

Making Seychelles a better place

SEYCHELLES PENSION FUND

ANNUAL REPORT 2006

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Foreword from the Chairman

On behalf of the Board of Trustees, I am pleased to present to the Minister of Finance the first yearly report on the administration and activities of the Seychelles Pension Fund in accordance with Section 54 of the Seychelles Pension Fund Act 2005.

The report was considered and approved by the Board of Trustees at its meeting on the 9th July 2007.

The report sets out key information about how the Fund is managed for the benefit of all Seychellois workers in the public and private sectors and self employed persons and the various benefits available.

The year 2006 has been a busy and challenging time for the Fund. Basically it has been an important and crucial moment in the Fund's short history to prepare and implement the reform of the Scheme into a fully fledged Pension Fund.

From the report it is obvious that all the measures are in place to ensure assessment and payment of beneficiaries within the shortest period of time. Thus pursuing the objective of the programme is to ensure that all employees (members) enjoy from the Fund a retirement pension as an earning replacement to enable them to live in basic comfort.

The important message has been to create awareness of the Fund among its members. A comprehensive publicity programme is in place and as can be seen from this report. The campaign which started in September last and continued in the first half of this year covers as many work places as possible. The feedback obtained would no doubt enable us to move further ahead in meeting the challenges and in developing the Fund further.

The enhanced benefits would require more funds to meet retirement need. There is therefore for prudent investments a need to obtain the best return to build up the funds to have a secure retirement. In order to help members plan early for retirement, the Fund is implementing a plan to encourage members to make a monthly voluntary contribution and for self employed persons to join and contribute to the Fund and benefit from a pension based on salary percentage.

The role of Board of Trustees is indeed remarkable in creating confidence building and in the sustaining of Fund and protecting members' benefits.

A high level of commitment is required to provide its members with a high standard of service. This is indeed a priority and hence structural and administrative changes being made to provide greater convenience to its customers. Equally in the pursuit of excellence, there is a need for more cooperation and understanding from public sector organisations to take pension more seriously and play a leading role.

Our mission continues to Enable Seychellois to save for a Secure Retirement and **our vision** is to become a Pension Fund which will ensure that Seychellois workers Enjoy a Secure Retirement. While it has been a year of major change and development

I wish to thank all the Members of the Board, Members of the Fund for their support and understanding and the staff for their energy, hard work and dedication in the implementation of the Reform and management of the Fund and for their continuous devotion to improve the services we provide.

2. THE BOARD OF TRUSTEES

The Board is appointed for a period of three years by the President of the Republic of Seychelles under Section 5 of the Seychelles Pension Fund Act No 8 of 2005. The current Board was appointed from the 1st September 2005. Its life will expire on the 30th August 2008.

Subject to the Seychelles Pension Fund Act the Board, is responsible for the overall management of the affairs of the Fund including the operation of the Fund and making investment decisions.

The Board comprised of the following members

BOARD OF TRUSTEES	Name	Location	Tel	Fax	E-mail address
Chairman	Mr Francis Chang Leng	Central Bank	225200	226035	cbsgovernor@seychelles.sc
Member	Mr. Mohamed Afif	National House	383000	224936	psadmin@seychelles.net
Member	Mr Gilbert Sultan Beaudoin	Premier Building	324969	324996	feas@seychelles.net
Member	Mr Radley Weber	Dockland	224848	224848	rweber@seychelles.sc
Member	Ms Rachel Spiro	Orion Mall Building	225941	226093	natcof@seychelles.net
Member	Mrs Lekha Nair	Liberty House	382000	225265	pfs@seychelles.net
Member	Mr Michel Felix	Anse Aux Pins	517363		melmc@seychelles.net
Member	Mr Suzanne Labrosse	Aarti Building	225932	225878	desisles@seychelles.net
Member	Mrs Anne Mousbe	Mont Fleuri	283121	323882	
Member	Mr Yakub Suleman	C/o Adam Moosa Francis Rachel Street	510414	225219	adammoosa@seychelles.net
Member	Mr Lambert Woodcock	Maison De La Rosiere	322272	321666	gm@hsi.sc
Member	Ms. Jessy Esparon	Mont Fleuri	388016	225131	ps@moh.gov.sc
Secretary	Marie-Ange Waye-Hive	Caravelle House	225275	224740	ma@sps.gov.sc

The Board is empowered to set up committees to assist in the discharge of its responsibilities relating to investment, audit, administrative and other matters and provide the chairmen and members of the committees with their terms of reference. Currently the Board has established the following committees which are indeed active:

- Audit Committee,
- Investment Committee
- Administrative Committee

The members are appointed amongst its members and co-opted where necessary

Members who are appointed to the Board represented the private sector, public sector and workers. Some members are appointed in view of their wide ranging experience in finance, business and other related fields to better assist in guiding and ensuring the sustainability of the Fund.

The Chief Executive Officer of the Fund is required to attend all board meetings and to chair the meeting in the absence of the Chairman.

The Board met regularly in order to discharge its responsibilities. It is a glaring example of public and private sectors' representatives working truly as a Team.

3.

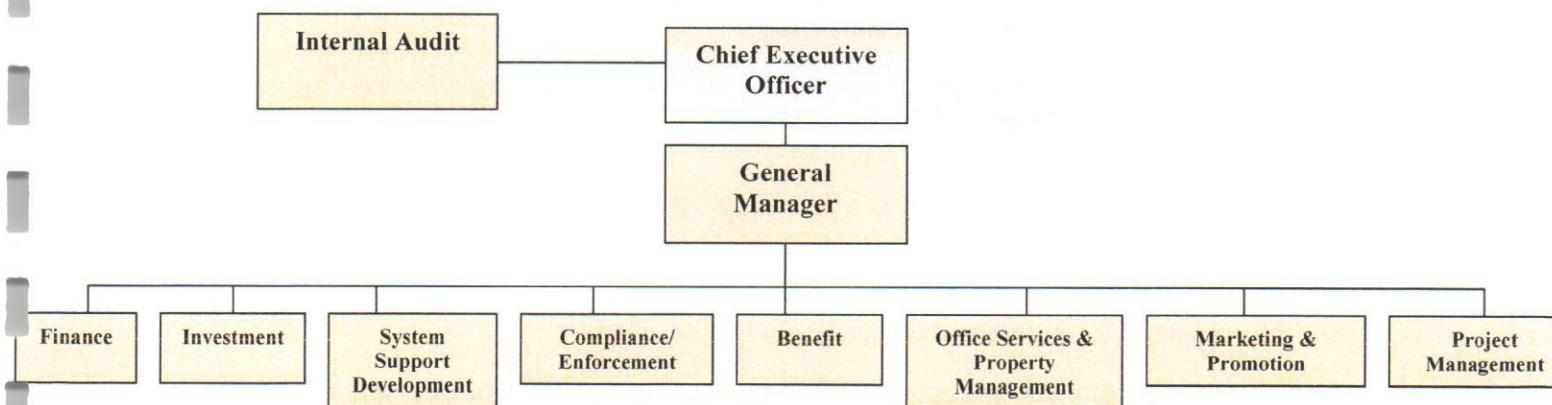
THE MANAGEMENT

The management team of the Fund comprised of

Post	Name	Tel	E-mail address
Chairman Board of Trustees	Francis Chang Leng	225200	cbsgovernor@seychelles.sc
Chief Executive Officer	Willy Confait	323392	spsdir@seychelles.net
General Manager	Marie-Ange Waye-Hive	225275	gm@seychelles.net
Financial Controller	Bernard Ciseau	225066	fc@sps.gov.sc
Accountant	Evans Mondon	294669	emondon@sps.gov.sc
Enforcement/Compliance Supervisor	Fernando Lafortune	294669	inspect@sps.gov.sc
Benefit Officer	Jeffrey Moses	294669	jmoses@sps.gov.sc
Administrative Officer	Annette Portlouis	294669	aportlouis@sps.gov.sc
System Support Manager	Nane William	294669	nane@sps.gov.sc
Marketing & Promotion Officer	Darell Bristol	294669	darell@sps.gov.sc
Internal Auditor	Nisreen Abdulmajid	294669	audit@sps.gov.sc
Human Resources Officer	Lyne Rosalie	294669	lyne@sps.gov.sc

The other thirty staff members are at clerical, secretarial, accounting and supervisory level.

The organization chart below explains the division of work



*Investment and Offices Services & Property Management are two new Sections.

3.1 Administrative Expenses

The Fund (Scheme)'s administrative expenses over the years are shown below

Efficiency Ratio				
Period 30 th June 2006	Administration Expense R'000	As a % of Contribution	As a % of Interest Earned	As a % of Total Income
1991	572.00	4.50%	87.00%	-
1992	868.00	6.40%	34.00%	-
1993	925.00	6.60%	21.00%	-
1994	783.00	5.50%	13.00%	-
1995	815.00	5.90%	9.00%	-
1996	601.00	4.50%	5.83%	-
1997	895.00	6.10%	6.98%	-
1998	1,116.00	5.01%	7.10%	-
1999	1,195.00	5.14%	9.46%	-
2000	1,125.00	4.72%	7.61%	-
2001	1,390.00	5.62%	8.33%	-
2002	1,326.00	5.26%	7.34%	-
2003	1,435.00	5.58%	8.58%	-
2004	2,067.00	8.04%	9.44%	9.43%
2005	4,187.00	15.52%	18.46%	15.92%
2006	6,357.00	20.52%	29.75%	18.66%

The total income has been added so as to incorporate the other forms of revenue which are dividends and rent and which the Fund started to derive from the year 2005.

The years 2004, 2005 and 2006 were of significant importance in view of the reform of the Pension Scheme into a fully fledged Pension Fund that required the employment of more staff, purchased of equipments, improved and more office space for the smooth implementation of the new pensions and benefits and its investment plan.

However, once the reform has been completed and the Fund is fully in operation then the running costs would stabilize in the years 2007 and 2008.

4. OBJECTIVES OF THE FUND

The objectives as set out in the Pension Fund Act are:-

- ❖ Provide a timely, accurate and helpful service to our customers
- ❖ Secure the prompt and accurate collection and payment of all sums due and their proper accounting
- ❖ Manage the resources available to secure value for money in all aspects of our operations and prudent investment of its funds which are not for the time being required
- ❖ Provide timely and high quality advice and information about the management of the Fund
- ❖ Contribute to the national pension policy and its evaluation and development
- ❖ Provide the prescribed retirement benefits and other benefits on meeting the qualifying conditions

- ❖ Foster good management practices for the efficient and effective management of the Fund.
- ❖ Provide for the financial security of members by the payment of a monthly pension
- ❖ Provide for the financial security of the surviving spouse and children of members who die mainly before retirement by the payment of a monthly surviving spouse's pension or children's pension
- ❖ Provide in accordance with the Act for the financial security of those who are incapacitated due to injuries or illness while being employed or thereafter
- ❖ Provide death benefit where a member dies before reaching retirement age and has no surviving spouse living with him or has no children at the time of death
- ❖ Enable workers to spend their retirement in basic comfort
- ❖ Promote individual voluntary contributions to the Fund
- ❖ Enable members to use the voluntary contributions to their credit as security for a housing loan or a loan for medical treatment.

5. STRATEGIC TARGETS

- During the year the Management and Board of Trustees continued to focus on the implementation of these broad objectives on the following strategic outcomes
- Establishment of a pension service that is more adaptable to our modern workforce
- The modernization of the Fund to provide new and enhanced benefits and to replace the advisory Board of Trustees by a Board of Trustees responsible for the overall administration and affairs of the Fund
- The Fund *and* its delivery should contribute actively to improvement of the standard of living on retirement
- The setting of Board Committees, namely Investment, Audit and Administrative to assist the Board in the proper management of the Fund
- The formulation, approval of the Fund's Investment Policy and review
- The making of prudent investments including monitoring and review
- Improvement of awareness of the Fund's current value to employees and employers.
- Planning and implementation of a public awareness campaign of the Fund and promoting of voluntary contributions as savings save for retirement

6. REVIEW OF OPERATIONS

6.1 The Fund covers extensively at national level :

- All public and private workers in formal employment
- Self employed persons - who are contributing to the Fund
- Part-time workers
- SITZ workers

6.2 The Pension Fund's benefits

The following are the benefits available under the Fund

From the 1st January 2006 the Seychelles Pension Scheme was re-named the **Seychelles Pension Fund**

(1) Retirement Ages	Workers can retire, if they wish, at the age of 60 or can continue to work and retire at age of 63. Basically the optional age of retirement is 60 and compulsory retirement at the age of 63.															
(2) The Monthly Retirement Pension	<p>The monthly pension is based on The worker's s average monthly salary received during the period of five years preceding retirement. The pensions payable are:-</p> <table><tr><td>Salary Band pm</td><td>%</td><td>Pension</td></tr><tr><td>R 800 – 3,500</td><td>70%</td><td>or R2,000 whichever is the greater</td></tr><tr><td>R 3,501 – 5,900</td><td>65%</td><td></td></tr><tr><td>R 5,901 – 7,500</td><td>60%</td><td></td></tr><tr><td>R 7,501 and above</td><td>40%</td><td></td></tr></table> <p>The pension includes the social security retirement pension R1, 750 per month. The maximum of pension payable is R8, 150 per month.</p>	Salary Band pm	%	Pension	R 800 – 3,500	70%	or R2,000 whichever is the greater	R 3,501 – 5,900	65%		R 5,901 – 7,500	60%		R 7,501 and above	40%	
Salary Band pm	%	Pension														
R 800 – 3,500	70%	or R2,000 whichever is the greater														
R 3,501 – 5,900	65%															
R 5,901 – 7,500	60%															
R 7,501 and above	40%															
(3) Qualifying period for pension	10 years of continuous contribution to the Social Security Fund or the Seychelles Pension Scheme (Fund) immediately prior to retirement or an aggregate period of 20 years of contribution to the Social Security Fund prior to retirement at the age of 60 or 63.															
(4) Employees Not contributing to the Social Security Fund or the Pension Fund for a minimum period of ten years on reaching retirement age	<p>A worker who has not made the monthly mandatory contribution to the Social Security Fund or the monthly mandatory contribution to the Seychelles Pension Scheme (Fund) for a minimum period of ten years does not qualify for a monthly retirement pension at the prescribed percentage.</p> <p>Any contribution made and standing to the credit of the worker in his or her account in the Fund up to the date of attaining retirement age shall be refunded to him or her on retirement with interest as a lump sum payment. However the worker will be entitled to receive the social security retirement pension on reaching the age of 63.</p>															
Refund of voluntary contribution in a lump as a gratuity on retirement or at the request of retirees to be included in their pension.	Members (workers) of the Pension Fund are to be refunded their voluntary contribution made to the Fund with interest currently at 5% in a lump sum (retirement grant) on retirement along with their first monthly pension in order to assist them to prepare for retirement e.g., to settle outstanding loans/debts etc., if any or they can opt for their contribution to be included in their pension.															
(5) Surviving Spouse's Pension	<p><i>In case of death before attaining retirement age the granting of a surviving spouse's pension (if the surviving spouse was living with the deceased at the time of death).</i></p> <p>Surviving Spouse's pension is at the following rates:-</p> <ol style="list-style-type: none">1) 80% of the full pension for life if the deceased has no children2) 50% if the deceased has children or such smaller amount as per the deceased's member nomination but not less than 25%of the pension3) 70% if the surviving spouse is 10 years younger or more															
(7)Children's Pension	<p>Children's pension is granted to the children's guardian for the maintenance of the children under the age of 18 or above the age of 18 up to 25 years of age if receiving full time education.</p> <p>Children include recognized illegitimate children being maintained by the spouse prior to his or her death</p> <p>Where there is no surviving spouse, the children's pension is at the rate of 80% of the full pension for children under the age of 18 or above the</p>															

	age of 18 up to 25 years of age if receiving full time education. Where the deceased member has a surviving spouse, the child shall be entitled to a pension of 40% or such bigger amount as the deceased member may elect but up to 75% of the pension. Where there is more than one child of the deceased member the pension shall be divided equally.
(8) Incapacity Pension (80% to 100% incapacity)	In the case of disability as a result of illness or accident before reaching retiring age an incapacity pension is granted as soon as the Medical Board certifies the person to be unfit to work. The pension may be for life or for a specific period of time to allow for review as may be recommended by the Medical Board.
(9) Migration Allowance	In case of migration from Seychelles to another country as a permanent resident, a member may claim for the refund of his or her pension contributions on providing proof of migration.
(10) Re-joining of the Fund	If the person is then unhappy in his or her new country then upon his or her return to Seychelles can contribute to the Fund to be able to earn a pension, that is, on completion of 10 years of contribution and on attaining retiring age be entitled to receive a pension or in case of contributing less than ten years be eligible for refund of both the mandatory and voluntary contributions made to the Fund.
(11) Pre-retirement death gratuity where deceased member has no spouse or children up to 18 years old or over if receiving full time education.	<p>The payment of a pre-retirement death gratuity to the nominated beneficiary or heirs equivalent to the mandatory contribution of R50 and R25 made by employers and employees respectively and as well as the voluntary contribution including interest if deceased has no surviving spouse or children.</p> <p>The member may nominate one of his dependants or more or any person to benefit from the gratuity.</p>
(12) Post retirement death gratuity	When death occurs during retirement, the gratuity payable to the pensioner's surviving spouse is equivalent to one month's of his or her pension.
(13) Post retirement surviving spouse's pension and children's pension	<p>The new benefit is already stipulated in the Pension Fund Act and will come into force later during the year.</p> <p>This is to provide for a pension for the surviving spouse and children upon the death of the pensioner.</p>
(14) Voluntary Contribution	Members are to be encouraged to make voluntary contribution in order to increase the level of funds available to them on retirement thus provide them and their families with the security on retirement.
(15) Use of voluntary contribution as a guarantee to assist in obtaining a housing loan or a loan for medical treatment.	A member of the Pension Fund who has made voluntary contribution may use the contribution as a guarantee to obtain a housing loan or a loan required to obtain medical treatment from a financial institution or a mortgage finance company.
(16) Extension of the Scheme/Fund	The Fund covers every worker contributing to the Social Security Fund including part time workers. They are liable to payment of the worker's mandatory contribution of R25 and their employer the contribution of R50 to the Seychelles Pension Fund. The Fund also covers self employed persons who contribute to Fund. They are being encouraged to contribute to enhance their retirement pension and benefit from the Fund.
(17) Pension Increase	Pensions should be indexed and linked to the retail price index to take into account inflation from retirement date or from the date the pension was last increased but the increase should not be more than 5% in any period of not less twelve months. The limit is necessary to protect the Fund.

