



2018

Annual Report

Seychelles Pension Fund





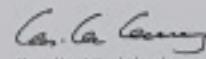
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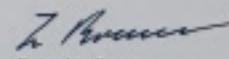
ISSA GOOD PRACTICE AWARDS
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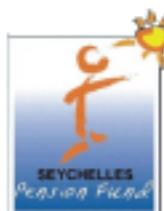
THE CERTIFICATE OF MERIT IS AWARDED TO:
SEYCHELLES PENSION FUND,
SEYCHELLES

For Seychelles Pension Fund Pension calculator

Addis Ababa, Ethiopia, 23 October 2017


Mani-Morsi Korkashandy
Secretary General


Dr Jörgen Breuer
President



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"Save for your retirement, secure your future"

Your ref :
Our Ref : *SPF/Ann/Rep/50*
Enquiries to :
Telephone Ext :
Date : *29th March 2019*

Mr. Maurice Loustan-Lalanne
Minister for Finance, Trade
and Economic Planning
Liberty House
Victoria

Dear Minister Lalanne,

**Re: SUBMISSION OF ANNUAL REPORT IN ACCORDANCE WITH SECTION 54 OF
 THE SPF ACT 2005**

I have the honour and pleasure to submit to you the 13th Annual Report of the Seychelles Pension Fund in accordance with Section 54 of the SPF Act 2005, which includes the audited Financial Statements for the year ending 31st December 2018.

As per the normal established procedure, we shall table the report to the National Assembly as required under the same Act.

Yours sincerely

Lekha Nair (Mrs)
Chief Executive Officer

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CHAPTER 1 | INTRODUCTION

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1.1 | FOREWORD FROM THE CHAIRMAN

"I would use my knowledge and experience to the maximum to ensure that the Seychelles Pension Fund continues on the path of modernization and financial and operational sustainability."



On behalf of the Board of Trustees of the Seychelles Pension Fund (SPF), I am pleased to introduce the Annual Report of SPF for the year 2018 in accordance with article 55 of the SPF Act, 2005.

This report has been produced to provide our dear members - the Seychellois workers, our stakeholders and other interested parties with an overview of the activities and performance of the Seychelles Pension Fund for the financial year 2018. It also provides an insight into how SPF is managed for the benefit of the Seychellois workers.

Today, it is more apparent than before, the hard work that the staff and management of SPF does with meticulous care, in handling its financial and operational affairs, and prudence in its investment decisions, all to ensure the long term sustainability of SPF.

One of the strategies adopted by SPF, throughout 2018, was to increase voluntary contribution and maintain the educational activities at various public and private sector workplaces. This has resulted in an increase in contribution levels for both mandatory and voluntary contributions for the year, which has helped immensely towards the increased pension payments as members become more aware of their entitlements.

The introduction of a new rate of contribution for employees from 2% to 3% and for employers from 2% to 2.5% during the year, also helped with increased collections in 2018.

A series of amendments to the SPF Act, aimed firstly at better responding to the needs of its members and secondly to equip SPF with the tools necessary to guarantee its long term sustainability, were also endorsed at the end of the year by the National Assembly.

A continuing challenge facing SPF is the need to seek higher returns to sustain its pension commitments and the need for prudence to preserve its funds. SPF continues to focus on responsible investment and I am proud to say that once again SPF has engaged positively on all its investments in the year. Whilst no new properties have been procured, as our investment strategy from 2017 has been to reduce investments in real estate, we have focused more on equities and fixed income through financial instruments, as a means of investment diversification.

2018 also saw the revision of several policies of SPF, which included the members interest policy, valuation of assets policy, valuation of unlisted equities policy, valuation of properties as well as bad debts Policy amongst others.

Throughout the year, SPF officers have represented the Fund at various conferences and have participated in the AGMs of Afreximbank and TDB, since SPF is a shareholder in both institutions.

The prudent and efficient management of the affairs of SPF has been vested with the Board of Trustees, which, as the highest decision making body, takes high-quality strategic decisions which positions SPF for the future.

I accepted the appointment as the Chairman of the Board of Trustees in September 2018, with a resolve to consolidate the strong foundation established by my predecessors and to harness all available opportunities to grow the Seychelles Pension Fund so that its long term sustainability is assured.

In 2018, the Board of Trustees played a key role in supporting the delivery of the continually growing governance agenda and increasingly complex pension administration environment that SPF operates within.

Most of the Board of Trustees along with the top management of SPF, attended a training on good governance organized by PEMC, where they learned more about their duties and responsibilities and their principal role of making high-quality decisions in the best interest of SPF, thus strengthening and ensuring accountability, transparency and good governance practices at all levels in SPF.

The Board also engaged an international firm to assess and provide an effective system of risk management and assess the internal audit function, so that SPF continues with its risk-based management and that there is zero exposure to fraud due to lack of internal control as well as unethical business practices.

I take this opportunity to express my appreciation and to thank all the members of the Board, for their stewardship, contribution, dedication and high level of commitment in bringing SPF to where it is today.

SPF would not have reached its current level of success if it wasn't for the leadership and hard work of its Chief Executive Officer and her dedicated and committed staff. I wish to express my deepest gratitude to them for their commitment, dedication and hard work during 2018 making it yet another successful year.

I look forward to continue working closely with them in the future.



Jacquelin Dugasse
Chairman

*"Keeping the members at the heart
of everything we do"*



As always, it is with pleasure that I share with you, in my capacity as CEO of the Seychelles Pension Fund, the annual report of the Seychelles Pension Fund, for the period ending 31st December 2018.

At the beginning of 2018, I was very happy and honored when I was re-appointed as CEO. Being the CEO of the national pension fund is an extremely challenging and stimulating job, but it is also a highly responsible task to contribute to the safe and sustainable pension for Seychellois workers.

Financial results

SPF weathered the storm in a challenging 2018 with positive returns, building again on our relatively robust financial situation, with strong earnings. We earned a total gross surplus of SCR 214 million in 2018, an increase of 60% compared to 2017.

This surplus, helped SPF grow to a peak of SCR 3.1 billion of assets, the highest to date, which is an increase of 51% over the thirteen years since SPF's inception in 2006. Additionally, this represented an increase of 11% over last year.

Continued growth in asset value remains heartening, especially when this builds upon SPF's assets that are accumulated through a combination of contributions from employers and employees and from investment returns.

Another record figure for SPF was the SCR 351 million in contributions collected from our contributing members which reached an all-time high of 43,561 members.

Contributions collected in 2018 was eleven times more than when we started, whereas pension payments increased 41 times, showing that SPF needs to be vigilant and continue complying with the actuary's recommendation of contribution rate increases in the future.

The number of pensioners increased over the year by 12% to 5,501 pensioners, also the highest so far, with pension payouts of SCR 286 million, an increase of 29% over 2017. Unlike 2017 most new pensioners were on average 63 years old.

The growing individual employers registering with SPF have also shown progression from 3,068 in 2017 to 3,120 in 2018. A similar trend was registered in the self-employed from 1,653 in 2017 to 1,896 in 2018, an increase of an additional 243 self-employed registered. This has given us hope that our Seychellois workers have increased trust and confidence in SPF.

The overall coverage of SPF in 2018 increased to the highest level ever recorded of 93%, taking SPF a step closer towards its goal of 100 % coverage in the years to come. SPF has 43,561 working members out of 46,688 Seychellois, employed in the country (as per NSB figures).

Surplus from excess contributions over pension outgo was SCR 65 million whilst surplus from investment income over investment and administrative expenses was SCR 149 million, totaling a combined surplus of SCR 214 million, representing the second highest surplus since SPF was set up. The positive increment was mostly due to increased contributions and increased investment income from fair value in equities and properties.

Investment

SPF generated strong results on its investments for 2018. For the first time, SPF had real net returns at market value of 9% for the year 2018, after all costs, which was 2% higher than the strategic investment return benchmark set for the year.

Although there were lower returns from financial instruments and poorer dividends from our overseas listed equity investments and Exchange Traded Funds (ETFs), returns from real estate, domestic listed equities and unlisted equities helped to augment the overall returns. Over the last few years, SPF has looked at its investments on a cost basis only, yielding an average return of 8 % to 12 % per annum, which as per market value, averaged 5% to 7%.

Customer care

SPF's role is critical to safeguarding the financial security of its members and, while some may not choose to be under our care, we are committed to providing them with the very highest standards. Keeping the members at the heart of everything we do is critical to SPF's success, and as our membership grows, we continue to improve our services.

During the year, we continued to engage widely with our growing membership and employer base, offering a wide range of opportunities to interact with our members either in person-face to face through our offices on Mahe, Praslin and La Digue, or through Customer Relations Unit to handle client queries.

We have also increased our presence on the social media with a FaceBook, Twitter and YouTube account, together with a webpage easily accessible to users, which had a significant increase in member viewers by over 50% compared to 2017.

The year 2018 has been one where we had to stand together to correct misinformation and better educate all concerned, especially our members on their rights and their entitlements, and we will continue doing so. Throughout the year SPF was able to maintain a level of transparency through the press, social media and its website, resulting in better communication with our members on the products and services we provide and having them make better choices in terms of their contributions and pensions.

More innovative automated facilities are being worked on especially in customer services for the next year. Undoubtedly these changes will contribute towards enhancing our customer experience and our internal operations.

2018 also saw SPF undertake the digitalization of its records. We work hard to earn the trust of workers who depend on SPF to provide a foundation for their retirement years. To earn that trust, we must be open to scrutiny through both good and bad times. I had the pleasure in 2018, in participating in the National Assembly deliberations to approve these changes to our Act.

We look forward to continuing this dialogue with all our stakeholders mostly contributors and beneficiaries. We also plan to hold an annual AGM briefing our members on the activities of SPF for each year.

Staffing

It truly is an honor to lead an organization focused on building a pension fund that will last for generations. This critical purpose is the cornerstone of our organization and we reinforce the idea with all our employees. Successful management of a pension fund is a knowledge-intensive business. To succeed in our mission, SPF must be able to attract, develop and retain people with great skills and potential.

At the same time, we must instill a culture with a deep desire to develop and be constantly at the forefront with best practices, which is why we provide training to all our staff as far as possible. I am happy to note that 96% of our staff underwent some form of training in 2018.

Conclusion

I wish to place on record my appreciation for the hard work and dedication of the management team and all staff of SPF, thanking them for a highly successful year and for their relentless commitment, support of our organization and our mandate.

Last, and certainly not least, I would like to thank our Board of Trustees, for their trust in me and for placing the best interest of SPF above all. 2019 will be a busy year for us to ensure service quality remains high and our investment outlook remains strong.

Thank you for another great year and I look forward to the year ahead.



Mrs. Lekha Nair
Chief Executive Officer

1.3 | FINANCIAL HIGHLIGHTS

A. Total Net Assets

SCR **3.0 billion** (2018)
SCR **2.8 billion** (2017)

B. Membership

Total Members' Funds: SCR **1.5 billion**
SCR **1.4 billion** in 2017

Active Members: **43,561**
(**42,720** in 2017)

Coverage: **93%** of working population – **46,688**
(**88%** in 2017)

Total active employers registered with SPF: **3,120**
(**2 %** from **3,068** in 2017)

New employers: **314**
(**1%** from **310** in 2017)

Total active self-employed registered with SPF: **1,896**
(**15%** from **1,653** in 2017)

New Self Employed: **243**
(**15%** less - **285** in 2017)

C. Contributions

Mandatory Contributions: SCR **333 million** received
from **43,561** contributors
(SCR **255 million** from **42,760** in 2017)

Voluntary Contributions: SCR **18 million** received from
8,150 contributors
(SCR **15 million** from **6,351** in 2017)

Total Contributions: SCR **351 million**
(SCR **270 million** in 2017)

D. Pension and Benefits

Total Pension and Benefits: SCR **286 million**
paid to **5,501** beneficiaries
(SCR **222 million** to **4,929** in 2017)

Retirement pension: SCR **223 million** paid to
4,214 beneficiaries
(SCR **164 million** to **3,765** in 2017)

Permanent Incapacity pension: SCR **39 million**
paid to **710** beneficiaries
(SCR **34 million** to **632** in 2017)

Spouse Pension: SCR **17 million** paid to
420 beneficiaries
(SCR **16 million** to **381** in 2017)

Children Pension: SCR **4 million** paid to **157**
beneficiaries
(SCR **4 million** to **157** in 2017)

Others: SCR **3 million - 400** refunds
(SCR **4 million** to **240** in 2017)

E. Surplus

**Excess contributions over pension and benefit
payments :** SCR **65 million**
(SCR **48m** in 2017)

**Excess investment income over all investment
expenses and administrative costs:**
SCR **149 million**
(SCR **86 million** in 2017)

Total Surplus for 2018: SCR **214 million**
Total Surplus for 2017: SCR **134 million**

F. Default cases of Employers

304 (194 in 2017) **assessments cases of employers in default of contributions.**

Amount recovered: SCR **3 million**
(SCR **2.5 million** in 2017)

Surcharges levied was: SCR **1.1 million**
(SCR **3.2 million** in 2017)

G. Investments

Investment income: SCR **282 million**
(**20%** increase from SCR **236 million** in 2017)
that includes Other income (surcharges):

SCR 1 million
(SCR **4 million** in 2017)

Total expenditure for investments and administration: SCR **133 million**
(SCR **150 million** in 2017)

Excess Income over Expenditure: SCR **149 million**
(SCR **86 million** in 2017)

Rate of return for 2018 was **9% at market value**
(**6%** at market value and **8%** at cost in 2017)

Investment income represented 33% of total revenue of SPF (**39%** in 2017) - Without fair value depreciation/provision

H. Properties

27 Properties on Mahé, Praslin/La Digue
4 being developed
2 no income and yet to be developed

Property maintenance expenses: SCR **37 million**
(SCR **30 million** in 2017)

Net profit from rentals: SCR **78 million**
(SCR **78 million** in 2017)

Average occupancy rate of all SPF properties for the year is 96%
(**92%** in 2017)

Real Estate worth SCR 1.5 billion at market value
(SCR **1.5 billion** in 2017)

I. Projects

No projects were completed in 2018.

5 Projects are ongoing:

- 1** | New Commercial Building on Independence Avenue (ex pirates arms)
- 2** | Ile Perseverance Apartments
- 3** | Ile du Port Project
- 4** | Pointe au Sel housing development
- 5** | Le Chantier Mall renovation/extension

J. Staffing

SPF Workforce: **130**
(**6%** increase from **123** in 2017)

12 Vacancies filled

7% Staff Turnover
(**6%** in 2017)

Developing talent

96% of SPF's staff underwent training, providing more opportunities for employees to receive professional training, including international workshops.

K. Administrative Expenses

Administrative Expenses: SCR **44 million**
(**7%** increase from SCR **41 million** in 2017
reinstated from reported figure of SCR **39 million**)

1.4 KEY EVENTS DURING THE YEAR





1.5 | CORPORATE GOVERNANCE SPF BOARD OF TRUSTEES

1.5.1 The Seychelles Pension Fund (SPF) is governed by a Board of Trustees, entrusted with the overall strategic direction of the organization.

NAME	ROLE	DESIGNATION	ATTENDANCE
Mr Edwin Palmer	March to September 2018	Former Managing Director of Seybrew	6 out of 6
Mr Jacquelin Dugasse	Appointed September 2018	Former Cabinet Minister Former CEO of SSI	4 out of 4
Mr Patrick Payet	Member	Secretary of State - MOF	7 out of 10
Mr Antoine Robinson	Member	Secretary General, Seychelles Federation of Workers Union	8 out of 10
Mr Bernard Adonis	Member	Attorney at Law	9 out of 10
Ms Cilia Mangroo	Member	Principal Secretary - MOF	8 out of 10
Ms Malika Jivan	Member	Director - Abacus Ltd	10 out of 10
Ms Marie-Claire Marie	Member	Former Principal Secretary	10 out of 10
Mr Peter Sinon	Member	Former Cabinet Minister	7 out of 10
Ms Cindy Vidot	Member	CEO SIB	6 out of 10
Ms Elsie Morel	Member	Principal Procurement Oversight Officer	9 out of 10
Ms Brenda Morin	Member	Executive Director - BGM	10 out of 10
Mr Ravi Valmont	Member	Principal Secretary - MLUH	6 out of 10
Mrs Audrey Nanan	Board Secretary	General Manager Corporate Services at SPF	10 out of 10

Meetings of the Board

The Board of Trustees is required to have, at least, twelve meetings in a year as per SPF Act 2005. The meetings are held on the last Thursday of each month.

For 2018 the new Board of Trustees was nominated on the 26th February 2018 after the previous Board's mandate expired on 31st January 2018 and the appointment took effect on the 1st March. The new Board was thus able to have a total of 10 meetings for the year 2018.

1.5.2 Committees

Under the good governance regime, the Board of Trustees have three committees to assist in its functions:

1. **Investment and Finance Committee**
2. **Audit and Risk Committee**
3. **Remuneration Committee**

In addition to the above committees, there are also three independent ad-hoc committees delegated by the Board from tender evaluations and assessment of medical cases.

a. Tender Evaluation Committee

Assesses all the tenders of SPF projects, made up of a Chairperson from the private sector and 4 other members from both public and private sector:

Mr. Jean Wheeling-Lee	Chairperson
Mr. Mike Laval	Member
Mr. Jean Rasool	Member
Mr. Steven Rousseau	Member
Mrs. Fanette Albert	Member
Mr. Tommy Marie	Secretary (SPF)

b. Tender Review Panel

Attends to all the appeals from tenders done by SPF and is chaired by an independent person from the private sector with 3 members from both private and public sector.

