

SEYCHELLES PENSION FUND

ANNUAL REPORT FOR THE YEAR 2007

Making Seychelles a better place

Caravelle House,
Victoria, Mahe, Seychelles
Tel: 294699
Fax: 225037
Email: spsdir@seychelles.net
Website: www.pensionfund.sc

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1. Introduction

On behalf of the Board of Trustees and the management I am pleased to present to the Minister of Finance the second yearly report ending the 31st December 2007 on the administration and activities of the Seychelles Pension Fund in accordance with Section 9 of the Seychelles Pension Fund Act 2005.

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, the various benefits available and looks at the best way forward to attain its objectives.

The report was considered and approved by the Board of Trustees at its meeting held on the 4th June 2008.

The years 2006 and 2007 were 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 Pension Scheme into a fully fledged Pension Fund and effectively manage the Fund.

Following the experience gained, all the measures have been put in place to ensure proper assessment and payment of beneficiaries within the shortest period. This is in accordance with the objective of the programme 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 and employers and the importance of making savings to cater for retirement. A comprehensive publicity programme has been taking place and occasionally feedbacks are obtained and analyzed with a view of making necessary adjustments with the aim of ensuring its overall effectiveness. The campaign that started in September 2005 continued throughout the year and covered as many work places and organizations. The feedback obtained has, no doubt, enabled us to re-position our marketing and promotion strategy and move further ahead in meeting the challenges and in developing the Fund further.

The enhanced benefits would require more funds to meet retirement need. Besides the importance to make prudent investments to obtain the best return to build up the funds, it is also important that the right pension contribution is paid by the members and employers. The need to sustain the Fund is the priority and cannot be compromised.

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 employers to match the contribution or part of it if possible and for self employed persons to join and contribute to the Fund and benefit from a pension based on percentage of salary earning.

The role of the Board of Trustees is indeed remarkable in creating confidence building and in taking appropriate measures to sustain the 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 have been 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.

While it has been a year of major change and development nevertheless

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 in basic comfort. – Viv Ere.

I wish to take this opportunity to thank the Chairman, all the Members of the Board, Members of the Fund and Employers 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 Sections 5 and 6 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	State House	224028	224626	Mdafif@statehouse.gov.sc
Member	Mr Gilbert Sultan Beaudoin	Premier Building	324969	324996	feas@seychelles.net
Member	Mr Radley Weber	Dockland	224848	224695	rweber@seychelles.sc
Member	Ms Rachel Spiro	State House	286803	226093	rachelmariej@hotmail.com
Member	Mrs Lekha Nair	Central Bank Building	225155	225266	comptroller-general@finance.gov.sc
Member	Mr Michel Felix	Reef Estate	517363		melmc@seychelles.net
Member	Mr Suzanne Labrosse	Aarti Building	225932	225878	desisles@seychelles.net
Member	Mrs Anne Mousbe	C/o School Meal Centre English River	283121	323882	
Member	Mr Yakub Suleman	C/o Adam Moosa Francis Rachel Street	510414	225219	adamoosa@seychelles.net
Member	Mr Lambert Woodcock	Maison De La Rosiere	322272	321666	gm@hsi.sc
Member	Ms. Jessie Esparon	National House	383000	224936	psdpa@dpa.gov.sc
Secretary	Mrs. Marie-Ange Waye-Hive	Caravelle House	225275	224740	gm@sps.gov.sc

Table 1

The Board is empowered to set up committees to assist the Board in the discharge of its responsibilities relating to investment, audit, administrative and other matters and provide the chairman and members of the Committees with their terms of reference. Currently the Board has established the following committees, which meet on a regular basis.

- 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

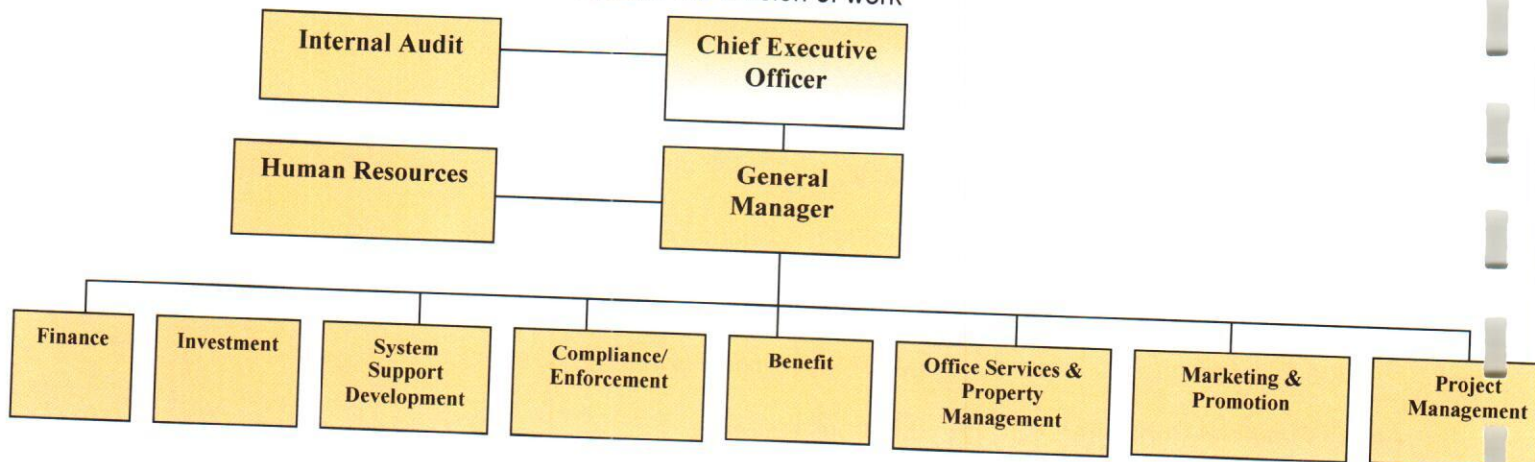
Post	Name	Tel	E-mail address
Chairman Board of Trustees	Mr. Francis Chang Leng	225200	cbsgovernor@seychelles.sc
Chief Executive Officer	Mr. Willy Confait	323392	spkdir@seychelles.net
General Manager	Mrs. Marie-Ange Waye-Hive	225275	gm@seychelles.net
Acting Financial Controller	Mr. Paul Laurence	294699	plaurance@spf.sc
Accountant	Miss. Marie-Laure Low	294699	alow@spf.sc
Enforcement/Compliance Supervisor	Mr. Fernando Lafortune	294699	flafortune@spf.sc
Benefit Officer	Mr. Jeffrey Moses	294699	jmoses@spf.sc
Administrative Officer	Mrs. Annette Portlouis	294699	aportlouis@spf.sc
System Support Manageress	Mrs. Nane William	294699	nwilliam@spf.sc
System Programmer	Mr. Ralph Hitie	294699	rhitie@spf.sc
Marketing & Promotion Officer	Mr. Darell Bristol	294699	dbristol@spf.sc
Project Manager	Mr. Tommy Marie	294699	tmarie@spf.sc
Internal Auditor	Miss. Nisreen Abdulmajid	294699	nabdulmajid@spf.sc
Human Resources Officer	Miss. Lyne Rosalie	294699	lrosalie@spf.sc
Investment Officer	Miss. Evelina Antha	294699	eantha@spf.sc
Manageress Praslin and La Digue	Mrs. Tessy Poris	232736	ttamatave@spf.sc

Table 2

Mr. Evans Mondon who held the post of Accountant proceeded on professional accountancy training on the 5th March 2007 for a period of two years. Mr. Ciseaux who held the post of Financial Controller left the organization on the 16th July 2007 to emigrate to Australia.

The other staff members are at clerical, secretarial, accounting and supervisory levels

The organization chart below explains the division of work



3.1 Administrative Expenses

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

Efficiency Ratio				
Period	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%	18.0%	15.92%
2006	6,999.00	22.25%	32.72%	20.82%
2007	9,825.00*	30.28%*	44.22%*	23.44%*

Table 3

* Administration Expenses include 30% Property Management Expenses. When this figure is excluded the efficiency ratio is as follows.

Period	Administration Expenses	As a % of contribution	As a % of interest Earned	As a % of total Income
2007	6,736	20.76%	30.32%	16.07%

The years 2005 to 2007 were mainly concentrated in capacity building. This was essential in order to ensure the proper transformation of the pension reform into a fully-fledged Pension Fund. It therefore necessitated the use of professional services, employment of more staff, purchased of equipments, improved/additional office space for the smooth implementation of the new pensions and benefits in addition to considerable increase in the level of investments to assist in sustaining the Fund.

It was anticipated that the running costs would stabilize by the year 2008; however due to the re-alignment of the rupee and the rise in the cost of living resulting in high printing and transportation cost etc...the administration costs for the year 2008 is expected to be quite significant.

4. OBJECTIVES OF THE FUND

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

- ❖ 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 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 as a means to save for their retirement
- ❖ Ensure the prompt payment of contributions due by employers
- ❖ Encourage self employed persons to be members of the Fund and contribute to the Fund
- ❖ Enable members to save sufficiently in order to use the voluntary contributions to their credit as security for a housing loan or a loan for medical treatment.

5. STRATEGIC TARGETS

The Management and Board of Trustees has continued to focus on the implementation of these broad objectives on the following strategic outcomes

- Maintaining a pension service that is more adaptable to our modern workforce
- The continued modernization of the Fund and provide new and enhanced benefits which can be sustained by the Fund
- The Fund *and* its delivery should contribute actively to improvement of the standard of living on retirement
- The proper functioning of Board Committees, namely Investment, Audit and Administrative to assist the Board in the proper management of the Fund
- The review and the implementation of the Fund's Investment Policy
- 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 to save for retirement
- The development, monitoring and review of plans and targets to be attained by the respective Sections or Units of the Fund to ensure the attainment of the overall objectives.

The Fund issued its strategic plan for the years 2007—2011

6. REVIEW OF OPERATIONS

6.1 The Fund covers extensively:

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

6.2 The Pension Fund's benefits

The following are the benefits available under the Seychelles Pension Fund

(1) Retirement Ages	<p>Workers can retire, if they wish, at the age of 60 or can continue to work and retire at the age of 63.</p> <p>Basically the optional age of retirement is 60 and compulsory retirement at the age of 63.</p>						
(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></table>	Salary Band pm	%	Pension	R 800 – 3,500	70%	or R2,000 whichever is the greater
Salary Band pm	%	Pension					
R 800 – 3,500	70%	or R2,000 whichever is the greater					

	<p>R 3,501 – 5,900 65%</p> <p>R 5,901 – 7,500 60%</p> <p>R 7,501 and above 40%</p> <p>The pension includes the social security retirement pension R1, 850 per month. The capping of the maximum of pension of R8, 100 per month. payable was removed by Regulations from the 1st May 2007.</p>
(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>
(5) 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.
(6) 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 children 2) 50% if the deceased has children or such smaller amount as per the deceased's member nomination but not less than 25% of the pension 3) 70% if the surviving spouse is 10 years or younger.
(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. 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 granting of a children's pension of 80% of the full pension for children under the age of 18 or above the 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.</p>
(8) Incapacity Pension (80% to 100% incapacity)	<i>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.</i>

(9) Migration Allowance	<i>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.</i>
(10) Re-joining of the Scheme	<i>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.</i>
(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 or R50 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	<p>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.</p>
(13) Post retirement surviving spouse's pension and children's pension	<p>The new benefit is already stipulated in the Pension Fund Act and came into force on 1st July 2006.</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	<p>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.</p>
(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 R50 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) 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.

Table 4

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 of 10% (R3.5m) of the total contributions to the Social Security Fund was to be transferred to the Seychelles Pension Fund but in view of cash flow problem 2.5% (R900,000) was paid. However the rate has been revised to Rs1.8 million effective from the 1st January 2008.

- (2) Returns on prudent investments which have been and are being made
- (3) The monthly contribution of Rs75 made by employers and employees to the Seychelles Pension Fund has been increased to Rs100 per month effective from the 1st January 2008.

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

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 Benefit Payment

6.3.1 Retirement Pension

The management of benefits has been a challenging task. Under the direction of a Benefit Officer/Manager the Benefit Section has been responsible for processing of the different types of benefits available under the Fund and submit for approval or otherwise.

One of the objectives of the Fund, which has to be attained by the Benefit Section, is to process and effect payment of monthly retirement pension and other benefits or otherwise to its members on qualifying within the shortest possible time.

The time limit of 21 days is thought to be too long and the system is being reviewed to shorten it to one week.

In the second half of 2006 the ageing report was introduced with the aim of monitoring the claims lodged so as to avoid delays in processing them. During the year 2007 the report has been used effectively whereby 641 applications were lodged and 495 (77%) were fully processed within a period of 30 days. The balance of 33% was subsequently dealt with.

As a means of ensuring that applications are promptly dealt with and applicants informed accordingly the following proactive action is now part of our application system procedure.

