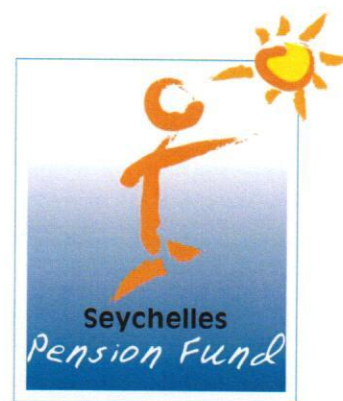


ANNUAL REPORT 2012

Issued: March 2013



Making Seychelles a better place

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Appendix 1 – Audited Financial Statements for the year 2012

1. INTRODUCTION

On behalf of the Board of Trustees and the management, I am pleased to present to the Minister of Finance, Trade and Investment the seventh Annual Report ending 31 December 2012 on the administration and activities of the Seychelles Pension Fund in accordance with Section 54 of the Seychelles Pension Fund Act 2005.

The report offers an overview of the activities, achievements and constraints that the Fund has encountered during 2012. It also 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 who are members of the Fund, 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 2012 has seen the completion and opening of the Central Victoria Business and Commercial Centre (Phase 1B) "Unity House". The project entailed a multi-storey complex comprising of 88 offices and 44 shops including a restaurant, a shopping centre and other commercial facilities for local businesses. The project was completed and officially opened on 23rd November 2012.

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 and after 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 has been occasionally reviewed with a view of making necessary adjustments. The aim has been to ensure 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, to sustain the benefits would require more funds. Besides the importance to save for retirement, make prudent investments to obtain the best return to build up the Fund, 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 note 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 assist in sustaining 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, 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 continue to 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. There is no doubt that we will continue to strive for excellence and efficiency.

2. 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 September 2011 for a period of 3 years. Its life will expire on 31 August 2014.

The Board comprised of the following members

Board of Trustees	NAME	Location	Tel	Fax	Email Address
Chairperson	Ms. Sitna Cesar	Orion Mall Building	4610707		scesar@gov.sc
Member	Mr. Mohamed Afif	State House	4295702	4224626	mdafif@statehouse.gov.sc
Member	Mr. Gilbert Sultan Beaudoin	Premier Building	2519972	4324996	feas@seychelles.net
Member	Mr. Radley Weber	La Cave a Vins	2526655		cavavins@seychelles.sc vertivertech@gmail.com
Member	Ms. Rachel Spiro	Beau Vallon District	2722324		rspiro@gov.sc
Member	Ms. Melanie Stravens*	Liberty House	4382064	4323971	melanie@finance.gov.sc
Member	Mr. Michel Felix	Reef Estate	2517363		melmc@seychelles.net
Member	Mrs. Suzanne Labrosse Rolston	Aarti Building	4225932	4225878	desisles@seychelles.net
Member	Mrs. Anne Mousbe	C/o Pam Catering Ile Perseverance	4241416		pamcateringservices@gmail.com
Member	Mr. Antonio Lucas	SACOS Orion Mall	4295000	4224495	antonio@sacos.sc
Member	Mr. Lambert Woodcock	Maison De La Rosiere	4280400	4321666	l.woodcock@hsi.sc
Member	Ms. Jessie Esparon	National House	4383007 4383008	4224936	psdpa@dpa.gov.sc
Secretary	Mrs. Marie-Ange Waye-Hive	Caravelle House	4225275	4224740	gm@sps.gov.sc

- * Ms Melanie Stravens ceased to be a member of the Board from the 1st August 2012 upon her resignation from government service as she was representing the Ministry of Finance, Trade and Investment on the Board. She has from the 1st January 2013 been replaced by Ms. Cilia Mangroo.

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/Remuneration Committee
- Procurement Committee
- Tender Evaluation Committee
- Review/Appeal Committee
- Property Allocation 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 MET 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	4382020	scesar@gov.sc
Chief Executive Officer	Mr. Willy Confait	4294699	spsdir@seychelles.net
General Manager	Mrs. Marie-Ange Waye-Hive	4225275	gm@sps.gov.scc
Finance Manager	Miss. Marie-Laure Low	4294699	alow@spf.scc
Senior Accountant	Mr. Evans Mondon	4294699	emondon@spf.sc
Compliance Manager	Ms. Jane Suzette	4294699	jsuzette@spf.sc
Benefit Manager	Mr. Jeffrey Moses	4294699	jmoses@spf.sc
System Support Manager	Mrs. Nane William	4294699	nwilliam@spf.sc
System Programmer	Mr. Ralph Hitie	4294699	rhitie@spf.sc
Marketing & Promotion Manager	Mr. Darell Bristol	4294699	dbristol@spf.sc
Project Manager	Mr. Tommy Marie	4294699	tmarie@spf.sc
Property Manager	Ms. Marlene Khan	4294699	marlene@spf.sc
Internal Audit Manager	Miss. Nishreen Abdulmajid	4294699	nabdulmajid@spf.sc
Investment Manager	Miss. Evelina Antha	4294699	eantha@spf.sc
Research and Development Officer	Miss. Yvette Samedi	4294699	ysamedi@spf.sc
Admin & Human Resources Manager	Mrs. Lyne Bonte	4294699	lbonte@spf.sc
Praslin and La Digue Manager	Mrs. Tessy Poris	4237079	tporis@spf.sc

Table 2

The total workforce is 71 and the majority of staff members are at clerical, secretarial, accounting and supervisory levels and 17 are engaged full time at managerial/professional level.

The remuneration policy of staff is approved by the Board following the recommendation of the Administrative and Remuneration Committee.

The organization chart below explained the division of work

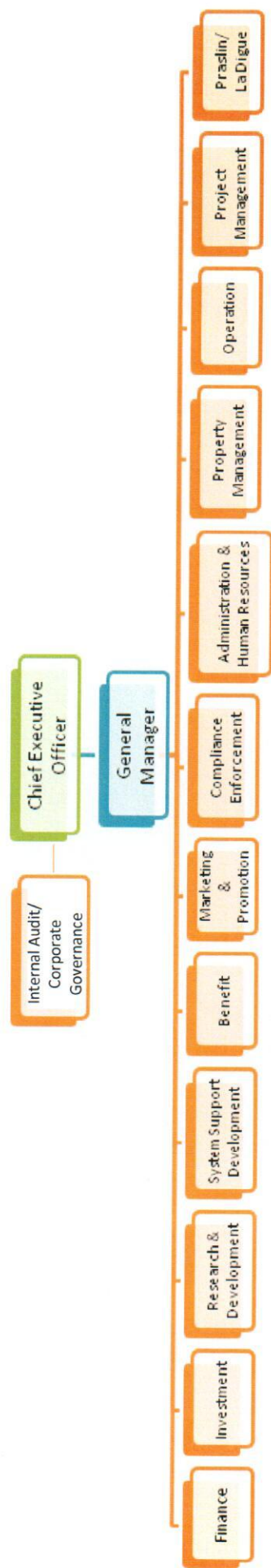


Figure 1

3.1 Administrative Expenses

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

Efficiency Ratio		As a % of Total Income	
Period	Administration Expense R'000	As a % of Contribution*	As a % of Total Income
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%
2011	15,115.00	21.70%	24.20%
2012	17,649.00	18.13%	21.00%

TABLE 3

Administrative expenses at that level were essential for capacity building to ensure the proper management of the Fund and to provide a better quality of service. They were increased from SR15.12m in 2011 to SR17.65m in 2012 by 16.76% due to end of year contract payment to management staff, uniforms materials for staff for two years, training costs. Other administrative costs such as stationary, electricity were increased in view of rising prices of commodities and services.

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 to assist them to obtain a housing loan or a loan for medical treatment.

5. STRATEGIC TARGETS

The Management and Board of Trustees 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 including Investment, Audit and Administrative/Remuneration, Procurement Committee, Review/Appeal Committee 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 reviewed its strategic plan for the years 2012—2016 which is updated annually to take into consideration the changing economic situation and environment.

6. REVIEW OF OPERATIONS

6.1 The Fund covers extensively:

- ❖ All public and private workers in formal employment including the offshore sector
- ❖ Self employed persons - who are contributing to the Fund
- ❖ Part-time workers
- ❖ Casual Workers including 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.</p> <p>Basically the optional age of retirement is 60 and compulsory retirement at the age of 63.</p> <p>Until the 31st December 2009 public sector workers could with the approval of the government as their employee retire at the age of 55.</p> <p>Defense 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, 3, 4 and 5 of the Seychelles Pension Fund (Benefits (Amendment) Regulations 2011 (SI 99). However, the percentage of pension payable is as follows:-</p> <table><tr><th>Salary Band SR</th><th>SPF</th><th>SPF & SSF</th></tr><tr><td>≤ minimum wage of 3,100</td><td>18%</td><td>106%</td></tr><tr><td>> 3,101 to 7,500</td><td>35%</td><td>86%</td></tr><tr><td>> 7,501 to 15,000</td><td>31%</td><td>50%</td></tr><tr><td>> 15,001 to 20,000</td><td>35%</td><td>48%</td></tr><tr><td>> 20,001</td><td>38%</td><td>47%</td></tr><tr><td>Average</td><td>31%</td><td>67%</td></tr><tr><td></td><td>-</td><td>-</td></tr></table> <p>The maximum of pension is currently at SR17, 000 per month from the 1st January 2012 excluding social security retirement pension of SR2, 750 per month.</p>	Salary Band SR	SPF	SPF & SSF	≤ minimum wage of 3,100	18%	106%	> 3,101 to 7,500	35%	86%	> 7,501 to 15,000	31%	50%	> 15,001 to 20,000	35%	48%	> 20,001	38%	47%	Average	31%	67%		-	-
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> 15,001 to 20,000	35%	48%																							
> 20,001	38%	47%																							
Average	31%	67%																							
	-	-																							
(3) Qualifying period for pension	<p>10 years of continuous contribution to the Seychelles Pension Fund immediately prior to retirement or an aggregate period of 20 years of contribution to the Social Security Fund up to 30 June 2010 and or the Seychelles Pension 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 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 4.5% 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><i>In case of death before attaining retirement age the granting of a surviving spouse's pension (if the surviving spouse was living with the deceased at the time of death).</i></p> <p>Surviving Spouse's pension is at the following rates:-</p> <ol style="list-style-type: none">1) 80% of the full pension for life if the deceased has no children2) 50% if the deceased has children or such smaller amount as per the deceased's member nomination but not less than 25% of the pension3) 70% if the surviving spouse is 10 years 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 permanent 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><i>In case of migration from Seychelles to another country as a permanent resident, a member may claim for the refund of his or her pension contributions on providing proof of migration.</i></p>
(10) Re-joining of the Fund	<p><i>If the person is then unhappy in his or her new country then upon his or her return to Seychelles can contribute to the Fund to be able to earn a pension, that is, on completion of 10 years of continuous contribution and on attaining retiring age be entitled to receive a pension or in case of contributing less than ten years be eligible for refund of both the mandatory and voluntary contributions made to the Fund.</i></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 up to July 2010 including part time workers. They are liable to payment of the worker's mandatory contribution of 1.5% or SR50 whichever is the greater and their employer's contribution of 1.5% or SR50 whichever is the greater to the Seychelles Pension Fund. The Fund also covers self employed, part time and casual workers 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	Self employed persons who are registered or licensed for a period of ten consecutive years and pay their pension contribution, currently at 3% of the salary declared , 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's pension or children's pension subject to meeting the qualifying conditions.
(18) Payment of Contribution on re-employment or continued employment after retirement	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 became 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.

TABLE 4**Funding of Benefits**

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

- (a) The monthly contribution of 3% or SR100 whichever is the greater made by employers and employees to the Seychelles Pension Fund inclusive of 1% contribution from the government.
- (b) Returns on prudent investments which have been and are being made.

Currently the excess of contribution over benefits payment is 101%

6.3 Pension Benefit Management

The proper management of the different types of benefits continued to be one of the main priorities of the Fund in view of the continued rising public expectations and emphasis on improving the quality of service delivery. The responsibilities of the Section are to ensure the prompt processing of benefits available under the Fund and submit for approval or otherwise and inform beneficiaries and applicants. This should normally take a period of up to seven days.

General performance increased significantly and areas of performance varied from processing claims lodged by members ensuring that all pensioners were paid their pension on time by direct transfer into their respective bank accounts. The best practice users' manual for pension benefits that was prepared to serve as practical guide in the performance of duties was of great help to increase the level of efficiency partially to clients.

Pension information leaflets were revised to take into account any changes in the regulations to provide up-to-date information to members. They were sent to employers for distribution to employees. The leaflets are available at the Fund's offices and on its website.

6.4 Processing of applications

For the year 2012, 731 applications were lodged. 454 were for normal retirement benefits which represented 63% of total applications.

The Fund paid a total of SR 46,044,366.14 for SPF monthly pensions and SR50, 101,606 for the SSF retirement monthly pension. In terms of the SPF monthly pensions this represented an increase of 35% when compared to the total amount of SR 34,241,429.53 paid in 2011. The increase has been mainly due to the 5% increase in the Fund's normal retirement benefits to meet the rise in the cost of living during the year and more persons attaining retirement age.

The total sum of SR 60,976,424 was refunded to the Fund from the Social Security Fund and Ministry of Finance, Trade and Investment in respect of the Social Security Fund's retirement pension and pensions initially paid by the Fund under agreement which by law are funded by the Consolidated Fund.

6.5 Customer Service

In order to cope with the continuous demand of the public and the changing environment, the Fund continued to provide training to its staff in service delivery and benefit regulations.

6.6 Normal Retirement Benefits

454 applications were received and processed of which 219 were for lump sum payments amounted to SR2,330,870.25 ,in view that they did not qualify for a pension, whilst payment for retirement pension amounted to a total of SR29,718,863.38.