(18) Retirement before the Introduction of the Pension Fund	Retirement before the Introduction of the Pension Fund (1) Workers who retired during the year 2005 Workers who retired on attaining the age of 63 during the year 2005 should benefit from the new pension payable under the Pension Fund as if they would have retired during the year 2006 or later.
((19)Self employed persons	Self employed persons who are registered or licensed for a period of ten consecutive years before attaining retirement ages of 60 or 63 are eligible for a retirement pension or invalidity pension. In case of death before retirement, the surviving spouse or children may be eligible for a surviving spouse' pension or children's pension subject to meeting the qualifying conditions.

Pensions and other benefits which are granted under Seychelles Pension Fund are to be financed from :-

- (1) Funds from the Social Security Fund. Initially a total 10% of the total contributions to the Social Security Fund will be transferred to the Seychelles Pension Fund but the percentage has been reduced to 2.5% pending the finalization of a new contribution rate of 3.5% of employees' salaries paid by employers with a corresponding decrease in SSF's contribution.
- (2) Returns on prudent investments which have been and are being made
- (3) The monthly contribution of R75 made by employers and employees to the Seychelles Pension Fund.

Therefore members would not receive the lump sum contribution on reaching retirement age as they used to under the Seychelles Pension Scheme but a monthly retirement pension based on a percentage of his or her gross salary earned during a period of five years preceding retirement

Apart from voluntary contribution no additional mandatory contribution is payable by employers and employees.

This is basically in line with the views expressed at the consultative meetings by employees and employers that a percentage of their contributions to the Social Security Fund should go to the Seychelles Pension Fund to assist with financing of the Pension Plan.

By arrangements made with the Social Security Fund all retirees (who qualify for a retirement pension under the Seychelles Pension Fund Act) are from the month of January 2006 and after paid their social security retirement pension and the pension fund's pension by the Seychelles Pension Fund at one pay point which in most cases is by direct debit into their respective bank accounts.

6.3 The role of the Benefit Section

In order to administer the pension plan, the Seychelles Pension Fund has established a Benefit Section under the direction of a Benefit Officer/Manager. This included the recruitment of suitable staff to ensure the proper management of the Section. In January 2006 the Section fully came into operation but briefing on the new benefit regulations began in September 2005 where our priority was to explain to our members (workers) the different types of benefits available to them under the Fund.

As at 31st December 2006, **460 claims** were fully processed for the Seychelles Pension Fund's benefits and 917 applications for the Public Sector Special Pension.

Below is breakdown of the different applications approved for the lump sum payment and the monthly pension. The graphs below depict the changes in the amount paid for the first half of this year. Normal Retirement remains one of the main benefits when compared to the other benefits available and paid.

MONTHLY BENEFITS PAYMENT AS AT 31st December 2006 AS IN FIGURE 3

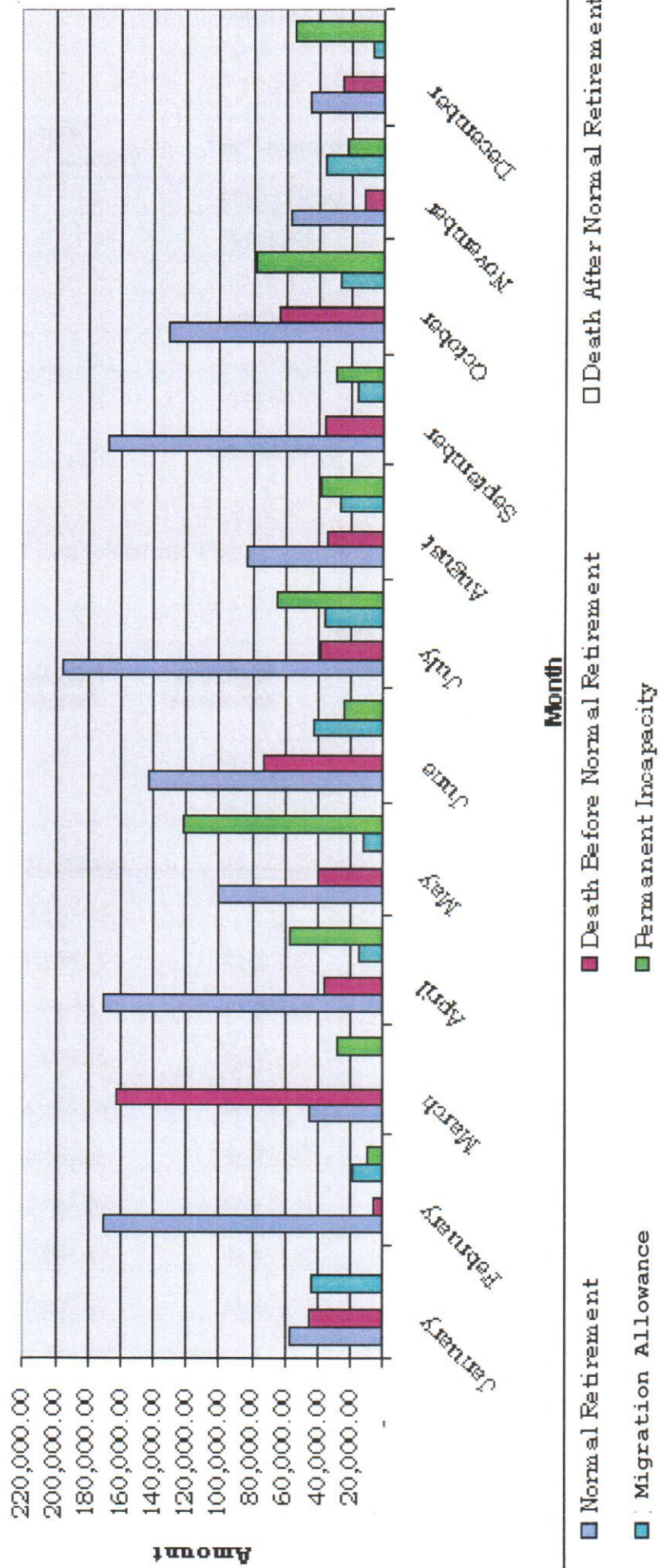
TYPE	No of Beneficiary	Amount Paid	Method of Payment	
			Cheque	Bank Transfer
Normal Retirement	308	806,5013.08	14	294
Permanent Incapacity	24	56,085.00	4	20
Surviving Spouse's Pension	12	24,079.00	1	11
Children's Pension	18	11,540.80	1	17
Special Pension	417	166,800.00	32	385
Special Entitlement	98	39,200.00	3	95
TOTAL	877	1,104,205.88	55	822

LUMP SUM PAYMENT for members who did not the qualify for a retirement pension having contributed less than 10 years in the Social Security Fund or Pension Scheme immediately prior to retirement or less than 20 years of aggregate contribution to the Social Security Fund (Figure 4)

Month	Benefit Type					Total
	Normal Retirement 60-63 years	Death Before Normal Retirement	Death After Normal Retirement	Migration Allowance	Permanent Incapacity	
	Rs	Rs	Rs	Rs	Rs	Rs
January	56,306.93	45,396.43	-	44,192.05		145,895.41
February	170,079.91	6,054.84	-	18,757.67	9,866.30	204,758.72
March	45,595.94	161,896.92	-	-	27,835.61	235,328.47
April	170,815.20	36,805.53	-	15,312.28	57,893.76	280,826.77
May	100,342.10	40,509.51	-	11,812.11	121,295.97	273,959.69
June	141,896.88	73,580.22	-	42,176.25	23,994.57	281,647.92
July	195,273.65	39,078.28		36,061.62	65,683.33	336,096.88
August	83,513.47	34,422.03		27,027.86	39,282.01	184,245.37
September	167,463.78	36,281.83	1,426.90	17,111.54	28,390.05	250,674.10
October	130,734.81	63,606.88		26,764.62	78,168.71	299,275.02
November	57,413.52	11,953.24		37,003.64	23,296.00	129,666.40
December	45,304.39	25,359.73		6,468.05	54,958.79	132,090.96
Total	1,364,740.58	574,945.44	1,426.90	282,687.69	530,665.10	2,754,465.71

Fig 5

Lump Sum Refund period January to December 2006

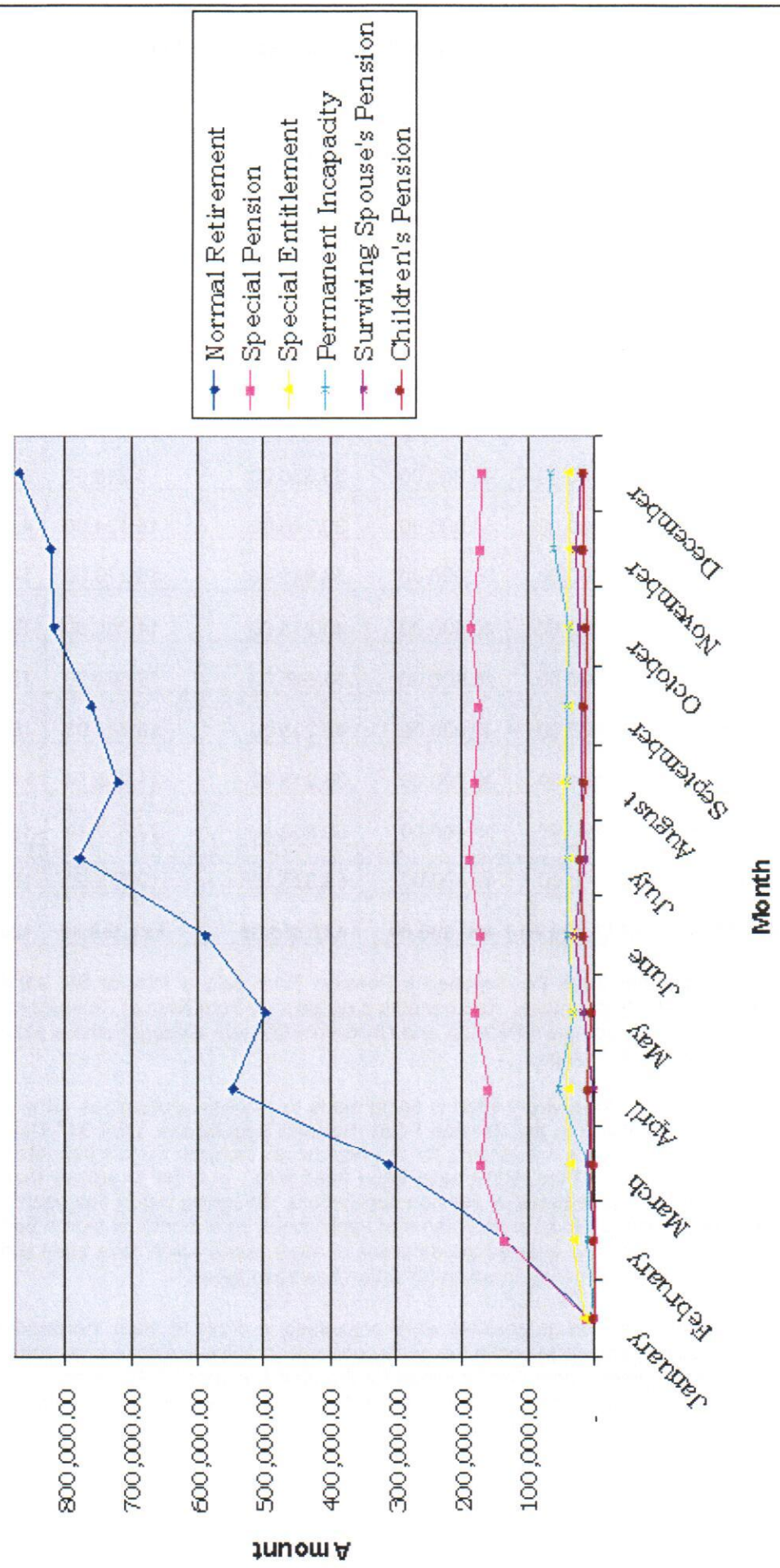


4.0

A total of Rs 2,754,465.71 was paid in lump sum for the following benefits: Normal Retirement, Permanent Incapacity, Death Benefits, Migration Allowance and Voluntary contributions on retirement

Fig 6

Monthly Pension paid period 1st January to 31st December 2006



MONTHLY PENSION BY TOTAL AMOUNT Figure 7**Monthly Pension**

Month	Benefit Type						Total
	Normal Retirement	Special Pension	Special Entitlement	Permanent Incapacity	Surviving Spouse Pension	Children Pension	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
January	3,890.00	10,800.00	14,400.00	-	-	-	29,090.00
February	136,680.00	136,800.00	32,800.00	9,120.00	-	-	315,400.00
March	312,520.00	172,000.00	38,000.00	8,560.00	9,580.00	1,996.80	542,656.80
April	545,102.19	162,000.00	40,000.00	53,630.00	3,276.00	9,926.40	813,934.59
May	496,668.39	182,800.00	34,000.00	29,745.00	16,124.00	4,650.40	763,987.79
June	588,766.69	172,400.00	36,000.00	38,945.00	30,276.00	17,386.40	883,774.09
July	780,111.32	188,000.00	40,800.00	40,215.00	14,768.00	19,908.00	1,083,802.32
August	720,474.51	182,000.00	46,800.00	38,615.00	18,864.00	13,722.40	1,020,475.91
September	761,305.18	174,800.00	40,000.00	40,215.00	19,749.01	15,025.45	1,051,094.64
October	816,160.51	186,400.00	39,200.00	38,215.00	21,936.74	11,489.45	1,113,401.70
November	821,933.68	173,200.00	38,400.00	60,802.20	27,523.14	16,534.52	1,138,393.54
December	867,463.00	171,200.00	40,400.00	64,223.19	19,272.00	16,347.99	1,178,906.18
Total	6,851,075.47	1,912,400.00	440,800.00	422,285.39	181,368.89	126,987.81	9,934,917.56

As at 31st December 2006 the Seychelles Pension Fund paid a total of **SR 9,934,917.56** as pension benefits to its members. The benefits payable vary from Normal Retirement, Permanent Incapacity, Surviving Spouse's Pension and Children's Pension amongst others plus the Special Public Sector Special Pension.

