



ANNUAL REPORT

2015

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Mr Patrick Payet
Chairman
Board of Trustees



I have great pleasure to present Seychelles Pension Fund's Annual Report highlighting the activities of the SPF for the year 2015 in compliance with Section 9 of the Seychelles Pension Fund Act.

The year 2015 has brought new changes and developments to SPF as in early 2015 a new Chief Executive Officer was appointed and a new organisation structure came into effect as a result of SPF's reorganisation. In keeping abreast with new international trends, the SPF has on 01 January 2015 introduced a new pension formula which links benefits to contributions and provides a more transparent methodology in the benefits calculation.

Membership in 2015 increased by 0.7% and SPF continued the daunting task to get the self-employed workers to become members as it does not believe in leaving anyone behind. At the end of 2015 the total registered SPF members stood at **58,901**. Detection of unregistered employers and employees also remained high on the SPF's priority in 2015.

Members contributed **SCR205.2m** in 2015, an increase of 11% from 2014, and SPF paid out **SCR104m** in benefits payment. All indications show that with the introduction of the new pension formula, this gap will close in the future as higher benefits are paid out.

It is gratifying to note that investment income is the second source of income after contributions and the rate of return is **9.6%**. Income from investments represented 37% of SPF's total income (including pension contributions) and it increased by **SCR50m** relative to the year 2014. These

remarkable achievements are a result of SPF's prudent investment policy. I am also very proud to state that the SPF is diversifying its investment portfolio by investing internationally. Overseas investments made up 8% of its investment portfolio in 2015.

Investments will remain a vital part of the SPF as benefits payments, which rose by 23.7% in 2015, will continue to increase. Securing other funds to complement members' contributions is therefore essential for SPF's sustainability.

Pension funds across the world should not only plan for the short term but as far as possible look at 50 to 100 years ahead. Life expectancy, fertility rates, retirement age and rates of contribution all are important factors in the sustainability of any pension fund. SPF is no exception and we have to address these issues and make adjustments where necessary.

Overall, 2015 was a good year and the total net worth of SPF stood at almost **SCR2.3b**. I wholeheartedly thank SPF's team for their high level of commitment and hard work towards ensuring the continual growth of SPF.

Finally I would like to extend my appreciation and gratitude to all members of the Board of Trustees who, through their experience, wisdom and vision have ensured that SPF received the best possible guidance in 2015.

Mrs Lekha Nair
Chief Executive Officer



On behalf of the Board of Trustees and the management of the Seychelles Pension Fund, I am pleased to present the Annual Report ending 31 December 2015, highlighting the activities of the SPF for the year 2015.

Each year we use this introductory section of our annual report to summarize the accomplishments of the past 12 months and to present clear and key information on how the SPF is managed for the benefit of all Seychellois workers. Whether you are a pensioner, a member, employee or employer contributing or a stakeholder in the broader community, we want you to understand the strategy of SPF, the action plan that supports that strategy and the way forward.

In 2015, Seychelles graduated to high income status and gross national income per capita climbed to US\$14,100. Expenditure on social protection in 2015 was 4.3 percent of GDP as SPF's contributory pension outlays accounted for 1.0% of GDP. SPF's asset base grew to around 11% of GDP in 2015 to SCR 2.3 billion of which SCR 1.2 billion is in members' funds and SCR 1.1 billion in other assets of SPF.

SPF operates a defined benefit scheme where contributions from current workers are used to pay pension benefits. SPF Pensioners account for 38% of the population above retirement age, which is low as SPF was only established in 2006 with members yet to complete the years of service to qualify for a pension with us. In order to improve fiscal sustainability and fairness of the pension of SPF, several reforms were introduced in the past few years which included an increase in the total contribution rate from 3% to 4% and indexation of pensions to inflation (with a 5% cap) to ensure that the living standards of pensioners are protected.

As the Chairman has captured in his message, 2015 was a year of tremendous progress and growth for Seychelles Pension Fund. We started the year with the

implementation of a new pension calculation formula, with the objective to strengthen the link between contributions and benefits. The new formula is calculated on the basis of:

- -a pension assessment base of last five years that will gradually increase annually;
- -an accrual rate of 1.75% but scheduled to decline gradually to 1% by 2050 as the average years of contributions to SPF increase;
- -the entire years of service and thereby contributions that are taken into consideration; and
- -the national wage growth.

All these together brought better pensions especially to those retiring after a long service.

The emphasis in 2015 was also in maintaining the momentum of strong financial returns for the long term, as a result of prudent and cautious investments and beginning the process of change in the investment portfolio, having a close focus on demographic changes in the country.

For the year 2015, SPF made an overall surplus of income over expenditure of SCR 98.1m. Of the SCR 205.2m collected as contributions, SCR 195m were the mandatory contributions from employers and employees, with the remaining 5% being voluntary contributions.

All pension contributions including voluntary contributions that go into the individual members accounts receive an interest and for 2015, 4% interest was credited into all member's account balances which was increased from 3% in 2014 due to the stronger financial position of SPF and because interest rates in the market for 2015 were stronger than 2014.

A total of 3,670 beneficiaries, of which 2,827 were pensioners, were paid a total amount of SCR 66m (SCR

159m inclusive of SSF) as normal retirement pensions. Other benefits paid in 2015 was SR38m (excluding SSF).

For SPF's other income which is returns from investments, the highest was from rental of properties of SCR 74m (gross), inclusive of additional rentals of three properties that were transferred from SSF in March 2015 - Le Chantier Mall, Oceangate House and Orion Mall.

In real estate, SPF has constructed 13 buildings located on Mahé, Praslin and La Digue, all operational and all occupied to their full capacity. 2015 also saw SPF complete its 14th project, Maison Collet - a modern multi-storey car park. There are more projects on the cards and SPF is always on the look-out for better returns for its members, ensuring all the time that capital is preserved.

The second highest income was from interest and dividend of SCR 64m, that increased by 80% from 2014 due to active role played in investments in Treasury bills during the year, from interest rates ranging from 5.82% to 11.21%, which were much higher than market interest rates of 2014. Returns on additional fixed deposits of SCR 160m received from the Government through SSF early 2015, was also instrumental in this increase.

As at end of 2015, SPF had around 47% of its investment portfolio in real estate in prime locations, 23% deposited at commercial banks, 18% in Government securities, overseas investments of 8% and 4% in equity shares.

The assets structure of any long-term fund, like a pension fund, needs to be decided using long-term time perspectives, where the assets need to match the long

term liabilities. SPF has been investing on behalf of its members and their dependents, in a diversified pool of domestic assets, gradually increasing its overseas allocation by investing in regional and global foreign assets in 2015. This development enabled SPF to commence a strategic asset allocation structure and invest cost effectively in a wider range of income-generating assets. SPF needs to regularly refine its long term strategic investment plans in order to cautiously incorporate all of SPF's liabilities and therefore make the right investment decisions on different asset classes as opportunities arise.

Despite the current sound financial position of SPF, the sustainability of SPF and the equity of the system remains always at the forefront for the long term. This is especially so in the light of major demographic developments in the country that could threaten SPF in the foreseeable future, given the ageing of the population, the increase in life expectancy, the fiscal burden of the pension benefits and a declining birth rate.

Next year – 2016, SPF will be celebrating its tenth anniversary which is another milestone for SPF. The aim is to ensure that SPF remains as a modern pension system that is able to provide for the financial security of its members and its longer term sustainability, being always aware that it is the members' funds - the contributions of each Seychellois worker that are being entrusted to SPF.

I wish to take this opportunity to thank the Chairperson, the Board of Trustees, SPF members, pensioners and beneficiaries and employers for their continued support. To my team at SPF, I say thank you for another successful year.

2015 HIGHLIGHTS

Total Assets

SCR 2.3b

Membership

58, 901 registered members (0.7% increase from 58, 482)

Employers increased to **2,630 (9%)**

Members' Funds

SCR1.2b (15% increase)

370 more members making voluntary contributions (almost 5 times the increase from 2013 to 2014)

Benefits

New pension formula introduced

SCR 104m paid out (31% increase) to **3,670** beneficiaries

Investments

SR48.5m increase in investment income

Rate of return **9.7%**

Investment income **37%** of total revenue

Properties

14 properties on Mahé, Praslin & La Digue giving a net income of **SCR54m**

92% average occupancy rate of properties

Real Estate worth **SCR660m**

Projects

3 projects completed in 2015 worth **SCR165m**

1 ongoing project worth **SCR76m**

Compliance

52 cases of complaints resolved

11 unregistered employers detected

212 assessments cases of employers in default of contributions and surcharges were recovered worth **SCR1.5m**.

IT

Fiber network link to Unity House, Maison Collet and Caravelle House

First **IT audit** carried out

Staffing

19% increase in staff (79 to 94)

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

SEYCHELLES PENSION FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

SEYCHELLES PENSION FUND
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**SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT**

1.

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, 2015.

THE FUND

The Seychelles Pension Fund 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 compromises of the Fund, a subsidiary company, Opportunity Investment Company Limited and two associated companies, Seychelles Breweries Limited and SACOS Group Limited. Details regarding the subsidiary company and the associated companies are as per notes 9 and 10 to these financial statements.

RESULTS	THE GROUP	THE FUND
	SR	SR
Surplus for the year	98,094,857	94,395,230
Retained surplus brought forward	467,696,963	440,847,666
Retained surplus carried forward	565,791,820	535,242,896
Attributable to:		
The fund	562,647,681	535,242,896
Non-controlling interest	3,144,139	-
	565,791,820	535,242,896

INTEREST ON MEMBERS' FUND

The Board recommended interest of 4% to be credited to members on their contributions for the year under review (2014: 3%)

PROPERTY AND EQUIPMENT

The Fund acquired property and equipment amounting to **SR 26 million** during the year comprising equipment, furniture and fitting and motor vehicle (2014: SR 4.1m).

The Board is of the opinion that the fair value of property and equipment at December 31, 2015 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 acquired for rental and capital appreciation purposes. At December 31, 2015, these totalled **SR 1,197m** (2014: SR:775m). During the year, additions amounted to **SR 338m** (2014: SR: 44.5m) and increase in fair value following revaluation at December 31, 2015 was **SR,73.4m** (2014: SR 89.7m)

SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT (CONT'D)

1(a).

BOARD OF TRUSTEES

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

Patrick Payet	Bernard Adonis (as from February 1, 2015)
Lambert Woodcock	Basil Hoareau (as from February 1, 2015)
Jessie Espanon	Mohammed Afif (up to January 31, 2015)
Walter Labrosse (as from September 1, 2014)	Anne Mousbe (up to January 31, 2015)
Suzanne Labrosse	Rachel Spiro (up to January 31, 2015)
Antonio Lucas	Gilbert Sultan - Beaudoin (up to Janaury 31, 2015)
Cillia Mangroo	Radley Weber (up to January 31, 2015)
Elizabeth Charles (as from February 1, 2015)	Michel Felix (up to January 31, 2015)
Malika Jivan (as from February 1, 2015)	Marie Ange Waye Hive (Alternate Secretary)
Antoine Robinson (as from February 1, 2015)	Willy Confait (from February 1, 2015) (Secretary)
Chief Executive Officer (appointed 01.02.2015)	

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

The Board of the Fund is responsible for the overall management of the affairs of the Fund including the operations 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.

AUDITORS

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:



Patrick Payet
Chairperson



Lekha Nair
Chief Executive Officer

**OFFICE OF THE AUDITOR GENERAL**

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Mahe, Republic of Seychelles
Telephone: (248) 4672500 Fax: (248) 4610365
E-mail: auditgen@oag.sc Website: www.oag.sc

Please address all correspondence to the Auditor General

**OPINION OF THE AUDITOR GENERAL ON THE ACCOUNTS OF
THE SEYCHELLES PENSION FUND
FOR THE YEAR ENDED 31 DECEMBER 2015**

Scope

Pursuant to the powers conferred on me by Section 53(2) of Seychelles Pension Fund Act, 2005, I have caused Ernst & Young (Seychelles) to audit on my behalf the financial statements of the Seychelles Pension Fund and its subsidiary (The Group) for the year ended 31 December 2015 as set out on pages 3 to 35.

The Board of Trustees Responsibility for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Pension Fund Act, 2005 and the Public Enterprise Monitoring Commission Act, 2013. 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.

Auditor's Responsibility

My responsibility is to express an opinion on those financial statements based on our audit and report it to the Minister of 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 auditor's judgment, 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 the audit opinion.

Opinion

In my opinion, the financial statements on pages 3 to 35 give a true and fair view of the financial position of the Group and of the Fund at 31 December 2015, and of their financial performance and their cash flows for the year then ended prepared in accordance with International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005.



Marc Benstrong
AUDITOR GENERAL

12 April 2016
Victoria



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INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL**THE SEYCHELLES PENSION FUND****Report on the Financial Statements**

This report has been prepared solely for the Auditor General in accordance with the Seychelles Pension Fund Act 2005. Our audit work has been undertaken so that we might state to the Auditor General those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Auditor General of Seychelles, for our audit work, for this report, or for the opinions we have formed.

We have audited the financial statements of the Seychelles Pension Fund (the "Fund") and its subsidiary (the "Group") on pages 3 to 35 which comprise the statement of net assets available for benefits, the income and expenditure accounts, the statement of changes in net assets available for benefits and the Fund's separate Financial Statements and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Board of Trustees' Responsibility for the Financial Statements

The Board of Trustees are 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 for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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' judgment, 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 auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 Board of Trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 3 to 35 give a true and fair view of the financial position of the Group and of the Fund at 31 December 2015 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.



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INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL

THE SEYCHELLES PENSION FUND

Report on Other Legal and Regulatory Requirements

Seychelles Pension Fund Act 2005

We have no relationship with or interests in the Fund other than in our capacity as auditors and dealings with the Fund in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Fund as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG
Mahe, Seychelles

Date: 11th April 2016

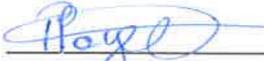
SEYCHELLES PENSION FUND

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2015

3.

Notes	THE GROUP		THE FUND	
	2015		2014	
	SR	SR	SR	SR
ASSETS				
Non-current assets				
Property and equipment	6	42,123,283	32,866,305	42,123,283
Investment properties	7(a)	1,197,182,770	775,067,397	1,197,182,770
Deposit on leasehold land	8	44,716,495	45,231,996	44,716,495
Investment in subsidiary	9			5,100
Investment in associates	10	110,332,618	100,494,512	59,662,908
Investment in financial assets	11	230,516,561	193,506,551	59,662,908
Loan to subsidiary	12			196,396,801
				6,270,270
		1,624,871,727	1,147,166,761	1,580,477,387
				1,114,643,523
Current assets				
Investment in financial assets	11	532,445,698	347,447,947	520,169,050
Receivables and prepayments	13	76,158,090	135,976,703	75,777,508
Cash and cash equivalents	25	118,400,486	67,078,743	118,091,715
		727,004,274	550,503,393	714,038,273
				550,149,839
Total assets		2,351,876,001	1,697,670,154	2,294,515,660
Current liability				
Other payables	14	17,309,140	24,805,340	17,309,140
Non-current liability				
Retirement benefit obligations	2(o) & 15	2,792,258	2,449,617	2,792,256
Net assets available for benefits		2,331,774,603	1,670,415,197	2,274,414,264
Made up as follows:				
Member's fund	16	1,188,453,994	1,035,503,953	1,188,453,994
Other fund	17	459,861,543	126,408,778	459,861,543
Reserve funds	18	14,568,591	14,568,591	14,568,591
Other reserves	19	95,020,901	28,645,554	76,287,240
Retained earnings	Page 5	565,791,820	460,167,540	535,242,896
		2,323,696,849	1,665,294,416	2,274,414,264
Non-controlling interest	20	8,077,754	5,120,781	-
		2,331,774,603	1,670,415,197	2,274,414,264
				1,637,806,709

These financial statements have been approved for issue by the Board of Trustees on 24 March 2016



Patrick Payet
Chairperson



Lekha Nair
Chief Executive Officer

The notes on pages 7 to 35 form an integral part of these financial statements.
Auditor's Report on pages 2 and 2(a).

SEYCHELLES PENSION FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED DECEMBER 31, 2015 4.

	Notes	THE GROUP		THE FUND	
		2015		2014	
		SR	SR	SR	SR
Compulsory contributions:	2(n)				
- by employees		93,388,461	82,198,458	93,388,461	82,198,458
- by employers		102,045,793	89,756,510	102,045,793	89,756,510
Voluntary contributions					
- by employees		6,774,234	5,189,707	6,774,234	5,189,707
- by employers		3,040,524	6,740,689	3,040,524	6,740,689
		<u>205,249,013</u>	<u>183,885,364</u>	<u>205,249,013</u>	<u>183,885,364</u>
Interest received by members SSF Investment Funds		51,695,649	32,946,562	51,695,649	32,946,562
transferred to SPF		333,452,765		333,452,765	
Net change in revaluation		57,485,163		57,485,163	
Net change in other reserves		21,239,389		21,239,389	
Net change in fair value on financial assets		(1,675,642)	2,676,113	(1,675,642)	3,610,793
Revaluation of property and equipment	6 & 19		1,105,000		1,105,000
Net surplus for the year before share of results of associates but after non- controlling interest	Page 5	78,007,970	98,406,156	94,395,230	111,168,105
		<u>540,205,294</u>	<u>135,133,831</u>	<u>535,353,164</u>	<u>148,830,460</u>
Benefits payments:					
- Normal Retirement		158,893,347	126,894,008	158,893,347	126,894,008
- Death before Normal Retirement		1,637,569	1,450,215	1,637,569	1,450,215
- Permanent Incapacity		21,844,183	17,803,642	21,844,183	17,803,642
- Pre-Migration Retirement		296,924	472,710	296,924	472,710
- Death after Normal Retirement			19,001		19,001
- Special Pension Entitlement		246,308		246,308	
- Surviving Spouse Pension		5,340,390	4,392,227	5,340,390	4,392,227
- Children Pension		2,035,944	1,848,168	2,035,944	1,848,168
- Post-Retirement Surviving Spouse		4,083,443	2,847,743	4,083,443	2,847,743
- Post-Retirement Children Pension		443,384	368,080	443,384	368,080
- Refunds		1,811,556	903,378	1,811,556	903,378
Less:					
- Arrears for Social Security Fund Pension		(9,935,632)	(6,558,482)	(9,935,632)	(6,558,482)
- Social Security Fund Pension		(82,702,794)	(70,415,715)	(82,702,794)	(70,415,715)
		<u>103,994,622</u>	<u>80,024,975</u>	<u>103,994,622</u>	<u>80,024,975</u>
Net increase in assets available for benefits before share of results of associates		641,459,685	238,994,220	636,607,555	252,690,849
Share of results of associates	10	16,942,748	20,009,074		
Net assets available for benefits:					
Balance at January 1,		1,665,294,416	1,406,291,122	1,637,806,709	1,385,115,860
Balance at December 31,		<u>2,323,696,849</u>	<u>1,665,294,416</u>	<u>2,274,414,264</u>	<u>1,637,806,709</u>

The notes on pages 7 to 35 form an integral part of these financial statements.
Auditor's Report on pages 2 and 2(a).

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE ACCOUNTS - YEAR ENDED DECEMBER 31, 2015

5.

	Notes	THE GROUP		THE FUND	
		2015		2014	
		SR	SR	SR	SR
INCOME					
Interest income	21	50,844,097	23,285,275	50,844,097	23,285,275
Investment income	22	233,873	2,806,369	13,578,784	13,007,521
Rental income	7	74,369,504	52,629,457	74,369,504	52,629,457
Other income		1,798,294	919,636	1,678,192	919,636
Profit on disposal of property and equipment			101,932		101,932
Profit on sale of investments		52,075		52,075	
Increase in fair value of investment properties	7(a)	73,418,211	89,725,667	73,418,211	89,725,667
		200,716,054	169,468,336	213,940,863	179,669,488
EXPENDITURE					
Interest credited to members	23	51,695,649	32,946,562	51,695,649	32,946,562
Administrative expenses	24	31,207,866	21,271,598	31,189,554	21,246,934
Property management expenses		20,341,435	12,952,199	20,341,435	12,952,199
Depreciation of property and equipment	6	5,595,983	3,536,595	5,595,983	3,536,595
Loss on disposal of property plant and equipment		48,250		48,250	
Amortisation of deposit on lease	8	515,464	515,460	515,464	515,460
Professional fees		570,830	240,000	570,830	240,000
		109,975,477	71,462,414	109,957,165	71,437,750
		90,740,577	98,005,922	103,983,698	108,231,738
(Loss)/Gain on exchange differences		(9,588,468)	2,936,367	(9,588,468)	2,936,367
Share of results of associates	10	81,152,109	100,942,289	94,395,230	111,168,105
		16,942,748	20,009,074		
Surplus for the year		98,094,857	120,951,363	94,395,230	111,168,105
Surplus brought forward		467,696,963	341,752,307	440,847,666	324,686,268
Net Surplus carried forward		565,791,820	462,703,670	535,242,896	435,854,373
<i>Surplus for the year Attributable to:</i>					
The Fund		94,950,718	118,415,233	94,395,230	111,168,105
Non-controlling interest	20	3,144,139	2,536,130		
		98,094,857	120,951,363	94,395,230	111,168,105
<i>Net Surplus carried forward Attributable to:</i>					
The Fund	Page 3	562,647,681	460,167,540	535,242,896	435,854,373
Non-controlling interest	20	3,144,139	2,536,130		
		565,791,820	462,703,670	535,242,896	435,854,373

The notes on pages 7 to 35 form an integral part of these financial statements.
Auditor's Report on pages 2 and 2(a).