MONTHLY BENEFIT PAYMENT AS AT 31ST DECEMBER 2012

The following table showed the monthly payment and number of beneficiaries

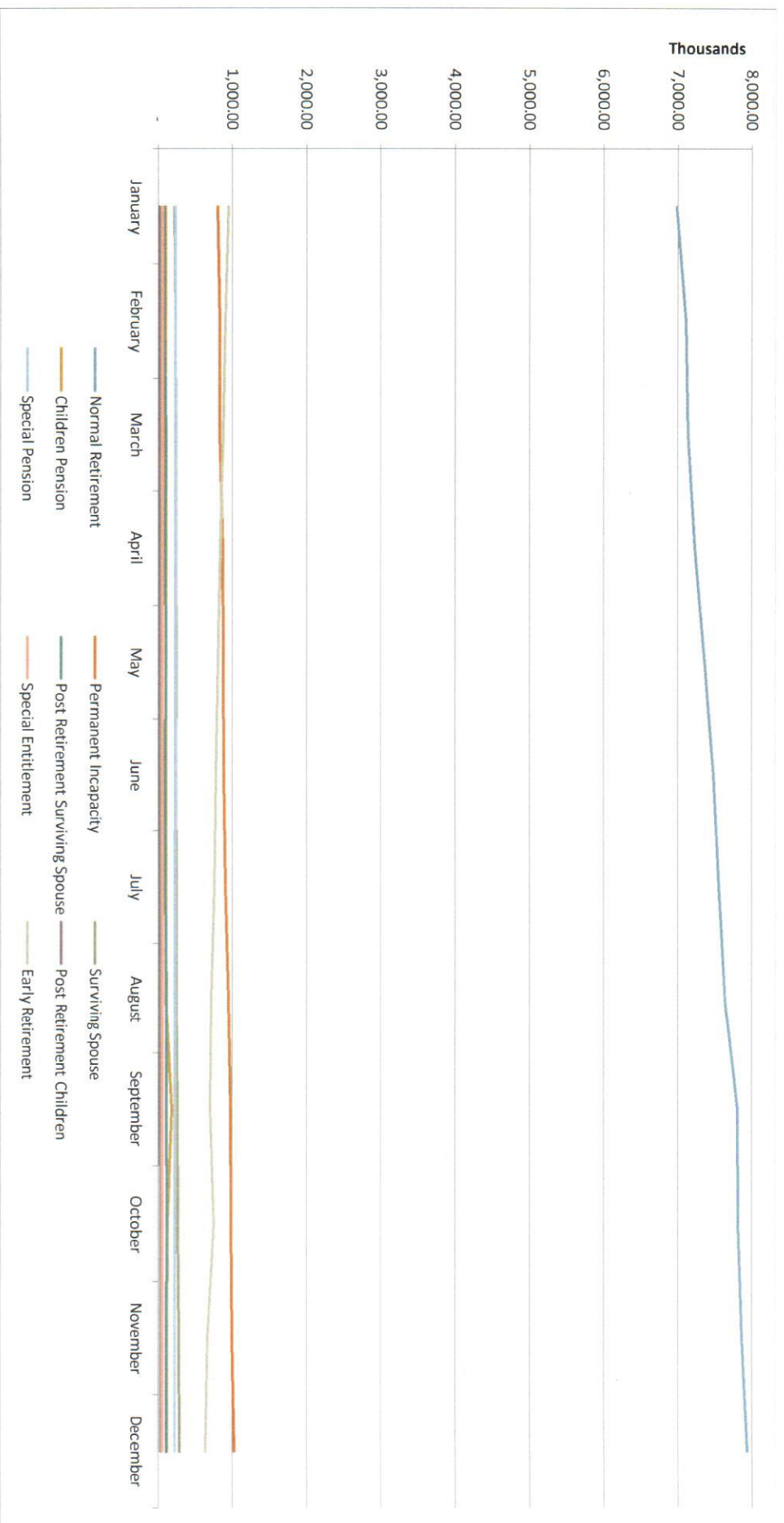
Type	No of Beneficiary	Amount paid (SR)	Method of payment	
			Cheque	Bank Transfer
Normal Retirement	1,978	7,935,959.00	1	1,977
Public Sector Special Pension	453	226,500.00	5	448
Special Entitlement	109	54,500.00	3	106
Permanent Incapacity	299	1,023,188.00		299
Surviving Spouse's Pension	107	290,098.00		107
Children's Pension	82	123,275.00		82
Post Surviving Spouse Pension	46	114,735.00		46
Post Children Pension	16	35,585.00		16
Early Retirement	169	642,051.00		169
Total	3,259	10,445,891.00	9	3,250

Table 5

The number of beneficiaries for normal retirement increased from 1742 in 2011 to 1,978 in 2012. On the other hand, the total number of beneficiaries for all benefits paid increased by 9% for the period January to December 2012 compared to the same in period in 2011 which was 3,001

MONTHLY PENSION PAID AS AT 31ST DECEMBER 2012

Month	Benefit Type											Total
	Normal Retirement		Permanent Incapacity	Surviving Spouse's Pension	Children's Pension	Post Retirement Surviving Spouse's Pension	Post Retirement Children's Pension	Special Pension	Special Entitlement	Early Retirement		
	SR (SPF Pension)	SR (SSF Pension)	SR	SR	SR	SR	SR	SR	SR	SR	SR	
January	3,064,480.00	3,926,259.00	803,289.00	216,016.00	96,559.00	85,370.00	14,536.00	231,500.00	55,000.00	944,557.00	9,437,566.00	
February	3,119,178.00	3,994,372.00	830,716.00	230,968.00	95,860.00	84,775.00	16,752.00	231,000.00	55,500.00	902,833.00	9,561,954.00	
March	3,134,777.00	4,007,641.00	828,109.00	238,288.00	99,296.00	103,570.00	23,284.00	231,000.00	55,000.00	876,455.00	9,597,420.00	
April	3,175,759.00	4,060,998.00	867,488.00	239,712.00	109,377.00	97,305.00	22,618.00	230,500.00	55,000.00	834,173.00	9,692,930.00	
May	3,253,545.00	4,112,906.00	881,144.00	243,424.00	106,567.00	104,040.00	22,618.00	230,000.00	54,500.00	810,887.00	9,819,631.00	
June	3,319,728.00	4,167,508.00	884,152.00	241,515.00	106,995.00	101,267.00	22,618.00	229,500.00	54,500.00	777,191.00	9,904,974.00	
July	3,351,365.00	4,203,711.00	905,415.00	242,947.00	108,427.00	98,628.00	22,618.00	228,500.00	54,500.00	760,577.00	9,976,688.00	
August	3,406,208.00	4,235,427.00	948,135.00	242,947.00	108,427.00	111,415.00	26,295.00	228,500.00	54,500.00	716,553.00	10,078,407.00	
September	3,541,836.87	4,265,579.13	973,200.00	259,691.00	183,275.00	112,116.00	31,380.00	228,000.00	54,500.00	703,953.00	10,353,531.00	
October	3,517,463.70	4,299,122.30	981,411.00	264,531.00	125,084.00	118,010.00	35,455.00	228,000.00	54,500.00	751,176.00	10,374,753.00	
November	3,540,081.60	4,326,766.40	999,721.00	282,546.00	123,275.00	114,735.00	37,344.00	226,500.00	54,500.00	667,666.00	10,373,135.00	
December	3,571,181.55	4,501,316.00	1,023,188.00	290,098.00	123,275.00	114,735.00	35,585.00	226,500.00	54,500.00	642,051.00	10,582,429.72	
TOTAL	39,995,603.72	50,101,606.00	10,925,968.00	2,992,683.00	1,386,417.00	1,245,966.00	311,103.00	2,749,500.00	656,500.00	9,388,072.00	119,753,418.72	



AMOUNT REFUNDED AS LUMP SUM REFUND UP TO DECEMBER 2012

Month	Benefit Type						Total
	Normal Retirement	Death Before Normal Retirement	Permanent Incapacity	Pre-Retirement Migration	Death After Normal Retirement	Voluntary refund Early Retirement	
	SR	SR	SR	SR	SR	SR	SR
January	170,464.92	3,899.44	40,934.52	3,854.84	0.00	0.00	219,153.72
February	447,176.83	90,071.13	106,791.07	0.00	0.00	0.00	644,039.03
March	107,550.60	40,171.07	24,501.07	914.85	0.00	0.00	173,137.59
April	141,712.03	75,489.77	228,966.26	19,720.23	0.00	0.00	465,888.29
May	203,263.66	73,302.15	113,960.70	0.00	0.00	0.00	390,526.51
June	199,378.69	92,526.31	109,520.55	23,113.79	0.00	0.00	424,539.34
July	172,133.00	161,536.45	193,118.64	40,368.35	0.00	0.00	567,156.44
August	182,477.32	58,891.00	258,516.64	25,972.16	0.00	0.00	525,857.12
September	74,930.79	104,259.38	89,275.49	0.00	0.00	0.00	268,465.66
October	367,215.45	79,480.97	230,322.48	16,103.35	0.00	0.00	693,122.25
November	134,509.36	66,497.10	15,141.31	0.00	0.00	0.00	216,147.77
December	103,057.60	190,554.89	74,518.09	22,757.25	0.00	0.00	437,586.99
Total	2,303,870.25	1,036,679.66	1,485,566.82	199,503.98	0.00	0.00	5,025,620.71

Table 6

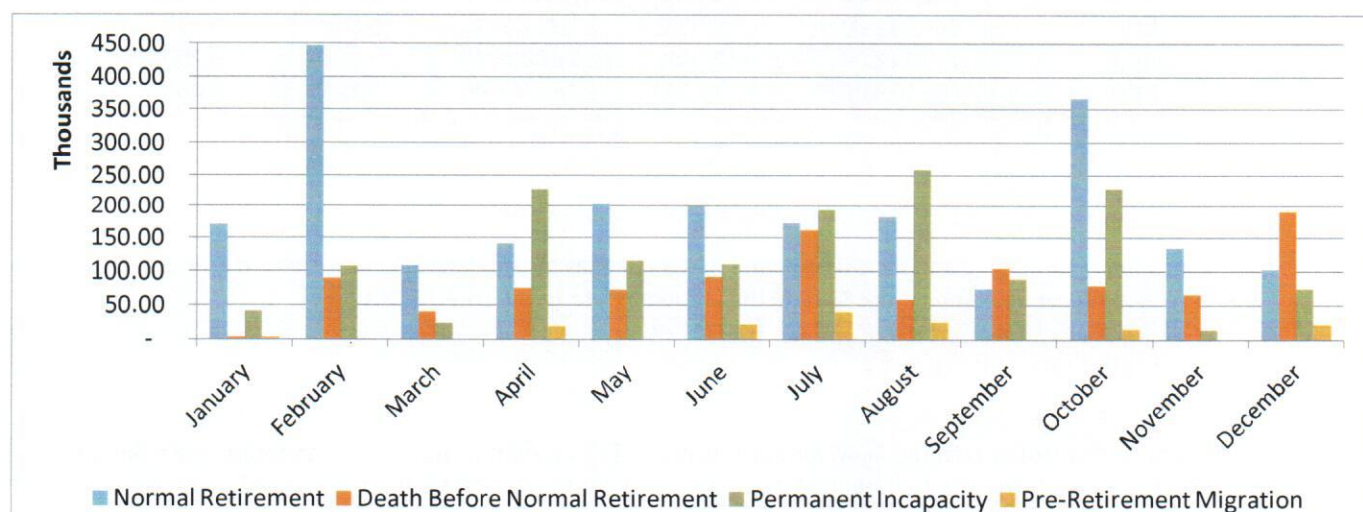


Figure 2

6.7 MEMBERSHIP

The classification system is made up of active and non-active members. Non-active members are 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 unable to obtain another employment or who have not yet claimed for their benefits.

Based on the classification the total number of active and non active members of the Fund up to December 2012 is shown below:

Year ending 31 st December	Active Members	Non-Active Members	Total Registered Members	Rate of growth (%)	No. of Death
2006	33,505	16,377	49,882	3.21	978
2007	32,104	19,787	51,891	4.03	1,083
2008	32,174	20,725	52,476	1.13%	1,133
2009	30,166	23,613	53,779	2.48%	1,182
2010	33,371	21,975	55,346	2.92%	1,371
2011	35,252	18,859	55,396	0.09%	1,285
2012	39,461	16,819	56,280	1.60 %	1,380

TABLE 7

The total contributions in respect of the inactive members yet to claim their benefits amounted to SR92.275, 697

Members' funds as at 31 December 2011 from the years 1991

Year ending 31 December	Members Fund (Rs'000)	Rate of Growth	Unallocated Funds	Rate of Growth	Proportion
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	5.81%	0.21%
2011	723,712.00	8.94%	2 100,918*	51.01%	0.29%
2012	805,929.00	11.33%	255,104.00	0.10%	0.03%

TABLE 8

Other funds amounted to SR113, 909.000 making a total fund of SR 837,621

* The allocation is continuing and should be completed as soon as outstanding xml files – pension reports are received from the Seychelles Revenue Commission. To date the amount yet to be allocated is SR1.8m.

6.8 MEMBERS' ACCOUNTS

An account is maintained with the 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 2012 would be released in April 2012 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 our hot line or pay us a visit. As part of our service improvement members should be able to obtain a statement of his or her account at any time upon request.

The development of the web portal for members to view their statement of accounts on line had to be postponed again because of the delay in receiving payrolls or not receiving the correct ones from the Seychelles Revenue Commission to update members' accounts. This issue has yet to be addressed to enable live and on line statements to be available to members.

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 2012 was fixed at 4.5%. When comparing the current rate of interest on savings at 2%, the Fund's interest rate is still 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 was essential and 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:-

- (1) Mandatory Contribution

	2011	2012
Employer	1%	1.5%
Employee	1%	1.5%
Self Employed	2%	3%

Table 9

In brief the employer's prescribed monthly contribution payable in respect of each worker for each or part of a month in which a worker has been employed is from January 2012 1.5% of the worker's total gross salary or SR50 whichever is the greater. The worker's prescribed monthly contribution payable for each month or part of a month in which the worker has been employed is 1.5 % of the worker's total gross salary or SR50 whichever is the greater;

A self employed person's prescribed monthly contribution payable for each month or part of the month in which the person operates as a registered or licensed self employed is 3% of the gross monthly salary or SR200 whichever is the greater. Where no salary is declared or taken the pension contribution shall be 3% of the average gross yearly profit declared or where no such profit has been made the percentage contribution shall be 3% or SR200 whichever is the greater of the prevailing minimum wage per month for 45 hours a week at the time of payment the contribution is made which is currently SR4095 per month.

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.

8.3 Projects

Current Situation

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

1. Central Victoria Business & Commercial Centre (Phase IB) – Unity House

A multi- storey complex comprising of 88 offices and 44 shops including a restaurant, a shopping center and other commercial facilities for the local businesses. The project was completed in November 2012 and is fully operational.



The unity house complex

Proposed Projects 2012/2013

2) Residential Development- North East Point

The Fund has in its Investment Plan, residential development at North East Point, Mahé in 2012.

