amounts of payables approximate their fair value.

14. BORROWINGS

	THE GROUP & THE FUND	
	2009	2008
	SR	SR
Bank borrowing SR	-	11,705,662
Repayable as follows:		
-Within one year	-	2,231,328
- After one year and before two years	-	9,474,334
SR	-	11,705,662

(a) The bank borrowing is secured by lien on fixed deposit of SR 10 million held with the bank.

(b) Bank borrowing is denominated in US Dollar and bears interest at LIBOR plus 3.5%.

(b) The carrying amount of bank borrowing approximates its fair value.

15. 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, 2009 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 in the process of segregating these amounts from the active Members' Fund in the next financial year.

16. OTHER FUNDS

		2009	2008
		SR	SR
THE GROUP AND THE FUND			
Contributions from Social Security Division (Note (a) below)		**68,375,624**	42,077,486
Payments made for Social Security Pension		**(56,671,689)**	(30,373,551)
		11,703,935	11,703,935
Receipt from National Provident Fund (Note (b) below)		**71,215,276**	71,215,276
	SR	**82,919,211**	82,919,211

(a) Under the new scheme of benefits payable to the members, the Social Security Division contributes 2.5% of the Social Security Contributions collected by them to the Seychelles Pension Fund for payment of Social Security and Benefits to the members eligible for monthly pension.

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

17. RESERVE FUND

		2009 & 2008
		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 an 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.

18. OTHER RESERVES

(a) THE GROUP

		2009				2008
		Revaluation reserve	**Fair Value reserve**	**Associates' reserve**	**Total**	Total
		SR	**SR**	**SR**	**SR**	SR
At January 1,		**10,003,323**	**3,746,082**	**4,109,223**	**17,858,628**	7,467,772
Revaluation of property and equipment (note 6)		-	-	-	-	9,183,318
Net change in fair value of financial assets (note 10)		-	**2,645,214**	-	**2,645,214**	1,207,538
Reversal of fair value reserve on disposal of available-for-sale financial assets		-	**(1,211,907)**	-	**(1,211,907)**	-
At December 31,	SR.	**10,003,323**	**5,179,389**	**4,109,223**	**19,291,935**	17,858,628

(b) THE FUND

		2009			2008
		Revaluation reserve	**Fair Value reserve**	**Total**	Total
		SR	**SR**	**SR**	SR
At January 1,		**10,003,323**	**3,746,082**	**13,749,405**	3,358,549
Revaluation of property and equipment (note 6)		-	-	-	9,183,318
Net change in fair value of financial assets (note 10)		-	**2,645,214**	**2,645,214**	1,207,538
Reversal of fair value reserve on disposal of available-for-sale financial assets		-	**(1,211,907)**	**(1,211,907)**	-
At December 31,	SR.	**10,003,323**	**5,179,389**	**15,182,712**	13,749,405

19. MINORITY INTEREST

	2009	2008
	SR	SR
At January 1,	6,341,091	6,326,232
Share of results (page 5)	1,446,528	1,106,951
Minority share of movement in advance against equity	(1,120,136)	-
Share of dividends	(1,456,123)	(1,092,092)
At December 31, (page 3)	5,211,360	6,341,091

20. INTEREST INCOME

	THE GROUP		THE FUND	
	2009	2008	2009	2008
	SR	SR	SR	SR
Interest on held-to maturity financial assets	37,581,298	18,930,806	37,396,206	18,848,518
Interest on investments in money markets	4,063,021	2,470,360	4,063,021	2,470,360
Interest on bank balances	35,810	40,955	35,810	40,955
Interest on loans to third parties	4,500,155	1,370,368	4,500,155	1,370,368
Interest on staff loans	27,863	19,732	27,863	19,732
SR	46,208,147	22,832,221	46,023,055	22,749,933

21. INVESTMENT INCOME

	THE GROUP		THE FUND	
	2009	2008	2009	2008
	SR	SR	SR	SR
Dividends on local securities	1,543,156	1,177,632	8,476,233	8,097,340
Dividends on foreign securities	376,613	432,387	376,613	432,387
SR	1,919,769 .	1,610,019	8,852,846	8,529,727

22. INTEREST CREDITED TO MEMBERS

Interest credited to Members’ Fund at 5% for the year ended December 31, 2009, amounted to SR 29.4m to the Fund (2008: 6% per annum - SR 30.5m). 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.