- Members prior to attaining retirement age of 63 are being notified in writing 2 months in advance of their entitlement to lodge their application with the required supporting documents so as to avoid delays in processing them and the inconvenience of losing out on the effective date.
- Emphasis on the properly completion of application accompany by all the required supporting documents.
- Employers and Members awareness programme education on the need to provide all the required documents.

In comparison with the situation in 2006 members are now providing bank details without hesitation for the purpose of effecting payment of their pension by direct bank transfer as it is done in respect of payment of their salary when they were employed.

In view of customers' continuous expectation of a better service, staff members have received training about the need to provide correct information about entitlement to such benefits and where they are not sure to refer the matters to senior staff. It was noted through feedback received by providing correct information and responding quickly to applications for benefits that the level of customer satisfaction has indeed increased.

6.3.2 Public Sector Special Pension

As at 31st December 2007 52 new applications for the Public Sector Special Pension were lodged and forwarded to the Department of Public Administration for processing to determine their eligibility for such a pension. At the time of the report 40 applications has been fully processed.

6.3.3 MONTHLY BENEFITS PAYMENT AS AT 31 DECEMBER 2007.

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 year 2007. Normal Retirement remains one of the main benefits when compared with the other benefits available and paid.

TYPE	No of Beneficiary	Amount Paid	Method of Payment	
			Cheque	Bank Transfer
Normal Retirement	568	1,697,837.00	26	542
Permanent Incapacity	49	125,905.00	4	45
Surviving Spouse's Pension	28	49,349.50	2	26
Children's Pension	43	42,947.57	3	40
Special Public Sector Pension	499	199,600.00	35	464
Special Entitlement	114	45,600.00	4	110
Post Surviving Spouse's Pension	3	5,528.00	0	3
TOTAL	1304	2,166,767.07	74	1230

Table 5

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

Month	Benefit Type					Total
	Normal Retirement	Death Before Normal Retirement	Death After Normal Retirement	Pre-Retirement Migration	Permanent Incapacity	
	Rs	Rs	Rs	Rs	Rs	Rs
January	106,414.86	33,849.69	-	12,034.48	3,999.21	156,298.24
February	45,676.96	22,837.30	-	17,268.69	23,951.00	109,733.95
March	130,292.40	59,231.83	-	-	50,291.43	239,815.66
April	50,377.30	65,830.40	-	-	6,345.04	122,552.74
May	36,456.42	91,333.15	-	20,483.59	43,299.17	191,572.33
June	21,015.07	26,206.21	-	-	29,233.83	76,455.11
July	90,192.58	35,541.11	-	16,028.94	123,863.23	265,625.86
August	115,032.31	53,565.04	-	41,911.85	84,642.57	295,151.77
September	71,586.69	1,162.35	-	-	22,333.81	95,082.85
October	131,791.75	39,879.18	-	6,013.34	102,408.81	280,093.08
November	40,164.56	122,950.21	-	40,235.11	24,147.26	227,497.14
December	154,273.49	23,518.69	-	20,204.21	104,427.61	302,424.00
Total	993,274.39	575,905.16	-	174,180.21	618,942.97	2,362,302.73

Table 6

Lump Sum Refund period Jan to Dec 2007

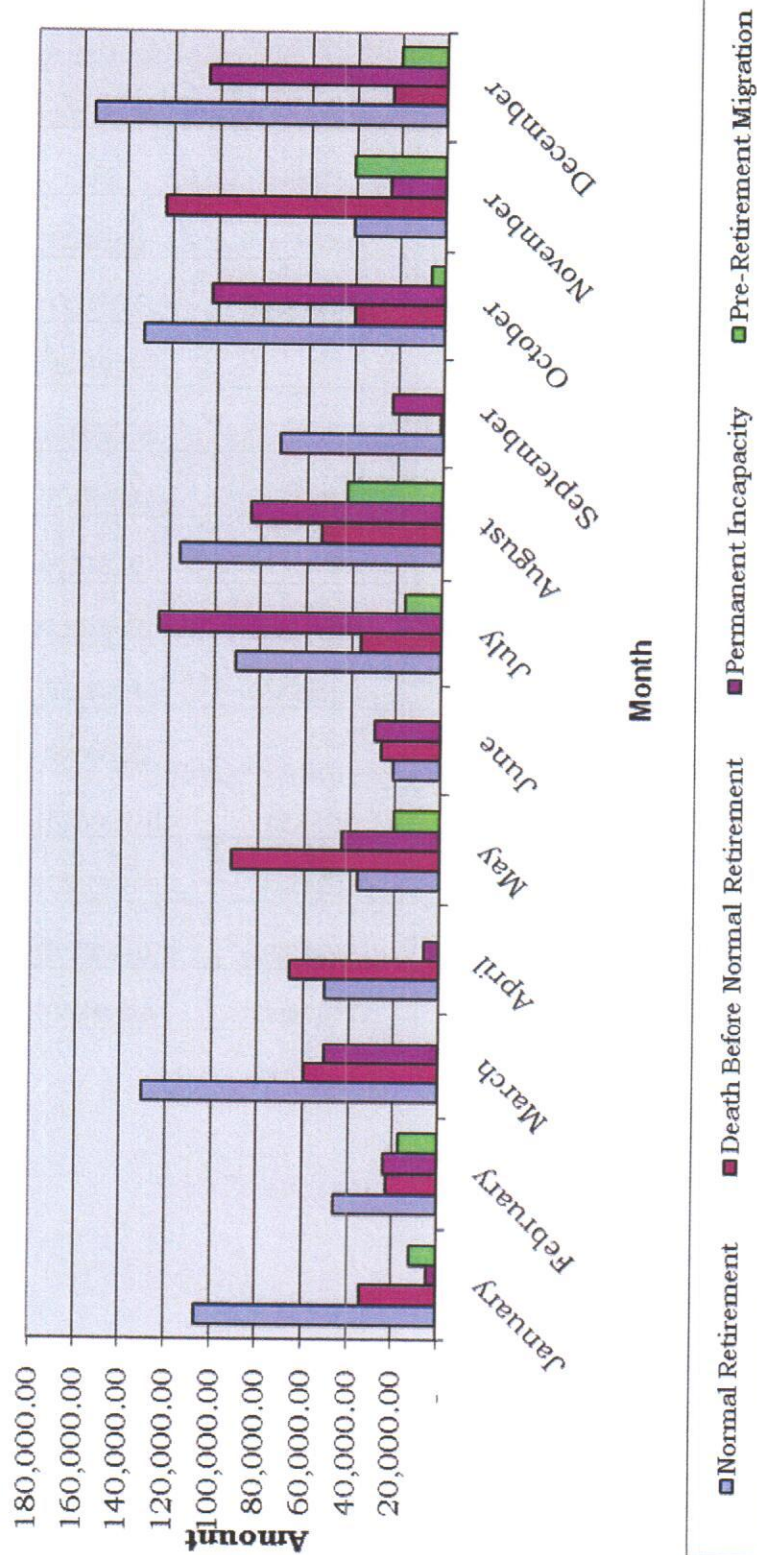


Figure 1

4.0 A total of Rs 2,362,302.73 was paid in lump sum for the following benefits: Normal Retirement, Permanent Incapacity, Death Benefits, Migration Allowance and Voluntary contributions on retirement.

Monthly Pension paid period January to June 2007

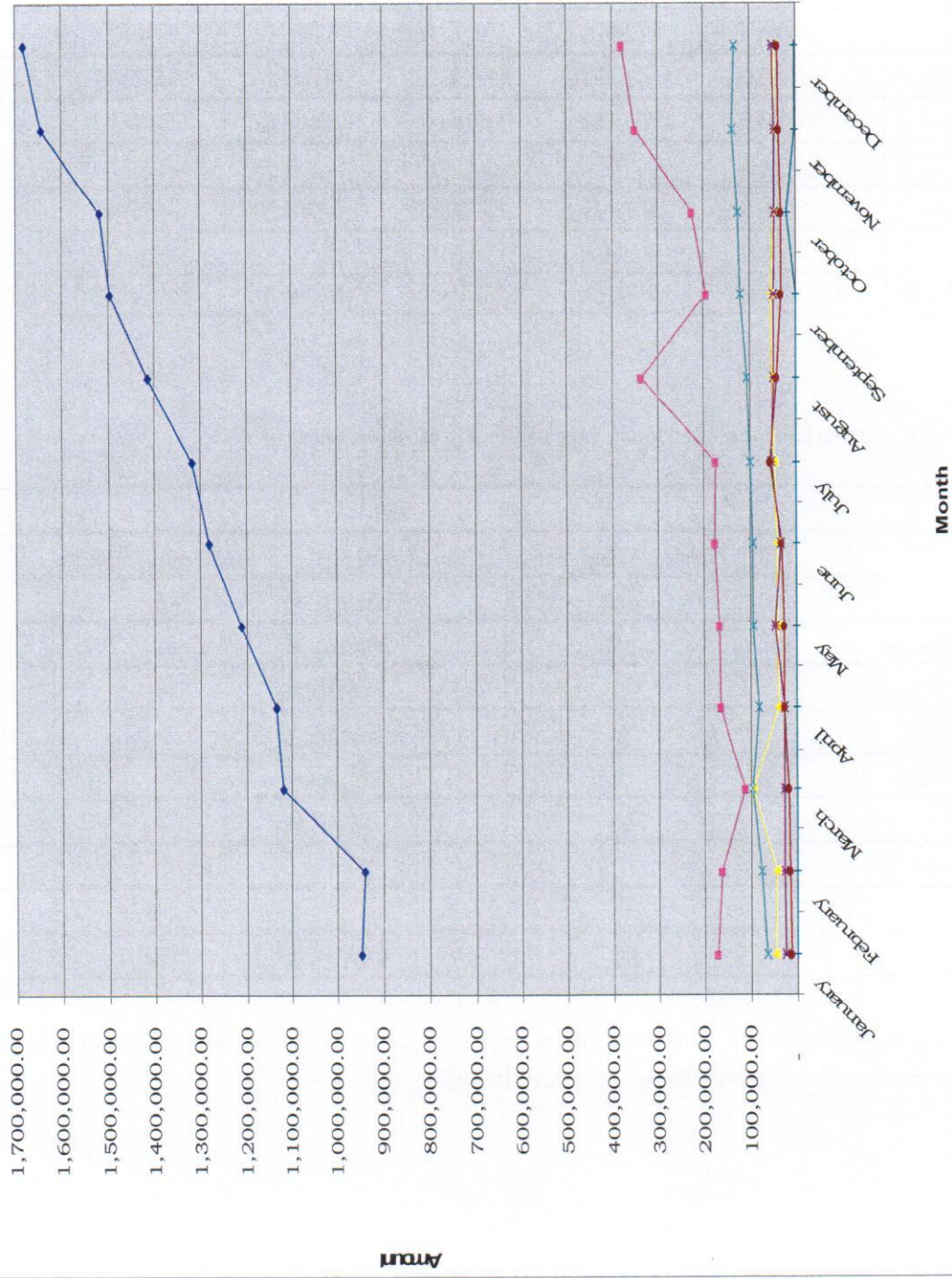


Figure 2

6.3.5 MONTHLY PENSION BY TOTAL AMOUNT

Month	Benefit Type						Post Retirement Surviving Spouse	Total
	Normal Retirement	Special Pension	Special Entitlement	Permanent Incapacity	Surviving Spouse Pension	Children Pension		
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
January	947,027.30	172,000.00	45,200.00	65,364.56	24,079.19	11,540.80	-	1,265,211.85
February	940,939.90	162,000.00	43,600.00	76,388.92	26,991.91	14,729.14	-	1,264,649.8
March	1,119,953.00	111,600.00	95,200.00	96,833.74	25,815.19	16,735.00	-	1,466,136.93
April	1,134,918.57	164,400.00	39,200.00	81,228.22	27,363.19	27,363.19	-	1,474,473.17
May	1,212,360.66	166,800.00	41,974.19	94,516.99	45,264.83	26,439.06	-	1,587,355.73
June	1,282,018.22	176,800.00	41,200.00	94,005.00	33,646.83	31,055.75	-	1,658,725.80
July	1,318,522.33	173,600.00	46,040.00	98,867.00	52,791.72	54,838.53	-	1,744,659.5
August	1,415,696.21	336,400.00	51,676.74	106,743.71	47,653.13	42,146.90	-	2,000,316.69
September	1,497,513.78	194,000.00	52,000.00	121,895.96	48,621.52	31,186.00	-	1,945,217.2
October	1,519,747.55	226,000.00	44,993.55	124,728.90	47,078.29	31,186.00	18,934.94	2,012,669.23
November	1,644,848.10	348,400.00	45,831.84	137,388.92	47,078.29	37,131.07	3,400.00	2,264,078.2
December	1,683,207.91	377,600.00	45,600.00	133,454.99	50,576.32	39,513.13	3,400.00	2,333,352.35
Total	15,716,753.53	2,609,600.00	592,516.32	1,231,416.91	476,960.41	363,864.57	25,734.94	21,016,846.6°

Table 7

The breakdown of Monthly Pension paid by the Fund for the years 2006 to 2007 are shown below

Benefit Type	2006		2007	
	Number of Beneficiaries	Total Pension Paid	Number of Beneficiaries	Total Pension Paid
Normal Retirement	308	6,851,075.47	568	15,716,753.53
Public Sector Special Pension*	417	1,912,400.00	499	2,609,600.00
Special Entitlement (2005 retirees)*	98	440,800.00	114	592,516.32
Permanent Incapacity	24	422,285.39	49	1,231,416.91
Surviving Spouse's Pension	12	181,368.89	28	476,960.41
Children's Pension	18	126,987.81	43	363,864.57
Post Retirement Surviving Spouse	-	-	3	25,734.94
Post Retirement Children Pension	-	-	-	-
Total	877	9,934,917.56	1304	21,016,846.68

Note: The Post surviving spouse pension and post retirement children Pension Scheme were introduced during the 2nd half of the year 2007

* Very few applications are expected in 2008 as all those who are entitled have already applied

Table 8

Table 8 showed a significant increase in the total pension paid for the year 2007 compared to 2006. The rise is mainly due to the increase in the number of beneficiaries. The statistics for the year 2007 showed that the number of beneficiaries more than double in respect of permanent incapacity, surviving spouse and children's pension. The considerable rise in normal retirement pension is influenced by more people opting to retire early from the age of 60 to 62 and more people attaining retirement age in the year 2007.