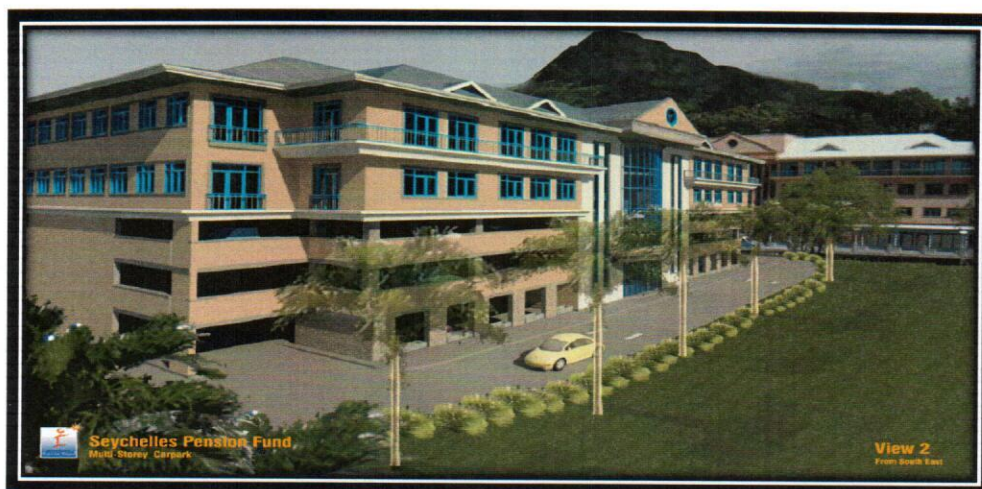
The proposal is to construct 2 blocks of ground plus three storey building consisting of 28 two bedroom executive apartments. The project is expected to start in May 2013 and is likely to be completed by October 2014.

3) Residential Development- Grand Anse Praslin

This project will have altogether 20 modern apartments which comprises of 8 two bedroom and 12 one bedroom apartments. The architectural and engineering drawings have already been approved by the Planning Authority and at the moment the Fund is engaged in the preparation of bidding documents to launch the tender. Construction of the project is expected to start in April 2013 and will be completed in September 2014.

4) Multi Storey Building Project (Office and Car Park)

After careful consideration the Fund has decided to go ahead with the construction of a multi storey building which consists of 5 floors. The first three floors have been designed to accommodate 150 parking spaces and the two upper floors will have around 4200sqm of office space. Approval for the architectural plans from the Planning Authority has already been received. At the moment the Engineers are preparing the structural, electrical and mechanical drawings for submission. The Construction phase is expected to start in June 2013 and the anticipated date of completion is in November 2014.



Architectural concept of the Multi-storey car park

5) Pirates Arm Re-Development Project

A multi storey commercial building with a modern look is being proposed for the Pirates Arms Property. At the moment the Project is still in its initial stage. Presently the tender documents are being prepared in order to select an Architect for the said project. The selection of the Architect will be made during the second quarter of this year and it is expected that the development concept would be ready by the September 2013. Construction is expected to start in March 2014.

8.4 Investment Performance

As at 31 December 2012 the income from investment represented 44% of the Fund's total income (43% in December 2011). Investment income increased significantly by SR19.1 million relative to the same period in 2011.

All income categories increased favorably. Interest income increased by SR8million following increased investment in Government Securities (Treasury Bills) and Bank Deposits as the Fund continued to find ways and means to improve the return on investment. Dividend from shares increased by SR8.7 million, this was the result of higher dividend payout from both SACOS and Seybrew and a special dividend from Seybrew during the first half of the year. The income from property was increased by SR2.4 million for the year 2012. This was the result of the completion of the Unity House building towards the end of the year 2012. Rental income represented 35% of the total income from investment.

The total investment income for 2012 (SR 81.4m) is above the budgeted investment income (SR80.8m) by SR 0.6m. The budgeted total investment income for the year 2013 is expected to increase to SR105.8m.

The average return on investment was 9%.

The Investment Income as at 31 December 2012 relative to the same period in 2011 and 2010 is shown in the table below.

	2010	2011	2012	Budget 2013
Revenue (in SR million)				
Interest Received	22,465,548.00	17,550,456.00	25,716,388	32,105,000.00
Rental Income (Property)	21,850,278.00	25,707,131.00	28,411,664	53,951,000.00
Dividend Received	12,496,064.00	19,000,119.00	27,705,532.24	19,742,000.00
Total Income	56,811,890.00	62,257,706.00	81,833,584	105,798,000.00

Table 12

The comparison of income for the period referred to above is appended below

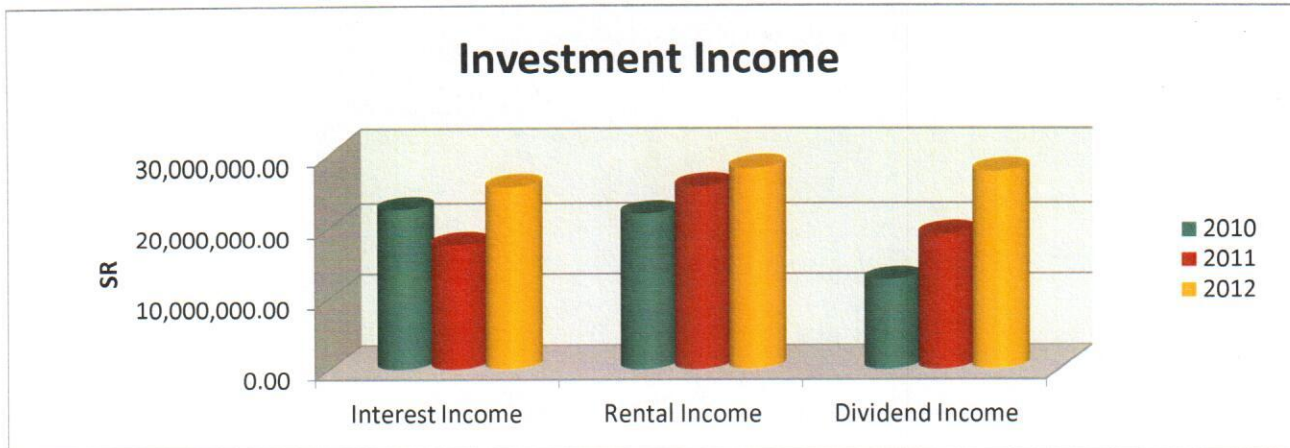


Figure 3

8.5 Investment Portfolio

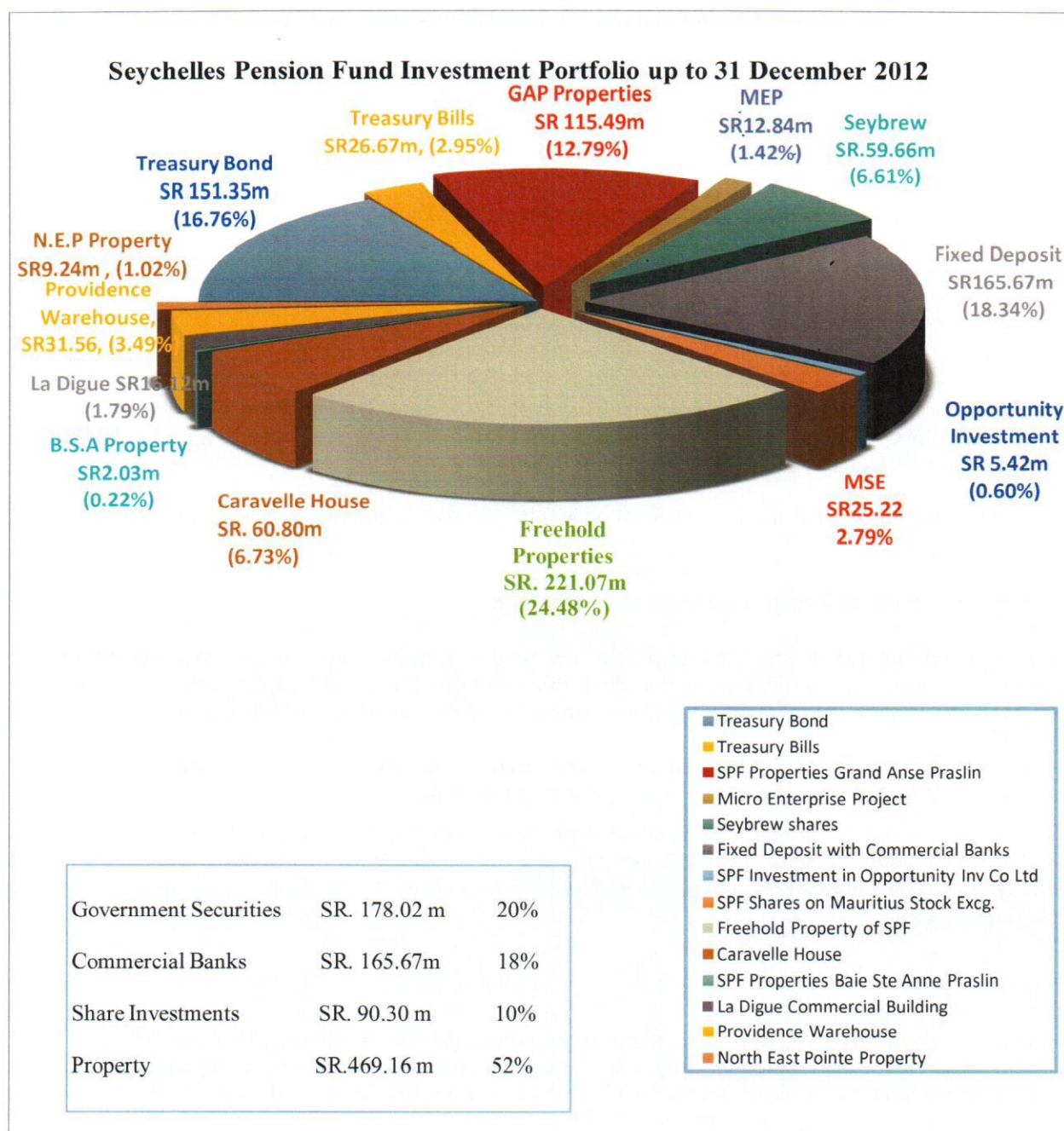


Figure 4

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

The investment portfolio of the Fund is made up of:

- i. **Government Securities** in the form of Treasury Bonds and Treasury Bills represent **20%** of the investment portfolio (**SR 178,020,000**)

Return on government bonds to the Pension Fund at present was at an average of 7.68%. This rate of return is still good for a risk free investment.

The Fund currently had SR26.67million invested in Treasury bills as at the end of the year 2012. The average rate of return received on one year Treasury Bills as at December 2012 was 7.66%.

ii. Bank Deposits with Commercial Banks

Investment in Fixed Deposit is **SR 165.67 million** and account for **18%** of the investment portfolio.

Bank deposits are relatively safe as the return is guaranteed. The average return for the Fund up to December 2012 is 7.55% per annum.

iii. Share Investments

The Fund's investment portfolio in shares is 10% of total investment. (SR90.30 million at cost)

- a) 3,314,606 SEYBREW shares at the cost **SR 59.7 million**

The Fund received SR25.2 million (Rs7.60 per share) during the year 2012 as dividend from Seybrew. This included a special dividend of SR2 per share.

- b) State Assurance Co Ltd SACOS by Opportunity Investment Company (**74,292 shares**) – **valued at SR 10,623,756/-** Opportunity Investment Company is a joint venture in which Seychelles Pension Fund holds 51% shares and SWAN International Co. Ltd of Mauritius holds 49%.

The Fund received SR2, 273,340 as dividend from SACOS in 2012. Dividend increased by SR10 to SR60 per share compared to last year.

- c) Investment on the Mauritius Stock Exchange **SR 25.22 million**

This investment was initiated in April 2007 to provide the Fund with much needed foreign exchange for its operations as there was a critical shortage at that time. This came about as a result of the back to back loan arrangements with Swan Investment Company Ltd which would be reviewed as soon as sufficient gain is made.

These investments were diversified to include equities on the Mauritian stock exchange, other foreign equities and fixed income securities consisting of Mauritian Treasury Bonds and fixed deposits.

With the continuous increase of exchange rates and more emphasis to increase the return and diversify investment, the Fund has decided to invest a further 500,000 USD during the year 2012 to earn much needed return. The current market value is USD 526,000. The return for the year 2012 based on income received is 2.58% but with recent good performance this is changing for the better.

iv. Property

Investment in Property is currently 52% of the investment portfolio (SR 467.66 million). The Fund has already surpassed the ceiling of 50% in property development. Property at affordable rent can be a safe and profitable investment. With the return opportunity ranging from 7% to 14%, investment in property provides income for the long-term; therefore, it is an important investment vehicle.

Property income represented 35% of the total income from investment. The demand for property is continuously increasing. The Fund has also taken precaution to diversify its investment in properties. The Fund has investment in warehouses, stores, shops, offices, apartments and is now aiming to build the first multi-storey car park in Victoria.

All these types of properties remain in high demand; there is a long waiting list which is continuously increasing. Within the Seychelles context where land is scarce and in great demand there is no risk of any fall in the value of properties. Actually property price and value keep rising; therefore, there is no indication that there will be pressure in the property market.

The Fund's focus is to complete its three projects namely the apartments at North East Point and Grand Anse Praslin and the multi-storey car park with offices before gradually moving to other development including the pirates arms re-development depending on the importance and viability.

9 PROPERTY MANAGEMENT

As an important source of income for the Fund, property management continued to focus on the effective and efficient management of the various properties of the Fund in order to achieve a good return on these investments. As set out in the Plans and Targets for the year 2012, prompt collection of rent, reducing maintenance and repair cost, marketing of existing and future premises and attaining 100% occupancy for the premises, remained as the main preoccupation for the Section. A major event for the year 2012 was the official opening of the Unity House building complex which required intensive planning throughout the year.

9.1 OCCUPANCY RATE

Similar to the previous years, occupancy rate for Mahe premises remained very good; refer to Figure 1 for details. On the other hand, as indicated, the negative trend for some of the Fund's premises on Praslin and the La Passe Pension House persisted throughout the year despite various attempts to vigorously market the premises in question.

Although 7 lease agreements were terminated in the La Passe Pension House throughout 2012, as at 31 December 2012 occupancy rate was 92.86% compared to 64.29% in 2011. The Pension Complex Phase II had 100% occupancy as at 31 December 2012. However, during the same period occupancy for Phase I was 88% compared to 92.86 % in 2011.

Figure 1: Occupancy rate of SPF Properties as at 31st December 2012

No	Building Name	Location	No. of Rentable Units	Occupancy Rate %
1	Huteau Lane Complex	Victoria	43	100
2	Pirates Arms Complex	Victoria	23	100
3	Office Building Caravelle House	Victoria	5	100
4	Ex Bistoquet Building	Baie Ste Anne Praslin	6	100
5	Craft Village	Port Glaud	6	100
6	Workshop	Providence Industrial Estate	12	100
7	Land Transport Building	Victoria	1	100
8	Providence Warehouse	Providence	30	100
9	Pension Complex (Phase 1) (inclusive of residential apartments- excluding SPF store)	Grand Anse Praslin	42	88.09
10	Pension Complex Phase 2	Grand Anse Praslin	12	100
11	Eve Island Enterprise	Eve Island Praslin	8	75
12	La Passe Pension House (excluding SPF Office)	La Digue	14	92.8*
13	Unity House	Victoria		100

- 100% occupancy from January 2013

As established during the past few years, the trend for premises on Praslin and La Digue were mainly due to the low business turnover and the unavailability of disposal income/buying power by residents to sustain certain businesses. However, it should be noted that rental for the quality premises being offered on Praslin and La Digue is very low compared to what is being charged by the Fund on Mahe. To date it is still difficult to maintain a waiting list for premises on Praslin & La Digue apart from residential apartments.