SEYCHELLES PENSION FUND
STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2015

6.

	Notes	THE GROUP		THE FUND	
		2015	2014	2015	2014
		SR	SR	SR	SR
Cash generated from operations					
Net increase in assets available for benefits before share of results of associates	Page 4	641,459,685	238,994,220	636,607,555	252,690,849
Net change in non-controlling interest		2,956,973	(260,586)	-	-
Net cash generated from operations		644,416,658	238,733,634	636,607,555	252,690,849
<i>Adjustments for:</i>					
Depreciation of property and equipment	6	5,595,983	3,536,595	5,595,983	3,536,595
Amortisation of deposit on lease	8	515,464	515,460	515,464	515,460
Profit on disposal of property and equipment		-	(101,932)	-	(101,932)
Loss on disposal/transfer of property Plant & equipment		48,250	-	48,250	-
Profit on sale of investments		(52,075)	-	(52,075)	-
Retirement benefit obligations		342,639	1,608,005	342,639	1,608,005
Revaluation of property and equipment	6	-	(1,105,000)	-	(1,105,000)
Effect of foreign exchange in financial assets		(1,824,566)	-	(2,658,939)	-
Fair value gains on investment properties	7(a)	(73,418,211)	(89,725,667)	(73,418,211)	(89,725,667)
Net change in fair value on financial assets	11(a&b)	1,675,643	(2,676,113)	1,675,642	(3,610,793)
Interest receivable	21	(50,844,097)	(23,285,275)	(50,844,097)	(23,285,275)
Interest accrued	11(a&b)	-	(652,964)	-	(652,964)
Dividend income	22	(233,873)	(2,806,369)	(13,578,784)	(13,007,521)
Effect of change in exchange rates		9,588,468	(2,936,367)	9,588,468	(2,936,367)
		535,810,283	121,104,007	513,821,895	123,925,390
<i>Changes in working capital:</i>					
-Decrease/(Increase) in receivables and prepayments		59,818,613	(84,894,239)	60,199,195	(84,894,239)
- (Decrease)/Increase in payables and accruals		(7,496,200)	10,455,896	(7,227,896)	10,192,692
Net cash inflow from operations		588,132,696	46,665,664	566,793,194	49,223,843

The notes on pages 7 to 35 form an integral part of these financial statements.
Auditor's Report on pages 2 and 2(a).

SEYCHELLES PENSION FUND

STATEMENTS OF CASH FLOWS (CONT'D) - YEAR ENDED DECEMBER 31, 2015

6(a).

	Notes	THE GROUP		THE FUND	
		2015	2014	2015	2014
		SR	SR	SR	SR
Cash flows from investing activities					
Purchase of property and equipment	6	(26,022,326)	(4,128,070)	(26,022,326)	(4,128,070)
Purchase of investment properties	7	(338,076,894)	(44,512,494)	(338,076,894)	(44,512,494)
Proceeds from disposal of property and equipment		23,744	130,000	23,744	130,000
Loan to subsidiary		-	-	(857,254)	-
Purchase of financial assets	11(a&b)	(659,947,666)	(517,695,814)	(644,780,768)	(519,651,384)
Investment in associates adjusted		-	-	-	-
Proceeds from redemption of financial assets	11(a&b)	439,452,417	393,054,189	439,452,417	393,054,189
Interest received	21	50,844,097	23,285,275	50,844,097	23,285,275
Dividend received	22	233,873	15,571,036	13,578,784	13,007,521
Net cash outflow from investing activities		(527,222,486)	(136,251,448)	(505,838,200)	(138,814,963)
Net (decrease)/increase in cash and cash equivalents		60,910,211	(89,585,784)	60,954,994	(89,591,120)
Effect of change in exchange rates		(9,588,468)	2,936,367	(9,588,468)	2,936,367
Cash and cash equivalents at January 1,		67,078,743	153,728,160	66,725,189	153,379,942
Cash and cash equivalents at December 31,	25	118,400,486	67,078,743	118,091,715	66,725,189

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

Auditor's Report on pages 2 and 2(a).

SEYCHELLES PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015**

7.

1. GENERAL INFORMATION

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

A description of the Pension Fund and its funding policy is detailed under note 3. Pension contribution by both employee and employer was 2% each in 2015 (in total is 4%) (2014: 2% each).

The latest actuarial report dated December 31, 2013. The report details the 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. The next actuarial valuation will be carried out in 2016.

Investments of the Pension Fund as required by Part VII of the "Seychelles Pension Fund Act, 2005" are disclosed in notes 9, 10 and 11.

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) (i) Basis of preparation

The consolidated financial statements of Seychelles Pension Fund Group comply with the "Seychelles Pension Fund Act, 2005" and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention, except:

- (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 values; and
- (iv) Held-to-maturity financial assets and relevant financial assets and financial liabilities are carried at amortised cost.

The consolidated financial statements are presented in Seychelles rupees (SR) and all values have not been rounded up except when otherwise indicated.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at December 31, 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

8.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(iii) Standards, amendments to published standards and interpretations effective in the reporting period

The nature and effect of the amendments of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- performance condition must contain a service condition
- performance target must be met while the counterparty is rendering service
- performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not have any impact on the Group as the group does not offer share based options.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iii) Standards, amendments to published standards and interpretations effective in the reporting period (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendment has no impact on the group.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and they include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

Seychelles Pension Fund Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

10.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

*(iii) Standards, amendments to published standards and interpretations effective in the reporting period (continued)**IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

(iv) Standards, Amendments to published Standard and Interpretations issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. This listing is of standards and interpretations issued, which will be applicable at a future date. The Group has not early adopted these standards. They include:

IFRS 9 Financial instruments*Classification and measurement of financial assets*

The standard state that all financial assets are measured at fair value on initial recognition, adjusted for transaction cost, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases.

Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The amendment will have no impact on the group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iv) *Standards, Amendments to published Standard and Interpretations issued but not yet effective (continued)***Amendments to IFRS 10, IFRS 12 and IAS 28 - Applying the consolidation exception**

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are effective from 1 January 2016 and must be applied prospectively. Early adoption permitted. The amendment will have no impact on the group.

Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

In August 2015, the IASB has postponed the effective date of Amendments to IFRS 10 and IAS 28 proposing to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is permitted and must be disclosed. The amendment will have no impact on the group.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted and must be disclosed. The amendment is expected to have an impact on the Fund's rental revenue recognition policy.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment will have no impact on the group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iv) *Standards, Amendments to published Standard and Interpretations issued but not yet effective (continued)***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment will have no impact on the group.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment will have no impact on the group.

Annual Improvements to IFRSs 2012-2014 Cycle.

These improvements are effective for annual reporting periods beginning on or after 1 January 2016. They include:

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

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. The amendment will have no impact on the group.

IFRS 7 Financial Instruments: Disclosures**Servicing contracts**

- This is an improvement arising from the IASB's Annual Improvements Project, effective 1 January 2016. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the offsetting disclosures to condensed interim financial statements

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

- The amendment must be applied retrospectively.

The amendment will have no impact on the group.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

13.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) *Standards, Amendments to published Standard and Interpretations issued but not yet effective (continued)*

Annual Improvements to IFRSs 2012-2014 Cycle (continued)

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. The amendment will have no impact on the group.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. The amendment will have no impact on the group.

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

(b) Property and equipment

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

Subsequent costs are included in the assets carrying amount or recognized 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 assets available for benefits. Decreases that offset previous increases of the same asset are charged against revaluation surplus in the statements of assets available for benefits directly; all other decreases are charged to the income and Expenditure Accounts.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading other reserve (revaluation surplus). The transfer to retained earnings should not be made through the Income and expenditure statement so as to prevent 'recycling'.

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	15
Equipment	5
Furniture & Fittings	10
Motor Vehicle	5

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

14.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment (continued)

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 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 recognized in the Income and Expenditure Account and subsequently in net assets available for benefits. Investment properties are transferred from property and equipment.

(d) Investment in subsidiary

Separate financial statements of the Fund

Investment in subsidiary is carried at cost. The carrying amount is reduced to recognize any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when it is exposed to or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power over the 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 acquisition of 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 assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes 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 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 recognized directly in the income and expenditure account.

Inter-entity transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Investment in subsidiary (continued)

Transactions and non-controlling interests

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

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognized in the other comprehensive income are reclassified to the income and expenditure account.

(e) Investment in associates

Separate financial statements of the Funds

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

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method except when classified as held-for-sale. Investments in associates are initially recognized 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.

Any excess of the cost of the acquisition and the Group's share the net fair value of the associate's identifiable assets and liabilities recognized at the date of acquisition is recognized as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share or losses exceeds its interest in an associate, the Group discontinues recognizing 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized is reclassified to the income and expenditure account as appropriate.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (Continued)

(i) *Held-to-maturity*

Held-to-maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method less any impairment.

(ii) *Available-for-sale-financial assets*

Available-for-sale financial assets are non-derivative 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.

(iii) *Loans and receivable*

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method less any impairment.

Recognition and measurement

Purchases and sales of available-for-sale financial assets are recognized 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. Available-for-sale financial assets are subsequently carried at their 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 recognized in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income and expenditure account as gains and losses on financial asset.

(ii) *Available-for-sale-financial assets (Continued)****Derecognition***

Available-for-sale financial assets are derecognized 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.

Impairment of financial assets

The Group assess 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 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 recognized in equity is removed from equity and recognized in the statement of Income and expenditure.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Contributions receivable

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

(h) Benefits payable

Benefits payable are accounted for when they fall due in accordance with the rules of the Fund.

(i) Receivables

Receivables and prepayments are recognized 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.

(j) Cash and cash equivalents

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

(k) 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.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of Income and expenditure.

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 foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation difference on non-monetary items, such as equities held at fair value through profit or loss, is 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 other reserve in equity.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) **Leases**

Leases where a significant portion of risks and rewards of ownership are retained by 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 over the period of lease. The amount paid at inception by the Fund to acquire lease interest on land has been capitalized and accounted as deposit on leasehold land and depreciated over the lease term.

(n) **Interest and income**

Revenue after eliminating revenue within the Group comprises:

- (i) Interest income on a time-portion 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;
- (ii) Dividend income - when the shareholder's right to receive payment is established; and
- (iii) Rental income - as it accrues based on the terms of the rental contract.

(o) **Retirement benefit obligations**

As per the Employment Act of Seychelles, retirement benefit obligation is only paid to employees retiring after five years of continued service. This type of benefit has characteristic of a jubilee benefit. The entitlement to jubilee benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. In Seychelles, this is conditional on the employee remaining in employment for at least five years.

The obligation is calculated using a projected unit credit method, adjusted for a probability that the employee will remain in service up to 5 years. The management computed the obligation and did not utilise any external, independent actuaries. The obligation is calculated, along with unrecognised gains and losses which are recognised in the Income and Expenditure when incurred. Obligations are derecognised upon settlement or curtailment of the obligation.

(p) **Tax**

The Fund is exempt from tax.

(q) **Provisions**

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

3. DESCRIPTION OF THE PENSION FUND AND FUNDING POLICY

(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 Act, 2005 under which the body was renamed as Seychelles Pension Fund.

The Fund is under the administration of the Board made up of twelve (12) trustees (2014: twelve (12)).

SEYCHELLES PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015**

19.

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

The Fund is a defined benefit scheme which accumulates 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 citizen of Seychelles can become a member of the Fund and pay contributions.

(b) Funding policy

The main source of fund comes from the members' contribution. Pension contribution by both employee and employer was 2% each in 2015 (in total is 4%)

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 Trustee aims to optimize 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, shares, commercial, resident and industrial properties, 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 latest actuarial review report was at December 31, 2013.

Based on the existing total contribution of 4% of earnings effective January 1, 2014, the fund is in no immediate financial difficulties and will continue to grow until around 2023 at which time it will represent almost 6 times the pension outgo. However, the current rate of contribution of 4% of earnings will not be sufficient to fund members' pensions which based on the World Bank assumptions for future population growth indicates that the long term rate might be at least 9% to 9.5% of earnings.

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 Trustee upon the advice of the Actuary and other external advisors as appropriate.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following types of investment risk can be justified:

(i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments in financial assets with floating interest rates.

(a) **Investment risk (Continued)**(i) *Interest rate risk (Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Funds interest bearing financial assets.

	<1 year	1-3 years	> 3 years	Non-interest bearing	Total
<u>At December 31, 2015</u>					
Assets					
cash & cash equivalent	1,066,954	-	-	117,024,761	118,091,715
Investment in financial assets	421,063,206	30,151,644	191,241,642	108,229,119	750,685,611
Loans to subsidiary	-	-	-	6,270,270	6,270,270
Receivables	-	-	-	75,777,508	75,777,508
	<u>422,130,160</u>	<u>30,151,644</u>	<u>191,241,642</u>	<u>307,301,658</u>	<u>950,825,104</u>
Liabilities					
Other payables	-	-	-	17,309,140.00	17,309,140

The sensitivity of the profit or loss and equity is the effect of the assumed changes in the interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2015.

Change in basis points	2015	
	Effect on surplus before equity	Effect on other comprehensive income
	SR	SR
+10	13,101	-
-10	(13,101)	-

(ii) *Market risk*

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, price and foreign exchange rates. The fund faces the risk that a sudden fall in asset values will 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 values simultaneously. However, there are few investment mediums.
- Liquidity - great care is taken to ensure that the Fund should not need to realize potentially volatile assets when their values are depressed.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

(a) Price risk (continued)

The Fund investments in quoted instruments are susceptible to market price arising from uncertainties about future values of the instruments. The Fund has engaged a portfolio manager to ensure minimum exposure to price risk. Monthly reports are received from the portfolio manager.

At the reporting date the exposure to listed investment at fair value was SR 113,478,932. The table below summarises the impact of increases/decreases in 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%.

	2015	Change in year end price	Effect on equity
			SR
	2014	+5%	119,152,879
		-5%	107,804,985
		+5%	79,793,473
		-5%	72,194,095

(a) Currency risk

Currency risk is defined as the risk that movement in foreign exchange rates adversely affect the value of the Fund's Investments in financial assets. The Fund's activities are not exposed to currency risk. However, the Fund requires foreign exchange for developing its investment policies which are met through requests with financial institutions. Only a small percentage of the portfolio is invested overseas mainly in listed foreign market and recently a foreign bank. The Fund's portfolio in key holdings yielded lower returns in 2015 compared to 2014.

Concentration of assets and Liabilities by currency

At December 31, 2015	SR	MUR	USD	Total
Assets				
Investment in financial assets	606,375,385	24,246,093	120,064,133	750,685,611
Loan to subsidiary	6,270,270	-	-	6,270,270
Receivables	53,682,831	-	217,880	53,900,711
Cash and cash equivalents	73,085,581	1,066,954	43,939,180	118,091,715
	739,414,067	25,313,047	164,221,193	928,948,307
Liabilities				
Other payables	17,309,140	-	-	17,309,140

The following table demonstrate the sensitivity of the Fund's surplus and equity, to a realistically possible change in the MUR and USD foreign currency exchange rates with all other variables held constant.

2015	United States Dollars	Mauritian Ruppes	Increase/ Decrease in Rates	Effect on PBT
			%	SR'000
			5%	8,211
			5%	1,266

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Investment risk (Continued)

(iii) Liquidity risk

The risk that cash flow requirements will force the Fund to realize 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 minimize by the fact that 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 and therefore risks of bad debts is considered to be low.

(v) Counter party risk

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

The 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 Mauritian market,
- The fund manager provides regular reports to the Fund based on an established investment policy.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 realization of assets of fund would provide the necessary liquidity to counter the cash flow need.

(ii) *Inflation risk*

Whilst the Central Bank does pursue of 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 be necessarily be a problem for the Fund if it was accompanied by compensatory increase in 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 long term instruments.

(c) Operational risk

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

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

There is also an internal 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 would be subject to penalty.

This risk is somewhat limited since the Fund is governed principally under a single, clear piece of legislation: The "Seychelles Pension Act, 2005". All the activities of the Fund are regulated by the Act, and the Fund are regulated by the Trustees is accountable to the Minister of Finance and the National Assembly.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

The Fund also plans to introduce a culture of best practice in very 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next 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.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices. The fair value of Investment properties and property, plant and equipment are based on open market with existing tenancies.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments, investment properties and property and equipment by valuation technique:

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

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

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

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

	THE GROUP			
	Level 1	Level 2	Level 3	Total
<i>At December 31, 2015</i>				
Available-for-sale	126,200,741			126,200,741
Investment property		1,197,182,770		1,197,182,770
Property			18,916,202	18,916,202
	THE FUND			
	Level 1	Level 2	Level 3	Total
<i>At December 31, 2015</i>				
Available-for-sale	113,478,932			113,478,932
Investment property		1,197,182,770		1,197,182,770
Property			18,916,202	18,916,202

(b) Retirement benefit obligations

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

(a) December 31, 2015

	Buildings on leasehold land and improvements						Furniture and fittings		Motor vehicles		Total
	Freehold land	SR	SR	Equipment	SR	SR	SR	SR	SR	SR	
COST AND VALUATION											
At January 1, 2015	3,678,856		31,390,989		9,782,212		8,477,001		1,415,810		54,744,868
Additions					3,694,225		21,199,258		1,128,844		26,022,326
Revaluation (note 19)											
Transfer					(98,714)		(396,759)				(495,472)
Disposals					(173,359)		(119,536)				(292,896)
Transfers to investment properties (note 7)											(16,153,642)
At December 31, 2015	(3,678,856)		(12,474,787)		18,916,202		13,204,364		29,159,964		2,544,654
Analysed as:											
- Cost		17,196,543		13,204,364		29,159,964		2,544,654		62,105,525	
- Valuation		1,719,660									1,719,660
DEPRECIATION											
At January 1, 2015		18,916,203		13,204,364		29,159,964		2,544,654		63,825,185	
At December 31, 2015		11,893,953		5,054,022		3,703,159		1,050,767		21,701,901	
NET BOOK VALUE											
At December 31, 2015		7,022,250		8,150,342		25,456,805		1,493,887		42,123,283	

(b) The Board is of the opinion that the fair value of property and equipment at December 31, 2015 does not differ materially from their carrying amounts.

SEYCHELLES PENSION FUND

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2015

26(b).

6. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND (CONT'D)

- (e) The land and buildings were valued at December 31, 2014 by independent valuers. The revaluation surplus was credited to revaluation reserve (note 19).
- (f) The fair value of land and buildings fall within category level 3 of the fair value hierarchy. No changes noted during the year.
- (g) The fair value of freehold land ranged between SR 3,000 to SR 11,000 per square metre for the properties transferred from SSF Investment Fund.

7. INVESTMENT PROPERTIES

(a) Fair value	THE FUND	
	2015	2014
	SR	SR
At January 1,		775,067,397
Addition - Work in progress		338,076,894
Increase in fair value		73,418,211
Net transfer from property and equipment (note 6 (a))	10,620,268	196,035
At December 31,	1,197,182,770	775,067,397

- (b) The value of the investment properties is subject to reviews every two years and the last one was carried out at December 31, 2014 by Messr. Baseline Surveys & Co. (Pty) Ltd, Hubert Alton and Lester J.W Quatre & Co, independent professionally qualified valuers, on an open-market basis with existing tenancies. There has been no change to the valuation technique during the year. In 2015, properties transferred from SSF Investment Fund were revalued by independent professional qualified valuers.

The next valuation is expected to be performed in 2016. The Board of Trustees are of the opinion that the carrying amounts on Investment Properties approximate their fair values at the end of the reporting period.

- (c) The fair value of the properties has been valued by external valuers and fall within category level 3 of the fair value hierarchy. No changes noted during the year.
- (d) If Investment properties had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	2015		2014	
	Land	Building	Total	Total
Cost	51,375,419	594,639,895	646,015,314	381,217,734
Accumulated depreciation	-	(30,223,209)	(30,223,209)	(18,330,411)
Net book value	51,375,419	564,416,686	615,792,105	362,887,323

- (e) The following amounts have been recognised in profit or loss:

	THE GROUP AND THE FUND	
	2015	2014
	SR	SR
Rental income	74,369,504	52,629,457
Direct operating expenses generating rental income	(20,341,435)	(12,952,199)
Profit arising from investment property	54,028,069	39,677,258

- (f) As at December 31, 2015, several Investment properties under construction are carried at cost SR 338m (2014: SR 44.5m) because their fair values could not be reliably measured.