Therefore as many claims as possible were processed in order to meet the deadline and that every effort was made to obtain the good cooperation of the employers to obtain information such as the employment record and salaries for the past five years.

Generally employers have realized the importance of providing employment record and salary details to promptly process applications for retirement.

6.4 Normal Retirement

The compulsory retirement age is 63 years; however, workers can retire at the optional age of 60 years. There is a considerable increase in the number of workers retiring at the age of 60 to 62 years. The total number of workers that choose to retire from 60 years increases from 162 in 2006 to 248 in 2007. The graph below shows the number of workers who opted to retire between the age of 60 to 62 years during 2006 and 2007.

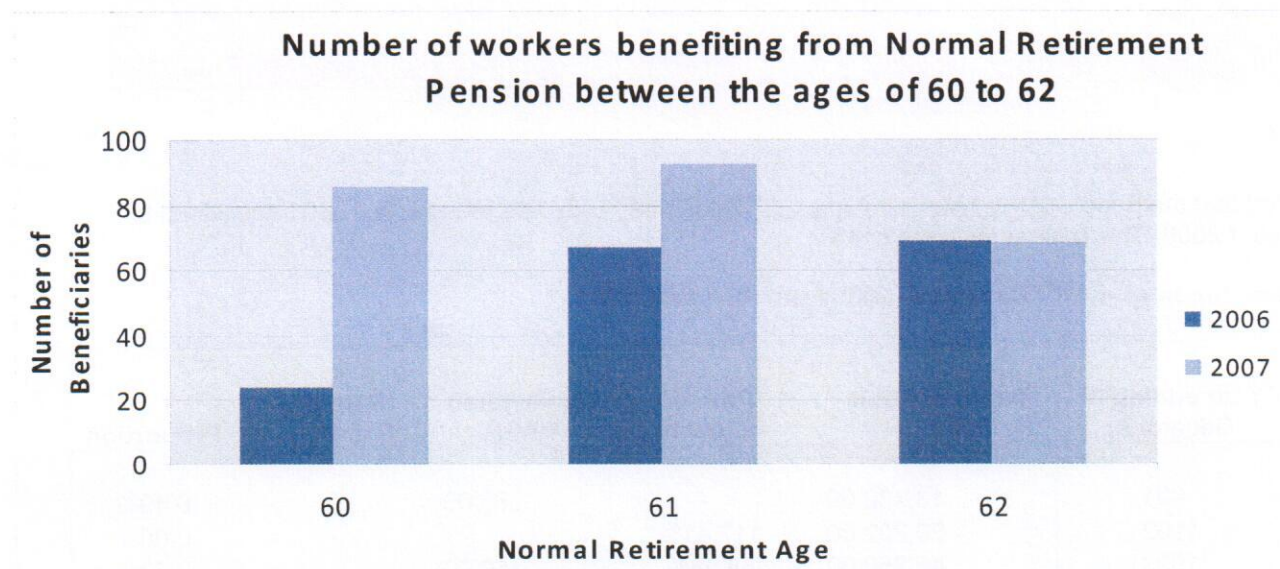


Figure 3

6.5 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 forms on particulars of members have to be completed and updated by employers and employees.

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. To date posting has been completed for the period of up to March 2008.

The aim is to keep the Fund's database as comprehensive as possible for use also as a source of statistical information for use in the actuarial valuation of the Fund.

6.6 Membership

A review of the classification system of active members and non-active members was undertaken. The purpose of the review was to ascertain the number of active and non-active members including those who ceased to contribute to the Fund for a period in excess of six months. In addition, it covered those who were waiting for their retirement age to draw their pension or lump sum payment in case they would 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 for the year 2007 is shown below:

Year ending 31 st December 2007	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	33,505	30,906	16,377	49,882	3.21	978
2007	32,104	32,544	19,787	51,891	4.03	1,083

Table 9

It is noted that the Fund's active members up to 31st December 2007 has reduced by 1,401 compared to end of year 2006. This represents a fall of 4%.

Members' funds as at 31st December 2007 from the years 1991.

Year ending 31 December	Members Fund (Rs'000)	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	377,777.00	11.24%	15,018.00	0.23	3.98%
2005	419,469.00	11.04%	17,388.00	0.16	4.15%
2006	465,748.00	9.98%	66,876.00	2.8	0.014%
2007	511,808.00	9.00%	224,057.00	2.35	0.044%

Table 10

6.7 Members' Accounts

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

The yearly statement of pension account to members is normally issued during the first quarter of the following year. Statements are sent to employers for distribution to workers. However statements in respect of self employed persons or unemployed workers would be sent at their respective home addresses.

Members are 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.

In respect of enquiries for the year 2006 statement of accounts, the Fund received a total of 150 enquiries that were dealt with promptly.

6.8 Interest Earned by Members

Members of the Fund earned interest rate of 5% on their contributions in respect of the year 2007 as compared to bank interest at the prevailing rate of 3.5%.

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.

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 a minimum of 25 hours a week*. As of the 1st January 2008 the contribution made by employees has been increased from R25 to R50 per month. The contribution is deducted from the employee's salary and remitted to the Seychelles Pension Fund. Self employed persons should make a contribution of R100 per month direct to the Fund.

The employees' 5% contribution to the Social Security Fund by the employees has been 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 in sustaining the Pension Fund. The employee's contribution to the Social Security Fund has been reduced from 5% to 2.5% of gross salary per month from 1st January 2008.

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.

The Board of Trustees approved policy guidelines in respect of surcharge which provides the authority for waiver in order to facilitate the payment of contributions surcharge for first offenders unaware of the regulations (governing the payment of contribution) and in the case of change of management.

(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 2007 are shown below

Contributions Received					
Year	Compulsory		Voluntary		Total
	Employer Sr.'000'	Employee Sr.'000'	Employer Sr.'000'	Employee 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	992	26,977
2006	19,770	9,773	114	1,793	31,450
2007	19,860	9,920	571	2,091	32,443

Table 11

(c) Members Contributions

As can be seen in the table below the total contributions credited to Members Accounts for the year 2007 is 5% higher than the same period last year and 50% below what was budgeted. This is directly related to the increase of self-employed who registered over the period as a result of the intensity of our advertising and promotion campaign. The contribution for the period under review has shown a shortfall when compared with the estimated contribution in view that the expected change in the rate of pension contribution payable was not introduced from January 2007 but will be introduced from January 2008.

	2007 Y.T.D.	Budget Y.T.D.	2006 Y.T.D.	Budget Variance % Over/(Under)	Y.T.D Variance % Over/(Under)
	R.mill.	R.mill.	R.mill.	R.mill.	R.mill.
Employer Compulsory Contribution	19.86	41.90	19.77	-52.60%	0.46%
Employee Compulsory Contribution	9.92	21.00	9.77	-52.76%	1.51%
Employer Voluntary Contribution	0.57	0.00	0.11	0.00%	0.00%
Employee Voluntary Contribution	2.09	2.50	1.79	-16.40%	16.63%
Total Contributions Collected	32.44	65.40	31.44	-50.40%	3.17%

Table 12

The graph below shows details of contributions credited to members account per month.

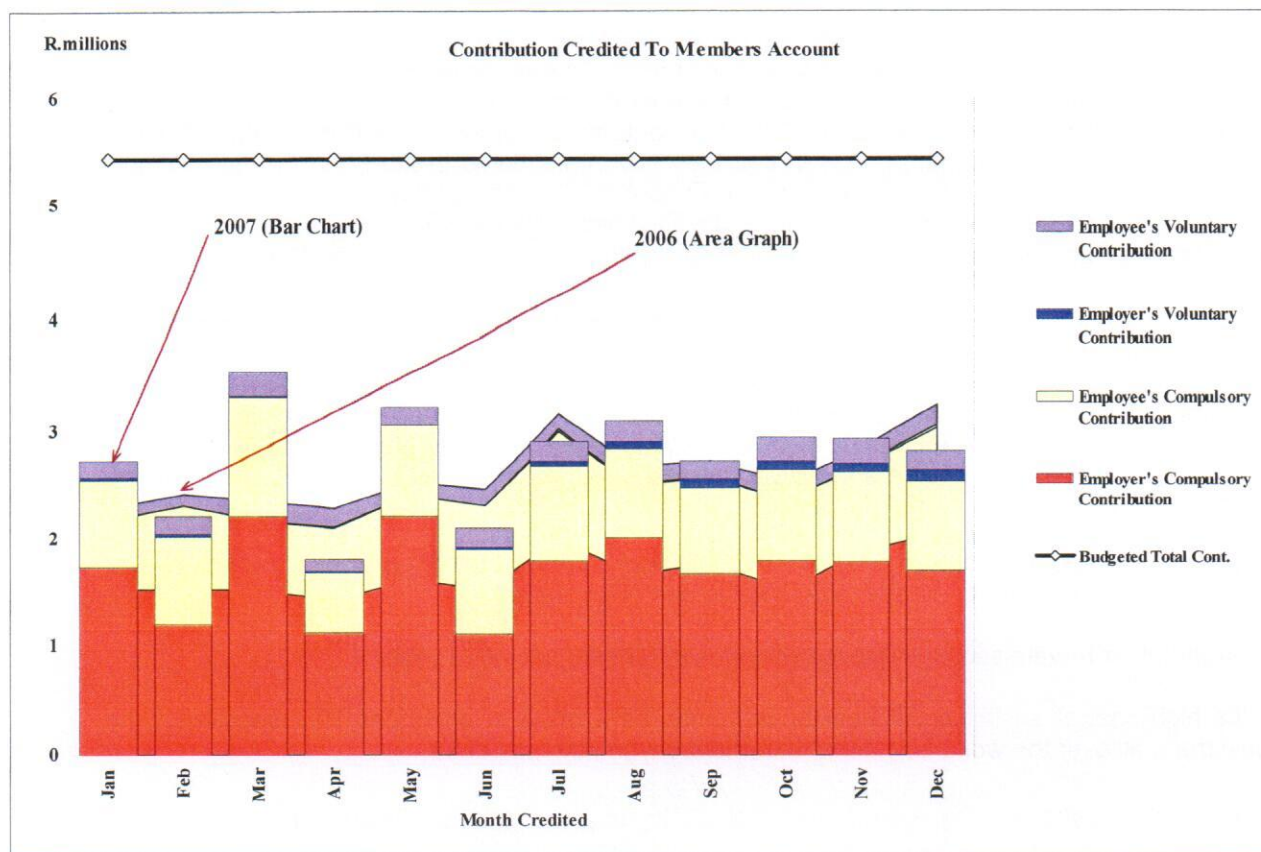


Figure 4

6.10 Revised Rate of Pension Fund Contribution of Employees

The present flat rate of pension fund contribution of R25 per employee and R50 by the employer for each employee and 2.5% of the total collections of contributions by social security fund amounting to around R900, 000 per month which is currently payable are not sufficient to maintain the current benefits under the Seychelles Pension Fund Act 2005 and the Seychelles Pension Fund (Amendment) Act 2007.

The Minister of Finance on behalf of the Government announced new rates of pension contribution effective from 1st January 2008.

As from the 1st January 2008 the flat rate of Pension Fund contribution of employees will increase from R25 to R50 per month per employee, employed either on a full time or part time basis.

Self employed workers who wish to benefit from a pension will make a contribution of R100 per month or part of a month direct to the fund.

The revised rate of Pension Fund contribution of employees will not result in any net increase in contribution in view that their contribution to the Social Security Fund will be reduced from the 1st January 2008 from 5% to 2.5%.

It should be noted that the flat rate of contributions for both employers and employees of R50 amounting to R100 per month (an average of 3% of gross salary) is still lower than the standard rate in the region and other countries of between 9% and 10% of gross salary.