On the administration side, every effort is being made to process applications within the given 21 days period as stipulated in the Pension Fund (Benefit) Regulations. Until 31st December 2006 there were 30 applications outstanding for the Seychelles Pension Fund's benefits which at the time of the preparation of the report have been dealt with. In order to ensure that there is no unnecessary delay in processing of pension applications, an ageing report has been developed in our computer system to report on the status of applications on a month by month basis. This has proved very useful and has enabled the detection of applications which have been submitted for a period of more than one month on which no action has been taken.

Therefore as many claims as possible were processed in order to meet the deadline and that every effort has been made to obtain the good cooperation of the employers to obtain information such as the employment record and salaries for the past five years. At the beginning such vital information was missing and the employers did not pay attention to the importance of the information that was being requested.

6.4 Data base on Members

The administration of the various benefits under the Pension Fund requires that respective member's records have to be maintained and kept up to date. This is essential for the purpose of being in a better position to process their claims and effect payment upon qualification within a short period of time.

Pension Report Forms and Data Form on particulars of members have been sent to their employers for completion. These forms duly completed are being received from employers every month. Information such as the monthly salary, spouse and children of members are posted in the respective member's files. Posting of salaries has been completed for the period of up to December 2006.

However in respect of particulars of members, it is expected that postings of records for the year 2006 will be completed by end of May 2007 and as well as the current monthly postings. Thus the Fund's data base will not only be comprehensive but a source of statistical information for use in the actuarial valuation of the Fund.

6.5 Public Sector Special Pension

With the enactment of the Public Sector Special Pension Act 2005 on the 19th August 2005 to be effective from the month of January 2006, the Seychelles Pension Fund through its Chief Executive Officer was entrusted with the responsibilities

- of receiving applications for the special pension from the districts and at the Office;
- forwarding them to the Department of Public Administration for the verification of record of employment to determine eligibility
- to effect payment of the monthly pension on behalf of the Government of Seychelles

The Fund received a total of 917 applications and they were immediately forwarded to the Department of Public Administration.

The following number of applications was processed and returned:

Approved	Not approved
420	475

Applications were not approved mainly for the following reasons in accordance with the Act

- Resigned/retired from the service before reaching retirement age of 63 or on medical grounds.
- Employed in a private organization only.
- Retired from the service before 1979.
- Did not complete the required 10 years of continuous employment in the Government service or the service of a parastatal organization immediately prior to retirement.
- Did not complete 20 years of aggregate employment in the government service or the service of a parastatal organization immediately prior to retirement.
- Currently receiving a civil service pension.
- No record of employment in the public sector

The following retired employees benefited from their monthly pension of R400

Number	Amount
420	R2, 016,000

However there was delay in processing some of the applications in view that the file records in the Archives were not been properly stored and in some cases they were not maintained. Upon our request the Department of Public Administration established a mechanism to clear the backlog mainly by interviewing applicants to obtain the detailed information about their employers and in absence of some employment records to use and affidavit to back up their case. No doubt this approach helped to clear the backlog.

Following the public awareness exercise on the Pension Fund carried out at work places and as well as feedback received from retired workers in respect of the circumstances to qualify for such a pension, the following recommendations were submitted to the Government for consideration

1. Retirement from the age of 60
2. Termination of appointment on grounds of abolition of office (redundancy)
3. Premature retirement for health reason though not necessarily on being found unfit by a Medical board.

However it is noted that the Government has approved the recommendations in addition to reducing the qualifying period to any ten years of service instead of 20 years of aggregate service or ten years of continuous service.

Consequently the Public Service Special Pension Act is being amended- the Bill to amend the Act has been published and about 60 applications that were not approved because they were not qualified would now qualify under the new amendments.

6.6 Membership

A review of the classification of active members and non active members has been carried out to correctly reflect those who have ceased contributions for a period in excess of six months and are waiting for their retirement age to draw their pension or lump sum payment in case they do not qualify for a pension or for another employment.

Based on the new classification the total number of active and non active members of the Fund the year 2006 to date is shown below:

Figure 8

Year ending 31 ^t December 2006	Active Members	Average Active Members	Non-Active Members	Total Registered Members	Rate of growth	No. of Death
2000	25,324	24,940	14,613	39,937	-	819
2001	25,818	25,753	15,873	41,691	4.39	846
2002	26,532	-	17,045	43,577	4.52	853
2003	26,971	26,697	18,277	45,248	3.83	868
2004	26,248	26,723	20,660	46,908	3.67	882
2005	28,307	28,026	20,022	48,329	3.81	967
2006	34,100	30,906	15885	49,985	3.43	978

It is noted that the Fund active members for the year has increased to **34,100** compared to **28,307** at end of year 2005. .

Members' funds as at 31st December 2006 from the years 1991.**Figure 9**

Year ending 31 December	Members Fund	Rate of Growth	Unallocated Funds	Rate of Growth	Proportion
1991	13,432.00	-	66.00	-	0.49%
1992	29,202.00	117.41%	-	-	0.00%
1993	46,250.00	58.38%	150.00	-	0.32%
1994	65,560.00	41.75%	737.00	3.91	1.12%
1995	85,250.00	30.03%	2,303.00	2.12	2.70%
1996	106,287.00	24.68%	3,711.00	0.61	3.49%
1997	129,782.00	22.11%	5,512.00	0.49	4.25%
1998	162,688.00	25.35%	7,700.00	0.40	4.73%
1999	194,117.00	19.32%	8,480.00	0.10	4.37%
2000	228,300.00	17.61%	9,906.00	0.17	4.34%
2001	264,317.00	15.78%	10,925.00	0.10	4.13%
2002	302,849.00	14.58%	11,263.00	0.03	3.72%
2003	339,607.00	12.14%	12,200.00	0.08	3.59%
2004	377,803.00	11.25%	15,018.00	0.23	3.98%
2005	419,265.00	10.97%	17,388.00	0.16	4.15%
2006	461,151	9.99%	76,241.00	3.38%	16.53%

The unallocated funds comprised of amount transferred to reserve account and surplus for the year. It has been the policy of the Fund to make an annual transfer of 30% to 50% of the difference between interest earned by the Fund and interest paid to members to a reserve account to provide future liabilities as a result of the need to pay pensions to members living beyond the average life expectancy. The Fund has managed to transfer 30% to reserve account for the financial year 2005. It is to be noted that the Fund has been able to maintain a 5% interest per annum payable to its members. The Fund is to maintain the same rate of interest for the year 2006.

The unallocated Funds for the year 2006 also include National Provident Fund of Rs.59m and 2.5% of SSF annual contribution collected amounting to Rs.9m.

6. Members' Accounts

An account is maintained with the Seychelles Pension Fund for each member. The account included the mandatory and voluntary contributions with interest accrued.

The yearly statement of pension account to members is normally issued between the 2nd and 15th May 2005. Statements are sent to employers for distribution to workers. However statements in respect of self employed persons or unemployed workers were sent at their respective home addresses.

Members were requested to verify and ensure that their contributions and balances on their statements were in order. In case of any discrepancy or any clarification they were advised to contact the Marketing and Promotion Section of the Fund at the earliest. As part of our service improvement members can obtain a statement of his or her account at any time upon request.

6.8 Interest Earned by Members

Members of the Fund earned interest rate of 5% on their contributions in respect of the year 2005 as compared to bank interest at the prevailing rate of 2.5%. There is no doubt that the Fund's interest rate is higher and more attractive to members to plan and save for retirement through a monthly voluntary contribution into their individual account with the Fund. It is hoped that for the year 2006 the same interest rate (5%) can be declared.

6.9 Contributions

Contributions to the Fund are made up of:-

(a) Mandatory contribution

An employer is required to make a mandatory contribution of R50 per month for any of its employee working either on a full time or part time basis. Every employee should make a contribution of the sum of R25 per month, which is deducted from the employee's salary and remitted to the Seychelles Pension Fund. Self employed persons should make contribution direct to the Fund.

The employees' 5% to the Social Security Fund is regarded as the contribution for the retirement pension and hence the provision under Section 19 of the Pension Fund Act 2005 of the contribution to be made by the Social Security Fund to assist at sustaining the Pension Fund

Basically mandatory contribution is 2.5% of the average earning.

There is a surcharge of 5% for unpaid contribution calculated to the next higher rupee or a sum of R10 per month whichever is the higher. This is after the expiry of the time limit of 15 days of the following month in order to effect payment.

(b) Voluntary contribution

The voluntary contribution is based on the need for employees to improve their retirement income by making mainly a monthly voluntary contribution into their account with the Fund thus increasing their contribution.

Monthly voluntary contribution of R100 or more would indeed be a great help upon retirement as members are eligible for refund of their voluntary contribution with interest.

Contribution payments for the years 1995 to 2005 are shown below

Figure 10

Contributions Received

Year	Compulsory		Voluntary		Total
	Employer Sr.'000'	Employee Sr.'000'	Employer Sr.'000'	Employee Sr.'000'	Sr.'000'
1995	13,478	-	1	234	13,713
1996	12,790	-	4	550	13,344
1997	14,207	-	1	461	14,669
1998	14,828	6,946	24	496	22,294
1999	15,044	7,536	21	664	23,265
2000	15,609	7,654	25	560	23,848
2001	16,126	7,936	31	640	24,733
2002	16,160	8,163	29	841	25,193
2003	16,048	8,740	76	851	25,715
2004	16,485	8,224	24	963	25,696
2005	17,295	8,674	17	991	26,977
2006	19,437	9,634	114	1,792	30,977

It is noted that the total contributions for the whole of the year 2006 reached **R30m** against the actual total amount of **R26.9m** collected for the year 2005.

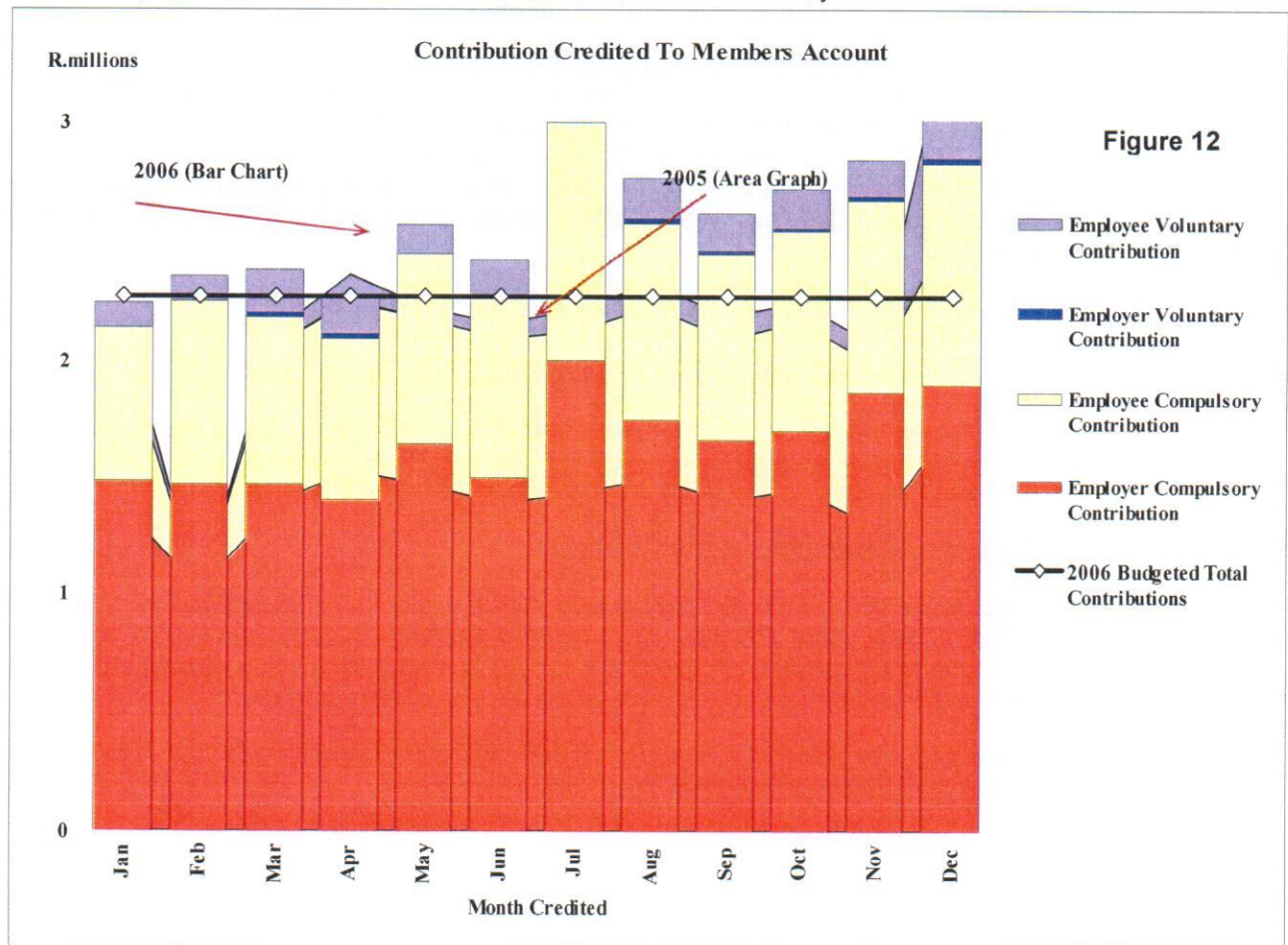
C Members Contributions

As can be seen from the table below Total Contributions Credited to Members Accounts up to December 2006 was 14.75% higher than the same period last year. This is due mainly after the reform that started in Year 2005 together with the revised marketing strategy where the fund was targeting voluntary contributions.

Figure 11

	Actual 2006 (Before crediting Interest)	Actual 2005 (After crediting interest)	Variance (exclude interest credited for 2006)	%
	R. millions	R. millions	R. millions	Over/(Under)
Employer Compulsory Contributions	19.77	17.29	2.48	14.34%
Employer Voluntary Contributions	0.12	0.02	0.10	500%
Employee Compulsory Contributions	9.77	8.67	1.10	12.69%
Employee Voluntary Contributions	1.79	1.00	0.79	789
Total Contributions Collected	31.45	26.98	4.47	16.57%

The below graph details contributions credited to members account by month.



Other Funds (pension contributions Received – R 81,390,353

During the Year 2006 the Seychelles Pension Fund received a total sum of R 70,853,080 from the National Provident Fund to support the Pension Fund and R 10,537,273 as the pension fund contribution from Social Security Fund being 2.5% of the total contributions of social security collections for the Financial Year 2006. +

7. PROPOSAL FOR CHANGES TO SEYCHELLES PENSION FUND ACT 2005, SEYCHELLES PENSION FUND (BENEFITS) REGULATIONS 2005 AND THE SEYCHELLES PENSION FUND (MEMBERSHIP AND CONTRIBUTIONS) REGULATIONS

The Board of Trustees considered the Report on the Fund's seven months campaign across the country to promote and create awareness of the new Seychelles Pension Fund at its meeting held on the 26th April 2006. After careful consideration, the Board agreed that the following recommendations made should be submitted to the Government through the Department of Finance for consideration.

1. Post retirement surviving spouse's pension and children's pension should be introduced as soon as the Pension Fund is fully established.

In fact this benefit is provided for in the Act but its implementation was to be announced after the Fund has been fully operational and the financial situation appraised.

However in the case of post retirement surviving spouse's pension and in order to protect the Fund, it is recommended that this should be granted if death occurs within a period of two years after retirement. However the children's pension is payable even if in case of death of the retiree after a period of two years.

2. Salary to be used for computation of pension

Where a person after contributing for the minimum period of twenty years and has reached the age of 55 lost his or her employment as a result of redundancy or non renewal of contract or decided to stop work and is then re-employed but at a lower salary his or her highest annual salary earned during the period of five years before ceasing employment should be used for the computation of his or her pension instead of using the average of last five years salary earned in employment before ceasing to be employed.

This recommendation was made during all of the meetings.

3. Contribution by persons out of employment

Where a person has stopped work and wants to contribute to the Fund so as not to lose out on the minimum contribution to qualify for a pension, the person/member should be allowed to do so in excess of the allowable period of 3 months.

4. Contribution from Seychelles Overseas

Seychellois who contributed to the Seychelles Pension Scheme or Fund for a minimum period of five years and who are presently residing overseas should be allowed to contribute the equivalent of mandatory contribution and the voluntary contribution, if they wish, to benefit from a pension on attaining the age of 60 or 63 years.

At present they cannot do so in view of the definition of workers who are persons in full time or part time employment in Seychelles.