23. ADMINISTRATIVE EXPENSES

	THE GROUP		THE FUND	
	2009	2008	2009	2008
	SR	SR	SR	SR
Salaries, wages and other related expenses	7,531,094	6,159,380	7,531,094	6,159,380
Administration costs	2,341,304	2,102,248	2,341,304	2,102,248
Motor vehicles running expenses	130,154	157,145	130,154	157,145
Other expenses	2,258,642	1,312,561	2,081,027	1,277,068
SR.	12,261,194	9,731,334	12,083,579	9,695,841

24. LOSS ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The financial assets of the Fund lost value following the world financial crisis during the year 2008. To prevent further losses, investment in some shares were disposed. Because of the economic downturn, all the shares, securities and stocks traded on stock exchange across the world were severely affected and the disposals effected at the beginning of year 2009 were therefore made at a loss. The year 2009, however, proved to be a year of recovery and subsequent disposals along the year were profitable but not enough to mitigate the losses already incurred.

25. (LOSS) / GAIN ON EXCHANGE DIFFERENCES

During the year 2009, the Fund made a net surplus of SR 22.7 million but with the economic situation - the appreciation of the seychelles rupee, the Fund made a net loss on exchange differences amounting to SR 40.5 million a major share of which is unrealised thus making a net deficit of SR17.7 million for the year under review. Basically, with surpluses made in the prior years brought forward, the Fund covered the deficit and thus realising a net surplus of SR 155.7 million as at December 31, 2009.

26. NOTES TO CASH FLOW STATEMENTS

	THE GROUP		THE FUND	
	2009	2008	**2009**	2008
(a) Cash generated from operations	**SR**	SR	**SR**	SR
Net increase in net assets available for benefits (page 4)	**24,734,384**	204,253,776	**33,133,571**	212,250,111
Net change in minority interest (note 19)	**(1,129,731)**	14,859	**-**	-
Net increase in other funds (page 4)	**-**	4,764,491	**-**	4,764,491
SR	**23,604,653**	209,033,126	**33,133,571**	217,014,602

(b) Cash and cash equivalents	THE GROUP		THE FUND	
	2009	2008	**2009**	2008
	SR	SR	**SR**	SR
Cash at bank	**35,213,202**	45,745,167	**35,051,789**	44,126,911
Short term bank deposits	**84,519**	3,185,805	**-**	-
Cash in hand	**6,800**	5,800	**6,800**	5,800
Bank balance with fund managers	**871,969**	874,666	**871,969**	874,666
SR	**36,176,490**	49,811,438	**35,930,558**	45,007,377

27. RELATED PARTY TRANSACTIONS

	THE GROUP		THE FUND	
	2009	2008	**2009**	2008
Subsidiary company:	**SR**	SR	**SR**	SR
- Investment	**-**	-	**5,100**	5,100
- Loan receivable	**-**	-	**5,493,286**	6,721,349
- Dividends receivable	**-**	-	**-**	1,136,668
-Other receivable	**-**	-	**125,514**	123,514
Enterprises on which the Fund exerts significant influence:				
- Investment	**60,987,416**	79,730,427	**59,662,908**	59,662,908
- Dividends	**8,389,200**	8,011,800	**8,389,200**	8,011,800
Key management personnel:				
- Gross salaries	**454,800**	454,800	**454,800**	454,800
- Gratuity accumulated	**90,960**	265,958	**90,960**	265,958
Board of Trustees remuneration:	**413,010**	411,812	**413,010**	411,812