SEYCHELLES PENSION FUND
STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2015

26(c).

8. DEPOSIT ON LEASEHOLD LAND

- (a) Properties from Mascareignes Properties Limited are on leasehold land. The initial deposit on the lease amounting to SR 50 million is being amortised over the term of lease, i.e., 97 years and the movement is as follows:

	THE GROUP AND THE FUND	
	2015	2014
Cost		
At Janauary 1 and December 31,	50,000,000	50,000,000
Amortisation		
At January 1,	4,768,004	4,252,544
- Prior year adjustment	37	-
Charge for the year	515,464	515,460
At December 31,	5,283,505	4,768,004
Net Book Value		
At December 31,	44,716,495	45,231,996

9. INVESTMENT IN SUBSIDIARY

	THE FUND
	2015 & 2014
	SR
Cost	
At January 1, and December 31,	5,100

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

	2015 & 2014
Class of shares held:	Ordinary
Year end:	December 31,
Proportion of ownership interest and voting power held (direct):	51%
Country of incorporation and residence:	Seychelles
Activity:	Investment holding

9. INVESTMENT IN SUBSIDIARY

(b) Summarised financial information in respect of the Group's subsidiary is set out as below:

(i) Summarised statement of Financial position and statement of profit or loss and other income:

Year	Name of Company	Current assets	Non-current assets	Current liabilities		Non-current liabilities	Revenue	Profit for the year	
				SR'000	SR'000			SR'000	SR'000
2015	OICL	689	12,277				6,435	6,417	6,417
2014	OICL	354	10,624	263			5,200	5,176	5,176

(ii) Summarised cash flow information:

Year	Name of Company	Operating activities	Investing activities	Financing activities		Net change in cash and cash equivalents
				SR'000	SR'000	
2015	OICL	6,273		(6,285)		12
2014	OICL	5,176		(5,170)		6

10. INVESTMENT IN ASSOCIATES

(a) THE FUND - AT COST

At January 1, and December 31,

	2015		2014	
	SR	SR	SR	SR
At January 1,				
Adjustment in associates				
Transfer from available-for-sale financial assets (note 11 (a))				
Share of results for the year				
Dividends				
At December 31,				

10. INVESTMENT IN ASSOCIATES (CONTINUED)

(c) Details of the Fund's associates at the end of the reporting period:

Name	Principal activity	Assets SR'000	Liabilities SR'000	Revenues SR'000	Profit SR'000	Proportion of ownership interest and voting rights (Direct)	Proportion of ownership interest and voting rights (Indirect)
<i>At December 31, 2015</i>							
Seychelles Breweries Ltd	Beverage manufacturing	411,748	117,994	233,435	48,435	26	
SACOS Group Limited	Insurance	682,171	520,914	148,688	21,533	1.33	37.77
<i>At December 31, 2014</i>							
Seychelles Breweries Ltd	Beverage manufacturing	385,047	111,005	474,891	71,731	26	
SACOS Group Limited	Insurance	648,866	500,004	152,600	21,736	1.33	18.87

(d) Investment in associates are accounted for using the equity method.

(e) The financial year-end date of Seychelles Breweries Ltd is 30th June. For the purposes of applying the equity method of accounting, the audited financial statements of Seychelles Breweries Ltd for the year ended June 30, 2015 has been used and adjusted for significant transactions between that date and December 31, 2015 based on management's financial reports.

(f) At December 31, 2015, the fair value of the Fund's interest in SACOS Group Limited which is listed on Trop-X, the Stock Exchange of Seychelles, was SR 140 per share (2014: SR 115) based on the quoted market price available, which is a level 1 input in terms of IFRS 13. Seychelles Breweries Ltd is a private company and there is no quoted market price available for its shares.

(g) As at 31st December 2015, SPF holds 20.59% shares in SACOS in total of which, 1.33% is SPF alone and 19.26% through OICL. OICL holds 37.77% shares in total at SACOS. SPF and SWAN are represented by two directors respectively in OICL.

SEYCHELLES PENSION FUND

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2015

29.

11. INVESTMENT IN FINANCIAL ASSETS

(a) THE GROUP

(i) The movement in investments on financial assets may be summarised as follows:

	Money markets	Held-to-Maturity	Available-for-sale	2015	
				Total	2014
	SR	SR	SR	SR	SR
At January 1,	256,608,686	211,242,278	73,103,534	540,954,498	412,983,796
Addition	421,935,394	182,130,762	55,881,510	659,947,666	519,651,384
Transfer to associate (note 10)	-	-	-	-	(1,955,570)
(Decrease) / increase in fair value (note 19)	-	-	(1,675,643)	(1,675,643)	2,676,113
Redemptions/Disposals (Loss)/Gain on foreign exchange	(323,797,603)	(115,635,000)	(19,814)	(439,452,417)	(393,054,189)
Accrued interests	(519,526)	(1,074,922)	(1,088,846)	(2,683,294)	-
		5,871,447	-	5,871,447	652,964
At December 31,	354,226,951	282,534,566	126,200,741	762,962,258	540,954,498

Analysed as follows:

		2015	2014
		Total	Total
Non-current		230,516,561	193,506,551
Current		532,445,698	347,447,947
		762,962,259	540,954,498

(b) THE FUND

	Money markets	Held-to-Maturity	Available-for-sale	2015	
				Total	2014
	SR	SR	SR	SR	SR
At January 1,	256,608,686	211,242,278	75,993,784	543,844,748	412,983,796
Addition	421,935,394	182,130,762	40,714,612	644,780,768	519,651,384
(Decrease) / increase in fair value (note 18)	-	445,161	(2,120,804)	(1,675,642)	3,610,793
Redemptions/ Disposals (Loss)/Gain on foreign exchange	(323,797,603)	(115,635,000)	(19,814)	(439,452,417)	(393,054,189)
Accrued interests	(519,526)	(1,074,922)	(1,088,846)	(2,683,294)	-
		5,871,447	-	5,871,447	652,964
At December 31,	354,226,951	282,979,727	113,478,932	750,685,611	543,844,748

Analysed as follows:

		2015	2014
		Total	Total
Non-current		230,516,561	196,396,801
Current		520,169,050	347,447,947
		750,685,611	543,844,748

SEYCHELLES PENSION FUND

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2015

30.

11. INVESTMENT IN FINANCIAL ASSETS (CONTINUED)

- (c) Investments in money markets represent term deposits with banks with interest rates ranging from 1.12% (for USD account) and 5% to 10% (on local currency account) per annum (2014: 2% to 10.5%).
- (d) Held-to-maturity investments comprise treasury bonds with interest rates ranging from 4% to 7.50% per annum (2014 : 4% to 8%) and treasury bills from 5.82% to 11.21% per annum (2014 : 4.76% to 13.04%) maturity dates from (2014: May 3, 2015 to September 24,
- (e) Available-for-sale investments comprise foreign securities listed on overseas stock markets and an unquoted investment in a foreign bank. Hierarchy of fair value levels is detailed under note 5 (d).
- (f) None of the financial assets are either past due or impaired.
- (g) Investments in financial assets are denominated in the following currencies:

	THE GROUP	THE FUND	THE GROUP	THE FUND
	2015 SR	2015 SR	2014 SR	2014 SR
Seychelles Rupee	618,652,032	606,375,384	434,890,489	437,780,739
Mauritian Rupee	17,461,540	17,461,540	28,378,359	28,378,359
US Dollar	126,848,687	126,848,687	77,685,650	77,385,650
	762,962,259	750,685,611	540,954,498	543,544,748

12. LOAN TO SUBSIDIARY

At December 31,

THE FUND	
2015 SR	2014 SR
6,270,270	5,413,016

- (a) The loan to subsidiary company is unsecured, interest free with no fixed repayment terms.
- (b) The carrying amounts of the loan has been assumed to approximate it fair value.
- (c) The loan is denominated in Seychelles Rupee.

13. RECEIVABLES AND PREPAYMENTS

	THE GROUP		THE FUND	
	2015 SR	2014 SR	2015 SR	2014 SR
Contributions receivables from members	15,509,927	14,761,462	15,509,927	14,761,462
Amount receivable from the Government of Seychelles	12,013,669	8,059,507	12,013,669	8,059,507
Interest receivable	14,353,309	5,660,596	14,353,309	5,660,596
Rental income receivable	6,764,032	4,876,292	6,764,032	4,876,292
Advance payment on capital projects	20,965,786	98,007,579	20,965,786	98,007,579
Prepayments	911,011	528,649	911,011	528,649
Other receivables	5,640,356	4,082,618	5,259,774	4,082,618
	76,158,090	135,976,703	75,777,508	135,976,703

- (a) The carrying amount of trade and other receivables are denominated in Seychelles rupees and approximate their fair value.
- (b) None of the above receivables and prepayments were past due or impaired and the Board of Trustees are of the opinion that no provision for credit impairment is required.
- (c) The Group does not hold any collateral as security.

14. OTHER PAYABLES

	THE GROUP		THE FUND	
	2015 SR	2014 SR	2015 SR	2014 SR
Rental deposits	9,147,461	6,494,989	9,147,461	6,494,989
Advance on rent	1,394,682	383,448	1,394,682	383,448
Interest received in advance		5,740,762		5,740,762
Accrued expenses	2,485,672	1,146,600	2,485,672	878,296
Retention payable	4,281,326	11,039,541	4,281,326	11,039,541
	17,309,140	24,805,340	17,309,140	24,537,036

- (a) The carrying amount of other payables are denominated in Seychelles rupees and approximate their fair value.
- (b) Other payables are denominated in Seychelles rupees.

SEYCHELLES PENSION FUND

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - DECEMBER 31, 2015

31.

15. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations is in respect of length-of-service compensation as per the Seychelles Employment Act 1995 as amended.

(i) Amount recognised in the statement of financial position:

Present value of unfunded obligation

(ii) Amount recognised in the statement of comprehensive income:

Current service cost

Interest cost

Settlement loss

Actuarial gains

THE GROUP AND THE FUND	
2015	2014
SR	SR

2,792,256 2,449,617

THE GROUP AND THE FUND	
2015	2014
SR	SR
668,278	1,802,331
174,986	-
(11,108)	-
278,856	-
1,111,012	1,802,331

THE GROUP AND THE FUND	
2015	2014
SR	SR
2,449,617	841,612
1,111,012	1,802,331
(768,373)	(194,326)
2,792,256	2,449,617

THE GROUP AND THE FUND	
2015	2014
%/year old	%/year old
6.41	6.79
8%	8%
25	25
100%	100%

(iii) Movement in liability recognised in statement of financial position:

At January 01,
Total expenses as above

Settlement Cost

At December 31,

(iv) The principal actuarial assumptions used were as follows:

Discount rate
Future salary increases
Years liability fall due
% of liability to fall due after 25 years

The figure of 8% used to calculate future salary increases in no way commits the Company to such increase in salary and has been used for calculation purposes only.

16. MEMBERS' FUND

Up to the year 2005, Member's Fund represents 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, 2015 are reduced with the new benefits paid under the new scheme. The Members' Fund also includes accumulated balance of members who have reached the retirement age and are eligible for monthly pension. However, the accounts of the retirees should have been separated from the active members fund and reflected in the other fund created for this purpose.

17. OTHER FUNDS

THE GROUP AND THE FUND	
2015	2014
SR	SR

Contributions from Social Security Division (note (a) below)
Payments made for Social Security Pension

423,649,081 331,010,655
(411,945,146) (319,306,720)

11,703,935 11,703,935

Receipts from National Provident Fund (note (b) below)
SSF Investment Funds transferred to SPF
SPF contribution from Govt (note (c) below)

71,215,276 71,215,276
333,452,765 -
43,489,567 43,489,567

At December 31,

459,861,543 126,408,778

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

32.

17. OTHER FUNDS (CONTINUED)

- (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 the 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 of Seychelles are funds received on the gross salary of members. None were received during the year under review (2014: Nil).

18. RESERVE FUND

	THE GROUP AND THE FUND 2015 & 2014
	SR
At January 1, and December 31,	<u>14,568,591</u>
	<u>14,568,591</u>

The Chief Executive Officer, acting on the advice of the Board of Trustees, has not made 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 increase the distributable reserve.

19. OTHER RESERVE

(a) THE GROUP

	2015			2014	
	Revaluation reserve	Fair value reserve	Other reserves	Total	Total
	SR	SR	SR	SR	SR
At January 1,	24,500,007	7,080,912	-	31,580,919	24,864,441
Net change in revaluation reserve	52,491,868	-	-	52,491,868	-
Revaluation of property and equipment (note 6)	-	-	-	-	1,105,000
Deposits on equity	-	-	10,623,756	10,623,756	-
Deposits on share	-	-	2,000,000	2,000,000	-
Net change in fair value of financial assets (note 11)	-	(1,675,642)	-	(1,675,642)	2,676,113
At December 31,	<u>76,991,875</u>	<u>5,405,270</u>	<u>12,623,756</u>	<u>95,020,901</u>	<u>28,645,554</u>

(b) THE FUND

	2015			2014	
	Revaluation reserve	Fair value reserve	Total	Total	Total
	SR	SR	SR	SR	SR
At January 1,	17,455,422	8,015,592	25,471,014	20,755,221	-
Net change in revaluation reserve	52,491,868	-	52,491,868	-	-
Revaluation of property and equipment (note 6)	-	-	-	1,105,000	-
Net change in fair value of financial assets (note 10)	-	(1,675,642)	(1,675,642)	3,610,793	-
At December 31,	<u>69,947,290</u>	<u>6,339,950</u>	<u>76,287,240</u>	<u>25,471,014</u>	<u>3,610,793</u>

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

33.

20. NON-CONTROLLING INTEREST

	2015	2014
	SR	SR
At January 1,		
Share of results (page 5)	5,120,781	5,381,367
Share of dividends	3,144,139	2,536,130
(187,166)		(2,796,716)
At December 31, (page 3)	8,077,754	5,120,781

21. INTEREST INCOME

	THE GROUP AND THE FUND	
	2015	2014
	SR	SR
<i>Interest arising on:</i>		
- Held-to-maturity financial assets	19,068,864	11,815,089
- Investments in money markets	31,364,608	10,165,709
- Investments available-for-sale	168,320	130,184
- Bank balances	107,506	1,052,545
- Staff loans	134,798	121,748
	50,844,097	23,285,275

22. INVESTMENT INCOME

	THE GROUP		THE FUND	
	2015	2014	2015	2014
	SR	SR	SR	SR
Dividends on local securities		2,563,515	13,374,912	12,764,667
Dividends on foreign securities	233,873	242,854	203,872	242,854
	233,873	2,806,369	13,578,784	13,007,521

23. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund at 4% for the year ended December 31, 2015, amounted to SR 51.7m to the Fund (2014: 3% - SR 32.9m). However, only SR 6.2m (2014: SR 3.95m) were actually paid towards retiring members, death gratuities and migration allowance for the year under review. The remaining surplus balance is booked every year in the Members' Fund Account to be used for settlement of future obligations towards existing members.

24. ADMINISTRATIVE EXPENSES

	THE GROUP		THE FUND	
	2015	2014	2015	2014
	SR	SR	SR	SR
Salaries, wages and other related expenses	20,416,797	14,201,030	20,416,797	14,201,030
Administration costs	5,711,545	3,040,040	5,693,233	3,040,040
Motor vehicles running expenses	331,960	336,377	331,960	336,377
stationary	1,109,074	774,306	1,109,074	774,306
Telephone	754,716	427,946	754,716	427,946
Utilities	442,958	452,405	442,958	452,405
Repairs and maintenance	1,147,431	876,028	1,147,431	876,028
Other expenses	1,293,384	1,163,466	1,293,384	1,138,802
	31,207,866	21,271,598	31,189,554	21,246,934

25. CASH AND CASH EQUIVALENTS

	THE GROUP		THE FUND	
	2015	2014	2015	2014
	SR	SR	SR	SR
Cash at bank	118,370,076	67,064,143	118,061,305	66,710,589
Cash in hand	30,410	14,600	30,410	14,600
	118,400,486	67,078,743	118,091,715	66,725,189

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

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26. RELATED PARTY TRANSACTIONS

	THE GROUP		THE FUND	
	2015 SR	2014 SR	2015 SR	2014 SR
Balances:				
Subsidiary company				
- Investment			5,100	5,100
- Loan receivable			6,270,270	5,413,016
Enterprises on which the Company exerts significant influence				
- Investment	110,332,618	100,494,512	59,662,908	59,662,908
Transactions				
- Dividends	13,374,912	12,764,667	13,578,784	13,007,521
Key management personnel				
- Gross salaries	1,763,539	953,186	1,763,539	953,186
Board of Trustees' remuneration (note 27)	709,968	660,096	709,968	660,096

- (a) Transactions with related parties are within the normal course of business.
- (b) For the year ended December 31, 2015, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2014: 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.

27. BOARD OF TRUSTEES' REMUNERATION

	THE GROUP AND THE FUND	
	2015 SR	2014 SR
P Payet	58,512	58,752
M Afif (up to January 31, 2015)	4,176	50,112
G Beaudoin (up to January 31, 2015)	4,176	33,408
R Weber (up to January 31, 2015)	4,176	50,112
R Spiro (up to January 31, 2015)	4,176	50,112
L Woodcock	50,112	50,112
M Felix (up to January 31, 2015)	4,176	50,112
S Labrosse	50,112	50,112
A Mousbe (up to January 31, 2015)	4,176	50,112
J Esparon	50,112	50,112
W Labrosse	50,112	16,704
A Lucas	50,112	50,112
C Mangroo	50,112	50,112
Bernard Adonis (from February 1, 2015)	45,936	
Elizabeth Charles (from February 1, 2015)	45,936	
Antoine Robinson (from February 1, 2015)	45,936	
Basil Hoareau (from February 1, 2015)	45,936	
Malika Jivan (from February 1, 2015)	45,936	
Willy Confait (from February 1, 2015) (Secretary)	45,936	
Marie-Ange Waye-Hive (Alternate Secretary)	50,112	50,112
	709,968	660,096

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2015

35.

28. COMMITMENTS

(a) Capital commitments

	THE GROUP AND THE FUND	
	2015	2014
	SR'000	SR'000
Approved and contracted for	86,000	217,745
Approved but not contracted for	624,050	230,520
	<hr/>	<hr/>
	710,050	448,265
	<hr/>	<hr/>

(b) Lease commitments

	THE GROUP AND THE FUND	
	2015	2014
	SR	SR
Within one year	515,464	515,464
After one year but not more than 5 years	2,061,856	2,061,856
More than 5 years	42,139,175	42,654,676
	<hr/>	<hr/>
	44,716,495	45,231,996
	<hr/>	<hr/>

29. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2015 (2014: Nil).

30. EVENTS AFTER REPORTING PERIOD

There is no event subsequent to the date of statement of financial position which may have a material effect on the financial statement as at December 31, 2015.

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CORPORATE GOVERNANCE

BOARD OF TRUSTEES (BoT)

BoT Composition and Membership

As per the Seychelles Pension Fund Act, the Board of Trustees is responsible for the overall management of the affairs of the Seychelles Pension Fund (SPF), including the operation of the SPF and making investment decisions.

The SPF Act provides for 12 members of the Board of Trustees representing government/public, workers and private sectors. The majority of the current members are from the private sector.

BoT Meetings

Board meetings are held every month for the purpose of approving proposals made by SPF management and any projects or expenditure above SCR1m. The BoT also provides strategic direction and advice to the management of the SPF.

The Board of Trustees met twelve times in 2015.

BoT Committees

The Board of Trustees has three committees to assist in the discharge of its responsibilities relating to investments, audit and administrative matters:

- Audit and Finance Committee;
- Investment and Finance Committee;
- Administrative and Remuneration Committee.

In addition, the BoT has set up the following independent committees, each made up of three independent members:

- Tender Evaluation Committee;
- Tender Appeal Committee.

RISK MANAGEMENT AND AUDITS

Risk Management

SPF continues to carefully manage the potential risks that may affect its operations. At a strategic level, it needs to ensure that funding remains available for payment of benefits and in this regard it has taken steps to recommend to government the need to increase contributions as recommended by the actuarial valuation.

Investments risks have been carefully managed in 2015 with funds being invested in low risk appetite areas. However, the rate of interest declined in the market and being a major investor in the Government securities market and, with the significant amount maturing, SPF had to invest at lower rates. The main challenge at present is the lack of investment opportunities in the country and there may be a need to look at other investment avenues, including increasing investments overseas.

The development of a Business Continuity Plan which started in 2015 will ensure the mitigation of operational risks in the event of an unforeseen disruption in the SPF business. An IT audit was also carried out and IT risk assessment was a major part of the audit. The auditor's recommendations have been swiftly implemented.