Mr. Jean-Claude D'Offay	Chairperson
Mr. Phillip Chong Seng	Member
Mr. Patrick Stravens	Member
Ms. Amanda Faure	Member
Ms. Theresette Marie	Secretary (SPF)

c. Medical Board

Assists SPF in advising on cases of incapacity applications. It comprises of medical practitioners from the medical field, both private and public sector. The Board recommends whether the applicants will be eligible for an incapacity pension whether for life or for a specific period of time. The composition of the current Medical Boards is as follows:

Dr. Meggy Louange	Chairperson
Dr. Egbert Telemaque	Vice Chairman
Dr. Kenneth Henriette	Member
Dr. Sethu Chetty	Member
Ms. Annette Mondon	Secretary
Mrs. Chantal Rosalie	Assistant Secretary (SPF)

d. Appeals Committee of the Medical Board

A new Appeals Committee of the SPF Medical Board is being set up in 2019 to review appeals of the medical cases and incapacity pension applications. The committee will be made up of public and private medical practitioners.

1.6 | MANAGEMENT OF SPF

1.6.1 Introduction

The Seychelles Pension Fund is headed by a CEO, appointed by the President. This role, for the past four years has been occupied by Mrs Lekha Nair whose contract expired on 31 January 2018 and was subsequently reappointed by the President for an additional period of three years under a new contract.

She is assisted by three General Managers, Mrs Marie-Ange Waye-Hive, General Manager for Pension and Benefits, who retired on 31st December 2018 and Mrs Audrey Nanon, General Manager for Corporate Services. The third post of General Manager for Investments is currently vacant.

1.6.2 Management Team

NAME	DESIGNATION	DATE JOINED SPF
Mrs Lekha Nair	CEO	01 February 2015
Mrs Marie Ange Waye-Hive	General Manager Pensions & Benefits	15 February 1978
Mrs Audrey Nanon	General Manager Corporate Services	01 February 2017
Ms Nisreen Abdulmajid	Chief Finance Officer	01 November 2015
Mr Tommy Marie	Chief Projects Officer	20 August 2007
Mr Marcus Marie	Chief Property Officer	01 July 2014
Mr Michael Charlette	Chief Risk Officer	18 April 2017
Mr Jeffrey Moses	Chief Benefits Officer	01 May 1999
Mr Jossy Rosalie	Chief IT Officer	01 November 2017
Mr Evan Mondon	Manager, Finance	01 April 1993
Mrs Lyne Bonte	Manager, HR & Administration	01 September 2005
Mr Dorell Bristol	Manager, Marketing & PR	01 October 2004
Ms Jane Suzette	Manager, Compliance Monitoring	01 May 2010
Mrs Theresette Marie	Manager, Investments	26 June 2010
Mr Stephen Rosalie	Manager, IT	01 May 2013
Ms Teissy Poris	Manager, Praslin & La Digue	18 April 2006
Ms Maylene Spiro	Manager, Risk Management	01 September 2015
Ms Lyne Moustache	Quality Assurance Analyst	19 February 2007
Mr Chantal Renaud	Manager, Property	01 September 2015
Mr Nicholas Etienne	Manager, Customer Relations	12 January 1998
Ms Chantal Roselle	Manager, Projects	10 October 2005
Mr Vincent Adam	Manager, Projects	01 June 2009
Ms Mandy Payet	Manager, Processing	01 January 2006
Mr Adrian Pillay	Asst Manager, Internal Audit	04 September 2017

1.6.3 | Management Committees

a | Management Investment Committee

The Management Investment Committee meets every week and is the forum for anything relating to investments and projects whereby they are initially screened, approved and recommended to the Board's Investment Committee.

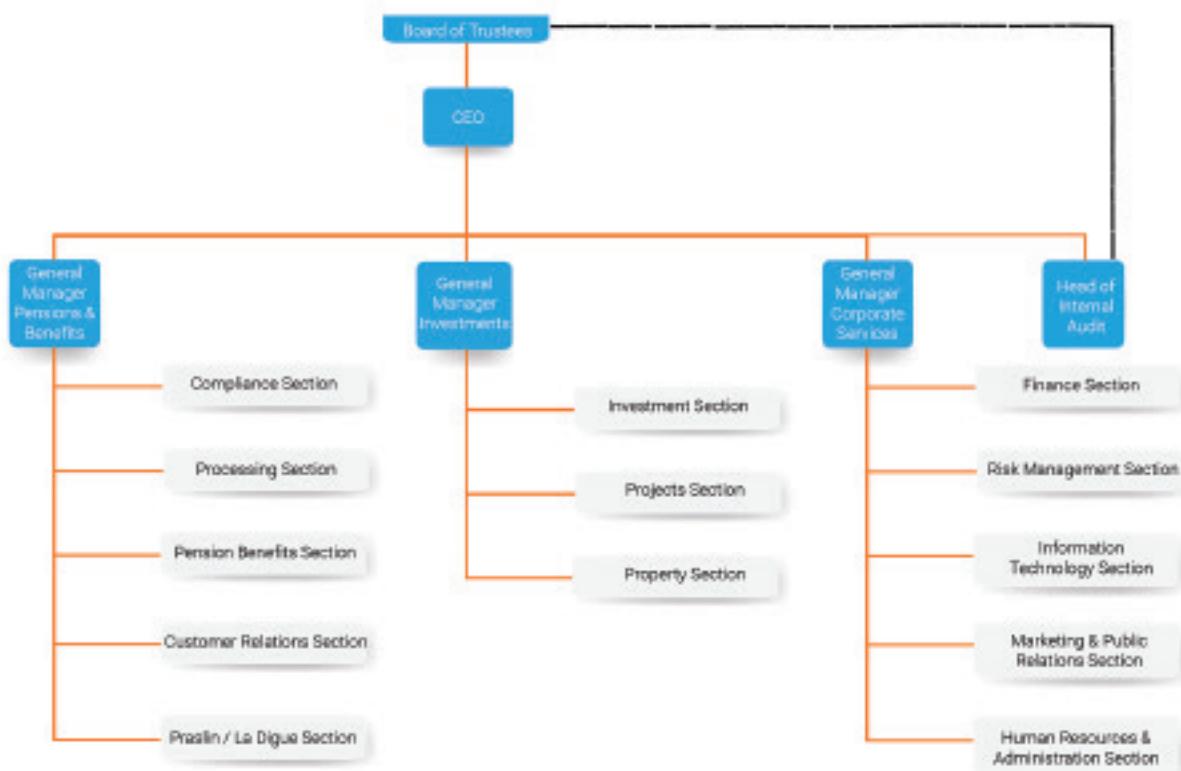
b | Procurement Committee

The Procurement Committee was established to ensure compliance with SPF's procurement policy. The committee ensures that the most competitive procurements are always made.

c | Disciplinary Committee

This Committee deals with all unethical work practices and disciplinary issues of SPF staff.

1.7 ORGANIZATIONAL STRUCTURE OF SPF



CHAPTER 2 | THE OPERATING ENVIRONMENT

2.1 ECONOMIC BACKGROUND

2.2 CORPORATE INFORMATION

2.1 | ECONOMIC BACKGROUND

2.1.1 Introduction

The macroeconomic performance of Seychelles for 2018 was strong with a real GDP growth of 4.1%, reflecting strong output from the tourism industry with high tourism earnings, as well as from the fishery and the information and communications sector.

The Central Bank of Seychelles' (CBS) monetary policy and interventions throughout the year helped contain inflationary pressures, with inflation having increased to 4.4% in 2018 from 2.9 % in 2017. This was due to higher global energy prices and 2017 fiscal measures, which included a higher minimum wage, increased social spending (increase in the universal state pension from SCR 5,050 to SCR 5,250), and higher civil service wages (raised through the mandatory "13th month salary"). However, there was a slowdown in the construction sector, as a result of the moratorium on large hotels and scarcity of construction materials.

All of this has been achieved amidst rising international fuel prices, weakening key tourism markets linked to uncertainty over the Eurozone, uncertainty of the Brexit and global banks' withdrawal of correspondent banking relationships. The exchange rate remained stable in 2018 at 13.9 Seychellois rupees to the US dollar.

Globally, after the robust and synchronized growth of 2017, there was volatility in late 2018, with the rate of acceleration in global economic growth moderated quite significantly. The major driver of the slowdown was the impact of tightening financial conditions globally, particularly in China, as trade tensions impact business sentiment and investment.

2.1.2 Labour market

Seychelles, as any other SIDS, has a small labour force and a small economy that is susceptible to external shocks and climate change. Other socio-economic challenges are social ills (such as drugs and alcohol abuses, teenage pregnancies, and an increasingly mobile workforce) that impacts heavily on the labor and employment structures and its dynamics. This changes the demographic developments for the future, as population projections by World Bank show an aging population, with low fertility and birth rates on one side, as added dampener and increased life expectancy on the other side. The average life expectancy in 2018 was 75 years.

Employment is a critical sector in Seychelles and apart from job creation it is a source of livelihood for the people and contributes significantly towards economic growth. However, in recent times there has been more dependence on foreign labour to fill in the gap in the labour market. According to NSB, 2018 recorded a total of 22,000 expatriate workers in Seychelles compared to 17,757 in 2017. This increase is due to the country's lack of labor force in certain sectors such as in construction and tourism.

As has been the case for the past few years, SPF faced difficulties in getting correct and accurate information on the labour market, especially the number of "employables" or labour force, and the number employed both in the formal and informal sector. As per NSB's published 3rd quarterly publications, there are 49,355 employed in total. Our understanding after consultations with NSB, is that there are 2,667 expatriate workers in the formal sector also included in this figure and if this is excluded there would be 46,688 employed Seychellois.

2.1.3 Unemployment rate

The year 2018 witnessed a drop in the unemployment rate in Seychelles from 5 percent to 3.5 percent. This is largely due to the reintroduction of the unemployment relief scheme in 2017 by the Ministry of Employment and Labour. The aim of the scheme was to encourage the working population to get back into employment especially the group that is more affected by unemployment, the 15-24 year olds, made up of 55.5 percent males and 44.5 percent females. In total around 1,900 people were able to find employment through the scheme.

2.2 | CORPORATE INFORMATION

2.2.1 ABOUT US

WHO WE ARE

Seychelles Pension Fund (SPF) was established in January 2006, by an Act of Parliament, as an earning replacement mechanism to enable qualifying members to live in basic comfort upon retirement.

SPF operates a Defined Benefit pension system where its members - Seychellois employees, receive a prescribed pension amount as per a formula, upon retirement for life. It is a 'Pay-as-you-go' plan where the generation of tomorrow, pays for the workers of today, and the workers of today pay the workers of yesterday. SPF comprises of three main departments for the efficient delivery of all its services.

- Acting with diligence, competence and reliability
- Delivering best results after cautious and sensible analysis

1 | Pension and Benefits - Core function

2 | Investments - Supplementary function

3 | Corporate Services - Support function

2.2.2 SPF CORE VALUES

PRUDENCE | by Prudence, we Mean:

- Acting with diligence, competence and reliability
- Delivering best results after cautious and sensible analysis

INTEGRITY | by Integrity, we Mean:

- Being ethical and truthful
- Maintaining good governance practices
- Not misrepresenting or withholding information
- Being reliable and accountable for all action
- Must safeguard the credibility
- Ensure accuracy at all times

WHAT WE DO

SPF manages the national pension system of the country. SPF collects contributions from its members who are Seychellois workers and provides them with pensions and benefits on retirement. Seychellois workers are those in employment, including all workers from the formal sector, both the public and private sector, informal employment, self-employed, part-time and casual workers.

- Working collectively and cooperatively as staff of SPF
- Smooth seamless flow of services
- Communicating openly and frequently with our stakeholders
- Setting out information in a format that is clear and understandable to all
- Being open to scrutiny and oversight

VISION

'The Seychelles Pension Fund will be a leader and model among retirement systems, by providing the best retirement and related benefit package for its members'.

TEAMWORK | by Teamwork, we Mean:

- Working collectively and cooperatively as staff of SPF
- Smooth seamless flow of services
- Communicating openly and frequently with our stakeholders
- Setting out information in a format that is clear and understandable to all
- Being open to scrutiny and oversight

MISSION

'The Seychelles Pension Fund is dedicated to manage times and secure its funds through prudent investments and innovative methods to pay out the optimum retirement and related benefits to its members'.

CONFIDENTIALITY | by Confidentiality, we Mean:

- Holding in strict confidence information obtained on clients of SPF
- Working with the highest professionalism at all times

OBJECTIVES OF THE SPF

1. Secure the prompt and accurate collection of contributions and payment of all sums due.
2. Provide for the financial security of members by payments of a monthly pension or prescribed retirement benefits and other benefits on meeting the qualifying conditions.
3. Timely, accurate and helpful service to our customers.
4. Foster good management practices for the efficient and effective management of SPF.
5. Prudent investment of excess funds which are not for the time being required by SPF.
6. Manage the resources available to secure value for money in all aspects of SPF's operations.
7. Provide timely and high quality advice and information about SPF to its stakeholders.
8. Be customer focused at all times.
9. Contribute to the social security and its evaluation and development.
10. Encourage self-employed persons to be members of the Fund and contribute to SPF.
11. Enable members to save additionally through the voluntary contributions.
12. Meet our funding target through prudent and effective management of SPF.
13. Deliver excellent customer services to our members and other stakeholders.
14. Pursue our mission within a high calibre framework of risks management.

2.2.3 Corporate Offices | Auditors | Lawyers

Praslin Office
 Pension Fund Complex
 Grand Anse, Praslin
Telephone: (+248) 423 7080

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 Palm Street, Victoria

LAWYERS

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 Barrister and Attorney at Law and Notary Public
 Kingsgate House, Victoria

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 Francis Rachel Street, Victoria

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 Website: www.pensionfund.sc

CHAPTER 3 | ACTIVITIES OF SPF

3.1 PENSION AND BENEFITS

3.1.1 COMPLIANCE

3.1.2 PROCESSING

3.1.3 BENEFITS

3.1.4 CUSTOMER RELATIONS

3.1.5 PRASLIN AND LA DIGUE

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3.2.3 PROPERTIES

3.3 CORPORATE SERVICES

3.3.1 FINANCE

3.3.2 INFORMATION & TECHNOLOGY

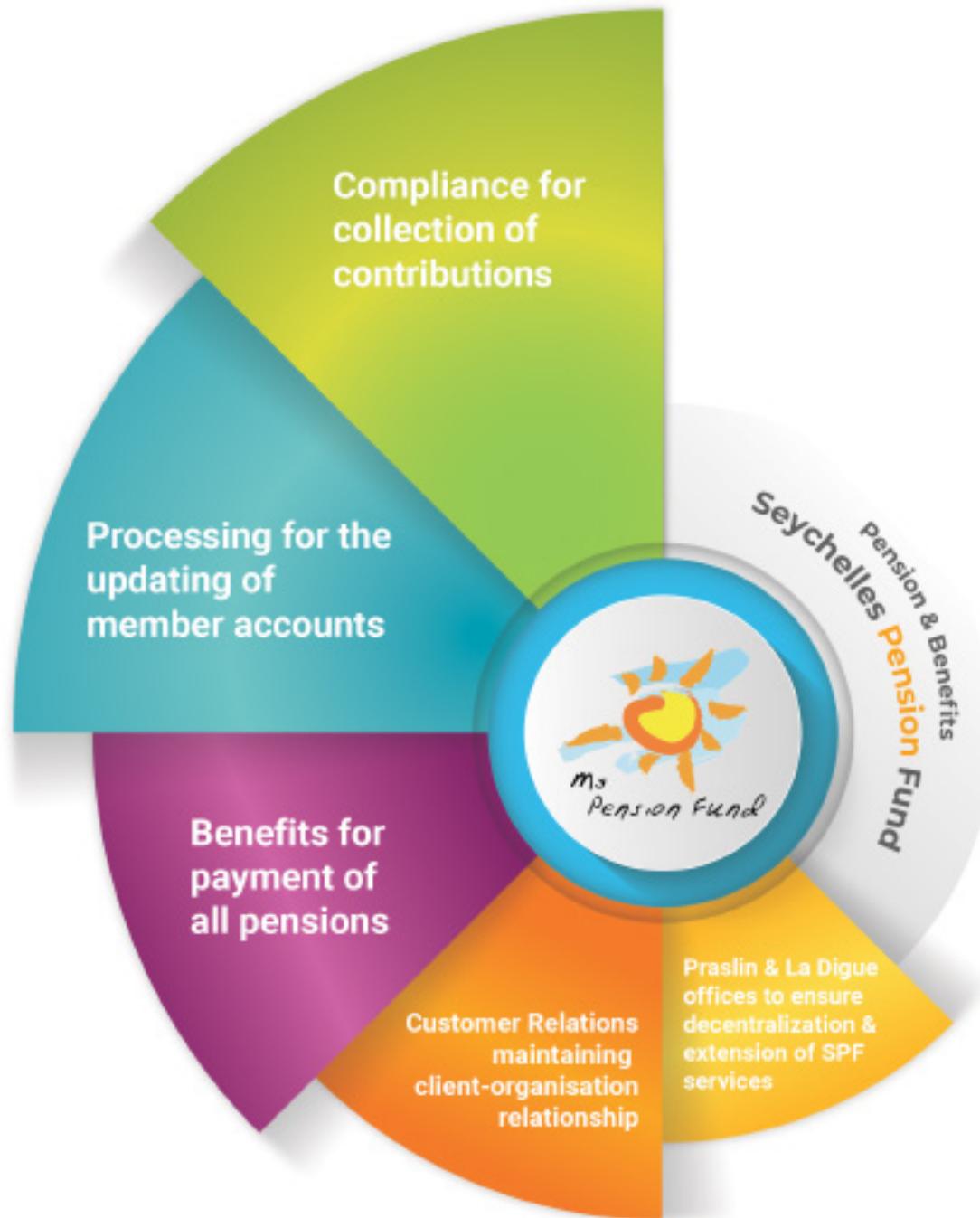
3.3.3 MARKETING & PUBLIC RELATIONS

3.3.4 HUMAN RESOURCES & ADMINISTRATION

3.3.5 RISK MANAGEMENT & RESEARCH

3.4 INTERNAL AUDIT

3.1 | PENSION AND BENEFITS



Pension and Benefit Department – core function

3.1.1 | COMPLIANCE

This section is responsible for the collection of all contributions, both mandatory and voluntary, from employers and employees including the self-employed.

a) Registered members

The total registered membership of SPF continued to increase in the year 2018 with a total of 43,561 active members compared to 42,760 in 2017.

