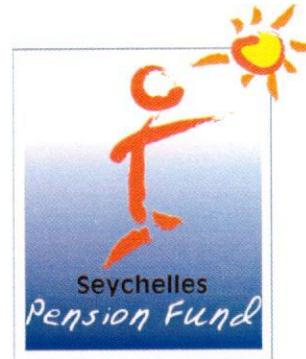
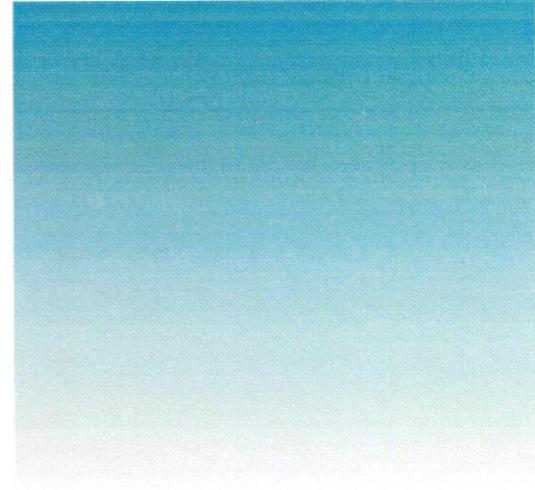


SEYCHELLES PENSION FUND

ANNUAL REPORT 2010



Making Seychelles a better place

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March 2011

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Appendix 1 – Audited Financial Statements for the year 2010

1. INTRODUCTION

On behalf of the Board of Trustees and the management, I am pleased to present to the Minister of Finance the fifth Annual Report ending the 31 December 2010 on the administration and activities of the Seychelles Pension Fund in accordance with Section 54 of the Seychelles Pension Fund Act 2005.

The report provides 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 maintain a high level of efficiency to ensure that the Fund continues to fully meet the need of its members and pensioners.

The year 2010 had shown new changes emerging from the Seychelles Pension Fund Act and Regulations, with the rate of contribution moving from a flat rate to a percentage rate which would take effect on January 1, 2011.

The mechanism to ensure the payment of beneficiaries within the shortest period is already in place. This is in accordance with the objective of the programme that all qualifying employees (members) enjoy from the Fund a retirement pension as an earning replacement to enable them to live in basic comfort or in case of death before retirement to provide surviving spouse's pension and children's pension as applicable.

The important message has been to continue to create awareness of the Fund among its members and employers and the importance of making savings to cater for retirement. The comprehensive publicity programme including personal selling, advertising, sales promotion which has been occasionally reviewed with a view of making necessary adjustments with the aim of ensuring its overall effectiveness to move further ahead in meeting the challenges and difficulties and in developing the Fund. It covered as many work places, organizations and as well as in the media.

No doubt, the enhanced benefits would require more funds to meet retirement need. Besides the importance to save for retirement, make prudent investments to obtain the best return to build up the funds, it is also important that the right pension contribution based on a salary percentage is paid by the members and employers. It is gratifying to hear that the Government is seriously reviewing members' contributions. The need to sustain the Fund is **the priority and cannot be compromised**.

In order to help members plan early for retirement, the Fund has continued to focus on 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 has been remarkable in creating confidence building and in taking appropriate measures to sustain the Fund and protecting members' benefits.

A high level of commitment and action is required to provide its members with a high standard of service. This continues to be a priority and hence structural and administrative changes have been made to upgrade and attain a high level of customers' satisfaction. Equally in the pursuit of excellence there is a need for more support and understanding from public sector organizations to take pension more seriously and play a leading role.

The world is facing a demographic transition and this shows that the impact of demographic changes is identified as one of the most important challenges that social security institution will face in the future. Many developing countries will be faced with a significant increase in their elderly population, but their old-age pension systems often remain poorly-adapted to the coming needs of their societies. Hence, 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 Chairperson, all the Members of the Board, Members of the Fund, Pensioners 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 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 1 January 2009 for a period of 32 months. Its life will expire on 30 August 2011.

The Board comprised of the following members

Board of Trustees	NAME	Location	Tel	Fax	Email Address
Chairperson	Ms. Sitna Cesar	Liberty House	382020	322782	dfp@finance.gov.sc
Member	Mr. Mohamed Afif	State House	295702	224626	mdafif@statehouse.gov.sc
Member	Mr. Gilbert Sultan Beaudoin	Premier Building	324969	324996	feas@seychelles.net
Member	Mr. Radley Weber	La Cave a vins	324610	224695	rweber@seychelles.sc
Member	Ms. Rachel Spiro	c/o Ministry of Education, Employment and Human Resources	283266	226093	rachelmariej@hotmail.com
Member	Ms. Melanie Stravens	Liberty House	382064	323971	melanie@finance.gov.sc
Member	Mr. Michel Felix	Reef Estate	517363		melmc@seychelles.net
Member	Mrs. Suzanne Labrosse Rolston	Aarti Building	225932	225878	desisles@seychelles.net
Member	Mrs. Anne Mousbe	C/o School Meal Centre English River	283121	323882	
Member	Mr. Gonzagues d'offay*	C/o Southern Ocean, ship chandler Bodco Complex, New Port SACOS Orion Mall	510991	226162	sochan@seychelles.net
	Mr. Antonio Lucas (Appointed from 26 th July 2010)		295000	224495	antonio@sacos.sc
Member	Mr. Lambert Woodcock	Maison De La Rosiere	322272	321666	lwoodcock@hsic.sc
Member	Ms. Jessie Espanon	National House	383007/8	224936	psdpa@dpa.gov.sc
Secretary	Mrs. Marie-Ange Waye-Hive	Caravelle House	225275	224740	gm@sps.gov.sc

* Appointment lapsed from the 26th July 2010.

Table 1

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 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 represent 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 Chairperson.

THE BOARD MEETS REGULARLY ON A MONTHLY BASIS OR EARLIER IN CASE OF URGENT MATTERS TO DISCHARGE ITS RESPONSIBILITIES. NO DOUBT, IT IS A VERY GOOD EXAMPLE OF PUBLIC AND PRIVATE SECTORS' REPRESENTATIVES WORKING TOGETHER AS A TEAM IN THE INTEREST OF THE FUND AND ITS MEMBERS.

3. THE MANAGEMENT

The management team of the Fund comprised of

Post	Name	Tel	Email Address
Chairperson	Ms. Sitna Cesar	382020	dfp@finance.gov.sc
Chief Executive Officer	Mr. Willy Confait	294699	spsdir@seychelles.net
General Manager	Mrs. Marie-Ange Waye-Hive	225275	gm@sps.gov.sc
Finance Manager	Miss. Marie-Laure Low	294699	alow@spf.sc
Senior Accountant	Mr. Evans Mondon	294699	emondon@spf.sc
Compliance Manager	Mrs Jane Suzette	294699	jsuzette@spf.sc
Benefit Manager	Mr. Jeffrey Moses	294699	jmoses@spf.sc
System Support Manager	Mrs. Nane William	294699	nwilliam@spf.sc
System Programmer	Mr. Ralph Hitie	294699	rhitie@spf.sc
Marketing & Promotion Manager	Mr. Darell Bristol	294699	dbristol@spf.sc
Project Manager	Mr. Tommy Marie	294699	tmarie@spf.sc
Property Manager	Ms. Marlene Khan	294699	marlene@spf.sc
Internal Audit Manager	Miss. Nishreen Abdulmajid	294699	nabdulmajid@spf.sc
Investment Manager	Miss. Evelina Antha	294699	eantha@spf.sc
Research and Development Officer	Miss. Yvette Samedi	294699	ysamedi@spf.sc
Admin & Human Resources Manager	Mrs. Lyne Bonte	294699	lrosalie@spf.sc
Praslin and La Digue Manager	Mrs. Tessy Poris	232736	tporis@spf.sc

Table 2

The Fund has a total workforce of 59 of whom 16 staff at management level and 43 at clerical, secretarial, accounting and supervisory levels

The organization chart below explained the division of work



Figure 1

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 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%	9.43%
2005	4,187.00	15.52%	15.92%
2006	6,999.00	22.25%	20.82%
2007	6,736.00	20.76%	16.07%
2008	12,530.00	27.30%	25.54%
2009	12,084.00	27.87%	16.73%
2010	12,822.00	27.09%	15.17%

Table 3

The increase in the administration expenses in the years 2005 to 2007 was essential for capacity building to ensure the proper transformation of the pension reform into a fully-fledged Pension Fund. It was anticipated that the running costs would stabilize by the year 2008. However, due to the macro economic reform and the worldwide inflation in prices and cost of goods and services, the administration cost for the year 2008 was quite high and it did not stabilize during the year 2010.

*The current rate of contribution is low and as it increases the percentage to administrative expenses would then decrease.

4. OBJECTIVES OF THE FUND

The objectives as set out in the Pension Fund Act are listed 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 and members
- ❖ 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 have 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
- The importance of investment income as the second source of income after pension contributions
- 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

In addition to its 5-year budget, the Fund issued its strategic plan for the years 2009—2013 which is updated annually to take into consideration the volatile economic situation.

6. REVIEW OF OPERATIONS

6.1 The Fund covers extensively:

- ❖ All public and private workers in formal employment including in the offshore sector
- ❖ Self employed persons - who are contributing to the Fund
- ❖ Part-time workers including casual labour and stevedores

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. Basically the optional age of retirement is 60 and compulsory retirement at the age of 63.</p> <p>Until the 31 December 2009 public sector workers may with the approval of the government as their employee retire at the age of 55.</p> <p>Defence Service personnel may on approval retire at the age of 55.</p>															
(2) The Monthly Retirement Pension	<p>The monthly pension is based on</p> <p>The worker's average monthly salary received during the period of five years preceding retirement. The rates are stipulated in schedule 1 of the Seychelles Pension Fund (benefits (amendment) Regulations 2010</p> <p>Generally the pensions payable are:-</p> <table border="1" data-bbox="576 1248 1428 1453"> <thead> <tr> <th>Salary Band pm</th><th>% of pension payable</th><th>Pension</th></tr> </thead> <tbody> <tr> <td>R 800 - 3,500</td><td>Between 100% and 91%</td><td>or R2,720 whichever is the greater</td></tr> <tr> <td>R 3,501 - 5,900</td><td>Between 91% and 79%</td><td></td></tr> <tr> <td>R 5,901 - 7,500</td><td>Between 73% and 71%</td><td></td></tr> <tr> <td>R 7,501 and above</td><td>Between 47% and 44%</td><td></td></tr> </tbody> </table> <p>The pension percentages referred to above include both the SSF and the SPF's retirement pensions.</p> <p>Capping of Pension</p> <p>For the purpose of protecting the Fund since current contribution is not enough to sustain the Fund in the medium and long term basis, the maximum pension payable is R15,000 per month excluding social security retirement pension.</p>	Salary Band pm	% of pension payable	Pension	R 800 - 3,500	Between 100% and 91%	or R2,720 whichever is the greater	R 3,501 - 5,900	Between 91% and 79%		R 5,901 - 7,500	Between 73% and 71%		R 7,501 and above	Between 47% and 44%	
Salary Band pm	% of pension payable	Pension														
R 800 - 3,500	Between 100% and 91%	or R2,720 whichever is the greater														
R 3,501 - 5,900	Between 91% and 79%															
R 5,901 - 7,500	Between 73% and 71%															
R 7,501 and above	Between 47% and 44%															
(3) Qualifying period for pension	<p>10 years of continuous contribution to the Social Security Fund or the Seychelles Pension 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.</p>															

(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.	<p>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.</p>
(6) Surviving Spouse's Pension	<p>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).</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.</p> <p>Children include recognized illegitimate children being maintained by the spouse prior to his or her death.</p> <p>Where there is no surviving spouse, the 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)	<p>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.</p>
(9) Migration Allowance	<p>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.</p>
(10) Re-joining of the Fund	<p>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.</p>

(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/her dependants or more or any person to benefit from the gratuity.</p> <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>
(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 1 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.	<p>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.</p>
(16)Extension of the Scheme/Fund	<p>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 and their employer's contribution to the Seychelles Pension Fund. The Fund also covers self employed persons who contribute to the Fund. They are being encouraged to contribute to enhance their retirement pension and benefit from the Fund.</p>
(17)Self employed persons	<p>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.</p>
(18) Payment of Contribution on re-employment or continued employment after retirement	<p>Members of the Fund who have retired from the age of 60 or even after reaching the age of 63 and who continue to be employed or is subsequently re-employed to opt to continue to pay their pension contribution. The option for members to continue to pay their contribution will enable them to have their pension recomputed based on their average yearly salary during the time of continued employment or re-employment after retirement. The amendments are effective from the 1st August 2009 and basically provide the opportunity to members who are mainly employed in private sector or managing their own business or in self employment to benefit from a higher pension if they draw a higher salary than the salary they were drawing when they first retired or continued employment after reaching retirement age.</p>

Table 4

Funding of Benefits

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

- (a) The monthly contribution of SR100 made by employers and employees to the Seychelles Pension Fund
- (b) Returns on prudent investments which have been and are being made.

6.3 Pension Benefit Management

Managing the different types of benefits continued to be one of the main priorities of the Fund. Under the direction of a Benefit Manager, the responsibilities of Benefits Management were and are to ensure the prompt processing of the different types of benefits available under the Fund and submit for approval or otherwise and inform beneficiaries and applicants.

For the year 2010 emphasis had continued to be on providing an efficient service with the need to provide good customer service delivery especially now that the public expectations are at an all time high.

Its performance was assessed based on the percentage rate that had been achieved in implementing the plans and targets for the year in line with the objectives of the Fund. The prompt processing of claims and payments of benefits within the established framework was also used to measure the level of efficiency.

6.4 Administration

Performance in general improved considerably and areas of performance varied from processing claims lodged by members to ensuring that all pensioners are paid their pension on time by direct transfer into their respective bank accounts. The best practice users' manual for pension benefits that was prepared and approved to serve as a practical guide in the performance of duties had been of great help to increase the level of efficiency particularly to our clients.

6.5 Processing of applications

During the period January to December 602 applications were lodged. 371 were for normal retirement benefits which represented 59% of total applications. Retirement pension continued to be the main type of benefit. An early retirement benefit for the workers in the public sector that was introduced in 2008 was phased out effective from 1 January 2010 and the pending 63 applications which were lodged late in 2009 for the early retirement benefits were processed during the year.

The Fund until 31 December 2010 paid a total of SR87,552,692.23 as benefits for both lump sum and monthly pension which represented an increase of SR16,450,368.11 or 23% when compared with the total amount paid in 2009. Also in the total amount paid of R 87,552,692.23, there is also an element of employee voluntary contribution refund of R571,655.00 which have been refunded in lump sum to the pensioners. However,

out of the total amount paid SR57,427,855.56 was refunded to the Fund being SR32,857,277.00 the Social Security Fund in respect of the element of social security retirement pension paid to retirees under an arrangement with them and SR20,318,730.97 from the Ministry of Finance for public sector pension, special pension and pensions which under the laws are a charge to the Consolidated Fund and RS4,251,847.59 being home-carer and URS refund.

6.6. Normal Retirement benefits

During the year 2010 three hundred and seventy (371) applications were received and processed of which 185 were for lump sum payments amounted to SR1,362,728.28 (in view that applicants did not qualify for a retirement pension) whilst payment for retirement pension amounted to a total of SR49,505,907.90.