Internal Audit

SPF's Internal Audit Section reports to the Board's Audit and Finance Committee and its role is to promote a good corporate governance culture which in turn enhances public

confidence. It also provides objective audit assurance to Management and the BoT that sound and adequate internal controls exist in the SPF.

Internal Audit carries out active auditing and evaluates and contributes to the improvement of governance, risk management and control processes. The section's activities include reviewing and evaluating the adequacy, effectiveness and efficiency of internal controls, ascertaining compliance with applicable laws, regulations, policies, standards and procedures.

The following areas were audited in 2015:

- Revenue collection and banking for the period March 2014 to June 2015;
- Expenditure – Non-payroll for the period May 2014 to June 2015;
- Staff payroll and reconciliation for the period January to December 2015;
- Cash in hand and at bank/reconciliation for the period January to December 2015.

An IT audit was also carried out in 2015 by BDO Associates with Mauritius-based IT auditors and the audit covered four main areas namely:

- IT risk assessment;
- IT General Control Review;
- Report Integrity review;
- IT Disaster Recovery Plan.

All their recommendations are being implemented.

External Audit

The audit of the SPF's account for the year was conducted by Ernst & Young (EY) which was contracted by the Auditor General in accordance with the SPF Act. SPF has followed the

<p>International Financial Reporting Standards (IFRS) to promote a high level of accounting standards and transparency, proper disclosure and integrity normally required of financial institutions. SPF has also complied with all reporting requirements of the National Assembly, Ministry of Finance and Public Enterprise Monitoring Commission.</p> <p>Actuarial Valuation</p> <p>In accordance with Section 55 of the Seychelles Pension Fund Act, the SPF is required to carry out an actuarial review every three years. The last actuarial evaluation of the SPF for the period ending December 2013 was completed and submitted by Mr Chris Latham of PricewaterhouseCoopers (PWC) of Sydney, Australia. It showed that the SPF was in no immediate financial difficulties but recommended that in order to sustain the SPF in the long term up to 2050 there is a need for additional contributions of 4.5% to be spread out over the years as set out below to minimize the impact it may have on</p>	<p>take home pay of workers and on employers' budgets.</p> <p style="text-align: center;">1% of earnings in 2018 1 % of earnings in 2023 1% of earnings in 2028 1% of earnings in 2033 0.5% of earnings in 2038</p> <p>The Board of Trustees has strongly recommended to Government the adoption of the recommended target level of funding of the SPF in the Actuarial Review.</p> <p>The next actuarial valuation is due in December 2016.</p> <p>ACCOUNTABILITY</p> <p>SPF provides the following reports on a regular basis:</p> <ul style="list-style-type: none"> -Annual Budget to BoT for approval; -Mid-year Budget Review to BoT for approval; -Monthly Financial Statements to BoT, Ministry of Finance and PEMC monthly; -Quarterly Financial Performance Report sent to BoT; 	<p>-Statement of Corporate Intent annually to PEMC;</p> <p>-Annual Report of SPF activities and the audited statements of accounts to the Minister of Finance to be tabled in the National Assembly.</p> <p>PROFESSIONAL AND ETHICAL CONDUCT</p> <p>Staff of the SPF are obliged to comply with practices that reflect the highest standard of behaviour and professionalism. They should inspire trust and are under strict obligations to safeguard official information.</p> <p>From SPF's core values</p> <p><i>'The integrity of our organisation is based on reliability, trust, credibility, accuracy, accountability and ethical conducts at all times.'</i></p> <p><i>'The SPF will ensure that its staff work with the utmost confidentiality and professionalism at all time.'</i></p>
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BOARD OF TRUSTEES

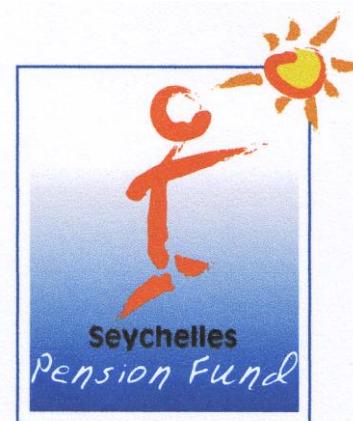
Sections 5 and 6 of the Seychelles Pension Fund Act No 8 of 2005 empowers the President of the Republic of Seychelles to appoint the Board of Trustees. The current Board's appointment took effect 01 February 2015 for a period of three years.

Mr Patrick Payet Chairman of the Board of Trustees (Public Sector)	Mr Walter Labrosse Trustee, representing employers (Private Sector)	Ms Jessie Espanon Trustee, representing the public sector (Public Sector)	Mr Lambert Woodcock Trustee (Private Sector)
Mr Antoine Robinson Trustee, representing Workers' Union (Private Sector)	Mrs Suzanne Labrosse-Rolston Trustee, representing employers (Private Sector)	Ms Cilia Mangroo Trustee, representing the Ministry of Finance (Public Sector)	Mr Basil Hoareau Trustee (Private Sector)
Mr Bernard Adonis Trustee, representing Workers' Union (Private Sector)	Mr Antonio Lucas Trustee, representing SCCI (Private Sector)	Ms Elizabeth Agathine Trustee, representing the public sector (Public Sector)	Ms Malika Jivan Trustee (Private Sector)

AUDITORS
Ernst & Young Laximan House Castor Road, English River
LAWYERS
Mr Francis Chang-Sam Barrister and Attorney-at-Law & Notary Public Kingsgate House, Victoria

Mr Joel Frank Camille
Barrister and Attorney-at-Law & Notary Public Sound & Vision House Francis Rachel Street, Victoria

HEADQUARTERS
Seychelles Pension Fund Caravelle House P. O. Box 576 Victoria Mahé Seychelles
Telephone: (00 248) 429 4699 Fax: (00 248) 422 5037 E-mail: info@spf.sc Website: www.pensionfund.sc
OTHER OFFICES
Praslin Office Pension Fund Complex Grand'Anse Praslin Tel: (00 248) 4237080
La Digue Office Pension House La Passe La Digue Tel: (00 248) 4235100



SPF MANAGEMENT

In February 2015 a new management came into force whereby Mrs Lekha Nair succeeded Mr Willy Confait as the Seychelles Pension Fund's new Chief Executive Officer. With a new Chief Executive Officer in office a new organisation structure was designed and came into effect in April 2015 with the creation of three new divisions; Pensions and Benefits Division, Investments Division and Corporate Services Division.

Mrs Lekha Nair
Chief Executive Officer

Mr Willy Confait
Advisor to the CEO

Mrs Marie-Ange Waye-Hive
General Manager
Pensions & Benefits

Mr Derick Ally
General Manager
Corporate Services

Ms Nisreen Abdulmajid
Manager
Audit Section

Mr Tommy Marie
Manager
Projects Section

Ms Jane Suzette
Manager
Compliance Monitoring Section

Ms Angele Low
Manager
Finance Section

Mr Marcus Marie
Manager
Property Section

Mr Darell Bristol
Manager
Marketing & Public Relations Section

Mr Jeffrey Moses
Manager
Benefits Section

Mrs Lyne Bonte
Manager
Human Resources & Administration Section

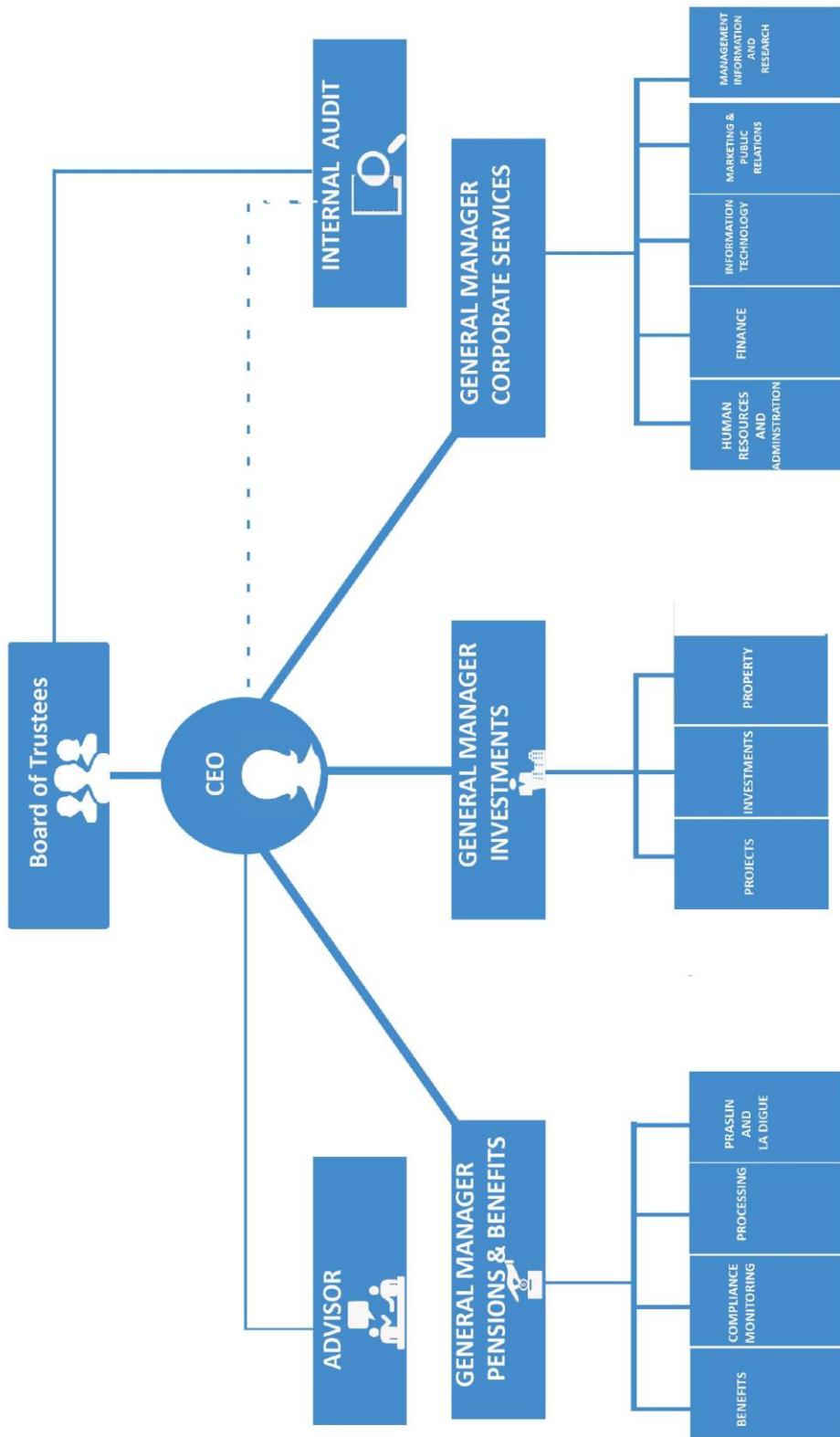
Ms Evelina Antha
Manager
Investment Section

Ms Yvette Samedi
Manager
Management Information & Research Section

Mrs Tessy Poris
Manager
Praslin & La Digue Section

Mr Steven Rosalie
Manager
Information Technology Section

SPF ORGANOGRAM



GENERAL OPERATIONS

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GENERAL OPERATIONS

The main operations of the SPF are supported by various sections to ensure efficient delivery of the services that SPF provides.

Information Technology

In this digital age, Information Technology is a crucial component of any organisation's operations and in 2015 IT staff continued to support the delivery of services in all aspects of SPF's operations.

Systems Maintenance

IT maintained an internal network of over 75 desktop workstations, networking equipment, operating systems and servers. It also maintained an array of pension administration systems including payment, compliance, benefits, financial and human resources information systems. In addition to maintaining existing systems it is also actively working to introduce new systems for areas such as financial reconciliation, rent management and online services in order to provide better and faster access to reliable information.

Network Link

One of the major achievements in the first trimester was the installation of the fiber network linking three SPF properties; Unity House, Maison Collet and Caravelle House. The upgrade of the SPF's hardware and software Phase 1 was successfully completed by March 2015.

On-line Services

Online services development were started in 2015 to be rolled out in 2016. These include member's statement and a pension calculator for the new website.

Monitoring

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

Website

Development of the new SPF website was initiated in order to have a more attractive, interactive and professionally designed website. The new website will be rolled out in 2016 and it will cater for more e-services with a user-friendly and appealing interface.

Asset Tagging

IT managed all the physical IT asset components of the SPF, recording and tagging them.

Policy & Procedures Manual

IT compiled an IT Policies and Procedures Manual in 2015 which will provide guidance to the staff when using IT assets and to ensure better control. The manual is being reviewed by Management for implementation in 2016.

IT Audit

During 2015 SPF underwent its very first Information Technology audit. The audit identified a number of critical weaknesses in areas such as Security Policy, Access Controls, Information Systems Acquisition, Development and Maintenance, Business Continuity Management, and Communications and Operations Management. To mitigate the risks that these weaknesses may have on the normal operations of the IT systems, remedial actions were swiftly taken.

Marketing and Public Relations

SPF conducted an aggressive marketing campaign in 2015 in a bid to enhance membership and revenue from members' voluntary contributions and increase membership from the self-employed sector. The marketing of the various SPF properties to achieve 100% occupancy, therefore getting maximum returns, was also a priority in 2015. A wide range of communication tools (TV, radio, newspapers, magazines, etc.) were employed in these efforts, targeting different segments of the workforce and the population in general.

Information Sessions

In a bid to keep members apprised of new developments at SPF, mainly the new benefits formula and the other benefits available, 22 information sessions were held at workplaces. The sessions also encouraged members to make or increase their voluntary contributions.

Self-employed

During the third quarter of the year, an intensive motivational TV campaign focusing on the self-employed sector was carried out. Mindful that this was not enough, SPF held an information session with the Taxi Association and another session, in collaboration with the Seychelles Revenue Commission, with self-employed workers at the Providence Industrial estate.

The self-employed sector remains a prime target for SPF and 2015 saw 95 new self-employed registering, making a total of 1, 242 self-employed members, an increase over the 2014 figure of 1, 147.

Voluntary Contributions (VC)

Various techniques were employed in 2015 to encourage members to make or increase their voluntary contributions. These included direct mail campaign targeting newly registered members and school teachers, providing a one-off matching system for new VC members during the National Day Show through a Wheel of Fortune, and personal selling.

The efforts in 2015 paid off handsomely and saw the number of VC members rise from 1,844 in 2014 to **2,214** in 2015. The increase represents **SCR1.5m** in additional employee voluntary contributions from SCR5.2m in 2014 to **SCR6.7m** in 2015 and was the highest increase in any given year in voluntary contribution members and revenue from it that SPF has registered in the past 10 years.

Online Portals

Apart from the SPF website, a Facebook page and a YouTube channel were created in 2015 in order to have more cost-effective interactive media which will target the more online oriented members.

Communicating with Members

The marketing strategies used in 2015 have resulted in a marked increase in the response of members and potential members. The weekly publication of Pension Tips in the daily newspapers helped to create more awareness by the public of what SPF does and how they can access the services that it provides. This has been evidenced by the increase in telephone queries, personal visits and website visits.

Human Resources and Administration

As part of its effort to optimise efficiency and effectiveness and achieve positive growth in the work place, SPF continues to provide the right organisation functions by ensuring the adequate level of staffing, providing a supportive working environment, promoting ethical conduct and strengthening mechanisms for the management and ensuring adequate staff development.

Workforce

SPF's year-end staff complement stood at 94 spread out over 13 sections. This represents a 19% increase over the 2014 figure which was 79 and is a result of the major reorganisation which took place in early 2015 in a bid to make the organisation 'fit-for-the-future'. The expansion of the property portfolio also contributed to an increase in staff numbers.

Gender

The male: female ratio of 1:4 is still high although there has been a very slight increase in the number of male staff recruited in 2015.

Recruitment

A total of 16 vacancies were filled in 2015 compared to 7 in 2014. All recruitments were made through a revised, robust and transparent competitive process.

Staff Retention

The retention of qualified staff is an important consideration for the SPF and in 2015 it has been very successful in ensuring an extremely low staff turnover.

Training

In a bid to further staff's skills level, SPF enrolled 32% of its staff on a number of training programmes in

2015. Training in Customer Service Excellence, Supervisory skills, Dealing with Difficult People, Leadership Skills, Pensions, Contributions and Compliance matters made up the bulk of the training for that year and **13%** of employees benefited from overseas training and **19%** from local training.

The 5-year succession plan is reviewed annually and in 2015 the plan was updated based on the current training needs and availability of funds. Over three quarter of SPF's key personnel have already reached professional levels in their respective fields.

Performance Management

Importance is placed on performance management in order to obtain the maximum productivity. Through monthly meetings, set plans and targets for the year are discussed and achievements and constraints are reviewed.

2015 saw the revision of various policies and the start of a comprehensive revision of the Employee Handbook.

Administration

SPF continues to provide high quality administrative support to its staff and its customers. As a result of its expansion, both in terms of staff and service delivery, administrative cost has, as expected, increased in 2015 and standing at **SCR31.19m** representing **28%** of the total expenditure of SCR109.96m.

Management Information & Research

In view of constant changes in international practices and procedures with regards to the management of pension funds, it is of utmost importance that SPF monitors latest changes, developments and

reforms in pension plans. To keep abreast with current trends and developments in the pension world and research on ways to further improve on its performance, Management Information and Research Section was created. The section supports the SPF in meeting its obligations relating to its planning and reporting requirements as outlined in the SPF Act 2005, ensuring that the information management requirements of the organisation are met.

In 2015, the section developed, coordinated and implemented the organization's reporting requirements, which included the preparation of the SPF strategic and

operational plans, and the annual report. It also undertook research on pension issues and issues likely to have an impact on the SPF. The section is also the focal point for the International Social Security Association (ISSA) of which SPF is a member.

A survey to assess the demand for residential apartments on La Digue was also carried out and several analyses of inactive members and new voluntary contribution members were undertaken. The Pension in Figures for 2014 was also prepared and distributed to various stakeholders. The section also completed the following reports; half yearly report 2015, business

continuity plan and plans and targets 2016.

Praslin and La Digue Section

The Praslin and La Digue Section plays a crucial role in bringing the SPF to these two islands. It supports the core activity of contributions collection. It also maintains the six properties and responsible for collection of rent for these properties. It also provides advisory services and carry out public relations work.

MEMBERSHIP, CONTRIBUTIONS & MEMBERS' ACCOUNTS

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MEMBERSHIP

SPF membership in 2015 stood at **58,901 registered members** and since 2006 there has been an 18% increase in the total registered SPF members.

The figure for registered members is made up of both active members and non-active members. **Non-active members** are those who have ceased to contribute to the Seychelles Pension Fund for a period in excess of six months. This also includes those who are currently unemployed and waiting for their retirement age to draw their pension or for their lump sum payment in case they are not qualified for a pension or for another employment. **Active members** are those who are currently contributing or have temporarily stopped contributing to the SPF for less than six months, including those who have

taken a break from employment but are still contributing under their NIN.

Registration

There were **419 new members** registered in 2015 (**0.7%** increase over 2014) and **243 new employers** registered in 2015 with **35** of those registered on Praslin and La Digue.

Detection of unregistered employers

Unregistered employers were detected through spot checks and also from complaints made by employees. **52 complaints** were received for the period January to December 2015, of which **11 unregistered employers** were detected.