This included a total of 801 new members representing an increase of 2%. A record membership for SPF since inception. Coverage is also at an all time high of 93%.

Table showing Membership of SFF | classified by age group and sex

AGE GROUP	FEMALE	MALE	TOTAL	PERCENTAGE COVERAGE
15 - 19	468	653	1,121	
20 - 24	2,502	2,408	4,910	
25 - 29	3,129	2,672	5,801	
30 - 34	3,125	2,435	5,560	
35 - 39	2,961	2,302	5,263	
40 - 44	2,998	2,142	5,140	
45 - 49	2,757	2,116	4,873	
50 - 54	2,862	2,022	4,884	
55 - 59	2,296	1,890	4,186	
60 - 63	799	667	1,466	
Over 63	230	127	357	
TOTAL	24,127	19,434	43,561	
				64%
				32%
				4%

As shown above 64% of SPF members fall within the age range of 15 to 44 years and thus considered young meaning they will be contributing to SPF for a period of more than 15 years. On the other hand, SPF has to ensure that it has sufficient funds for the remainder 32%, who would be retiring in 15 years or less. The 4% working and contributing are those who have already retired.

b) Contributions

SPF has an obligation under the SPF Act 2005, to ensure the prompt collection of contributions from employers/ employees/self-employed 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 with surcharges if necessary. In addition, the education of employers and employees are also carried out in tandem with these monitoring and compliance activities to encourage compliance.

(i) Mandatory contributions

For 2018, a total of SCR 333 m was collected as mandatory contributions representing an increase of 31% compared to SCR 255m in 2017.

The total contribution rate applicable for the year 2018 was 5.5% - 3% from the employees and 2.5% from the employers. This applies to any person working in full time or part-time employment. Self-employed persons are required to make a contribution of 5.5% of the declared salary or SCR357, whichever is greatest.

The mandatory contribution guarantees a monthly pension for life to each pensioner provided that they meet the criteria, which is a minimum of 10 years of continuous contribution to SPF immediately prior to retirement or an aggregate period of 20 years of contribution prior to retirement. Once the criteria is met, the members become "vested members" and as such benefits with a pension upon retirement. The "non-vested members" accounts only are credited with interest because they do not qualify for a pension and the full amount standing in the account will have to be refunded upon retirement.

(ii) Voluntary Contributions

The Voluntary Contribution Scheme encourages members to make additional savings by contributing more on a voluntary basis. The minimum monthly voluntary contribution is SCR 50. Voluntary contributions, are refunded to members, with interest, when they retire and start drawing their pensions.

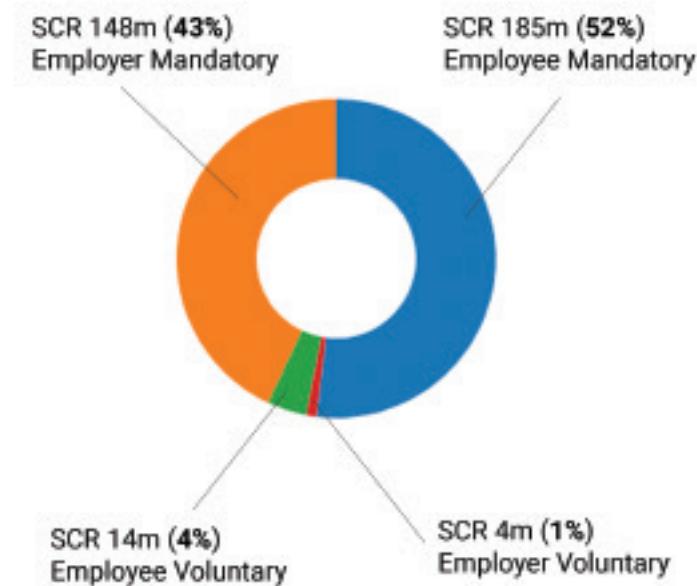
For 2018 a total of SCR 18m was collected as voluntary contributions, an increase of 20 % compared to SCR 15 m in 2017. Effective 2019, voluntary contributions can be withdrawn once the members reach the age of 55 years. All voluntary contributions are credited with an annual interest as per SPF's interest policy. For 2018 SPF had 1,799 more members making voluntary contributions as compared to 2017, making a total of 8,150 members contributing.

c) Match/It Scheme

SPF has a Match-It Scheme that encourages employers to match, in full or in part, whatever voluntary contributions their employees make. There was a total of 5 employers registered for the scheme in 2018.

d) Comparison of Contributions collected over past two years

	2017		2018		VARIANCE	
	Contributors	Amount SCR' m	Contributors	Amount SCR' m	Contributors	Amount SCR' m
VOLUNTARY	6,351	15	8,150	18	+ 1,799	+3
MANDATORY	42,760	255	43,561	333	+ 801	+ 78



e) Recovery of Un-Paid Contributions

A total 304 assessments cases were made against employers in default of contributions in 2018 and a sum of SCR3m was recovered as a result in contributions along with SCR1.1.m in surcharges.

f) Employers

The total new employers registered in 2018 were 314 compared to 310 in 2017. The total employers registered with SPF was 3,120, an increase of 2% from 3,068 in 2017. This is the net figure of new registered employers for the year less those who ceased operations in the year.

g) Self-Employed

There is a reduction in total new self-employed for 2018 at 243 compared to 285 in 2017. The total self-employed registered with SPF however, was 1,896, which is an increase of 15% from 1,653 in 2017. This is the net figure of new registered self-employed for the year less those who ceased operations in the year.

Table showing new employers and self-employed for the past four years

EMPLOYERS				SELF-EMPLOYED			
2015	2016	2017	2018	2015	2016	2017	2018
243	296	310	314	90	213	285	243

h) Detection of unregistered employers

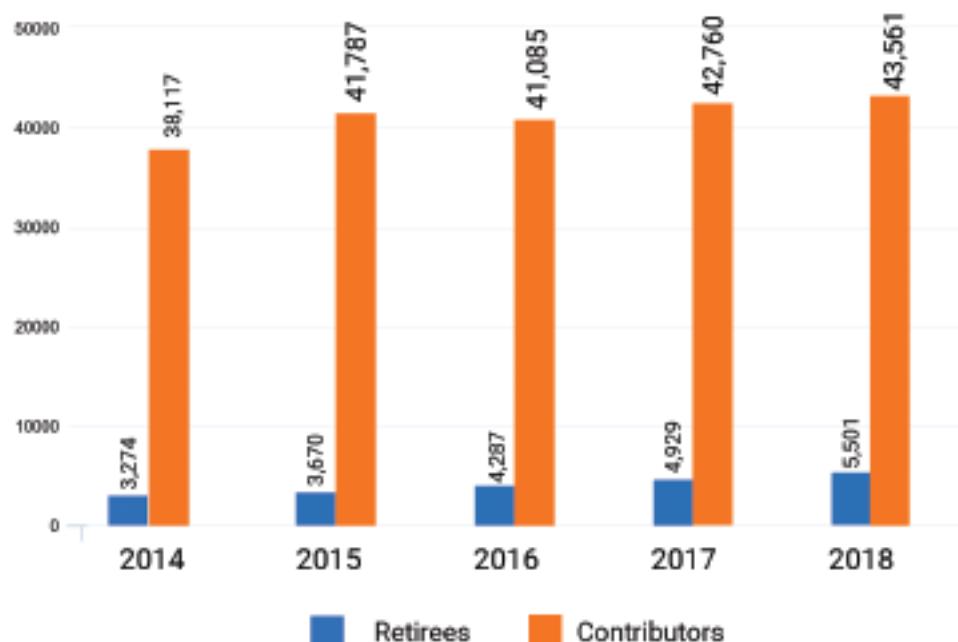
Throughout 2018 SPF made several spot checks for unregistered employers and followed up on complaints lodged by employees. In total 40 Complaints were lodged and as a result 7 unregistered employers were detected. The remaining 33 cases were dealt with as queries on missing contributions.

It is encouraging to note that employees in general are more aware of their rights and the contribution that employers are obligated to make on their behalf.

i) Membership of the Seychelles Pension Fund (2006-2018)

Year	Active Members	Rate of Growth
2006	33,505	N/A
2007	32,104	-5%
2008	32,174	0%
2009	30,166	-6%
2010	33,371	11%
2011	35,252	6%
2012	39,461	12%
2013	40,279	2%
2014	38,117	-5%
2015	41,787	10%
2016	41,085	-2%
2017	42,720	4%
2018	43,561	2%

j) Comparison of pensioners with active contributors for the past 5 years.



3.1.2 PROCESSING

a) Members' Accounts

An account is maintained with the SPF for each registered member. The account is maintained separately for the mandatory and voluntary contributions and the interest is also credited to the respective accounts.

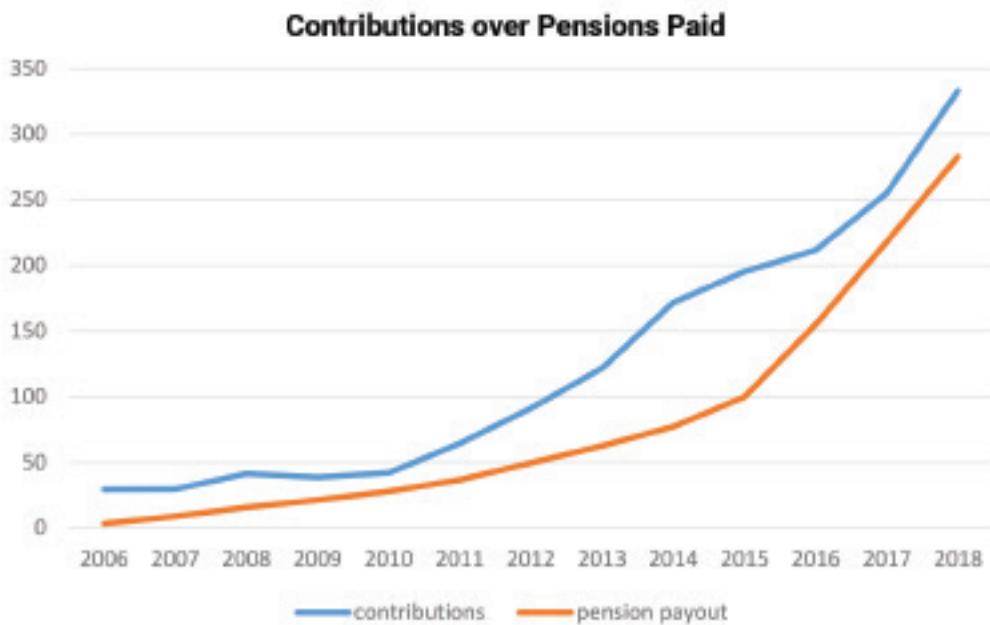
b) Interest for Member Accounts

Members' accounts are credited with an interest on a yearly basis which are added to their contributions.

The interest rate for 2018 was 5.99% for Voluntary contributions and 4.81% for Mandatory contributions. For 2018, the interest was reviewed in October 2018 following the introduction of a new Interest policy. Up until that point the interest rate was 2.5% for both contributions. As explained in para 3.1.1 b (i), interest is credited to non-vested members only as the vested members are eligible for a pension upon retirement.

c) Allocation of contributions

SPF keeps up-to-date members' account and ensures that the prescribed contributions paid by employers and employees are allocated to each member's account in time each month. In 2018, allocation was done electronically for Government employees, the largest employer, through an in-house IT system, designed to allocate and reconcile all member accounts with payroll, which was done manually before. For 2018, SPF managed to allocate all contributions paid, to member's accounts by year end which was fully reconciled for the year. This new system of electronic monthly allocation and reconciliation, will be extended to all other employers in the coming year.



3.1.3 BENEFITS

a) Types of Pension & Benefits paid

Normal Retirement Pension

Permanent Incapacity Pension

Surviving Spouse's Pension

Children's Pension

Refunds-Migration &
Non-Qualifying Refunds



b) Pensions and benefits paid in 2018

SPF paid SCR 288 million to 5,501 beneficiaries in 2018, showing an increase of 29% and 12% in both amount paid and in beneficiaries, compared to 2017.

For Retirement pension, aged 60 years and above, a total amount of SCR 223m (includes SCR 5 million for voluntary contribution refunds) was paid to 4,214 retirees. This represented an increase of 12% retirees compared to 3,765 in 2017, but the amount paid increased by 36%.

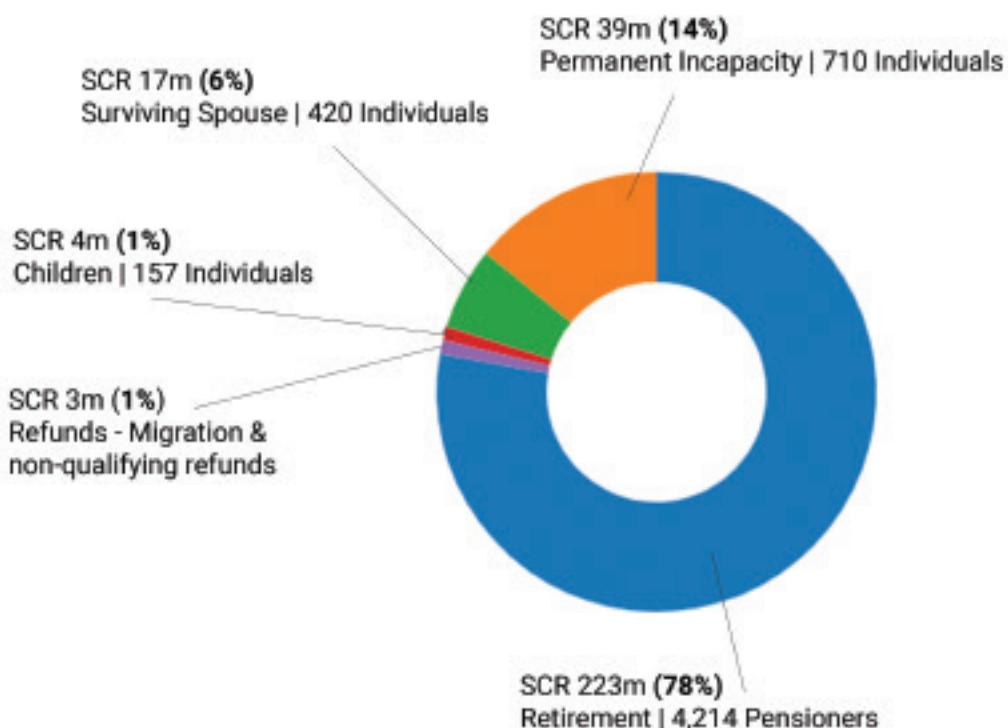
For Permanent Incapacity pension, a total of SCR 39 million was paid out in monthly pensions to 710 beneficiaries, an increase of 12% in beneficiaries and 15% increase in payment over 2017.

Spouse pension paid was SCR 17 million to 420 beneficiaries, the pension increased by 6% in beneficiaries and 13% on amount paid.

The Children's pension stayed at SCR 4 million, as per the previous year and were paid to 157 children.

For lump sum refunds, a total amount of SCR3 million was paid to 400 applications. This figure represents less the amount of last year but an increase of 67% in application for refunds.

The chart below shows the pension amount and number of beneficiaries paid.



c) Indexation of pension

The indexation is a means of increasing pension annually based on the rate of inflation. SPF's Act requires that the inflation rate as at 31st October of the previous year be used for indexation. For 2018, based on inflation as at 31st October 2017, as published by NSB was 2.26%, which was used to increase the pensions for the year.

d) Administration of Public Sector Special Pension on behalf of the Government

The administration of the Public Sector Special pension on behalf of the government for 425 pensioners was continued in 2018 with a total of SCR5.25 million paid. In addition, the pension for SPDF army personnel continued to be also administered and the amount of SCR2.9m was fully refunded along with the SCR5.2m by the government.

Year	2014		2015		2016		2017		2018	
Details	Beneficiaries	Amount Paid SCR								
Retirement Pension	2,541	50	2,827	63	3,294	95	3,765	164	4,214	223
Permanent Incapacity	360	18	451	20	527	36	632	34	710	39
Surviving Spouse Pension	252	7	278	9	337	13	381	16	420	17
Children's Pension	121	2	114	2	129	3	157	4	157	4
Refunds		3		9		11		4		3
Grand Total	3,274	80	3,670	104	4,287	158	4,929	222	5,501	286



3.1.4 | CUSTOMER RELATIONS

a) The primary objective of this section is to liaise with all SPF stakeholders especially members. The section receives and processes pensions and other benefit applications, provides advisory service to members to help them prepare for their retirement, and assists with pension queries. The section additionally helps in marketing and updating member's information in the SPF's database. The section was newly created in 2017 and is headed by one of the longest serving staff of SPF with a rich knowledge of the operations of the pension system.

b) A total of 3,819 customers i.e around 15-20 customers a day, were attended to in 2018 by this Section, due to the popularity of the "Pas kot fon panson pou en konversasyon" campaign. The section received 11 complaints which were all dealt with and 953 satisfied customers, out of a total feedback of 964, showing that 98% of customers had a positive experience with SPF. The process of customer satisfaction and feedback is being reinforced through the use of specific forms.