5. Persons under the Unemployment Relief Scheme (URS) or providing services as Home Carer under the Social Security Fund or working under the beautification programme under the Social Security Fund

The period of employment of persons who worked under the URS or Home Carer Scheme or beautification programme should be counted as the mandatory contribution made to the Seychelles Pension Scheme/Fund for the purpose of qualifying for a pension on retirement.

However funds to pay for the pension would have to be made by the Government from public fund as these categories of workers did not contribute to the scheme or fund.

6. Computation of pension where worker is drawing two salaries per month or more

The retirement pension of workers drawing two salaries or more should be computed to make one gross average salary earned for the period of five years preceding retirement provided that the mandatory pension contributions of both workers and employers in respect of each salary have been paid for that period.

In respect of this recommendation, it was agreed that the maximum pension capping of R8, 100 should also be removed.

7. Salary Record

In the event that the salary record for the past five years is not available, the average salary which is available prior to retirement should be used to compute the retirement pension.

It is noted that the proposal has been approved by the Government and the amendments to the Pension Fund Act and Pension Fund (Benefits) Regulations have been finalized but yet to be presented to the National Assembly for approval.

8. INVESTMENTS

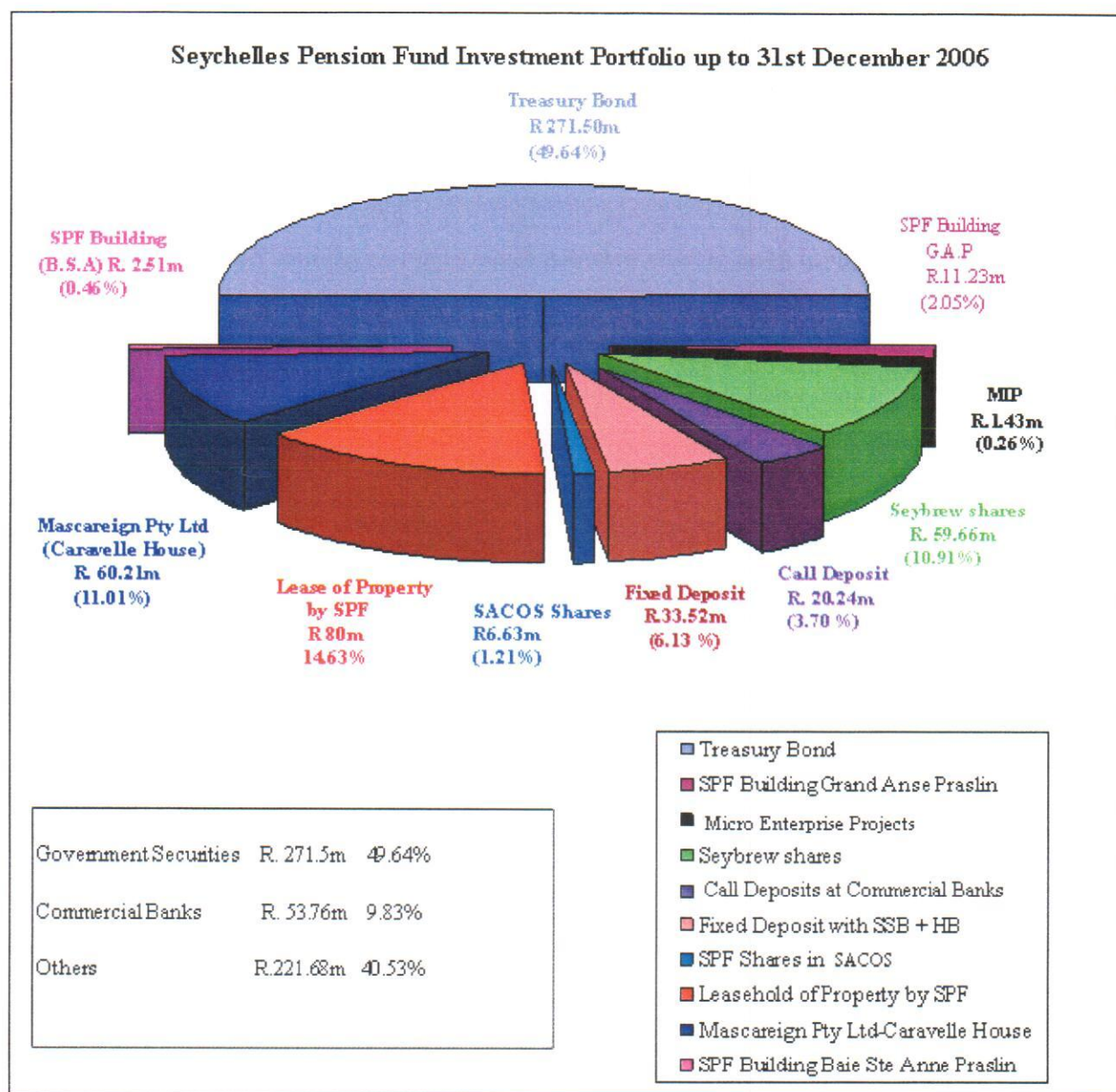
Under the direction of the Board of Trustees and its Investment Committee prudent investments of funds are made to maximize returns, maintain sufficient liquidity to meet members' withdrawal and the operating costs of the Fund

The current emphasis is to diversify investments in the best interest of the Scheme avoiding undue risk.

Investments are made after careful consideration by the Investment Committee and recommended to the Board of Trustees and approval of the Board

The graph illustrates the Fund Investment's portfolio which totalled R.433.96 million at the end of June 2006:

Figure 13



The Investments Portfolio of Seychelles Pension Fund has been classified into two main categories namely **Cash Investments** and **Share Investments**. Total Investment revenue of the Fund for the Financial Year 2006 stands at R 21.37 million, with net income providing an average ROI (Return on Investment) for the twelve (12) months of 8.3% compared to 6.9% for the Year 2005. During the Year 2006 the fund purchased Treasury Bonds for a value of R 38 million in March and May 2006. However, R23 million was discounted in December 2006 for Investment purposes. Also the 51% share in Opportunity Investment Company was finalised in January 2007.

Cash Investments

Cash Investments totalling R 325,258,513 represented 59.47% of Seychelles Pension Fund total Investment Portfolio made up as follows:-

1. Treasury Bonds - **R 271,500,000/- (83.48%)**;
2. Call Deposit Accounts with Commercial Banks – **R 20,241,191/- (6.22%)**; and
3. Fixed Deposit Account – **R 33,517,322/- (10.30%)**.

However, although Investment in Treasury Bonds yielded the highest ROI of 7.8%, the average ROI for all the cash investments for the twelve (12) months has dropped by 0.5%, that is, from 7.8% to 7.4%.

Share Investments

Share Investments amounted R 66,293,469 represented 12.12% of Seychelles Pension Fund total Investment Portfolio are made up of:

1. SEYBREW shares – **R 59,662,908/- (90%)** purchased in the Year 2005;
2. Opportunity Investment Company – **R 6,630,561/- (10%)** which was purchased in January and August 2006.

Share investment revenue for the twelve months of Year 2006 amounted to approximately R.7 million being mainly dividend received from SEYBREW. The average ROI for the share investments for the twelve months was 12.7%.

Property

Property revenue for the Year 2006 amounted to R 5.74 million which was 1.32 million or 30% above actual to budget. This represented a total renting area of 2359 m² (86%) out of the total 2467 m² for Caravelle House and 350 m² out of the total 427 m² for the Commercial Building at Baie Ste Anne Praslin

Although initial disbursement for Investment in the Caravelle House started in May 2005, only 839 m² representing offices being rented out on a pro-rata basis to National Statistics Bureau and Seychelles Investment Bureau for the Year 2006 compared to 2359 m² for April 2006 up by 63%.

Both properties are fully occupied and appropriate rent is being paid. During the period October to December 2006 the Fund signed long term Lease Agreements for properties at Ex-Unity House/adjacent Caravelle House, Pirates Arms Building and SMB Builders Depot at Huteau Lane for a total sum of R 80 million. Pirates Arms Building is already being rented and some rent would be obtained in respect of the Huteau Lane's property.

Benefit Payments to Members**Figure 14****(2) Interest on investments over the years.**

Year ending 31 December 2005	Interest on investment	Return on members Account	Average return on investment	Return on members fund
1991	661.00	652.00	13.87%	11.00%
1992	2,560.00	2,200.00	13.87%	9.00%
1993	4,323.00	3,249.00	12.06%	9.00%
1994	6,124.00	4,804.00	11.22%	9.00%
1995	8,820.00	6,477.00	11.69%	9.00%
1996	10,344.00	8,270.00	10.61%	9.00%
1997	12,831.00	10,077.00	10.57%	9.00%
1998	15,725.00	12,365.00	10.43%	9.00%
1999	12,636.00	10,607.00	6.83%	6.00%
2000	14,785.00	12,142.00	6.75%	6.00%
2001	16,677.00	14,173.00	6.53%	6.00%
2002	18,054.00	16,339.00	6.15%	6.00%
2003	16,722.00	14,295.00	5.04%	4.50%
2004	21,904.00	16,959.00	5.90%	5.00%
2005	26,233.00	19,025.00	6.34%	5.00%
2006	34,067.00	21,422.00	3.17%	5.00%

Investment returns prior to the year 2005 were only in the form of interest earned on Government securities and fixed deposits. During the years 2005 and 2006, the Fund started to generate income from dividend and rent.

The Seychelles Pension Fund's return on investment has declined to almost 3% in 2006, consequently due to large investments in properties which the Fund has not yet derived any return on such Investment. The Fund is expecting to fully benefit from those capital investments in the year 2008.

8.1 INVESTMENTS BY THE SEYCHELLES PENSION FUND IN 2006**1 Purchase of shares in State Assurance Co Ltd (SACOS)**

The Seychelles Pension Fund and Swan International Co Ltd of Mauritius through Opportunity Investment Co Ltd purchased 74,292 shares (37%) in State Assurance Co Ltd (SACOS) for R13.m. 37,889 shares are owned by the Pension Fund and 36,403 by Swan International Co Ltd.

2 Commercial/Residential Building at Grand Anse Praslin for Seychelles Pension Fund**Revised Cost of first phase: R35m**

Designs were completed in 2000. Project was delayed thus put on hold due to moratorium of two years on commercial development imposed under the Macro Economic Reform Programme and prevailing foreign exchange shortage.

The project was re-activated early in 2005 and Planning approval granted for the development.

Tenders were called in August 2005 and the Board of Trustees upon the recommendation of the Investment Committee approved the award of the tender for the construction of the building to Laxmanbhai Co Ltd.

Existing old dwelling houses and the Court House that were within the construction site were vacated and demolished. Construction works for the phase I started in June 2006 and expected to be completed by November 2007.

However the overall project includes the design and construction of a second building – ground plus first floor of a total of 1325 square meters. The building which will be situated adjacent to the phase one- which is ground floor plus two storeys

The second phase is being designed for approval and submitted to Planning Authority. Basically it is an investment to provide much needed accommodation for use as:

- Police Station
- Post Office
- Court House
- Civil Status
- National Library
- Offices
- Museum
- Cinema/Theatre/Conference

With the passing of time since the project was conceived there is now an urgent need for such type of accommodation and phase II is now as urgent as phase I.

The cost of the second phase is estimated to be **around R15m.**

It is hoped that if all goes well construction of the second phase can start in June 2007

3. Projects in partnership with the Indian Ocean Tuna Co Ltd

Scheme design works on the following projects for the Indian Ocean Tuna Co Ltd (IOT) were started during 2005 and as a result of the change of management to Lehman Brothers early this year, the new management decided to undertake the projects themselves and refund the Fund the total; expenses incurred.

- (i) Construction of warehouse (R10m) –
- (ii) Construction of Housing Project (R30m/R40m)

The refund of expenses incurred had already been made.

However IOT is renewing interest to be associated with the Pension Fund for the Fund to undertake the financing of the projects and then lease to them. IOT should first inform the Fund of the rent they are prepared to pay so that the Fund would establish if this is in accordance with its investment policy to obtain a rate of return of between 8% and 9% on property development.

4. Micro Enterprise Projects (Kiosks and Workshops)

Upon the recommendation of the Government the Seychelles and assurances given to provide the financial guarantee for the projects, the Pension Fund has decided to invest in the following micro enterprises in order to provide much needed facilities to artisans and small businesses.

Year 2006/2007

- (i) **Craft village at Port Glaud – R1.3m**

Four units plus small café and art gallery

- (ii) **Workshop at Providence Industrial Estate – R4.3m**
12 units

Tenders for these projects were called in June 2006 and contracts have been awarded. Construction works have started on the 14th July 2006.

(iii) **Construction of Workshops on Eve Island (ex Cap Samy) Praslin – R3.2 m**

One block of 7 units of workshops
One show room

The project was to be undertaken at Cap Samy but in view that the land is more suitable for residential accommodation, the Government then decided to allocate the plot of land on reclaimed land on Eve Island to undertake such development. No doubt the site is more appropriate and close to the new disembarkation point proposed for Inner Island Service including "Kat Koko", which would also be a retail outlet for tourists to buy craft and souvenir items to be made from light industries operating from these workshops.

Tenders was called and awarded to Allied Builders. Construction works are expected to commence in April 2007 in view that the land has first to be surveyed.

5. Purchase of Pirates Arms' building and property

The Fund purchased a 99 years lease of the property (Parcel Number V6388 (3162 sqm or 0.3162 hectare) and from the 1st January 2007 has been renting shop and office spaces and earning a sum of R 261,610 monthly in rent.

The property will be considered for re-development

The return on these investments are expected to be 10% or above.

6. Proposed Investments

In view of the need to diversify investments and maximize returns, the following investment projects are under consideration and may be undertaken during the year 2007/2008

6.1 Redevelopment of ex-Unity House and vicinity

The Seychelles Pension Fund has taken a lease of 99 years on the property and paid the rent in advance. The land is available for re-development

An Architect/Planner, Mr. Harry Tirant has been appointed to prepare a development plan for the Board of Trustees' approval.

The plan will include the building of shops, multi storey parking, office accommodation in 2007/2008

The area of the ex-Unity House site and behind Caravelle House can be used for the first phase of the development. The second phase will be undertaken on the site at Huteau Lane House and will be planned to start in 2009/2010.

6.2 Block of two and one bedroom flats at Grand Anse Praslin on the ex property of Wisnton Chang Fane

6.3 Lease of land at the SMB Builder's Depot at Huteau Lane

The Fund after discussion with the Government purchased a 99 lease of the property of 11,000 sqm at R30m for redevelopment for commercial use within the next ten years.

6.4 Share purchase

As and when shares in profitable companies become available then the Investment Committee will make the appropriate recommendation for investment to the Board of Trustees.

9. MARKETING AND PROMOTION

The development of the Seychelles Pension Fund is based on a wide ranging level of consultations with all stakeholders that were undertaken from the 1st July 2004 to 30th June 2005.

Following the launching of the Fund in September 2005 a promotion campaign was launched for the duration of seven months to create awareness of the Fund and obtained feedback.

The promotion of the Fund continued and is essential to inform workers and their families of the benefits available under the Pension Fund.

1. Marketing Objective

The Fund's marketing objective is to use a list of promotional mix, ranging from advertisement, through to direct marketing, personal selling and improved services to inform our principal stakeholders, the workers of the merits and benefits of the fully fledged Pension Fund, hence creating a conducive marketing environment to secure acceptance and sale of our services.

Through that it is hoped to further establish the *saving culture* as an important virtue.

By combining a list of marketing mix; place, price, product, promotion, people, process and physical evidence efficiently to be in a better position to create better sales.

2. Marketing Strategy

There are two driving forces behind the Fund's marketing strategy;

- *educate* and *create awareness* of stakeholders to the need to think retirement and the benefits of contributing towards this new pension system
- establish the voluntary contribution aspect as a means to *diversify investment*; the new long term saving option, now available to compete with other investments possible such as savings in bank, life insurance and purchase of shares in businesses.