.11 Early Retirement for Public Sector Employees

The Government has introduced an early retirement package as part of the re-structuring exercise in order to have a leaner government and a more effective public service. This will provide the opportunity for public service workers and Seychelles People's Defence Force personnels (SPDF) to be able to retire from the age of 55 years subject to the approval of the Principal Secretary responsible for Public Administration. Employees can start drawing their pension given that they have contributed to the Fund for the minimum number of years required under the Seychelles Pension Fund Act 2005. The qualifying period is 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.

The cost of early retirement for public sector and SPDF employees from the age of 55 to 59 years will be borne by the government. The scheme of early retirement of public service workers will be applicable for a period of one year effective from 1st January 2008 to 31st December 2008. Thereafter employees who wish to retire would only be able to do so at the age of 60 years as is presently the case. The provision of early retirement for defence service personnel has been applicable since the 1st November 2007 throughout. Employees who retire under this scheme are allowed to take up employment as a self-employed or in the private sector without their pension being affected.

A member of the Fund serving in the Seychelles People's Defence Force (SPDF) may with the approval of the Chief of Defence Force, retire on or after attaining the age of 55 years.

Voluntary retirement for Private sector employee will remain from the age of 60 years.

In view of the high cost of sustaining of Pension schemes as a result of prolonged life expectancy, the current global trend all over the world is to defer retirement beyond the age of 63.

7. New changes to Seychelles Pension Fund Act 2005 and Seychelles Pension Fund (Benefits) Regulations 2005 made during the year 2007

Under the Seychelles Pension Fund (Amendment) Act 2007 and the Seychelles Pension Fund (Benefits) Regulations 2007, the following changes have been made to the Seychelles Pension Fund basically to fine tune it.

The Seychelles Pension Fund launched a seven-month campaign across the country to promote and create awareness of the new Seychelles Pension Fund. During these meetings suggestions and comments were made by members of the Fund on how best the Fund would meet their needs. After careful analysis of suggestions and their merit, the Board of Trustees of the Fund and the Government decided to make these changes to further modernize the fully fledged Pension Fund.

i) 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, the Act provides post surviving spouse's pension if the death of the member 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.

ii) Salary to be used for computation of pension – the highest salary

Where a member after contributing for the minimum period of twenty years and has reached the age of 55 years 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.

iii) **Contribution by persons out of employment**

Where a member 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 member is allowed to do so in excess of the allowable period of 3 months but to a period of five years to resume employment after or retire if the member has reached retirement age.

iv) **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.

Until the coming into force of these amendments Seychellois living overseas cannot contribute to the Fund in view of the definition of workers who are persons in full time or part time employment in Seychelles.

v) **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 is 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 be provided for by the Government from public fund as these categories of workers did not contribute to the scheme or fund.

vi) **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.

The maximum pension capping of R8,150 per month has been removed to properly reflect the pension calculation based relevant percentage (40%) of average salary earned for the last five years prior to retirement

vii) **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.

8. INVESTMENTS

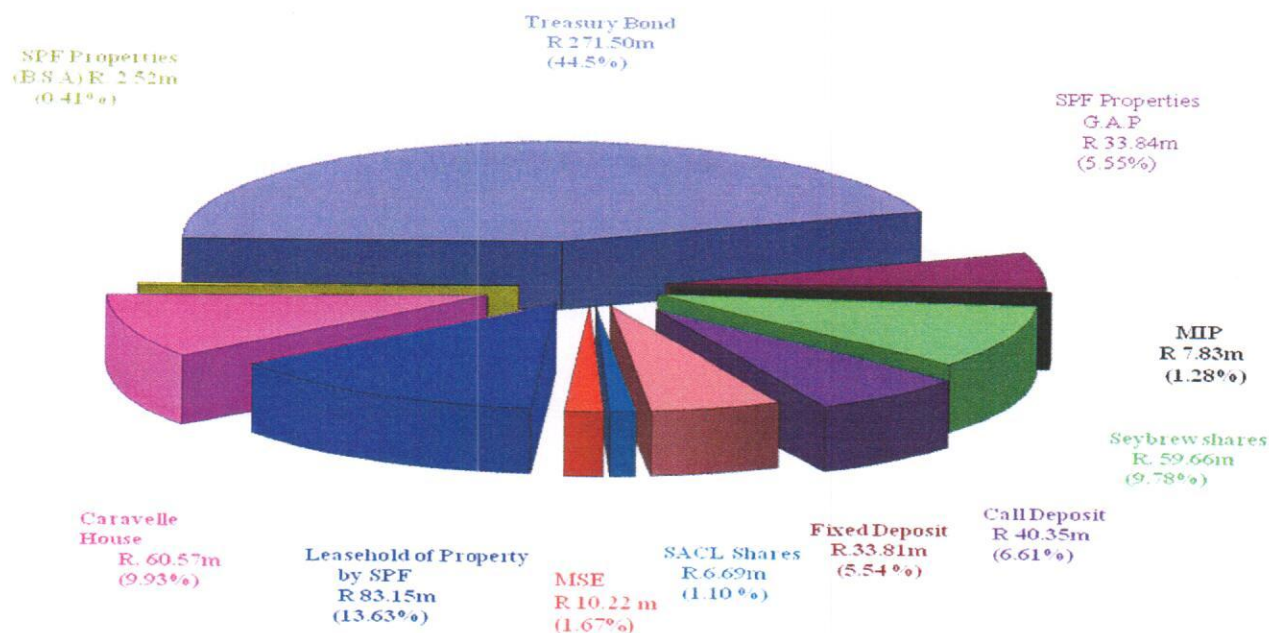
Under the direction of the Board of Trustees and its Investment Committee prudent investments of funds are made to maximize returns, maintain sufficient liquidity to meet members' withdrawal and the operating costs of the Fund

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

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

The graph illustrates the Fund Investment's portfolio which totaled R610.13 million at the end of December 2007

Seychelles Pension Fund Investment Portfolio up to 31st December 2007



Government Securities	R. 271.5m	44%
Commercial Banks	R. 74.14m	12%
Share Investments	R. 76.58m	13%
Property	R.187.91m	31%

- Treasury Bond
- SPF Properties Grand Anse Praslin
- Micro Enterprise Project
- Seybrew shares
- Call Deposit at Commercial Bank
- Fixed Deposit with SSB + HB
- SPF Shares in SACL
- SPF Shares in Mauritius Stock Excg.
- Leasehold of Property by SPF
- Caravelle House
- SPF Properties Baie Ste Anne Praslin

Figure 5

The Investment Portfolio of Seychelles Pension Fund has been classified into three main categories namely **Cash Investments, Share Investments and Property**.

8.1 Cash Investments

The **Cash Investments** totalling R 345.64 million which is made up of:

1. Treasury Bonds - **R 271,500,000.00**
2. Short Term Deposits Account with Commercial Bank – **R 40,327,366.40**
3. Fixed Deposit Account with Commercial Bank – **R 33, 811,272.95**

8.2 Share Investments

Share Investments totalling R 76.58 million which are made up of:

- (i) SEYBREW shares – **R 59,662,908/-**
- (ii) State Assurance Co Ltd (SACOS) by Opportunity Investment Company (**74,292 shares**) – **valued at R 13,001,100/-** which were purchased in January and August 2006 respectively. The shareholders are:
 - (iii) Seychelles Pension Fund holds 51% = 37,889 shares, and
 - (iv) SWAN International Co. Ltd of Mauritius holds 49% = 36,403 shares
 - (v) Investment on the Mauritius Stock Exchange **Rs 10,219,149.23**

8.3 Property

Investments in Properties total approximately R 187.91 million. However, only Caravelle House, Pirates Arms and the Commercial Building at Baie Ste Anne Praslin are earning a return on our investment. Late during the year 2007 the fund completed Micro Enterprise projects including the Port Glaud Craft Village and workshops at Providence Industrial Estate. The Grand Anse Praslin Commercial and Residential Phase 1 is due to be completed.

The Fund is earning interest at the average rate as shown below:

- 1. Cash Investments – 8%
- 2. Short Term Deposit – 3%
- 3. Property – 9%
- 4. Share Investment – 10%

8.4 Summary

Basically, Seychelles Pension Fund's investment strategy is to invest where the Average Return on Investment will earn the following:

1. Cash Investment

- a. For any cash investment, the annual Return on Investment should yield a minimum of 7% for any Treasury Bonds purchased and for cash investment in 7 Days Call Deposit Account not lower than 2.50%.

2. Share Investment

For any share investment, Seychelles Pension earns an annual Return on Investment not lower than 9%.

i. SACOS Shares

Portfolio Investment	Shareholders	Percentage of Shares	Number of Shares	Value of shares
SACOS Shares	Seychelles Pension Fund	51%	37,889	R 6,630,561
SACOS Shares	SWAN International Co. Ltd	49%	36,403	R 6,370,539
TOTAL Holding		100%	74,292	R13,001,100

Table 13

Except on a short basis for investment in 7 Days Call Deposit Account, on average Seychelles Pension Fund should not consider investment where the Return on Investment both the cash and share investments will yield less than 8%.

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

3. Property

For any purchase of property, Seychelles Pension Fund invests only where the annual Return on Investment is above 9%.

Location	Project Name	Estimated Cost (SR)	Completion Date
Victoria	Office Building – Caravelle House	60.57 m	2005
Baie Ste Anne Praslin	Seychelles Pension Fund's Building	2.5m	2005
Grand Anse Praslin	Commercial/Residential Building Phase I	40 m	2008
Grand Anse Praslin	Commercial/Residential Building Phase II	26 m	2009
Anse Boileau	Workshop facilities Anse Boileau	6.6 m	2009
Port Glaud	Craft Village	1.9m	2007
Providence Estate	Workshop at Providence Industrial Estate	5.1m	2007
Eve Island Praslin	Workshop facilities , Eve Island ,Praslin	5.3m	2008
Ex-Unity House	Central Victoria Business & Commercial Centre Phase IB	94 m	2010
La Passe, La Digue	Commercial Building	5.1m	2009
AlbertStreet, Victoria	Commercial building	16 m	2010
Ex- SMB Builders Depot	Commercial Centre	4.5m	2008
Providence Industrial Estate	Warehouse facilities	15 m	2009
La Passe, La Digue	Micro Enterprise project, La Digue	3 m	2009

Table 14

Year ending 31 December 2007	Income on investment (R000's)	Return on members Account (Rs000)	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	33,550.00	21,422.00	7.08%	5.00%
2007	38,312.00	23,454.00	7.59%	5.00%

Table 15

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

2006	R12,159,554
2007	R16,095,380

8.5 Proposed Investments 2008/2009

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 2008/2009

8.5.1 Commercial/Office Building at La Passe La Digue

The Architectural design of the project has already been approved by the Planning Authority. Construction work is expected to start in July 2008

8.5.2 Commercial/Residential Building Grand Anse Praslin Phase II – Office Accommodation and Cinema

The project includes a ground plus one storey building of a total of 1325 square meters. The building will be situated adjacent to the phase one. Construction of the second phase is due at the end of May 2008 on completion of the Phase I project.

8.5.3 Micro Enterprise Project at Anse Boileau

Planning Authority's approval has been sought. The project will provide much needed space for a number of small businesses to undertake their activities. Construction work is due to start in August 2008.

8.5.4 Proposed Central Victoria Business and Commercial Centre Phase 1A and Phase 1B

The Seychelles Pension Fund has taken a lease of 99 years on the properties at the ex- Unity House Site, behind Caravelle House and Huteau Lane and paid the rent in advance. The land is available for redevelopment.

Tirant and Associates an experienced firm of architects has been appointed as the Architect/Planner of the project and the development plan has already received the Board of Trustees' approval

The development will comprise of two phases, Phase 1A and 1B. Phase 1A is an office accommodation complex and multi storey car park and Phase 1B is a commercial centre.

Construction of Phase 1B is expected to start in January 2009. Soil investigation study by Frankipile International has been completed.

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

This project is expected to start in the year 2009.

8.5.6 Construction of facilities (premises) in Victoria opposite SMB Supermarket for use by small businesses

The design of the building has yet to be approved.

8.5.7 Micro Enterprise Project on La Digue

The project has been submitted to Planning Authority for approval. Construction should start around July 2008.

8.5.8 Proposed warehouse facilities at the Providence Industrial Estate

The project is still in the design stage. Construction work is expected to start in October 2008.

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

9. **MARKETING AND PROMOTION**

The development of awareness of Seychelles Pension Fund depends on its ability to undertake and sustain an effective promotion campaign.

Therefore, the promotion of the Fund continued in 2007 as a means to inform employers, workers and their families of the benefits available under the Pension Fund.

Most of our activities for the period under review revolved around the release of statements of accounts for 2006, the strategic advertising of the Fund to the Self employed sector and the developing of voluntary contribution schemes including the employer's matching scheme with the support and participation of employers. Other activities have focused on supporting the following activities.

9.1 **Public Relation Activities**

9.1.1 Dissemination of Information

The strategy

To continuously gain public confidence by establishing more transparency in our undertakings and improving public knowledge of tasks undertaken to ensure attainment of our objectives and their expectations. This in turn resulted in the improvement of corporate image and public support.