3.1.5 | PRASLIN & LA DIGUE

a) The SPF offices located on Praslin and La Digue, respectively, were both set up to ensure that SPF was able to successfully reach the population on both islands and guarantee that the services on offer were more easily accessible to them.

b) Both these offices are involved in the collection of contributions, the provision of advisory services and able to receive applications for benefits whilst the payments of pensions and benefits are administered directly from the SPF Head Office. These offices also manage the rentals of SPF's properties on both the



3.1.6 ANALYSIS

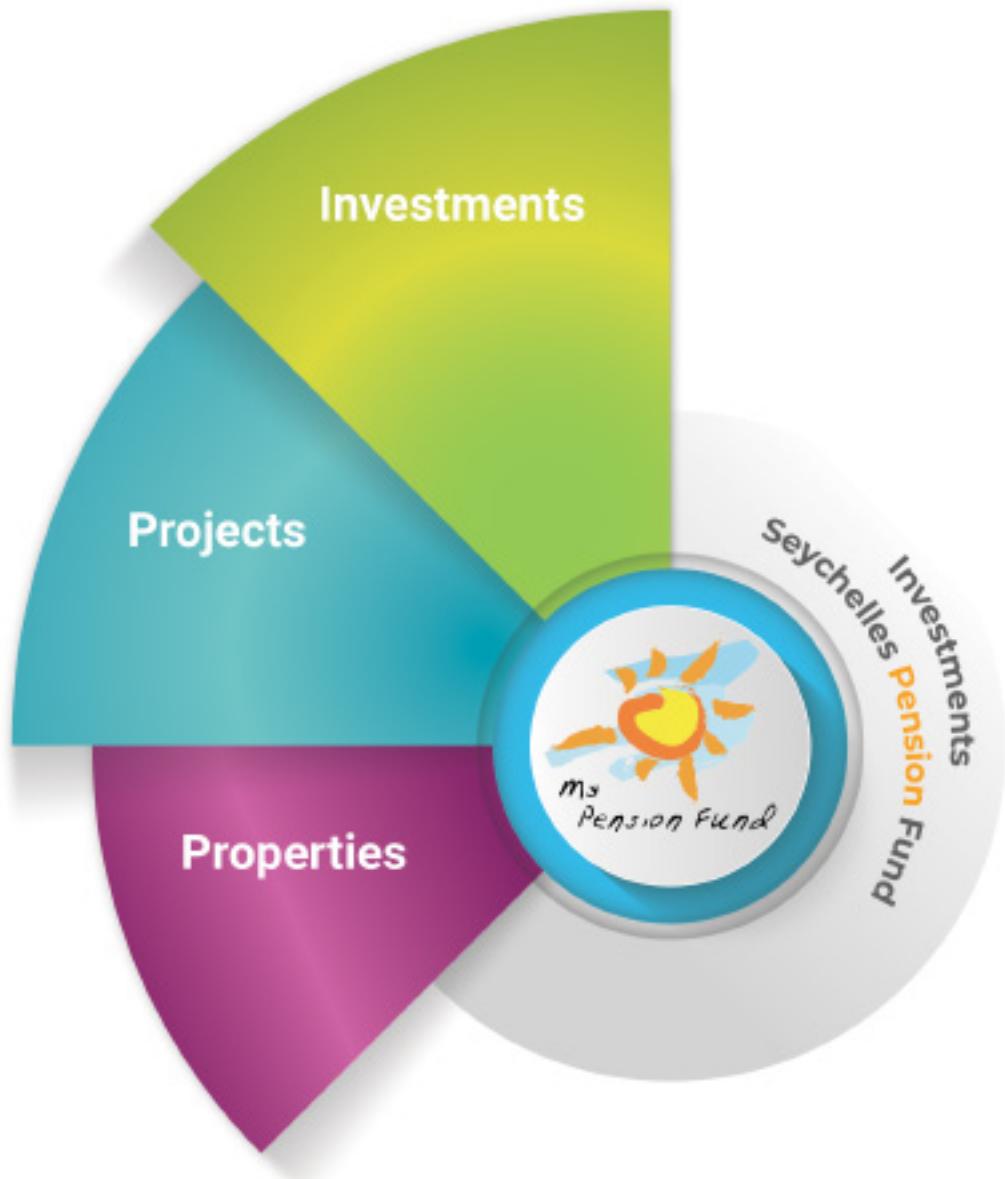
a) Analysis of Surplus of contributions over pension payment and investment income over administrative and investment expenses.

	2006 SCR'M	2007 SCR'M	2008 SCR'M	2009 SCR'M	2010 SCR'M	2011 SCR'M	2012 SCR'M	2013 SCR'M	2014 SCR'M	2015 SCR'M	2016 SCR'M	2017 SCR'M	2018 SCR'M
Contributions	37	32	46	43	47	70	98	128	184	205	223	270	351
Pensions Paid	7	10	17	23	30	39	51	65	80	104	158	222	286
Surplus	24	22	29	20	17	31	47	63	104	101	65	48	65
Investment Income	33	42	135	72	84	62	125	111	179	214	347	236	282
Expenses Including Admin	28	33	44	49	48	50	65	64	71	110	131	150	133
Surplus	5	9	91	23	36	12	60	47	108	104	216	86	149
Gross Surplus	29	31	120	43	53	43	107	110	212	205	281	134	214

b) Analysis of new pensioners for the last five years which shows that for the year 2018 retirees were mostly around 63 years old compared to 2017 when most new pensioners retired at 60 years.

Year	2014	2015	2016	2017	2018
Retirement Pension	243	303	502	705	278
at 60 years of age	58	113	176	337	108
at 61 years of age	45	48	120	143	27
at 62 years of age	20	20	41	64	10
at 63 years of age	120	122	165	161	133
Permanent Incapacity	48	74	94	118	78
Surviving Spouse Pension	53	49	65	57	36
Children's Pension	17	29	22	35	22
Grand Total	361	455	683	915	414

3.2 | INVESTMENTS



3.2.1 | INVESTMENTS

a) Investment Performance

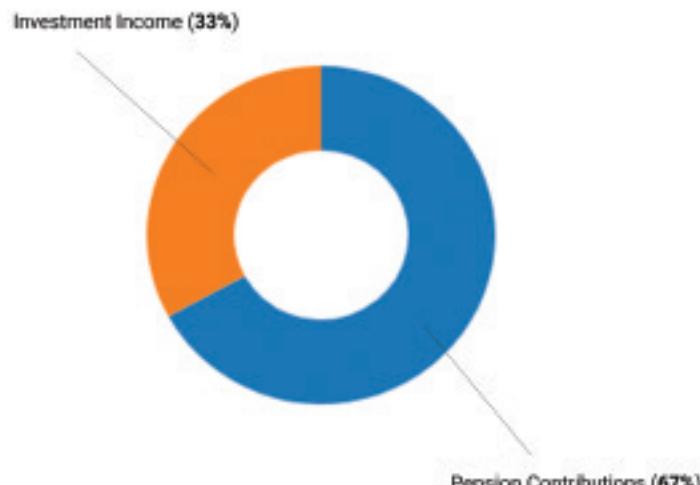
SPF is the largest institutional investor in Seychelles, equal to 15% of the Gross Domestic Product (GDP) as at year end 2018, with an investment portfolio of SCR 3 billion.

SPF made SCR 282 million at a total rate of return of 9% at market rate, from all its investments in 2018. Total expenditure in investments and administration was SCR 133 million, generating a surplus of SCR 149 million from investments. If fair value, provisions and depreciation is removed from the investment income and expenditure, the net surplus would be SCR 49 million, the highest that SPF has earned since inception.

b) SPF Total Revenue

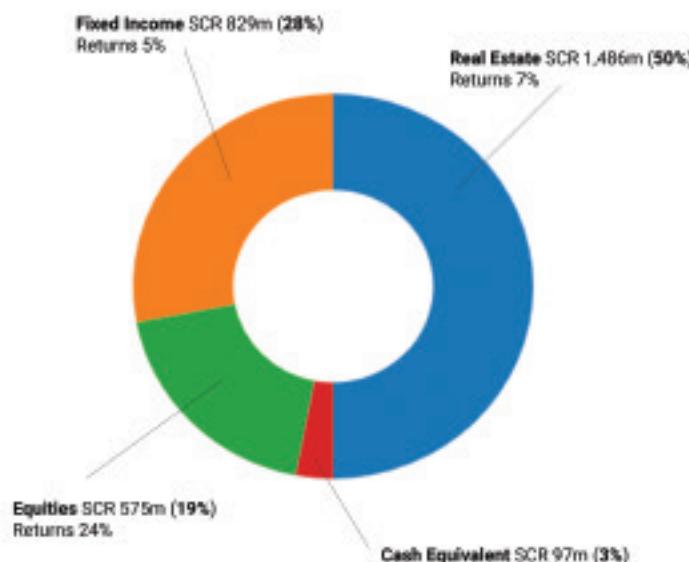
SPF's total revenue is made up of 33% (SCR 172m) from investments and 67% (SCR 351m) from contributions. Investment income here is less of fair value/provisions plus depreciation.

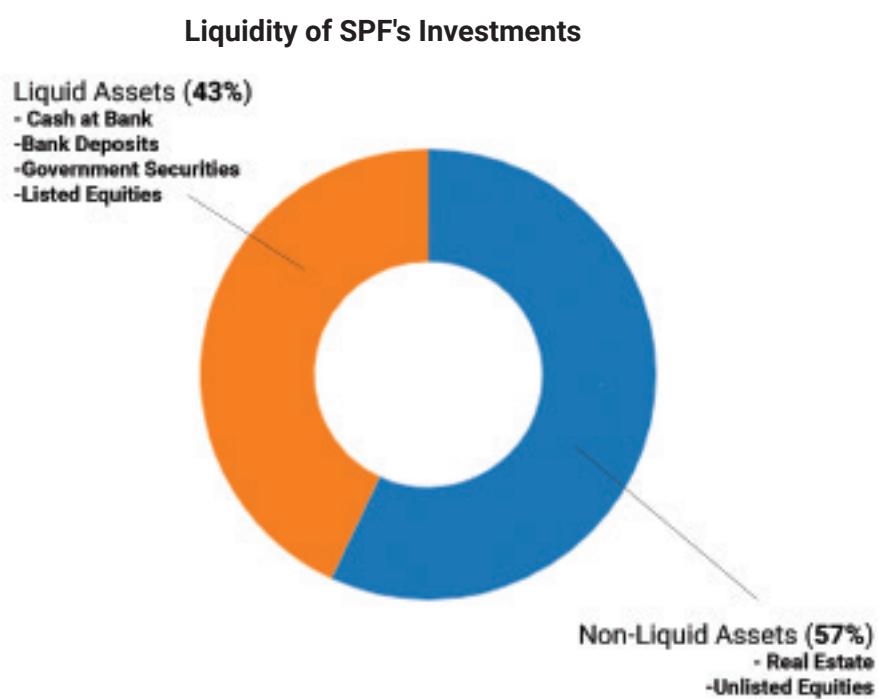
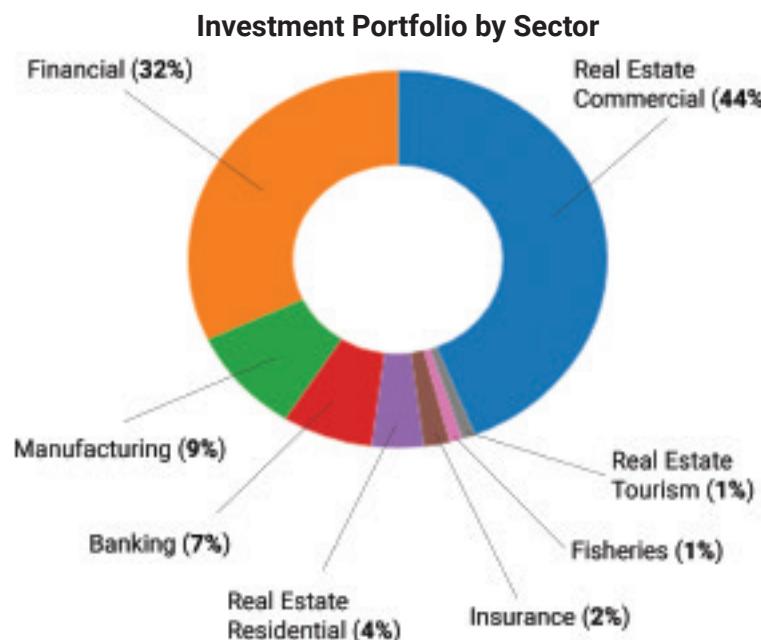
Total Revenue Composition



c) Investment Portfolio

Investment Portfolio as at 31 December 2018 | SCR 3 Billion
Total Return at market value 9%





d) Interest/Dividend/Rental Income



e) Fixed Income

Fixed Income includes Government securities and fixed term deposits with commercial banks.

Investments in Government Securities represented 16% of the portfolio (SCR 476 million) while investments in fixed deposits account for 12% of the portfolio (SCR 353 million). Returns generated from fixed income is 5%.

Interest income dropped to SCR42.9 million in 2018 from SCR 47.8 million in 2017. This was a result of overall lower interest rates from Government Bonds and Treasury Bills.

f) Domestic Equities

Investments in domestic equities is 12% of the portfolio (SCR 352 million). SPF has shareholding in 5 domestic companies; Seychelles Breweries, SACOS, Al Salam Bank Seychelles and Seychelles Commercial Bank, Central Common Cold store.

g) International Equities

In its efforts to diversify its portfolio and take advantage of new opportunities, SPF has invested SCR 228 m in overseas equities, which accounts for 8% of the portfolio. SPF has investments in fixed income instruments, private equities and listed equities on the international stock exchange.

Dividend income from both domestic and international equities increased to SCR 14.9 milion from SCR 14.1million in 2017 which is mostly due to increase in dividends from Afrexim Bank, TDB and Seybrew. Returns generated from both domestic and international equities are 24%, inclusive of capital appreciation.



h) Real Estates

Investments in real estate represents 50% - SCR 1.486 billion of the investment portfolio. The real estate portfolio remains a key investment, which is being reviewed due to changes in the real estate market. The amount of income generated from properties continue to increase every year with the completion of new projects. However, in 2018, there were no new completed projects. Rental income increased to SCR 115 million from SCR 108 million in 2017. This increase was due to SPF undertaking a thorough review of its rental rates on certain properties. Despite that, maintenance costs were higher in 2018 at SCR 37 million compared to SCR 30 million in 2017, as a result of major renovation programme undertaken to some of SPF's properties like Le Chantier Mall and Oceangate House.

Returns generated from real estate is 7%.

i) New policies

A new Valuation of properties policy for all SPF properties was drafted and implemented in 2018, whereby each property was valued based on the income method, and separately for land and buildings. A new policy for Valuation of unlisted equities was also introduced using the adjusted net asset value method.

J) New Investment Strategy

A new investment strategy with specific targets, was implemented in 2018 towards achieving strong, sustainable returns.

As part of the reviewed investment strategy for the short, medium and long term, it was decided to gear SPF's investments away from real estate towards a more diversified portfolio. The aim of SPF has always been to seek a maximum rate of return without undue risk of loss of capital invested, by investing contributions not needed to pay current benefits, in order to build a reserve fund to help ensure the sustainability of the fund for future generations.

The future strategy for investment is to steadily broaden and diversify the assets and geographical mix of the investment portfolio, with medium risk, by widening our equities in the global market to enhance liquidity and long-term returns.

3.2.2 | PROJECTS

This section is the implementing arm of SPF for undertaking building of projects once investment decisions have been made.



3.2.2 | Ongoing Projects

a) Commercial Building on Independence Avenue (Pirates Arms Re-Development Project) Independence Avenue, Victoria, Mahé

A multi-storey commercial building with a modern look including a feel of creole architecture is being proposed for the Pirates Arms Property. Facilities that will be incorporated in this development are semi basement parking for 42 vehicles, 6 shops, 3 floors of offices, 1 floor of entertainment facilities, 1 food court and 2 restaurants. The total area of the entire building will be 13,631 square meters.

Design/Drawings

Main Building: The following architectural designs & drawings were completed:

- Site, floor and elevation plans
- Detail and component plans
- Interior design and specifications
- Engineering - Piling designs and all structural plans
- Mechanical, Plumbing & Electrical

About 95% of all MEP works were completed:

- This involved electrical,
- Air conditioning, plumbing, drainage
- Designs including elevators

Quantity Surveying:

- About 90% of the Bill of Quantities were completed. The estimated cost plans and cash flow for the year 2019 were also completed.

b) Tenants Accommodation

Interior designs and specifications for the following facilities were completed after the tender and award for the 3 restaurant and gaming casino were made in 2017:

- Main restaurant on the ground floor
- The three fast food areas on the ground floor.
- The casino and entertainment on the first floor
- Fine dining restaurant at the top floor
- Office spaces: 3 Floors

Piling work

This work commenced in late December 2017 but had to stop after being issued with a stop notice by the Planning Authority in January 2018. This was because of the tilting of the CBS Annex building. Eleven piles had been installed by then.

In view that there were no local geo-technical engineer to further guide SPF on the issue, a South African firm known as Ground Africa was appointed on 9th February 2018 to conduct an investigation and make recommendations on the way forward. The decision from Ground Africa was to secure the building through 'under-pinning'. CBS however preferred to pull it down and build a new one after they did a separate investigation. A compensation amount was also asked by CBS, which is now being discussed as well as arbitration with piling contractor.

A reviewed piling methodology is also being submitted for work to resume in early 2019.

Consultants and Contractor Involved on the Project:

- Project Manager: Atvantage Group
- Architect: Ekoarkitek
- Structural Engineer: F&D Structural Consultants
- Quantity Surveyor: Hooloomann Project Services Ltd
- Mechanical Electrical and Plumbing Consultant: IBEC (Sey)
- Piling Contractor: Vijay Construction (Pty) Ltd
- Main Building Contractor: Not yet appointed

b) Ile Perseverance Residential Apartments Project



I. Introduction

Due to the high demand for affordable housing in the country, SPF decided to launch itself into this market. The project consists of 24 two bedroom apartments and 18 one bedroom apartments on a 3127 square meter plot on Ile Perseverance. The project is for rentals but SPF will look at selling the apartments nearer to completion and subject to demand.