In view of the considerable difficulty to get tenants for first floor premises in Pension Complex Phase I and the La Passe Pension House, the management decided to move part of the Fund offices on the first floor of Phase 1 and La Digue office to the first floor as well. Both transfers would be effective from early January 2013 so that the ground floor premises would be available for rental. As indicated in Figure 2 majority of lease were terminated on Praslin & La Digue, whilst tenancy tends to be more permanent for Mahe premises.

Continuous effort was made to improve occupancy for the Praslin premises driven by an intensive marketing programme.

Figure 2: Number of Lease renewed or terminated as at 31 December 2012

No	Building Name	No of Lease Renewed	No of Lease Terminated	New Lease
1	Huteau Lane Complex	6	3	3
2	Pirates Arms Complex	1	2*	0
3	Office Building–Caravelle House	0	0	0
4	Ex Bistoquet Building	0	1	0
5	Port Glaud Craft Village	0	0	0
6	Providence Workshop	0	0	0
7	Land Transport Building	0	0	0
8	Providence Warehouse	0	3	6
9	Pension Complex (Phase 1) (inclusive of residential apartments)	9	3	3
10	Pension Complex (Phase 2)	1	1	3
11	Eve Island Micro Enterprise Building	0	3	2
12	La Passe Pension House	0	7	2
TOTAL		17	21	19

*transfer of premises

9.2 Efficient collection of rent

In view of its significance, rent collection remained a priority for Property Management. In order to ensure the prompt collection of rent, the Property Management Section worked in close collaboration with the Finance Section. Defaulters were persuaded to pay their rent and renewal of lease agreements were kept pending subject to payment of outstanding rent. Respective deadlines for payment were given after which the notice to vacate the premises was duly issued.

In general, a number of tenants paid their rent in a timely manner. But in view that some tended to make it a habit for not paying on time, a Rent Task Force was created on 10 April 2012 by the Chief Executive Officer, comprising of a Chairman from the Finance Section, and other members from the Property Management, Marketing and Promotion and the Compliance Section. The first task force meeting was held on 18th April 2012. In several cases the task force was successful in obtaining payments and was advised to focus also on non active tenants. In most cases the active tenants opted to pay their rent so that they could keep the premises. In addition, in the rent program, provision was made to reject cheques in the case of those who made it a habit of issuing cheques without sufficient funds in their accounts. As a result, such tenants were required to strictly pay by cash each time they have to effect payment of rent and other charges.

9.3 Service Delivery and Property/Facilities Management

Several 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.

Property Management expenses for 2012 amounted to SR6, 908,534. This represented an increase of 41% from 2011. Figure 3 shows the increase in property management expenses from 2008 to 2012. The increase during the past few years were largely due to increased cost of services, in the number of new properties, cost for services such as security protection, upkeep of the premises, insurance, electricity and water etc. However, such cost was offset by service charge.

In view of the increasing work load in the Property Management Section, since the Unity House project was nearing completion, a new Property Management Officer was recruited in June 2012. One of the objectives was to assist with rent collection, especially with the increasing need to tackle defaulters on an individual basis.

Figure 3: Graph illustrating property management expenses from 2008 to 2012



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. At present security services for the Fund's premises are being provided by Isles Security Agency Ltd, Pegasus Security Company Ltd and Sentinels of Seychelles Security Firms.

9.5 Allocation and opening of the Unity House premises

In accordance with the approved guidelines for allocation of premises in the Unity House, the allocation process which was initiated in the second half of 2011 was finalized during the third quarter of 2012. During that period a significant number of successful applicants had already paid the required deposits and were patiently waiting for the premises to be handed over to them. The unity house complex was completed and tenants started to move in October. It was a major event for the year and considerable efforts were made by all concerned to ensure that the event was a success.

9.6 Rent Review

The review of rent upon the expiration of lease agreements in particular continued in order to ensure a good return on the Fund's investments and cater for rising cost of maintenance. The same applied to increase in service charge from R30 to R50 (for Pension Complex-Phase I) upon renewal of lease and in cases of new lease agreements. Despite the increase in rent for Mahe premises demand for premises continued to increase. Also the Fund's rentable premises continued to increase in view that the rent offered was reasonable and competitive when compared to the rent set by other landlords.

9.7 Expansion of property portfolio

The necessary formalities to start the construction of residential apartments at Grand Anse Praslin & North East Point targeting middle income professionals, graduates and hotel management staff are ongoing. Although construction will start in 2013, the Fund has already started maintaining a waiting list to ensure 100% occupancy is achieved on completion of the projects.

10 MARKETING AND PROMOTION

The overall marketing objective for this year continued to focus on the need to improve the communication strategy of the Fund through public awareness of its benefits and services and the voluntary contribution scheme to attract larger market share from the self employed sector and maximize occupancy rate for our real estate investments.

10.1 Public relation Activities

Be proactive in channeling prompt and efficient information to target groups as changes occur and reduce *service gaps* to improve public confidence in the running of the Fund.

Marketing Tactics

Employ mass media in the shape of television, Radio and newspaper advertisements. Incorporate new media in the shape of e-mails. Focus on meetings with members at their workplace.

Tasks undertaken

1.1a- Seychelles Pension Fund – Listening to you TV advertisement – Continuous programmes to promote awareness of the Fund's services and benefits.

1.1b -Statement of Member's Account 2011 – Released in March 2012 with the incorporation of voluntary contribution forms forwarded to every member for completion. To facilitate attending to queries and fast track responses to clients a call centre was established. The distribution of the statements went well.

1.1c – Newspaper Pension Tips – Continuation of weekly pension tips column in the Today and the Nation newspapers to create an easier platform to provide much needed details about the benefits and operation of the Fund and how members features within our organization. This further facilitated informed decision making by members.

1.1d Promotional talks - Ongoing talks in the workplaces targeting newly opened establishments or on ad hoc basis including at Kempinski Hotel on 30th March 2012, National Council for Children 13th March 2012, School of Health 4th July 2012 and Mayfair Trust 12th July 2012, NIHSS December 2012.

10.2 Enhance members Fund from Voluntary contributions

Following the amendments to Membership and Contribution Regulations from 1% to 1.5% employer and employee contribution to a combined total of 3%, the Section's main objective was to tackle any adverse effect on voluntary contribution mainly from the lower income group.

Marketing tactic

Incorporate the importance of keeping and adjusting voluntary contribution account with the Fund for financial security upon retirement in all of our marketing communications and incorporate the voluntary contribution forms with members' annual statement of account

The trend

The general trend for the year 2012 showed an increase of 11% and 29% over and above the collected sum from employer and employee voluntary contribution respectively for the same period in 2011. This as a control mechanism confirmed the effectiveness of campaigns undertaken over previous years.

However, it has been noted that there is a need to review the target rate set for attaining yearly voluntary contribution as they look unrealistic given the current economic climate. The proposed 43% increase in employee voluntary contribution over the same period in 2011 has seen a shortfall of -8.1% collected, whilst employer contribution was surpassed by only 1.77%.

Refer to table below illustrating the trend in voluntary contribution until December 2012.

Distribution of employers' and employees voluntary contribution trend from 2009 to 2012

Months	2009		2009		2010		2010		2011		2011		2012		2012	
	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs	Employer's Voluntary Contribution Rs	Employee's Voluntary Contribution Rs
January	133,137	266,368	180,514	276,778	123,050	271,090	133,438	207,509								
February	131,458	208,851	152,784	204,548	125,035	298,133	62,849	374,624								
March	148,625	257,418	185,703	298,562	117,827	206,120	210,337	401,371								
April	145,028	242,664	170,381	255,492	164,443	244,325	69,636	340,141								
May	137,311	186,369	151,666	311,456	117,702	340,456	268,040	470,453								
June	152,611	202,255	165,047	270,577	155,602	224,134	147,129	193,353								
July	148,564	218,699	186,344	295,849	116,563	192,578.29	183,534	350,762								
August	168,874	236,745	134,570	285,639	154,799	238,175	99,875	694,363								
September	153,138	248,373	70,931	302,365	145,953	483,599	154,321	470,692								
October	157,939	231,666	160,609	329,425	128,950	219,102	284,497	159,550								
November	177,047	251,555	113,741	287,642	163,799	388,934	151,844	315,325								
December	169,883	222,895	74,348	339,042	164,073	299,796	89,813	401,918								
TOTAL	1,823,615	2,773,858	1,746,639	3,457,375	1,677,797	3,406,433	1,855,313	4,380,061								
Total 1st half	848,170.00	1,363,925.00	1,006,095	1,617,413	803,659	1,584,258	891,429	1,987,451								
Total year	1,823,615	2,773,858	1,746,639	3,457,375	1,677,797	3,406,443	1,855,313	4,380,061								
Target	1,709,000	2,714,000.00	1,709,000	2,714,000	2,201,200	3,317,000	1,823,000	4,766,000								
% achievement of target (above target)	6.7%	2.20%	2.2%	27.4%	28.80%	22.22%	1.77%	-8.1%								

TABLE 13

10.3 Newspaper feature

The Strategy

The main strategy of employing newspaper advertisements was keeping the Pension Fund brand circulating.

Tasks undertaken

- ❖ Advertisements to market vacant office premises in the Pension Complex on Praslin.
- ❖ Promoted the release of member's statement of account 2011.
- ❖ Advertisement for the occasion of the National day celebrations.
- ❖ Promotional advertisement in SIB business directory.
- ❖ Promotional advertisement in Telephone Directory 2012.

Worked in close collaboration with Property Management Section in order to aim and maintain 100% occupancy of our premises to maximize income. Identified and mitigated any threats potential tenants not taking premises or tenants discontinuing with their lease agreement. Mass media advertisement and personal selling exercise were mainly targeted.

10.4 Property Advertising

The strategy

Work jointly with Property Management Section to attain our target of 100% occupancy.

Task undertaken

- ❖ Advertisement in the newspapers and radio.
- ❖ Telephone contacts to prospective clients and email where applicable including SMS messages.

Remarks

Out of a total of 202 rentable units' 4 units are now without tenants compared to the 2 that were not being rented by the end of June 2012. For the same period warehouse tenancy has decreased by 2 from 1 to 3 compared to end of June 2012, representing an average of 98% occupancy rate. Demands for property development especially on Mahe is at a premium compared to Praslin and La Digue

New strategy proposal

Trend has indicated a heavy demand for ground floor premises. A proposed change in strategy to move the Pension Fund's Office from the ground floor onto the first floor has been advanced to promote an increase in tenancy for the Pension complex. This should reduce the empty spaces in the first floor by two whilst increasing the ground floor tenancy by the same number. However with intensive marketing there is the indication that occupancy can be improved during the year 2013.

11 **SYSTEM SUPPORT AND MANAGEMENT**

System Support Management and Development continued to play an important role in ensuring that the overall objectives and targets of the Fund were achieved to the full extent. The assessment of its performance continued to be directly linked to the Section's plans and targets for the year 2012.

The Fund continued to upgrade and maintain its computer system and the implementation of the following tasks was of considerable importance to ensure that the system operated efficiently and was used to the maximum.

11.1 MAINTAIN AN EFFICIENT COMPUTER SYSTEM

In the interest of making the use of computing and information technology resources a natural part of the day-to-day learning and work of all staff members of the Fund, the IT team which comprises of the System Support Manager and System Programmer continued to work in close liaison in order to maintain and upgrade the Fund's computer system. All aspects of the network were reviewed in order to bring new ideas how to improve the current system to make it more efficient. The use of computing and networking resources is for purposes related to each individual section's activity.

11.2 MAINTENANCE OF EQUIPMENT

Regular servicing and maintenance of all equipments were carried out on a quarterly basis to ensure the principle of preventive maintenance.

11.3 PROPER USE OF CONSUMABLES AND EXERCISE OF ECONOMY

In order to reduce the cost of printing consumables the use of a genuine supplier of toner and inks has helped to obtain better quality of products and save cost.

11.4 PROPER MONITORING OF THE PENSION FUND NETWORK

The proper monitoring of the network is a continuous process to ensure that the system data are successfully backed up on a daily basis to the appropriate media. Daily verification of all hardware, server resources, system and key processes, reviewing system and application logs are done promptly.

11.5 DESIGNING AND PRINTING OF MEMBERS' STATEMENTS

The 2012 members' statements of account was designed and printed on time. With the new system in place the process of issuing of members' statements was done swiftly and completed by 31 March 2012.

12 OPERATION

The Section continued to focus on the prompt and proper allocation of members' mandatory and voluntary contributions to respective members' accounts. Normally the process should be done automatically based on the XML files (employers' payrolls) from Seychelles Revenue Commission (SRC). However, not all the files were valid to be able to perform the automatic allocation; hence, the allocation was done manually resulting in an achievement of 90% of all receipts issued in 2012. Nonetheless the Section worked on a contingency plan including part automatic allocation and manual allocation to complete the exercise and ensure that members' accounts were in most cases up to date.

Emphasis on planning and organizing of the distribution of members' statements continued to be a priority and it is expected all statements would be distributed by 30th April 2013.

13 PRASLIN AND LA DIGUE

In its continuous 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 and La Digue's offices were very active. The staff benefitted from four day training in customer care to broaden their knowledge and assist them to deliver good quality of work.

The compliance and rent programmes were installed to facilitate the work process. Emphasis was placed on the prompt collection of rent.

In close liaison with the Property Management Section the Praslin staff were reminded of the importance to work hard to attain 100% occupancy rate through intensive marketing, ensure proper maintenance of these properties, prompt collection of rent and to maintain a waiting list to facilitate prompt allocation in case of vacant premises.

However these forms part of the plans and targets to be attained during the year 2013

14 ADMINISTRATION AND HUMAN RESOURCES

As part of its continued effort in order to obtain optimum efficiency and effectiveness in the work place, the Fund persisted in its effort to promote the right organizational structure and function in terms of the right staffing, providing supportive work environment, promoting ethical conduct and strengthening mechanisms for the management and ensuring proper staff development.

14.1 Recruitment

The Fund has altogether fifteen sections and most of its key staff has already reached professional level in their respective fields.

As a result of ideal working environment along with availability of good prospects the Fund was able to maintain almost a zero turnover for the year 2012.

Recruitment were mainly at junior level in the Accounting, Property, Operation, and Compliance fields whereby more staff were required due to increased responsibilities upon the completion of more projects.