MONTHLY BENEFITS PAYMENT AS AT 31 December 2010

The following table showed the monthly payment and number of beneficiaries:

Type	No of Beneficiary	Amount paid (SR)	Method of payment	
			Cheque	Bank Transfer
Normal Retirement	1457	4,433,425.52	2	1,455
Public Sector Special Pension	481	240,500.00	9	472
Special Entitlement	110	55,000.00	3	107
Permanent Incapacity	171	518,982.00	0	171
Surviving Spouse's Pension	74	168,954.20	0	74
Children's Pension	64	82,902.73	0	64
Post Surviving Spouse Pension	16	45,028.40	0	16
Post Children's Pension	4	4,692.00	0	4
Early Retirement	387	1,300,890.00	0	387
Total	2,764	6,850,374.85	14	2,750

Table 1

LUMP SUM PAYMENT for members who also did not 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	Permanent Incapacity	Pre-Retirement Migration	Death After Normal Retirement	Voluntary refund Early Retirement	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
January	94,446.76	157,746.26	92,227.18	110,980.37	-	-	455,400.58
February	34,418.81	127,471.10	70,417.27	-	-	-	232,307.18
March	38,258.27	82,696.79	88,766.71	17,882.61	-	-	227,604.38
April	178,342.42	52,208.96	86,866.76	52,173.20	-	-	369,591.34
May	197,002.32	22,712.26	111,038.63	27,791.19	-	-	358,544.40
June	97,468.01	54,546.61	86,837.04	180,138.17	-	-	418,989.83
July	82,679.95	106,573.01	229,851.63	11,692.78	-	-	430,797.37
August	115,948.94	29,980.34	134,110.84	22,537.17	-	-	302,577.29
September	121,710.65	82,918.80	77,106.60	-	-	-	281,736.05
October	90,131.71	59,002.94	48,111.99	7,007.81			204,254.45
November	239,423.63	-	42,490.53	14,582.59	-	-	296,496.75
December	72,896.81	158,444.12	231,143.97	40,484.64	-	-	502,969.54
Total	1,362,728.28	934,301.20	1,298,969.15	485,270.53	-	-	4,081,269.16

Table 2

MONTHLY PENSION PAID AS AT 31 DECEMBER 2010

Annual Report ended 31st December 2010

Month	Benefit Type						Total Rs			
	Normal Retirement	Permanent Incapacity	Surviving Spouse	Children Pension	Post Retirement Surviving Spouse	Post Retirement Children	Special Pension	Special Entitlement	Early Retirement	
January	4,174,414.30	447,422.13	139,849.81	69,378.28	42,305.24	3,692.00	247,200.00	56,400.00	1,383,020.97	6,563,682.73
February	4,300,944.76	469,485.31	142,732.91	68,526.04	41,048.40	3,692.00	247,300.00	56,100.00	1,539,620.00	6,869,449.42
March	4,338,675.33	454,092.14	143,792.20	68,526.04	44,828.40	3,692.00	245,000.00	55,000.00	1,479,185.00	6,832,791.11
April	3,143,176.74	458,779.52	161,891.52	71,152.44	43,208.40	4,692.00	245,000.00	55,500.00	1,469,365.00	5,652,765.62
May	4,060,277.54	339,625.22	145,469.60	67,250.32	37,268.40	4,692.00	243,500.00	55,500.00	1,437,430.00	6,391,013.08
June	4,503,506.38	477,080.76	159,100.20	70,658.84	43,208.40	4,692.00	243,000.00	55,500.00	1,401,280.00	6,958,026.58
July	3,821,363.55	410,243.17	171,668.68	79,954.84	43,208.40	4,692.00	242,000.00	55,000.00	1,401,760.00	6,229,890.64
August	4,208,962.46	443,867.26	157,189.40	70,710.35	41,048.40	4,692.00	241,500.00	55,000.00	1,354,370.00	6,577,339.87
September	4,791,207.06	526,815.97	159,605.10	75,742.68	47,611.63	4,692.00	242,000.00	55,000.00	1,339,025.00	7,241,699.44
October	3,797,479.40	503,000.00	157,810.20	78,601.96	45,028.40	4,692.00	242,000.00	55,000.00	1,333,625.00	6,217,236.96
November	3,932,474.86	440,883.68	174,676.50	74,734.74	45,028.40	4,692.00	241,000.00	55,000.00	1,295,160.00	6,263,650.18
December	4,433,425.52	518,982.00	168,954.20	82,902.73	45,028.40	4,692.00	240,500.00	55,000.00	1,300,890.00	6,850,374.85
TOTAL	49,505,907.90	5,490,277.16	1,882,740.32	878,139.26	518,820.87	53,304.00	2,920,000.00	664,000.00	16,734,730.97	78,647,920.48

Monthly pension paid as at 31 December 2010

Lump Sum Refund

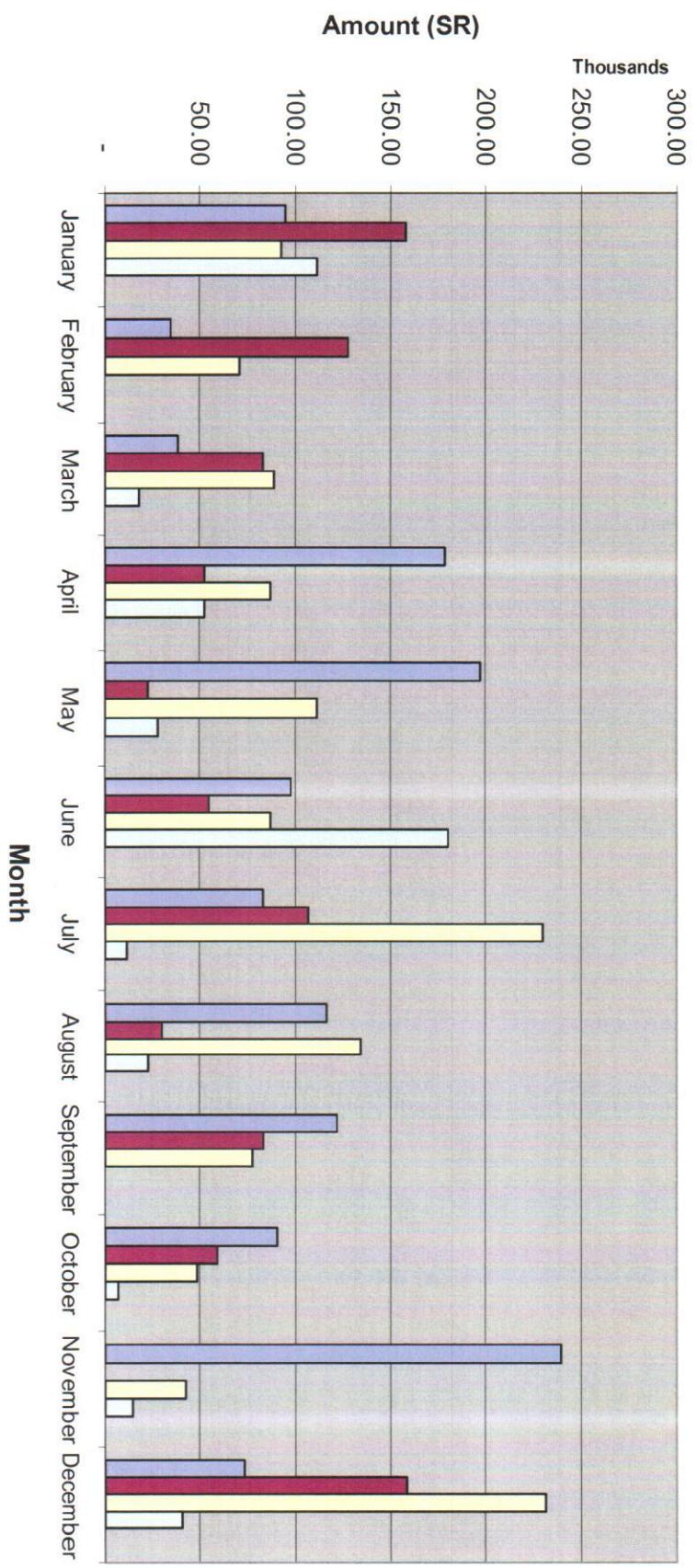


Figure 1

A total of **SR4,081,269.16** was paid as lump sum for the following benefits: Normal Retirement, Permanent Incapacity, Death Benefit, Pre-Retirement Migration and refund of voluntary contributions on retirement.

Benefits paid for period January to December 2010

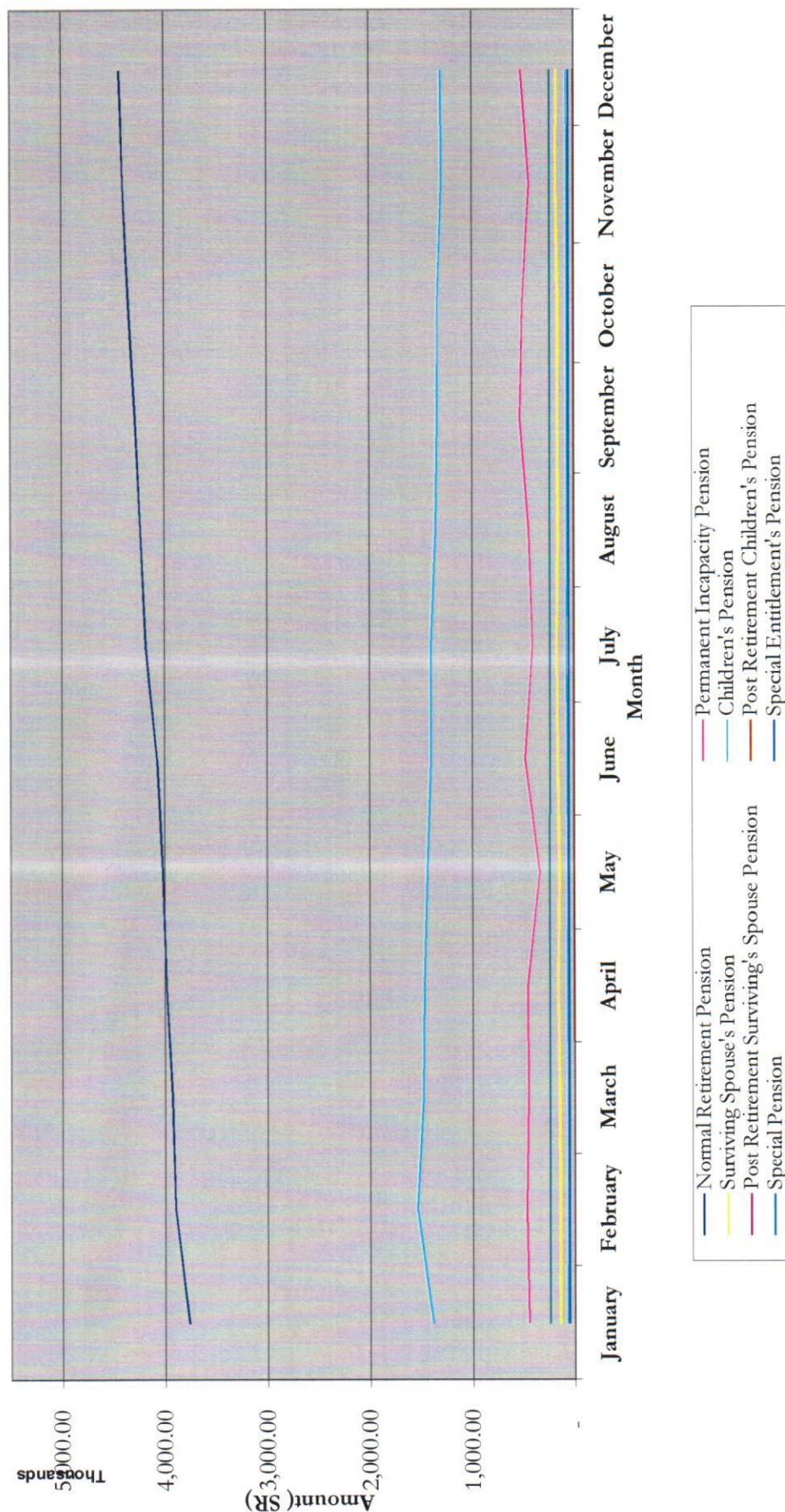


Figure 2

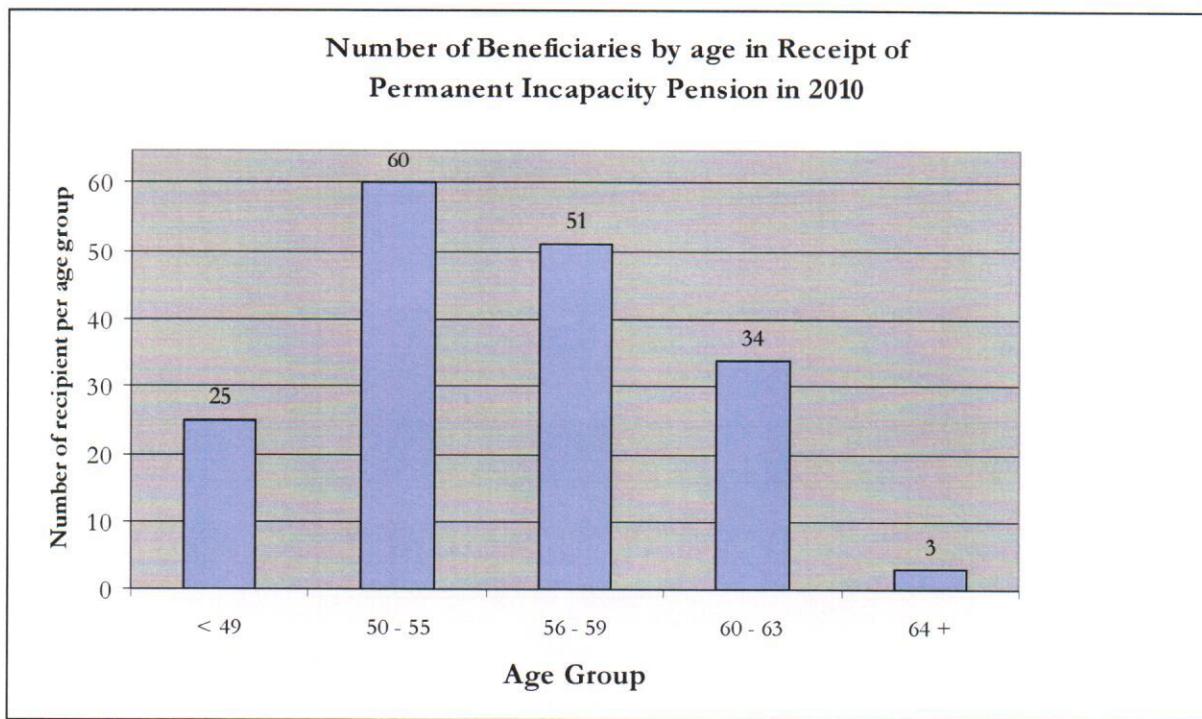
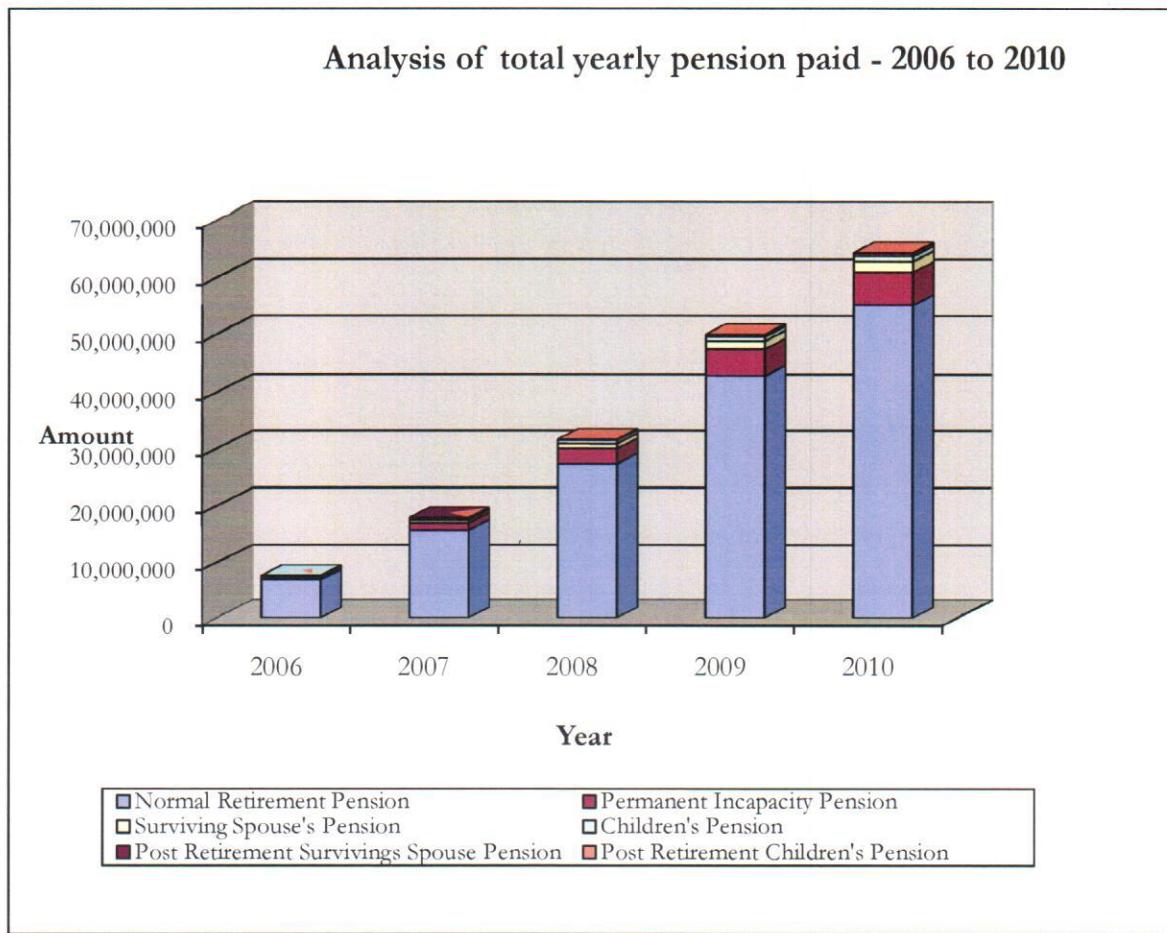


Figure 3

The Fund started paying Permanent Incapacity Pension from 2006. The number of beneficiaries increased gradually over the years and as at December 2010 there were 173 recipients benefiting from a monthly Permanent Incapacity benefit as per Figure 3. The graph further indicated that the Fund presently have more beneficiaries between the ages of 50 to 59 and only 25 or 14% beneficiaries under the age 49. This meant that those members at 55 years and older contributed more in their account to assist in financing their pension and are generally 10 years from opting to retirement at the age of 60.