Self-Employed

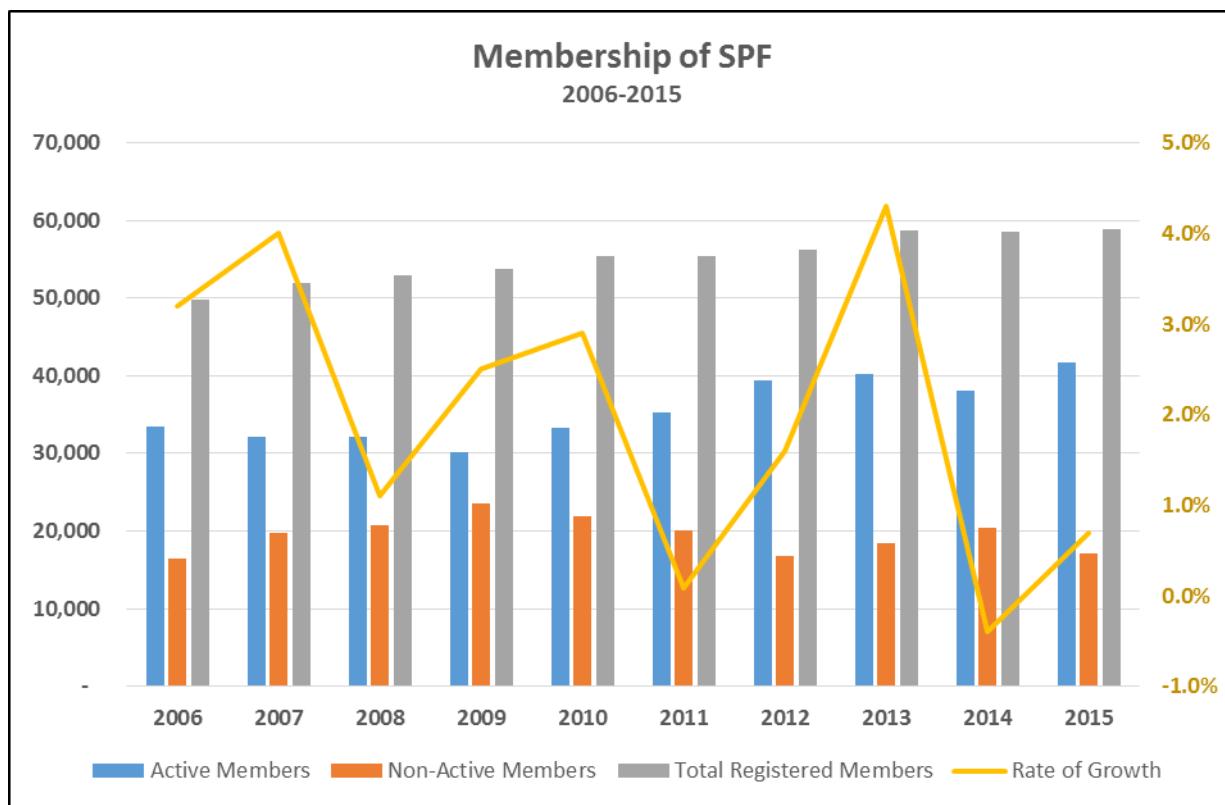
The main challenge over the years has been to get self-employed persons to register as members of the SPF and to make their contributions. There has been an intense TV marketing campaign to sensitise the self-employed as to the benefits of becoming members. This has been relatively successful in 2015 with the registration of an additional **90 new self-employed** members bringing it to a total of **1207**.

SPF continues to look for novel ways to entice the self-employed to register and to facilitate the way they make contributions and for them to remain committed to contribute

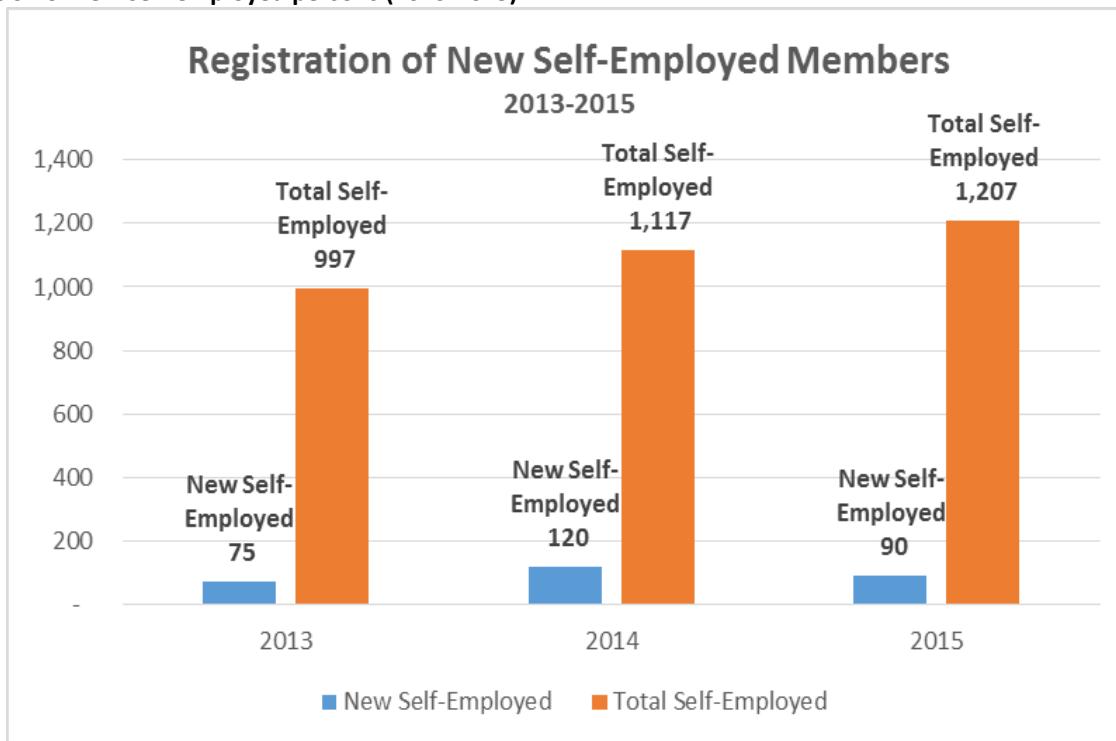
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Membership of the Seychelles Pension Fund (2006-2015)

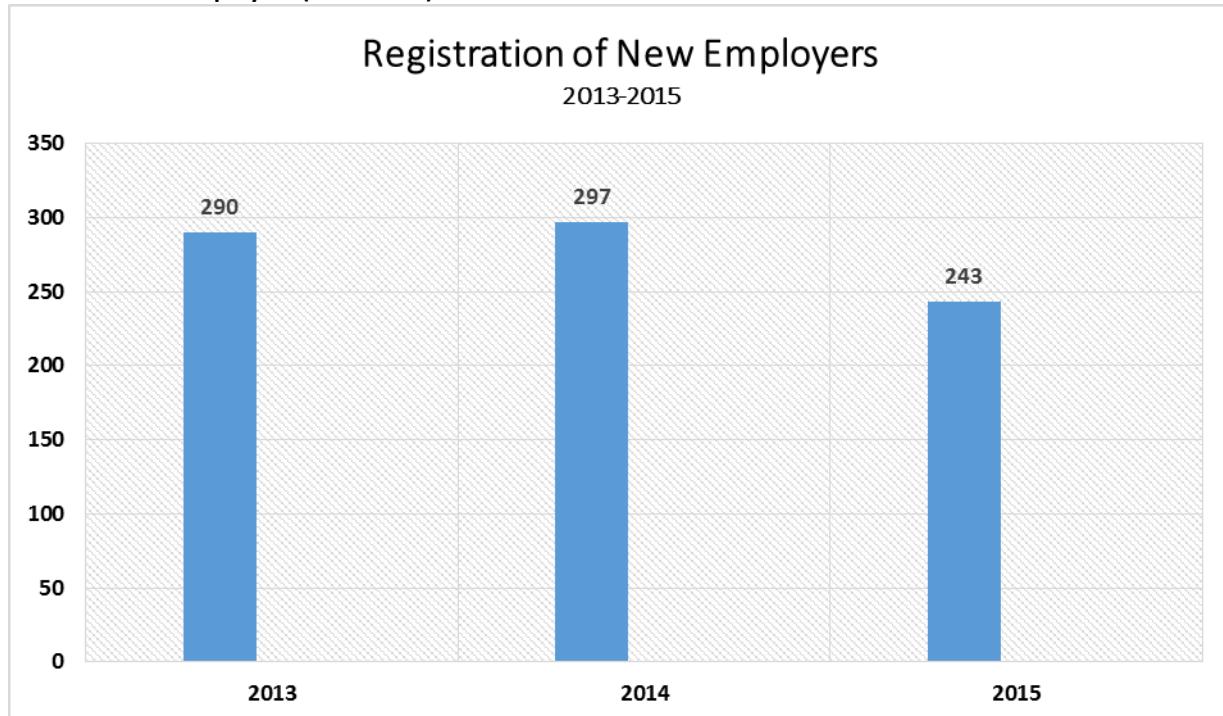
Year	Active Members	Non-Active Members	Total Registered Members	Rate of Growth
2006	33, 505	16, 377	49, 882	3.2%
2007	32, 104	19, 787	51, 891	4%
2008	32, 174	20, 725	52, 899	1.1%
2009	30, 166	23,613	53, 779	2.5%
2010	33, 371	21, 975	55, 346	2.9%
2011	35, 252	20, 144	55, 396	0.09%
2012	39, 461	16, 819	56, 280	1.6%
2013	40, 279	18, 430	58, 709	4.3%
2014	38, 117	20, 365	58, 482	-0.4%
2015	41, 787	17, 114	58, 901	0.7%



Registration of new self-employed persons (2013-2015)



Registration of new employers (2013-2015)



CONTRIBUTIONS & ARREARS

Contribution collection and compliance constitute core functions within SPF and play a key role in maintaining financial sustainability. SPF has an obligation under the SPF Act to ensure the prompt collection of contributions from employers and allocate these contributions to the members' accounts accurately and in a timely manner. The Act also prescribes for the SPF to investigate any issues relating to non-payment of contributions and unregistered employers and employees and to collect arrears. In addition, the education of employers and employees are also carried out in tandem with these monitoring and compliance activities to encourage voluntary compliance.

Contributions

Mandatory contribution

The mandatory contribution rate is set at 4% of an employee's gross salary per month (2% paid by the employer and 2% by the employee). This applies to any person working in full time or part-time employment and an employee is required to make an additional 2% per month which is deducted from his/her salary. Self-employed persons are required to make a contribution of 4% of the declared gross salary or SCR174, whichever is greater.

Voluntary Contribution

The Voluntary Contribution Scheme encourages members to make savings by making additional contributions into their SPF account. The minimum monthly voluntary contribution is

SCR50. Voluntary contributions, are refunded to members, with interest, when they are eligible to start drawing benefits with interest. SPF has a Match-It Scheme that encourages employers to match, in full or in part, whatever voluntary contributions their employees make. There are 11 employers who have joined the Match-It Scheme.

Arrears

Defaulters

In 2015 the defaulter's rate remained a big challenge for SPF. According to the SPF Act, employers are not allowed to be in arrears but there are some employers who require close monitoring and constant reminding for them to fulfil their pension contribution obligations. The target has been maintained at 3% of the number of active employers for one month's arrears and for two months' arrears or more remain at 2%. In 2015 defaulters were at 4%, representing 1% below the target in the case of one month arrears. In the case of two months or more arrears performance has been at 1.5% which is 0.5% above target.

Detection and Enforcement

Measures were undertaken to ensure the prompt contributions payment and provision of the required report. Inspectors conducted inspections to exert pressure on employers in the cases of missing employee information and ensure the recovery of unpaid contributions. SPF has continued in 2015 with the exercise of sending reminders to employers in arrears. Court action is considered as

a last resort in the case of persistent defaulters.

Recovery of unpaid contributions

A total of 221 assessments cases were made against employers in default of contributions and surcharges in 2015 for the sum of SCR1.3m in contributions and SCR0.42m in surcharges. Out of this number, 212 cases totalling to SCR1.1m worth of contributions and SCR0.35m worth of surcharges were recovered.

Arrears of contributions and surcharges assessed and recovered for 2015

Nº of Assessments	221
Outstanding Contributions (SCR)	2,379,853.32
Surcharges (SCR)	782,656.65
Total (SCR)	3,162,509.97
Amount Paid (SCR)	1,804,193.65
Balance (SCR)	1, 358, 316.32*

*includes arrears in contributions and surcharges from 2014 of SCR 1,113,935 which includes a court case for the recovery of SCR1,034,632.

In 2015, the total arrears recorded was SCR244,381.32 (SCR178,774.12 in contributions and SCR65,607.20 in surcharges). Details of contributions and surcharges assessed and amount recovered are shown in the table hereunder. Contribution and surcharges represent assessment raised for the year 2015, whilst payment is inclusive of payments of previous arrears.

MEMBERS' ACCOUNTS

An account is maintained with the SPF for each registered member. The account includes the mandatory and voluntary contributions, with interest accrued.

Members' funds stood at **SCR1.188b** in 2015 and represented a 15% increase over 2014 (SCR1.035b).

Interest earned by members

Members' accounts accrue interest on a yearly basis which are added to their contributions. The interest is also added to the voluntary contributions made. Interest rate for 2015 was 4% which was very attractive compared with the going market rate of interest on savings (between 1.5% and 2%). Interest rate is reviewed at the end of the year following an assessment of the SPF's investment income and the prevailing interest rates.

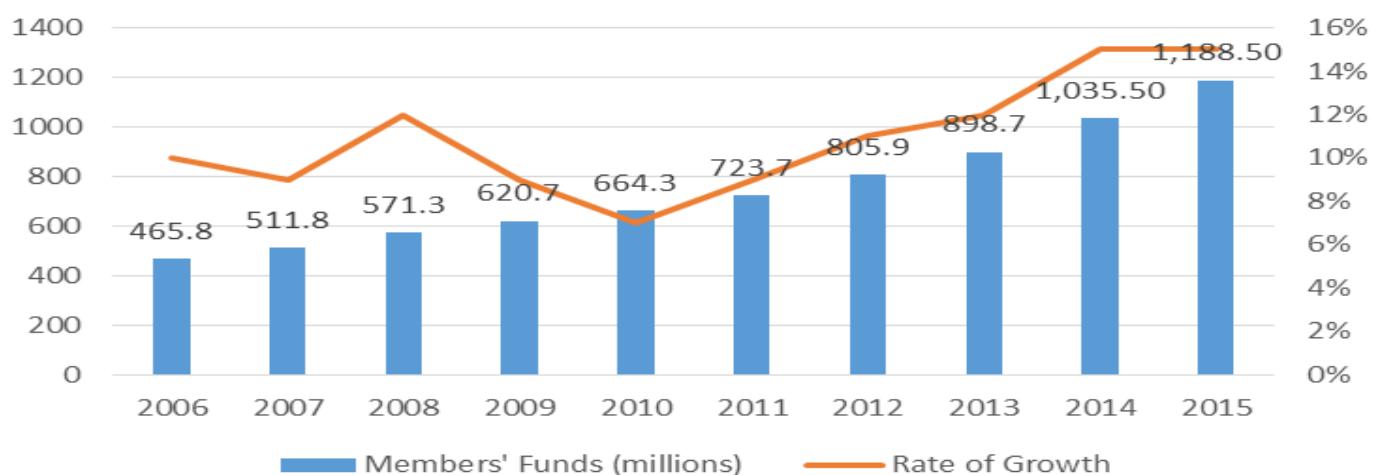
Allocation of receipts

SPF keeps up-to-date members' account and ensures that the prescribed contributions paid by employers are allocated to each member's account. During 2015, although allocation was done manually, SPF managed to allocate the majority of contributions paid to members' accounts. The total unallocated receipt for the year was only **SCR770**.

MEMBERS FUNDS

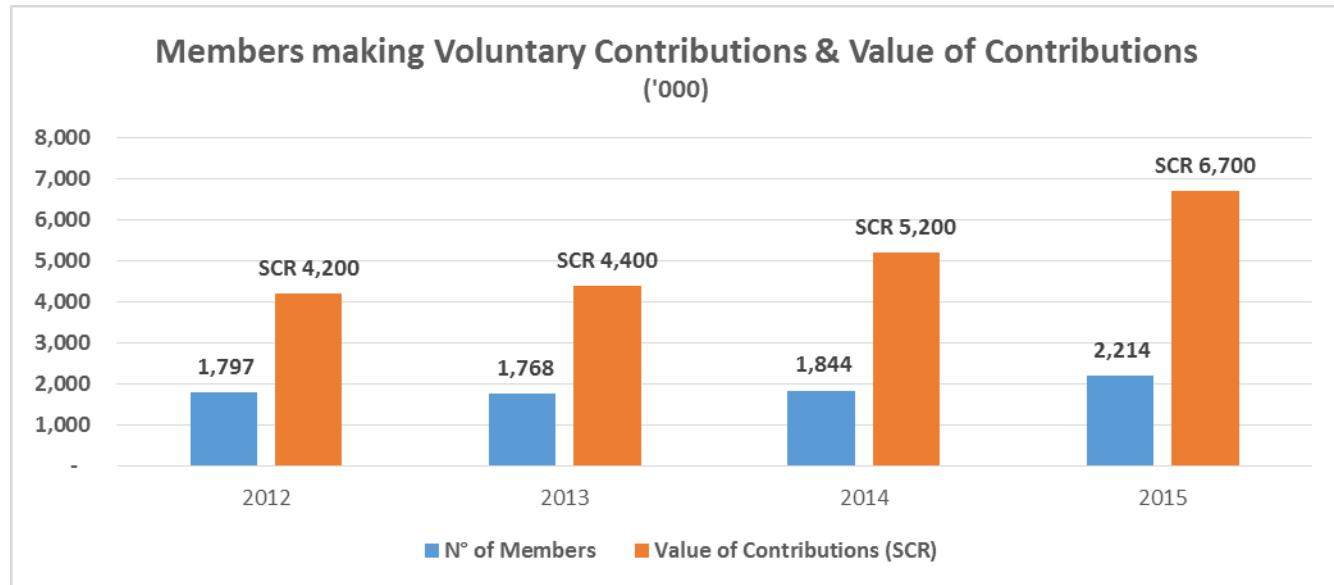
YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MEMBER'S FUNDS (millions)	465.78	511.808	571.282	620.731	664.331	723.712	805.929	898.697	1,035.504	1,188.454
RATE OF GROWTH	10%	9%	12%	9%	7%	9%	11%	12%	15%	15%

Members's Funds
(millions)



Voluntary Contribution Account

A total of **SCR6.7m** in employee voluntary contributions was collected from **2,214** members in 2015. This is an increase of **SCR1.5m** over the 2014 contributions. The number of members making voluntary contributions increased by **370** in 2015 and is the highest annual increase SPF has registered in the last 10 years.



Accounts Statements

Active members receive their accounts statements during the first quarter of every year. **39,462** statements were issued in 2015 covering the period December 2013 to November 2014.

As part of SPF's modernisation, members will as from 2016 be able to view their statements online. SPF also has mechanisms in place to register and deal with queries arising from by members after receipt of their statements.

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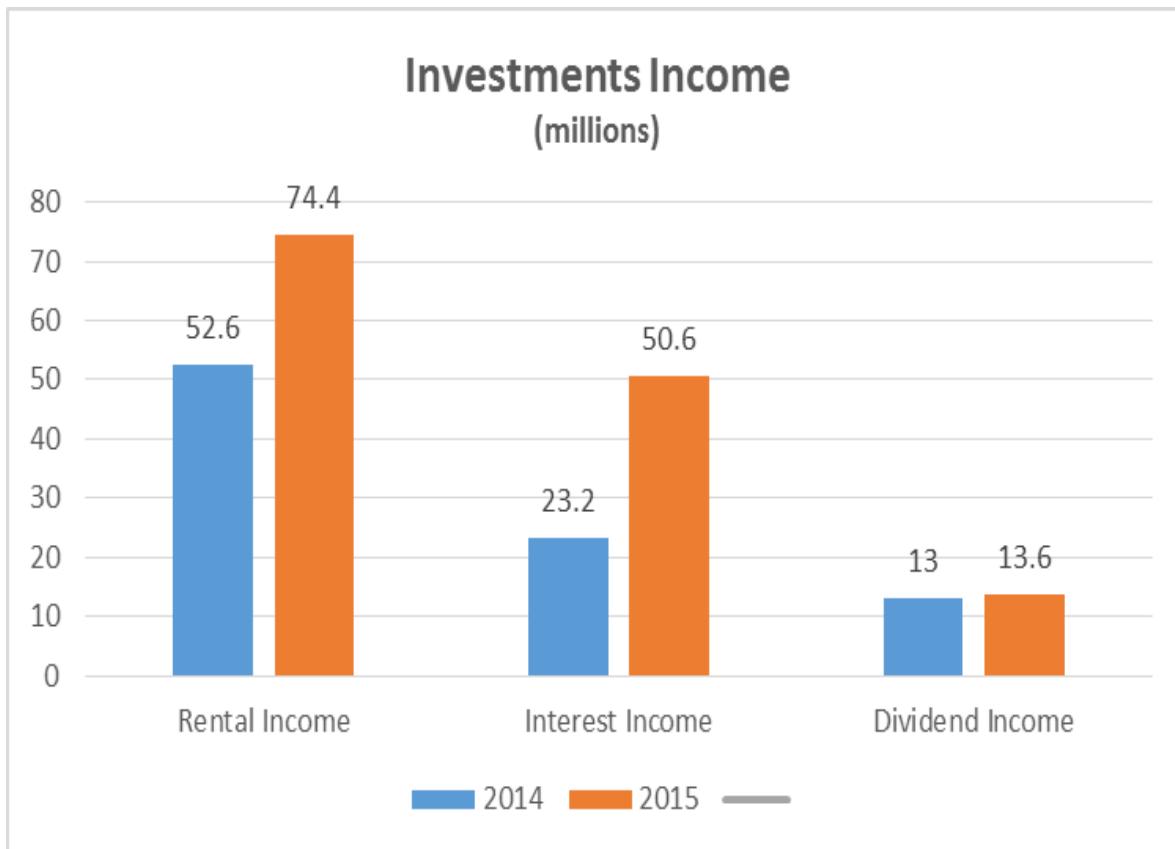
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INVESTMENTS

Investment Performance

SPF investment earnings complement pension contributions for the funding of benefits and its investment strategy is to earn the highest possible yield with minimal risks. As at 31 December 2015 income from investments represented **37%** of the SPF's total income (which includes pension contributions). Investment income increased by **SCR50m** relative to the year 2014 which was 32% of total income. Interest income, rental income on properties and dividends income increased by **SCR28m**, **SCR22m** and **SCR0.5m** respectively. Assets, which included three properties (valued at a cost of **SCR172m**) and cash deposits at banks (**SCR160m**) received from Government in March 2015 all contributed towards the increase in both investment funds and returns therefrom. Investments in Treasury Bills at good interest rate and negotiations of better rates of return on deposits with the commercial banks also helped. As a result, investment funds increased significantly from **SCR1.2b** in 2014 to **SCR1.5b** in 2015. The average rate of return for the year 2015 increased to **9.6%** from 7.4% in 2014.