In December 2018 the construction work was in its 28th week with just under a completion rate of 50%.

ii. Piling Works

The piling work was completed on time and within budget.

iii. Consultants and Contractors appointed after tender for the Project

Architect: JS Design

Structural Engineer: WNC Consulting

Quantity Surveyor: LQ Consultant

Mechanical Electrical and Plumbing Consultant: IBEC (Sey)

Electrical & Fire Alarm System Contractor: Vijay Construction (Pty) Ltd

Public Health & Fire Fighting Services Contractor: Vijay Construction (Pty) Ltd

Piling Contractor: Vijay Construction (Pty) Ltd

Main Building Contractor: Vijay Construction (Pty) Ltd

c) Le Chantier Mall (Creation of new office and atrium)

**i. Introduction**

This project was considered firstly to stop water leakage and extensive terraced roof damage so as to prevent rain water from entering through the cracks on the fourth floor slab and the atrium, which was affecting the tenants below. On analysis, SPF decided to build 336 sqm of new commercial space on the 4th floor with all the necessary facilities and a new atrium, as it was a viable option to solve the problem and earn more rental income, especially since there is a demand for office space.

ii. Works contracted

The contract for the construction and internal partitioning works was awarded to Allied Builders. During the end of the fourth quarter they provided a shop drawing for the development and it was approved by SPF. The contractor has began the procurement procedure for the steel frame structure and external cladding. The main works are expected to commence early 2019 and to be completed by mid-year.

iii. Consultants and Contractors appointed after tender for the Project

Architect: In House

Structural Engineer: Esparon Civil and

Structural Eng. Consultant

Mechanical Electrical and Plumbing

Consultant: In House

Electrical & Fire Alarm System Contractor:

MEJ Electrical

Internal Partitioning works: Allied Builders

HVAC Contractor: Allied Builders

Main Building Contractor: Allied Builders



d) Pointe Aux Sel Housing Project

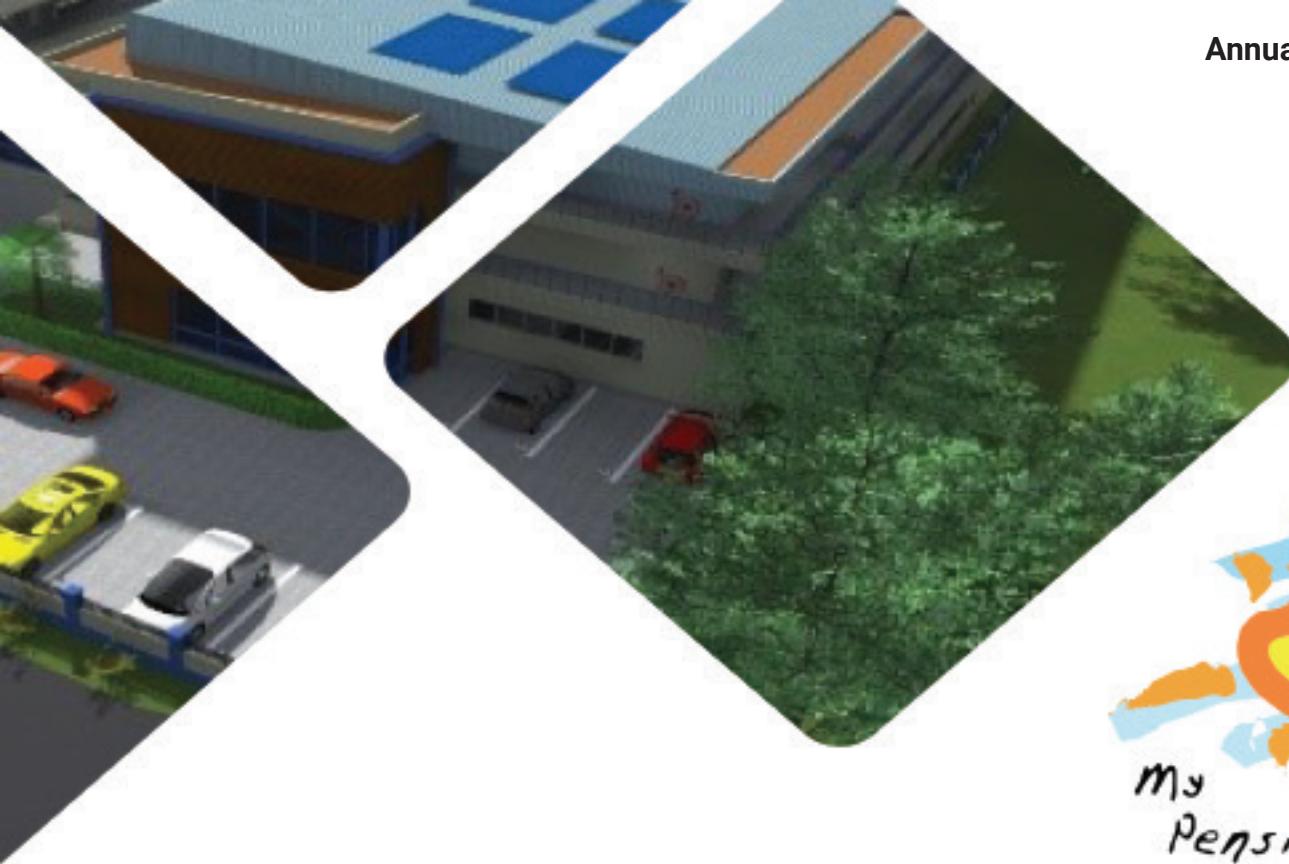
i) This project was conceived with the intention of providing affordable housing to the local market. The idea was to construct and then sell the houses to first time home buyers preferably.

SPF purchased the property in 2018. As a forward planning initiative, the section completed six different house designs ready to be submitted to the Planning Authority.

The section also completed the documentation for the tender of the following:

- 1) Clearance of the whole property and,
- 2) Topography Survey

Consultants and Contractor Involved on the Project
None appointed for the moment



e) Ille du Port Project

i. Introduction

The project was initiated in order to cater for the high demand for warehouses and archives in the local market. The construction contract was awarded in December 2018 to Wellpoint Development Pty Ltd.

ii. Piling Works

The piling work was completed on time and within budget.

iii. Consultants and Contractor Involved on the Project

Architect: R & R Architect

Structural Engineer: F&D Structural Consultants

Quantity Surveyor: LQ Consulting

Mechanical Electrical and Plumbing Consultant: PROBUCO

Electrical & Fire Alarm System Contractor: Vijay Construction

Public Health & Fire Alarm System Contractor: Rey & Lenferna (Sey)

HVAC Contractor: Machinery and Equipment

Piling Contractor: United Concrete Products (Seychelles)

Main Building Contractor: Wellpoint Development Pty Ltd

3.2.3 | PROPERTY SECTION

a) Introduction

The Property Section manages SPF's rental properties and it's principal responsibility is the collection of rental income and the diligent management of maintenance expenses. It consists of a dedicated property management maintenance team that continually finds new ways of cutting costs without it being detrimental to the upkeep of our premises.

SPF has remained the landlord of choice in Seychelles through effective management of our premises. SPF has 27 properties, of which 21 generate income, two vacant plots of land that do not generate any income and four are being developed.

b) List of all SPF properties

1. **Huteau Lane Complex**
2. **Caravelle House**
3. **La Clementine**
4. **Port Glaud Craft Village**
5. **Providence Micro Enterprise**
6. **Providence Warehouse**
7. **Pension Complex Praslin**
8. **Praslin Holiday Home**
9. **Eve Island Enterprise**
10. **Eve Island Cold Storage**
11. **Eve Island Dry Goods store**
12. **La Passe Pension House**
13. **Unity House**
14. **Maison Collet**
15. **Corail D'Or Apartments**
16. **Continental Complex**
17. **Ocean Gate House**
18. **Le Chantier Mall**
19. **Orion Mall (second floor)**
20. **Maison Simone**
21. **Parcel V18604 (5th June Avenue opposite Maison Collet)**
22. **Anse a La Mouche (no income)**
23. **Property on La Digue (no income)**
24. **Ex-Pirates Arms (being developed)**
25. **Ile Perseverance (being developed)**
26. **Ile du Port (being developed)**
27. **Pointe au Sel (being developed)**

c) Occupancy Rate

As part of our mandate, it is imperative for the Property Management section to attain and maintain a very high occupancy rate for all of our properties. For 2018, the overall occupancy was 96%.

Occupancy rate of SPF Properties as at 31st December 2018

BUILDING NAME	LOCATION	N° OF RENTABLE UNITS	OCCUPANCY RATE
Huteau Late Complex	Victoria	42	100
Caravelle House	Victoria	3	100
La Clementine	Baie Ste Anne Praslin	6	100
PG IEA Craft Village	Port Glaud	6	100*
Providence IEA	Providence Industrial Estate	12	100
Maison Simone IEA	Anse Boileau	12	100
Orion Mall	Victoria	1	100
Providence Warehouse	Providence	30	100
Pension Complex	Grand Anse Praslin	54	100
Praslin Holiday Home**	Eve Island Praslin	20	**
Eve Island Enterprise	Eve Island Praslin	6	90
La Passe Pension House ****	Victoria	14	100
Unity House	Victoria	145	100
Maison Collet (office spaces)	Victoria	2	100
Maison Collet (Parking Spaces)	Victoria	104	100
Corail d'Or Apartments	North East Point	28	100
Oceangate House	Victoria	11	100
Le Chantier Mall	Victoria	28	100
Continental	Victoria	7	100

- * PG IEA Craft Village is leased to SENPA, although they are leasing out only the Restaurant/Take-away and the other kiosks are empty.
- ** Praslin Holiday Home has been leased out.
- *** Eve Island Cold Storage is occupied by APEX.
- **** La Passe Pension House, excluding SPF Office.

The amount of rentable units depends on the amount of leases issued.

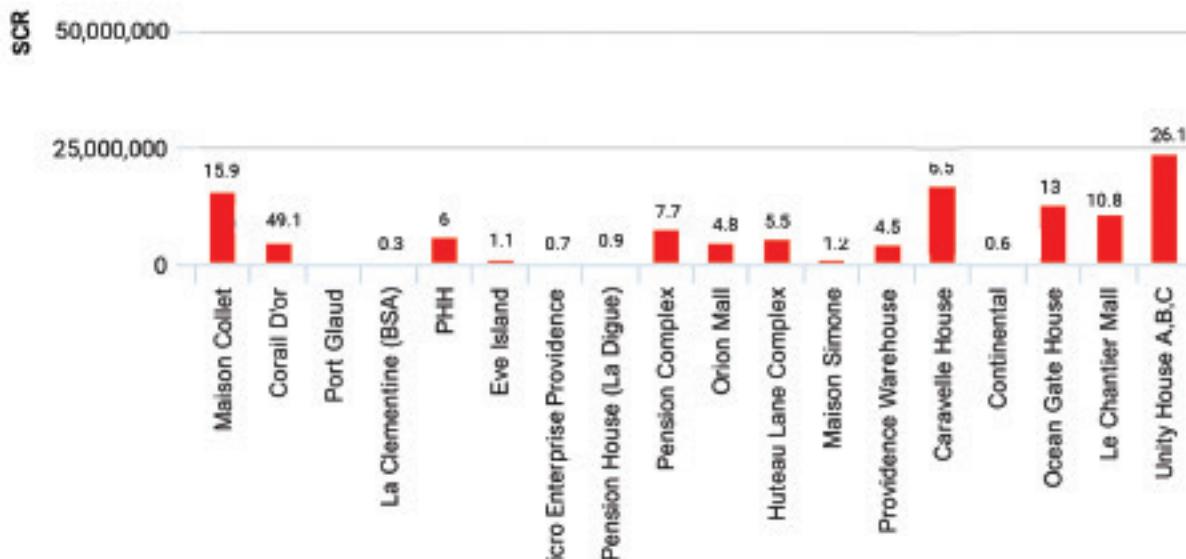
d) Rent collection

Timely collection of rent and other charges remains very important for us. In order to reduce the number of late and/or outstanding rent payments we have ensured that the majority of our tenants pay their rent via a monthly standing order that was introduced in 2017.

This has greatly reduced the number of non-paying tenants that our Rent Compliance Officer has to follow up and pursue at the end of the month. During the course of the year the non-active tenants have continued to make an effort in reducing their outstanding balance. However, we still had to take some new cases to Rent Tribunal court.

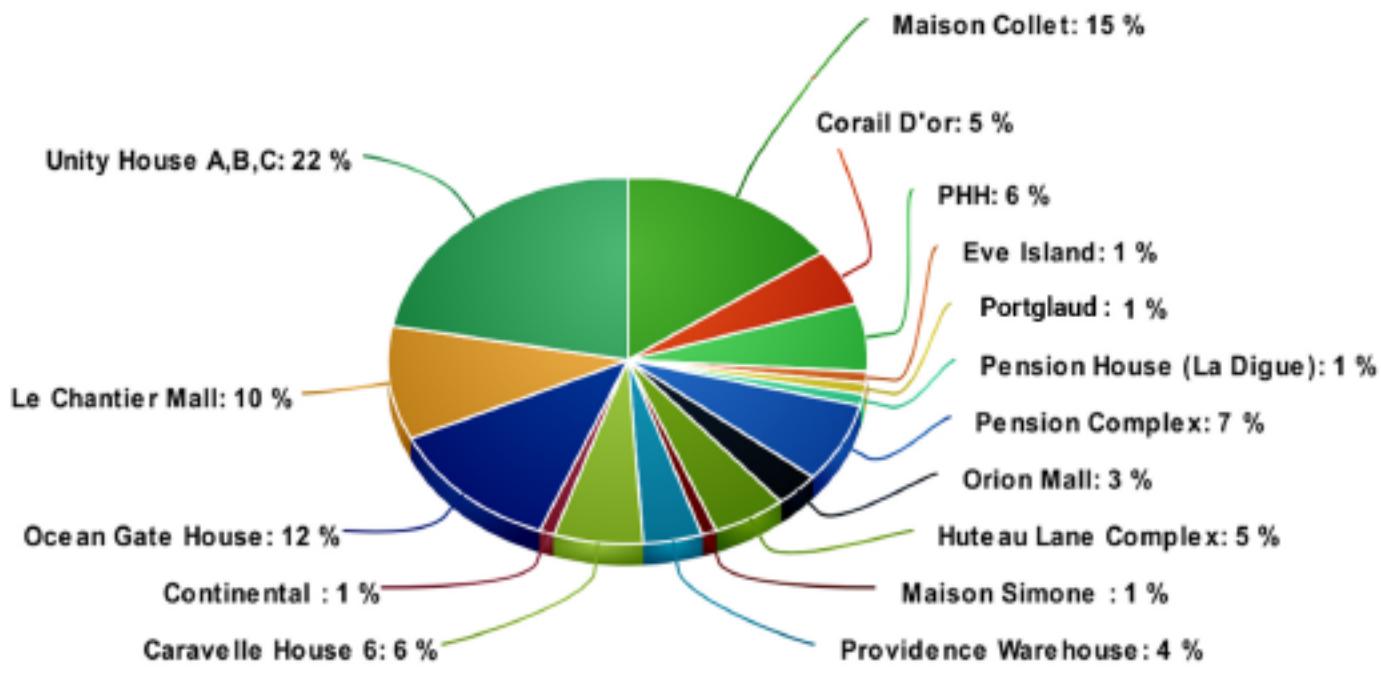
A new policy for Bad Debts on rentals was introduced that strengthens the existing procedures of SPF, in terms of non-payment or delay in rent payments.

e) Rental Income per Property



The graph above shows the rental income per property collected in 2018. The data is showed in millions and in increments of 200,000. Properties with a value under 200,000 are not shown on this graph.

Percentage of Rent Income per property as at 31 December 2018

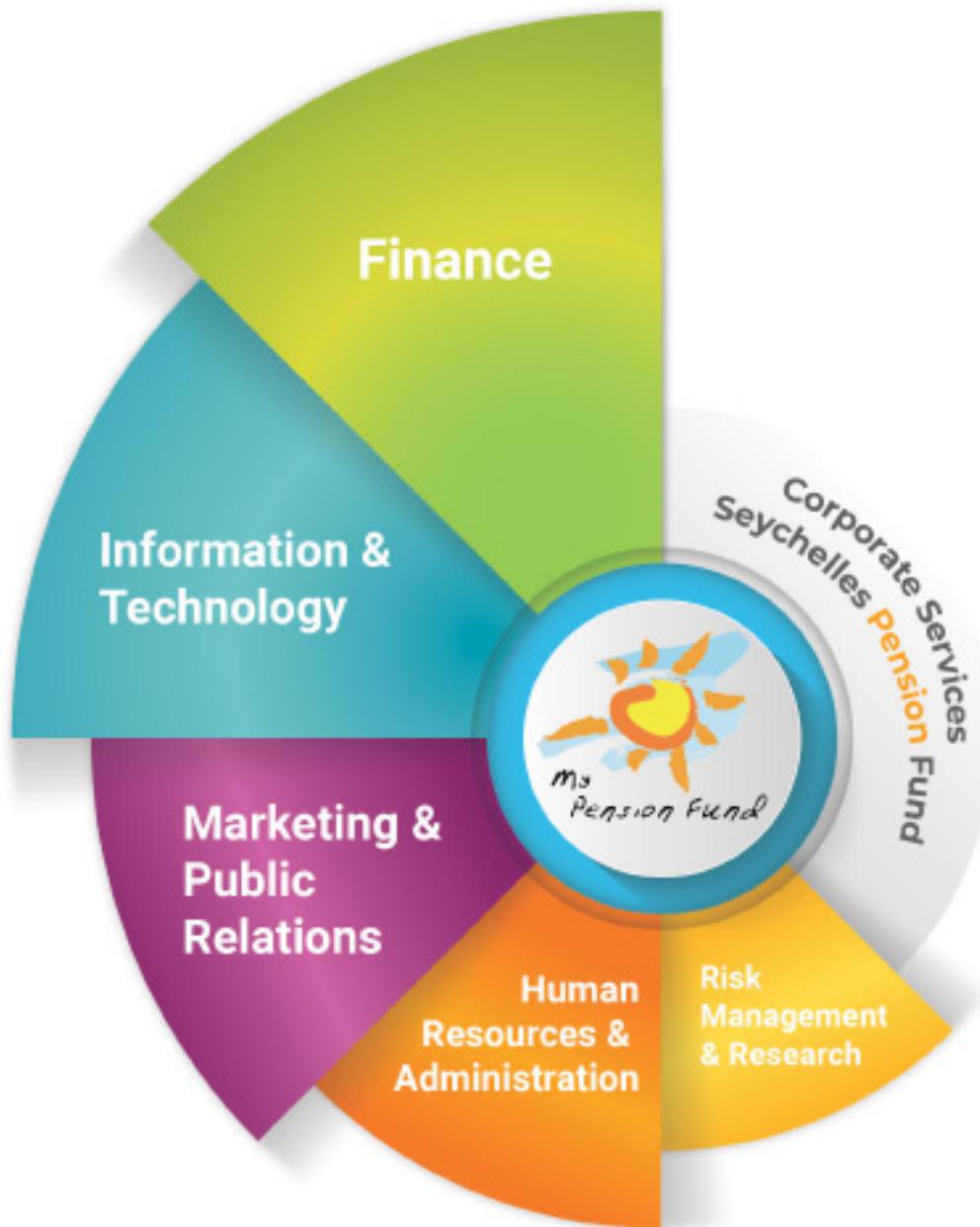


f) Service Delivery and Property/Facilities Management

The timely and efficient reporting of any shortcomings at any of SPF's premises remain an important aspect of our service delivery to our tenants. It is for this reason that there are caretakers, general helpers and cleaners always on site to ensure that any immediate issues can be attended to.