It was felt that following areas needed public attention:-

- A) The demolition of the Unity House and projected development of the site
- B) Changes made to continue to modernize the Seychelles Pension law
- C) The release of member's statement of account for 2006

Television, radio and newspaper coverage were used to inform stakeholders of new developments pertaining to the Fund to increase the level of awareness.

9.1.2 Naming competition for the Commercial and Residential Building in Praslin

The competition was designed to involve Praslin residents in such a development and most importantly target members in the workplace to promote the FUND.

The outcome

This successfully culminated in the identification of name for the building "Pension Complex" provided by Praslinois themselves that helped to improve our corporate image.

Trade Exhibition

The Fund participated in a trade exhibition organized by the Baie Ste Anne district administration to enhance our presence on Praslin. Additionally for the Careers week in the middle of August, the Fund promoted its value as complimentary service for all employees.

9.1.3 Personal Selling

To continuously improve stakeholders' awareness of the Fund's services and compliance through personal information activities.

Public sector employees in large and small organizations were covered and as well as smaller private sector tenants of large buildings in Victoria. The activity was intensively carried out until the middle of May. It resulted in improved knowledge and compliance to our services within these groups.

9.1.4 Television advertisements

The Seychelles Pension Fund covered all workers from different fields earning above Sr. 800. per month either through full time or part time employment. It covered also the Self Employed but they need to contribute to benefit from a pension. Since there is no system of automatic deduction or payment of contribution, it was therefore important to target that sector in order to encourage them to join the Fund.

Following research done with some key institutions in the country like SENPA, Ministry of Natural Resources, Seychelles Fishing Authority as well as reports from the Seychelles Licensing Authority, a television advertisement was prepared with a view of sensitizing self-employed persons to think and act towards securing their Pension. This sale promotion, which lasted for three weeks, also gave rise to the sales of alternative product: voluntary contribution.

No doubt, they helped to equip this Sector with information in order to inculcate within them the saving culture, which we are trying to incorporate within our population to start preparing for their retirement. This task has recorded a very successful feedback.

9.1.5 Radio programmes and promotions

The programme targeted stakeholders both during and after working hours as several work places where they keep a radio during working hours as well as targeted people at home among them included hotel workers and those on shift work. They are the most difficult group to reach. Alternatively, the radio programmes targeted homemakers who would then pass on the information to respective family members.

Using a cheaper means, more mass media channel that only required minimum listening skills to make sense of the information to act upon has been at the forefront of this task. This further improved by running the programme as a series (like the Pension tips) repeated twice a week on a fortnightly basis to cater for a continuous outflow of information.

This is an important task in achieving awareness of information and the course of action to be taken should members wish to pursue with further services. Different producers from the SBC AM radio are lining up other activities in an effort to help disseminate information. So far we have featured on "Peser", which has facilitated communications with people within that sector of the economy.

9.1.6 Newspaper features

Make use of available newspapers to;

- Promote the Fund's objective to stakeholders
- Sell the objective and services of the Fund
- Use political papers to unify stakeholders' perception of the objective of the Fund as being a national one.
- Inform stakeholders of changes and new improvement to the Fund.
- Promote the Fund's support to national events

The Fund primarily emphasized its services through the Seychelles Nation through the "Pension tips", the newspaper version of the radio promotional series. The programme lasted for four months, from January to end of April. Other contributions targeted a host of other newspapers, which assisted in informing the public of changes in the Fund's law.

Participating in newspapers provided the Fund with the opportunity to maintain a public presence throughout this period and in return increase awareness of the Fund particularly in view of the voluntary contribution scheme.

9.1.7 Targeting employers

To incorporate employers' participation in order to further enhance the opportunities to create the saving culture that the Fund is promoting. The aim of the programme is to encourage employers to adopt a matching scheme in respect of voluntary contribution made by their staff, which in turn could improve their own corporate image and attract the best skills within their respective organizations.

By obtaining the influence of employers to encourage voluntary contribution, the Fund focused on ways more income could be collected. Apart from the Pension Fund, we were instrumental in initiating the concept at the Central Bank of Seychelles, SPDF. Proposals have been to several organizations including Seychelles Breweries Ltd, SACOS, Dockland Supermarket and Paradise Sun and their decision is awaited.

9.1.8 Bus advertisement and outdoor adverts at Sports Complex

These two tasks were completed and working as anticipated in creating more awareness of the Fund

The Section was involved in direct mailing activities to registered self-employed persons including taxi operators as well as providing in-house training to staff in customer communication.

Occasionally it was involved in corporate advertisement to help in maintaining the brand name in circulation.

At appendix 1 is a weekly marketing programme covering all the aspects referred to above during the period January to December 2007

10. SYSTEM SUPPORT AND DEVELOPMENT

The Performance

System Support continued to be vital to ensure the smooth day-to-day operation of the Pension Fund Network. It remained the much needed resource for the effective management of the Pension Plan. The noticeable key aspect was to ensure the proper maintenance of equipments, the proper input of data is properly to provide reliable information essential for the improvement of service delivery and speed up the processing of benefits within the shortest possible time.

10.1 System Evaluation

Automated reconciliation

Continuous efforts were made in conjunction with the System Programmer in order to improve the existing system.

Particular emphasis was on the need to modernize the reconciliation process in order to speed up the entire process and make work less onerous. However in the case of large organizations the process was more complicated than expected and required to be tested prior to being put into application.

Automated Rent Payments

Rent is a major income from property investment. In order to ensure the effective collection and accounting of such income and to generate status reports, it was essential to develop and introduce in June 2007 a secured automated monthly rent payments, the new 'rentmatic software' on the AS 400 Server.

A review of the system has shown that it needed further upgrading in order to provide an up-to-date statement of accounts of every tenant, list of debtors, issue invoices and reminders.

Ongoing and Tasks to be undertaken

At appendix 2, note the tasks within the programme of system upgrading being and to be undertaken

The way forward is the continuous evaluation and modernization of the system. Adjustments 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. OPERATION

The main preoccupation of the Operation Section was to focus on the prompt and proper allocation of members' contributions. The process is automatic and accomplished monthly without delay or interruptions.

Allocation of contributions

The Fund's aim is to continue with its effort to improve its computerized record system, improvise on the allocation process and automated reconciliation on a trial basis. This will reduce the procedures of adjustments of members accounts, NIN problems etc.

Updating of Salary Records

Again emphasis is being placed on the need to modernize the practice of salary posting in order to reduce mistakes in the updating of data of members salary. The aim is to keep the Fund's data base as comprehensive as possible to be used also as a source of statistical information for use in the actuarial valuation of the Fund.

Members' Statements of Accounts

Emphasis was placed on the improvement of the planning and organizing of the distribution of members' statements including answering of queries in order to make the process not only informative but an opportunity for members to keep abreast with their current level of contribution with a view of putting more emphasis on saving.

However there has been considerable improvement in the quality of service and satisfaction with the Section's performance including customer service and telephone service. Importance to customer satisfaction and clients' feedback on the type and level of service was of considerable help to identify the areas in need of improvement.

12. ORGANISATION, STAFFING AND TRAINING

The Fund continued to give considerable importance to ensure that it has the right organizational structure and suitably qualified and experienced staff members to assure the overall attainment of its objectives.

Through the Human Resources Section emphasis was placed on the development, advising and implementation of policies relating to the effective use of personnel within the organization. Plans and Targets of the Human Resources Section that were developed were instrumental to attaining a number of key activities mainly recruitment, human resources planning, staff development and learning, performance management and providing a supportive environment and promoting ethical conduct.

The Fund successfully developed a Training and Succession Plan, Incentive Scheme, Matching of Contribution Scheme, Employee Handbook and A Customer Charter – Putting Customers First with the aim of developing its staff and to achieve a higher level of performance. In pursuance of the Training and Succession Plan three graduates were recruited to institutionalize more professionalism in the management of the Fund

With the recruitment of more staff 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, customer service, systems development and skills enhancement and on the administration and promotion of new pension fund.

The Fund continues 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 was released from work to undertake professional training to be followed by another staff during the year 2008. More staff at middle management level is to undertake training at specialized level.

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.

The current training and succession plan is continuously reviewed to ensure the training and development of staff including professional development to improve performance and enhance their career development.

The Internal Audit Section played an important role to ensure the level of transparency and accountability of the trust fund. The Praslin's Office was strengthened to be able to cope with new responsibilities to promote the Fund in Praslin and La Digue. The Compliance Section was revitalized with specific targets to reduce the defaulting rate by two months the most. An Investment Section was established to plan, manage, monitor investments to ensure that the best returns are obtained and undertake occasional review to assess investment potential.

It is noted that considerable progress was achieved in 2007 and these efforts would continue into 2008 by using the human resources function as a strategic tool for driving organizational change thus creating the necessary results-based culture.

13. COMPLIANCE AND ENFORCEMENT

Compliance and Enforcement played a significant role in ensuring the timely payment of pension contributions, submissions of information for the assessment of contributions, detection of unpaid contributions, the registration of new employers and self-employed persons as well as other persons and accordingly levied surcharges for late payment. In order to ensure the proper implementation of these key tasks, a programme of work which included the following was developed with emphasis to attain a high level of compliance to maximize enforcement capacity.

1. Registration of Members.

At the beginning of 2007, existing employers operating in the Offshore Sector who had not registered their Seychellois workers was targeted. Coverage of that sector with the assistance of the Seychelles International Business Authority (SIBA). They were persuaded to register and all of them were registered with the exception of one company.

Further measure to intensify the coverage of self employed persons and other persons interested in becoming a member of the Fund was introduced in April 2007 through the application of a registration system to facilitate payment of contributions and to improve the record system.

A 25% increase in the number of applicants in that area was noted compared with the same period in 2006. An area that required to be targeted was Employers who failed to come forward to register their workers after having been registered at Social Security Fund. Based on a list provided by Social Security Fund follow-up action was taken to ensure compliance. The graph below illustrated the volume of employers, members and self-employed/other person registered for the twelve months of 2007.

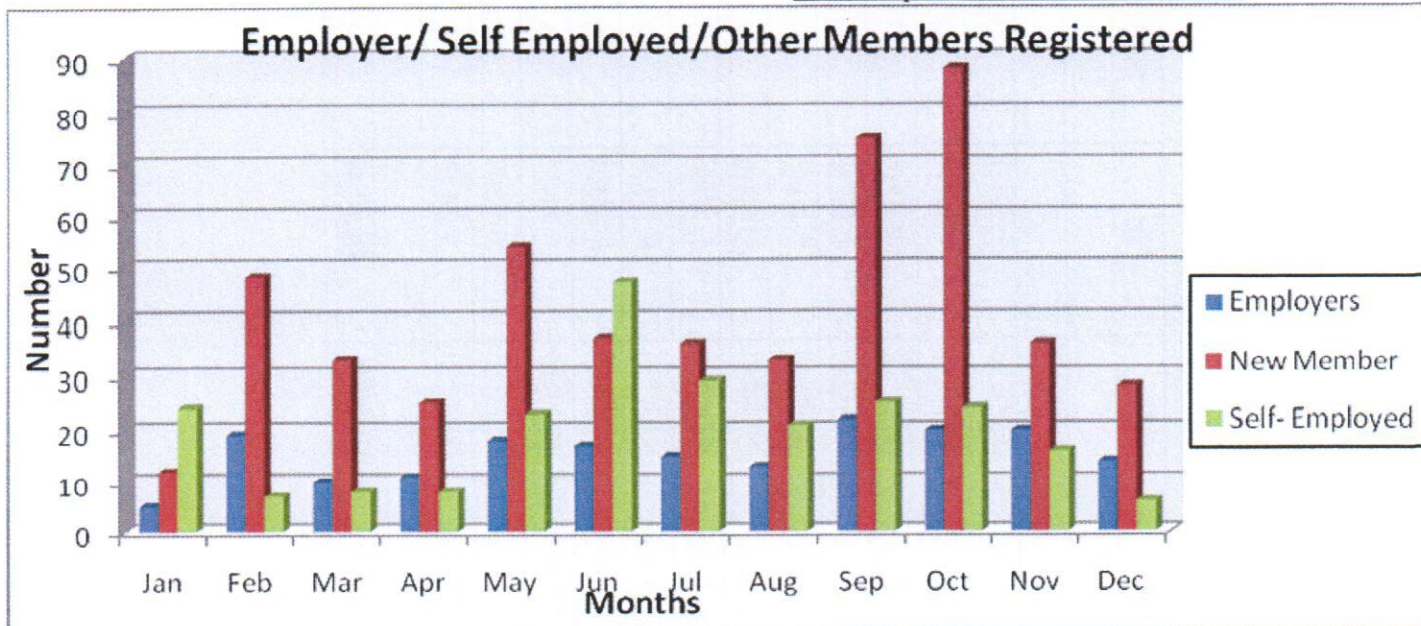


Figure 6

2. Detection of defaulters and Enforcement:

The Fund continued to give priority measures to effectively detect defaulters and to initiate follow-up action to recover arrears quickly. These formed part of the a day-to-day task of Enforcement Officers that permitted the maintenance of a defaulter's rate at 5% for those in arrears with payment by one month and the average of 3% for defaulters in arrears by more than one month.