Total Investment Income



Investment Portfolio

Cash Investments

2015 SPF saw the maturity of **SCR348m** of cash investment and invested **SCR403m** in cash (renewal and new investments). There was an increase in the interest rates on cash investments at an average of **7.5%** compared to 2014 which was at 4.7%. This was due to active involvement in investments in excess cash earned together with higher market interest rates.

Government Securities

SPF's investment in Treasury Bonds and Treasury Bills represent **18%** of the portfolio (**SCR284m**). The plan is for SPF to increase allocation in Government Securities as the opportunity becomes available given the minimal risks and costs involved. The average interest rate on Government Securities for the year 2015 was 6.14%.

Fixed Term Deposits with Commercial Banks

Investments in fixed deposits stood at **SCR352m** and account for **23%** of the portfolio. Given that the rate of return on bank deposits fluctuates, being dependent on the market interest rate, the average interest rate on deposits for 2015 was **8.7%**.

Equity Securities - Domestic

Investments in domestic equities make up **4%** of the portfolio (**SCR68m**). SPF has **26%** shareholding in Seychelles Breweries. The dividend received during the year 2015 at SCR3/share represent a rate of return of **16.67%**. SPF holds **37%** in SACOS through a joint venture with Opportunity Investment Company (OICL). During the year 2015 OICL purchased 12,504 additional shares of SACOS on the securities exchange Trop-X.

Overseas Investments

In its efforts to engage in currency hedging and to diversify its portfolio, SPF has increased its overseas investments in 2015. Investments overseas make up **8%** of the portfolio (**SCR118m**). SPF has investments in the fixed income instruments, private equity and equity market on the International stock exchanges.

Mauritius Stock Exchange

SPF has investments of **US\$2m** in various equities on the Mauritius Stock Exchange and in bonds to maximise the capital growth and investments overseas.

PTA Bank

SPF increased its investment in the PTA Bank by US\$2m bringing it to a total of **US\$7m**.

Exchange Traded Funds (ETFs)

SPF invested **US\$200, 000** in Exchange Traded Funds (ETFs), an investment fund traded on the international stock exchange.

Real Estate

Investments in real estate as at December 2015 was **43%** of the investment portfolio (**SCR660m**) excluding 4% (SCR63m) in ongoing projects. As at December 2015 the net income from investment properties (**SCR54m**) represents **45%** of the total income from investment. SPF successfully completed the multi-storey car park and office building (Maison Collet) in 2015. With the scarcity of land in the country and the continuous demand for residential, commercial and storage spaces, SPF continues to expand its presence in the real estate to benefit from this growing market and increase in its rental income.

List of SPF properties in 2015

Mahé

- Unity House
- Maison Collet
- Oceangate House
- Huteau Lane Complex
- Pirates Arms Complex
- Office Building Caravelle House

Mahé (cont..)

- Le Chantier Mall
- Orion Mall
- Craft Village, Port Glaud
- Workshop, Providence Industrial Estate
- Providence Warehouse

Praslin

- Pension Complex
- Praslin Holiday Home
- Eve Island Complex
- Ex Bistoquet Building

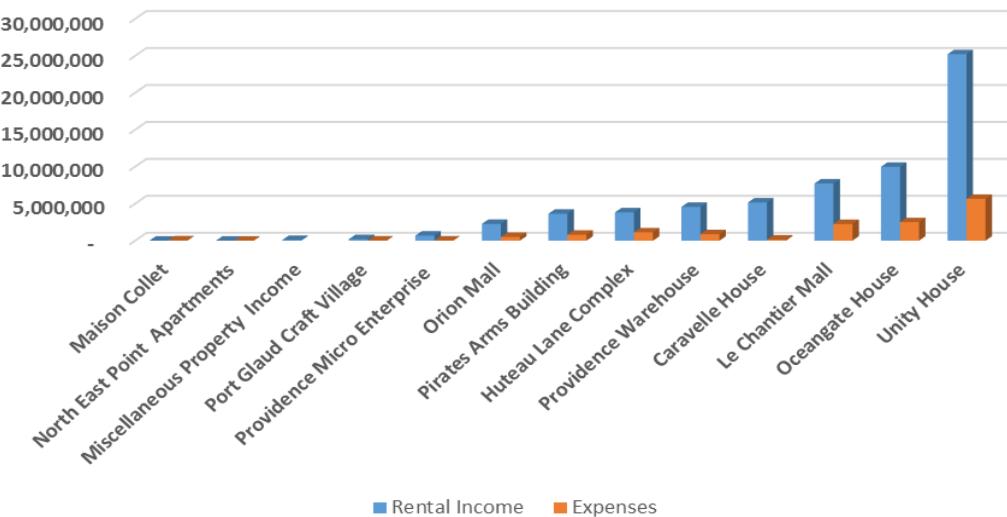
La Digue

- La Passe Pension House

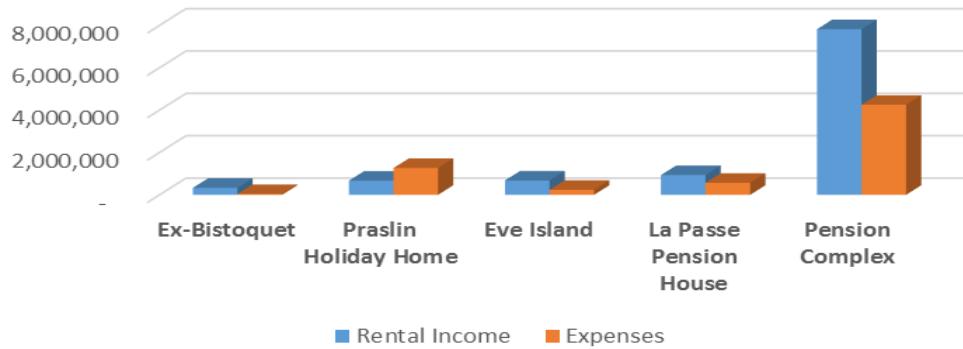
Rental Income

The rental income target for 2015 was **8.4%** return on the investments and SPF managed to exceed this target by almost 1%. The total gross income generated by SPF properties in 2015 was SCR74m. The expenses for maintaining the properties was **SCR20m**.

SPF Properties on Mahé
Rental Income vs Expenses in 2015



SPF Properties on Praslin & La Digue
Rental Income vs Expenses in 2015



Ongoing Projects

The expansion of the property portfolio remains a key aspect of SPF's investment plan. The amount of income being generated from properties continues to increase every year with the completion of new projects. The following are SPF's ongoing projects.

Corail d'Or Apartments

Residential Development, North East Point, Mahé



- Two blocks (ground plus three storeys)
- 28 fully furnished two-bedroom executive type apartments
- Parking facilities
- Security
- Ocean view
- Start date: March 2014
- Expected completion date: April 2016
- Overall internal estimated cost: **SCR76m**

Pirates Arms Re-Development Project

Independence Avenue, Victoria, Mahé



- Two buildings:

- Building 1: Multi-storey commercial building with a modern look and a creole touch;
- Building 2: Multi-storey car park, shops, offices, and restaurants.
- Total area: 21,190m²
- Start date: March 2016
- Expected completion date: January 2020
- Overall internal estimated cost: **SCR450m**

Île Perseverance Residential Apartments Project



- Land area of 3, 127 m²
- 28 two-bedroom apartments
- 18 one-bedroom apartments
- Expected start date: December 2016
- Expected completion date: December 2018
- Overall internal estimated cost: **SCR55m**

Île du Port Micro Enterprise Project



- Garages
- Workshops
- Offices
- Storage space
- Expected start date: January 2017
- Expected completion date: July 2018
- Overall internal estimated cost: **SCR88.25m**

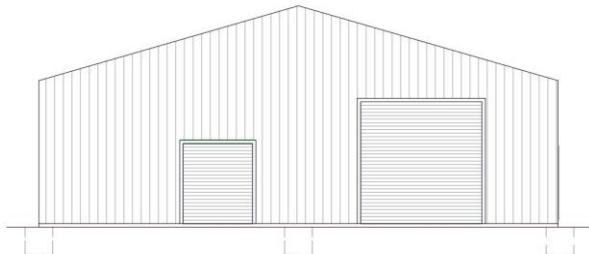
Anse Boileau Micro Enterprise Project



- Garages
- Workshops
- Internet Café
- Café
- Expected start date: April 2016
- Expected completion date: April 2017
- Overall internal estimated cost: **SCR13m**

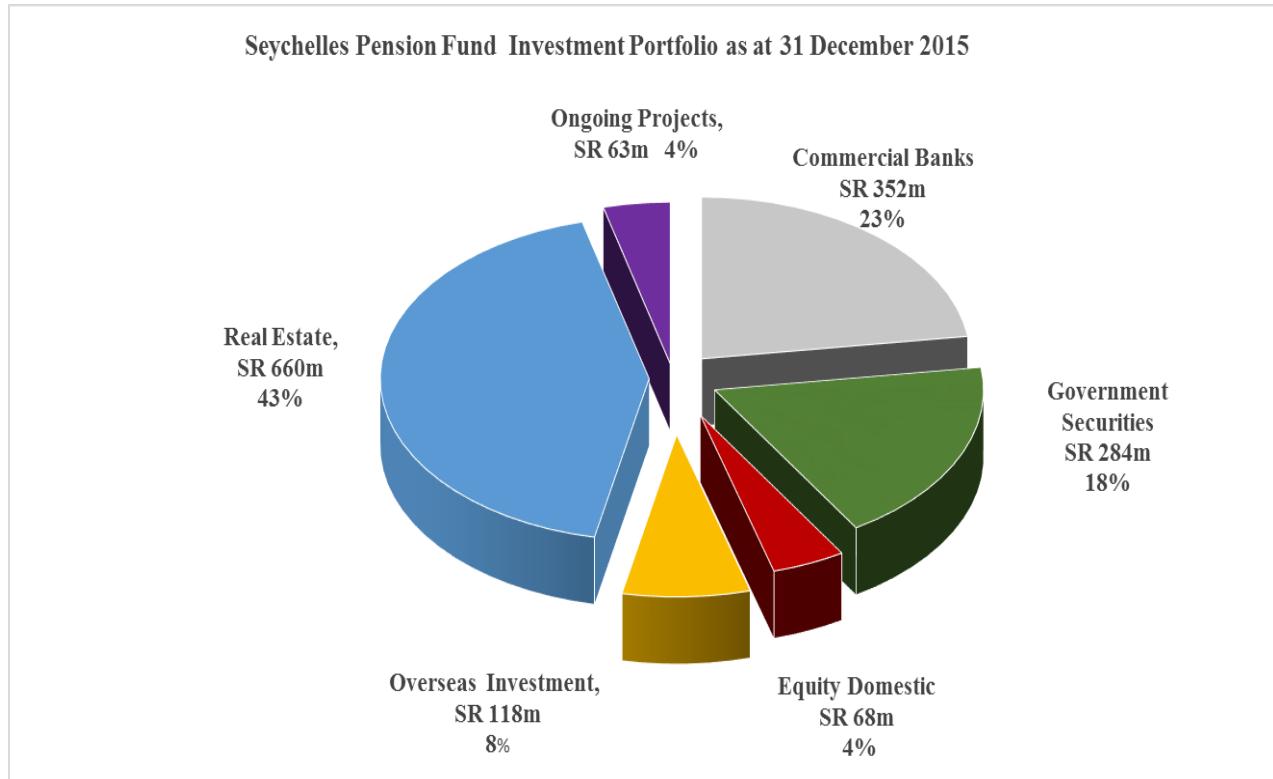
Dry Storage Warehouse

Eve Island, Praslin

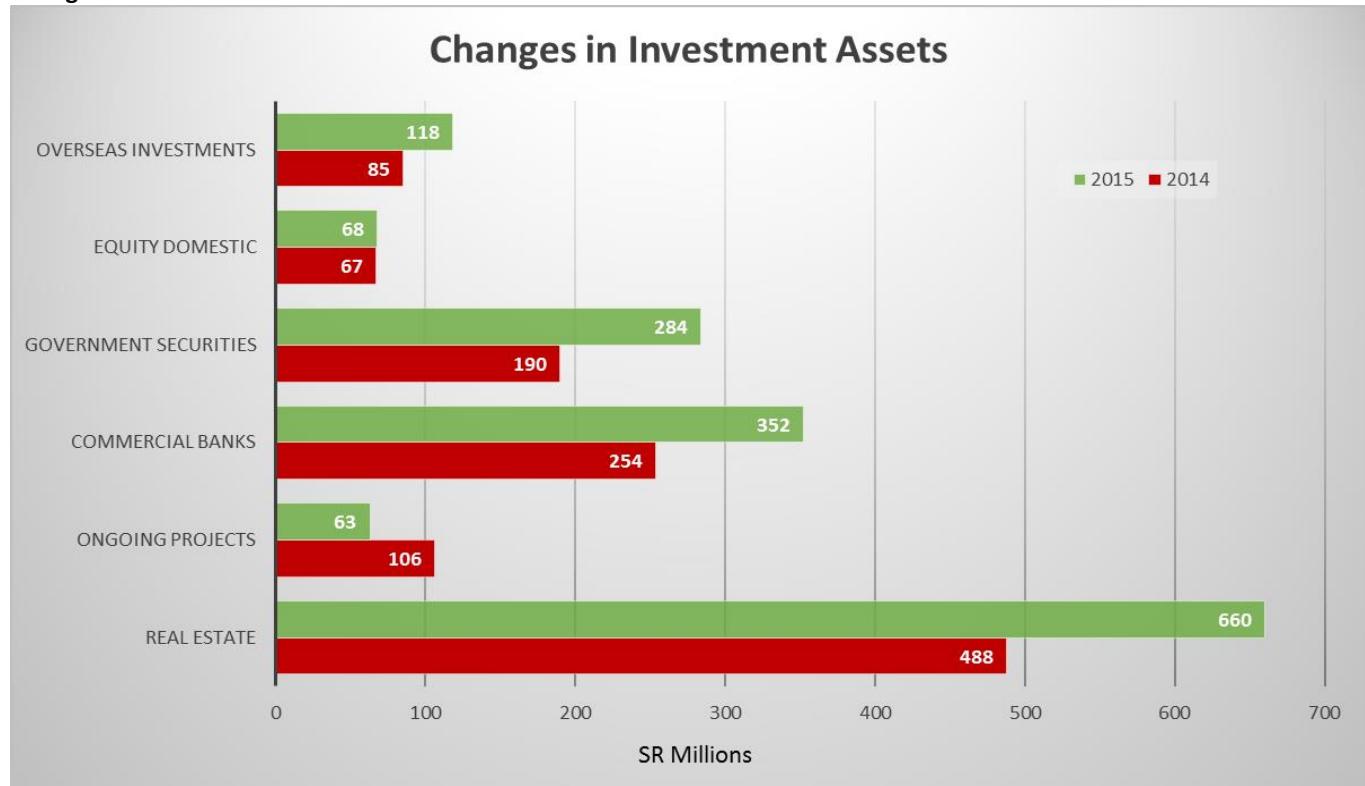


- Dry storage warehouse
- Parking facilities
- Expected start date: October 2016
- Expected completion date: June 2017
- Overall internal estimated cost: **SCR3.5m**

Investment Portfolio



Changes in Investment Assets



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BENEFITS

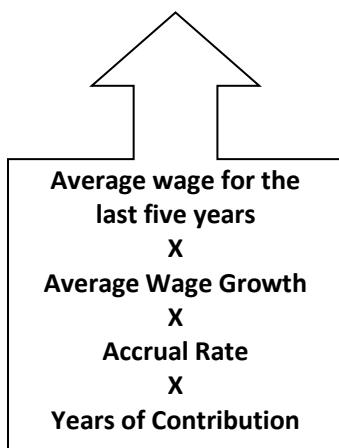
The SPF's core role is to collect contributions, invest and manage the contributions and pay out monthly pensions and benefits to eligible members. Members who are not eligible for pensions have their contributions refunded to them as a lump sum, with interest, upon application.

Members who have made voluntary contributions can opt to receive these either as a lump sum or to be included in their pensions upon retirement.

New Benefits Formula

In keeping with prevailing international trends, SPF has introduced a new pension formula effective **01 January 2015** which links pensions paid to contributions made and provides a more transparent methodology for pension calculation.

New Pension Formula



The accrual rate is the rate at which a member earns a replacement rate per year of contribution. The accrual rate for the year 2015 was 1.75%. The

methodology used to calculate the accrual rates for the SPF is on the basis of members' records.

The new formula is transparent and takes into consideration the years of contribution of the members and encourages members to contribute and work longer in order to benefit from a higher pension.

The new pension was paid from 01 January 2015 and it does not affect any pre-2015 beneficiaries who continue to draw their benefits which is increased annually based on the consumer price index average yearly inflation subject to a maximum of 5% in order to protect the SPF.

Payments of Benefits

Types of Benefits Paid by SPF

SPF pays out the following pensions on a monthly basis:

- Normal Retirement Pension
- Permanent Incapacity Pension
- Surviving Spouse's Pension
- Post-Retirement Surviving Spouse's Pension
- Children's Pension
- Post-Retirement Children's Pension

In addition SPF also pays out the following benefits as lump sums:

- Pre-Retirement Death Gratuity
- Migration Allowance

Benefits Paid in 2015

In 2015 SPF paid out a total of **SCR94.8m** in monthly pensions and **SCR9.2m** in lump sum payments, making the total benefits paid in 2015 **SCR 104m** (2014: SCR79.1m). This figure represents an increase of **31%** when compared to 2014. The increase has been mainly due to the introduction of the new pension formula and the 5% indexation increase in the SPF's benefits.

Applications

SPF received a total of **686** applications for benefits payment in 2015 which represents an increase of 236 over the previous year. 64% of all applications received were for normal retirement.

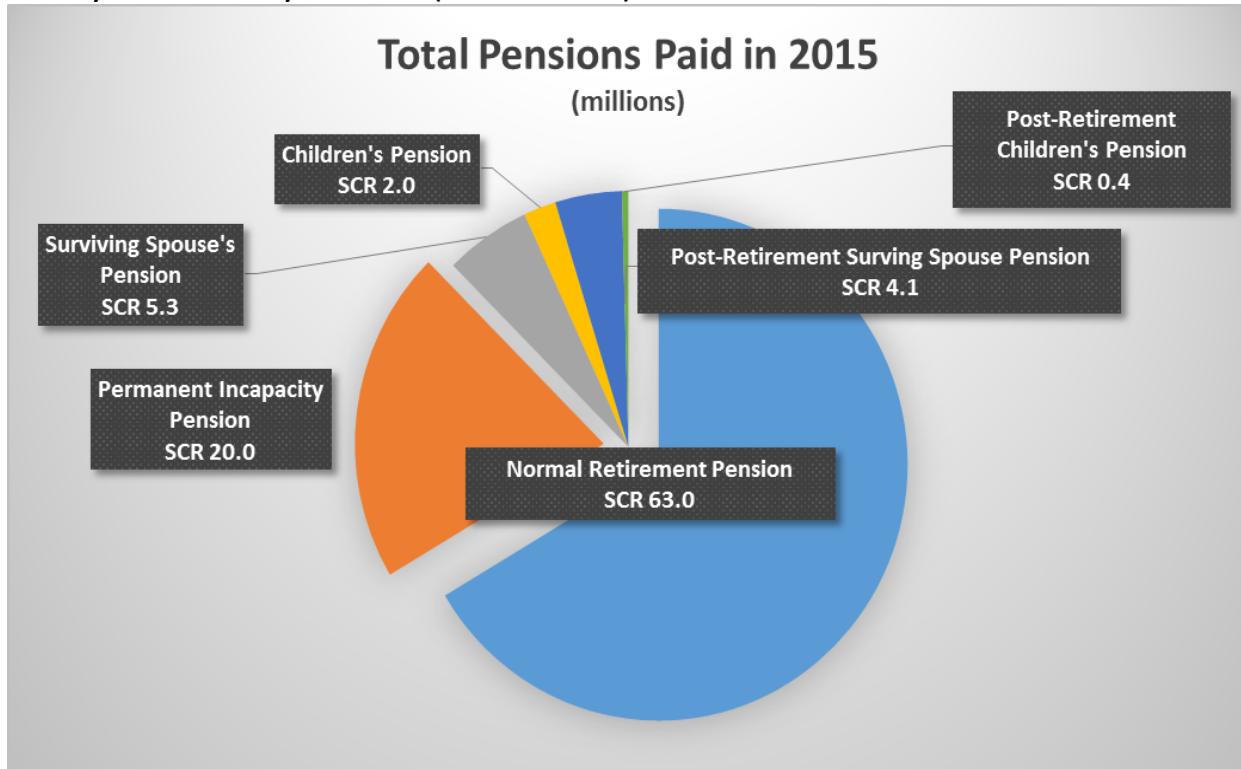
Administration of Social Security Fund (SSF) Payments

As in previous years, SPF continued in 2015 to pay out, on behalf of the Agency for Social Protection (ASP), the SSF universal pensions to SPF members. In 2015 SPF paid out **SCR89.6m** in Normal Retirement benefits and **SCR3m** in Permanent Incapacity benefits on behalf of SSF. These amounts were refunded to SPF by SSF.