With our maintenance contractor at hand, SPF also ensures that any maintenance related issues are attended to as soon as possible in order to reduce the level of dissatisfaction and/or inconvenience that it may have on tenants together with ensuring proper upkeep of all our properties. Maintenance costs are controlled and monitored to avoid escalating costs that could spiral out of control, if not prudent with spending and diligent planning of major renovation works.

3.3 | CORPORATE SERVICES



3.3.1 | FINANCE SECTION

a) The Finance section is one of the key components of the support services at SPF that oversees the financial matters of SPF and ensures the organization attains its key objectives. In other words, the finance function oversees the organizational processes at a micro level that includes:

- the key responsibility of budget preparation, management and control
- proper project budgeting and cost control,
- managing the funds for investments
- running the payroll
- claims processing and handling all expenditure of SPF
- prompt collection of all pension contributions and pension/ associated benefits are paid in time and in tune with the regulatory requirements.

The section is also responsible for cash flow planning and monitoring. This is achieved through a system of weekly cash flow preparation and close monitoring.

b) Financial reporting on a monthly and quarterly basis of actual against budget for the year, and meeting all financial reporting requirements, in the requested timeframe in collaboration with the other sections, is also an important task of this section. Monthly financial report to the Ministry of Finance and to SPF's regulator, PEMC are sent each month respectively and this is done on the 10th of the following month as well as a quarterly report submitted PEMC as part of SPF's compliance commitments.

c) The most important aspect of Finance Section's work is the preparation of the audited financial statements for submission to the Minister of the Ministry of Finance Trade and Economic Planning, the National Assembly and the regulator, PEMC, before the end of March each year, as required under the SPF Act.

d) The section is pleased to record that it has fully complied to all such requirements in 2018. The audited financial statements are also herewith enclosed in Chapter 4.

3.3.2 | INFORMATION AND TECHNOLOGY

a. Introduction

Information Technology is rapidly transforming the way that the financial sector is operating, and the management and delivery of pensions is no exception.

The IT Section is committed to delivering a strategic advantage to the organization by fostering creative and innovative use of technology, to achieve the SPF's core objectives. This is achieved through an effective stewardship of information technology, providing a secure, highly reliable technology infrastructure along with high quality, customer-oriented services and support, to meet the ever-changing needs of our members and staff.

It has great potential to render SPF's internal processes more efficient and customer friendly. Such an approach and a heavy reliance on technology however can also create new emerging risks and one of the major concern of the section is data protection and data security at all times.

b) IT Audit

The section undertook, in 2018, an audit consisting of reviewing the design and effectiveness of existing IT controls over SPF's IT equipment, software, policies and procedures. The main objective of this exercise, done successfully, was to assess the confidentiality, integrity and availability of data as well as compliance with policies, procedures and standards governing the SPF's key business applications.

Based on the findings and observations made during the review, the current IT controls and practices were rated as 'generally compliant' with the requirements of ISO/IEC 27001:2013. This means that the control objectives exists but are not always being fully implemented or systematically followed. Recommendations have been sent to management with improvements that have to be further made to mitigate the risk of negative impact on the organization. The aim is to be fully compliant.

c) IT Risk Assessment

As part of managing the health and safety of the SPF's IT controls, an IT risk assessment was also conducted in 2018. The section analyzed and evaluated how likely and severe the risks were. Discussions were held on what measures should be in place to effectively eliminate or control the risks identified. This will be addressed in 2019, as part of the risk mitigation program.

d) Web Application

The web application is a means to provide SPF members with the details of their member accounts or their annual statements electronically.

For the first part, the section has worked to achieve this, by using the technology driven and hassle-free service of SMS Web Application, in order to conveniently send its members their account balance on a quarterly basis.

Once the project is completed, members would be able to access the web application via SPF website and obtain their current up to date statement at any time. The system would be secured, as each member would be provided with a unique login credential. The project has been tested and presented to SPF management and a few changes have been requested which are currently being attended to. The system is scheduled for launch in the second quarter of 2019.

d) System Development

The section also worked on many in-house developments, to facilitate SPF's users, by modifying the Operations Module, applying changes to the employer member relation file, the "importation" of Government file to user input allocation of monthly contributions data since GOS is the largest employer, especially for contributions from Government payroll.

New features were also added to the Benefit Module eg. Voluntary Contribution Report, Deceased member archive, application tracking status, removal of invalid salaries, removal of temporary allocation, updating of old and new NIN.

The complete process for application of voluntary contribution refund for members at the age of 55 years and above was again successfully implemented.

The new feature 'Pre-1991 member's employment history' has also been concluded and deployed amongst others. Other new IT features developed are:

Customer Relations | Designed and implemented report for members with salaries greater than any given amount.

Compliance Module | Design and implemented vested and non-vested members master list. Many statistical reports have been incorporated in the Compliance module.

Rent Module | The Rent Management system has been revamped in order to offers features like property management and accounting, electronic dispatch of invoices and receipts to tenants, tenant management, lease tracking, bank reconciliation, maintenance scheduling and reporting.

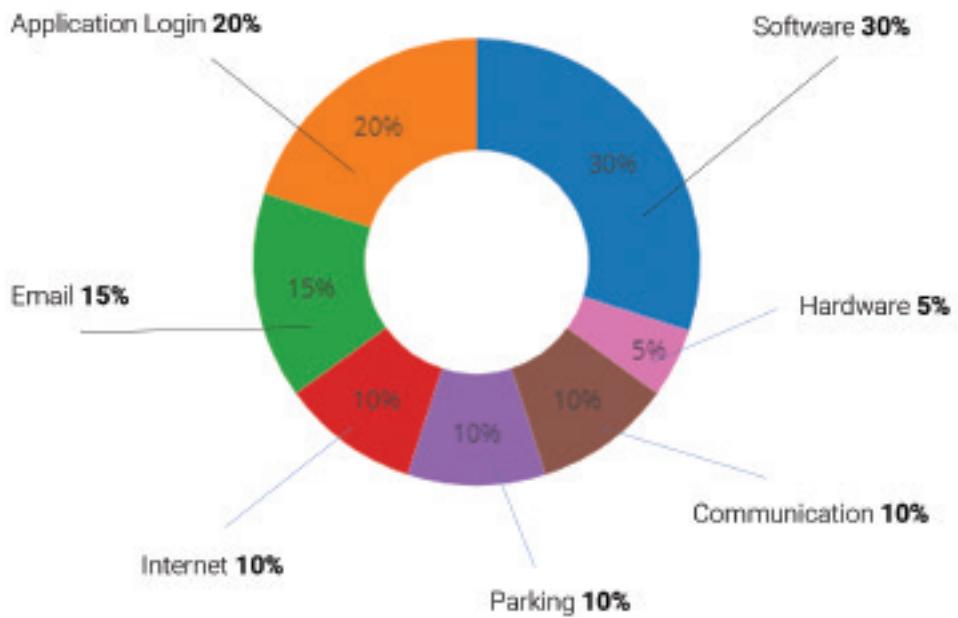
Debtors Module | A new debtors management reporting system has been put in place especially the aging list for debtors, for both tenants and employers making contributions.

Inventory Module | The inventory and asset register was developed and SPF is now managing its inventory through this new system, that also includes a user friendly tagging platform.

General Ledger: | The system was developed and is fully operational. It provides management with accurate, up to date financial information in order to make short and long term business decisions.

Document Management | Documents are stored digitally at SPF since 2018, with the objective of retrieving whenever needed. 5127 employer files have been scanned and processed. Document storage costs will be reduced by eliminating the costs of paper and by minimizing document storage space.

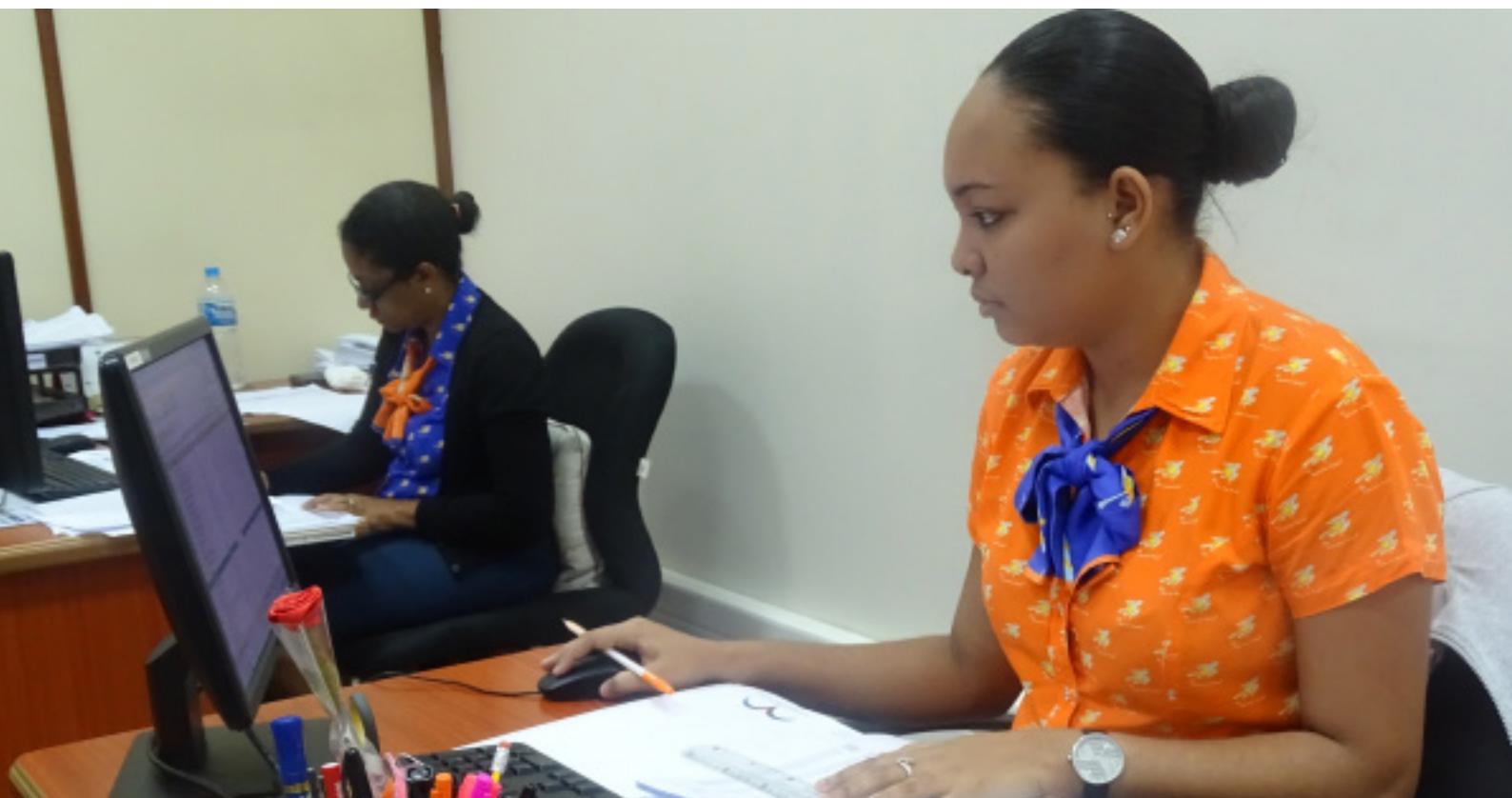
IT Help Desk: | The IT section is responsible for answering the technical questions of its users. The incident logs are transferred using e-mail. The purpose the help desk is to troubleshoot problems, provide guidance about hardware, software, and communication.



f) Conclusion

Overall we enhanced the performance of most of the software deployed at SPF and we have kept the whole ICT systems running smoothly and without fail.

Going digital ensures we can provide our customers with up-to-date information efficiently and sustainably and allows access to details with ease. We have seen around 7,500 active members using our online self-service and we look forward to strengthening our communications with members, employers and wider stakeholders going forward.



3.3.3 | MARKETING AND PUBLIC RELATIONS

a) Key Marketing and PR objectives

In line with the plans and targets for the year 2018, the marketing objectives were developed to focus on four main areas:

- Enhancing relationship with all our stakeholders, in particular SPF members and educational campaign by participating in fairs, work place talks, radio, TV programmes and newspaper publications.
- Increasing membership and revenue for our voluntary scheme as well as increasing membership from self-employed sector.
- Helping in maintaining 100% occupancy of SPF's real estate investments.
- Providing our members with up to date and latest technological means of information, especially through maintaining the SPF website.

b) Major marketing achievements

- **Brand alignment:** A public relations strategy was launched in 2018, to address brand recognition, and share correct information on SPF, because of malicious and incorrect information dissemination, by online opinion formers and others.

This was done through a popular, 'Zan mon zanmi Pansyon', cartoon strip series. This was complemented on TV with the recently coined slogan "Pas kot Fon Pansyon Pou en konversasyon" to ensure that SPF takes ownership of its information dissemination, get members to know more about SPF and to educate them on the importance of submitting all their employment history. 30 strips, targeting frequently asked questions, were produced and published by 'Seychelles Nation' and 'Today' newspaper for six months in 2018.

- **Workplace Information Sessions:** These were revamped to incorporate Workplace In-House clinics, which is "live" data and records of the workers, targeting shift workers and the otherwise difficult to access groups.

- **TV promotion:** SPF signed a six months contract with SBC for advertisements. A total of 4 adverts were produced to support the 2018 brand alignment PR strategy namely "Ou lenvestisman papa" which puts into perspective how SPF's investment benefits its members. "Goal", an advert targeting self-employed workers during the world cup campaign, "Tyeke advert" aimed at pulling members through the communication channel to keep up to date with their accounts and the members statement of account advert.

- **Advertising:** SPF also engaged in a host of collaborative advertising campaigns throughout 2018 which includes the Global Money week which targeted the Youths, Job Innovation Fairs on Mahe and Praslin, National Day Fair, presentation of Artbooks to Mont Fleuri Secondary school, Bois De Rose Fair, promotion of World family day in conjunction with the Ministry of Family Affairs, Outreach program at Orion Mall and Financial Education Campaign in partnership with the Central Bank.

- **National Day participation:** SPF's stall with a "Snakes and Ladder" game was a big hit at the National Day Stall. The main objective of participating in the National Day Fair was to promote voluntary contributions from the expected large crowds visiting the fair, whilst promoting SPF's services and conditions through the life size snake and ladders game. Again we recorded mass participation and the event contributed significantly to the increase of voluntary contributions that increased by SCR 3million in 2018, with a record additional contributions of 1,799 members.
- **Workplace information sessions:** A total of 33 workplace meetings were held for 2018, which included repeated sessions in some workplaces.
- **Website:** SPF's website was revamped and updated regularly with monthly performance reviews. Alongside the SPF Facebook profile, we now have a Facebook page, a Youtube account, a Twitter account and an Instagram account to widen the scope of our online presence, with social media taking over the means of communications with the young population.
- **Use of telephone for advertising:** With our IT Section and an outsourced company- Maven, we have completed a Web and SMS based application to feature as an independent and website application where member can in real time get updates on their account at SPF. The application is to be launched in 2019.
- **Match – It –scheme:** SPF had two new employers joining the scheme in 2018.



3.3.4 | HUMAN RESOURCES & ADMINISTRATION

As part of its continued effort in order to obtain optimum efficiency and effectiveness in the work place, the Human Resources & Administration section persist in its effort to promote the right organization functions in terms of the right staffing, providing a supportive working environment, promoting ethical conduct and strengthening mechanisms for the management and ensuring proper staff development of SPF throughout 2018.

a) Recruitment

There are four divisions and fourteen sections, whereby majority of its key staff have already reached professional level in their respective fields. More so with the implementation of the new structure, this has resulted in the creation of new positions, which has been mainly filled internally, through succession planning.