**Figure 4**

Benefit Types	Years				
	2006	2007	2008	2009	2010
Normal Retirement	6,851,075.47	15,716,753.53	27,298,931.85	42,884,240.87	49,505,904.90
Permanent Incapacity	422,285.39	1,231,416.91	2,640,535.18	4,531,407.38	5,490,277.16
Surviving Spouse's Pension	181,368.89	476,960.41	903,417.40	1,370,407.38	1,882,740.32
Children's Pension	126,987.81	363,864.57	584,792.51	758,988.30	878,139.26
Post Retirement Surviving's Spouse	-	25,734.94	143,318.42	303,380.33	518,820.87
Post Retirement Children's Pension	-	-	13,186.40	42,292.59	53,304.00
Total	7,581,717.56	17,814,730.36	31,584,181.76	49,890,716.85	58,329,186.51

Figure 5

From 2006 the Fund started to pay monthly pensions and the amount paid had since then increased considerably over the years in view of new beneficiaries. From the table above Normal Retirement remained the most common benefit being paid in both number and pension amount.

6.7 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 up to December 2010 is shown below:

Year ending 31 st December	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
2008	32,174	32,629	20,725	52,476	1.13%	1,133
2009	30,166	31,821	23,613	53,779	2.48%	1,182
2010	33,371	32,925	21,975	57,689	7.66%	1371

Table 5

Members' funds as at 31 December 2010 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%	14.35%
2007	511,808.00	9.00%	224,057.00	2.35%	43.77%
2008	571,282.00	11.62%	113,530.00	0.49%	19.87%
2009	620,731.00	8.65%	219,620.00	0.93%	35.38
2010	664,331.00	7.02%	1,391,275.00*	5.81%	0.21%

* The allocation is in progress and should be completed by 30th June 2011

Table 6**6.8 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 are sent to their respective home addresses. Statements of accounts for the year 2010 would be released in April 2011 and all enquiries arising thereof would be dealt with accordingly. Members would be requested to verify and ensure that their contributions and balances on their statements are in order. In case of any discrepancy or any clarification they would be advised to contact the Marketing and Promotion Section of the Fund. As part of our service improvement members should be able to obtain a statement of his or her account at any time upon request.

With the development of the web portal in May 2011 members will be able to view their statement of accounts on line.

6.9 Interest earned by members

In order to maintain the momentum for members to save for their retirement, interest rate payable on their accounts for the year 2010 was fixed at 4%. When comparing the current rate of interest on savings at 2%, the Fund's interest rate is attractive to members to plan and save for retirement through a monthly voluntary contribution into their individual account with the Fund.

The rate of interest would be reviewed at the end of the year following an assessment of the Fund's investment income.

6.10 Contributions

The integral part of the pension reform under the Seychelles Pension Fund Act 2005 is aimed at ensuring that all workers enjoy on retirement, a pension as an earning replacement to enable them to live in basic comfort.

The Fund provides pensions on retirement, in case of disability, to qualified surviving spouses and children in case of death before retirement and in certain cases after retirement and dependants or heirs where the members do not have children or surviving spouse.

With the view of sustaining the Fund, it is essential that in line with the ongoing economic reform and the recommendation of the Actuary following the Actuarial evaluation of the Fund to move away from the current flat rate of contribution of SR50 per worker and SR50 by the employer for each worker, which is no longer in existence in any developing and developed countries.

Contributions to the Fund are made up of:-

a) Mandatory contribution

An employer is required to make a mandatory contribution of SR50 per month for any person working on a full time or part time basis. An employee should make a contribution of SR50 per month, which is deducted from his or her salary by the employer and remitted to the Seychelles Pension Fund. Self employed workers should make contribution of SR100 directly to the Fund. As from 1 January 2011 the rate of contribution will move from a flat rate to a percentage rate where employer will be required to make a mandatory contribution of 1% per month for any person working in full time or part time employment or SR50 whichever is the greater. An employee will be required to make a contribution of 1% per month or SR50 whichever is the greater which will be deducted from his or her salary. Self-employed persons will be making a contribution of 2% of the declared gross salary or SR100 whichever is the greater.

There is a surcharge of 5% for unpaid contribution calculated to the next higher rupee or a sum of SR10 per month whichever is the higher. This is after the expiry of the time limit of 21 days of the following month in order to effect payment.

(b) Voluntary contribution

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

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

Contribution payments for the years 1995 to December 2010 are shown below

Contributions Received					
Year	Compulsory		Voluntary	Total	
	Employer Sr.'000'	Employee Sr.'000'	Employer Sr.'000'	Employee Sr.'000'	Sr.'000'
1995	13,478	-	1	234	13,713
1996	12,790	-	4	550	13,344
1997	14,207	-	1	461	14,669
1998	14,828	6,946	24	496	22,294
1999	15,044	7,536	21	664	23,265
2000	15,609	7,654	25	560	23,848
2001	16,126	7,936	31	640	24,733
2002	16,160	8,163	29	841	25,193
2003	16,048	8,740	76	851	25,715
2004	16,485	8,224	24	963	25,696
2005	17,295	8,674	17	992	26,977
2006	19,770	9,773	114	1,793	31,450
2007	19,860	9,920	571	2,091	32,443
2008	20,823	20,626	1,351	3,147	45,947
2009	19,394	19,358	1,742	2,861	43,355
2010	21,056	21,072	1,743	3,458	47,329

Table 7**(c) Members Contributions**

As can be seen in the table below total contributions credited to members' accounts for the year 2010 was 9.0% higher than last year.

With economic growth during the year 2010, there may be more people in employment which might explain the increase in compulsory contribution compared to last year's figures.

	2009 Y.T.D.	Budget 2010Y.T.D.	2010 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	19.394	21.769	21.056	-3.275%	8.570%
Employee Compulsory Contribution					
Employer Voluntary Contribution	19.358	21.664	21.072	-2.733%	8.854%
Employee Voluntary Contribution					
Total Contributions Collected	43.355	48.679	47.329	-2.773%	9.166%

Table 8

7. ACTUAL EVALUATION OF THE FUND

The last actuarial evaluation of the Fund was completed in September 2009 with the purpose of providing an independent opinion on the medium and long term sustainability of the Fund.

The Actuary expressed concerns about the financial viability of the Fund. One of the concerns raised was that the existing contribution would not sustain the Fund in the medium/long term. The proposal was to move from a flat rate of contribution to a percentage of salary. The total contribution proposed was 5.5% of the combined employee/employer contribution. The table below showed the proposed pension contribution.

	Current Contribution	Proposed Contribution	Notes
Actuary's Proposition	2.4% of Salary (SR100)	Increase to 3.5% of Salary	Supplementation from SSF
SPF Proposition	2.4% of Salary (SR100)	5.5% of Salary	

After careful consideration the government decided to change the flat rate of contribution of SR50 for employer and SR50 for employee to a percentage of salary of 1% for employee, 1% for employer and 1% for government which will become effective from 1 January 2011. The government agreed in the meantime to contribute 1% of gross earning to make up for the 3% contribution announced in the 2010 budget until 2011 when the combined employer and employee contributions will be brought to 3%.

The Fund and the Board of Trustees strongly felt that the right percentage of contribution should be 5.5% in order to sustain the Fund in the long term. Hence, they urged the government to reconsider its decision.

8. INVESTMENT

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.

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 Fund invested in bank deposits, treasury bills, treasury bonds, and shares, commercial, residential and industrial properties to ensure that the best return could reasonably be obtained.

8.1 Investment as a second source of Finance to Pension Contribution

The investments are aimed to assist in sustaining the Fund, by paying pensions and other benefits and pay interests on voluntary contribution. The Fund has to maximize its return on investment to ensure that pensions can be sustained and the required funds are available to pay pension when due.

Income on investment is the second source of finance after pension contributions and account for 55% of the total income of the Fund as at December 2010. (48% in December 2009)

8.2 Investment Programme

The Fund identified that investment in property development yielded the highest return of between 7% and 14%. Early in 2006, the Fund embarked on an ambitious Investment Programme. The Fund purchased or took leasehold titles on a number of properties for development with a view of maximizing its return as well as assisting in the development of the country by providing much needed commercial spaces and office accommodation.

The Investment Section is responsible to evaluate and monitor investment projects working in close collaboration with other Sections particularly the Project Management and Property Management Sections which responsibilities are to assist in the conceptualization, design, implementation, supervision of the Fund's Projects and property management.

Current Situation

Following the macro economic reform in October 2008, construction costs increased considerably. The Fund's ongoing projects principally the Grand Anse Praslin Phase 2 and La Digue commercial building at that time were greatly affected in terms of increased costs and decreasing demand. To make the rent affordable the Fund was obliged to reduce the rate of return on these properties by reviewing its payback period.

At the writing of the report the Fund is pleased to report on the progress of the following projects:

8.3 Ongoing Investment Projects 2011

1) Central Victoria Business & Commercial Centre (Phase IB)

A multi-storey complex with a total area of 8580sq meters comprising of offices, shops, a restaurant and other commercial facilities for the local businesses. The project is in progress. It is now in the foundation stage and all the substructures are expected to be completed in March 2011. The project is expected to be completed in April 2012 and handed over in May 2012. The estimated cost of the project is SR150.4 million. There will be approximately 105 units available for rental upon completion of the project to cater for office accommodation as well as business premises.

2) Commercial Development - Ex Moulinie, Albert Street, Victoria.

The ground plus three storey building with a total floor area of 1,663sq meters comprising of offices and shops for local businesses. The project is still in the design stages and is expected to go on tender, and construction is expected to start in July 2011.

8.4 Project Management

The Fund has a small project management team consisting of a Project Manager and Project Officer. The project team is responsible for planning and executing of the Fund's investment building project tasks. The Project Manager is the person responsible for ensuring that the project team completes the project. The Project Manager develops the project plan in consultation with the respective project consultants.

At the writing of the report the Fund is pleased to report the completion of the following projects:

1) Commercial Development Office Accommodation and Cinema Phase II – (Grand Anse Praslin)

This project was conceived to provide facilities such as a court house, a modern cinema, business premises and other important facilities on Praslin. It comprises of a total area of 2,026sq meters. The official opening of the building was on 21 May 2010..

2) Commercial Building Project La Passe (La Digue)

A Commercial Building with a traditional touch designed to provide modern facilities for local businesses on La Digue. The project offers much needed space for shops, offices and other commercial services providers. The project which started in October 2008 was completed in June 2010 and was officially opened for business on 25 June 2010. The cost of the project was SR15 million.

3) Warehouse Project (Providence Industrial Estate)

The project created the much needed storage space for local businesses and companies. The total rentable area for the project is 2353sq meters and it costs amounted to SR31 million. The building was completed in May 2010 at 100% occupancy rate.

8.5 Investment Performance

The Fund's investments for the year 2010 showed a very good performance.

There was a decrease of SR15,020,610.00 in the total income received for the year 2010 compared to the same period in 2009. The interest rates on securities and deposit which doubled at the start of the year 2009 and provided the maximum return was reduced by half in 2010 hence, having an adverse effect on interest received. Income from Property and dividend from shares increased favorably by SR4.9 and SR3.6 million respectively.

The Investment Income as at the 31 December 2010 relative to the same period in 2008 and 2009 is shown in the table below.

Revenue (in SR)	2007	2008	2009	2010
Interest Income	22,216,468	21,270,000	46,023,055.00	22,465,548.00
Rental Income (Property)	8,177,303	13,820,000	16,956,599.00	21,850,278.00
Dividend Received	7,918,077	8,530,000	8,852,846.00	12,496,064.00
Total Income from Investment	38,311,848	43,620,000	71,832,500.00	56,811,890.00

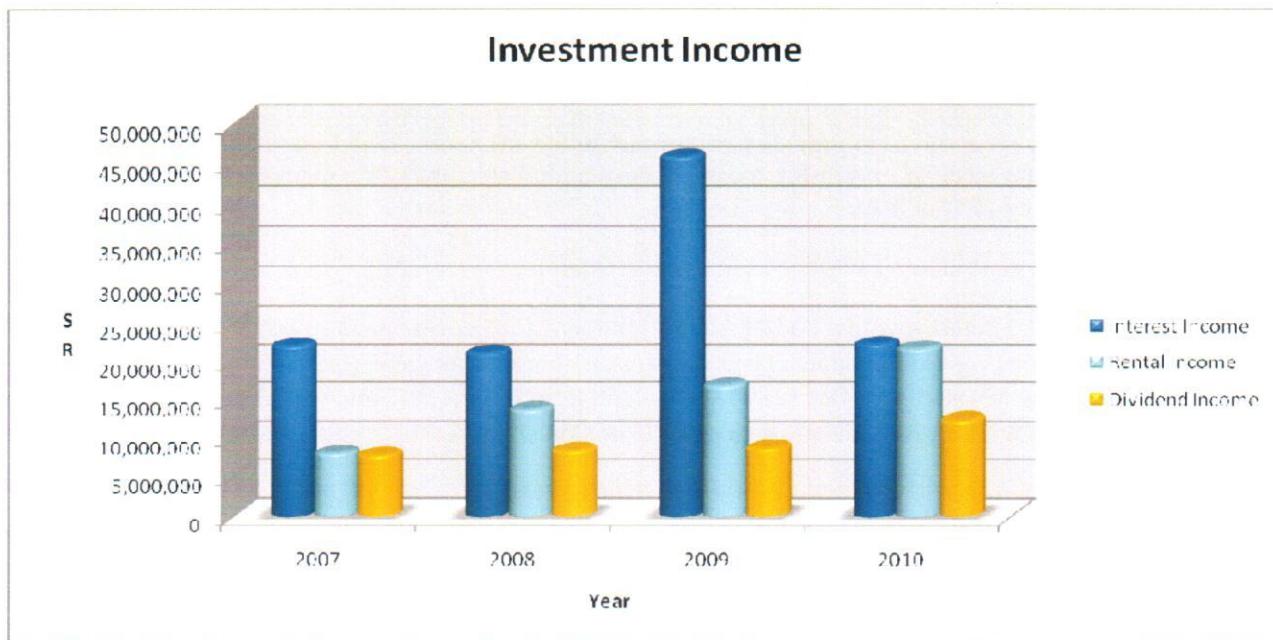
Table 9

Note:

The total income for the year 2010 was above the budgeted Investment Income (Rs 53,193,221) by SR 3,618,669.00

The comparison of income for the years 2007 to 2010 is appended below.

The comparison of income for the years 2007 to 2010 is appended below.

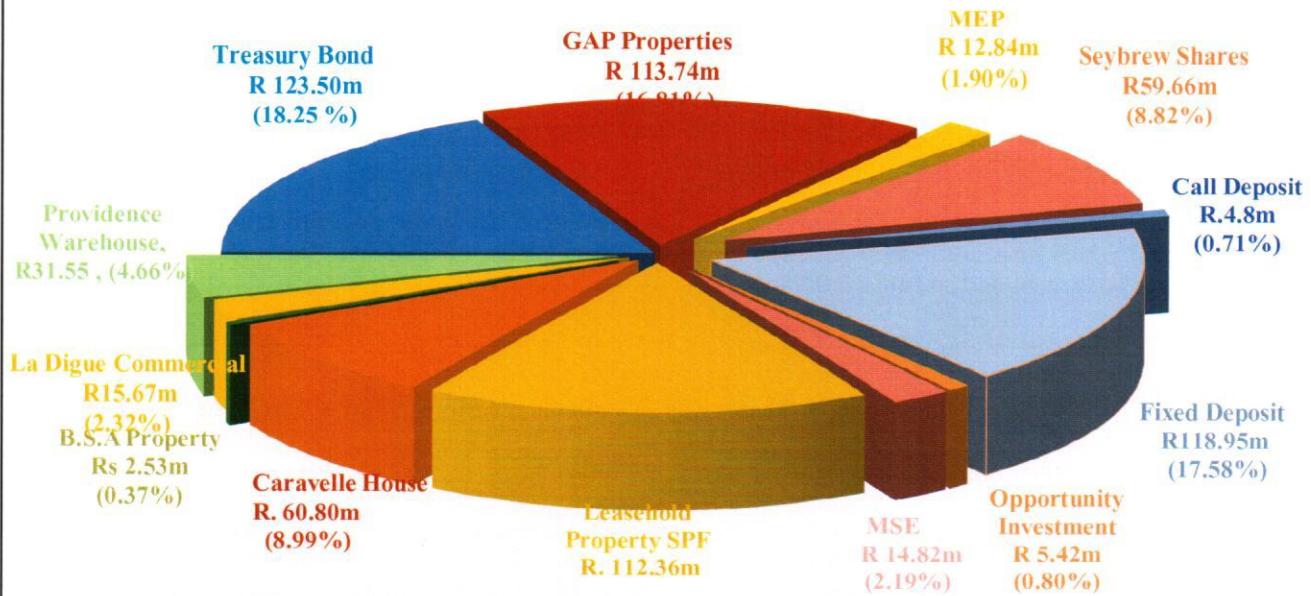
**Figure 3**

Year ending 31 December	Income on investment (SR000's)	Return on members Account (SR000)	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%
2008	43,983.00	30,514.00	7.81%	6.00%
2009	71,804.00	29,446.00	8.55%	5.00%
2010	56,812.00	26,382.00	9.49%	4.00%

Table 10

8.6 The Investment Portfolio

Seychelles Pension Fund Investment Portfolio up to 31 December 2010



Government Securities	R. 123.50m	18 %
Commercial Banks	R. 123.75 m	18 %
Share Investments	R. 79.91 m	12%
Property	R.349.49 m	52%

- Treasury Bond
- SPF Properties Grand Anse Praslin
- Micro Enterprise Project
- Seybrew shares
- Call Deposit at Commercial Banks
- Fixed Deposit with Commercial Banks
- SPF Investment in Opportunity Inv Co Ltd
- SPF Shares in Mauritius Stock Exchg.
- Leasehold of Property by SPF
- Caravelle House
- SPF Properties Baie Ste Anne Praslin
- La Digue Commercial Building
- Providence Warehouse

Note: The Investment Portfolio has been prepared using book cost.