3. Marketing tactics

Our marketing mix – unique selling points

Marketing mix	Benefits
Product	<ul style="list-style-type: none"> a) Financial assistance upon retirement in the form of a pension based on member's contribution in the SSF, Pension Scheme and Pension Fund. b) Financial assistance for members' dependents; surviving spouse, children and nominated beneficiary in case members die before attaining retirement age having completed qualifying contribution period. c) Accumulation of funds on a voluntary basis as a saving at an encouraging interest rate with the Pension Fund.
Price	<ul style="list-style-type: none"> a) Mandatory employee contribution of Sr. 25.00 b) Mandatory employer contribution of Sr. 50.00 c) Voluntary contribution of any amount of the policy holder's choice that is extremely flexible according to ones' wish and means

Place	<p>a) Contribution payable to the Pension Fund's Office from monthly salary. Members in employment pay through the Human Resources Department avoiding members to physically move to undertake payment.</p> <p>b) Collection of benefits will be done with minimum hassle for the person benefiting, through monthly payment done through bank account in relevant members account or cheques, hence avoiding long tiresome queues.</p> <p>c) Improved location of Pension Fund Building, bring our services closer to our client, within a complex where other facilities are readily available.</p>
Promotion	<p>Reproduce clear and concise communication tools that will attract customers' attention, interests and trust in the Pension Fund. Financial issues are very sensitive issues and it is critical to create and maintain the right image in the eye of our customer to continuously get their vote of confidence.</p> <p>Pension Fund being an intangible product will need to have something to show to get that feedback, therefore promotional activities like public meetings, personal selling, direct marketing, public relations, point of sale service and adverts are critical to project the image we want to establish.</p>
People Physical Evidence, Process	<p>These three extended marketing processes are very important for service oriented organizations like the Seychelles Pension Fund. It is vital for staff members to create the right image for the organization. They are responsible to the day to day well being of our clients, induce confidence and enhance status in our clients.. Staff should as far as possible maintain a daily service quality, keep in mind that their services is inseparable to the client, therefore avoid being late to a rendezvous, avoid letting client wait for too long for a service as this means potential loss of revenue. Remember that services are termed as perishable, i.e. loss in one sale is irretrievable; therefore aim for a one shot, one hit attitude.</p>

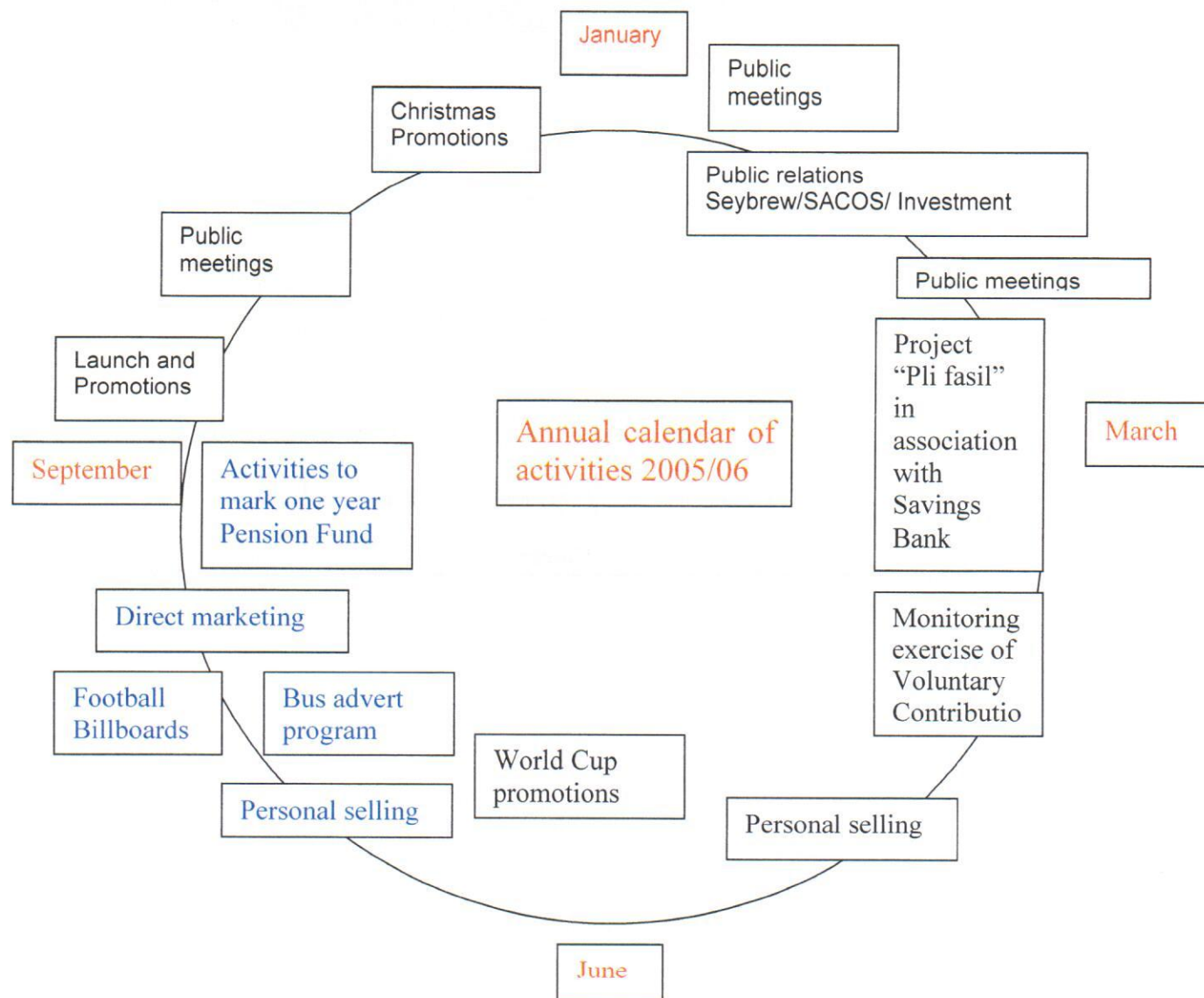
The following tasks were considered to be essential to the success of the marketing and promotion plan;

Tasks	Details	Remarks
Image build-up	<p>New logo, promotional logo</p> <p>Advert, posters, banners, leaflets signature tune, form for specific benefits designed.</p>	<p>These materials have been in consistent Use, specially in our adverts and public meeting to communicate to our clients what they represents.</p> <p>Initially there were queries about the nature of the promotional logo. After a few adverts, the public has come to relate our promotional logo to our organization, and also expect to hear our signature tune at the end of any of our TV/ radio advert.</p>
Launching	<p>To earmark a strong launching of the Seychelles Pension Fund, a short ceremony highlighted by strong visuals was organized</p>	<p>We received TV, radio and newspaper coverage for the launching.</p> <p>A television documentary was produced and aired repetitively to publicly explain our New benefits. The same program was adapted for radio program</p>
Major Promotions	At launching	TV adverts, newspaper adverts in all the

		major newspapers were effected.
	Christmas Period	<p>TV adverts, Radio adverts and newspaper were produced to link the Christmas spirit with the idea of financial security.</p> <p>For this advert, we chose to promote the whole Pension Fund products instead of an individual product. It was an opportunity to put forward how useful the benefit from our services could be in everyday life</p> <p>We were targeting mainly women in these adverts since they are most commonly the ones responsible for shopping duties.</p>
	World Cup Period	<p>For that period we ran a promotion on voluntary contribution aspect of the Seychelles Pension Fund. It was the ideal timing to target the male population. The lasted for the 2nd half of the competition when interest was at its peak.</p>
	Seychelles Investment Bureau Business Directory	A very good business to business approach that we endorse, to communicate with prospective business community the need to pay their employees pension contributions.
	Telephone's Directory	<p>With the shift in office location and phone we contributed promotional material in the Telephone directory as ease of knowledge of our new phone number and our objectives.</p> <p>A good business to business as well as business to customer approach.</p>
Public relations Exercise	Initiation of payment of benefit	First payment was effected on 20 th January 2006, and we called for a press release on issue. We had radio/TV and newspaper coverage to explain how the benefits was to paid and all conditions applicable.
	Press release on investments	Following initiation of our investment in the Real estate on Praslin, we produced a press release that sought to explain not only this investment, but also the principle behind our investment procedure.
	Press release on purchase of share in SACOS	Like the two other items listed in this section, it was very important to explain via national media, the purpose of intent to purchase shares in SACOS. At that time, when not all was clear in terms of investment, from the public perspective, it was important to again explain the purpose of such investment
	Press release on purchase of shares	Purchasing shares in Seybrew was one of the very first investment we made. At that time,

	in Seybrew	this was a novelty here as it was not the norm of the day, plus the fact that our clients had certain reservations about the intent of the new pension system. Therefore all of these public relation exercises was meant to ease the relationship us and the public, which in essence reflected quite well, judging on feedback we received.
	Press release for Statement of account 2005	This activity is still on-going, but we have advise clients in newspapers that their Statement of account are being release, and to report irregularities. We are hoping publicize notice on the television, once all the statements have left our office - tentatively in a week's time. So far we have received 33 feedbacks relating statement and the most prominent feedback are for those missing statements, while some others have left employment and is requesting statements are forwarded to home addresses. A few contributions, three others required adjustment others queried about non payment of to their account.
	Envite lasemenn program on radio	To re-enforce the voluntary contribution aspect we participated in the "envite lasemenn" program on SBC radio to further explain the benefits of this long term saving. The program generated some interest from the public, since some were calling at the radio station for further information
	Public meetings	We undertook 120 public meetings where explanations pertaining to the new pension system was delivered.
	Personal Selling	Secondary to public meeting, we have been following through with personal selling with employees. So far this activity that we have done using small groups have been proving to be very fruitful as clients have been feeling more free to ask questions, which has been the basis to convince them to invest in voluntary contributions. This activity is on-going and will be for a long time to come.
	Opening of bank account for retirees	At the initiation of payment of benefit, it was very quickly observed that long undesired queue were increasingly becoming an eyesore at the office. To help curb this situation, we came up with the "Pli facil" project, aimed at facilitating the manner in which payment is effected whilst removing the long queues. We received good feedback fro Savings Bank which was ready to assist us with opening of bank account for that purpose. This project assisted us in transferring up to 70% of our clients payment to the banks.

Monitoring/control	Mid-year monitoring of voluntary Contribution	Exercise undertaken indicates favorable signs for this kind of investment, with most organizations having a certain amount of employees investing in voluntary contributions. Enhancing such methods being used and introducing new ones will continuously ensure more people will contribute.
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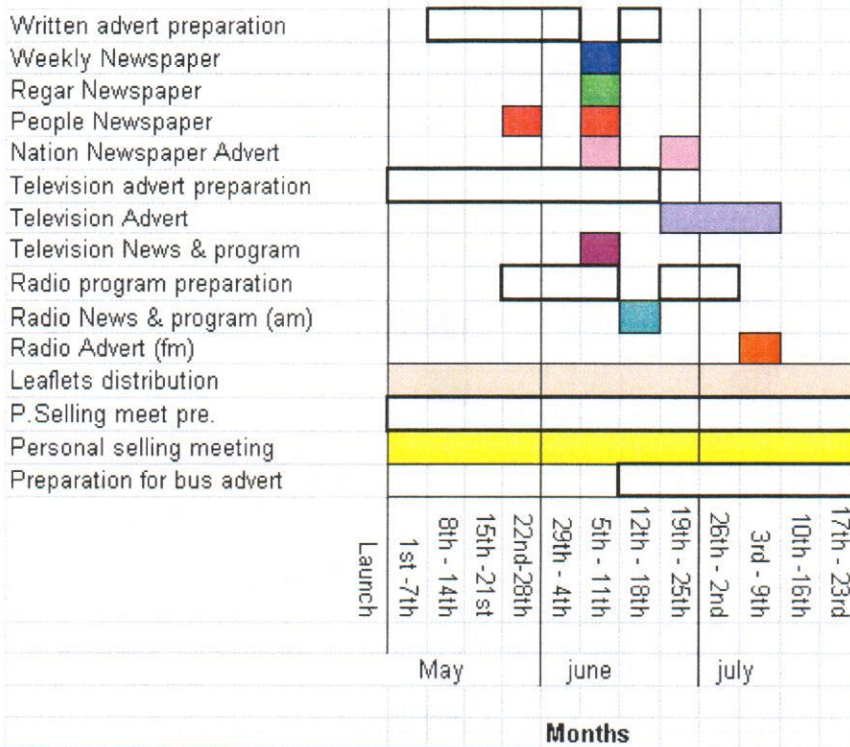


Weekly Marketing programme for the months of January, February, March and April 2006

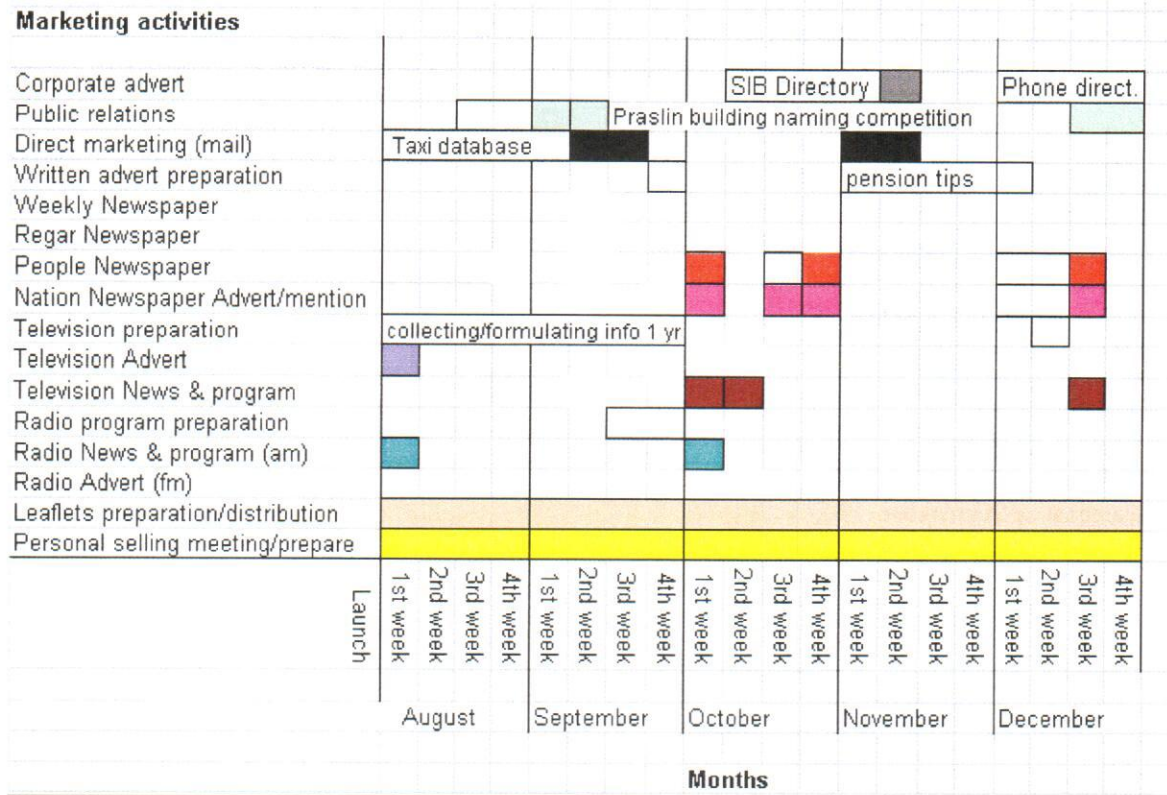
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Weekly Marketing programme for the months of May, June and July 2006

Marketing activities



Weekly Marketing programme from August to December 2006



9.1 The Way Forward

Bearing in mind then entire Seychellois workforce to be covered these various publicity and promotional programmes would one way or another be of interest to them thus create awareness of the Fund. Basically it is to differentiate information provided to all level of membership.

Tasks	Details	Remarks
Bus advert	This has been identified as a major promotional tool to advertise the voluntary aspect of the pension fund. The advantage of this type of outdoor promotion is that the advert moves about on the bus bringing the message to a mass of people for longer period of time It is a very cost effective means of advertising.	Different persons working in specific areas have been identified and favorably approached to participate. An experienced camera man has been also been identified and hope to get all the shots done on the 17th and 18th of March 2007. There are specific locations that we have also been searching for and hope to hand over all the photos to Hi-Tech graphics by the end of August for processing and printing and ready to be put the advert on bus during by the month of May 2007.