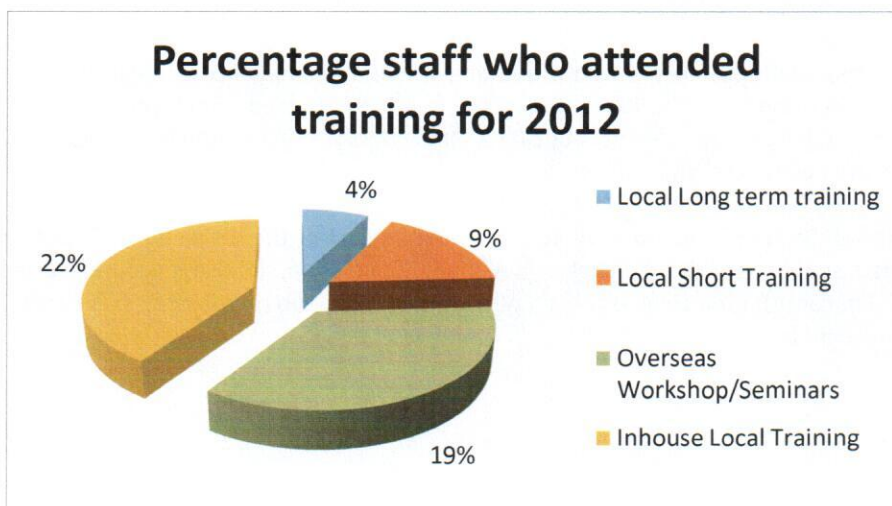
14.2 Training

Training is vital to the Fund to achieve sustainability and efficiency. A succession plan is available and is reviewed on a yearly basis, and the training plan is drawn for a period of five years. For 2012 the plan has been updated based on our current training needs and availability of funds. In fact the two remaining graduates will pursue post graduate training in accounting, investment and social protection during the year 2013.

Figure 1 provides a measure of the Fund's commitment towards the positive development of its workforce.

Altogether and up to end of the year a total of 54 % of staff benefited from both external and internal training which included overseas and local, workshops, short and long term courses as represented by the chart below:

FIGURE 1



14.3 Performance Management

Continuous emphasis was placed on performance management in order to obtain the ideal working environment to enhance productivity.

Through monthly meetings, set plans and targets for the year were discussed, whereby achievements and constraints are reviewed.

Amongst other parameters considered to maintain an efficient and effective workplace were:

- a. Employee having cleared defined objectives
- b. Alignment of the organisation's goal to the activity
- c. Cost management
- d. Open communication
- e. Yearly reviewing of organisation's policies - booklets
- f. Introduction of half yearly appraisal review

For 2012 the following were updated:

- I. Staff loan policy
- II. Long service award scheme
- III. Employee handbook

14.4 Providing a supportive environment and promoting ethical conduct

The organization continued to put a lot of emphasis in maintaining the right working environment and contribute to its positive growth.

14.5 Administration

In line with administrative functions, the necessary supports were provided and considerable emphasis was placed on ways and means to improve on previous years.

Again as a result of increased in activity the administrative cost continued to augment as well as the quality of service in order to cope with new occurrences and projects.

In terms of long term plan, the Fund is in the process of refurbishing its offices with durable furniture allowing both staff and customer to be more comfortable; hence, contributing in portraying a more customer friendly and professional environment which is in line with our Customer Charter.

Nevertheless, with the collaborative effort of all the staff members and other parties the section is progressing as per plans and targets.

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 2012 focused on promoting voluntary compliance among employers, collection of the correct pension contribution rates, detecting unregistered employers, collecting contribution arrears and surcharges as well as educating employers to guide them towards their responsibilities under the Seychelles Pension Fund Act.

The Monitoring Compliance Section was busy monitoring and ensuring the collection of pension contribution and provided support to the Seychelles Revenue Commission. It also encouraged self-employed to make a pension contribution to qualify for a pension and follow-up on referral cases received from Benefit Management Section.

15.1 Detection of unregistered Employers

Continuous efforts were made to detect unregistered employers through spot checks. The one stop shop facility at Ocean-Gate House and our Offices on Mahe, Praslin and La Digue were of help to facilitate registration.

Thirty six complaints were received for the year, based on the complaints four unregistered employers (employing domestic workers) were detected. Carrying out of inspections was also fruitful to detect employers and get them to pay their share of the contribution.

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

The number of new registration with Seychelles Pension Fund/Seychelles Revenue Commission 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 hereunder with a separate column for 2011 figures for comparison.

Months	Employers		Self Employed/Others		Workers	
	2012	2011	2012	2011	2012	2011
January	11	6	15	2	45	19
February	20	25	12	6	54	54
March	32	25	10	3	161	65
April	23	17	4	7	78	24
May	23	8	4	4	37	10
June	20	13	4	3	22	11
July	34	16	5	6	170	13
August	25	18	6	5	60	12
September	28	22	1	3	79	41
October	33	19	4	6	91	22
November	14	25	6	10	22	23
December	17	6	5	7	64	15
Totals	280	200	76	62	883	309

Table 14

Registration had increased for categories, employer and self-employed compared to last year. In respect to self-employed registration 76% of the target set for the year was achieved.

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 the system for one month's arrears and for two month's arrears or more remained at 2%. However performance for the period recorded did show defaulters were at 5%, represented a 2% below the target in the case of one month arrears being the same trend as for the previous year. The majority of the 2% was self-employed persons. In the case of two months or more in arrears performance was noted to be at 4% and below target by 2%.

Since SRC is not doing any enforcement activities, SPF compliance section took the responsibilities seriously and was busy ensuring that action was taken against defaulters as one of its priority. The capacity of the section is being strengthened to be able to achieve the target set.

15.4 Recovery of unpaid contributions

Compliance officers from the section continued to carry out follow up action as part of their routine duties in cases where compulsory contribution has remained un-paid after the due date.

A total of four hundred and twenty seven assessments cases were made against employers in default of contributions and surcharges for the year for the sum of SR1, 589,431.20 in contributions and SR282,709.01 in surcharges. Out of which 402 cases totaling SR1,466,744.16 worth of contributions and SR219,250.05 surcharges were recovered, a further SR56,556.64 was recovered from the balance brought forward from the year 2011.

The closing balance of SR413, 379.85 represented SR188, 900.85 in surcharge and SR38, 333 in contribution from 2006 to 2011. Emphasis has been on recovery along with SR186, 146 representing contributions and surcharges raised in 2012. Details of contributions and surcharges assessed and amount recovered are shown in the table hereunder.

Arrears of contributions and surcharges assessed and recovered from January to December 2012

Month	Number of defaulters	c/d	Contribution SR	Surcharge	Totals	Paid	Balance
Year 2011 balance b/fwd			45,213.00	238,577.49	283,790.49		83,790.49
January	35	283,790.49	228,372.52	49,255.45	561,418.46	240,896.97	320,521.49
February	23	320,521.49	88,061.58	11,578.84	420,161.91	99,640.42	320,521.49
March	29	320,521.49	41,966.22	8,518.92	371,006.63	60,736.78	310,269.85
April	15	310,269.85	43,113.20	16,499.00	369,882.05	58,625.20	311,256.85
May	57	311,256.85	350,271.68	16,290.90	677,819.43	366,230.58	311,588.85
June	40	311,588.85	207,173.18	31,657.46	550,419.49	155,302.76	395,116.73
July	69	395,116.73	124,836.09	18,910.37	538,863.19	133,353.54	405,509.65
August	38	405,509.65	159,073.52	56,090.09	620,673.26	153,285.93	467,387.33
September	25	467,387.33	48,166.66	13,710.20	529,264.19	96,100.98	433,163.21
October	41	433,163.21	103,864.38	32,190.15	569,217.74	131,029.57	438,189.17
November	24	438,189.17	42,006.80	5,036.92	485,231.89	82,010.46	403,221.43
December	31	403,221.43	152,525.37	22,970.71	578,717.51	165,337.66	413,379.85
TOTAL	427		1,634,644.20	521,286.60	2,155,930.70	1,742,550.85	413,379.85

TABLE 15

The graph below showed the contributions and surcharges assessed and recovered.

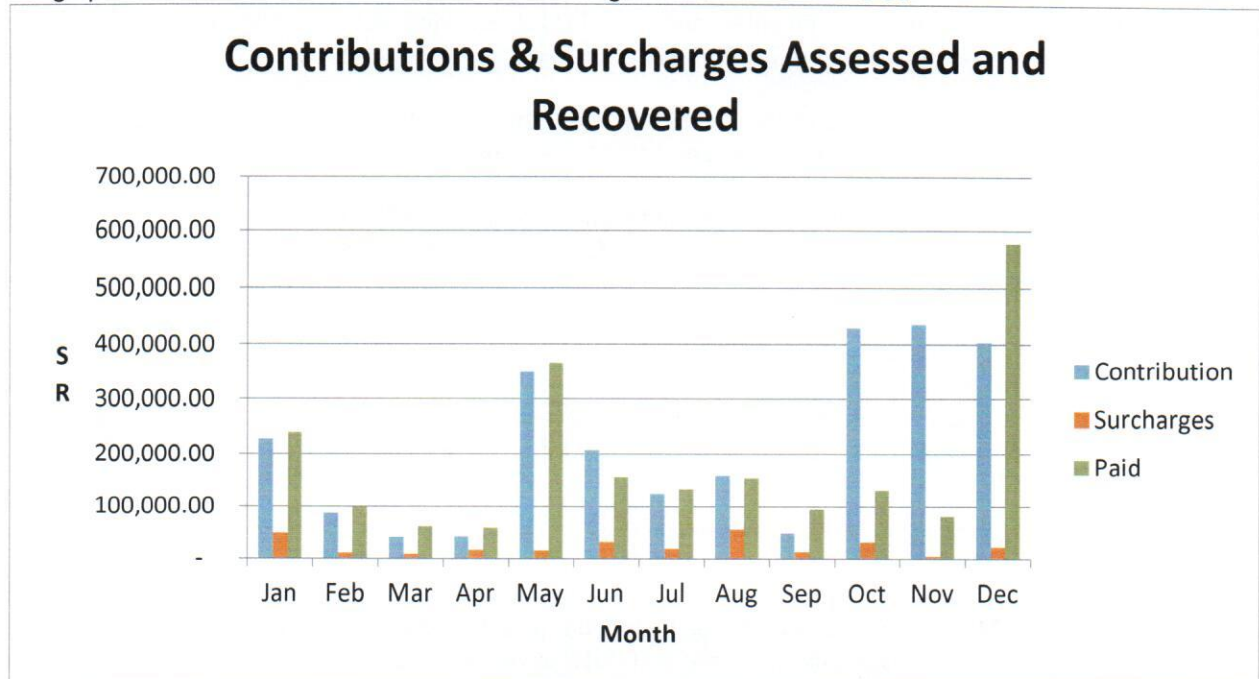


FIGURE 5

15.5 Detection and enforcement exercise

Measures were undertaken to ensure the prompt payment of contributions alongside the required report.

Though the Section's workforce is small, compliance officers continued to conduct inspections to exert pressure on employers in the cases of missing employee's information and follow up action for the recovery of un-paid contributions.

16 CUSTOMER SERVICE

What Our Customers Expect from Us?

In order to deal with the growing demand from members and the public and changes in the working environment and perception 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 areas 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 continuous held at work places to promote the Fund to employers and employees and to get them on board.

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 gained 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 delivery. In 2010 and 2011, the focus was on how best the quality of service could be further improved with emphasis on the need to be proactive. The emphasis for the year 2012 was to review our performance considering clients feedback and looked at the best way forward to further improve our services. However, continuous efforts would continue to be made to assist clients within the shortest possible time.

17 THE FINANCIAL PERFORMANCE

The total revenue collected for the year 2012 amounted to SR125.42 million, which represented an increase of SR21.59 million or 34.56% (excluding the fair value of investment properties). Revaluation of investment properties is applicable for the year 2012 and as per accounting policy it should be done every 2 years. Therefore, this year the fair value of investment (FVI) amounted to SR41.36 million. The return on securities, Investment Property and Dividend for the year under review has increased at an average of 34.29%.

The total expenditure incurred during the year 2012 reached SR18.44 million or 37.16% representing 80.96% of the total revenue (excluding the fair value increase on investment properties). The Administration expenses rose to 16.76% due to increase in price of commodities and services as a result of 7.10% inflation whereas Property Management expenses increased by 40.73% as a result of new property, Unity House started occupancy in early November 2012.

During the year the Fund made a surplus of SR57.36 million (SR16 million after excluding FVI). However, after allowing a net loss of SR1.75 million on foreign exchange, the Fund made a total of net surplus of SR55.61 million (SR14.25 million when excluding FVI) for the year under review

The interest rate paid to Members was declared at 4.50% in 2012; the rate was set after considering the prevailing interest rates on fixed deposits, call deposits and treasury bills and to attract savings through voluntary contribution. The total members’ interest to be credited to members’ fund in year 2012 amounted to SR36.15 million. However only 12% would actually be paid out to those members who do not qualify for a monthly pension and the balance is used to sustain the Fund.

The following is a summarized Income and Expenditure statement for the year 2012.