While majority of defaulters tended to clear the arrears within two months, there were 0.72% of employers or three cases who failed to pay the arrears despite repeated requests and persuasion. Legal actions against them have been initiated; one case is the subject of court action whilst the case files of two defaulters are being prepared.

3. Inspections:

To further strengthen enforcement activities a survey and inspections exercise was organized from the 14th May to 7th June 2007, at Providence Industrial Estate and another one was held on the Inner Island of La Digue and Praslin in November 2007. These exercises were made with the support and assistance of Marketing and Promotion Section with the objectives of identifying un-registered employers, detection of any underpayment, and validation of information provided by employers already in the system and to promote the Fund among self-employed person. During visits the employees' records were examined and details extracted for comparison with details on the system. The exercise was generally considered a success; the result is illustrated in the table hereunder.

Particulars	Number
Un-registered Employer detected	5
Registered Employer with irregularities	10
Registered Employer information/contribution up to date	235
New Self Employed Registered	30

Table 16

4. Assessment and Recovery:

415 assessments against defaulters were raised during the year for un-paid contributions and surcharges totaling to SR1,032'721. Out of the amount raised together with the balance brought forward from 2006, the sum of SR845,540 was recovered. The majority of our defaulters settled the arrears in one lump sum apart from a few who negotiated to pay by installments thus signed an agreement to that effect. The details are shown in figures are self-explanatory.

Table showing arrears of contributions and surcharges assessed and recovered during 2007

Months	Number of Defaulters	c/d	Less Surcharge Waived	Contribution	Surcharge	Totals	Paid	Balance
Year 2006 balance b/fwd								-
January	41	87,886.00		58,250.00	9,805.00	155,941.00	68,927.00	87,014.00
February	38	87,014.00		109,175.00	29,039.00	225,228.00	55,991.00	169,237.00
March	33	169,237.00		32,625.00	6,225.00	208,087.00	104,118.00	103,969.00
April	19	103,969.00		33,250.00	11,323.00	148,542.00	41,892.00	106,650.00
May	42	106,650.00		90,175.00	51,633.00	248,458.00	76,574.00	171,884.00
June	33	171,884.00		31,500.00	5,885.00	209,269.00	61,056.00	148,213.00
July	42	148,213.00	13,682.00	78,975.00	31,297.00	244,803.00	72,665.00	172,138.00
August	42	172,138.00		89,275.00	36,798.00	298,211.00	89,760.00	208,451.00
September	26	208,451.00		44,400.00	9,353.00	262,204.00	65,924.00	196,280.00
October	27	196,280.00		61,025.00	38,088.00	295,393.00	79,700.00	215,693.00
November	28	215,693.00		57,000.00	3,418.00	276,111.00	51,500.00	224,611.00
December	44	224,611.00		87,400.00	40,057.00	352,068.00	76,958.00	275,110.00
Year to date totals	415	87,886.00	13,682.00	773,050.00	272,921.00	1,120,175.00	845,065.00	275,110.00

Table 17

Contributions and surcharge assessed

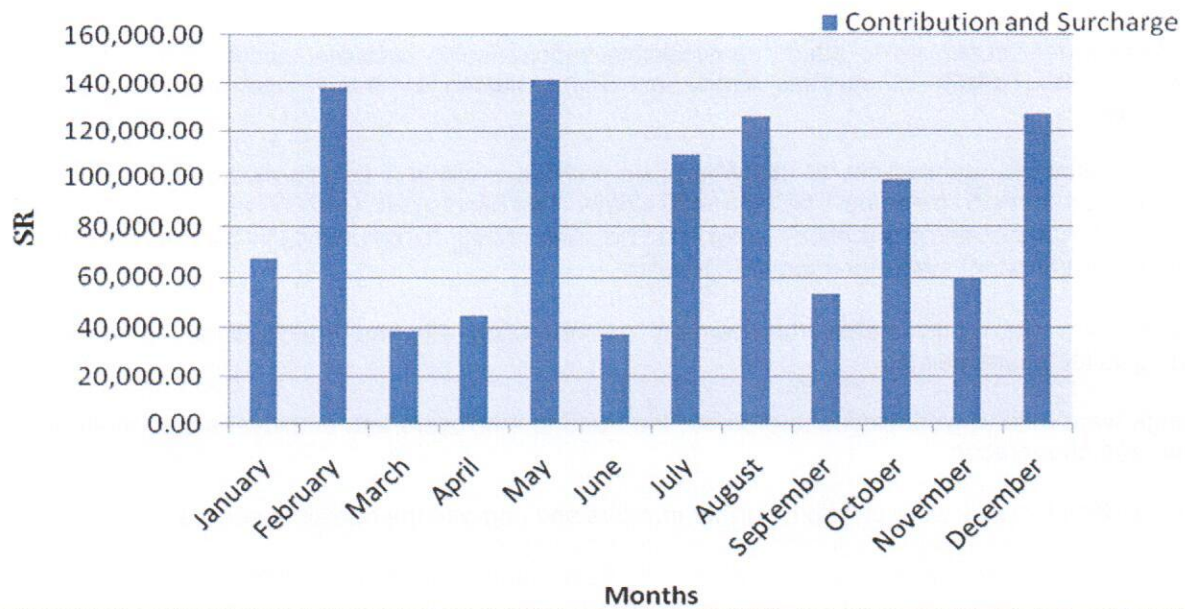


Figure 7

Arrears of Contributions Recovered

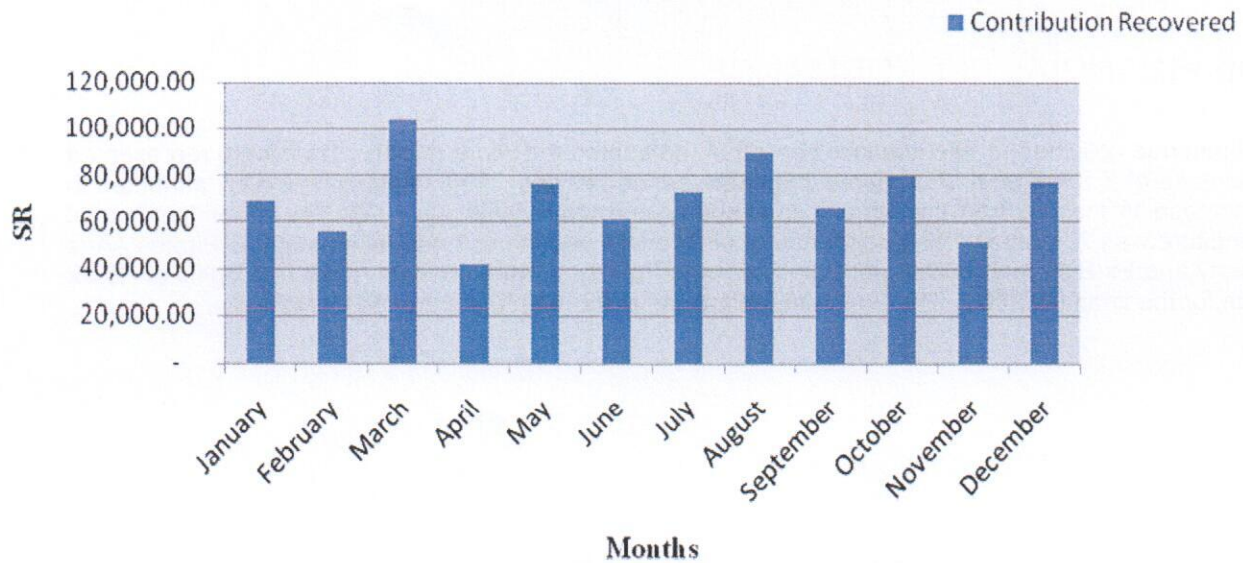


Figure 8

14. 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 has been done to meet the timeframe of 21 days. The Fund's plan for 2008 is to reduce the limit of 21 days for processing applications. The Fund has been trying its best through the improvement of its computerised 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 is room for improvement. There are still delays in receiving replies to correspondence relating to investment projects and proposals and in respect of applications for benefits which affect the decision making process and the efficiency of the Fund.

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

The year 2006 saw the launching of the Fund's customer charter – "Putting Customers First" and the first part of the year 2007 focused on its individual application by staff.

15. THE FINANCIAL PERFORMANCE

Total revenue collected for the financial year 2007 amounted to R 41.9 million. This figure represented an increase of R 8 million or 25% above the same period last year. The variance is mainly attributed to an increase in income from investment in property and share holdings. On the other hand, total expenditure was 28% above the budget due to additional investments undertaken such as Pirates Arms Property and Ex-Bistoquet Building at Baie Ste Anne Praslin. Overall the fund made a surplus of R8.62 million for the financial 2007. The Fund has performed better than the same period last year.

The following is a summarised Income & Expenditure Statement for the fiscal year 2007.

in SR. millions	2007 Y.T.D.	Revised Budget Y.T.D.	2006 Y.T.D.	Budget Variance % Over/(Under)	Y.T.D Variance % Over/(Under)
Revenue					
Investment Income Received	22.20	22.91	21.39	- 3.10%	3.79%
Property Income Received	8.18	7.85	5.20	4.20%	57.31%
Dividend Received	7.92	9.06	6.96	-12.58%	13.79%
Other Income	3.60	0.00	0.07	0.00%	0.00%
Total Revenue	41.90	39.81	33.62	5.25%	24.63%
Expenditure					
Administration Expenses (Incl. Depreciation)	9.33	6.56	6.75	42.23%	38.22%
Property Management Expenses	0.50	1.09	0.24	- 54.13%	108.33%
Total Expenditure	9.83	7.65	6.99	28.50%	40.63%
Interests Credited to members	23.45	-	21.42	-	9.48%
Net Surplus (Deficit)	8.62	-	5.2	-	65.77%
Capital Investment	As at 31/12/07	As at 01/01/07	Variance Increase/ (Decrease)	Percentage	
Investment in Property & Fixed Assets	206.74	158.38	48.35	30.53%	
Other Investment	381.39	371.31	10.08	2.71%	
Total	588.12	529.69	58.43	11.03%	

15.1 Outstanding Liability

The Fund was granted a loan of US\$ 1 m from SIMBC Nouvobanq in July 2007, for the procurement of building materials for the investment building project at Grand Anse Praslin. The loan is repayable from January 2008 onwards.

15.2 Financial Instructions

In order to strengthen the financial control and reporting capacity of the Fund the Financial Instructions Manual was completed in accordance with Part VII – Financial Provision and Investment, Section 53 of the Seychelles Pension Fund Act, 2005 and put into application.

15.3 Accounting Manual

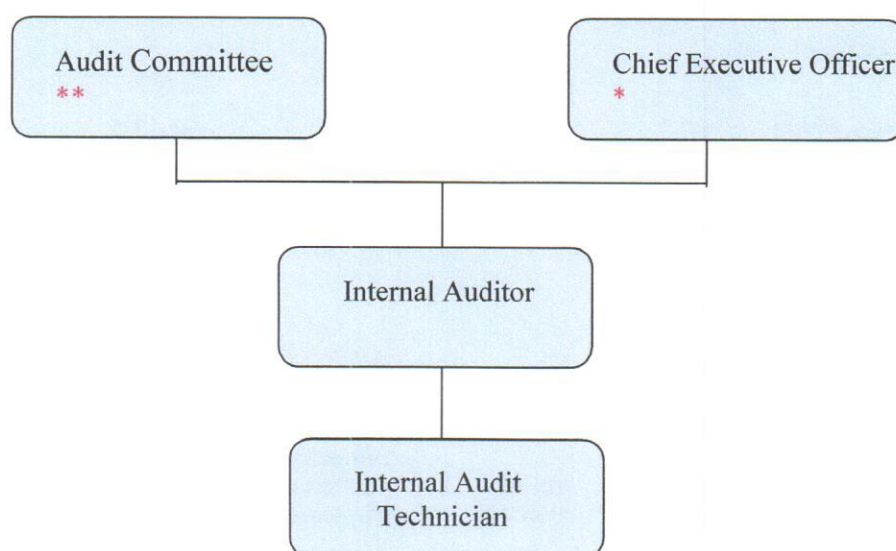
The task of compiling an Accounting Manual was completed during the last quarter of 2007. The aim of the manual is to provide a general procedural guideline as to the format, content, movement and recording of the Seychelles Pension Fund's accounts

16. OFFICE OF INTERNAL AUDIT

1. Structure of the Internal Audit Section

The Office of the Internal Audit is currently headed by an Internal Auditor and is assisted by one Audit Technician. The Internal Auditor reports to the Audit Committee on a quarterly basis. See details of the structure below;

Office of the Internal Auditor



*-Administrative Reporting

**-Fiduciary Responsibilities

2. Objectives of the Internal Audit

The main objective of the Internal Audit is to assist members of the Fund by furnishing them with analysis, appraisals, recommendations, counsel, information concerning the activities reviewed, as well as promoting effective controls. Other objectives include the following;

- Assess the accuracy of the financial and operational information.
- Review the accounting and internal controls and evaluate the control environment.
- Monitoring the operations of the systems by risk assessments and detailing testing.
- Ensure that there is efficiency, effectiveness and economy of resources.
- Review and safeguarding the company's resources.
- Review compliance with laws, regulations and policies
- Special investigations.