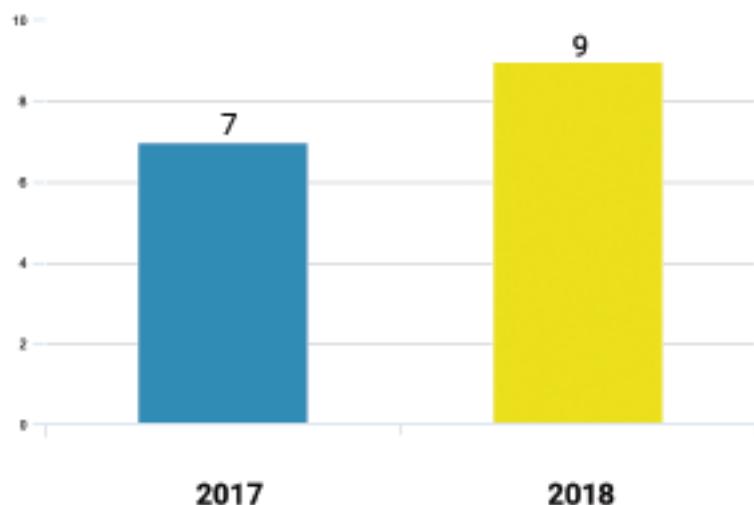
SPF continues to upkeep an ideal working environment by staying in tune with its staff members, which further contributes to enhance employee morale and in turn propel motivation, commitment and engagement. SPF has been able to maintain a very low staff turnover for the period under review.



The workforce has expanded from 122 employees as of December 2017 to 130 employees which represents a percentage growth of 7% in workforce. Recruitment has been mainly in the Finance, IT, Investment, Human Resources & Administration and Compliance section.

A total of 11 vacancies have been filled for 2018 as compared to 12 in 2017.

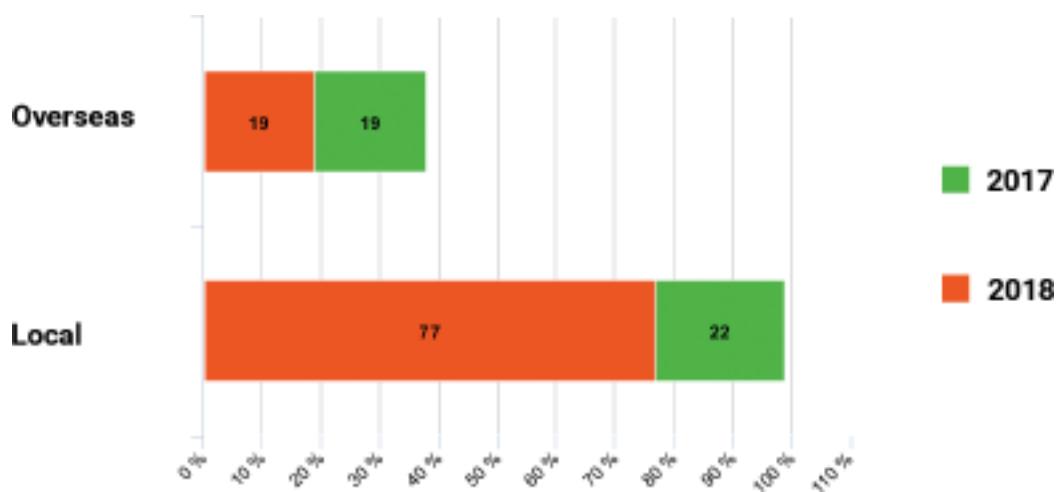
Percentage of Staff turnover | recorded resignations for 2017 and 2018



b) Training

Training is considered to be vital, in particular for staff development and professional growth. To achieve this, a succession training plan is available and is reviewed on a yearly basis. The training plan is for a period of five years. For 2018 the plan has been updated based on the current training needs and availability of funds.

From January to December 2018, 96% of employees benefited from both internal and external training. This ranged from local and overseas, workshops, meetings, short and long term professional courses. The percentage in 2017 was 41%.



c) Annual staff meeting and team bonding

In line with empowering our workforce and promoting team work to render the organization more effective and efficient in its undertakings, SPF organized its second team bonding activity in 2018 alongside its annual general staff meeting, which was a great success with the participation of 79% of its workforce.

d) Staff Incentives

SPF continues to provide a wide range of incentives, shown below, to its staff members which in turn contributes to good work performance and a high retention rate:

- **Relevant training**
- **Flexi-time**
- **Uniform**
- **Staff loans (stopped effective 18th December 2018, as per National Assembly's ruling when the new amendments to SPF's Act were passed)**

e) Performance Management

Great importance is placed on performance management in order to obtain the ideal working environment whereby productivity can be measured. Through the annual general staff meeting and monthly management meetings, set plans and targets along with Key Performance Indicators (KPIs) for the year are discussed, whereby achievements and constraints are reviewed.

f) Amongst other parameters considered to maintain an effective and efficient workplace are:

- **Employees having cleared defined objectives**
- **Alignment of SPF's goal to the activity**
- **Cost management**
- **Open communication**
- **Yearly reviewing of SPF's policies**
- **Employee appraisals conducted on a yearly basis**
- **Achievement of Key Performance Indicators (KPIs)**

From January to December the following have been updated and implemented:

- **Staff loan policy**
- **Succession training plan**
- **Emergency Loan Policy**
- **Employee handbook**
- **Remuneration policy**
- **Travel policy**
- **Health & Safety Policy**

g) Providing a supportive environment and promoting ethical conduct SPF continues to put a lot of emphasis in maintaining the right working environment which contributes to its positive growth.

h) Administration

In line with its administrative functions, the section continues to extend its support by providing means and ways to improve on the previous year's performance and mitigate all risks. Inevitably, as a result of our nature of business and the continued increase in activity, the administrative cost continues to augment in order to cope with new occurrences and projects.

i) Comparison of administrative costs with membership, investment income (without fair value / provisions / depreciation) and net assets over 5 years.

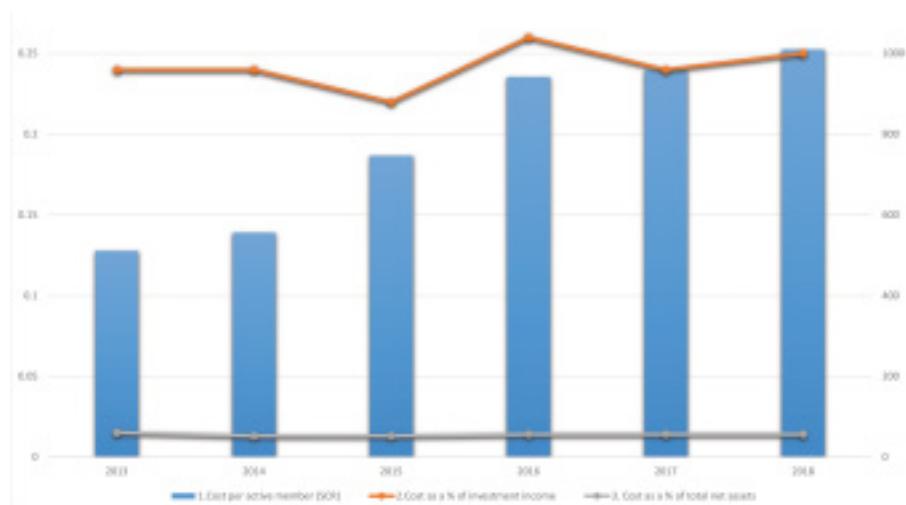
YEAR	2013	2014	% INCREASE	2015	% INCREASE	2016	% INCREASE	2017	% INCREASE	2018	% INCREASE
Administrative cost (SCR'm)	20.6	20.6	3%	31.2	47%	38.7	47%	41	6%	44	7%
Active members	40,279	38,117	-5%	41,787	10%	41,085	-2%	42,760	4%	43,561	1%
Cost per active member (SCR)	511	556	9%	747	34%	942	26%	959	2%	1,010	5%
Investment Income (SCR'm)	87	89	2%	139	56%	151	9%	170	13%	173	1%
Total Net Asset (SCR)	1,411	1,411	18%	2,331	40%	2,718	17%	2,817	4%	3,068	10%

j) Administrative cost as a percentage of other income and net assets

YEAR	2013	2014	2015	2016	2017	2018
Cost per active member (SCR)	511	556	747	942	959	1,010
Cost as a % of investment income	24%	24%	22%	26%	24%	25%
Cost as a % of total net assets	1.5%	1.3%	1.3%	1.4%	1.4%	1.4%

An increase of 7% was observed in administrative cost for 2018 which reflects an increase in workforce and increase in wages, through increment and promotion of staff members, along with gratuity payment during the year 2018, having a new organisation structure from 2017.

k) Comparison of administrative costs over 6 years



I) Employee satisfaction

SPF undertook an employee satisfaction survey in October 2018 and the results as shown below rated 71% of the staff being satisfied with the management of SPF, 72% content with work goals having been clearly defined, 84% encouraged to participate and share ideas and 92 % happy with their responsibilities at SPF.

Summary of findings- Employee satisfaction survey 2018

SUMMARY OF FINDINGS- EMPLOYEE SATISFACTION SURVEY 2018		
QUESTION	% SATISFIED OR AGREE	% DISSATISFIED OR DISAGREE
I am satisfied with my responsibilities	92%	6%
I feel encouraged to share new ideas with my team members and boss.	84%	5%
I consider money to be my number one motivator	33%	23%
If money is not your number one motivator, please state what motivates you to perform.	Teamwork/Growth & Development/Job satisfaction	
Three things about the organisation that you dislike	Poor communication/Poor reward/Low remuneration	
My work goals are clearly defined	72%	4%
I have enough resources to accomplish my job	61%	13%
I am satisfied with the way information is disseminated in the organisation	40%	26%
I can see my personal and professional growth in the organisation	58%	12%
I am rewarded for the quality of my efforts at SPF.	43%	20%
Overall how satisfied are you with your position at SPF	65%	09%
I am satisfied with my remuneration	43%	18%
Are you happy with the management of SPF	71%	13%

m) Training

96% of staff were trained in 2018, through workshops/courses/personal development sessions/professional and long term degrees, in-house specific training sessions, as well as overseas ISSA courses.

Tables showing Summary of training

OVERSEAS	
FIELD	NUMBER OF STAFF
ISSA Courses Workshops	10
Annual general meeting of SPF Shareholding	4
Finance and Accounts	2
IT	2
Human Resource	1
Marketing PR Press	1
Pension	1
Projects	2
TOTAL	22

LOCAL	
FIELD	NUMBER OF STAFF
Long Term	
Accounts (ACCA)	3
General Management	6
Office Management	4
Short Term	
Productivity	3
Leadership	5
TOTAL	21

IN HOUSE TRAINING	
FIELD	NUMBER OF STAFF
Stress Management & Well Being	25
Fire Safety	19
General Safety awareness	50
Internal Audit	2
Good practice in Corporate Governance	2
TOTAL	94

SPF participation in 19th ISSA
International Conference of Social
Security Actuaries, Statisticians and
Investment specialists, Kuwait City.

T2018

ovember 2018
City, Kuwait



الإمدادات الاجتماعية
Fund For Social Security

ACT2018

- 8 November 2018
Kuwait City, Kuwait

3.3.5 | RISK MANAGEMENT & RESEARCH

a) Introduction

Today all modern pension systems and the majority of financial institutions are equipped with a risk management unit.

In addition to instilling a risk based management framework in SPF, the section also ensures compliance with all laws and supervisory authorities, monitors the latest developments and reforms in pension plans, conducts research on ways to further improve on SPF's performance, ensures SPF meets its obligations related to pension development and reporting requirements as outlined in the SPF Act 2005, and responsible for the actuarial evaluation.

b) SPF Risk Management policy and Risk Register

One of the most significant accomplishments of the section was the completion of the internal Risk Register in March 2018. Upon its completion the Register along with the Risk Management Policy were shared with the regulatory body, PEMC.

Half way through the year, upon the strong recommendation of the new Board of Trustees, specifically the Audit and Risk Committee, an independent external service provider (Price Water and Coopers Ltd -Mauritius) was awarded a contract to prepare an independent Risk Register which would include Strategic Risks for the Board of Trustees which did not form part of the original register prepared in-house.

The section organized the provision of preliminary data to PwC and supported the subsequent on site work which took place from 27th August 2018 to 7th September 2018 which focused on the collection of data from all sections as well as the Board of Trustees.

The section prepared an in-depth comparison of the in-house register and that of PwC revealing great similarities in terms of the methodology, layout and the top ten risks identified. The Risk Register will now be used with the necessary software to monitor and mitigate all of SPF's risks on a quarterly risk management reporting system, to the Management and Board of Trustees, effective 2019.

c) National Assembly – Review of amendments to SPF Act

The section spearheaded the process of preparing and drafting the amendments to SPF Act, 2005. This process culminated in the National Assembly deliberating the proposed amendments which were well received and a number of additional amendments were submitted to SPF.

In October 2018, the Bills Committee met with SPF, the Ministry of Finance, Trade and Economic Planning and the Attorney General's Office to finalise the proposals ahead of a final review by the National Assembly. The SPF Amendment Bill 2018 was adopted by the National Assembly in December 2018 and subsequently assented by the President in the same month.

d) Access to Information Act 2018

With the coming into force of the Access to Information Act, 2018 the section was identified as the focal point for information in view that the Act made provisions for organizations such as SPF to identify and nominate a person who does not hold the responsibility for Public Relations and Communications. This role was entrusted to the section to bridge the gap between the information and the public and press.

The section will now undertake the development of an internal Implementation Plan, an Information Manual/ Scheme and the setting up a reporting system. The section maintains a tweeter account to allow the IO to share certain information with the general public.

e) World Bank Training for SPF Staff on use of PROST Software

The section organized the visit of Mrs. Anita Schwartz from the World Bank, whereby staff were provided with a refresher training on the use of the Pension Reform Options Simulation Toolkit commonly referred to as the PROST Software. It is a computer-based toolkit to simulate pension systems over a long time-frame and it supports the World Bank pension policy dialogue in client countries.

The software also makes the modeling of pension reforms relatively fast and easy. At the end of training, 15 staff members received their license to operate the software.

f) Analysis of SPF actual performance in comparison to projections of the Actuary

The section on numerous occasions compared the actual performance of SPF to projections of Actuary for the benefit of Management and the Board of Trustees.

The analysis touched on the rate of inflation, the wage growth, the population dynamics, number of retirees, contributions, pensions, net assets worth and the rate of returns on investments.

g) Recruitment of Actuary for SPF

Works to identify an Actuary for SPF was initiated in 2018, where three quotations were sought. This included preparing a relevant ToR which corresponded to the actual needs of SPF and the overall objective of the Actuarial Valuation in line with the provisions of the SPF Act 2005.

Other considerations included the provision of training and capacity building to ensure that a proper framework to support the actuarial assessment would be in place within the SPF organizational structure. Proposals received were directed to the Board of Trustees for a choice to be made, and the approved Actuary has now been engaged to begin the actuarial evaluation in 2019.

h) Legal support

The section also monitors and provides support in regards to legal matters of SPF. This includes ensuring SPF has legal representation and a report is submitted to provide an update on progress. This concerns primarily Rent Board cases. In 2018, SPF had one case of spouse pension before the Supreme court that had no financial implications, as the spouse pension was stopped.

i) International cooperation

The section ensures the international partnerships of SPF with organisations such as ISSA, ILO, World Bank and financial institutions such as TDB and AFREXIM Bank are maintained and request for information are attended to in a successful and speedy manner.

Such partnerships results in the provisions of training opportunities, participation in local and international seminars. The section also provides writes up on the current pension systems and responds to queries from such organisations.

3.4 | INTERNAL AUDIT

3.4.1 Introduction

SPF's Internal Audit Section reports functionally to the Board's Audit and Risk Committee as well as administratively to CEO of SPF, in order to fulfill its responsibilities independently and objectively. Internal Audit's main role is to provide independent assurance that SPF's risk management, governance and internal control processes are operating effectively.

It also provides audit assurance to Management and the Board of Trustees that sound and adequate internal controls exist in the SPF, and promotes a good governance culture and compliance with all laws, regulations, procedures and guidelines, which in turn enhances public confidence.

Audit follow up is also carried out to ensure audit queries are answered and corrective action have been taken by management. 90% of the audit queries have been addressed by management for the year 2018.

In addition to verification of all payment of pension applications and projects, prior to disbursement, this section carried out 7 audits in 2018 as follows:

- a) Praslin/ La Digue Offices**
- b) Revenue Collection and Banking**
- c) Non-Payroll Expenditure**
- e) Audit of Property Management (Rental)**
- f) Audit of Car Park Facilities**
- g) Audit of Management Contracts**
- h) Members Fund Accounts**

2018 also saw Price Waterhouse and Coopers Ltd (PWC) of Mauritius undertake a review of the Internal Audit section and helped the Section with the preparation of an internal audit plan and charter, as well as provide guidance for the section and its staff.

CHAPTER 4 | BOARD OF TRUSTEES REPORT

4.1 BOARD OF TRUSTEES REPORT

4.2 AUDITOR GENERAL'S REPORT

4.3 INDEPENDENT AUDITOR'S REPORT

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STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS	6
INCOME AND EXPENDITURE ACCOUNTS	7
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SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT

The Board of Trustees of the Seychelles Pension Fund is pleased to present its report together with the Auditors report and the audited Financial Statements for the year ended December 31, 2018. As per the SPF Act, the annual report is presented to the National Assembly and published in the Official Gazette.

BACKGROUND INFORMATION

Seychelles Pension Scheme commenced its operations under the Seychelles Pension Scheme Act, 1990, CAP 220 with effect from January 1, 1991. In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 under which the scheme became a statute body and was renamed as Seychelles Pension Fund.

REGISTERED OFFICE OF SEYCHELLES PENSION FUND

The registered office of Seychelles Pension Fund is at Caravelle House, second floor, PO Box 576, Victoria, Mahe, Seychelles.

PRINCIPAL ACTIVITIES

The principal activity of Seychelles Pension Fund is to collect contribution from members and pay benefits to retiring members. It includes payment of monthly pension to pensioners and their dependents of the deceased members, as well as other benefits under various schemes as per Section 4 of the Act and applicable Regulations.