	2012 Y.T.D.	2011 Y.T.D.	Y.T.D Variance % Over/(Under)
<u>Revenue</u>	<i>SR'm</i>	<i>SR'm</i>	
Interest Income Received	25.72	17.55	46.53%
Rental Income Received	28.41	25.71	10.52%
Dividend Received	27.71	19.00	45.82%
Other Income	2.23	0.21	954.20%
Profit on disposal of available for sale financial assets	0.00	0.00	
Fair value of investment properties	41.36	0.00	100.00%
Total Revenue	125.42	62.47	100.76%
<u>Expenditure</u>			
Interest paid to Members	36.15	28.25	27.96%
Administration Expenses	17.65	15.12	16.76%
Property Management Expenses	6.91	4.91	40.73%
Depreciation	3.11	3.36	-7.43%
Amortisation	4.01	2.12	89.30%
Auditors' Remuneration	0.23	0.23	0.00%
Loss on disposal of fixed assets	0.00	-0.13	-101.09%
Profit on disposal of available-for-sale	0.00	-4.24	
Total Expenditure	68.06	49.62	37.16%
Net Surplus (Deficit)	57.36	12.85	346.32%
Gain/(Loss) on foreign exchange	(1.75)	5.92	-129.50%
	55.61	18.77	196.23%
Surplus/(deficit) from prior years brought forward	217.29	198.53	9.45%
Net Surplus	272.91	217.30	25.59%

In regards to members' fund the total contribution received for the year exceeded payment of benefits as shown below by 101%

	2012
CONTRIBUTIONS	R'000's
<i>Members Contributions</i>	97,335
<i>(of which from Employer Compulsory)</i>	(45,553)
<i>(of which from Employee Compulsory)</i>	(45,709)
<i>(of which from Employer Voluntary)</i>	(1,879)
<i>(of which from Employee Voluntary)</i>	(4,194)
<i>Other Contribution from SSF</i>	12,500
Surcharges	328
Refunds of Contributions	(383)
Funds from Social Security Fund	57,345
Members Interest Credited	36,152
TOTAL CONTRIBUTIONS + SSF Funds	203,277
BENEFIT PAYMENT TO MEMBERS	
Normal Retirement Benefit	82,124
<i>(Normal Retirement Pension Refund By Government)</i>	(9,857)
Death Before Normal Retirement	1,263
Permanent Incapacity	11,839
<i>(Permanent Incapacity Refund By Government)</i>	(810)
Pre-Retirement Migration	200
Special Pension/Entitlement	3,696
<i>(Wholly Refunded By Government)</i>	(3,696)
Surviving Spouse Pensions	2,867
<i>(Surviving Spouse's Pension Refund By Government)</i>	(145)
Children Pension	1,371
<i>(Children's Pension Refund By Government)</i>	(17)
Death After Normal Retirement	-
Post Retirement Surviving Spouse's Pension	1,195
<i>(Post Surviving Spouse's Pension Refund By Government)</i>	(57)
Post Retirement Children's Pension	313
Early Retirement Pension	10,306
<i>(Wholly Refunded By Government)</i>	(10,306)
TOTAL BENEFITS PAYMENT TO MEMBERS	101,171
EXCESS CONTRIBUTIONS + REFUNDS OVER BENEFITS PAYMENTS	102,106
% OF EXCESS CONTRIBUTION OVER BENEFITS PAYMENTS	101%

17.1 Outstanding liability

At the year ended 31st December 2012, the Fund has the following outstanding amounts due by the Government of Seychelles:

- 1) SR 3,202,373.00 for the November and December 2012 Home-Carers, Unemployment Relief Scheme, Special Pension/Entitlement and Early retirement pensions paid by the Fund on behalf of the GOS. On 10th January 2013, November 2012 amount was paid.
- 2) SR 8,775,208.00 for social security pensions paid for the month of November and December 2012. On 20th February 2013, November 2012 amount was paid.
- 3) SR 8,468,201.87 for claim of compensation due to termination of project at Ex-Moulinie Project, Albert Street and the Court of Appeal 's decision for the government to return the property to its owner and thus the Fund not being able to enjoy its 99 years lease on the property . On 18th March 2013, the Government agreed in writing to pay the Seychelles Pension Fund the sum of SR8 million by making an offer which may include the following:
 - a. The freehold interest in the Pension Complex situated at Grand Anse Praslin on Parcels PR4893, PR2568, PR2818, PR5631 and PR5633, presently held o lease by the Seychelles Pension Fund;
 - b. Other properties that the Seychelles Pension Fund can undertake agreed developments on.

17.2 Financial Statements

The audit of the Seychelles Pension Fund's Account for the year was conducted by BDO Associates under contract from the Auditor General in accordance with the Seychelles Pension Fund Act and 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 2012.

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 Objectives of the Internal Audit

The Internal Audit is a very important element to the Fund and as part of its corporate governance structure. The Section was set up since 2006 as part to exercise an independent supervision of the Fund's i operations and practices.

The main objective of the Internal Audit is to assist members of the Board by furnishing them with analysis, appraisals, recommendations, counsel, and 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
- Conducting special investigations.

- Reviewing and updating the Financial and Audit Manuals, Capital Project manuals and other specific manuals used by the Fund.

The Internal Audit is also responsible to oversee good governance practice within the Fund. The Seychelles Pension Fund has a good corporate governance structure in place which is in line with the International Social Security Association (ISSA) good governance guidelines for social security institutions. Corporate Governance is pivotal to an organization's success. In reference to ISSA guidelines, corporate governance implies that the exercise of vested authority is accountable, transparent, predictable, participative and dynamic. There are four broad governance areas which the Fund emphasis good governance (1) financial sustainability (2) sound investment (3) member coverage and contributions and benefits and (4) resource management.

The Internal Audit team consists of three members of staff which includes the Head of Internal Audit, one assistant and one technician. The diagram below illustrates the structure of the Section.



The scope of work of the Section and coverage levels is determined in the annual internal audit plan and the audit team work under the direction of the Head of the Internal Audit to deliver the plan throughout the year.

1. Audit Committee

The Audit Committee is a subcommittee of the Board of Trustees. The Audit Committee comprise of three members who are independent Non Executive Directors and who are also members of the Board of Trustees. The Chairman is an independent non executive director with a sound financial background. The composition of the Audit Committee is as follows;

Chairman- Mr. Lambert Woodcock

Member- Mr. Michel Felix

Member- Mrs. Suzanne Labrosse

The Chief Executive Officer, the General Manager, Finance Manager are required to attend all the meetings as part of the executive management team.-

The Head of the Internal Audit is the Secretary to the Audit Committee.

Main activities of the Audit Committee

The Audit Committee met four times during 2012.

Reappointment of External Auditor

The Audit Committee recommended the re-appointment of BDO Associates to the Auditor General which according to the Seychelles Pension Fund Act 53 (2) is mandated to carry out the Audit of the Seychelles Pension Fund. The Audit fee for the year 2012 was also approved by the Audit Committee. BDO Associates has been the Fund's Auditor under contract with the Auditor General for the past three years. In accordance with the Fund's and International best practice; the Auditor will be due for rotation after 5 years. The Auditor fee for the year 2012 remains unchanged; the last revision in Auditor fee was in 2011. The fees included services for audit interim and final.

Review of Capital Projects Manual

During the second half of the year 2012, the Internal Audit Section conducted a thorough review and revision of the existing Capital Projects Manual to make it more in line with the Public Procurement Act, 2008. This review was done in the spirit of providing more transparency, integrity and confidence in the procurement and contract administration process. The SPF Capital Project Manual was also circulated to the Ministry of Finance, Trade and Investment for input after which it was presented to the Board of Trustees and was approved on 26th July 2012.

Review of internal audit function

The Audit Committee reviewed the functions of the Internal Audit by assessing the work undertaken by the Head of the Internal Audit. A summary of all outstanding audit issues was presented to the Audit Committee for further debate and recommendation. Follow-up of previous audit findings were also carried out by the Audit Committee to ensure that appropriate action were taken.

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. Acts 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 responsibilities of the Head of the Internal Audit

The Head of the Internal Audit is responsible to provide the following to the Audit Committee:

- A summary report highlighting findings resulting from the Internal Audits conducted during the period.
- The results of any follow-up work on previously issued audit findings.
- A proposed internal audit plan and strategy that outlines areas subjected for Audit for the upcoming fiscal year and the rational used to select such areas.
- Presenting to the Audit Committee the issues pointed out in the Management Letter and provides evidence that corrective actions are taken to remedy the weaknesses highlighted in the Management Letter.

Other Committees

As part of the corporate governance structures of the Seychelles Pension Fund, different subcommittees were set up to ensure transparency and proper accountability and the Internal Audit Manager is part of these committees either as a member or observer. The meetings are organised on ad hoc basis. The other committees are:

- Investment Committee
- Procurement Committee
- Property Management and allocation Committee
- Management Committee

The main activities of the Internal Audit during the year

The reviews carried out during the year 2012 are as follows. The coverage period is year 2011 extending to year-end 2012.

1. Audit of Compliance

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

Status: - Internal Audit report was issued to the Head of Section for follow-up action and compliance. Any outstanding issues will be reported to Audit Committee in the first meeting in 2013.

2. Audit of Benefits-Ongoing

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

Status: Ongoing exercise

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

Status- Verification conducted in December 2012 and January 2013. No outstanding issues.

4. Staff loan

The general purpose loans and car loans disbursed during the year 2012 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.

Status: Verification completed in November/December 2012 and report has been prepared for issue to the Head of Section concerned. Any outstanding issues will be reported to Audit Committee in the first meeting in 2013.

5. Investment Management

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

Status: Ongoing exercise

6. Cash in hand and at bank

This is an ongoing assignment which is being 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.

Status: Verification completed in January/February 2013. Findings will be discussed for action to be taken during 2013.

7. Accruals and prepayments

The Audit will normally conduct verification on the schedules to check 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.

Status: Verification completed in January/February 2013. There are no major findings.

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.

Status: - Internal Audit report has been issued to the Head of Section for corrective and follow-up action. No outstanding issues reported to Audit Committee.

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.

Status: - Internal Audit report has been prepared for issue to the Head of Section for corrective and follow-up actions. Any outstanding issues will be reported to Audit Committee in the first meeting in 2013.

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.

Status: - Internal Audit report has been issued to the Head of Section for corrective and follow-up action. No outstanding issues reported to Audit Committee.

11. Audit of Opportunity Investment Company Ltd

The accounts of Opportunity Investment Ltd for the year 2012 are currently being audited by the Auditor BDO Associates and the accounts should be certified by 31st March 2013

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 and that there was no abuse in the usage of official transport.

Status: Internal Audit report was issued to the Head of Section for corrective and follow-up action. Some outstanding issues were reported to the Audit Committee. Follow-up will be done in 2013 during the next scheduled Audit of Transport on the action recommended by the Audit Committee.

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.

Status: Ongoing exercise

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.

Status: - the Internal Audit report was issued to the Head of Section for corrective and follow-up actions. No outstanding issues reported to Audit Committee.

15. Audit of Praslin/La Digue Office

The Audit was conducted during a four day period covering one year. The Assistant Auditor was the leading Auditor for this assignment assisted by the Audit Technician. The report was subsequently submitted to the Manager concerned for action. The areas covered were revenue collection and banking, Fixed Asset and property management issues, IT, Compliance issues.

Status: For the year 2012, the Audit was conducted in November 2012 and action taken on the report would be submitted to the audit committee.

Capital Projects

The Internal Audit constantly monitors the processes and procedures for capital projects to ensure that it is followed as per Capital Project Manual.

Outlook

The Internal Audit will continue to ensure that a high level of transparency, accountability in the financial transaction and operations aspect is maintained, this is to ensure that the information is credible hence to increase more public confidence in the Fund. The Internal Audit will continue to monitor the internal controls to ensure that the controls operate effectively as it should be. Ensuring that there are good corporate governance principles and that they remain as a top priority for Internal Audit Section.

19 THE IMPACT OF THE ECONOMIC REFORM

The impact of the ongoing economic reform on the Fund was as follows:-

(i) Investment

The Fund identified that investment in property development still yielded the highest return between 7% and 14%. The major project that the Fund was undertaking, the unity house complex, was completed and officially opened for business. Construction of the multi storey and office project adjacent to the unity house is expected to start in June 2013.

(ii) Early Retirement

Early retirement puts considerable pressure on the Fund's resources at a time when the rate of pension contribution is under review to sustain the Fund on a long term. It should be permitted only in the case of permanent incapacity. However, despite that early retirement scheme as such ceased to exist from the 1st January 2010 and the cost has reduced to SR9.3m in 2012 compared to SR13.3m in 2011.

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. The age of retirement at the age of 63 should be made optional to allow more persons to continue in employment.

(iii) Effect of Unemployment on Pension Contribution

As at 31 December 2012 there were a total of 51,466 people in employment people in compared to the year 2011 which was 49,753. The unemployment rate has increased to 2.16% compared to 1.54% in 2011.

The current workforce of expatriate employees is still high (13,000) and their employment deprives the Fund of pension contribution which is estimated at SR19m - if at least half of the workforce is Seychellois.

(iv) Appraisal/Awareness of the Fund

With the volatile economic situation, the Fund should 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 as best as it could 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.

(v) 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 and 4% from January 2014 this is the best way forward towards sustaining the financial viability of the Fund in the long term.

20 PENSION REFORM

It has been over 7 years since the major pension reform leading to the introduction of a fully fledged pension fund took place. The analysis of current trends and developments in pensions in the world with reference to small island states is very important to ensure that our pension system remains a modern one and is sustainable.

In order to keep pace with the rise in cost of living retirement pension and avoid incidence of poverty, pension increase was formally indexed to the consumer price index at a maximum of 5% effective from January 2013 in accordance with Section 46 of the Seychelles Pension Fund Act 2005. This was also possible with the introduction of the percentage rate of contribution linked to wages from the 1st January 2011.

The next phase of the reform is the orderly transition to Long - term rate of pension contribution to sustain the Fund

It should be noted that reform measures which have financial implications on the Fund will have to wait until the long term sustainability of the Fund is assured and they should be done as part of the actuarial review. Such proposals being recommended are:-

- (i) the linking contribution to benefit by giving credit in terms of pension payment in excess of say 22 years of service- to encourage members to remain in employment and contribute to the Fund.;
- (ii) a review of the pension scale to make the different percentages payable more consistent;

The proposals are already with the Actuary and World Bank for analysis.

The World Bank team conducted the "PROST" forecasting model training and they will provide us with the results of the cost implications.

21 THE WAY FORWARD

There is no doubt that 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 in the long term.

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
- Continue to improve the organizational and management capacity of the Fund
- Build up the pool of professional staff through the implementation of both short term and long term training plans to cater for succession as well and the continuous improvement of the management capacity.
- 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 and the prompt collection of investment income;
- 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 them more in line with the rates of pensions payable and to sustain the Fund
- 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 2013/2017 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 or the granting of pension credits for long years of service
- 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.

The current economic reform programme and the Ministry of Finance Trade and Investment 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. There is an urgent need to re-look at the arrangements of pension contribution being collected through the Seychelles Revenue Commission in order to attain maximum efficiency. The Fund should be given back its responsibilities to collect directly pension contributions from employers and the self employed and payrolls submitted direct to the Fund to better

manage members' accounts instead of using the Seychelles Revenue Commission which method is presently not working.

- 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 ability 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.

The Fund's investment programme is still focusing on investment in property development which account for 35% of the total income of the Fund from investment. At the moment it 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 directly 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 without delay and start earning much needed return on its investments.

These recommendations should help in the proper management of the Fund in the best interest of its members, the Seychellois workers.

In concluding the Board of Trustees and the Management acted with due care and responsibility to ensure that the Fund remains well managed and as far as possible sustainable.

SEYCHELLES PENSION FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

SEYCHELLES PENSION FUND

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BOARD OF TRUSTEES' REPORT

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, 2012.

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.

THE GROUP

The Group comprises the Fund, a subsidiary, Opportunity Investment Company Limited and two associates, Seychelles Breweries Limited and SACOS Group Limited. Details regarding the subsidiary and the associates are detailed under notes 8 and 9 to these financial statements.

RESULTS

	THE GROUP	THE FUND
	SR	SR
Surplus for the year (after non-controlling interest)	42,852,647	55,611,651
Retained surplus brought forward	246,121,228	217,293,942
Retained surplus carried forward	<u>288,973,875</u>	<u>272,905,593</u>

INTEREST ON MEMBERS' FUND

The Board recommended interest of 4.5% to be credited to members on their contributions for the year under review (2011: 4%).

PROPERTY AND EQUIPMENT

The Fund acquired property and equipment amounting to SR 1.4m during the year comprising equipment, furniture and fittings and motor vehicle (2011: SR 1.2m). In 2012, there was a revaluation gain on properties of SR 3.8m (2011: Nil).