The investment portfolio of the Fund comprised of:

(I) **Government Securities** in the form of Treasury Bonds represented 18% of the investment portfolio (SR 123,500,000)

Treasury bonds are less risky and offer a higher interest rate which is more appropriate. The Pension Fund welcomes investment in bonds as it is a safer with a relatively good return. Return on government bonds to the Pension Fund is at present is at an average of 7.5% for the year 2010. This rate of return is still good for a risk free investment. Unfortunately, currently there are no treasury bonds available for the funds to invest in.

(ii) Bank Deposits with Commercial Banks

Investment in call Deposits Account- **SR 4,801,608.98** and Fixed Deposit Account **SR118,953,358.38** accounted for 18% of the investment portfolio.

Bank deposits are relatively safe as the return is guaranteed. However, presently a low rate of interests is paid which does not help to meet the long term sustainability of the Fund. The highest rate of interests offered by commercial banks is 3%.

(iii) Share Investments

The Fund's investment portfolio in shares was 12% of total investment. (SR79.91 million)

- (a) 3,314,606 SEYBREW shares at the cost **SR 59.7 million**
- (b) State Assurance Co Ltd SACOS by Opportunity Investment Company (**74,292 shares**) - valued at **SR10,623,756/-** Opportunity Investment Company is a joint venture (investment vehicle) in which Seychelles Pension Fund holds 51% shares and SWAN International Co. Ltd of Mauritius holds 49%.

The return on investments in shares for the year 2010 was remarkable at 18% and 22% for Seybrew and SACOS respectively.

- (c) Investment on the Mauritius Stock Exchange **SR16,136,622.12** (Mkt Value)

The return on investment on the Mauritian stock exchange averaged to 4.7% per annum. This investment was initiated in April 2007 to provide the Fund with much needed foreign exchange for its operations as there was a shortage at that time. This came about as a result of the back to back loan with Swan Investment Company. The market value as at December 2010 relative to the book value of the Fund's investment on the Mauritian Stock Exchange resulted in unrealized gain of 27.64%.

The Fund has been working closely with the investment portfolio managers with a view to increase the return on our current investment.

(d) Property

Investment in Property is currently 52% of the investment portfolio (SR349.49 million). The Fund had already surpassed the ceiling of 50% in property. Property at affordable rent can be a safe and profitable investment. With the highest return opportunity ranging from 7% to 14%. Investment in property provides income for the long-term; therefore, it remained an important investment vehicle.

The income from property has been significant at SR21.85million for the year 2010 and with increases in property this is expected to be considerable. This represents 38% of the total income from investment.

8.7 Investment Return on Properties

The return on investment was calculated on an annual basis. The Pension complex Phase 2 and La Digue commercial building became operational in mid year and the annual return on both properties was expected to be 7%. Providence Warehouse became operational on 1 May 2010 and the yearly return was expected to be 9%. The table below showed the return on investment for the year 2010.

Properties	Rate of Return
Caravelle House	7.43%
Pirates Arms Complex	14.25%
Huteau Lane Complex	9.14%
Port Glaud Craft Village	8.40%
Providence Micro Enterprise Project	11.58%
Ex - Bistoquet Building Baie Ste Anne Praslin	10.82%
Eve Island Enterprise	9.81%
Pension Complex Phase 1	5.46%*

* The rent is being reviewed upon expiration of lease agreements to increase the rate of return on this investment.

8.8 Investment Plan

The Fund has issued its investment plan for the year 2011 to 2015 with a long-term vision to generate sufficient income to pay pension. The proposal is for the Fund to proceed with development concepts as soon as possible in respect of the following projects.

Residential Development - Apartments North East Pointe Mahe	2012
Residential Development - Apartments Praslin	2013
Pirates Arms Complex - Re-Development	2013
Huteau Lane Complex - Re-Development	2015

The Fund has agreed to undertake also further investment in SACOS if the Government of Seychelles decides to sell its shares provided that the expected return is greater than 11%.

The Fund also aims to extend its investment in less risky assets such as Treasury bonds.

9 PROPERTY MANAGEMENT

During 2010, the emphasis had continued to be placed on ensuring the efficient and effective management of the Fund's properties. This was necessary to ensure a good return on the Fund's investment in property, reducing maintenance costs and repairs and ensuring customer/tenant's satisfaction. The most pertinent issues throughout the year were mainly linked to the plans and targets set for 2010; namely attaining 100% occupancy, efficient collection of rent, service delivery, security and safety and maintenance and repairs. By the end of the first half of the year 3 new buildings were completed and occupied by a wide range of businesses. Attaining 100% occupancy for these premises was essential to assist in earning maximum return on the new investments.

9.1 Occupancy Rate

Ensuring 100% occupancy for all of the Fund's properties remained crucial to assist in achieving maximum return on the investments. As indicated in Figure 1, 100 % occupancy was maintained for majority of the Fund's properties except for La Passe Pension House & Phase 1 of the Pension Complex. The difficulty in achieving 100% occupancy for these two premises in particular persisted throughout the year. These were mainly due to the low business turnover and the unavailability of disposal income/buying power by residents to sustain certain businesses.

In 2010, 9 tenants terminated the lease agreement for premises in Phase 1 (Refer to Figure 2) compared to 8 tenants in 2009. Prior to the opening of the La Passe Pension House, occupancy rate for this building looked promising but as at 31 December 2010, 3 premises were vacant (compared to 1 when the premises became operational). The priority was to find suitable tenants for the vacant premises and maintain a waiting list in case any of the existing tenants terminate their lease agreement.

Figure 1: Occupancy rate of SPF Properties as at 31st December 2010

No	Building Name	Location	Occupancy Rate %
1	Huteau Lane Complex	Victoria	100
2	Pirates Arms Complex	Victoria	100
3	Office Building Caravelle House	Victoria	100
4	Ex Bistoquet Building	Baie Ste Anne Praslin	100
5	Craft Village	Port Glaud	100*
6	Workshop	Providence Industrial Estate	100
7	Land Transport Building	Victoria	100
8	Providence Warehouse	Providence	100
9	Pension Complex (Phase 1) (inclusive of residential apartments-excluding SPF store)	Grand Anse Praslin	95.35
10	Pension Complex Phase 2	Grand Anse Praslin	100
11	Eve Island Enterprise	Eve Island Praslin	100
12	La Passe Pension House (excluding SPF Office)	La Digue	79*

- Note that at the time of the issue of the report occupancy rate of the La Passe Pension House has been increased to 100%.

Figure 2: Number of Lease renewed or terminated as at 31 December 2010

No	Building Name	No of Lease Renewed	No of Lease Terminated
1	Huteau Lane Complex	7	0
2	Pirates Arms Complex	0	0
3	Office Building-Caravelle House	1	0
4	Ex Bistoquet Building	2	0
5	Port Glaud Craft Village	0	0
6	Providence Workshop	0	0
7	Land Transport Building	0	0
8	Providence Warehouse	0	3
9	Pension Complex (Phase 1) (inclusive of residential apartments)	0	9
10	Pension Complex (Phase 2)	0	0
11	Eve Island Micro Enterprise Building	1	1
12	La Passe Pension House	0	2
TOTAL		11	15

9.2 Efficient collection of rent

The collection of rent remained one of the priority areas. Emphasis for the year 2010 was to ensure that tenants pay their rent on time. In general, majority of tenants pay their rent on time and for those who did not pay, notice was served upon them to vacate the premises.

However, the current target is that no tenants should be allowed to be in arrears with the payment of rent by more than one month.

9.3 Service Delivery & Property/Facilities Management

A number of maintenance requests were recorded and promptly attended to where possible. At the same time every attempt was made to control property maintenance cost but this was not always possible depending on the nature of work required. On certain premises, major unforeseen situation occurred and required remedial action.

In general as expected that there was a significant increase in Property Management expenses in 2010 compared to 2009. In 2009, property expenses amounted to SR 2,158,573 whereas expenses for 2010 stood at **SR4,082,238.00**. This was largely due to cost of services in respect of the new properties such as security protection, upkeep, insurance, electricity and water etc. However, such cost was offset by service charge.

It was observed that staff were becoming more aware and alert in the discharge of their duties. Additional staffs were employed to assist with the day to day running of the new premises. Regular visits by the office staff to the premises were undertaken to ensure that tenants did not breach the conditions of the lease agreement.

9.4 Security & Safety

More emphasis was placed on ensuring the safety of premises, and security personnel/ contractors were urged at all times to be more vigilant especially during the night shift.

9.5 Possible Expansion of Property Portfolio

Throughout 2010, the Fund tried to find a suitable property not exceeding 5000sqm, for the construction of residential apartments, targeting middle income professionals, graduates and hotel management staff. The Fund has been very cautious in its decision making process to ensure the purchase of a property suitable to the development. As at 31st December 2010 negotiation had not been finalized.

9.6 Preparation of pre-allocation of Ex-Unity House premises

In 2010, focus was also shifted on finalizing guidelines for allocation of premises in the Ex-Unity House development which is expected to be completed in June/July 2012. The guidelines were approved by the Board.

9.7 Rent Review

In order to guarantee a good return on its investment, towards the end of the year an extensive exercise was undertaken in collaboration with the Investment Section to review the rent of premises which were due to expire during this period onwards. The increase ranged between 3% and 15% and each lease was assessed on an individual basis. In general, the response from tenants was understandable regardless of the increase. The rent offered by SPF is still good when compared to the rent set by other landlords.

10 MARKETING AND PROMOTION

The year 2010 saw the completion of the most real estate investments within one year. The Providence Warehouse, Pension Complex phase 2, Conferencing facilities and Cinema on Praslin and the La Passe Pension House on La Digue were completed during the first half of this year.

With the scheduled completion of those various projects, the overall marketing objective for this year was to improve our business performance from both the voluntary contribution and rent of premises through re-enforcing on our strength and opportunities through show-casing Seychelles Pension Fund as a financially stronger and reliable organization that members can trust to invest in for their future.

The following marketing tactics were designed to promote the Fund and its products:-

10.1 Public Relation Activities

1.1 Information Management

The strategy

Be proactive in channeling prompt and efficient information to target groups as changes occur and reduce service gaps to improve public confidence. Demonstrate public support for National events and events of sentimental importance for the Nation as a whole.

Marketing Tactics

Employ mass media in the shape of television, radio and newspaper advertisements. Incorporate new media in the shape of e-mails/e-newsletter and maximize opportunities from trade exhibitions.

Tasks undertaken

Television, Radio, newspaper, personal and promotional contacts of the release of:

1.1a- Seychelles Pension Fund - listening to you TV advert - Promoted our open door policy. Informed and generated interest for target market to pursue with mandatory/voluntary contribution as per provision in the Fund's regulations to enhance qualification for our benefits.

1.1b -Statement of Account 2009 - Released in April-May 2010 to further sensitize members of the need to keep track of development pertaining to their records and at the same time further incorporate voluntary contribution. Incorporate new IT based system to streamline in-house process of sorting out and more efficient distribution of statement thus, attending more readily to queries on statement and fast track response to clients.

1.1c - Naming competition - As established with our real estate investments, members of the Fund were encouraged to participate thus, feel part of those projects on their island. A naming competition was launched earlier this year targeting La Digue workers. A total of 18 proposals were received and the eventual winners with a joint name of "La Digue Pension House".

1.1d - Conference room advertising - Created awareness of new facilities including newly built cinema and conference on Praslin to both national and international target groups. For the latter the SHTA e-newsletter was employed for the second 6 months of the year to create awareness amongst the international tourist bureaus.

1.2 Trade Exhibition

The strategy

In order to expand our brand visibility and bring our services closer to target markets we embarked on the National day exhibition show that was held from the 18 to 20 June 2010.

Tasks undertaken

Emphasis was placed on two main services that needed more public exposure, Benefit/regulations and Compliance/coverage. Promotional displays around the two issues were developed to complement the event.

10.2 Personal Selling

The strategy

To continue improving the method used over the years by incorporating e-marketing strategies.

Tasks Undertaken

Developed a marketing plan to deal with queries and provide information on voluntary contribution to enhance its adoption. Main tools of communication were through telephone, personal contacts, meetings and e-mail where applicable

10.3 In-House Training

The strategy

With the imminent change with regards to handling of compliance functions by the Seychelles Revenue Commission (SRC), it was important that their staff were given an in-depth understanding of the Fund's operations, which should in turn enable them to maintain the standard that the tasks entail.

Tasks Undertaken

An overview of the Marketing and Promotion of the Fund, focusing on the following areas:

1. Necessity to prepare early for retirement
2. Investments of the Fund
3. Necessity to invest for retirement
4. Voluntary contribution

10.4 Press features

The strategy

The main strategy of employing newspaper advertisement was to keep the Pension Fund brand circulating.

Tasks Undertaken

- Advertised of Office space in Pension Complex phase 1 and 2, La Passe Pension House, Providence Warehousing
- Promoted the release of members statement of account 2009
- Promoted the Fund through its information stall at National show on the occasion of the National Day celebration
- Promotional advertisement in SIB business directory
- Promotional advertisement in Telephone Directory 2009/2010
- Promoted changes effected to the Fund's regulations
- Promoted the new cinema and conference facilities on Praslin

10.5 Promotional Meetings

The strategy

The main strategy was to maximize exposure to large target groups in informal settings to develop sales of mandatory and/or voluntary on a knowledge based environment.

10.6 Promoting real estate investments 2010

The strategy

Implemented a comprehensive promotional strategy synergizing marketing tools to provide overnight awareness of the three (3) completed real estate investment of the Fund, namely the Providence Warehouse facilities, the Pension Complex phase 2 and the La Passe Pension House hence, facilitating sales of the few remaining empty areas as well as build up our name as an influencing stakeholder in the field of real estate investments locally.

Task Undertaken

- ❖ Prepared and implemented opening ceremonies show-casing the different attributes of the Pension Complex phase 2 and La Passe Pension House.
- ❖ Prepared marketing plan for promotion and sales of Pension Complex conferencing facilities, which involves promotional videos for both TV and on-line promotion, direct mailing to Ministries, parastatal bodies as well as international organization based in Seychelles.

10.7 Property Marketing

The strategy

Work jointly with Property Management Section to complete the sales of properties scheduled to be ready and opened by the end of the first half of 2010.

Tasks Undertaken

Prepared and approached prospective clients from Mahe, Praslin and La Digue including Government Offices.

10.8 Results

Property Marketing

Out of a total of 145 rentable properties only 2 on Praslin and 3 on La Digue were not occupied by the end of December 2010, representing 9.6% occupancy rate.

Voluntary contribution

As indicated in the half yearly report the general trend for the first half of 2010 showed a positive growth in total amount generated from voluntary contribution in comparison to all previous years. The targeted amount for the whole of 2010 stood at SR1,709,000.00 for employer voluntary contribution whilst employee voluntary contribution amounted to SR2,714,000.00.

By far 2010 was our strongest year in terms of employee voluntary contribution. Our figures for the first half of the year, employee voluntary contribution was slightly stronger than the second half of 2009 which was by then our strongest performance yet. This was even surpassed by the second half of 2010 performance which accelerated to provide an unprecedented 14% of total contribution since 2006. Overall employee contribution for 2010 attained 27.4% increase over and above the targeted amount of SR2,714,000.00 for 2010.