Bus advert	New developments	<p>This activity has encountered serious setbacks in terms of timing of implementation. Material that was produced was insufficient to launch a marketing product. We have completed work on a general marketing message to get workers to think retirement, and one to sensitize self employed.</p> <p>We developed one for self employed, but it was deemed too complicated for an outdoor moving advert and was hence used for the telephone directory. In tracking down the photographer for the alternative idea for voluntary contribution, substantially delay occurred due to personal commitments. The activity is now scheduled to be implemented towards the beginning of 2007.</p>
Direct Selling	Direct selling is the art of selling products through the use of mails. Part of our stakeholders include self employed people and the most efficient means of contacting them is through mailing systems	We are currently upgrading our database to include professionals such as lawyers, architects and engineers. They tend to have e-mail addresses which make our task easier. This activity will start as soon as all the statements have been delivered.
Direct Selling	New developments.	A pilot direct mailing project targeting taxi drivers was undertaken to evaluate the level of response to that kind of activities.
Public relation Activity	To shift people attention to development being achieved with Pension Fund and the new building on Praslin, we want to launch a competition to for organisations to come up with names for the building	Such activity will help enhance business to business relationship between Pension Fund and businesses on Praslin. This competition will be limited only to businesses and organisations on Praslin. It will a good opportunity to additionally promote the Fund on TV and Radio.
Public relation activity	To shift people's attention to development being achieved with Pension Fund and the new building on Praslin, we launched a competition for organizations on Praslin to come up with names for the building	70 letters were drafted to a host of businesses, organizations, schools and offices requesting their participation in the activity.
Fliers/leaflets	We hope to initiate a monthly edition of leaflets to further keep in touch we our clients.	After having held the public meeting, it is important to keep feeding clients with reason to trust and contribute into the Pension Fund. This publication will be very useful for that matter
Prepare and disseminate of information through leaflets	It has been observed that there is a substantial increase interest in knowing more about our organization. This has been noticed through the increase in the number of leaflets that client visiting our office access at the reception and cashier area.	There again other marketing activities has added impetus to get stakeholders hungry for further information. Substantial time has been spent preparing information document for the demanding public.
Pension tips	Instead of having long articles in the Nation newspaper to further inform clients on our objectives and laws, we will be very shortly start what we have termed as Pension tips, which will be on a weekly basis.	These tips were published n the Seychelles Nation and some more would be published. It is planned to have some over the Radio.

Pension tips	New developments	Mostly all of the pension tips have been worked on. We have chosen to personalize different aspect of the Fund so as to get stakeholders to react instantaneously. Contact with the Seychelles Nation has been made and we have scheduled to start publication towards the beginning of 2007
Personal Selling exercise	A very fruitful two way communication means that have been on a consistent level been used to sensitize workers on the need to think retirement and act accordingly.	This exercise which culminate the point of sales for either the Voluntary contribution aspect or mandatory contribution mostly in private organizations which was not complying with our regulations has often been rendered easier by the fact that marketing task undertaken previously has already enlighten knowledge and purpose of the Fund.
Activities to highlight 1 year anniversary	<p>During the consultative meeting it was readily observed the level of pessimism among different stakeholders as the ability of the Fund to deliver on its intended program. A 30 minutes television documentary was prepared in which different aspects of the Fund was highlighted. The program was repeated twice.</p> <p>To further highlight the event, we ran an extensive centre spread newspaper article in the Nation newspaper, supported by an equally elaborated article in The People newspaper. Mention of the event was also made through SBC radio</p>	The realization of this program brought to light various much needed physical evidence which in turn provided knowledge and acceptance of our objectives and values from the different stakeholders. This was observed through the increase amount of queries raised from the public and an increase in number of voluntary contribution recorded.

New tasks in

Advertising in the Seychelles Investment Bureau's Directory	This annual activity is aimed at promoting the Fund and its various benefits available with emphasis on the need to save for retirement by making a monthly voluntary contribution	For 2007 we have chosen to amplify importance to the self employed sector with the ultimate objective of improving coverage in that sector.
Advertising in the telephone directory	This annual activity is aimed at targeting promotional information with a business to customer perspective.	Bringing the benefits of voluntary contribution to every or the majority of households is of great importance. We have chosen this venue to further press forward this element of the Seychelles Pension Fund
Members Statement Of Account	Towards the beginning of August, a television advert was developed to educate and inform the public about the release of the Members' statement of account.	With the introduction of the Fund it was a very important exercise to explain to members how to interpret their statement of account. It proved to be a successful approach as the majority of our clients pertaining to statement were concerned that they have yet to received a copy of their statement rather than how to interpret the information thereon.

Up to date information on the Fund is available on the Pension Fund's website www.pensionfund.net and at our offices on Mahe and Praslin.

An evaluation of the marketing and promotion campaign will be done early next year to ascertain the success rate and proceed with a new promotion strategy.

10. SYSTEM SUPPORT AND DEVELOPMENT

The System Support Section of the Seychelles Pension Fund is basically responsible for the proper management of the computer system, ensure that there is an efficient computer system and to improve and develop the existing system.

(i) Evaluation of the System

The application of (web application system) from the Department of Information Technology and Communications (DITC) earlier this year to replace the current pension IT system proved to be unsatisfactory. Although the system was deployed on the Pension Fund's server for testing of the final product the whole system was incomplete and inclusive. It failed to convince the management that it was the best platform to effectively implement the pension reform. To that extent there was no other alternative but to upgrade the AS400 platform.

A new Benefit Module was designed and thoroughly tested. In close liaison with the Benefit Officer the module was customized in order to meet our requirements. Even though there is still improvement to be made, the system is working and meeting our immediate requirements.

(ii) Review of IT System

Anxious to move forward and develop the system to suit the requirements of the new Pension Fund, a request was made to the Swan Group of Mauritius, our partnership in SACOS for an IT Pension Consultancy. The Consultants from their subsidiary report, **Anglo Mauritius Assurance Society Ltd** spent a week in Seychelles to examine the system and make recommendations. Their report highlighted the following important points

- The System needs upgrading
- The need gain ownership of system
- Development of existing system
- Data Organisation
- Connection with Praslin

(iii) System Upgrading

The AS400 remains one of the most reliable servers available in the market place today. It is renowned for its stability, requiring little maintenance or attention.

However, the Seychelles Pension Fund's AS400 server is still business critical and requires support and scheduled maintenance. It is critical to keep the operating system levels current. Operating System upgrades are unique and required preparation and planning. Even more critical are times when it is necessary to upgrade or even replace the hardware. The Provision has to be made to acquire extra storage units and memory cards.

(iv) Ownership and Development of System

The Board has approved the recruitment of a System Programmer to enable us to take control, develop and maintain the system.

However in view of difficulties to identify a suitably experienced Programmer training is being arranged for the Systems Support Manageress to assist in maintaining the system.

(v) Automated Reconciliation

In order to speed up the process of reconciliation it is envisaged to implement automated reconciliation in respect of Ministries and Departments. This will make work less time-consuming.

(vi) System Connection for Praslin

After experiencing difficulties to obtain a lease line from Cable and Wireless, equipments and the right technician to carry out the connection, it is a relief that all are in place to make the connection by mid September 2006. The setting up of the network and sharing of information with our Praslin's Office will no doubt improve the level of operation.

(vii) System Development

The system will continue to be evaluated and modernized to ensure that it operates efficiently. Adjustments will have to be made where necessary to accommodate further reform which may be required in line with clients' expectations in order to adapt with current situation.

11 ORGANISATION, STAFFING AND TRAINING

The Fund attaches considerable importance to ensuring that it has the right organizational structure and suitably qualified and experienced staff members.

Following the recruitment of an experienced Financial Controller, the Finance Section has been re-organized and strengthened to ensure the proper accounting and control of the Fund's assets and to response to the need for up-to-date management and financial reports required in a modern and efficient organization.

An Internal audit Section has been set up to ensure the level of transparency and accountability of the trust fund. The Praslin's Office has also been strengthened by a Supervisor to be able to cope with new responsibilities to promote the Fund in Praslin and La Digue.

The Compliance Section has been revitalized with specific targets to reduce the defaulting rate by two months the most.

With the recruitment of more staff of a higher calibre in specific areas of need and emphasis on training the organization is achieving a good performance in learning and productivity. Training of staff has focused on innovation, creativity, and customer service and skills enhancement and on the administration and promotion of new pension fund.

The Fund continued to develop an organizational learning culture so as to open up exciting perspectives in change and innovation. Besides a number of staff undertaking upgrading and semi professional courses, one of staff has been released from work to undertake professional training overseas. Another three staff at middle management level undertook training at specialized level. The Fund would be recruiting University graduates for training to strengthen its capacity and fill key posts.

At the Fund, we encouraged staff to take a learner-centered approach to skills development. We also encouraged personal lifelong learning through sponsorship of training and study/exam leave scheme.

A training (succession) plan was approved by the Board for implementation and is to be reviewed annually to ensure the training and development of staff including professional development to improve performance and enhance their career development.

12 COMPLIANCE SECTION

The Section has been busy ensuring the payment of contributions on time, detection of unpaid contributions and accordingly levy surcharge for late payment. In order to assist in energizing the Section, Mr. Fernando Lafortune was appointed in May 2006, as the New Head of Section thus bringing the staffing capacity to its full strength of one Senior Inspector and two inspectors.

In order to achieve the above-mentioned objective a programme of work has been developed.

1. Registration of Employers and Inspections of Employers Salary Records

The exercise to register domestic workers, other workers and self employed persons and increase the level of monitoring through regular surveys and inspection.

The number of registration in both categories has increased gradually. An inspection exercise was organized and conducted over three days on the inner islands of La Digue and Praslin during the month of October 2006. Emphasis was placed on detection of employers not registered with the Fund. The outcome was fruitful; nine small size employers were detected along with some self employed persons who expressed interest to register with the Fund.

2. Introduction of Employers Monthly Pension Report:

Monthly pension reports were distributed to most employers who employed three or more workers. Distributions were done by post and at the office counter. We have seen a tremendous increase in the number of employers sending pension reports that helped to improve the accuracy of information in terms of employee status etc. This part of our program will continue to remain as an important compliance task to educate employers to make use of the report format as a means of providing accurate information.

3. Detection of defaulters and Enforcement:

The Fund computerize system allows for fast detection of defaulters who have registered with the Fund and considerable efforts have been made to strengthen enforcement of compliance. Measures undertaken included fast follow-up actions and the implementation of various monitoring activities by means of system checks in the office and inspection visits at business premises. These measures have effectively contributed in maintaining a default rate of two months arrears of contributions.

4. Inspections:

Inspections of employees' records continued to be an important part of the responsibilities of the Compliance Section. However these were intensified from the months of May onwards. It is important to note that inspections were made for the purpose of enforcing payments, examination of records to detect underpayments, to obtain accurate information regarding employees and to retrieve history of employment for benefit purposes.

5. Assessment and Recovery:

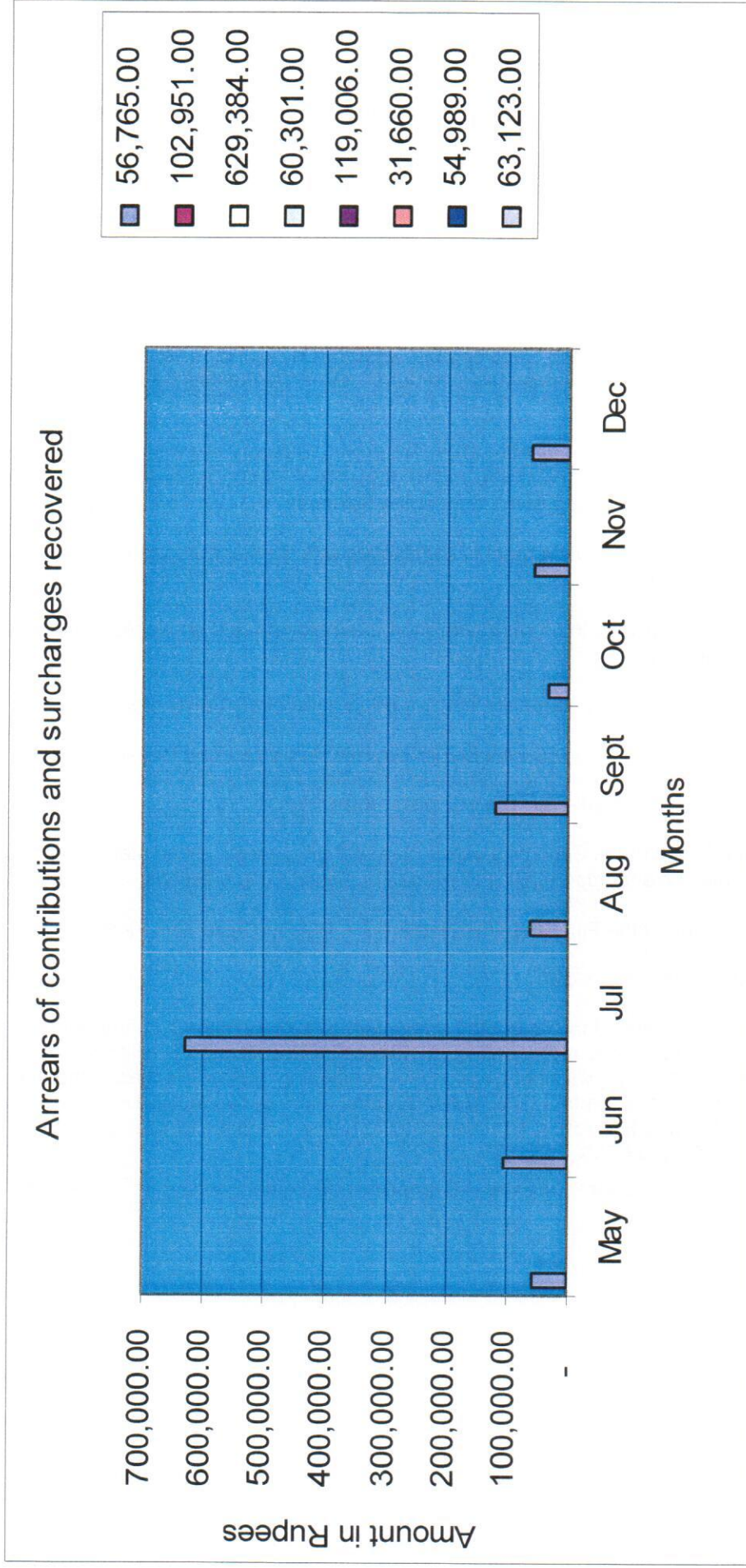
The Section has collected arrears of contributions and surcharge for the first four months of the year totaling to SR213'125:00. Beginning May to December 2006, 227 assessments or an average 29 monthly were raised against employers in default of payments totaling SR1'206'897:00 out of which SR1'118'179:00 was recovered and the balance of SR88'718:00. The details are shown in figures 15 and 16.

Table showing arrears of contributions and surcharges figures assessed and recovered from May to 31st December 2006

Figure 15

Months	c/d	Contribution	Surcharge	Totals	Paid	Balance
May		101,163.00	5,072.00	106,235.00	56,765.00	49,470.00
June	49,470.00	134,000.00	7,376.00	190,846.00	102,951.00	87,895.00
July	87,895.00	626,850.00	4,548.00	719,293.00	629,384.00	89,909.00
August	89,909.00	67,925.00	4,177.00	162,011.00	60,301.00	101,710.00
September	101,710.00	131,950.00	7,726.00	241,386.00	119,006.00	122,380.00
October	122,380.00	12,785.00	1,418.00	136,583.00	31,660.00	104,923.00
November	104,923.00	46,875.00	4,399.00	156,197.00	54,989.00	101,208.00
December	101,208.00	42,050.00	8,583.00	151,841.00	63,123.00	88,718.00
						-
Total		1,163,598.00	43,299.00	1,206,897.00	1,118,179.00	88,718.00

Figure 16



Analysis of employers' records particularly the amount of contributions outstanding showed the compliance rate to be high. The target is that no employer should be in arrears with the payment of his or its contribution by more than two months. The Section can then face the challenge of recovering the arrears at the same time maintaining default rate standard.

13 CUSTOMER SERVICE

What Our Customers Expect from Us?

The Management continued to attach considerable importance to customer satisfaction and clients' feedback on the quality of services which, no doubt, helped to identify the areas in need of improvement.

Customers expected applications for benefits to be processed within a short period of time and every effort was done to meet the timeframe of 21 days. The Fund has been trying its best through the improvement of its record system to meet the deadline.

However there was considerable improvement in satisfaction with the Fund's speed of response including its telephone service.

Meetings were held at work places to promote the Fund to employers and employees and obtain their support and cooperation.

The front office facilities were of help to further improve and upgrade the quality of service.