3. The Audit Committee

The Audit Committee is a sub committee of the Board of Trustees. The Audit Committee comprises of 5 members. The composition of the Audit Committee is as follows;

1 Chairman
2 Members of the Board of Trustees
Chief Executive Officer
General Manager
Internal Auditor
Acting Financial Controller

The Internal Auditor is responsible to provide the following to the Audit Committee;

- A summary report highlighting findings resulting from the Internal Audits conducted during the period.
- The results of any follow-up work on previously issued audit findings.
- A proposed internal audit plan and strategy that outlines areas subjected for Audit for the upcoming fiscal year and the rational used to select such areas.

The principal roles of the Audit Committee

- Improve the financial reporting, by reviewing the financial statements.
- Provides a liaison with the internal auditor to discuss issues, strengthen the position of the internal audit by providing a greater independence from management.
- Create a climate of discipline and reduce the possibility of fraud.
- Acts as a forum to discuss issues which the finance director finds difficult
- Strengthen the position of the external auditors by providing a channel of communication.
- Increase public confidence in the credibility and objectivity of the financial statements.

1. The reviews carried out during the year 2007

- Audit of benefit payments (lump sum and monthly)
- Audit of accounts receivable
- Audit of Fixed Assets
- Audit of members account
- Audit of expenditure
- Audit of revenue and banking
- Audit of Praslin Office

16.1 Adoption of risk management principles

As part of strengthening the Section, the Internal Audit would like to implement some of the risk management principles on a gradual basis.

17. THE FINANCIAL STATEMENTS

The audit of the Seychelles Pension Fund's Accounts 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 yet to adopt the international Accounting Standards (IAS) and has agreed to work towards the adoption on a gradual basis in the subsequent Financial Statements.

The financial statements at appendix III give a true and fair view of the state of affairs of the Seychelles Pension Fund as at 31st December 2007.

As Accounting Officer, I have been taking reasonable steps to ensure hat 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 Pension Scheme into a fully fledged Pension Fund and the need to sustain the Fund to meet the payment of enhanced benefits.

18. THE WAY FORWARD

Now that the fully fledged Pension Fund is fully operational emphasis is being placed on the strengthening and sustaining of the Fund through the implementation of the following tasks

- The Seychelles Pension Fund Act , Benefits 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 as 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 save for retirement and thus enhance retirement benefit
- Review and enhance the quality of service
- The continued simplification of procedure for processing of benefits due to qualifying members within the shortest possible time frame.
- 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 and management capacity of the Fund.
- Create a pool of professional group of staff through the application of both short term and long term training plan to cater for succession as well.
- 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 implementation process
- Ensure the proper implementation of investment projects and early completion
- Analyze requests for the Review/Extension of benefits and taking into consideration the ability of the Fund to afford the payment of additional benefits or increase in current benefits.
- 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
- Extend the scope of the Pension Fund to cover remaining employees and employers operating under the International Trade Zone Act, 1995.
- Prepared 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.
- Prepare and review the Strategic Plan for the year 2008/2012

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

- There is still the need for issues relating to the Pension Fund to be taken seriously and attended to by all concerned within a short period of time
- To allow the Fund to be fully set up and developed including the Actuarial Review to be carried out before proceeding to make any further major changes to include benefits or further reform which may have financial consequences on the Fund e.g. reducing the retirement age or increasing of the salary percentage of pension to be paid.
- Being the National Pension Fund, there is a need for Government's support in its investment programme through the availability of foreign exchange for its investment programme and freehold instead of leasehold titles' on its main properties for development.
- To continue to promote a culture of saving among the workers (members) and employers so as to develop the voluntary contribution scheme and encourage employers to match the contribution through the introduction of a matching scheme. However with the rise in prices and services the capacity of workers to make voluntary contribution is diminishing and new impetus is needed to energize savings.

From recent projections of investment returns and provided that the Fund is successful in implementing its investment programme, the funds likely to be derived from investments to assist substantially to sustain the Fund are likely to represent about 45% of the total income during the next five years. Prudent investments are crucial to the sustainability of the Fund and to reduce pressure to increase pension contribution.

Whereas last year has been one of major change and developments 2007 is a year of consolidation and improvement. The proper management of the Fund including its investment programme is very important and the best way forward to the long term sustainability of the Fund.

16th June 2008

[illegible]

The Plans and Targets of the system development are summarised in Appendix 2

	Task	Details	Remarks
1	Upgrading of system – a) -Provide security and increase its reliability New Server (Domain Controller) New Email Server Internet Firewall/Proxy Server	The servers were successfully commissioned in January 2008 as a means to prevent the network from shutting down completely in the event of the failure of the domain controller.	The Servers store all pension fund important data and software
2	Maintenance of Equipments Ensure that the servicing and maintenance of all equipments are scheduled and completed promptly.	Scheduled on a quarterly basis.	
3	Early Retirement of Public Sector Workers and Defence Force Personnel	The system would be in place by the 15 th February 2008	Ensure that the system allows tracking all public service workers and defence service personnel who are permitted to retire from the age of 55 to 59. Their pensions are reimbursable by the government until the age of 60.
	4 Setting up of a Central Printing and Copying Service	To reduce the increased cost of ink cartridges/printing. One central printer to be installed and used on each floor and new and modern photocopier be installed to link with computers for printing purposes. To be implemented from the 1 st March 2008 as soon as the photocopier is installed and operational	Existing "home type" printers in use will be discarded included sold to the staff.
	5 Development of the New System to meet the long term need.	On going process	System Programmer to develop a timetable of implementation.

Table 18

SEYCHELLES PENSION FUND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2007



OFFICE OF THE AUDITOR GENERAL



SEYCHELLES PENSION FUND

REPORT OF THE BOARD OF TRUSTEES

The Board presents its report together with the audited financial statements of the Fund for the year ended 31 December 2007.

FUND

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.

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	8,627,214
Retained surplus brought forward	8,018,506
Retained surplus carried forward	<u>16,645,720</u>

INTEREST ON MEMBERS' FUND

The Board recommends interest of 5% to be paid to the members on their contributions for the year under review.

FIXED ASSETS

During the year, the Fund acquired fixed assets amounting to SR 1.7 million principally comprising of furniture, fixtures, equipment and improvements to leasehold buildings and increase in the value of freehold land and buildings by SR. 820,005 as a result of revaluation. Disposals comprise of a vehicle and furniture.

The Board is of the opinion that the market or saleable value of the fixed assets at 31 December 2007 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 31 December 2007 were authorised for issue in accordance with a resolution of the Board on 4th June 2008

SEYCHELLES PENSION FUND

REPORT OF THE BOARD OF TRUSTEES (Contd.)

BOARD OF TRUSTEES

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

F Chang-Leng
M Afif
G Beaudoin
R Weber
R Spiro
L Woodcock
L Nair
M Felix
S Labrosse
A Mousbe
Y Suleman
J Esparon

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

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

ensure that the financial statements are on the going concern basis unless it is inappropriate to assume continuance of the Fund;

select suitable accounting policies and then apply them consistently;

make judgment and estimates that are reasonable and prudent; and

disclose and explain any material departures from applicable accounting standards.

The Board and the Chief Executive Officer also have the general responsibility for taking reasonable steps to safeguard the assets of the Fund and detect fraud and other irregularities.

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

SEYCHELLES PENSION FUND

REPORT OF THE BOARD OF TRUSTEES (Contd.)

AUDITOR

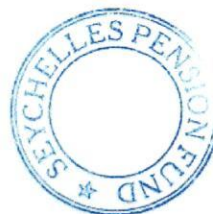
The Auditor General of Seychelles is mandated to carry out the audit of the Fund by Section 53 (2) of the Seychelles Pension Fund Act, 2005.

Signed in accordance with the
authorisation of the Board


Francis Chang-Leng
Chairman

Dated: *4th June 2008*
Victoria, Seychelles

Willy Confait
Willy Confait
Chief Executive Officer





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 2007

I have audited the financial statements set out on pages 5 to 27 prepared on the basis of significant accounting policies set out on pages 8 to 27. 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 2007 and of the results and the cash flows of the Fund for the year then ended.

Marc Benstrong
Auditor General

11 June 2008
Victoria, Seychelles

SEYCHELLES PENSION FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 SR	2006 SR
Rental income		8,177,303	5,198,881
Interest income		22,216,468	21,390,390
Surcharges collected		140,473	50,842
Sundry income		3,454,554	19,737
Dividend income		<u>7,918,077</u>	<u>6,960,673</u>
Gross income		41,906,875	33,620,523
Interest credited to members		-23,453,688	-21,422,630
Administration costs		<u>-9,825,973</u>	<u>-6,999,502</u>
Surplus for the year	3	8,627,214	5,198,391
Surplus from prior years brought forward		8,018,506	2,820,115
Retained surplus		<u>16,645,720</u>	<u>8,018,506</u>

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 2007

	Note	2007 SR	2006 SR
Fixed assets	4	15,327,532	14,526,223
Investments	5	535,268,553	479,739,738
Long term loan	6	-	6,379,379
Current Assets			
Short term investments	7	74,136,139	53,788,933
Receivables	8	14,858,657	12,129,158
Cash and bank balances	9	6,709,667	1,806,582
		95,704,463	67,724,673
Current Liabilities			
Creditors and accruals	10	1,598,310	2,150,506
Term loan	11	5,810,681	-
		7,408,991	2,150,506
Net current assets		<u>88,295,472</u>	<u>65,574,167</u>
		638,891,557	566,219,507
Represented By			
Members' fund	12	511,807,947	465,747,552
Other funds	13	78,154,720	77,884,858
Reserve fund	14	14,568,591	14,568,591
Retained surplus		16,645,720	8,018,506
Revaluation reserve	15	15,275,737	-
Term loan	11	2,438,842	-
		638,891,557	566,219,507


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 2007

	2007 SR	2006 SR
Cash flows from operating activities		
Surplus for the year before appropriations	8,627,214	5,198,391
Adjustments for:		
Depreciation and amortisation	2,682,293	917,901
Profit on disposal of fixed assets	-13,965	-
Operating surplus before working capital changes	11,295,542	6,116,292
Increase in short term investments	-20,347,206	-42,393,656
Increase in receivables	-2,729,499	-4,319,769
Decrease in treasury deposits	-	10,795,949
(Decrease)/increase in creditors and accruals	-552,196	1,742,829
Net cash outflow from operating activities	-12,333,359	-28,058,355
Cash flows from investing activities		
Purchase of fixed assets	-1,735,696	-4,132,389
Decrease in buildings under construction	-	269,316
Proceeds from disposal of fixed assets	107,850	-
Decrease/(increase) in long term loan	6,379,379	-6,379,379
Decrease in SHDC Loan receivable	-	24,133,333
Increase in investments	-42,094,869	-112,612,299
Net cash outflow from investing activities	-37,343,336	-98,721,418
Cash flows from financing activities		
Increase in Members' contributions	46,060,395	46,278,841
Increase in other funds	269,862	77,884,858
Increase in term loan	8,249,523	-
Net cash inflow from financing activities	54,579,780	124,163,699
Net change in cash and cash equivalents	4,903,085	-2,616,074
Cash and bank balances at 1 January	1,806,582	4,422,656
Cash and bank balances at 31 December	6,709,667	1,806,582

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 2007

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 2007 were authorised for issue in accordance with a resolution of the Board on ...*6th June 2008*

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 estimates

Leasehold improvements were depreciated over the period of the lease up to the prior financial year. The Fund re-assessed the estimated useful life of the leasehold improvements and re-adjusted the estimated useful life to 15 years. The depreciation provision was re-adjusted retrospectively in line with the changed estimate.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

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 Fund 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 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(d) Fixed assets and depreciation

Fixed assets are stated at cost or valuation 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 or valuation, 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	15 years	(97 years up to 31 December 2006)
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 2007

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 2007

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 2007

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 2007

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 2007

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 2007

3. SURPLUS BEFORE APPROPRIATIONS

This is arrived at after charging/(crediting):

	2007 SR	2006 SR
Auditors' remuneration	87,063	68,202
Amortisation of long term investments	1,021,786	527,456
Board of Trustees' remuneration (see below)	366,000	347,700
Depreciation	1,660,507	390,445
Exchange gain on restatement of trading investments	-3,191,773	-
Profit on disposal of fixed assets	-13,965	-
Profit on trading of investments	<u>-165,417</u>	<u>-</u>

Board of Trustees' remuneration :

F Chang-Leng	36,000	34,200
M Afif	30,000	28,500
G Beaudoin	30,000	28,500
R Weber	30,000	28,500
R Spiro	30,000	28,500
L Nair	30,000	28,500
L Woodcock	30,000	28,500
M Felix	30,000	28,500
S Labrosse	30,000	28,500
A Mousbe	30,000	28,500
Y Suleman	30,000	28,500
J Esparon	30,000	28,500
	<u>366,000</u>	<u>347,700</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