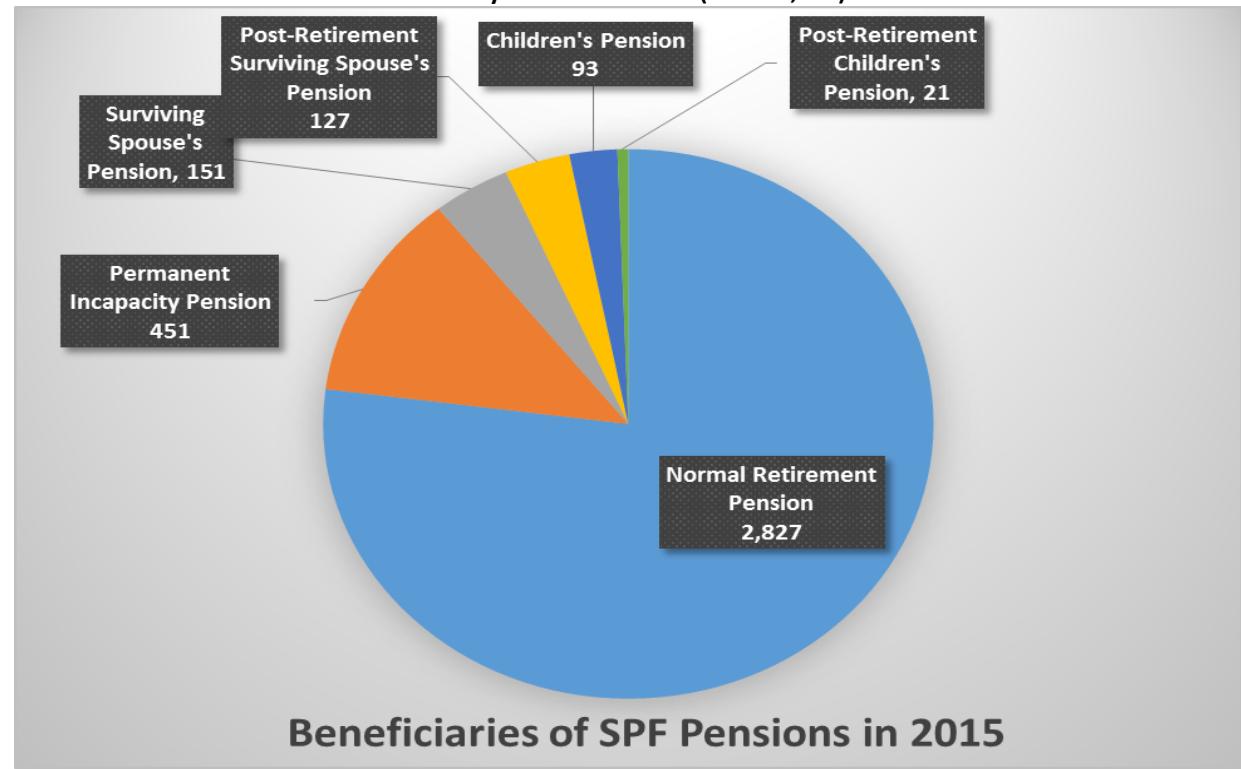
Administration of Government (GoS) Payments

SPF also paid **SCR4.7m** in 2015 in special pensions on behalf of Government and these were refunded to SPF.

SPF Monthly Pensions Paid by SPF in 2015 (Total: SCR94.8m)

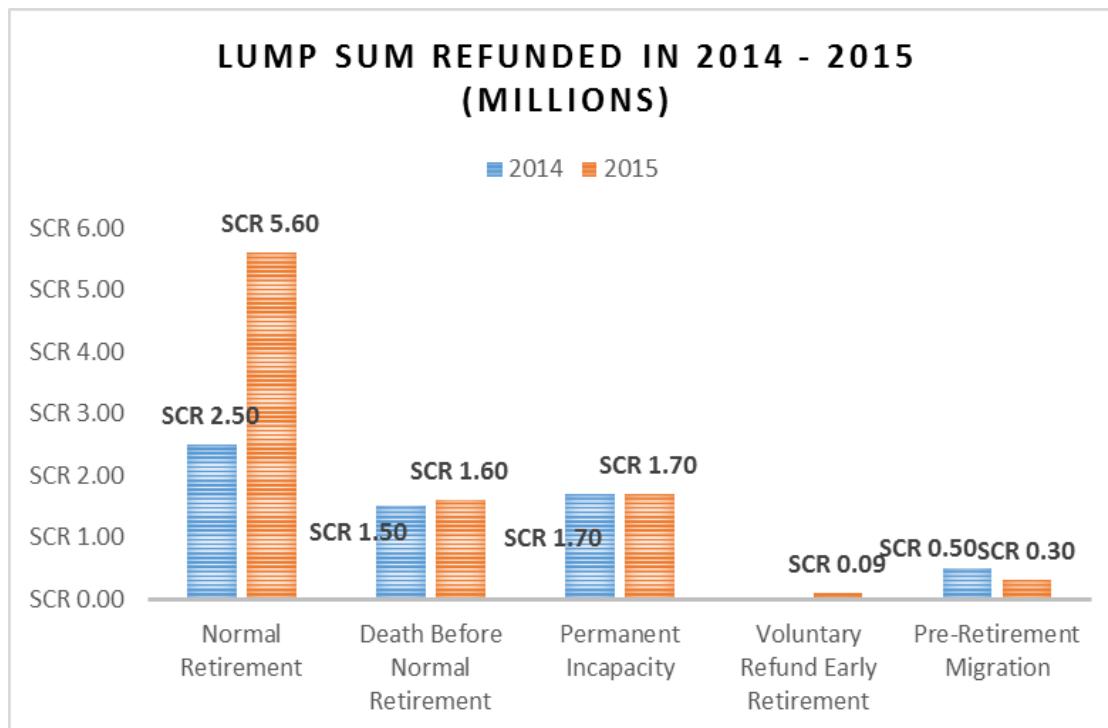
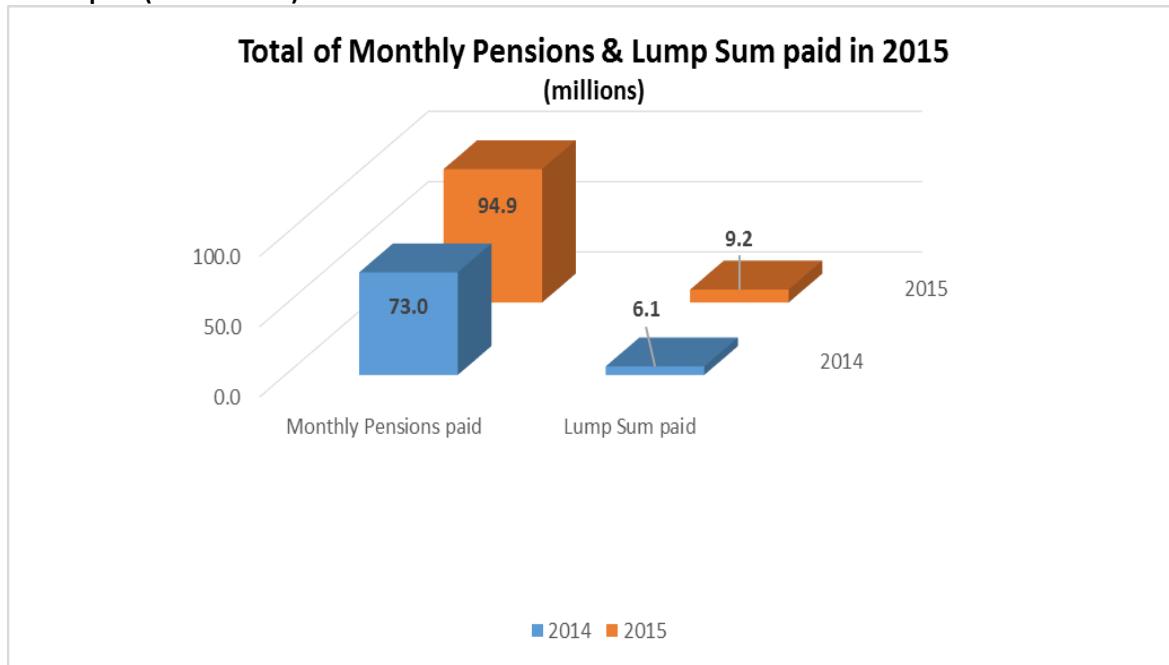


Nº of Beneficiaries who received an SPF Monthly Pensions in 2015 (Total: 3,670)



Lump Sum Refund

236 beneficiaries who applied for a normal retirement pension in 2015 did not qualify for same and were refunded their contributions, with interest, amounting to **SCR5.6m**. Other lump sum refunds are given below. The total lump sum refunded in 2015 was **SCR9.2m** (2014: SCR6.1m).

**Total Benefits paid (2014 & 2015)**

FINANCIAL MANAGEMENT

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FINANCIAL PERFORMANCE

Income

The total revenue collected in 2015 amounted to **SCR214m**, an **increase of SCR34m (19%) from 2014** including the fair value of investment properties. The total revenue, excluding the fair value of investments, has increased by **SCR51m (56%)** from 2014. The properties transferred from the Social Security Fund (SSF) to SPF has been revalued with an increase of SCR73m. These are Oceangate House, Le Chantier Mall, Orion Mall (SRC) and a property at La Digue amounting to SCR174m at cost.

Interest Income

The interest income has increased by **SCR28m from 2014** due to investments of SCR197m in

Treasury Bills during the year from interest rates ranging from 5.82% to 11.21% inclusive of SCR160m fixed deposits received from the SSF Fund. In 2015, SCR5m in Treasury Bonds matured at 8%.

Investment Income

During the year 2015, SPF bought **additional shares** in PTA bank totalling to 1,029 shares purchased at **SCR92m (USD7m)**. The dividend from PTA bank is to be received in early 2016. SPF has SCR3.3m shares in Seybrew and dividend per share were paid at SCR3, which is the same as 2014 amounting to SCR7m. SPF has 26,569 shares in SACOS while through OICL, SPF has 51% of 754, 794 shares, (including 12,504 purchased in 2015). All SACOS

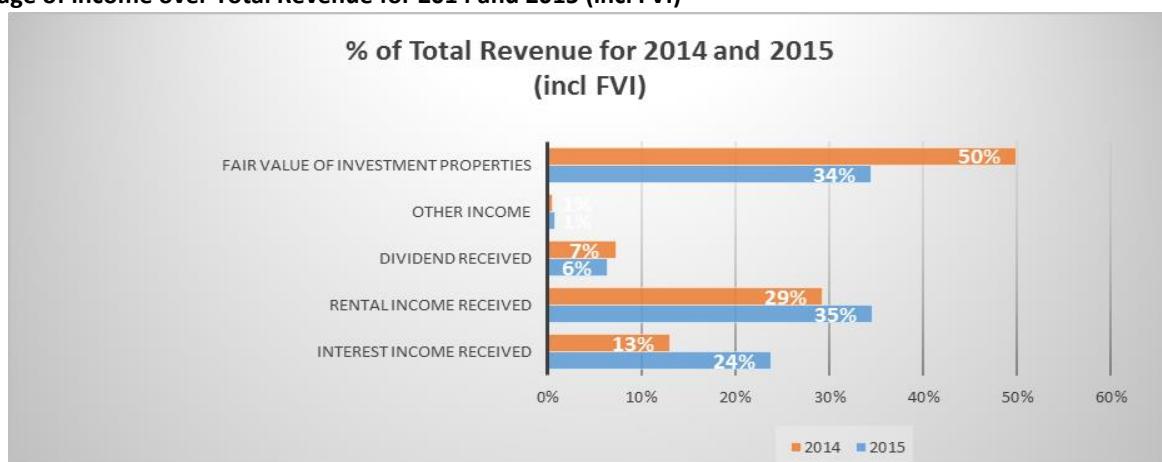
shares are valued at SCR140 per share as at end of December 2015. SACOS dividend paid in 2015 was at SCR8.50 per share. The dividend income **increased by 4% from 2014**.

Rental Income

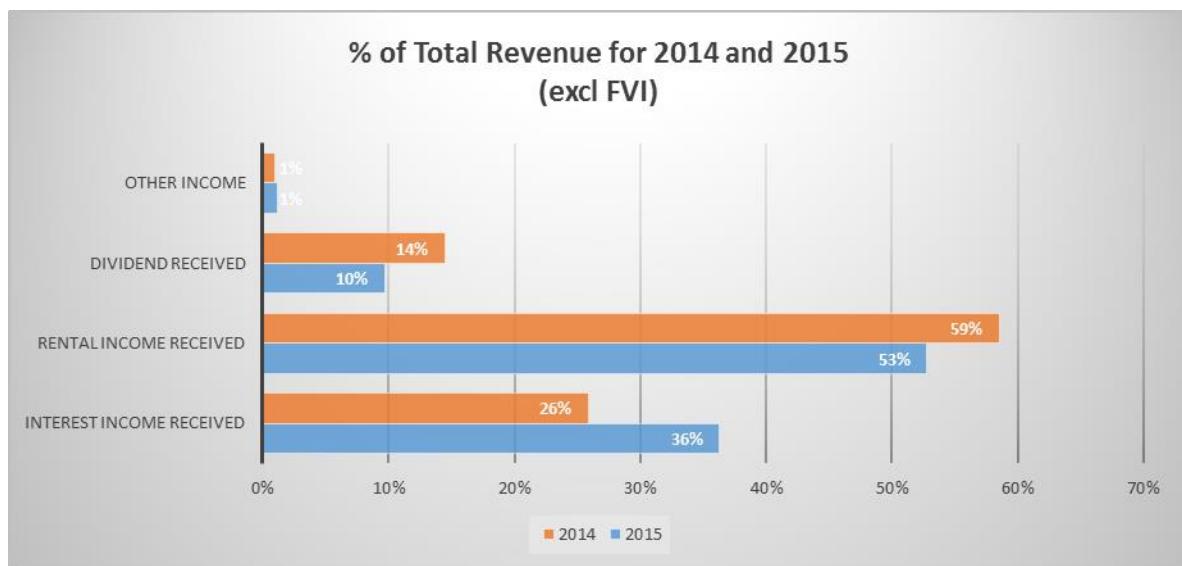
The rental income from properties increased by **SCR22m (41%) from year 2014** due to income received from the properties transferred from SSF in March 2015.

The following two charts show the breakdown of income as a percentage over total revenue, for 2014 and 2015 (one including and the other excluding fair valuation on investment properties).

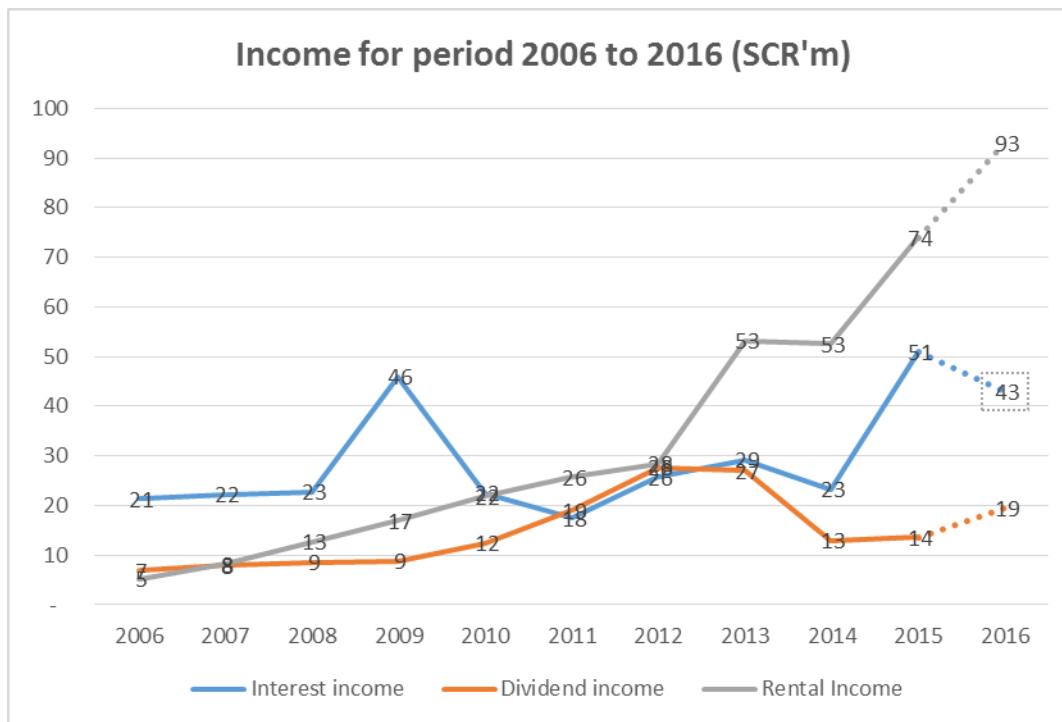
Percentage of income over Total Revenue for 2014 and 2015 (incl FVI)



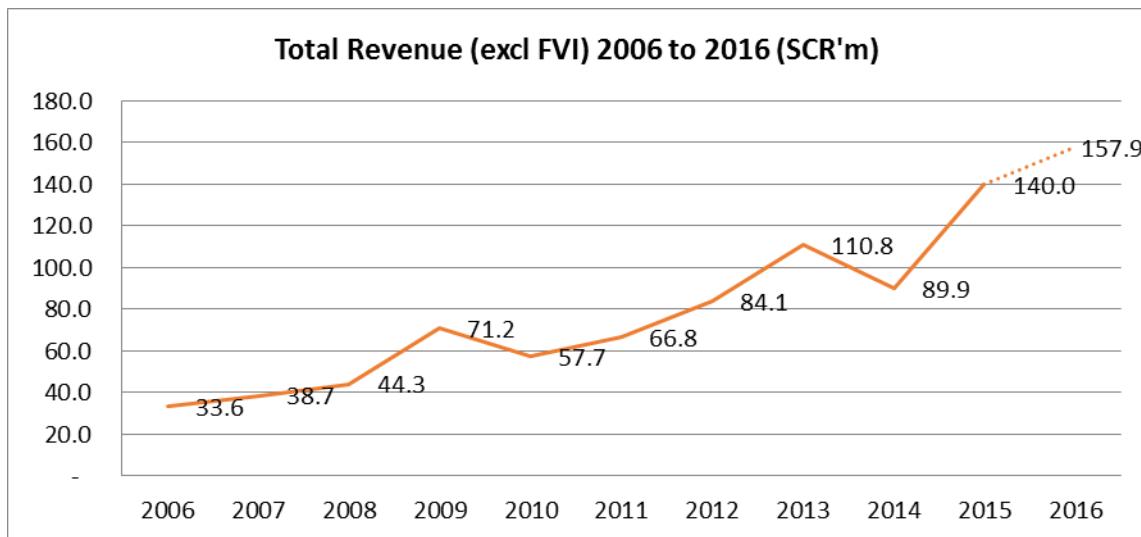
Percentage of income over Total Revenue for 2014 and 2015 (excl FVI)



Income for the Y2006 to Y2016



Total Income (excluding FVI) for Y2006 to Y2016

**Expenditure**

The total expenditure incurred during the year 2015 amounted to **SCR110m** which represented **an increase of SCR38m (54%)**. This was mainly due to an increase in members' interest rate from 3% per annum to 4% per annum in 2015 totalling to SCR52m, a 57% increase from 2014. The highest interest rate on savings accounts in 2015 in the banks was 3.25% p.a. The 4% is a good rate to encourage our members to make voluntary contributions. However only 12% of the total members' interest is actually paid out to those members who do not qualify for a monthly pension and the balance is invested.

Administrative Expenses

The total administrative expenses **increased from 2014 to 2015 by SCR10m (47%)**. The main reason is the changes at top management level and expansion, resulting in additional staff recruitment.