The Board is of the opinion that the fair value of the property and equipment at December 31, 2012 does not differ materially from their carrying amounts as per the statements of net assets available for benefits at that date.

INVESTMENT PROPERTIES

The Fund has invested substantial amounts in properties purchased for rental and capital appreciation purposes. At December 31, 2012, these totalled SR 603.3m (2011: SR 454.6m). During the year, additions amounted to SR 102.6m (2011: SR 11.8m).

BOARD OF TRUSTEES' REPORT (CONT'D)

BOARD OF TRUSTEES

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

S Cesar	S Labrosse
M Afif	A Mousbe
G Beaudoin	J Esparon
R Weber	A. Lucas
R Spiro	M Stravens (Up to July 30, 2012)
L Woodcock	Marie Ange Waye Hive (Secretary)
M Felix	

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

AUDITOR

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

APPROVAL

Signed in accordance with the authorisation of the Board by



Sitna Cesar
Chairperson



Willy Confait
Chief Executive Officer

Date: March 28, 2013
Victoria, Seychelles



OFFICE OF THE AUDITOR GENERAL

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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 2012 as set out on pages 3 to 33.

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 33 give a true and fair view of the financial position of the Group and of the Fund at 31 December 2012, 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 the Fund's actuarial report based on the 2011 results shows that the Fund is sustainable up to the year 2027 with a target level of 2 times the benefit outflow. An additional contribution of 3.5% will be required to sustain the Fund in the long run up to 2037 to be spread out over the years to minimise the impact it may have on take home pay of workers and employers' budgets. The orderly transition to long term rate of pension contribution is: 1% of earnings in 2014, 1.5% of earnings in 2024 and 2% of earnings in 2029.



Marc Benstrong
Auditor General

05 April 2013
Victoria, Seychelles

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2012

	Notes	THE GROUP		THE FUND	
		2012	2011	2012	2011
		SR	SR	SR	SR
ASSETS					
Non-current assets					
Property and equipment	6	27,747,334	29,115,969	27,747,334	29,115,969
Investment properties	7(a)	603,019,793	454,618,559	603,019,793	454,618,559
Deposit on leasehold land	7(c)	36,805,403	40,813,493	36,805,403	40,813,493
Investment in subsidiary	8	-	-	5,100	5,100
Investment in associates	9	90,469,243	103,223,777	59,662,908	59,662,908
Investment in financial assets	10	150,114,148	169,327,243	150,114,148	169,327,243
Loan to subsidiary	11	-	-	5,413,016	5,417,168
		908,155,921	797,099,041	882,767,702	758,960,440
Current assets					
Investment in financial assets	10	248,669,877	167,123,028	248,669,877	167,123,028
Receivables and prepayments	12	38,232,715	72,673,838	38,598,122	72,992,089
Cash and cash equivalents	23	82,823,952	94,162,630	82,453,595	93,798,857
		369,726,544	333,959,496	369,721,594	333,913,974
Total assets		1,277,882,465	1,131,058,537	1,252,489,296	1,092,874,414
Current liability					
Payables and accruals	13	13,273,972	5,778,587	13,268,872	5,732,749
Non-current liability					
Retirement benefit obligations	2(k)	699,337	538,063	699,337	538,063
Net assets available for benefits		1,263,909,156	1,124,741,887	1,238,521,087	1,086,603,602
Made up as follows:					
Members' fund	14	805,928,758	723,712,659	805,928,758	723,712,659
Other funds	15	126,408,778	113,908,778	126,408,778	113,908,778
Reserve funds	16	14,568,591	14,568,591	14,568,591	14,568,591
Other reserves	17	22,818,587	21,228,854	18,709,367	17,119,632
Retained earnings	Page 5	288,973,875	246,121,228	272,905,593	217,293,942
		1,258,698,589	1,119,540,110	1,238,521,087	1,086,603,602
Non-controlling interest	18	5,210,567	5,201,777	-	-
		1,263,909,156	1,124,741,887	1,238,521,087	1,086,603,602

The financial statements have been approved for issue by the Board of Trustees on March 28, 2013


Sitna Cesar
Chairperson


Willy Confait
Chief Executive Officer

SEYCHELLES PENSION FUND

4

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED DECEMBER 31, 2012

	Notes	THE GROUP		THE FUND	
		2012	2011	2012	2011
		SR	SR	SR	SR
Compulsory contributions:					
- by employees		45,801,948	32,218,824	45,801,948	32,218,824
- by employers		45,645,939	32,390,240	45,645,939	32,390,240
Voluntary contributions					
- by employees		4,194,046	3,499,798	4,194,046	3,499,798
- by employers		1,878,634	1,546,488	1,878,634	1,546,488
		<u>97,520,567</u>	<u>69,655,350</u>	<u>97,520,567</u>	<u>69,655,350</u>
Interest received by members		36,152,389	28,253,340	36,152,389	28,253,340
Net change in fair value on financial assets		(2,178,116)	(2,836,754)	(2,178,116)	(2,836,754)
Net change in other funds		12,500,000	30,989,569	12,500,000	30,989,569
Revaluation of property and equipment	6/17	3,767,851	-	3,767,851	-
Net surplus for the year after non-controlling interest		<u>28,445,181</u>	<u>343,382</u>	<u>55,611,651</u>	<u>18,770,970</u>
		<u>78,687,305</u>	<u>56,749,537</u>	<u>105,853,775</u>	<u>75,177,125</u>
Benefit payments:					
- Normal Retirement		82,124,340	64,474,887	82,124,340	64,474,887
- Death before Normal Retirement		1,263,306	1,171,439	1,263,306	1,171,439
- Permanent Incapacity		11,839,229	8,722,019	11,839,229	8,722,019
- Pre-Migration Retirement		199,505	212,986	199,504	212,986
- Surviving Spouse		2,866,502	2,185,607	2,866,501	2,185,607
- Children Pension		1,370,801	1,093,074	1,370,800	1,093,074
- Post Retirement Surviving Spouse		1,195,106	774,652	1,195,106	774,652
- Post- Retirement Children Pension		312,555	135,897	312,555	135,897
- Early Retirement Benefits		4,713	43,228	4,713	43,228
- Special Pension		(520)	(34,235)	(520)	(34,235)
- Refunds		382,929	366,484	382,929	366,484
- Unpresented cheques		-	3,357	-	3,357
Less:					
- Arrears for Social Security Fund Pension		(8,775,209)	(7,243,309)	(8,775,209)	(7,243,309)
- Social Security Fund Pension		<u>(41,326,398)</u>	<u>(33,379,433)</u>	<u>(41,326,398)</u>	<u>(33,379,433)</u>
		<u>51,456,859</u>	<u>38,526,653</u>	<u>51,456,856</u>	<u>38,526,653</u>
Net increase in Members' Fund	Page 6	<u>124,751,013</u>	<u>87,878,234</u>	<u>151,917,485</u>	<u>106,305,822</u>
Share of results of associates	9	14,407,466	38,395,115	-	-
Net assets available for benefits:					
Balance at January 1,		1,119,540,110	993,266,761	1,086,603,602	980,297,780
Balance at December 31,		<u>1,258,698,589</u>	<u>1,119,540,110</u>	<u>1,238,521,087</u>	<u>1,086,603,602</u>

INCOME AND EXPENDITURE ACCOUNT- YEAR ENDED DECEMBER 31, 2012

	Notes	THE GROUP		THE FUND	
		2012	2011	2012	2011
		SR	SR	SR	SR
INCOME					
Interest income	19	25,716,388	17,550,455	25,716,388	17,550,455
Investment income	20	2,743,017	2,389,473	27,705,532	19,000,119
Rental income		28,411,664	25,707,131	28,411,664	25,707,131
Other income		2,225,022	241,012	2,225,022	211,062
Increase in fair value of investment properties	7(a)	41,356,651	-	41,356,651	-
Profit on disposal of available-for-sale financial assets		-	4,235,034	-	4,235,034
		<u>100,452,742</u>	<u>50,123,105</u>	<u>125,415,257</u>	<u>66,703,801</u>
EXPENDITURE					
Interest credited to members	21	36,152,389	28,253,341	36,152,389	28,253,341
Administrative expenses	22	17,687,625	15,139,313	17,648,860	15,115,663
Property management expenses		6,908,534	4,908,971	6,908,534	4,908,971
Depreciation of property and equipment	6	3,107,710	3,357,249	3,107,710	3,357,249
Amortisation of deposit on lease	7(c)	4,008,090	2,117,268	4,008,090	2,117,268
Auditors' remuneration		230,000	230,000	230,000	230,000
Loss/(Profit) on disposal of property and equipment		1,422	(128,000)	1,422	(128,000)
		<u>68,095,770</u>	<u>53,878,142</u>	<u>68,057,005</u>	<u>53,854,492</u>
		32,356,972	(3,755,037)	57,358,252	12,849,309
(Loss)/Profit on exchange differences		<u>(1,746,601)</u>	<u>5,921,661</u>	<u>(1,746,601)</u>	<u>5,921,661</u>
		30,610,371	2,166,624	55,611,651	18,770,970
Share of results of associates	9	14,407,466	38,395,115	-	-
Surplus for the year		45,017,837	40,561,739	55,611,651	18,770,970
Surplus brought forward		246,121,228	207,382,730	217,293,942	198,522,972
Net Surplus for the year		<u>291,139,065</u>	<u>247,944,469</u>	<u>272,905,593</u>	<u>217,293,942</u>
<i>Attributable to:</i>					
The Fund	Page 3	288,973,875	246,121,228	272,905,593	217,293,942
Non-controlling interest	18	2,165,190	1,823,241	-	-
		<u>291,139,065</u>	<u>247,944,469</u>	<u>272,905,593</u>	<u>217,293,942</u>

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2012

	Notes	THE GROUP		THE FUND	
		2012	2011	2012	2011
		SR	SR	SR	SR
cash generated from operations					
increase in net assets available for benefits	Page 4	124,751,013	87,878,234	151,917,485	106,305,822
change in non-controlling interest	18	8,790	7,988	-	-
cash generated from operations		124,759,803	87,886,222	151,917,485	106,305,822
Investments for:					
recognition of property and equipment	6	3,107,710	3,357,249	3,107,710	3,357,249
amortisation of deposit on lease	7(c)	4,008,090	2,117,268	4,008,090	2,117,268
profit on disposal of property and equipment		(1,422)	(128,000)	(1,422)	(128,000)
profit on disposal of available-for-sale financial assets		-	(4,235,034)	-	(4,235,034)
retirement benefit obligations		161,274	71,993	161,274	71,993
valuation of property and equipment	6	(3,767,851)	-	(3,767,851)	-
value gains on investment properties	7(a)	(41,356,651)	-	(41,356,651)	-
change in fair value on financial assets	17	2,178,116	2,836,754	2,178,116	2,836,754
interest receivable	19	(25,716,388)	(17,550,455)	(25,716,388)	(17,550,455)
interest accrued	10(a)	(2,661,336)	7,095,384	(2,661,336)	7,095,384
dividend income	20	(2,743,017)	(2,389,473)	(27,705,532)	(19,000,119)
changes in working capital:		57,968,328	79,061,908	60,163,495	80,870,862
increase/(decrease) in receivables and prepayments		34,441,123	(21,787,731)	34,393,967	(21,818,925)
increase/(decrease) in payables and accruals		7,495,385	(108,302)	7,536,123	(121,303)
cash inflow from operations		99,904,836	57,165,875	102,093,585	58,930,634

notes on pages 7 to 33 form an integral part of these financial statements.
 directors' report on pages 2 and 2(a).

STATEMENTS OF CASH FLOWS (CONT'D) - YEAR ENDED DECEMBER 31, 2012

	Notes	THE GROUP		THE FUND	
		2012	2011	2012	2011
		SR	SR	SR	SR
flows from investing activities					
purchase of property and equipment	6	(1,393,481)	(1,189,826)	(1,393,481)	(1,189,826)
purchase of investment properties	7	(103,641,747)	(46,940,042)	(103,641,747)	(46,940,042)
proceeds from disposal of property and equipment		20,843	128,000	20,843	128,000
proceeds from redemption of financial assets	10	(257,149,169)	(239,963,169)	(257,149,169)	(239,963,169)
interest received	10	195,298,635	171,327,006	195,298,635	171,327,006
dividend received	19	25,716,388	17,550,455	25,716,388	17,550,455
proceeds from loans granted		29,905,017	20,820,273	27,705,532	19,000,119
proceeds from investing activities		-	27,124,365	4,152	27,124,366
		(111,243,514)	(51,142,938)	(113,438,847)	(52,963,091)
decrease)/increase in cash and cash equivalents		(11,338,678)	6,022,937	(11,345,262)	5,967,543
and cash equivalents at January 1,		94,162,630	88,139,693	93,798,857	87,831,314
and cash equivalents at December 31,	23	82,823,952	94,162,630	82,453,595	93,798,857

Notes on pages 7 to 33 form an integral part of these financial statements.
 Directors' report on pages 2 and 2(a).

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

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. The Seychelles Pension Fund Act, 2005 was amended for changes which took effect as at January 01, 2012. The main change is the increase in pension contribution by both employee and employer from 2% to 3%.

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.

Standards, Amendments to published Standards and Interpretations effective in the reporting period but not expected to have any impact on the Fund's financial statements

Disclosures - Transfers of Financial Assets (Amendments to IFRS 7). These amendments improve the disclosure requirements in relation to transferred financial assets.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1). These amendments replace references to a fixed transition date with 'the date of transition to IFRSs' and set out the requirements for how an entity resumes presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(a) Basis of preparation (Cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period but not expected to have any impact on the Fund's financial statements (Cont'd)

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12), introduces a presumption that investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are recovered entirely through sale for the purposes of measuring deferred taxes. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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, 2013 or later periods, but which has not early adopted.

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (Effective July 1, 2012)

IFRS 9 Financial Instruments

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (Revised 2011)

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendment to IFRS 1 (Government Loans)

Annual Improvements to IFRSs 2009-2011 Cycle

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities:
Transition Guidance

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Where relevant, the Group 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(b) Property and equipment (Cont'd)**

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

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

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

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

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

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

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

(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*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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Investment in subsidiary (Cont'd)

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.

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 entities 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(e) Investment in associates***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.

(f) Financial assets

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

(i) 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.

(ii) Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months to the end of the reporting period.

Initial measurement

Purchases and sales of available-for-sale financial assets are recognised on trade-date (or settlement date), the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value plus transaction costs and subsequently carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(f) Financial assets (cont'd)***(ii) Available-for-sale financial assets (Cont'd)***Derecognition**

Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Subsequent measurement

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 financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses on financial assets.

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 option pricing models refined to reflect the issuer's specific circumstances.

(iii) 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.