On the other hand employer's voluntary contribution saw a 2.2% increase on the targeted amount for the year.

By the end of the first half of the year payment of voluntary contribution was at 59% which accelerated at a decreasing rate for the second half of the year. This could have come about from a reduction in self employed continuing with their contribution or alternatively shortfall on contribution which may still be outstanding.

Whereas the employee voluntary contribution that stood at 60% of the targeted amount as at half year analysis continued to enjoy a steady increase in the second half of the year.

10.9 Remarks

As highlighted above, this report indicated some stark observations:

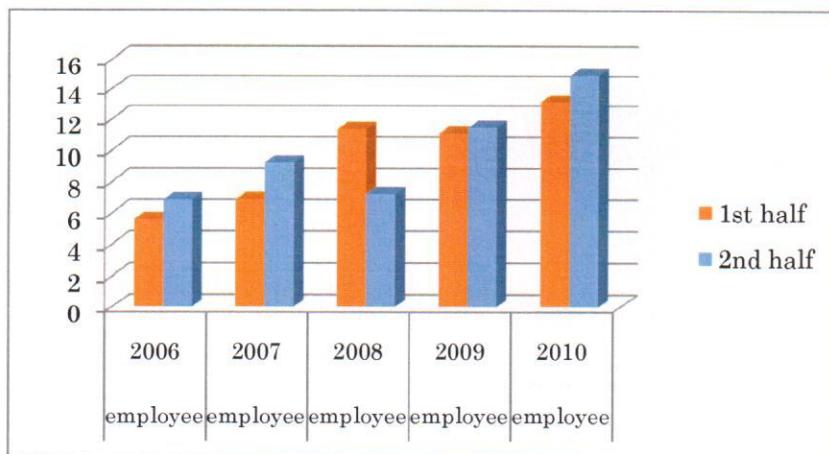
- Market for employee voluntary contribution kept expanding with a strong potential to increase further
- Members are continuously becoming more aware of retirement needs and preparing in terms of financial security
- Reduction in employers voluntary contribution albeit above target set indicated either that the market was saturated or more work needed to be done with self employed to maintain constant contribution
- Demands for property development especially on Mahe were at a premium and continued to be the case .However, performance on Praslin and La Digue was improving.

10.10 Summary

With the progress made so far there was, no doubt, an improvement in employees' voluntary contributions. With more emphasis placed on promotional materials. However, the database on. Self- employed needed to be reviewed to improve on contributions.

Table 1: Distribution of employers' and employees voluntary contribution trend from 2006 to 2010

Months	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010
	Employer's Voluntary Contribution	Employee's Voluntary Contribution								
January	725	109,905.52	24,820.18	161,787	78,396	204,885	133,137	266,368	180,514	276,778
February	925	106,041.41	25,135.18	154,795	86,766	219,411	131,458	208,851	152,784	204,548
March	1,550.00	117,306.36	5,725.00	196,047	94,768	268,430	148,625	257,418	185,703	298,562
April	13,937.28	166,025.15	21,456.00	105,847	98,849	270,849	145,028	242,664	170,381	255,492
May	675	122,929.25	2,525.00	158,640	112,834	227,093	137,311	186,369	151,666	311,456
June	425	156,250.19	24,738.10	168,305	109,109	207,032	152,611	202,255	165,047	270,577
July	15,157.21	139,722.08	46,672.40	174,499	135,016	267,427	148,564	218,699	186,344	295,849
August	14,963.74	169,595.57	74,024.10	178,368	132,325	201,937	168,874	236,745	134,570	285,639
September	16,800.21	153,874.20	77,616.34	178,102	135,613.46	225,226.28	153,138	248,373	70,931	302,365
October	8,510.87	167,490.59	78,849.22	215,103	131,541.90	632,588.41	157,939	231,666	156,259	326,604
November	19,887.19	146,495.96	75,031.58	214,634	115,789.73	192,448	177,047	251,555	113,741	287,642
December	20,500.60	176,638.51	114,591.90	185,293	120,428	227,375	169,883	222,895	74,348	342,392
TOTAL	114,057.10	1,732,274.79	571,185.00	2,091,426.77	1,351,434.00	2,286,887.00	1,823,615	2,773,858	1,742,688.	3,457,904
Total 1st half	18,237.8	778,457.88	104,369.46	954,423.70	579,879.00	1,397,700	848,170.00	1,363,925.00	1,006,095	1,617,413
Total year	114,057.10	1,732,274.79	571,185.00	2,091,426.77	1,351,434.00	2,286,887.00	1,823,615	2,773,858	1,742,688	3,457,908
Target					448,000	2,168,000	1,709,000	2,714,000.00	1,709,000	2,714,000
% achievement of target (above target)					201.65%	5.50%	6.7%	2.20%	2.2%	27.4%



Graph 1.

Distribution trend (%) in employee voluntary contribution for the years 2006 to 2010

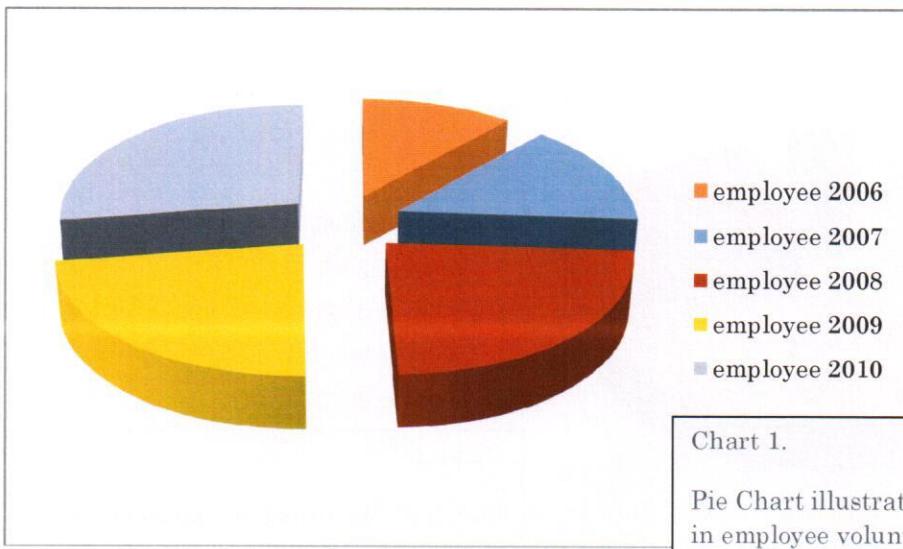
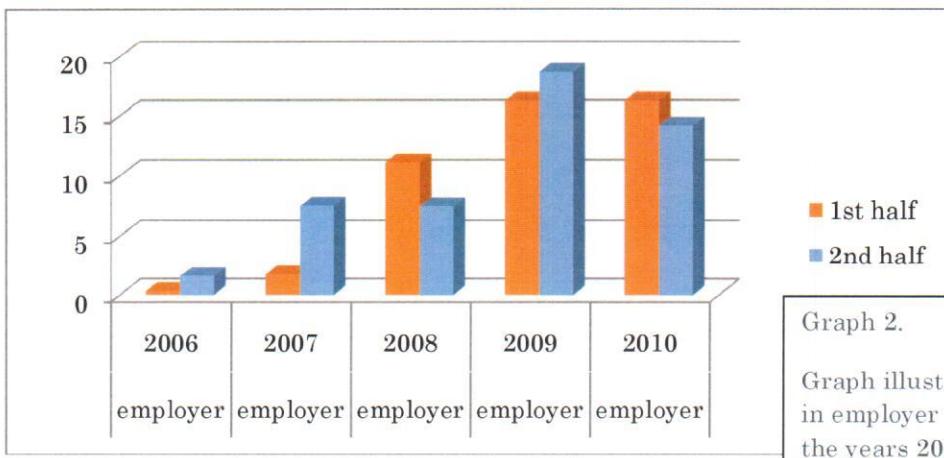


Chart 1.

Pie Chart illustrated annual trend (%) in employee voluntary contribution for the years 2006 to 2010



Graph 2.

Graph illustrated distribution trend (%) in employer voluntary contribution for the years 2006 to 2010

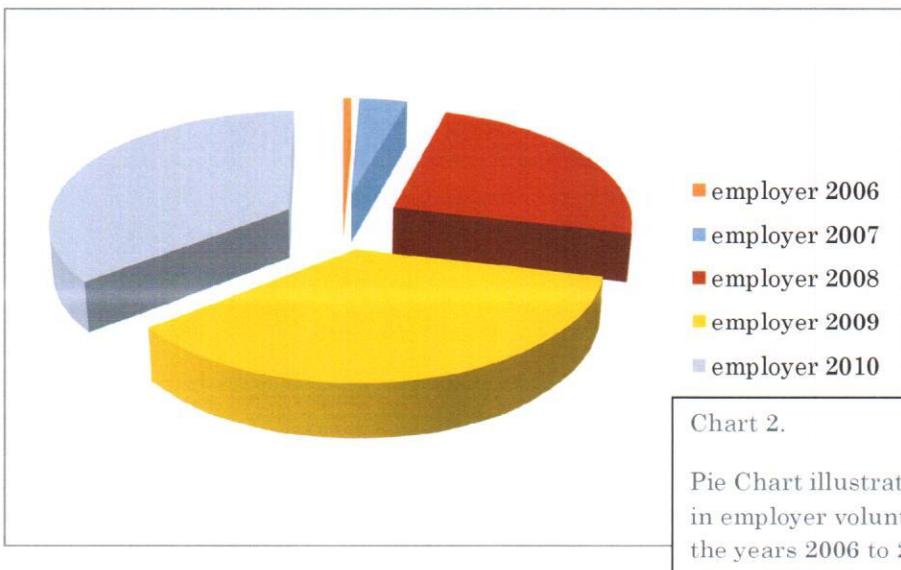


Chart 2.

Pie Chart illustrated annual trend (%) in employer voluntary contribution for the years 2006 to 2010

11 SYSTEM SUPPORT AND MANAGEMENT

The System Support and Management Section continued to be vital to the proper management of the Fund in carrying out the following tasks:-

11.1 i) Maintain an efficient computer system

The new Pension Programme went "live" on 1 June 2010 whereby the use of AS400 system ceased as the primary system. All data entries and extraction of reports are being done on the new system.

The whole project development, testing and training were implemented in October 2010.

Modification of the Pension Fund Management System was made late 2010 to cater for the change in payment of pension fund contribution, which moved from flat rate to a percentage base method. Preliminary tests were carried out to ensure the proper functioning of the modification. The newly modified programme was implemented and currently in use. It is expected to perform automatic allocation of the first month payment January 2011 on 7 March.

With a view to facilitate the preparation and availability of pension report and in collaboration with SPACE 95, the Fund has been looking into the possibility of distributing a free payroll programme to employers if they meet certain conditions. The Fund and SPACE 95 have already started on the discussions on condition that would be applied in the distribution of the free payroll. Necessary development/modification of SPACE 95 payroll has been completed. The next phase on the distribution of the payroll is to decide on the method of distribution and a date when this would start. It is also good to note that this should help the Fund in its daily operation as subscribers would have to submit payroll information to the Fund via an internet link.

As for the outsourcing of the contribution collection and compliance section, the Fund and the Seychelles Revenue Commission are working in close collaboration to implement the Pension Fund Management System at the "one stop shop" at Ocean Gate House building and on Praslin. Work has started on the implementation; however; there are still some major tasks that need to be completed as soon as possible in order for the Fund to continue running smoothly. No deadline has been set by Seychelles Revenue Commission in resolving issues such as network links between the three sites. To conclude on the outsourcing it is still an ongoing project.

The development of the web portal has started and is expected to be completed by the end of March and implemented early April 2011. Members and employers will be able to view their payment statement online with other details such as employment history and personal details. The portal would be accessible to members in need of that service. They would be issued a password and username to access and view their individual statement. The Fund would ensure that there is data integrity by setting up proper security policies.

11.2 Maintenance of equipments

Every effort was made to ensure the regular servicing and maintenance of all equipments and applied the principle of preventive maintenance. This is an ongoing process and the first maintenance was carried out in February.

11.3 Proper use of consumables and exercise of economy

Emphasis was placed on the need to reduce the cost of printing consumables. As prevention stock control cards were implemented to monitor the proper use of consumables.

11.4 Members' statement of account

Ensure the prompt and proper printing and issuing of members' statements of accounts. The printing of members' statements started in April and completed on the 5 May 2010.

11.5 Proper monitoring of the Pension Fund network

With proper monitoring the system hardware, operating systems, software systems, and related procedures operated effectively and to the Fund's requirement.

11.6 Perform daily system monitoring

The verification process was to assure the integrity and availability of all hardware, server resources, systems and key processes, reviewing system and application logs and verifying completion of scheduled jobs such as backup.

11.7 Perform daily backup operation as of the risk management policy

Ensure that all required file systems and system data were successfully backed up to the appropriate media, recovery tapes or disks are created, and media were sent off site as necessary. All scheduled backups were done promptly and kept in good condition at the Central Bank of Seychelles.

12 OPERATION

The Operation Section in the discharge of its responsibilities continued to focus on the prompt and proper allocation of members' mandatory and voluntary contribution to respective individual accounts. The process is automatic and accomplished monthly without delay or interruptions.

12.1 Posting/Updating of salary records

With the implementation of the new computer system the process was automated; however, input of salary record continued to be made manually until the implementation of the new payroll system.

12.2 Members' statements of accounts

In order to ensure the prompt updating of members' accounts every effort was made to meet the deadline of the 21st of each following month for the automatic run

It must be noted that considerable emphasis was placed on the improvement of 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 savings. In fact the distribution and delivery of statements was completed early in June 2010. Feedback and queries obtained were promptly attended to.

13 PRASLIN AND LA DIGUE

In its continuing effort to ensure and maintain a focal point on Praslin and La Digue to provide pension service to residents and promote the Fund, the Praslin's Office was very active. Members of the Fund continued to make enquiries regarding their benefits and applications for their entitlement. Employers on the two islands were able to pay their contributions there. The process of decentralization was obvious and La Digue was covered by visits twice a month until the setting up of a permanent presence there on 25 June 2010.

The Fund saw the realization of two of its important investment projects - the opening of the Pension Complex Phase II on 21 May 2010 and the La Digue Pension House on 25 June 2010. The opening of an

office on La Digue as part of the process of bringing services closer to the community should enable the Fund to deliver a higher level of service.

In close liaison with the Property Management Section considerable efforts were made to manage effectively the growing number of the Fund's properties on these two islands. At the moment the emphasis continued to be to maintain 100% tenancy rate through intensive marketing and ensure the proper maintenance of these properties and prompt collection of rent.

Importance is also being placed on the improvement of service delivery, motivate self-employed persons and small businesses to contribute for their retirement, encourage employers and workers to make voluntary contribution through the adoption of a matching scheme, collect promptly rent in the case of delay in making payment or non-payment.

The defaulter's rate on Praslin and La Digue was reduced to a period of two month's contributions with follow up mechanism already in place to avoid non-payment. However, with the uncertainty of the compliance functions as to whether it would be transferred to the Seychelles Revenue Commission it is too early to say whether the low defaulter's rate would be maintained. However, our Compliance Unit is closely watching development.

14 ADMINISTRATION AND HUMAN RESOURCES

The Office of Human Resources and Administration provides services and support to the Fund in ways that embrace the Fund's mission of innovation and excellence. It is committed to cultivating a superior service-oriented culture, the right staffing, supportive working environment, promoting ethical conduct strengthening the management capacity and ensuring proper staff development.

It has again strived to obtain better result this year in terms of efficiency and effectiveness.

14.1 Staffing

The Fund's outreach programme is to strengthen the workforce with qualified and committed individual. It has altogether thirteen sections and 61.5 % of its heads occupied key positions, have already obtained their first degree or professional qualification whilst some have already acquired their master more precisely in Finance and Investment or further relevant qualification. The Fund continued to attach great importance in ensuring that a sufficient pool of trained staff is available in order to meet its operational needs.

For 2010 recruitment was in line with the ongoing activities within the Fund and where staff left employment or new staff members were required internal staff members with the relevant background and good performance were selected to fill vacant posts whilst new staff was recruited to fill junior positions. Moreover, total staff count for 2010 is at 59 whilst that of 2009 was at 57, as a result of the outsourcing of the collection of pension contribution to the Seychelles Revenue Commission.

Staff turnover was minimal with only three staff members that ceased employment with the Fund.

14.2 Performance and Development Programmes

The Fund strived continuously to reinforce its human assets and capacity by providing adequate training opportunities to staff in accordance with its training and succession plan for the year 2010-2015.

In 2010 a percentage of 18.64% staff benefited from training both locally and internationally in the different areas namely Project Management, Finance, and Investment, Auditing, Supervisory Skills, Customer Care, workshops and seminars on Pension Fund Administration. Three of our middle managers are currently following post graduate (master's level) training

14.3 Performance Management

The Fund continued to explore and develop new mechanism that best fits the organisation's environment and culture in order to complement its level of efficiency and effectiveness. A lot of emphasis is placed on the following areas:

- a. Employees having a clear definition of the organisation's objectives
- b. Aligning organisational activities to the goals of the organisation
- c. Controlling cost system
- d. Open communication

The other performance management procedures in place included the constant reviewing of policies, plans and targets.