Property Management expenses

Property management expenses **increased from 2014 to 2015 by SCR7m (57%)**.

Depreciation and amortisation

Depreciation increased in 2015 as a result of the purchase of new vehicles, household items for Corail d'Or and new equipment. These purchases were necessary to cater for the increase in staff numbers and properties. Amortisation amount

remained the same as previous years as it pertains to the deposit on leasehold land of Caravelle House.

Auditors' remuneration

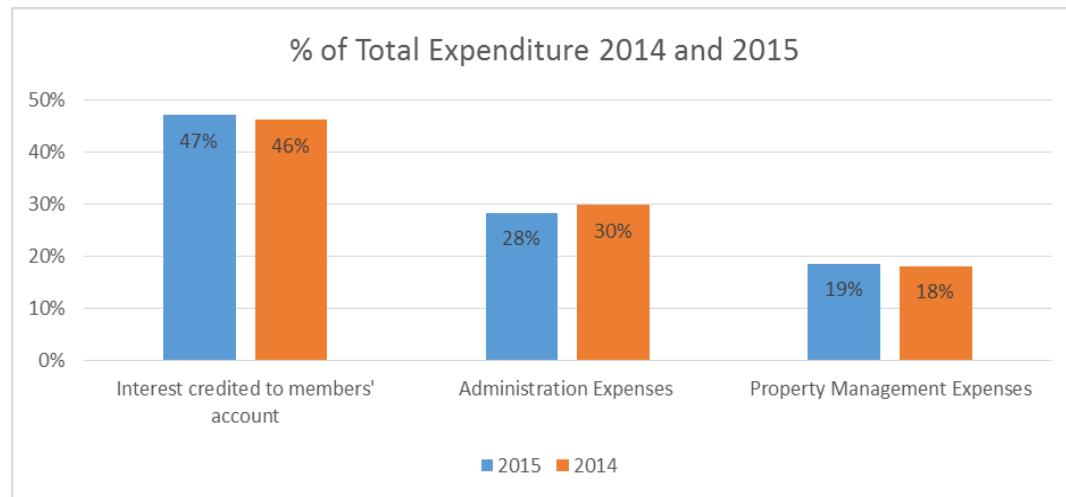
The audit fee for the year 2015 increased due to a new IT audit that was performed by BDO Associates. SPF also changed its auditor in 2015 and the fees charged by the new auditor (EY) was more than the previous one.

Payment of Pension & Benefits

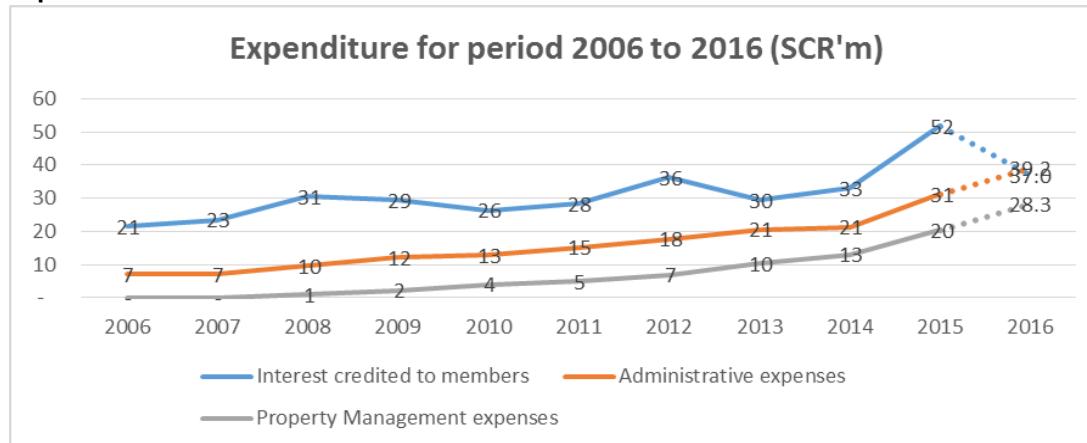
In 2015 SPF introduced a new benefits formula that had the two new factors of wage growth and number of years' contributions. This resulted higher benefits paid out in 2015 **by SCR23m (29% increase)**.

The chart below shows the breakdown of various expenses as a percentage of total expenditure for 2014 and 2015.

Percentage of various Expenses over Total Expenditure 2014 and 2015



Expenses for the Y2006 to Y2016

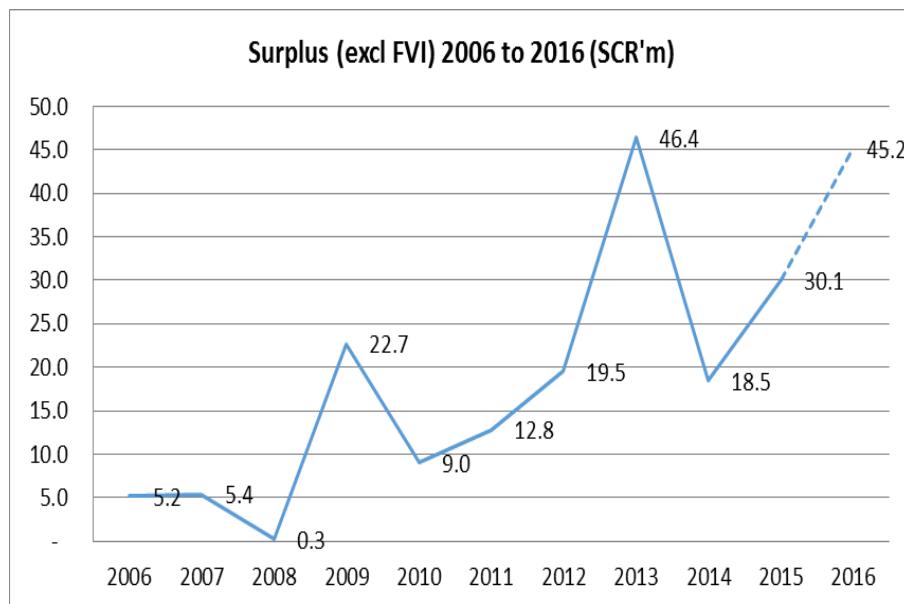


Net Surplus

During the year 2015, SPF made a **surplus of SCR104m** inclusive of fair value of investment properties. Despite higher income of 19% in 2015, the net surplus of SCR94m is 16% less than last year as a result of:

- higher SPF pension amount paid out by 29%;
- higher interest paid out in 2015 by 57% and;
- foreign exchange loss of SCR10m in 2015.

Surplus (excl FVI) for Y2006 to Y2016



However, the year 2015 closed with a **total net surplus of SCR535m as opposed to SCR436m in 2014, an increase of 23%**.

The following is a summarized Income & Expenditure Statement for the year 2015.

INCOME & EXPENDITURE	Actual 2015	Actual 2014	Variance %
	SCR'm	SCR'm	
Revenue			
Interest Income Received	50.84	23.29	118%
Rental Income Received	74.37	52.63	41%
Dividend Received	13.58	13.01	4%
Other Income	1.68	0.92	82%
Loss on disposal of fixed assets	-	0.10	(100%)
Fair value of investment properties	73.42	89.73	(18%)
Total Revenue	213.94	179.67	19%
Expenditure			
Interest credited to members' account	51.70	32.95	57%
Administration Expenses	31.18	21.25	47%
Property Management Expenses	20.34	12.95	57%
Depreciation	5.59	3.54	58%
Amortisation	0.52	0.52	0%
Auditors' Remuneration	0.61	0.24	155%
Total Expenditure	109.94	71.44	54%
Net Surplus (Deficit)	103.98	108.23	(4%)

Financial Position

During the year 2015, the total non-current assets for 2015 were **SCR2 billion** which showed an **increase of SCR466m representing 42% from the previous year's figure**. This was mainly due to the increase by 60% of plant and equipment purchased for the newly built properties and for the new staff recruited. In addition

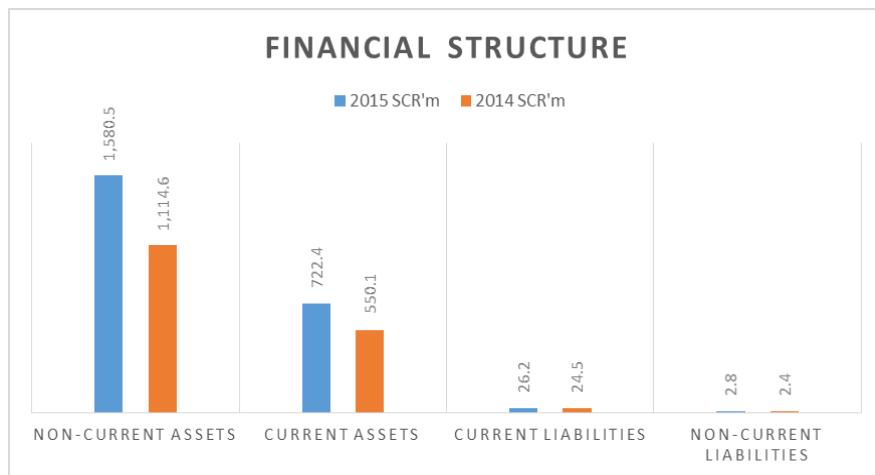
investment properties have increased by 53% for the new properties transferred from SSF.

Current assets went up by **SCR164m (31%)**, mainly due to increased investments in Treasury Bills and USD3m were kept aside to invest in Afrexim Bank and Alsalam Bank.

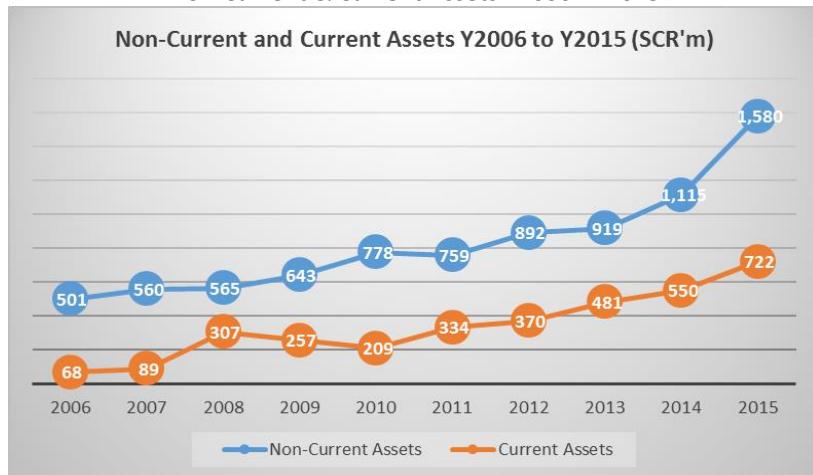
The total net assets for the year 2015 have **increased by SCR636m (39%)**, comprising mainly of an increase in members' fund by 15% and an increased amount of SCR333m in other funds as a result of transfer of SSF assets to SPF. The overall total net worth of SPF stood at **SCR2.3 billion for the year 2015**.

The graphs below show the non-current and current assets and liabilities for the year 2014 and 2015.

Financial Structure 2014 and 2015



Non-Current & Current Assets Y2006 - Y2015



Non-Current & Current Liabilities Y2006 - Y2015

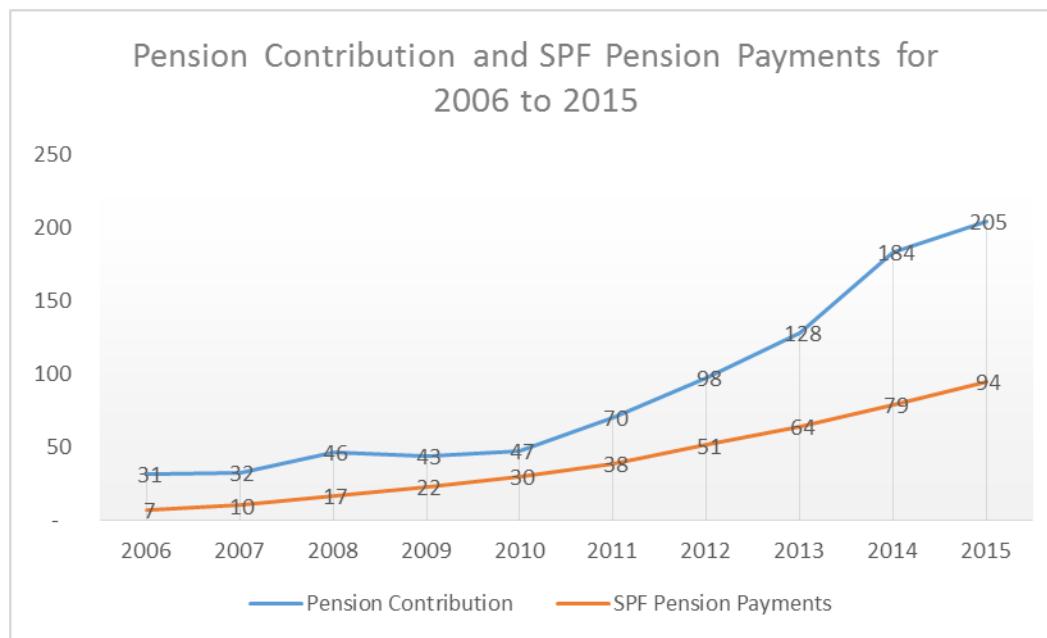


Total contributions received for the year 2015 exceeded payment of SPF benefits as shown below by **60%** while in 2014 it was 63%.

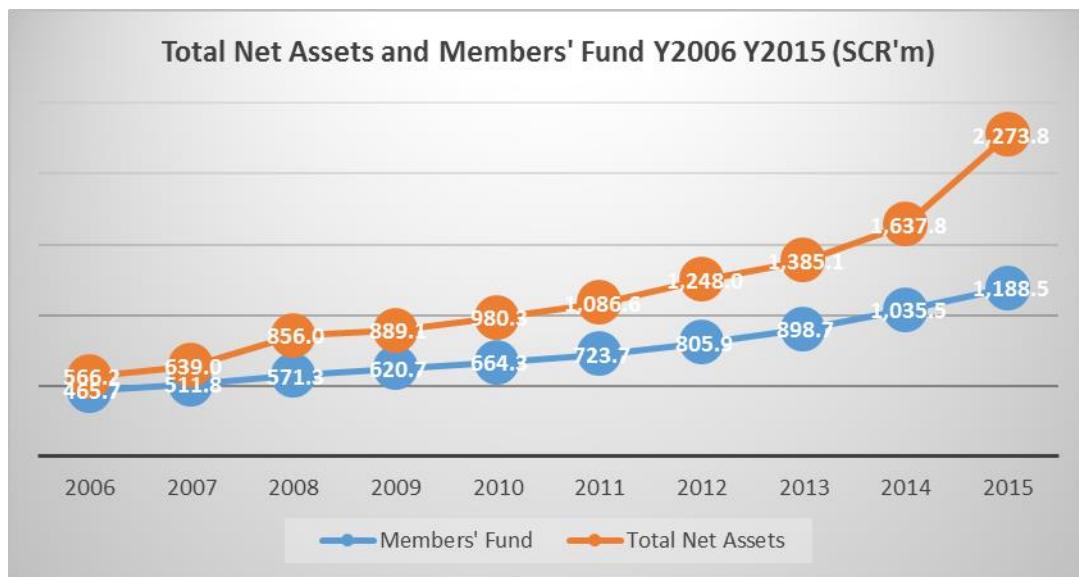
	2015 SCR'000	2014 SCR'000
CONTRIBUTIONS		
Members Contributions	205,249	183,885
<i>(of which from Employer Compulsory)</i>	(102,046)	(89,757)
<i>(of which from Employee Compulsory)</i>	(93,388)	(82,199)
<i>(of which from Employer Voluntary)</i>	(3,040)	(5,190)
<i>(of which from Employee Voluntary)</i>	(6,774)	(6,741)
Funds from Government	-	-
<i>Surcharges</i>	397	259
<i>Refunds of Contributions</i>	(1,849)	(903)
Funds from Social Security Fund	92,638	76,974
Members Interest Credited	51,696	32,947
TOTAL CONTRIBUTIONS + SSF FUNDS	348,131	293,162
Benefit Payment To Members		
Normal Retirement Benefit	175,959	140,755
<i>(Pension Refund By Government)</i>	(17,066)	(13,861)
Death Before Normal Retirement	1,638	1,450
Permanent Incapacity	23,183	19,093
<i>(Permanent Incapacity Refund By Government)</i>	(1,339)	(1,289)
Pre-Retirement Migration	297	473
Special Pension/Entitlement	3,316	3,191
<i>(Wholly Refunded By Government)</i>	(3,316)	(3,191)
Surviving Spouse Pensions	5,546	4,592
<i>(Surviving Spouse Pension Refund By Government)</i>	(205)	(200)
Children Pension	2,055	1,866
<i>(Children Pension Refund By Government)</i>	(19)	(18)
Death After Normal Retirement	-	19
Post Retirement Surviving Spouse Pension	4,148	2,966
<i>(Post Surviving Spouse Pension Refund By Government)</i>	(64)	(118)
Post Retirement Children Pension	443	368
<i>(Post children Pension Refund By Government)</i>	-	-
Early Retirement Pension	1,193	2,405
<i>(Wholly Refunded By Government)</i>	(1,193)	(2,405)
Total Benefit Payment to Members	194,575	156,096
EXCESS CONTRIBUTIONS OVER BENEFIT PAYMENTS	153,555	137,066
% EXCESS CONTRIBUTIONS OVER BENEFIT PAYMENTS	79%	88%

Pension Contributions and SPF Pension Payments 2006 – 2015

Pension Contributions & SPF Pension Payments 2006 - 2015



Members' Fund & Total Net Assets Y2006 - Y2015



THE WAY FORWARD

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THE WAY FORWARD

Looking ahead

Always forward looking, SPF places great emphasis on its long term financial sustainability and since its inception it has continuously taken into account ongoing trends and developments in the pension world to ensure its proper management and development.

The challenges ahead are many and we need to make planned adjustments which will include, amongst others a review of:

- a) Retirement age;
- b) Contributions;
- c) Years of service for pension calculation;
- d) Pension calculation formula
- e) Strategic asset allocation

a) Retirement Age

This is an important consideration in the sustainability of SPF. After the actuarial evaluation next year, should there be a need to review the retirement age, SPF will make recommendations to Government.

b) Contributions

The rate of members' contribution (4%) remains exceedingly low compared to the majority of countries in the world, with a defined benefit pension plan like SPF's. The recommendations made in the last actuarial valuation and by the World Bank for further increases in the years to come, will need to be implemented within the defined time-frame or earlier.

However, SPF will continue in its drive to increase current contributions, where greater emphasis will be placed on self-employed workers, a sector that contributes the least and yet is one that has grown considerably in the recent past.

Voluntary contributions, which allow members to receive a lump sum upon

retirement had gained considerable popularity in 2015. SPF's efforts will remain unabated to bring more members on board and to encourage those already on board to increase their contributions. The Match-It Scheme will also be marketed more aggressively as from 2016.

SPF also plans to strengthen its enforcement capacity to ensure the timely collection of all pension contributions from defaulting employers.

c) Increasing gradually years of service

SPF needs to move to lifetime earnings in the calculation of pensions. Earnings related pensions mean that the earnings of the entire work career of an employee is considered for calculation of pension which will result in fairer pension and improved records keeping.

d) Strengthen the pension formula

Payments of pensions and other benefits have increased in 2015, partly due to the new pension formula and also due to longer life expectancy as well as other factors. The ratio of benefits to contributions will be carefully monitored to detect any need for adjustments.

e) Strategic asset allocation

SPF's diversification of its investments will continue in a bid to maximize investment returns. This is being done through a robust investment plan that needs periodic review with continued efforts in improving the investment portfolio and its prudent management. In future more attention will be given to ensure the timely completion of projects in order to start earning returns from them earlier. For existing properties, regular maintenance will ensure full occupancy in addition to reduction of maintenance expenses.

In addition to the above, SPF intends to focus on the following areas in its modernisation:

i) Communicating with Customers

Greater emphasis will be placed on providing high quality service and in finding better and more diverse ways of communicating with customers. More information sessions will be carried out in work places and a more visible presence in the media are envisaged, with a completely new revamped website, social media being a key tool of communication.

ii) Human Resources

In the medium term, SPF will need to keep expanding its workforce as the number of members and properties grow. Adequate support and training will continue to be provided to an adequate pool of professional staff. Staff retention and training are also vital and SPF will need to provide the proper incentives for staff not to be lured elsewhere.

In addition, SPF will keep on looking at functions and responsibilities of the various sections to ensure that the work processes are updated in order to meet the challenges ahead and that team work prevails.

iii) Adaptability

SPF has to adapt to a changing world and be sensitive to factors that may affect its long term sustainability. It needs to constantly analyse current trends and developments in pensions around the world with reference to demographics developments in Seychelles such as ageing population so that SPF remains as a modern pension system that is able to provide for the financial security of its members and its long term sustainability.