In respect of improvement of communication with Government Ministries and Departments, there was room for improvement. There were still delays in receiving replies to correspondence and in the decision making process thus affecting the efficiency of the Fund.

"Focus on Customers" is one of the Scheme's values and being the force behind staff's continued pursuit of service excellence and opportunities to exceed customers' expectations.

The year saw the launching of the Fund's customer charter – "Putting Customers First"

14 THE FINANCIAL PERFORMANCE

The total revenue collected for Year 2006 amounted to R 33.49 millions compared to R 26.31 millions for Year 2005 representing an increase of R 7.19 millions or 27.33% above the same period last year, whilst total expenditure excluding interest credited to members account was R 5.93 millions or 1.03% higher than the same period last year. The surplus for the Year 2006 was R 27.56 million compared to R 21.41 millions in Year 2005 an increase of R 7.18 or 27.29%.

The following is a summarized Income & Expenditure Statement ending 31st December 2006.

	Actual 2006 R Millions As at 31-12- 06	Actual 2005 R Millions As at 31-12-05	Variance R millions Increase/ (Decrease)	%
Revenue				
Investment Income Received	21.39	22.68	(1.29)	5.68%
Property Income Received	5.20	0.24	4.96	2067%
Dividends Received	6.96	3.31	3.65	110%
Other Income	0.07	0.08	(0.01)	12.50%
Total Revenue	33.62	26.31	7.31	27.78%
Expenditure				
Administration Expenses	7.00	4.90	2.10	42.86%
Total Expenditure	5.93	4.90	1.03	42.86%
Net Surplus (Deficit)	26.62	21.41	5.21	24.33%
Capital Investment	As at 31-12- 06	As at 31-12-05		
Investment in Fixed Asset	144.53	60.28	84.25	140%
Purchase of Investment	337.79	316.16	21.63	6.84%
Total	482.32	376.44	105.88	28.13%

The following measure were taken to strengthen and improve the accounting and reputation of the Fund income and expenditure

14.1 Financial Instructions

In order to strengthen the Finance Section the preparation of Financial Instructions has been completed and approved. The Financial Instructions have been compiled in accordance with Part VII – Financial Provision and Investment, Section 53 of the Seychelles Pension Fund Act, 2005.

14.2 Accounting Manual

The next task is to compile an Accounting Manual with the aim of providing a general procedural guideline as to the format, content, movement and recording of Seychelles Pension Fund accounts.

14.3 Establishing Internal Control

As part of the continued effort to ensure that there is proper financial control and accountability of the Fund, the Accounts Section has been re-organized and the Office of Internal Auditor established.

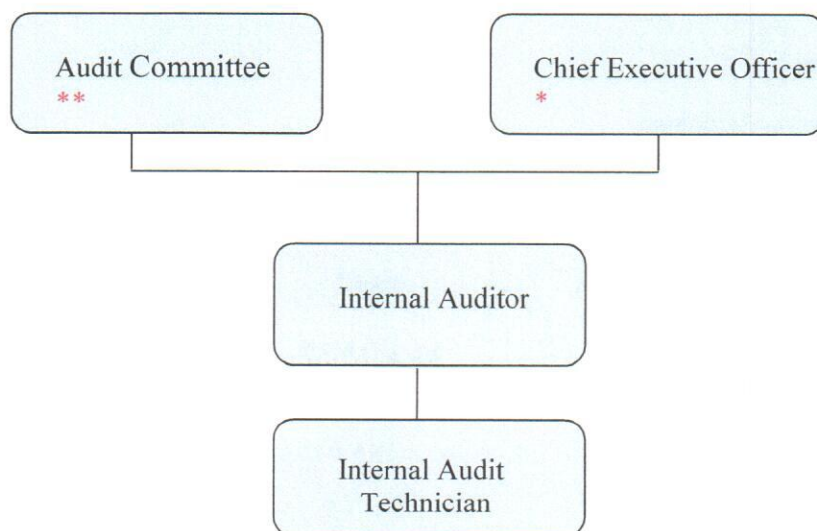
15. OFFICE OF INTERNAL AUDIT

The Office of the Internal Auditor was initially set-up in August 2006. The Section was established to ensure proper transparency, reliability and integrity of the financial records in view of the rapid increase in the Fund's activities, thus increase public confidence in the Fund.

The Office of the Internal Auditor is a unit administratively established and has a fiduciary responsibility to report ongoing activities to the Chief Executive Officer and Audit Committee also Board of Trustees.

The structure of the Office of the Internal Auditor is as follows;

Office of the Internal Auditor



*-Administrative Reporting

**-Fiduciary Responsibilities

To date, the Office of the Internal Auditor has recruited an Audit Technician to assist the Internal Auditor to discharge its responsibilities and functions. The plan of activities for the year is guided by an Audit Work Plan or simply Audit Plan. At present, the Internal Audit is in the process of finalizing the interim report in respect of Benefit payments.

The duties of the office of the Internal Auditor involve the following:

- Review the effectiveness of the internal controls and systems established and ensure compliance with policies, procedures, laws and regulations.
- Review the reliability and integrity of the financial and operations information.
- Verification of all benefits claims to ensure compliance with the existing Act and Regulation.

The activities carried out during the period August to December 2006 were as follows:

- Understanding the system of internal controls and proposing changes to the existing internal control system such as implementation of pro-rata payment of first benefit

payments and proposing other recommendations so as to improve the efficiency and reduce the possibility/or the risk of irregularity.

- Creation and finalizing the Internal Audit manual together with the Audit Committee.
- Carrying out frequent checks on the applications lodged by the members requesting for pension or a particular benefit prior to approval of the Chief Executive Officer.
- Carrying out Audit of benefits for the transactions relating to period Jan-June 2006, as from August 2006 benefit applications were verified by the Internal Auditor in the first instance. Internal Audit report was completed by end of January 2007 and handed over to Chief Executive Officer and discussed in a management officers meeting.
- Verification of over 100 applications for Public Sector Special Pension not previously qualified under the existing laws but may be qualified under the new amendment.

For the year 2007, more emphasis will be placed on members' fund accounts and routine visits will be organized for Praslin Office aiming to improve the internal control at the Praslin Office.

16. THE FINANCIAL STATEMENTS

1. The audit of the Seychelles Pension Fund's Accounts at appendix 1 was prepared by AJ Shah and Associates under contract from the Auditor General in accordance with the Seychelles Pension Fund Act and the Generally Accepted Auditing Standards in Seychelles. However the Fund has not yet adopted the International Accounting Standards (IAS) but has agreed to work towards its adoption on a gradual basis in the subsequent Financial Statements.

The financial statements give a true and fair view of the state of affairs of the Seychelles Pension Scheme as at 31st December 2006.

As Accounting Officer, I have been taking reasonable steps to ensure that the system of internal financial control is maintained and enhanced in connection with the resources concerned. This is essential in view of the challenges ahead as a result of the development of the Fund into a fully fledged Pension Fund and the need to sustain the Fund to meet the payment of enhanced benefits.

17. THE YEAR AHEAD

With the development of a fully fledged Pension Fund emphasis would be placed be on the strengthening and sustaining of the Fund through the implementation of the following tasks

- The new Pension Fund Act , Benefit and Membership Regulations
- Promote and explain the Fund in detail particularly at work places , in the media and through information leaflets
- Encourage self employed persons to join the Fund and make a monthly contribution so to qualify for the retirement pension or surviving spouse or children's pension in case of death before retirement
- Encourage voluntary contribution on the part of the employees and employers for the benefit of employees as a means to enhance retirement benefit
- Enhance customer service

- The application of a simplified procedure for processing of benefits due to qualifying members within a period of 21 days
- Ensure the monthly payment of retirement, incapacity, surviving spouse's pension and children's pensions and the prompt payment of migration allowance and death gratuity and other benefits upon qualifying
- Improve the enforcement capacity to ensure the proper payment and prompt collection of pension contributions.
- Improve the organizational capacity of the Fund.
- Implement the Staff Training and Succession Plan.
- Organisation/Re-organisation of functions and responsibilities within the various sections to ensure that they are up-to-date with the work processes.
- Diversify and maximize investment returns as a means to assist with the financing of the Fund
- Follow up of implementation process
- Submit recommendations for the Review/Extension of benefits to continue to improve the system.
- Review the level of pension contributions from the fixed rates to percentage rates of salaries to bring the contributions more in line with the rates of pensions payable
- Prepare plans and targets of each Section for implementation and review to attain objectives

Proposed further reform to further promote a culture of savings and to look at benefits that can be applied during the working life of members.

In concluding it is fitting to mention some of the challenges facing the Pension Fund

- There is a need for issues relating to the Pension Fund to be taken seriously and attended to by all concerned within a short period of time
- The level of networking and coordination at government level should be improved
- Whilst the political will has been pivotal to the pension reform and much appreciated, there is no doubt a need for a higher level of commitment to the pension service and a better understanding of the Fund on the part of all concerned and at the level of policy making in order to serve as an example to others and to promote the concept of voluntary contributions.

The intense level of property investments which requires foreign exchange input for their implementation. In this context government support is crucial as well as the need to find investor willing to lease the premises on a long term basis and pay up front.

In respect of the private sector the Fund has generally obtained their cooperation which has helped us in our exercise of promoting the Fund

Whereas last year has been one of major change and developments 2006 is a year of consolidation and improvement. The proper management of the Fund is very important and the best way forward to the long term sustainability of the Fund.

SEYCHELLES PENSION FUND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2006



OFFICE OF THE AUDITOR GENERAL



SEYCHELLES PENSION FUND

BOARD OF TRUSTEES' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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SEYCHELLES PENSION FUND

REPORT ON THE BOARD OF TRUSTEES

The Board presents its report with the audited financial statements of the Fund for the year ended 31 December 2006.

FUND

Seychelles Pension Scheme was established under the Seychelles Pension Scheme Act, 1990, CAP 220 and commenced effective 1st January 1991, 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

	SR
Surplus for the year	5,198,391
Retained surplus brought forward	<u>2,820,115</u>
Retained surplus carried forward	<u>8,018,506</u>

The Board recommends interest of 5% to be paid to the members on their contributions for the year under review that was approved in accordance with Section 28 (3) of the Seychelles Pension Fund Act, 2005.

FIXED ASSETS

During the year, the Company acquired fixed assets amounting to SR4.1 million principally comprising of acquisition of freehold land and improvements to leasehold buildings.

The Board is of the opinion that the market or saleable value of the fixed assets at 31st December 2006 does not differ substantially from the amount at which it is included in the balance sheet at that date.

FINANCIAL STATEMENTS

The Financial Statements for the year ended 31st December 2006 were authorised for issue in accordance with a resolution of the Board on 9th July 2007.

BOARD OF TRUSTEES

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

Francis Chang Leng
Mohamed Afif
Gilbert Beaudoin
Radley Weber
Rachel Spiro
Lambert Woodcock
Lehka Nair
Michel Felix
Suzanne Labrosse
Anne Mousbe
Yakub Suleman
Jessie 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 shall be recorded all its financial transactions shall be 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.

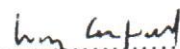


AUDITOR

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
authorization of the Board


.....
Francis Chang Leng
Chairman


.....
Willy Confait
Chief Executive Officer

9th July 2007
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 FINANCIAL STATEMENTS OF
SEYCHELLES PENSION FUND
FOR THE YEAR ENDED 31 DECEMBER 2006**

I have audited the financial statements set out on pages 5 to 26 prepared on the basis of significant accounting policies set out on pages 8 to 26. As described on page 2, the Board of Trustees are responsible for the preparation of financial statements. My responsibility is to express an opinion on those financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Seychelles. These standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examination on a test basis, evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the accounts and the evaluation of the overall accounts presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements are properly drawn up in accordance with the provisions of the Seychelles Pension Fund Act, 2005 and generally accepted accounting standards in Seychelles so as to give a true and fair view of the state of affairs of the Fund as at 31 December 2006 and of the results and the cash flows of the Fund for the year then ended.

Emphasis of matter

The financial statements for prior periods were audited by another auditor.

Marc Benstrong
Auditor General

07 November 2007
Victoria, Seychelles

SEYCHELLES PENSION FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 SR	2005 SR
Rental income		5,198,881	235,759
Interest income		21,390,390	22,681,764
Surcharges collected		50,842	21,767
Sundry income		19,737	54,487
Dividend income		6,960,673	3,314,606
Gross income		33,620,523	26,308,383
Interest credited to members		(21,422,630)	(19,024,623)
Administration costs		(6,999,502)	(4,897,975)
Surplus from operations		5,198,391	2,385,785
Loss on disposal of fixed assets		-	(15,105)
Surplus for the year	3	5,198,391	2,370,680
Surplus from prior years brought forward		2,820,115	1,546,577
Surplus available for appropriation		8,018,506	3,917,257
Transfer to reserve account		-	(1,097,142)
Retained surplus		8,018,506	2,820,115




The annexed notes on pages 8 to 26 form an integral part of these financial statements

SEYCHELLES PENSION FUND

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 SR	2005 SR
Fixed assets	4	14,526,223	10,784,279
Buildings in progress	5	-	269,316
Loan to SHDC	6	-	24,133,333
Investments	7	479,739,738	367,654,895
Long term loan	8	6,379,379	-
Current Assets			
Short term investments	9	53,788,933	11,395,277
Receivables	10	12,129,158	7,809,389
Treasury deposits	11	-	10,795,949
Cash and bank balances	12	1,806,582	4,422,656
		67,724,673	34,423,271
Current Liabilities			
Creditors and accruals	13	2,150,506	407,677
		2,150,506	407,677
Net current assets		65,574,167	34,015,594
		566,219,507	436,857,417
Represented By			
Members' fund	14	465,747,552	419,468,711
Other funds	15	77,884,858	-
Reserve account	16	14,568,591	14,568,591
Retained surplus		8,018,506	2,820,115
		566,219,507	436,857,417


Francis Chang-Leng
Chairman


Willy Confait
Chief Executive Officer

The annexed notes on pages 8 to 26 form an integral part of these financial statements

SEYCHELLES PENSION FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 SR	2005 SR
Cash flows from operating activities		
Surplus for the year before appropriations	5,198,391	2,370,680
Adjustments for:		
Depreciation and amortisation	917,901	710,110
Loss on disposal of fixed assets	-	15,105
Operating surplus before working capital changes	6,116,292	3,095,895
(Increase)/decrease in short term investments	(42,393,656)	26,835,782
Increase in receivables	(4,319,769)	(520,760)
Decrease in treasury deposits	10,795,949	29,585,654
Increase in creditors and accruals	1,742,829	128,977
Net cash (outflow)/inflow from operating activities	(28,058,355)	59,125,548
Cash flows from investing activities		
Purchase of fixed assets	(4,132,389)	(60,787,850)
Decrease/(increase) in buildings under construction	269,316	(811,259)
Proceeds from disposal of fixed assets	-	96,353
Long term loans advanced	(6,379,379)	-
Decrease in SHDC Loan receivable	24,133,333	2,533,334
Increase in investments	(112,612,299)	(37,762,908)
Net cash outflow from investing activities	(98,721,418)	(96,732,330)
Cash flows from financing activities		
Increase in Members' contributions	46,278,841	41,534,563
Receipt of funds from National Provident Fund	77,884,858	-
Net cash inflow from financing activities	124,163,699	41,534,563
Net change in cash and cash equivalents	(2,616,074)	3,927,781
Cash and bank balances at 1 January	4,422,656	494,875
Cash and bank balances at 31 December	1,806,582	4,422,656

The annexed notes on pages 8 to 26 form an integral part of these financial statements



SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

1. GENERAL

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 corporate was renamed as Seychelles Pension Fund.

The office of the Fund is located at "Caravelle House", Victoria, Mahe, Seychelles.

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.

The financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board on 9 July 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Fund have been prepared under the historical cost convention method and comply with generally accepted accounting standards in Seychelles.

(b) Changes in accounting policies

On 1 January 2006, the Fund re-classified long leasehold properties from Fixed Assets to Investments. The relevant prior year balances have been reclassified and restated in line with the changed policy.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(c) Significant accounting estimates

Estimates and assumptions concerning the future are made in the preparation of the Financial Statements. They affect the application of Fund's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key assumptions concerning the future and other key sources of estimations and uncertainties at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(i) Investments

The Fund deploys available cash and cash equivalents in high yield generating investments to maximise income from investments. In determining high yield generating investments certain estimates regarding the current fair market value and future return on investments are made.