27. 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, 2009, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2008: 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 REMUNERATIONS

These are detailed as follows:

		THE GROUP & THE FUND	
		2009	2008
		SR	SR
S Cesar		**39,780**	-
F Chang Leng		**-**	40,800
A.Afif		**-**	11,600
M Afif		**33,930**	34,800
G Beaudoin		**33,930**	34,612
R Weber		**33,930**	34,800
R Spiro		**33,930**	34,800
L Woodcock		**33,930**	34,800
L Nair		**-**	23,200
M Felix		**33,930**	34,800
S Labrosse		**33,930**	34,800
A Mousbe		**33,930**	34,800
Y Suleman		**-**	23,200
J Esparon		**33,930**	34,800
M Stravens		**33,930**	-
G D'Offay		**33,930**	-
	SR	**413,010**	411,812

29. COMMITMENTS

		THE GROUP & THE FUND	
		2009	2008
(i) **Capital commitments:**		**SR**	SR
Approved and contracted for		**26,031,652**	69,638,868
Approved but not contracted for		**174,782,326**	191,326,500
	SR	**200,813,978**	260,965,368
(ii) **Financial commitments**			
Loan and receivables approved for disbursement	SR	**1,000,000**	29,469,074

30. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2009 (2008: Nil).

FINANCIAL SUMMARY

		THE GROUP			THE FUND				
		2009	2008	2007	2009	2008	2007	2006	2005
		SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Interest income		**46,208**	22,832	22,247	**46,023**	22,750	22,229	21,390	22,682
Dividend income		**1,920**	1,610	1,012	**8,853**	8,529	7,918	6,961	3,314
Increase in fair value of investment properties		-	91,661	14,456	-	91,661	14,456	-	-
Rental and other income		**17,334**	13,029	11,759	**17,334**	13,029	11,759	5,270	312
		65,462	129,132	49,474	**72,210**	135,969	56,362	33,621	26,308
Interest credited to members		**(29,446)**	(30,514)	(23,454)	**(29,446)**	(30,514)	(23,454)	(21,423)	(19,025)
Expenditures		**(20,235)**	(13,551)	(9,826)	**(20,030)**	(13,498)	(9,825)	(6,999)	(4,913)
(Loss) / Gain on exchange differences		**(40,481)**	50,428	-	**(40,481)**	50,428	-	-	-
(Deficit) / Surplus for the year		**(24,700)**	135,495	16,194	**(17,747)**	142,385	23,083	5,199	2,370
Share of results of associates		**(10,354)**	8,525	11,798	-	-	-	-	-
Surplus from prior years		**178,845**	35,932	8,677	**173,487**	31,102	8,019	2,820	1,547
		143,791	179,952	36,669	**155,740**	173,487	31,102	8,019	3,917
Minority Interest		**(1,447)**	(1,107)	(737)	-	-	-	-	-
Transfer to Reserve Fund		-	-	-	-	-	-	-	(1,097)
Surplus carried forward	SR	**142,344**	178,845	35,932	**155,740**	173,487	31,102	8,019	2,820
FUNDS									
Members' fund		**620,731**	571,282	511,808	**620,731**	571,282	511,808	465,748	419,469
Reserve fund		**14,569**	14,568	14,568	**14,568**	14,568	14,568	14,568	14,568
Other fund		**82,919**	82,919	78,155	**82,919**	82,919	78,155	77,885	-
Retained surplus		**142,344**	178,845	35,932	**155,740**	173,487	31,102	8,019	2,820
Other reserves		**19,292**	17,859	7,467	**15,182**	13,750	3,358	-	-
	SR	**879,855**	865,473	647,930	**889,140**	856,006	638,991	566,220	436,857

Note: For reasons of practicability, comparative figures for the Group have not been disclosed for years prior to 2007.