Complementing its effort to ensure proper guidelines and control the following documents are available.

- a. Customer Charter
- b. Best User Guide (Benefit)
- c. Code of Conduct (Ethics)
- d. Employee Handbook
- e. Strategic Plan
- f. Training (Succession) Plan

14.4 Providing a supportive environment and promoting ethical conduct

The Fund continued to attach great importance in promoting internal cohesion thus, creating the ideal working environment whereby staff members would be able to contribute to the positive growth of the Fund.

The Fund has again renewed its commitment in ensuring the right working environment is maintained which contributes to the advantage of the Fund.

14.5 Administration

Alongside the Human Resources function, the Office ensured that the appropriate administrative support was provided at all times.

With the increase in activities the Office positioned itself to be more innovative in order to cope with the ever changing environment.

With the collaborative effort of all the staff members and other parties, the objectives of the plans and targets for the year were duly attained.

15 COMPLIANCE

The vision of the Fund is to achieve self compliance from its contributors. Its mission is to continue to ensure timely collection of contributions.

The plans and targets for the year 2010 focused on promoting voluntary compliance among employers, detecting un-registered employers, collecting contribution arrears and surcharges as well as educating employers to guide them towards their responsibilities under the Seychelles Pension Fund Act.

The Government of Seychelles enacted legislation, the Seychelles Revenue Commission Act 2009 that required and authorized the Seychelles Revenue Commission (SRC) to collect pension fund contributions as part of the "one stop shop" principle in order to achieve synergies for both government and clients..

Therefore, in September 2010 the Compliance Manager and three compliance officers were transferred to SRC and a small monitoring unit of the Fund was established as a back-up support in view of the risk involved the case of evasion and to ensure continuity. Its roles are:

- To provide support to the Seychelles Revenue Commission to enable the effective collection of pension contributions and daily remittance to the Fund.
- Encourage self-employed persons to make pension contribution to qualify for a pension.
- Follow-up on referral cases received from Benefit Section.

Given that the compliance functions were not fully outsourced to Seychelles Revenue Commission, it remained the responsibility of Compliance Monitoring Section to discharge those responsibilities. However, from 1 January 2011 the functions would effectively be outsourced to the Seychelles Revenue Commission.

15.1 Detection of un-registered Employers

Prior to 2010 measures undertaken to ensure compliance of the Seychelles Pension Fund Act 2005, in terms of collection of contributions depended much on information obtained from various bodies. However, since the beginning of the year 2010 more impetus was added with the transfer of a compliance officer at the Advisory Center/One Stop Shop at Oceangate House. The presence of the officer at the centre was fruitful as it facilitated timely registration with the Seychelles Revenue Commission and the Seychelles Pension Fund in one location. Therefore, the advantage was that it reduced the number of un-registered employers. Carrying out spot checks were indeed fruitful to detect employers and to get them to pay their share of contribution.

15.2 Statistical indicators for new registrations of employers/self-employed person

The number of new registration with Seychelles Pension Fund in terms of employers, self-employed/other persons along with the number of workers being employed at the time of registration are shown in the table below with a separate column for 2009 figures for comparison.

Months	Employers		Self Employed/Others		Workers	
	2010	2009	2010	2009	2010	2009
January	31	32	40	38	140	43
February	69	33	11	29	488	149
March	30	27	12	20	81	73
April	24	31	15	13	60	192
May	36	32	8	19	201	59
June	31	33	8	20	116	65
July	29	57	11	17	162	57
August	48	41	3	11	241	189
September	49	34	2	22	87	40
October	21	17	8	20	33	39
November	32	27	0	10	69	77
December	19	17	3	11	20	91
Totals	419	381	121	230	1'698	1'074

Table 1

While registration of workers and employers had continued to increase emphasis should be placed on the necessity to improve registration of self employed persons in order to extend pension coverage to more of such category of workers

15.3 Achievement of the default rate as per target

The target set for defaulter's rate remained a big challenge. The target was maintained at 3% of the number of active employers on system for one month arrears and for two month's arrears or more it remained at 2%. Performance for the period recorded showed defaulters were at 5%, representing 2% below the target in the case of one month arrears and this followed the trend of the previous year and majority of the 2% were self-employed persons. In the case of two months or more arrears performance had been estimated at 4% which represented 2% below target.

15.4 Recovery of unpaid contributions

Compliance Officers continued to carry out follow-up action as part of their routine duties in cases where compulsory contribution remained un-paid after the due dates. However, time spent on follow up action was reduced after majority of the compliance officers moved to Seychelles Revenue Commission.

A total of one hundred and ten assessments cases were made against employers in default of contributions and surcharges for the year in the sum of SR749, 230.00 in contributions and SR234, 738.00 in surcharges. There was a balance of SR466,428.00* outstanding as at 31 December 2010, which comprised of SR50,774 contribution and SR230,273 surcharges outstanding from previous years (2006/2009) and SR98,864.00 contribution and SR86,517.00 surcharges raised in 2010.*

Every effort is being made to recover outstanding balance of which 49.3% is surcharge and deal with amount that is irrecoverable in view that businesses had ceased to exist.

* The sum of SR127,727 has since been collected

Arrears of contributions and surcharges assessed and recovered from January to June 2010

Months	Number of defaulters	c/d	Contribution	Surcharge	Totals	Paid	Balance
Year 2009 balance b/fwd			107,299.00	333,066.00	440,365.00		440,365.00
January	31	440,365.00	131,975.00	31,171.00	603,511.00	113,735.00	489,776.00
February	28	489,776.00	64,550.00	33,617.00	587,943.00	82,759.00	505,184.00
March	29	505,184.00	101,650.00	16,400.00	623,234.00	102,740.00	520,494.00
April	27	520,494.00	107,375.00	29,620.00	657,489.00	109,925.00	547,564.00
May	35	547,564.00	79,075.00	14,755.00	641,394.00	107,960.00	533,434.00
June	30	533,434.00	56,700.00	26,805.00	616,939.00	86,660.00	530,279.00
July	30	530,279.00	28,925.00	22,110.00	581,314.00	33,422.00	547,892.00
August	30	547,892.00	29,000.00	27,655.00	604,547.00	59,193.00	545,354.00
September	16	545,354.00	44,500.00	13,715.00	603,569.00	61,380.00	542,189.00
October	26	542,189.00	34,050.00	8,000.00	584,239.00	74,955.00	509,284.00
November	13	509,284.00	23,700.00	3,325.00	536,309.00	41,970.00	494,339.00
December	15	494,339.00	47,730.00	7,565.00	549,634.00	83,206.00	466,428.00
TOTAL	310		856,529.00	567,804.00	1,424,333.00	957,905.00	466,428.00

Below contribution and surcharges assessed and recovered as illustrated

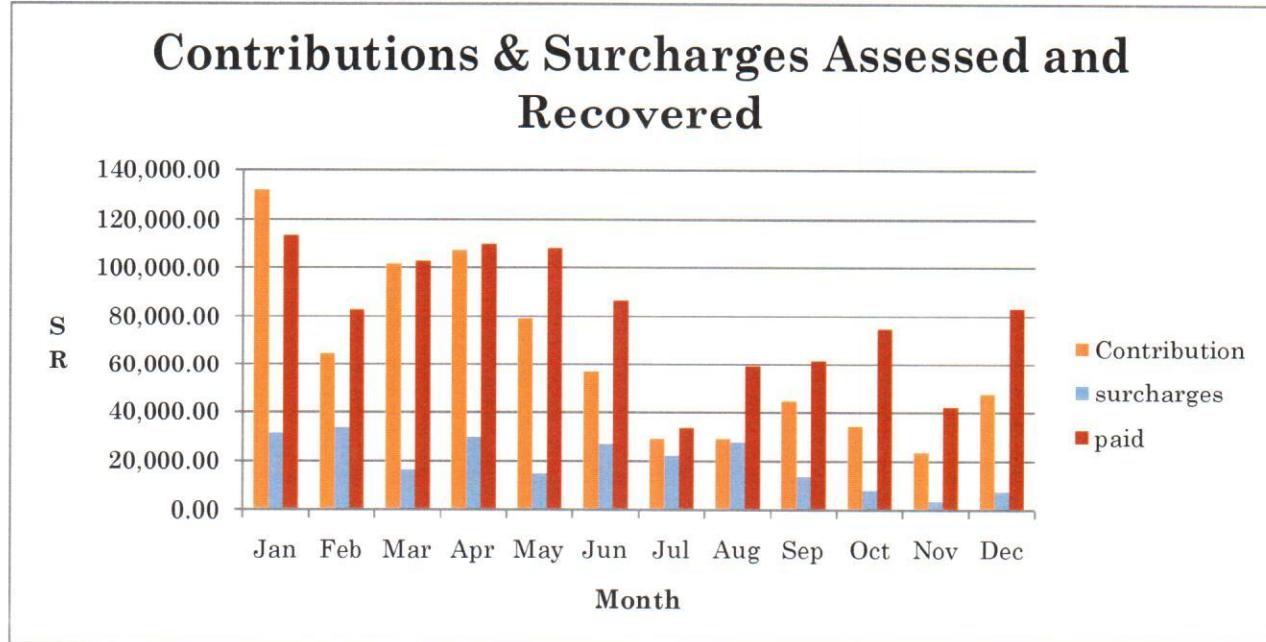


Figure 2

15.5 Detection and enforcement exercise

Measures were undertaken during 2010 to ensure the prompt payment of contributions and providing the required reports..

Inspectors continued to conduct routine inspections to exert pressure on employers in cases of missing employee's information and follow-up action for the recovery of un-paid contributions. In the event that employers failed to respond to reminders were sent to them. Court action would be used as a last resort in the case of persistent defaulters. Currently there are only two cases awaiting court action.

A survey was conducted in April 2010 at the Providence Industrial Estate, as part of its measures to check and test whether businesses in a particular area had registered all their employees with the Fund and also to detect any form of evasion by employers. The survey was a success as it helped to detect a number of unregistered employers not paying pension contribution.

16 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, help to identify the arrears in need of improvement.

Customers expected applications for benefits to be processed within a short period of time. Every effort was made to meet the timeframe of seven days and that reply to an enquiry or letter be attended to promptly.

Prompt reply to telephone calls within three rings remained part of our programme to improve customer satisfaction. However, it should be noted that currently there is considerable satisfaction with the Fund's speed of response including its telephone service.

Meetings were continuously being 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 and difficulties in receiving replies to correspondence 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 year 2007 focused on its individual application by staff. The year 2008 was one of consolidation and using the feedback gain on the quality of service, the Fund's aim in 2009 was to improve its services with the issue of the "best practice user' guide" which focused on improvement of service. In 2010, the focus was on how best the quality of service could be further improved with emphasis on the need to be proactive. However, with the introduction of the "one stop shop" at the Revenue Commission which involved the collection of pension contribution and in view of the limited facilities for that purpose there has been concern that the level of service would instead of improving be affected.

17 THE FINANCIAL PERFORMANCE

The Financial Performance

Total revenue collected for the year 2010 amounted to SR84.49 million, which represented a decrease of SR15.06 million or 20.85% (excluding the fair value of investment properties) less than last year. This is due to a significant decrease of interest income by 51.19%. However return on Investment Property and Dividend for the year under review has increased by 29% and 41% respectively.

During the year the Fund has made a net surplus of SR36.38 million but with the actual economic situation - the Fund made a net gain of Sr.6.40m of which a major share is unrealized thus making a total of net surplus of SR 42.78 for the year under review.

The Fund held foreign currencies bank accounts to facilitate the purpose of financing the Commercial Development Building at Ex-Unity House at Palm Street which is currently ongoing.

The Interest rate paid to Members is reduced by 1% from 5% in 2009 to 4% in 2010; the rate is set as a result of the reduction of interest rates on fixed deposits, call deposits and treasury bills. The total members' interest to be credited to members' fund in year 2010 amounted to R26.38m where only 10% is actually paid out to those members who do not qualify for a monthly pension.

The following is a summarized Income & Expenditure statement for the year 2010

Revenue	2010 Y.T.D. SR'm	2009 Y.T.D. SR'm	Y.T.D Variance % Over/(Under)
Investment Income Received	22.47	46.00	(51.16)%
Property Income Received	21.85	16.96	28.86%
Dividend Received	12.50	8.85	41.15%
Other Income	0.34	0.40	(16.27)%
Fair value of investment properties	27.34	0.00	100.00%
Total Revenue	84.49	72.21	17.01%
Expenditure			
Interest paid to Members	26.38	29.45	(10.41)%
Administration Expenses	12.82	12.08	6.14%
Property Management Expenses	4.08	2.16	88.99%
Depreciation	3.08	2.62	17.40%
Amortisation	2.09	1.90	10.28%
Auditors Remuneration	0.20	0.24	(15.00)%
(Profit)/Loss on disposal of AFS financial assets	(0.55)	1.04	(152.53)%
Total Expenditure	48.11	49.48	(2.76)%
Net Surplus (Deficit)	36.38	22.73	60.06%
Gain/(Loss) on foreign exchange	6.40	(40.48)	(84.18)%
Surplus/(deficit) from prior years brought forward	42.78	(17.75)	141.06%
Net Surplus	155.74	173.49	(10.23)%
	198.52	155.74	27.47%

As regards to members' fund the total contribution received for the year exceeded payment of benefits as shown below:

	2010
CONTRIBUTIONS	R'000's
<i>Members Contributions</i>	
(of which from Employer Compulsory)	47,329
(of which from Employee Compulsory)	(21,056)
(of which from Employer Voluntary)	(21,073)
(of which from Employee Voluntary)	(1,743)
	(3,458)
Surcharges	210
Refunds of Contributions	572
Funds from Social Security Fund	32,857
Members Interest Credited	26,382

TOTAL CONTRIBUTIONS + REFUNDS	107,350
BENEFIT PAYMENT TO MEMBERS	
Normal Retirement Benefit-(including SSF pension)	50,869
<i>(Normal Retirement Pension Refund By Government)</i>	3,950
Death Before Normal Retirement	934
Permanent Incapacity	6,789
<i>(Permanent Incapacity Refund By Government)</i>	281
Pre-Retirement Migration	485
Special Pension/Entitlement	3,585
<i>(Wholly Refunded By Government)</i>	(2,992)
Surviving Spouse Pensions	1,895
<i>(Surviving Spouse Pension Refund By Government)</i>	12
Children Pension	888
<i>(Children Pension Refund By Government)</i>	10
Death After Normal Retirement	-
Post Retirement Surviving Spouse Pension	519
Post Retirement Children Pension	53
Early Retirement Pension	16,735
<i>(Wholly Refunded By Government)</i>	(14,139)
TOTAL BENEFITS PAYMENT TO MEMBERS	62,432
EXCESS CONTRIBUTIONS + REFUNDS OVER BENEFITS PAYMENTS	44,918
% OF EXCESS CONTRIBUTION OVER BENEFITS PAYMENTS	72%

17.1 Outstanding liability

At the date of preparing the report, the Fund has the following outstanding amounts due by the Government of Seychelles:

SR 4,260,937.70 for the November and December 2010 Home-Carers, Unemployment Relief Scheme and Early retirement pensions paid by the Fund on behalf of the GOS.

2) SR 5,815,302 for social security pensions paid for the month of November and December 2010.

As at 28th February 2011 the outstanding amounts have been paid.

17.2 Financial Statements

The audit of the Seychelles Pension Fund's Account for the year was conducted by BDO Associates under the contract from the Auditor General in accordance with the Seychelles Pension Fund Act under International Financial Reporting Standard (IFRS) to promote a high level of accounting standard and transparency, proper disclosure and integrity normally required of financial institutions and pension fund.

The financial statement at appendix 1 gives a true and fair view of the state of affairs of the Seychelles Pension Fund at 31st December 2010.

As Accounting Officer, I have been taking reasonable steps to ensure that the system of proper internal financial control is being maintained and enhanced in connection with the resources concerned. This is essential in view of

the challenges ahead and need to continue maintain the Fund As required under the Seychelles Pension Fund Act as a fully fledged pension Fund.

18 OFFICE OF INTERNAL AUDIT

18.1 Structure of the Internal Audit Section

The Office of the Internal Audit is currently headed by an Internal Audit Manager. The Internal Manager reports to the Audit Committee on a quarterly basis.

Figure 4

The structure of organization is as follows:-



*-Administrative Reporting

**-Fiduciary Responsibilities

Objectives of the Internal Audit

As part of the corporate governance structure of the Seychelles Pension Fund, the Audit Committee is a sub-committee of the Board of Trustees. The meeting of the Audit Committee is held every three months.