(ii) Depreciation of fixed assets

Assets are depreciated on a straight line basis at rates which are calculated to write down their cost to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of assets are made by the Fund based on past experience and their operational lives and residual values are reviewed on an annual basis.

(iii) Funds available to meet payment of benefits

The Fund estimates that the contributions received from Social Security Division are currently sufficient for payment of benefits to its members. Section 55 of the Seychelles Pension Fund Act, 2005 requires the Fund to cause an actuarial investigation of the assets and liabilities of the Fund at intervals of not more than 3 years.

(iv) Interest to members and reserve fund

The Fund estimates the interest payable and transfer to Reserve Fund on an yearly basis based on the results and available surplus each year.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Cost consists of purchase cost, together with any incidental expenses of acquisition and installation. Subsequent costs are included in the asset's 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 and the cost can be reliably measured. Repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

Freehold land is not depreciated. Depreciation is calculated on other items of fixed assets so as to write off its cost, less estimated residual values, on a straight line basis over the estimated useful lives of the assets concerned. The estimated useful lives are:

Freehold buildings	50 years
Leasehold improvements	97 years (remaining period of lease)
Office equipment	5 years
Furniture and fittings	10 years
Motor vehicles	5 years

Capital projects are stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under fixed assets and depreciated in accordance with the Fund's policies.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount. Upon the disposal of an item of fixed asset, the difference between the net disposal proceeds and the net carrying amount is recognised in the Income Statement.

(e) Investments

Investments in immoveable properties are categorised as long term investments. The original purchase price together with the costs incurred on them for bringing them to a ready state of earning income is included in long term investments.

Short term investments are term deposits with banks and investment in Government Securities normally held to maturity.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(f) Financial assets and liabilities

(i) Classification

Originated loans and receivables are loans and receivables created by the Fund providing money, other than those created with the intention of short-term profit making.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Fund has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Fund, or held to maturity. Available-for-sale instruments comprise of equity investments.

(ii) Recognition

All regular purchases of financial assets are recognised on the trade date basis (i.e. the Fund commits to purchase the asset).

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all available-for-sale assets are measured at fair value less impairment losses except those for which a reliable measure of fair value is not available.

Unrealised gains and losses arising from a change in the fair value of available-for-sale assets are recognised in Capital Reserve in equity until the investment is sold or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Income Statement.

All originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(f) Financial assets and liabilities (Contd.)

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted bid market price at the balance sheet date without any deduction for transaction costs. When the fair value cannot be reliably measured, the securities are stated at cost.

(v) Derecognition

A financial asset is derecognised when the Fund loses control over the contractual rights that comprise that asset. A financial liability is derecognised when it is extinguished.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Fund commits to sell those assets.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Fund.

(g) Other financial instruments

(i) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash deposited with banks, against which the bank overdrafts, if any, are deducted.

(iii) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not billed to the Fund.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(h) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Fund has a legal enforceable right to set off the recognised amounts and the Fund intends either to settle on a net basis, or to realise the asset and liability simultaneously.

(i) Leases

Where immovable properties have been acquired by lease agreements under which all of the risks and rewards of ownership are transferred to the Fund at the inception of the lease, they are treated as if they had been purchased outright and classified as Leasehold. The total lease rental paid for the period of lease are recognised as long term investments and the advance lease rent is appropriated over the period of the lease term.

(j) 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/shortfall to the provision is adjusted to the Income Statement.

(k) Taxation

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

(l) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Restructuring provisions are made for direct expenditures of a business recognition where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds and the redemption value recognised in the Income Statement over the period of the borrowing using the effective interest method.

(n) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Rental income

Rental income is recognised on an accrual basis with the substance of the relevant rental agreements with the tenants.

(ii) Interest income

Interest income is recognised on an accrual basis with the substance of the relevant investment agreements with the banks and per terms of offer of the Government Securities.

(iii) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established.

(iv) Other revenues

Surcharges and other revenues are recognised on an accrual basis with the substance of the items.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(o) Foreign currency transactions

Foreign currency transactions are translated into Seychelles Rupees, the functional currency, at exchange rates approximating those ruling on the transaction dates. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in a currency other than the functional currency, are recognised in the Income Statement. Such monetary assets and liabilities are translated into functional currency using the exchange rates ruling on the balance sheet date.

Non-monetary assets which are denominated in a currency other than the functional currency are translated at exchange rates prevailing at the date these assets were recognised in the Financial Statements.

(p) Cash and cash equivalents

The cash flow statement classifies changes in cash and cash equivalents according to operating, investing and financing activities. Cash and cash equivalents comprise cash in hand and at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(q) Comparative figures

When an accounting policy is changed with retrospective effect, comparative figures are restated in accordance with the new policy.

(r) Compliance

The Fund ensures the compliance of Seychelles Pension Fund Act, 2005 in respect of accounting of movements in Members' Fund, in respect of Compulsory contributions receivable from its members and their employers and Voluntary Contributions received from its members and their employers.

The Fund also ensures that Benefits are paid to its members who comply with the eligibility criteria defined under the various sections of the Seychelles Pension Fund Act, 2005 and the applicable regulations defined under the said Act or otherwise expressly stated in the Regulations.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

4. FIXED ASSETS

	Freehold land and buildings SR	Leasehold buildings & improvements SR	Office equipment SR	Furniture and fittings SR	Motor vehicles SR	Total SR
<u>COST</u>						
As previously stated						
At 1 January 2006	2,511,750	57,576,568	501,459	491,477	192,181	61,273,435
Transferred to investments	-	(50,000,000)	-	-	-	(50,000,000)
As restated	2,511,750	7,576,568	501,459	491,477	192,181	11,273,435
Additions	800,000	2,545,730	264,661	310,610	211,388	4,132,389
At 31 December 2006	3,311,750	10,122,298	766,120	802,087	403,569	15,405,824

ACCUMULATED DEPRECIATION

As previously stated						
At 1 January 2006	45,035	581,581	138,784	100,443	126,785	992,628
Transferred to investments	-	(503,472)	-	-	-	(503,472)
As restated	45,035	78,109	138,784	100,443	126,785	489,156
Charge for the year	45,035	104,354	134,723	65,207	41,126	390,445
At 31 December 2006	90,070	182,463	273,507	165,650	167,911	879,601

NET BOOK VALUE

At 31 December 2006	3,221,680	9,939,835	492,613	636,437	235,658	14,526,223
At 31 December 2005	2,466,715	7,498,459	362,675	391,034	65,396	10,784,279

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

4. FIXED ASSETS (Contd.)

	2006 SR	2005 SR
Analysis of Freehold land and buildings at cost:		
Freehold land	1,060,000	260,000
Freehold buildings	2,251,750	2,251,750
	<u>3,311,750</u>	<u>2,511,750</u>

5. BUILDINGS IN PROGRESS

At 1 January	269,316	1,453,516
Net movements during the year	-	811,259
Reclassified to fixed assets during the year	(269,316)	-
	-	2,264,775
Reclassified to investments	-	(1,995,459)
	<u>-</u>	<u>269,316</u>

Buildings in progress comprised of planning and designing costs for proposed constructions.

6. LOAN TO SHDC

	2006 SR	2005 SR
Loan advanced	-	23,333,333
Interest accrued	-	800,000
	<u>-</u>	<u>24,133,333</u>

The loan was repaid in full during the financial year under review.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

7. INVESTMENTS

	2006 SR	2005 SR
Held to maturity - (Note (i) below)	271,500,000	256,500,000
Available for sale - (Note (ii) below)	59,668,008	59,662,908
Long term loan - (Note (iii) below)	6,625,461	-
Investment properties - (Note (iv) below)	141,946,269	51,491,987
	<u>479,739,738</u>	<u>367,654,895</u>

	Interest rate	Maturity Year		
(i) Held to maturity:				
Treasury bonds	7%	2010	148,000,000	148,000,000
Treasury bonds	8.25%	2011	15,000,000	-
Treasury bonds	8%	2013	30,000,000	30,000,000
Treasury bonds	8%	2014	74,300,000	74,300,000
Treasury bonds	8%	2015	4,200,000	4,200,000
			<u>271,500,000</u>	<u>256,500,000</u>

	Number of shares	%ge of holding		
(ii) Available for sale:				
<i>Unquoted shares, in companies incorporated in Seychelles, at cost:</i>				
Seychelles Breweries Ltd.	3,314,606	26%	59,662,908	59,662,908
Opportunity Investment Co. Ltd.	51	51%	5,100	-
			<u>59,668,008</u>	<u>59,662,908</u>

Board of Trustees valuation of unquoted shares:

Seychelles Breweries Ltd.	65,861,221	61,817,402
Opportunity Investment Co. Ltd.	5,100	-
	<u>65,866,321</u>	<u>61,817,402</u>

(iii) Long term loan:

Opportunity Investment Company Ltd.	<u>6,625,461</u>	-
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SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

10. RECEIVABLES

	2006 SR	2005 SR
Members' contributions receivable	2,860,575	2,434,500
Due from Seychelles Government	1,479,450	-
Accrued interest receivable	5,952,450	4,946,630
Rents receivable	1,160,008	210,250
Other debtors and prepayments	676,675	218,009
	<u>12,129,158</u>	<u>7,809,389</u>

11. TREASURY DEPOSITS

This represented deposits earning interest at 2.5% per annum credited on this account on a monthly basis which matured during the year under review.

12. CASH AND BANK BALANCES

	2006 SR	2005 SR
Cash on hand	2,300	1,598
Balances with banks	1,804,282	4,421,058
	<u>1,806,582</u>	<u>4,422,656</u>

13. CREDITORS AND ACCRUALS

Refundable to Social Security Division	1,426,843	-
Accrued expenses	270,738	197,229
Gratuity and length of service provision	452,925	210,448
	<u>2,150,506</u>	<u>407,677</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

14. MEMBERS' FUND

	2006 SR	2005 SR
Contributions received during the year:		
Compulsory contributions from employees	9,772,699	8,674,125
Compulsory contributions from employers	19,770,417	17,294,800
Voluntary contributions from employees	1,792,975	991,769
Voluntary contributions from employers	114,057	16,875
Total Contributions received	31,450,148	26,977,569
Interest credited	21,422,630	19,024,623
Benefits paid	(6,595,112)	(4,513,954)
Unallocated contributions	66,876	-
Refunds	-	(750)
	46,344,542	41,487,488
Balance at 1 January	419,264,829	377,777,341
	465,609,371	419,264,829
Suspense contributions	138,181	203,882
Balance at 31 December	465,747,552	419,468,711

Up to the prior year, Members' Fund represented the balance of Fund due to active members only. However, with the introduction of the Seychelles Pension Fund Act, 2005 which came into effect from 1 January 2006, new benefits were introduced to the members including monthly payment of pension if the member meets the eligibility criteria set under the new Act and Regulations.

The Members' Fund balance at 31 December 2006 is reduced with 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 instead of receiving the accumulated balance to their account. These should have been separated from the active members fund and reflected in the other fund created for this purpose. The management will segregate these amounts from the active Members Fund in the next financial year and restate the active members' fund and other fund.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

17. CAPITAL COMMITMENTS

	2006 SR	2005 SR
Approved and contracted for fixed assets	59,400,000	-
Approved but not contracted for fixed assets	-	-
	<u>59,400,000</u>	<u>-</u>

18. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2006 (2005 : Nil).

19. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Fund's financial risk management policies seeks to ensure that adequate financial resources are available for the development of the Fund's activities whilst managing its interest rate, foreign exchange, liquidity and credit. The Fund operates within clearly defined guidelines set in the Seychelles Pension Fund Act, 2005 and Regulations associated with the said Act and the Fund's policy is not to engage in speculative transactions.

(b) Interest rate risk

The Fund finances its operations through operating cash flows which are principally denominated in Seychelles Rupee. 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 in their respective notes to the Financial Statements. The Fund does not have any interest swap to minimise its exposure to interest rate volatility.

(c) Foreign exchange risk

The Funds activities are not exposed to currency risk. However, the Fund requires foreign exchange for developing its investment properties which are met through requests with commercial banks and the Government of Seychelles.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

15. OTHER FUND

	2006 SR	2005 SR
Contributions from Social Security Division (Note (i) below)	10,573,157	-
Payments made for Social Security Pension	(3,903,575)	-
	6,669,582	-
Receipt from National Provident Fund (Note (ii) below)	71,215,276	-
	<u>77,884,858</u>	<u>-</u>

- (i) Under the new scheme of benefits payable to the members, 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.
- (ii) 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

	2006 SR	2005 SR
At 1 January	14,568,591	13,471,449
Transfer from surplus for the year	-	1,097,142
	<u>14,568,591</u>	<u>14,568,591</u>

The Chief Executive Officer, acting on the advice of the Board of Trustees has not made an annual transfer which in the prior years was 30% of the difference between the interest earned by the scheme and interest paid to the members. 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.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

19. FINANCIAL INSTRUMENTS (Contd.)

(d) Liquidity risk

This refers to the possibility of Fund unable to meet its obligations because of unavailability of funds to meet both operational and payment of benefits. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken appropriately. Moreover, the Fund is supported by the Government to ensure the objectives of the Fund are met.

Procedures have also been established throughout the Fund so that all users channel their requirements to the treasury function. This will allow the above cash flow forecast exercises to be carried out based on real-time information from users. The Fund also has a portfolio of liquid assets, the maturities of which falls either before or concurrent to the maturity of its obligations.

(e) Credit risk

Credit risk relates to the possibility of default by tenants and members in settling their obligations to the Fund. The Fund has established internal policies to determine the creditworthiness and reliability of potential tenants. The Fund also seeks to control credit risk by ensuring that rental agreements are made with entities with an appropriate credit history. The Fund considers the risk of material loss in the event of non-performance by a financial counter-party to be mitigated.

(f) Fair values

The on-balance sheet financial assets and liabilities of the Company as at the balance sheet date approximate their carrying amounts as shown in the balance sheet, except for the following:

	2006		2005	
	Carrying amount SR '000	Fair value SR '000	Carrying amount SR '000	Fair value SR '000
Investments - Available-for-sale	<u>59,668</u>	<u>65,866</u>	<u>59,663</u>	<u>61,817</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

20. COMPARATIVE FIGURES

The following comparative figures have been restated to conform to the current year's presentation.

	As previously stated	As restated
Balance Sheet		
Fixed assets	60,280,807	60,280,807
Transfer to Investments at cost	-	(50,000,000)
Transfer of depreciation to amortisation	-	503,472
	<u>60,280,807</u>	<u>10,784,279</u>
 Buildings in progress	 2,264,775	 2,264,775
Transfer to investments	-	(1,995,459)
	<u>2,264,775</u>	<u>269,316</u>
 Investments	 316,162,908	 316,162,908
Transfer from fixed assets	-	50,000,000
Transfer to amortisation from depreciation	-	(503,472)
Transfer from buildings in progress	-	1,995,459
	<u>316,162,908</u>	<u>367,654,895</u>
 Members' Fund	 419,264,829	 419,264,829
Suspense contributions transferred to members' account	-	203,882
	<u>419,264,829</u>	<u>419,468,711</u>

SEYCHELLES PENSION FUND

FIVE YEAR FINANCIAL SUMMARY - 31 DECEMBER 2006

	2006	2005	2004	2003	2002
	SR'000	SR'000	SR'000	SR'000	SR'000
Interest income	21,390	22,682	21,904	16,722	18,054
Dividend income	6,961	3,314	-	-	-
Rental and other income	5,270	312	22	23	17
	33,621	26,308	21,926	16,745	18,071
Interest credit to members	(21,423)	(19,025)	(16,959)	(14,295)	(16,339)
Administration costs	(6,999)	(4,913)	(2,148)	(1,513)	(1,395)
Surplus for the year	5,199	2,370	2,819	937	337
Surplus from prior years	2,820	1,547	211	2	523
	8,019	3,917	3,030	939	860
Transfer to Reserve Fund	-	(1,097)	(1,484)	(728)	(858)
Surplus carried forward	<u>8,019</u>	<u>2,820</u>	<u>1,546</u>	<u>211</u>	<u>2</u>
FUNDS					
Members' fund	465,748	419,469	377,777	339,607	302,849
Reserve fund	14,568	14,568	13,472	11,988	11,260
Other fund	77,885	-	-	-	-
Retained surplus	8,019	2,820	1,546	211	2
	<u>566,220</u>	<u>436,857</u>	<u>392,795</u>	<u>351,806</u>	<u>314,111</u>