4. FIXED ASSETS

	<u>Freehold land and buildings</u> SR	<u>Leasehold buildings & improvements</u> SR	<u>Equipment</u> SR	<u>Furniture and fittings</u> SR	<u>Motor vehicles</u> SR	<u>Total</u> SR
<u>COST / VALUATION</u>						
At 1 January 2007	3,311,750	10,122,298	766,120	802,087	403,569	15,405,824
Additions	-	533,714	471,482	730,500	-	1,735,696
Revaluation adjustment	684,900	-	-	-	-	684,900
Disposals	-	-	-120,925	-75,839	-126,785	-323,549
At 31 December 2007	<u>3,996,650</u>	<u>10,656,012</u>	<u>1,116,677</u>	<u>1,456,748</u>	<u>276,784</u>	<u>17,502,871</u>
<u>ACCUMULATED DEPRECIATION</u>						
At 1 January 2007	90,070	182,463	273,507	165,650	167,911	879,601
Charge for the year	45,035	1,329,034	169,765	59,137	57,536	1,660,507
Revaluation adjustment	-135,105	-	-	-	-	-135,105
Disposal	-	-	-97,557	-5,322	-126,785	-229,664
At 31 December 2007	<u>-</u>	<u>1,511,497</u>	<u>345,715</u>	<u>219,465</u>	<u>98,662</u>	<u>2,175,339</u>
<u>NET BOOK VALUE</u>						
At 31 December 2007	<u>3,996,650</u>	<u>9,144,515</u>	<u>770,962</u>	<u>1,237,283</u>	<u>178,122</u>	<u>15,327,532</u>
At 31 December 2006	<u>3,221,680</u>	<u>9,939,835</u>	<u>492,613</u>	<u>636,437</u>	<u>235,658</u>	<u>14,526,223</u>

Analysis of Cost & Valuation:

Cost	3,176,645	10,656,012	1,116,677	1,456,748	276,784	16,682,866
Valuation	820,005	-	-	-	-	820,005
	<u>3,996,650</u>	<u>10,656,012</u>	<u>1,116,677</u>	<u>1,456,748</u>	<u>276,784</u>	<u>17,502,871</u>

In view of the change in estimated useful life of leasehold improvement, depreciation charge of SR. 618,633 (comprising of SR. 48,167 for the year 2005 and SR. 570,466 for the year 2006) on leasehold improvements for the prior years was charged to the Income Statement of the financial year under review. This was adjusted to retrospectively restate the depreciation provision based on the changed estimated useful life of the asset .

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

4. FIXED ASSETS (Contd.)

	2007 SR	2006 SR
Analysis of Freehold land and buildings:		
Freehold land	1,596,650	1,060,000
Freehold buildings	2,400,000	2,251,750
	<u>3,996,650</u>	<u>3,311,750</u>

5. INVESTMENTS

Held to maturity - (Note (i) below)	271,500,000	271,500,000
Available for sale - (Note (ii) below)	69,386,979	59,668,008
Long term loan - (Note (iii) below)	6,688,407	6,625,461
Investment properties - (Note (iv) below)	187,693,167	141,946,269
	<u>535,268,553</u>	<u>479,739,738</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	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>271,500,000</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	5,100
			<u>59,668,008</u>	<u>59,668,008</u>
Shares quoted on Mauritius Stock Exchange:			9,718,971	-
			<u>69,386,979</u>	<u>59,668,008</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

5. INVESTMENTS (Contd.)

	2007 SR	2006 SR
(ii) Available for sale:		
Board of Trustees valuation of unquoted shares:		
Seychelles Breweries Ltd.	67,617,962	65,861,221
Opportunity Investment Co. Ltd.	5,100	5,100
	<u>67,623,062</u>	<u>65,866,321</u>
Market value of quoted shares	12,257,515	-
	<u>79,880,577</u>	<u>65,866,321</u>
(iii) Long term loan:		
Opportunity Investment Company Ltd.	<u>6,688,407</u>	<u>6,625,461</u>
(iv) Investment properties:		
Buildings on 99 years lease	132,146,585	130,146,585
Construction in progress on leasehold properties	43,143,564	12,830,612
	<u>175,290,149</u>	<u>142,977,197</u>
Amortisation of lease	-2,052,714	-1,030,928
Cost net of amortisation	<u>173,237,435</u>	<u>141,946,269</u>
Surplus on revaluation	14,455,732	-
	<u>187,693,167</u>	<u>141,946,269</u>

Long term loan to Opportunity Investment Company Limited was advanced to acquire shares in State Assurance Company Limited. The loan is unsecured, non-interest bearing and does not have definite repayment terms.

Certain leasehold land and building were revalued as at 31 December 2007 and the surplus on revaluation was debited to the cost of the investment properties and credited to Revaluation Reserve.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

6. LONG TERM LOAN

In the prior year, the Fund approved a loan of SR. 12 million to Swan International Company Limited, a Company incorporated in Mauritius, under a back-to-back agreement wherein Swan Insurance Company Limited would provide the Fund a return loan of up to Mauritian Rupees (MUR) 66 million to be utilised by the Fund for investment in Quoted Securities in Mauritius.

The loan to Swan International Company Limited is non-interest bearing, secured by a pledge on their 49% shares held in Opportunity Investment Company Limited in favour of the Fund. The Fund offered pledge on their investment in Quoted Securities to Swan Insurance Company Limited as security for loan of up to MUR 66 million during the year under review.

During the year under review, the Fund utilised the drawdown on the loan of MUR 66 million from Swan International Company Limited for investment in Quoted Securities in Mauritius.

7. SHORT TERM INVESTMENTS

Short term investments represent term deposits with commercial banks in Seychelles whose maturity dates fall within next 12 months.

8. RECEIVABLES

	2007 SR	2006 SR
Members' contributions receivable	2,370,775	2,860,575
Due from Seychelles Government	1,168,044	1,479,450
Accrued interest receivable	7,626,503	5,952,450
Rents receivable	1,381,749	1,160,008
Other debtors and prepayments	2,311,586	676,675
	<u>14,858,657</u>	<u>12,129,158</u>

9. CASH AND BANK BALANCES

Cash on hand	4,800	2,300
Balances with banks	6,704,867	1,804,282
	<u>6,709,667</u>	<u>1,806,582</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

10. CREDITORS AND ACCRUALS

	2007 SR	2006 SR
Refundable to Social Security Division	-	1,426,843
Accrued expenses	333,818	270,738
Rent payable	378,211	-
Rent received in advance	168,840	-
Sundry creditors	93,892	-
Gratuity and length of service provision	623,549	452,925
	<u>1,598,310</u>	<u>2,150,506</u>

11. TERM LOAN

Term loan	8,249,523	-
Due beyond 12 months	-2,438,842	-
Due within next 12 months	<u>5,810,681</u>	<u>-</u>

This represents US\$ 1 million term loan from Seychelles International Mercantile Banking Corporation Limited secured by lien on fixed deposit of SR. 10 million held with the bank, bears interest at 3.5% over 3 months Libor Rate currently at 5.38% and is repayable at USD 45,629.80 per month starting September 2007.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

12. MEMBERS' FUND

	2007 SR	2006 SR
Contributions received during the year:		
Compulsory contributions from employees	9,920,032	9,772,699
Compulsory contributions from employers	19,860,321	19,770,417
Voluntary contributions from employees	2,091,427	1,792,975
Voluntary contributions from employers	571,185	114,057
Total Contributions received	32,442,965	31,450,148
Interest credited	23,453,688	21,422,630
Benefits paid	-9,769,235	-6,595,112
Unallocated contributions	224,057	66,876
Refunds	-69,384	-
	46,282,091	46,344,542
Balance at 1 January	465,609,371	419,264,829
	511,891,462	465,609,371
Suspense contributions	-83,515	138,181
Balance at 31 December	511,807,947	465,747,552

Up to the year 2005, 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 balances at 31 December 2007 and 31 December 2006 are 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 2007

13. OTHER FUNDS

	2007 SR	2006 SR
Contributions from Social Security Division (Note (i) below)	20,702,377	10,573,157
Payments made for Social Security Pension	<u>-13,762,933</u>	<u>-3,903,575</u>
	6,939,444	6,669,582
Receipt from National Provident Fund (Note (ii) below)	<u>71,215,276</u>	<u>71,215,276</u>
	<u>78,154,720</u>	<u>77,884,858</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.

14. RESERVE FUND

	2007 SR	2006 SR
At 1 January and 31 December	<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 up to the year 2005 was 30% of the difference between the interest earned by the Fund and the interest paid to the members as there was no immediate need to do so. The transfer to the Reserve Fund is made in order to provide for future liabilities arising as a result of the need to pay pensions to members living beyond the average life expectancy.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

15. REVALUATION RESERVE

This represents surplus on revaluation of fixed assets (Note 4) and investment properties (Note 5) carried under equity. The Fund's policy is to revalue immoveable properties every three years.

16. CAPITAL COMMITMENTS

	2007 SR	2006 SR
Approved and contracted for fixed assets	48,059,886	59,400,000
Approved but not contracted for fixed assets	46,105,604	-
	<u>94,165,490</u>	<u>59,400,000</u>

17. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2007 (2006 : Nil).

18. 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.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

18. FINANCIAL INSTRUMENTS (Contd.)

(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.

(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) 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:

	2007		2006	
	Carrying amount SR '000	Fair value SR '000	Carrying amount SR '000	Fair value SR '000
Investments - Available-for-sale:				
Unquoted shares	59,668	67,623	59,668	65,866
Quoted shares	9,719	12,258	-	-
	<u>69,387</u>	<u>79,881</u>	<u>59,668</u>	<u>65,866</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

18. FINANCIAL INSTRUMENTS (Contd.)

(f) 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.

SEYCHELLES PENSION FUND

FIVE YEAR FINANCIAL SUMMARY - 31 DECEMBER 2007

	2007	2006	2005	2004	2003
	SR'000	SR'000	SR'000	SR'000	SR'000
Interest income	22,216	21,390	22,682	21,905	16,722
Dividend income	7,918	6,961	3,314	-	-
Rental and other income	11,772	5,270	312	22	23
	41,906	33,621	26,308	21,927	16,745
Interest credit to members	-23,454	-21,423	-19,025	-16,959	-14,295
Administration costs	-9,825	-6,999	-4,913	-2,148	-1,513
Surplus for the year	8,627	5,199	2,370	2,820	937
Surplus from prior years	8,019	2,820	1,547	211	2
	16,646	8,019	3,917	3,031	939
Transfer to Reserve Fund	-	-	-1,097	-1,484	-728
Surplus carried forward	<u>16,646</u>	<u>8,019</u>	<u>2,820</u>	<u>1,547</u>	<u>211</u>

FUNDS

Members' fund	511,808	465,748	419,469	377,777	339,607
Reserve fund	14,568	14,568	14,568	13,472	11,988
Other fund	78,155	77,885	-	-	-
Retained surplus	16,646	8,019	2,820	1,547	211
Revaluation reserve	15,276	-	-	-	-
	<u>636,453</u>	<u>566,220</u>	<u>436,857</u>	<u>392,796</u>	<u>351,806</u>

NOT FOR PUBLICATION
SEYCHELLES PENSION FUND

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007	2006
	SR	SR
INCOME		
Rental income	8,177,303	5,198,881
Interest income	22,216,468	21,390,390
Surcharges collected	140,473	50,842
Sundry income	3,454,554	19,737
Dividend income	7,918,077	6,960,673
	<u>41,906,875</u>	<u>33,620,523</u>
EXPENSES		
Advertisement and public relations	237,284	108,031
Amortisation of investment properties	1,021,786	527,456
Auditors' remuneration	87,063	68,202
Bank charges	59,325	22,101
Communication costs	214,409	173,027
Conference costs	151,675	377,896
Data processing costs	25,533	5,600
Depreciation	1,660,507	390,445
Equipment maintenance costs	376,381	280,320
Fuel, transport and travel	116,758	83,223
Insurance costs	208,781	165,720
Interest credited to members	23,453,688	21,422,630
Investment handling costs	38,298	-
Lease and other rentals	263,683	144,775
Legal and professional fees	194,907	570,774
Property service charges	45,550	152,809
Medical Board remuneration	88,800	84,360
Pension contribution	30,045	17,319
Property cleaning and maintenance	452,232	85,501
Salaries and wages	3,282,328	2,508,165
Social security	554,669	669,533
Staff uniforms and welfare	117,491	120,759
Stationery, office supplies and postage	198,919	235,084
Subscriptions	8,264	9,064
Sundry expenses	9,956	46,937
Training and recruitment	287,210	54,266
Utilities costs	80,022	66,707
Vehicle maintenance	14,097	31,428
	<u>33,279,661</u>	<u>28,422,132</u>
Surplus before appropriations	<u>8,627,214</u>	<u>5,198,391</u>