The main objective of the Internal Audit is to assist members of the Board by furnishing them with analysis, appraisals, recommendations, counsel, information concerning the activities reviewed, as well as promoting effective controls to safeguard members' funds. 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 the safeguarding the company's resources.

- Review compliance with laws, regulations and policies
- Special investigations.

1. Audit Committee

The Audit Committee is a sub committee of the Board of Trustees. The Audit Committee comprises of 5 members.

1 Chairman (member of the Board of Trustees)
2 Members of the Board of Trustees
Chief Executive Officer
General Manager
Internal Audit Manager (Secretary)
Finance Manager

The Internal Audit Manager is responsible to provide the following to the Audit Committee:

1. A summary highlighting findings resulting from the Internal Audits conducted during the period.
2. The results of any follow-up work on previously issued audit findings.
3. 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.
4. Presenting to the Audit Committee the issues pointed out in the Management Letter and that corrective actions are taken to remedy the weaknesses.

The principal roles of the Audit Committee

1. Improve the financial reporting, by reviewing the financial statements.
2. Provide a liaison with the Internal Audit Manager to discuss issues, strengthen the position of the internal audit by providing a greater independence from management.
3. Create a climate of discipline and reduce the possibility of fraud.
4. Act as a forum to discuss issues which the Finance Director finds difficult.
5. Strengthen the position of the external auditors by providing a channel of communication.
6. Increase public confidence in the credibility and objectivity of the financial statements.

The reviews carried out during the year 2010:

1. Audit of Compliance

Verification was carried out on the Compliance Section to ensure the existence of proper controls for detecting defaulting employers/individuals, reasonable efforts were being carried out to recover the dues and the information system had been properly updated accordingly.

A summary of the findings showed the need to calculate surcharges correctly and raise assessments on time and for employers to effect timely payments.

Action: Action was taken by the Manager to ensure that all assessments were raised correctly and ensure the proper and correct calculations of surcharges. For the defaulting employers, the Compliance Section has continuously been monitoring and following-up on payment. In some cases, legal action was being taken against employers to recover contribution due.

2. Audit of Benefit- Ongoing

Checks were carried out mainly for verifying the accounting entries in the GL. It was noted that all applications were handled by the Internal Audit Section at the processing stage.

Finding & action: The Internal Audit carried out daily checks on all new pension applications, as well as on monthly payroll to ensure that payment of pension is done accurately. As part of the controls, the Internal Audit continued to maintain its own database containing information with regards to all pensioners.

3 Dishonored cheques

Verifications were carried out for the purpose of ascertaining that all returned cheques and corresponding represented cheques were properly accounted for in the General Ledger. That action was being taken to recover the dues and any further action if necessary. This Audit is normally done at year-end due to the nature and volume of transactions. The schedule for the year 2010 has been compiled for verification from January 2011.

Finding & Action: There was no material finding to report. Accounting errors were corrected immediately in view that it forms part of the figures which appeared on the Financial Statements for the year 2009.

4 Staff Loan

The general purpose loans and car loans disbursed during the year 2009/2010 and those which remained outstanding at year end were checked to ascertain that all applications were properly endorsed and approved by the responsible officers and that all procedures relating to staff loans were complied with in accordance to the prescribed guidelines.

A summary of the findings showed that there is room for improvement in the processing and administration of the loan

Action: Shortcomings were duly rectified and assurances given that they would not recur.

5 Investment Management

This being an ongoing assignment which is being reviewed on a regular basis to ensure that investment is properly managed and risks are assessed, managed and controlled.

6 Cash in hand and at bank

The process was an ongoing assignment to be reviewed by the Internal Audit Section on a regular basis to ensure compliance with Financial Instructions and the Accounting Manual. Verifications are carried out from time to time; errors are made known to Finance Manager for rectification. No report needed to be issued.

7 Accruals and prepayments

The Audit verified the schedules and the correctness of the respective accounts in the GL to ensure that the accounts were correctly stated in the books and in the financial statement. The schedule for the year 2010 was compiled for verification by the Internal Audit from January 2011.

8 Revenue collection and banking

Audit checks were carried out to ensure that all moneys received were properly acknowledged, banked intact and correctly accounted for in the general ledger. The Audit has also been carrying out detailed checks on the revenue transactions posted in the new system to ensure that the system shows the correct and accurate information in view of its direct relevance to members' accounts. This being still an ongoing audit exercise.

9 Expenditure-Payroll

Checks were carried out to ensure that payroll was properly managed and that procedures were being properly followed and that payroll expenses were correctly accounted for in the general ledger in accordance with the Fund's orders and the Financial Instructions.

A summary of the findings showed the need for proper updating and maintenance of the payroll system

Action: Corrective action by the HR department has already taken for the findings reported and more checks were carried out on their side to ensure that all personnel files and records were kept up to date which included leave record cards.

10 Expenditure - Non payroll

Verification was carried out to ensure that expenditure was properly controlled in accordance with approved budget, authorized by the responsible officer; proper procedures were followed with regards to procurement of goods and services as per requirement of Financial Instructions and Accounting Manual. It was noted that all expenditures were accounted for accurately in the General Ledger to show the correct expenses at year-end.

The findings showed the importance of following strictly the financial instructions concerning purchasing and all purchases should be supported by relevant documents and they should be properly classified in the general ledger.

Action: Corrective action was taken to correct the accounting errors in the General ledger. The Accounts Section noted other findings made by the Auditor.

11 Audit of Opportunity Investment Company Ltd

The accounts of Opportunity Investment Ltd for the year 2009 were audited by the auditor, Ernst & Young and the accounts were certified in March 2010. The Accounts for the year 2010 is in the process of preparation. The Auditor for year 2010 is BDO Associates.

12 Audit of transport

The audit adopted a value for money approach for this specific audit to ensure proper efficiency, economical use and effectiveness of the fund's vehicles.

The findings reported would be discussed with the Management in view that the report was issued at the time of preparing the Annual Report.

13 Audit of Fixed Assets

Audit checks were carried on all inventory items owned and purchased by the Fund. Checks were carried to ensure of the existence of proper accountability of those assets in the books, confirming physical existence, evaluate their performance and conditions.

A summary of the major findings showed the fixed assets list has to be kept up-to-date at all times. Subsequently further checks carried out revealed it was correctly being maintained.

14 Audit of consumable items

Checks were carried out on consumable items purchased by the Fund for ensuring that those items were being used economically, efficiently and effectively by the SPF employees. Also to ensure that there was proper internal control in place with regards to consumable items to avoid wastage, abuse and theft.

Findings:

It was evident that in some cases the LPO should have been attached with payment vouchers for supporting the orders, there should be clear evidence of receipt and stock register/card should be maintained.

Action taken: Corrective action was taken and the stock register/card was being maintained for recording receipts and issues of consumable items.

Outlook

The various checks, analyses and assessments carried out no doubt revealed the existence of effective control to safeguard members' funds. However, the level of efficiency of the Finance and Administration and Human Resources Sections has to be continuously monitored to ensure that they maintain the level of control and compliance with regulations. The Internal Audit would put emphasis on spot checks to test the systems, reduce accounting errors and generally safeguard the Fund from any impropriety or loss.

19 OUTSOURCING OF COLLECTION OF PENSION CONTRIBUTION AND THE COMPLIANCE FUNCTIONS

The Seychelles Pension Fund Act 2005 provides for the Fund to collect contribution at source from employers through deduction from salaries on or before the 15th day of the month following the month in which it is deducted. Compliance Section plays a significant role in any pension mandatory schemes.

Under the Memorandum of Economic and Financial Policies for the year 2009 (updated for the second programme review) page 29 as part of the Economic Reform Programme, the Government of Seychelles provided to the IMF with details of measures which the Government would introduce in 2010.

One of the measures worth mentioning is:

- Outsource the Seychelles Pension Fund collection and compliance functions to the Seychelles Revenue Commission to achieve synergies for both Government and clients.

In pursuance of that the Government enacted on 30 December 2009 the Seychelles Revenue Commission Act 2009 which provided the Seychelles Revenue Commission with the power to collect pension fund

contributions and carry out the compliance functions. For the purpose of the exercise the definition of revenue includes that of pension fund contributions.

However, since pension fund contributions are members' funds, the Fund made requests to the Government to include a provision in the Seychelles Revenue Commission Act to provide for prompt remittance of pension fund contributions collected.

The transfer of responsibilities for the collection of pension contribution and the compliance functions in its entirety was done under the Revenue Commission Administration Act 2009 thus effectively amended the Seychelles Pension Fund Act.

The "One Stop Shop" implementation required a phased approach which was effectively executed through the setting up of a joint advisory centre, the transfer of staffs from the SPF to the SRC, outsourcing the enforcement functions to the SRC. Staffs were provided with the necessary training to enable them to effectively collect pension contribution, apply surcharge penalty where necessary and carry out the task of enforcing compliance on behalf of the Fund.

From the 1st January 2011 payment of pension contribution are made direct to SRC and then remitted on a daily basis..

In the interest of the Seychelles Pension Fund, the Seychelles Revenue Commission was requested to consider reverting the compliance functions in relation to the enforcement of payment of members contribution to the Fund as the Fund was and is in a better position to undertake the function having done so very effectively with a very low rate of defaulters.

The outstanding issues have continued to be the awaited DITC link. The network link between the SPF and SRC has not been implemented yet. Moreover, the Fund still needs to be able to obtain the e-files to allocate pension contributions to the respective members' accounts.. There have been delays in receiving information (pension reports) from SRC. SPF is concerned that any delay in submission or delay in dealing with incomplete report will have cause problem for SPF to update members' accounts.

The main concern now is to monitor if all contributions are collected in a timely manner. An assessment of the effectiveness of the outsourcing policy will be made in April 2011 and if it is not effective and substantial amount of pension fund contributions are not being collected the Fund will no doubt strongly request for the review of the decision.

20 THE IMPACT OF THE ECONOMIC REFORM

The impact of the economic reform on the Fund can be summarized as follows:-

i) **Investment**

The Fund identified that investment in property development yields the highest return between 7% and 14%. Three of its major projects were completed and opened in 2010; the Pension Complex Phase II, La Digue Pension House and the Providence Warehouse.

There is a decrease in the total income received for the year 2010 compared to 2009. The interest rates on securities and deposit which doubled at the start of 2009 and provided the maximum return was reduced by half in 2010 causing an adverse effect on interest received.

(ii) Early Retirement

Early retirement puts considerable pressure on the Fund's resources at a time when the rate of pension contribution is not sufficient to cover any additional benefits. It is costing the government eventually the Fund the sum of SR19.6m a year.

Current average life expectancy in Seychelles is 73 years; this means that pensioners are living longer. The current trend is to encourage workers to be active in the economy and maintain or increase their current standard of living. Hence, the emphasis should be on deferment or postponement of retirement in view of prolonged life expectancy and cost of pension funds.

(iv) Effect of Unemployment on Pension Contribution

As at 31 December there were a total of 56,982 people in employment compared to the year 2009 which was 41,891. However, the unemployment rate has also increased which came from 592 (1.22%) in 2009 to 1319 (2.26%) in 2010. The pension contribution has also seen an increase from 38,752 in 2009 to 42,058 in 2010.

When taking into account the number of expatriate workers (10,000) and the current level of unemployment pension contribution loss per month is around Sr.500, 000 per month let alone that more persons can be covered.

(v) Appraisal/Awareness of the Fund

With the volatile economic situation, the Fund has to continuously re-appraise its new and ongoing investment projects; this should ensure the proper management of costs and better investment decision. The Fund has monitored and minimized its administration and property management costs despite the prevailing environment and the high cost of operations. It should continue to create awareness of the Fund among its members and employers and the importance of making savings to cater for retirement by adopting new marketing scheme.

(vi) The Future Outlook

With the change in the rate of pension contribution from a flat rate to one based on salary percentage (3%) from January 2011 this is the best way forward towards sustaining the financial viability of the Fund in the medium and long term. However, the right rate of pension contribution as recommended by the Actuary is 5.5% and in the interest of the Fund every effort should be made to set the right contribution even in 2012.

21 PENSION REFORM

It has been 4 years since the major pension reform leading to the introduction of a fully fledged pension fund. The analysis of current trends and developments in pensions in the world is very important to ensure that our pension system remains a modern one and is sustainable.

It is important to note that during the year 2010 that the following amendments to the Seychelles Pension Fund Act 2005 and Regulations. Most of the amendments would take effect from 1 January 2011.

- 1) Extension of coverage to casual labour and stevedores to reach the level of full coverage of all categories of workers
- 1) Increase in average monthly salary for computation of pension for self employed

In case where no profit is made/declared or there is no record available, the monthly salary of to be used for the computation of pension has been increased from R2,000 to current minimum wage which is currently at R3,200.

This should enhance the retirement pension of self employed workers falling into this category.

2) Post surviving Spouse's pension

A post surviving spouse's pension is payable if the retired member (pensioner) dies within two years after retirement. The amendment removes the period of two years and provides for the payment of the surviving spouse's pension immediately after the death of the spouse (pensioner).but without the payment of one month's pension as death gratuity to the surviving spouse.

The period of two years was introduced purely as a financial and precautionary measure in view that the amount of contribution made by members were not sufficient to pay for the pension for a longer period or until the death of the surviving spouse. However with the change in pension contribution to the percentage rate and inflow of investment income, there is a good case to remove the present qualification of not exceeding two years.

3) Capping of pension

The maximum pension that was payable when the Pension Fund came into operation was R6, 400 plus social security retirement pension. The capping was removed with effect from the 1st May 2007. While the level of the capping was too low, it is prudent in the interest of the Fund to re-introduce a new capping to allow that the maximum pension which shall be payable is R15, 000 per month excluding the social security retirement pension. Salaries are increasing and in a few years time a few of those with high salaries may retire whereas their contributions do not match the pension they will receive in view that the Fund is not getting any contribution from the SSF as per the original intention. However, when the full required percentage of contribution based on salary is payable and after a period of time, the ceiling can be reviewed.

5) Pension Increase

Retirement pensions have been increased at rate of 5% in accordance with Section 46 of the Seychelles Pension Fund Act 2005.

With the introduction of the percentage rate of contribution linked to wages from the 1st January 2011 it has been possible to make this increase as recommended by the Actuary to keep pace with the present cost of living.

22 COMPARATIVE ANALYSIS OF PENSION SYSTEMS IN SOME DEVELOPING AND DEVELOPED SMALL ISLAND STATES

A study/ analysis was prepared based on pension systems in a number of small states including Seychelles, Mauritius, Barbados, Trinidad & Tobago, Cyprus, Malta, Botswana. The purpose of the study was to compare the pension system in small developing and developed states to the pension system in Seychelles.

It demonstrated that all countries have already moved from a flat rate of pension contribution to a percentage rate of contribution. It also illustrated that Seychelles is the only country whose pension contribution is low at 3% (from 2011) affecting the sustainability of the Fund, whereas all the others range from an average of 8% to 16%.

It was also noted that the pension system in Seychelles is well structured and covers all categories of workers. In respect of the lower paid workers the percentage of pension payable is higher; whereas that of the middle and particularly higher income groups the percentage of pension payable is compared favourably with other countries covered in analysis.

23 DEMOGRAPHIC CHANGE

The world is facing a demographic transition and this shows that the impact of demographic changes is identified as one of the most important challenges that social security institution will face in the future. Many developing countries will be faced with a significant increase in their elderly population, but their old-age pension systems often remain poorly-adapted to the coming needs of their societies.

Three main factors explain the changes in population aged 60 or older:

- i. Declining fertility rates as it reduces the proportion of young people in relation to the elderly
- ii. An increase in life expectancy in both developed and developing countries
- iii. Past variations in birth and death rates

Demographic changes are taking place in the context of existing social security laws, institutional structures and benefits programmes.

The most predominant instrument for financing social security worldwide remains social insurance, wherein covered workers and their employers are mandated to pay contributions, demographic change that leads to a decline in the size of the formal labour market is likely to have a negative impact on the financing of social security provisions.

If the ratio of active contributors to current beneficiaries declines to a point where the value of expenditures on beneficiaries exceeds the value of income from contributors, then, in the absence of sufficient other income from reserve funds and returns on investments, the pension systems will be unable to meet its obligation to finance current benefits. Hence the importance of regular actuarial reviews, the setting up and payment of the right level of pension contribution and making of prudent investment to obtain good return.

24 THE WAY FORWARD

The Seychelles Pension Fund has effectively been transformed into a modern and fully fledged Fund with extensive coverage. The emphasis has been placed on the need to sustain and strengthen the Fund.

Since its inception the implementations of the following tasks were and continued to be a priority to ensure the proper management of the Fund.