The nominal value of contributions receivable is assumed to approximate its fair value.

(iv) Benefits payable

Benefits payable are stated at their nominal value.

The nominal value of benefits payable is assumed to approximate its fair value.

(v) Receivables and prepayments

Receivables and prepayments 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 receivables and prepayments are assumed to approximate their fair values.

(vi) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(f) Financial assets (cont'd)**Impairment of financial assets

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 equity investments 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 measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in the statement of comprehensive income. Impairment losses for an investment in an equity instrument are not reversed through the Statement of Comprehensive Income.

(g) Foreign currencies*Functional and presentation currency*

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

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 Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains - net'.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(h) 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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(i) 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.

(j) Contributions, interest and income

Revenue after eliminating revenue within the Group comprises:

- (i) Employers' and employees' contributions to the Pension Fund;
- (ii) Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired;
- (iii) 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;
- (iv) Dividend income - when the shareholder's right to receive payment is established; and
- (v) Rental income - as it accrues based on the terms of the rental contract.

(k) Retirement benefit obligations**(i) Defined benefit plans**

The Group provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Group does not do any actuarial valuation since the Directors have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(l) Tax

The Fund is exempt from tax.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

3. DESCRIPTION OF THE PENSION FUND AND FUNDING POLICY**(a) The Fund**

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

The Fund is under the administration of the Board made up of eleven (11) Trustees (2011: Twelve (12)).

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 voluntary member of the Fund and pay contributions.

(b) 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.

(c) 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, 2011 was issued on February 7, 2012 and the next one due for the year ending December 31, 2014.

The recent actuarial review has shown that the Fund is sustainable up to the year 2027 with a target level of 2 times the benefit outgo. However an additional contribution of 3.5% will be required to sustain the Fund in the long-run up to 2037 to be spread out over the years to minimise the impact it may have on take home pay of workers and employers' budgets. The orderly transition to long term rate of pension contribution is as follows : -

- 1% of earnings in 2014;
- 1.5% of earnings in 2024: and

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

4. FINANCIAL 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.

(a) 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.

(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 need not 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Investment risk (Cont'd)

(ii) Market risk (Cont'd)

Sensitivity analysis

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

	THE GROUP AND THE FUND	
	2012	2011
	SR	SR
Available-for-sale financial assets	765,506	765,873

(iii) Liquidity risk

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

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

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

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

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

(iv) Credit risk

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

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

(v) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

4. FINANCIAL RISK MANAGEMENT (CONT'D)**(a) Investment risk (Cont'd)***(vi) Counter-party risk*

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

This risk is mitigated via the following measures:

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

(b) Economic risk

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

(i) Industry risk

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

(ii) Inflation risk

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

The Fund protects itself in the following ways:

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

4. FINANCIAL RISK MANAGEMENT (CONT'D)**(c) Operational risk**

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

Operational risk is, however, remote since the Fund'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 of Trustees.

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

(d) Legal risk

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

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

(e) 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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

4. FINANCIAL RISK MANAGEMENT (CONT'D)**(f) Reputational risk (Cont'd)**

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

10. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

- (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	
	2012	2011
	SR	SR
Seychelles Rupee	311,435,155	321,132,820
Mauritian Rupee	56,004,870	13,946,671
US Dollar	31,344,000	1,370,780
	<u>398,784,025</u>	<u>336,450,271</u>

11. LOAN TO SUBSIDIARY

- (a) The loan to subsidiary is interest free with no fixed repayment terms.
- (b) The carrying amounts of loans and receivables have been assumed to approximate their fair values.
- (c) The loans and receivables are denominated in Seychelles rupee.

12. RECEIVABLES AND PREPAYMENTS

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
Contributions receivable	210,815	5,126,794	210,815	5,126,794
Receivable from the Government (note 29)	21,783,633	15,274,763	21,783,633	15,274,763
Interest receivable	6,266,294	1,840,795	6,266,294	1,840,795
Rental income receivable	4,172,294	3,281,925	4,177,395	3,287,025
Receivable from subsidiary	-	-	360,306	123,514
Advance payment	2,239,680	44,217,472	2,239,680	44,217,472
Other receivables	3,559,999	2,932,089	3,559,999	3,121,726
	<u>38,232,715</u>	<u>72,673,838</u>	<u>38,598,122</u>	<u>72,992,089</u>

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

13. PAYABLES AND ACCRUALS

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
Rental deposits	5,385,471	2,564,071	5,385,471	2,564,071
Advance on rent	138,826	130,148	138,826	130,148
Interest received in advance	1,448,694	1,500,224	1,448,694	1,500,224
Accrued expenses	3,100,482	977,093	3,100,482	977,093
Retention payable	2,795,342	348,370	2,795,342	348,370
Other payables	405,157	258,681	400,057	212,843
	<u>13,273,972</u>	<u>5,778,587</u>	<u>13,268,872</u>	<u>5,732,749</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

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, 2012 are reduced by 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 and as at December 31, 2012 this was still in progress.

15. OTHER FUNDS

	THE GROUP AND THE FUND	
	2012	2011
	SR	SR
Contributions from Social Security Division (note (a) below)	191,957,248	141,855,643
Payments made for Social Security Pension	(180,253,313)	(130,151,708)
	11,703,935	11,703,935
Receipt from National Provident Fund (note (b) below)	71,215,276	71,215,276
SPF contribution from Govt (note (c) below)	43,489,567	30,989,567
	126,408,778	113,908,778

- (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.
- (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.
- (c) The SPF contribution from Government are funds received from SSF Investment Fund as approved by the Government of Seychelles. During the year an amount of SR 12.5m was received (2011: SR 31m).

16. RESERVE FUND

	THE GROUP AND THE FUND
	2012 & 2011
	SR
At January 1, and December 31,	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 was 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.

RES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

OTHER RESERVES

THE GROUP

	2012		2011	
	Revaluation reserve	Fair Value reserve	Associates' reserve	Total
	SR	SR	SR	SR
At January 1,	12,582,571	4,537,061	4,109,220	21,228,852
Revaluation of property and equipment (note 6)	3,767,851	-	-	3,767,851
Net change in fair value of financial assets (note 10)	-	(2,178,116)	-	(2,178,116)
Reversal of fair value reserve on disposal of available-for-sale financial assets	-	-	-	-
At December 31,	16,350,422	2,358,945	4,109,220	22,818,587
				21,228,854

THE FUND

	2012		2011	
	Revaluation reserve	Fair Value reserve	Total	Total
	SR	SR	SR	SR
At January 1,	12,582,571	4,537,061	17,119,632	19,956,387
Revaluation of property and equipment (note 6)	3,767,851	-	3,767,851	-
Net change in fair value of financial assets (note 10)	-	(2,178,116)	(2,178,116)	805,644
Reversal of fair value reserve on disposal of available-for-sale financial assets	-	-	-	(3,642,399)
At December 31,	16,350,422	2,358,945	18,709,367	17,119,632

NON-CONTROLLING INTEREST

	2012	2011
	SR	SR
At January 1,	5,201,777	5,193,789
Adjustment	13,085	-
Share of results (page 5)	2,165,190	1,823,241
Share of dividends	(2,169,485)	(1,815,253)
At December 31, (page 3)	5,210,567	5,201,777

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

19. INTEREST INCOME

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
<i>Interest arising on:</i>				
- Held-to maturity financial assets	14,734,799	13,233,072	14,734,799	13,233,072
- Investments in money markets	10,377,393	3,028,445	10,377,393	3,028,445
- Investments available-for-sale	476,674	265,232	476,674	265,232
- Bank balances	18,866	65,191	18,866	65,191
- Loans to third parties	38,356	885,887	38,356	885,887
- Staff loans	70,300	72,628	70,300	72,628
	<u>25,716,388</u>	<u>17,550,455</u>	<u>25,716,388</u>	<u>17,550,455</u>

20. INVESTMENT INCOME

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
Dividends on local securities	2,486,526	2,164,261	27,449,041	18,774,907
Dividends on foreign securities	256,491	225,212	256,491	225,212
	<u>2,743,017</u>	<u>2,389,473</u>	<u>27,705,532</u>	<u>19,000,119</u>

21. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund at 4.5% for the year ended December 31, 2012, amounted to SR 36.2m to the Fund (2011: 4% per annum - SR 28.3m). However, only SR 4.3m (2011: 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 provision in the Members' Fund Account to be used for settlement of future obligations towards existing members.

22. ADMINISTRATIVE EXPENSES

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
Salaries, wages and other related expenses	10,918,833	9,831,725	10,918,833	9,831,725
Administration costs	3,269,900	2,961,799	3,208,135	2,938,149
Motor vehicles running expenses	217,636	205,845	217,636	205,845
Other expenses	3,281,256	2,139,944	3,304,256	2,139,944
	<u>17,687,625</u>	<u>15,139,313</u>	<u>17,648,860</u>	<u>15,115,663</u>

23. CASH AND CASH EQUIVALENTS

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
Cash at bank	82,811,352	92,527,984	82,440,995	92,248,730
Short term bank deposits	-	84,519	-	-
Cash in hand	12,600	12,600	12,600	12,600
Bank balance with fund managers	-	1,537,527	-	1,537,527
	<u>82,823,952</u>	<u>94,162,630</u>	<u>82,453,595</u>	<u>93,798,857</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

24. RELATED PARTY TRANSACTIONS

	THE GROUP		THE FUND	
	2012	2011	2012	2011
	SR	SR	SR	SR
<i>Subsidiary</i>				
- Investment	-	-	5,100	5,100
- Loan receivable	-	-	5,413,016	5,417,168
- Dividends receivable	-	-	-	-
- Other receivable	-	-	-	-
<i>Enterprises on which the Fund exerts significant influence</i>				
- Investment	90,469,243	103,223,777	59,662,908	59,662,908
- Dividends	27,162,000	18,430,800	27,162,000	18,430,800
<i>Key management personnel</i>				
- Gross salaries	776,563	647,136	776,563	647,136
- Gratuity accumulated	494,750	325,759	494,750	325,759
Board of Trustees' remuneration (note 25)	630,864	550,080	630,864	550,080

- (a) Transactions with related parties are made at normal market prices.
- (b) 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, 2012, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2011: 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' REMUNERATION

	THE GROUP & THE FUND	
	2012	2011
	SR	SR
S Cesar	58,752	48,960
M Afif	50,112	41,760
G Beaudoin	50,112	41,760
R Weber	50,112	41,760
R Spiro	50,112	41,760
L Woodcock	50,112	41,760
M Felix	50,112	41,760
S Labrosse	50,112	41,760
A Mousbe	50,112	41,760
J Esparon	50,112	41,760
M Stravens (Up to July 30, 2012)	20,880	41,760
A Lucas	50,112	41,760
G D'Offay	-	-
Marie-Ange Waye-Hive (Secretary)	50,112	41,760
	630,864	550,080

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

26. COMMITMENTS

Capital commitments

	THE GROUP & THE FUND	
	2012	2011
	SR	SR
Approved and contracted for	4,948,500	136,677,021
Approved but not contracted for	4,871,873	56,655,346
	<u>9,820,373</u>	<u>193,332,367</u>

27. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2012 (2011: Nil).

28. FINANCIAL SUMMARY

(a) THE GROUP

	2012	2011	2010	2009
	SR'000	SR'000	SR'000	SR'000
Interest income	25,716	17,551	22,466	46,208
Dividend income	2,743	2,389	4,979	1,920
Increase in fair value of investment properties	41,357	-	27,343	-
Rental and other income	30,637	25,948	22,189	17,334
	<u>100,453</u>	<u>45,889</u>	<u>76,977</u>	<u>65,462</u>
Interest credited to members	(36,152)	(28,253)	(26,382)	(29,446)
Expenditures	(31,943)	(21,390)	(21,767)	(20,235)
(Loss)/Gain on exchange differences	(1,747)	5,921	6,404	(40,481)
Surplus/(Deficit) for the year	30,611	2,166	35,232	(24,700)
Share of results of associates	14,407	38,395	31,246	(10,354)
Surplus from prior years	246,121	207,383	142,344	178,845
	<u>291,139</u>	<u>247,944</u>	<u>208,822</u>	<u>143,791</u>
Minority Interest	(2,165)	(1,823)	(1,439)	(1,447)
Surplus carried forward	<u>288,974</u>	<u>246,121</u>	<u>207,383</u>	<u>142,344</u>

FUND

Members' fund	805,929	723,713	664,331	620,731
Other funds	126,409	113,909	82,919	82,919
Reserve funds	14,569	14,568	14,568	14,568
Other reserves	22,819	21,229	24,066	19,292
Retained surplus	288,974	246,121	207,383	142,344
	<u>1,258,699</u>	<u>1,119,540</u>	<u>993,267</u>	<u>879,854</u>

Note

For reasons of practicability, comparative figures for the Group have not been disclosed for year 2008.

FINANCIAL SUMMARY (CONT'D)

THE FUND

	2012	2011	2010	2009	2008
	SR'000	SR'000	SR'000	SR'000	SR'000
Interest income	25,716	17,550	22,466	46,023	22,750
Dividend income	27,706	19,000	12,496	8,853	8,529
Increase in fair value of investment properties	41,357	-	27,342	-	91,661
Rental and other income	30,637	25,918	22,189	17,334	13,029
	125,416	62,468	84,493	72,210	135,969
Interest credited to members	(36,152)	(28,253)	(26,382)	(29,446)	(30,514)
Expenditures	(31,905)	(21,366)	(21,731)	(20,030)	(13,498)
Loss)/Gain on exchange differences	(1,747)	5,922	6,403	(40,481)	50,428
Surplus/(Deficit) for the year	55,612	18,771	42,783	(17,747)	142,385
Surplus from prior years	217,294	198,523	155,740	173,487	31,102
Surplus carried forward	272,906	217,294	198,523	155,740	173,487

FUNDS

Members' fund	805,929	723,713	664,331	620,731	571,282
Other funds	126,409	113,909	82,919	82,919	82,919
Reserve funds	14,569	14,569	14,568	14,568	14,568
Other reserves	18,709	17,120	19,956	15,182	13,750
Retained surplus	272,906	217,294	198,523	155,740	173,487
	1,238,522	1,086,605	980,297	889,140	856,006

EVENTS AFTER THE REPORTING PERIOD

The receivable from Government of Seychelles includes an amount of SR 8.4m representing costs incurred by the Fund on the proposed commercial development project at Albert Street. This project had to be stopped since the land leased by the Fund from the Government of Seychelles had to be returned by the latter to the previous owner based on a Court judgement. Subsequently, costs incurred by the Fund was claimed back to the Government of Seychelles. In a letter dated March 8, 2013, the Government of Seychelles agreed to compensate the Fund but in lieu of cash, compensation instead comprised: i) freehold interest of Pension Complex at Grand Anse, Praslin presently held on lease by the Fund, and ii) other properties that the Fund can undertake agreed development on.