- 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's pension or children's pension in case of death before retirement
- Encourage voluntary contribution on the part of the employees and employers through the matching scheme for the benefit of employees as a means to save for retirement and thus enhance retirement benefit
- Continued review and enhance the quality of service
- The continued simplification of procedure and the use of best practice guide 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. Basically such benefits are processed within a period of one week
- Improve the enforcement capacity to ensure the proper and timely collection of pension contributions. Reduce further the recovery rate of arrears to a period not exceeding of one month
- Improve the organizational and management capacity of the Fund
- Create a pool of professional group of staff through the implementation of both short term and long term training plan to cater for succession as well
- Continue to look at functions and responsibilities within the various sections to ensure that the work processes are updated and able to meet the challenges ahead
- Diversify and maximize investment returns as a means to assist with the financing/sustaining of the Fund
- 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 to bring the contributions more in line with the rates of pensions payable
- Extend the scope of the Pension Fund to workers under the new home carer' scheme and even

those on unemployment benefit so that their entitlement to retirement pension is not affected or in doubt

- Prepare yearly plans and targets of each Section for implementation and review to attain objectives
- Promote a culture of savings to look at benefits that can be applied during the working life of members
- Prepare and review the Strategic Plan for the year 2011/2015 and Training (Succession) Plan

It is important at this stage to mention some of the challenges facing the Pension Fund which should be taken seriously

- **There is still the need for issues relating to the Pension Fund such as setting the right rate of pension contribution based on a salary percentage as recommended by the Actuary to be taken seriously and implemented within a defined time frame -basically a shift to a defined contribution plan.**
- To allow the Fund to be fully developed and the necessary input made by the Actuary 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 better understanding of the purpose of the Fund and for the Government's support as a facilitator in its investment making available new treasury bonds which is a safer instrument for investment.
- In view of the current government reform to create a level playing field in respect of taxation, it is important that the concept of tax treatment of funded pensions is well understood. Basically the concept is that it is a significant part of the saving flows of the economy, an important supplier of capital and plays a large and growing role in providing retirement incomes. These figures alone mean that it is vital to give the tax treatment of pension's careful consideration.
- The current economic reform programme and the Ministry of Finance should be supportive of the continuous work by the Fund to maximize collection of contribution and making of prudent investment for the long term sustainability of the Fund
- To continue to promote a culture of saving among the workers (members) and employers 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
- Greater emphasis should be made to promote the Fund to self-employed workers and get them to contribute
- The continuous rise in cost of the projects and services following and the macro economic reform has reduced the Fund's investment return. The recovery process is slowed and currently good return on investment can be obtained mainly in respect of properties in Victoria and vicinity.

It is noted that there are requests for supplementary pension schemes from certain organizations such as SPDF, Police. The proliferation of such schemes needs to be carefully considered in view of its impact on government in terms of funding and can result in the payment of additional contribution over and above current pension fund contribution. It can lead to more sectors or professions e.g. nursing, teaching requesting for the same treatment. It is important therefore that the pension fund is fully funded and members benefit from their pension based on earning which continues to increase as a result of the rise in cost of living.

The Fund's investment programme is still focusing on investment in property development which at the moment yields the highest return which varies from 7% to 14% as there is a lack of investment opportunities available in Seychelles. This is an ongoing issue, presently no treasury bonds are available to the Fund at good interest rate; investment on the stock exchange is too risky, therefore, it is not advisable to invest. Property investment backed with the proper management is presently the best avenue for investment. However, for diversification and risk reduction purposes, as more suitable investment instruments are available there may be a need for re-diversification of assets. The investment which the Fund would prefer to embark upon is in treasury bonds which are less risky with guaranteed return. The Fund recommends to the government to make available treasury bonds at a reasonable rate of interest of 7% or 8% which are currently not available.

There is a need to constantly review property investment as other secured investment instruments become available. Part of the review of the Fund's investment policy and plan after the completion of its investment projects is to allocate funds in more liquid assets.

The government's support is needed in the Fund's investment programme including facilitating the approval and implementation of projects without delay and promote better understanding of our projects by public authorities such as the planning authority, land transport agency and department of environment. This will ensure that the Fund can successfully complete its projects and start earning much needed return on its investments.

Reform of the Fund continued to be an ongoing process with the extended pension coverage in respect of casual workers and stevedores. New changes made to the Seychelles Pension Fund Act and Regulations, with the rate of contribution moving from a flat rate to a percentage rate. At a time when pension costs are increasing, the change from a flat rate of pension contribution to a percentage rate eventually at the right level of percentage will be the best way forwards towards the long term sustainability of the Fund.

SEYCHELLES PENSION FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

SEYCHELLES PENSION FUND

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REPORT OF THE BOARD OF TRUSTEES

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

THE FUND

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

PRINCIPAL ACTIVITIES

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

RESULTS

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

INTEREST ON MEMBERS' FUND

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

PROPERTY AND EQUIPMENT

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

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

REPORT OF THE BOARD OF TRUSTEES (CONT'D)

INVESTMENT PROPERTIES

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

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

S. Cesar
M Afif
G Beaudoin
R Weber
M Stravens
G d'Offay (appointment lapsed on August 27, 2010)
R Spiro
L Woodcock
M Felix
S Labrosse
A Mousbe
J Esparon
A. Lucas (appointed on August 17, 2010)

REPORT OF THE BOARD OF TRUSTEES (CONT'D)

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

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

- ensure that the financial statements are on the going concern basis unless it is inappropriate to assume
- select suitable accounting policies and then apply them consistently;
- make judgment and estimates that are reasonable and prudent; and
- disclose and explain any material departures from applicable accounting standards.

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

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

AUDITOR

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

Signed in accordance with the authorisation of the Board by



Sitna Cesar
Chairperson

Dated: **Mar 31 2011**
Victoria, Seychelles



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 ACCOUNTS OF THE THE SEYCHELLES PENSION FUND

Scope

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

The Board of Trustees Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on our audit and report it to the Minister for Finance. The audit was conducted in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion:

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

Emphasis of matter

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

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



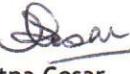
Marc Benstrong
Auditor General

31 March 2011
Victoria, Seychelles

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

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

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


Sitna Cesar
Chairperson

Willy Confait
Willy Confait
Chief Executive Officer

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

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

The notes on pages 7 to 38 form an integral part of these financial statements.

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

INCOME AND EXPENDITURE ACCOUNT- YEAR ENDED DECEMBER 31, 2010

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

The notes on pages 7 to 38 form an integral part of these financial statements.

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

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2010

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

The notes on pages 7 to 38 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

1. GENERAL INFORMATION

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

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

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

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

These financial statements will be laid before the National Assembly and published in the Official Gazette in accordance with Section 55 of the Seychelles Pension Fund Act, 2005.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

- (i) land and buildings are at revalued amounts;
- (ii) investment properties are stated at fair value;
- (iii) available-for-sale financial assets are stated at their fair value; and
- (iv) loans and receivables and relevant financial assets and financial liabilities are carried at amortised cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

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

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

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

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

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

Improvements to IFRSs (issued May 22, 2008)

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued April 16, 2009)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

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

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

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

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

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

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

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

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

Classification of Rights Issues (Amendment to IAS 32) (Effective February 1, 2010)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective July 1, 2010)

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IAS 24 Related Party Disclosures (Revised 2009)

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1)

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

IFRS 9 Financial Instruments

Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

Improvements to IFRSs (issued May 6, 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 3 Business Combinations (Effective 1 July 2010)

IFRS 7 Financial Instruments: Disclosures

IAS 1 Presentation of Financial Statements

IAS 27 Consolidated and Separate Financial Statements (Effective 1 July 2010)

IAS 34 Interim Financial Reporting

IFRIC 13 Customer Loyalty Programmes

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

(b) Property and equipment

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

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

Increases in the carrying amount arising on revaluation are credited to revaluation surplus in the statements of net assets available for benefits. Decreases that offset previous increases of the same asset are charged against revaluation surplus in the statements of net assets available for benefits directly; all other decreases are charged to the Income and Expenditure Account.

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment (Cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by comparing proceeds with carrying amount and are included in the Income and Expenditure Account. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

(c) Investment properties

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

(d) Investment in subsidiary company

Separate financial statements of the Fund

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

Consolidated financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Consolidated financial statements (Cont'd)

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

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

Transactions and non-controlling interests

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

(e) Investment in associated company

Separate financial statements of the Fund

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

Consolidated financial statements

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments

Financial assets

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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

(iv) Contributions receivable

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

(v) Benefits payable

Benefits payable are stated at their nominal value.

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

(vi) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

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

(viii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

(g) Borrowings

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

(g) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Foreign currencies

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Leases

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

(k) Contributions, interest and income

Revenue after eliminating revenue within the Group comprises:

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Retirement benefit obligations

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

(m) Taxation

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

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

3. DESCRIPTION OF THE PENSION FUND AND FUNDING POLICY**3.1 The Fund**

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

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

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

3.2 Funding policy

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

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

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

3.3 Valuation of the Fund

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

4. RISK MANAGEMENT

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

4.1 Investment risk

The various risks directly linked to the investments constitute by far the main threat to the Fund's activities. Sustained poor performance would lead to returns to members and ultimately to benefit reduction or to increased employer contributions. Traditionally the contributions are fixed according to pre-established rates. In general, therefore, the option to increase contributions is to be considered as a risk measure of last resort and the Fund prefers a prudent approach to asset management that is likely to generate moderate, regular returns. The primary control measure is the regular appraisal of the Fund's assets and investment strategy by the Board of Trustees upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risk can be identified:

(i) *Interest rate risk*

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

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

Several specific risk measures may be cited:

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

4. RISK MANAGEMENT

4.1 Investment risk (Cont'd)

(ii) *Market risk*

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

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

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

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

Sensitivity analysis

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

<u>Categories of investments:</u>	2010		2009	
	SR	SR	SR	SR
Available-for-sale		<u>133,687</u>		<u>132,261</u>

(iii) *Liquidity risk*

The risk that cash flow requirements will force the Fund to realise an investment on poor terms, either through the investment's unmarketability (a loan) or illiquidity (a building), or simply because the asset value is temporarily depressed (a share).

The Fund controls this risk primarily via a detailed annual budget to ensure that the investment strategy will generate positive cash flows, including where necessary the proceeds of the sale of certain assets. Cash flow forecasts help the fund to take appropriate actions.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

4. RISK MANAGEMENT (CONT'D)

4.1 Investment risk (cont'd)

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

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

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

(v) *Currency risk*

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

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

(vi) *Counter-party risk*

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

This risk is mitigated via the following measures:

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

4.2 Economic risk

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

4. RISK MANAGEMENT

4.2 Economic risk (Cont'd)

(i) *Industry risk*

The risk that the economy collapses, leading to redundancies, early retirements and cessation of contributions, amongst other wider social, political and economic effects in Seychelles. The primary likely effect on the Fund of such an outcome would be an increase in benefits outgo (early retirements) and an accelerated shift from positive net cash flow to negative net cash flow. Cash flow analysis of this kind of scenario suggests that realisation of assets of fund would provide the necessary liquidity to counter the cash flow need.

(ii) *Inflation risk*

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

The Fund protects itself in the following ways:

- Real assets (shares, property) would be expected to appreciate in value both in terms of capital and income growth,
- Overseas holdings would tend to buoy up returns since one might expect local inflation to be closely linked to Rupee depreciation,
- When considering the purchase of government debt instruments, the Fund demands a significant yield compensation for inflation risk on longer term instruments.

4.3 Operational risk

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

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

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

4.4 Legal risk

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

4. RISK MANAGEMENT (CONT'D)

4.4 Legal risk (Cont'd)

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

4.5 Disaster recovery risk

The risk that a disaster wipes out the Fund's capacity to continue its operations.

The most obvious example is that the offices burn down, destroying all written and electronic records.

The written records would be lost if the entire offices were destroyed. Such loss is not considered to be significant, although it would represent an inconvenience. This is because all major files are stored electronically and centrally, and are subject to rigorous external backup procedures. In particular, the backups are also held off-site. On a related note, internet security issues have also been addressed: a single, isolated PC is dedicated to internet, and all external disks must be scanned on this machine prior to contact with the network. The presence of an IT Officer adds to the security of the back-ups of electronic information.

As to the risk to the Fund of death of one or more of its staff, it is our view that there is no "key man" such that this would materially affect the Fund.

4.6 Reputational risk

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

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

The Fund also plans to introduce a culture of best practice in every segment of its activities by benchmarking on whatever appropriate procedures are applied by enterprises around the world (e.g. custodians, independent fund managers, application of International Accounting Standards, etc.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Held-to-maturity investments

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

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

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

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

(c) Impairment of other assets

At each balance sheet date, management reviews and assesses the carrying amounts of the other assets and where relevant writes them down to their recoverable amounts based on best estimates.

(d) Fair value estimation

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

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

5.1 Critical accounting estimates and assumptions (Cont'd)(d) **Fair value estimation (Cont'd)**

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

		Level 1	Level 2	Level 3	Total
		SR	SR	SR	SR
2010					
Available-for-sale	SR	<u>16,136,622</u>	<u>-</u>	<u>-</u>	<u>16,136,622</u>
2009					
Available-for-sale	SR	<u>13,637,963</u>	<u>-</u>	<u>-</u>	<u>13,637,963</u>

(e) **Limitations of sensitivity analysis**

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

7. INVESTMENT PROPERTIES

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

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

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

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

8. INVESTMENT IN SUBSIDIARY COMPANY

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

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

	THE FUND	
	2010 & 2009	
<u>Opportunity Investment Company Limited</u>		

Class of shares held	Ordinary
Year end	December 31,
Proportion of ownership interest and voting power held - direct	51%
Country of incorporation and residence	Seychelles

The subsidiary is engaged in investment holding.

9. INVESTMENT IN ASSOCIATED COMPANIES

(a) THE FUND - AT COST

At January 1, and December 31,

(b) THE GROUP

Group's share of net assets

At January 1,

Share of results for the year

Dividends

At December 31,

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

10. INVESTMENT IN FINANCIAL ASSETS

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

Analysed as follows :

	Non-current	Current

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

11. LOANS AND RECEIVABLES

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

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

- (i) A loan totalling USD 7.5m was disbursed between April 2008 and February 2010 out of which USD 6m was recovered as at December 31, 2010. This loan bears interest at 9% per annum (2009: 3.75% per annum) and is repayable in monthly installments of USD 250k until full repayment by October 2011. The loan is secured by a deed of suretyship.
- (ii) A loan of SR 0.65m was granted in 2009 bearing interest rate of 2% p.a refundable by monthly installment of SR 12K when borrower's project becomes operational. The loan was secured by assets purchased with the loan and on land owned by the borrower. In August 2010, as per the terms of the agreement, the Fund repossessed assets (equipment) and the loan was cancelled.

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

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

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

12. RECEIVABLES AND PREPAYMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

13. PAYABLES AND ACCRUALS

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

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

14. MEMBERS' FUND

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

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

15. OTHER FUNDS

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

15. OTHER FUNDS (CONT'D)

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

16. RESERVE FUND

2010 & 2009

SR

THE GROUP AND THE FUND

At January 1, and December 31,

SR 14,568,591

The Chief Executive Officer, acting on the advice of the Board of Trustees has not made any annual transfer which up to the year 2005 was 30% of the difference between the interest earned by the Fund and the interest paid to the members as there was no immediate need to do so.

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

17. OTHER RESERVES

(a) THE GROUP

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

(b) THE FUND

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

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

19. INTEREST INCOME

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

20. INVESTMENT INCOME

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

21. INTEREST CREDITED TO MEMBERS

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

22. ADMINISTRATIVE EXPENSES

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

23. NOTES TO CASH FLOW STATEMENTS

	THE GROUP		THE FUND	
	2010	2009	2010	2009
	SR	SR	SR	SR
(a) Cash generated from operations				
Net increase in net assets available for benefits (page 4)	82,166,462	24,734,384	91,158,349	33,133,571
Net change in non-controlling interest (note 18)	(17,571)	(1,129,731)	-	-
	SR	82,148,891	23,604,653	91,158,349
				33,133,571
(b) Cash and cash equivalents				
	THE GROUP		THE FUND	
	2010	2009	2010	2009
	SR	SR	SR	SR
Cash at bank	87,109,983	35,213,202	86,886,123	35,051,789
Short term bank deposits	84,519	84,519	-	-
Cash in hand	10,979	6,800	10,979	6,800
Bank balance with fund managers	934,212	871,969	934,212	871,969
	SR	88,139,693	36,176,490	87,831,314
				35,930,558

24. RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2010

24. RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are made at normal market prices.

Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2010, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2009: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

25. BOARD OF TRUSTEES REMUNERATIONS

These are detailed as follows:

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

26. COMMITMENTS

(i) Capital commitments:

Approved and contracted for
Approved but not contracted for

	THE GROUP & THE FUND	
	2010	2009
	SR	SR
111,813,669	26,031,652	
14,000,000	174,782,326	
SR <u>125,813,669</u>	<u>200,813,978</u>	

(ii) Financial commitments

Loan and receivables approved for disbursement

SR - 1,000,000

27. CONTINGENT LIABILITIES

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

FINANCIAL SUMMARY

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

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