RESULTS FOR THE YEAR	Re stated	
	2018	2017
	SCR	SCR
Surplus brought forward	-	89,805,931
Restatement for salary	-	(1,411,169)
Amortisation of deferred Government Grant (restatement)	-	108,680
Surplus for the year	147,949,600	88,503,442
Fair values adjustments transferred to other reserves	-	(60,701,773)
Prior year adjustment on value on investment properties acquired from Government (restatement)	-	(80,379,644)
Retained surplus brought forward	699,497,068	752,075,044
Retained surplus carried forward	847,446,668	699,497,069

INTEREST ON MEMBERS' FUND

Interest rate for the period 01.01.2018 to 30.09.2018 was 2.5%. As at 01.10.2018, new interest rates of 4.81% and 5.99% for mandatory and voluntary contributions respectively were approved as per a new policy for interest credited to members. This took effect from 01.10.2018 after the approval of the Minister of Finance as per the Act. The rates are based on 12 month average 91 days and 365 days Treasury Bills rate respectively for the previous year end 2017, as published by Central Bank Of Seychelles. (2017: 3.5%).

PLANT AND EQUIPMENT

Seychelles Pension Fund acquired property and equipment amounting to **SCR 2.5 m** during the year, comprising of furniture, fittings and motor vehicle (2017: SCR 1.4m).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2018 does not differ materially from their carrying amounts as per the statements of net assets available for benefits at that date.

INVESTMENT PROPERTIES

Seychelles Pension Fund has invested substantial amount in properties for rental and capital appreciation purposes. As at December 31, 2018, these totaled **SCR 1.44b** (2017: SCR 1.39b). During the year, additions amounted to **SCR 35.4m** (2017: SCR 49m). The net fair value increase on investment properties as at December 31, 2018 amounts to **SCR 8.7m** (2017: nil).

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

BOARD OF TRUSTEES

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

Jacquelin Dugasse- Chairman (From 18th September 2018)	Malika Jivan (From February 2015)
Edwin Palmer-Chairman (From 1st March 2018- 17th September 2018)	Antoine Robinson (From February 2015)
Patrick Payet-Chairman (From July 2013 to February 2018)	Brenda Morin (From 1st March 2018)
Patrick Payet (From February 2018)	Peter Sinon (From 1st March 2018)
Lambert Woodcock (From January 2006 to February 2018)	Elsie Morel (From 1st March 2018)
Walter Labrosse (September 2014 to February 2018)	Cindy Vidot (From 1st March 2018)
Suzanne Labrosse(From January 2006 to February 2018)	Bernard Adonis (From February 2015)
Antonio Lucas (From August 2010 to February 2018)	Ravi Valmont (From 1st March 2018)
Elizabeth Agathine(From February 2015 to February 2018)	Cillia Mangroo (From January 2015)
Alexandra Madeleine(From February 2017 to February 2018)	
Marie-Claire Marie (From August 2017)	

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

The Board of Trustees is responsible for the overall management of the affairs of Seychelles Pension Fund. The Board also ensures that proper accounts and other books and records in relation thereto are maintained. In preparing these 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 Chief Executive Officer of Seychelles Pension Fund is, as defined in the Seychelles Pension Fund Act, 2005, responsible for the day to day administration, including the collection of contributions, payment of pensions and other benefits, investment of surplus monies and accounting for all monies collected, paid or invested by the Seychelles Pension Fund.

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

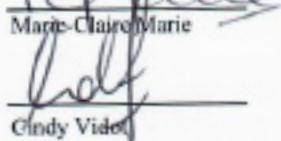
The Board and the Chief Executive Officer consider they have met their aforesaid responsibilities.

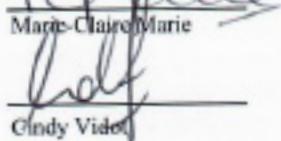
AUDITORS

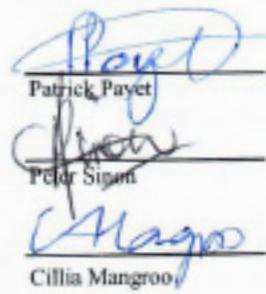
The Auditor General of Seychelles is mandated to carry out the audit of the Seychelles Pension Fund under Section 53(2) of the Seychelles Pension Fund Act, 2005. They have outsourced the services to Pool and Patel for the year 2018.

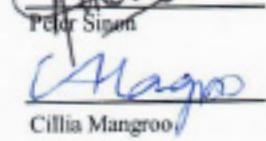
TRUSTEES

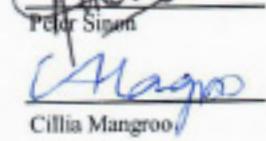

Jacquelin Dugasse

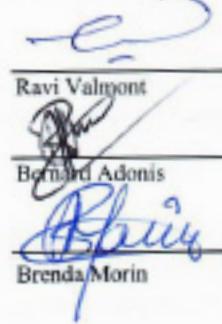

Marie-Claire Marie

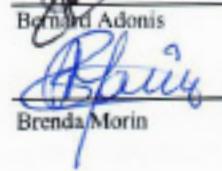

Cindy Vidot

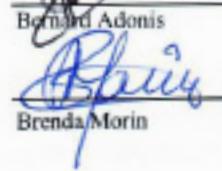

Patrick Payet

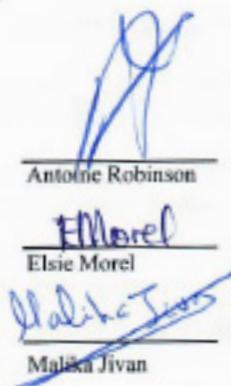

Peter Sinon

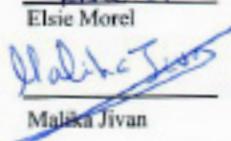

Cillia Mangroo

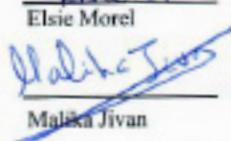

Ravi Valmont


Bernard Adonis


Brenda Morin


Antoine Robinson


Elsie Morel


Malika Jivan

Date: 21/03/2019



Office of the Auditor General

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 Victoria, Republic of Seychelles
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 Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE SEYCHELLES PENSION FUND

Opinion

The accompanying financial statements of the Seychelles Pension Fund, set out on pages 7 to 45, which comprise of the statement of assets available for benefits as at 31 December 2018, the statement of income and expenditure of members' account, statement of income and expenditure on investments, and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Pool and Patel auditors, appointed under section 19 of the Auditor General Act, 2010 read with Section 53(2) of the Seychelles Pension Fund Act, 2005 as amended. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Fund as far as it appeared from examination of those records; and
- (b) the financial statements on pages 7 to 45 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2018 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005 as amended.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion

Responsibilities of the Board of Trustees for the Financial Statements of the Fund

The Board of Trustees is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Pension Fund Act, 2005 as amended and for such internal control as the Board of Trustees determine, is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Trustees either intends to liquidate the Fund or cease operations, or has no realistic alternative to do so.

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Seychelles Pension Fund Act, 2005 as amended. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit 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 Board of Trustees' internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees;

- concludes on the appropriateness of the Board of Trustees' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the fund to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicates with the Board of Trustees among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.



Gamini Herath
Auditor General

22 March 2019
Victoria, Seychelles





INDEPENDENT AUDITOR'S REPORT

SEYCHELLES PENSION FUND

Opinion

We have audited the financial statements of Seychelles Pension Fund on pages 7 to 45, which comprise the statement of net assets available for benefits as at 31 December, 2018, the statement of income and expenditure on investments, the fund account statement, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in compliance with International Financial Reporting Standards.

This report is made 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 which we are required to state to him in accordance with our contract 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 for our audit work, for this report or the opinion we have formed.

In our opinion, the accompanying financial statements of Seychelles Pension Fund set out on pages 7 to 45 present fairly, in all material respects, the financial position of the Fund as at 31 December, 2018, and its financial performance and its cash flows for the year then ended partly in accordance with the reporting provision of the Seychelles Pension Fund Act, 2005 and the International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with requirements of the Seychelles Pension Fund Act, 2005, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

SEYCHELLES PENSION FUND

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We have no relationship with, or material interest in the Fund or its subsidiary other than in our capacity as auditors and arm's length dealings with the Fund in the ordinary course of business.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements and that these are in accordance with the accounting records maintained by the management. The procedures selected depends on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditor consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Seychelles Pension Fund

SEYCHELLES PENSION FUND STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - 31ST DECEMBER 2018

	Notes	Re stated	
		2018	2017
		SCR	SCR
ASSETS			
Non-current assets			
Property and equipment	6	35,753,062	39,366,251
Investment properties	7	1,441,036,578	1,396,362,857
Deposit on leasehold land	8	43,170,103	43,685,567
Investment in subsidiary	9	44,426,026	44,426,026
Investment in associates- Seybrew	10	258,539,268	215,449,390
Investment in associates- Al Salam Bank	10	21,836,581	20,975,220
Investment in financial assets	11	367,835,607	393,327,730
Loan to PMC	13	123,970,625	-
		2,336,567,850	2,153,593,041
Current assets			
Investment in financial assets	11	573,231,988	384,083,534
Receivables and prepayments	12	81,080,344	80,186,186
Loan to PMC	13	14,786,813	-
Cash and cash equivalents	26	97,597,640	220,146,494
		766,696,785	684,416,214
Total assets		3,103,264,635	2,838,009,255
Current liability			
Other payables	14	21,685,241	17,676,668
Non-current liability			
Retirement benefit obligations	15	6,231,559	4,741,028
Deferred Government Grant	16	6,744,074	6,852,754
Net assets available for benefits	19	3,068,603,761	2,808,738,805
Made up as follows:			
Member's fund	17	1,521,918,474	1,417,563,303
Other fund	18	533,279,754	533,279,754
Reserve funds	20	14,568,591	14,568,591
Other reserves	21	151,390,274	143,830,089
Retained earnings		847,446,668	699,497,068
		3,068,603,761	2,808,738,805

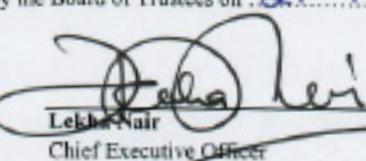
Valuation of net assets against actuarial value of promised retirement benefits

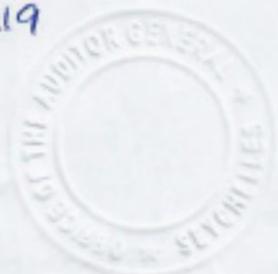
	SCR ¹ BILLIONS
Net Assets Value	3.068
Additional fund required from contribution received/investment	3.006
Present value of defined retirement benefit (Actuarial Estimates)	6.074
Vested Benefit	1.817
Non-Vested Benefit	4.257
Total Retirement Benefits	6.074

Refer to explanation on note 17 on page 41

These Financial Statements have been approved for issue by the Board of Trustees on 21st March 2019


Jacqueline Dugasse
Chairperson


Leisha Nair
Chief Executive Officer



The notes on pages 11 to 45 form an integral part of these financial statements.

Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND

INCOME AND EXPENDITURE OF MEMBERS ACCOUNT - YEAR ENDED 31ST DECEMBER 2018

	Notes	2018	Re stated 2017
		SCR	SCR
Compulsory contributions:			
- by employees		184,690,529	140,104,697
- by employers		147,694,145	115,167,845
Voluntary contributions			
- by employees		14,254,039	10,851,829
- by employers		4,167,743	3,712,007
		350,806,456	269,836,378
Other income			
Interest received by members	24	38,405,594	61,485,977
Net change in fair value on financial assets		(1,507,759)	(831,827)
Net surplus for the year from investments		140,457,359	89,335,268
		186,355,194	149,989,418
Total income		537,161,650	419,825,796
Expenditure			
- Normal Retirement		216,476,494	163,582,491
- Death before Normal Retirement		1,460,202	2,550,005
- Permanent Incapacity		38,995,942	34,380,652
- Pre-Migration Retirement		1,119,454	548,873
- Death after Normal Retirement		16,815	8,005
- Surviving Spouse Pension		9,645,674	9,137,504
- Children Pension		3,768,460	3,513,763
- Post-Retirement Surviving Spouse		7,791,920	6,601,621
- Post-Retirement Children Pension		627,631	509,872
- Early Retirement Benefits		-	118,839
- Voluntary retirement lump sum		4,780,481	-
- Refund		330,475	292,277
<i>Less:</i>			
- Adjustments (reconciling)		547,068	702,658
- Social Security Fund Pension from ASP		-	(248,731)
Total Expenditure		285,560,616	221,697,829
Excess contribution over benefits paid		65,245,840	48,138,549
Adjustment: Prior year deferred lease	15	6,852,754	6,961,434
Adjustment- Salaries and amortisation (restated)	25	1,411,169	-
Overall surplus for the year- net increase in assets available for benefits		259,864,957	191,166,533
Balance at January 1,		2,808,738,805	2,617,572,272
Balance as at December 31,		3,068,603,761	2,808,738,805

The notes on pages 11 to 45 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE ON INVESTMENTS - YEAR ENDED 31ST DECEMBER 2018

	Notes	2018	Re stated SCR	2017 SCR
INCOME			SCR	SCR
Interest income	22	44,101,740	47,828,062	
Investment/ Dividend income	23	14,043,439	14,149,084	
Rental income	7e	114,510,673	108,122,984	
Surcharges		1,225,160	3,427,293	
Other income		-	415,284	
Profit on disposal of property and equipment		-	64,557	
Decrease in provision for bad debts	12	1,041,128	-	
Increase in fair value of unquoted equities	11	54,600,012	-	
Increase in fair value of investment properties	7a	8,681,320	6,996,859	
Increase in fair value of PPE	6	213,789	-	
Increase in fair value of subsidiaries	9	-	38,028,081	
Increase in fair value of associates	10	43,546,779	16,573,030	
Amortisation of deferred Government Grant	16	108,680	108,680	
		282,072,718	235,713,914	
EXPENDITURE				
Interest credited to members	24	38,405,594	61,485,976	
Administrative expenses	25	44,466,598	40,508,082	
Decrease in fair value of quoted equities	11	1,507,759	-	
Decrease in fair value of financial assets		-	831,827	
Investment fees		347,554	273,248	
Increase in provision for bad debts	12	-	5,174,077	
Events and marketing		3,095,316	4,024,243	
Property management expenses	7e	37,068,039	30,029,455	
Depreciation of property and equipment	6	6,143,447	6,045,524	
Amortisation of deposit on lease	8	515,464	515,464	
Loss on disposal of Property, Plant and Equipment		154,930	-	
Auditors remuneration		460,000	402,500	
Other professional fees		1,195,595	599,321	
		133,360,296	149,889,717	
Gross Surplus			148,712,422	85,824,197
(Loss)/Gain on exchange differences			(762,822)	2,679,244
Surplus for the year			147,949,600	88,503,441
Fair value adjustments transferred to other reserves			-	(60,701,773)
Surplus brought forward as previously reported			699,497,068	752,075,044
Prior year adjustment (restatement)	29		-	(80,379,644)
Restated Surplus carried forward			847,446,668	699,497,068

The notes on pages 11 to 45 form an integral part of these financial statements.
 Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
STATEMENTS OF CASH FLOWS - YEAR ENDED 31ST DECEMBER 2018

	Notes	Re stated	
		2018 SCR	2017 SCR
Cash generated from operations			
Net increase in assets available for benefits		259,864,957	191,166,533
Net cash generated from operations		259,864,957	191,166,533
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	6,143,447	6,045,524
Amortisation of deposit on lease	8	515,464	515,464
Amortisation on deferred Government Grant	16	(108,680)	(108,680)
(Profit)/loss on disposal of plant and equipment		154,930	(64,371)
Gain on transfer of property plant and equipment		-	(342,078)
Rent surcharge written off		(1,647,613)	-
Retirement benefit obligations	15	1,490,531	972,150
Effect of foreign exchange in financial assets		5,918,219	(5,482,063)
Provision for bad debts	12	(1,041,128)	-
Fair value gains on investment properties	7	(8,681,320)	(6,996,859)
Fair value gains on PPE	6	(213,789)	-
Fair value gain on quoted equities		(54,600,012)	-
Fair value gain on unquoted equities		1,507,759	-
Fair value gains on subsidiaries	9	-	(38,150,656)
Fair value gains on associates	10	(43,546,779)	(16,573,030)
Net change in fair value on financial assets		-	831,827
Interest receivable	22	(44,101,740)	(47,828,062)
Dividend income	23	(14,043,439)	(14,149,084)
Effect of change in exchange rates		3,121,421	(4,892,891)
		110,732,229	64,943,724
<i>Changes in working capital:</i>			
- Decrease/(Increase) in receivables and prepayments		(894,158)	(11,833,659)
- (Decrease)/Increase in payables and accruals		4,008,573	1,570,976
Net cash inflow from operations		113,846,644	54,681,041
Cash flows from investing activities			
Purchase of property and equipment	6	(2,477,401)	(1,373,254)
Purchase of investment properties	7	(35,449,996)	(48,910,439)
Deferred Government Grant	16	(6,961,434)	6,961,434
Proceeds from disposal of property and equipment		-	167,996
Loan to PMC	13	(150,000,000)	-
Purchase of financial assets		(574,130,704)	(407,714,756)
Proceeds from redemption of financial assets		471,357,438	481,410,610
Interest received	22	44,101,740	47,828,062
Dividend received	23	14,043,439	14,149,084
Net cash outflow from investing activities		(239,516,918)	92,518,737
Net (decrease)/increase in cash and cash equivalents		(125,670,274)	147,199,778
Effect of change in exchange rates		3,121,421	4,892,891
Cash and cash equivalents at January 1,		220,146,494	68,053,825
Cash and cash equivalents at December 31,	26	97,597,640	220,146,494

The notes on pages 11 to 45 form an integral part of these financial statements.
 Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General Information

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

The last Actuarial Report from Actuary Price Waterhouse Coopers is for the year 2016 and it details significant actuarial assumptions and projections as well as, the actuarial present value of promised retirement benefits and the present value of Seychelles Pension Fund. The next Actuarial valuation is due in 2019.

Investments of the Pension Fund as required by Part VII of the "Seychelles Pension Fund Act, 2005" are disclosed in the notes to the financial statements.

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. Funding policy

The overriding principle of the Seychelles Pension Funding policy is that contributions are increased in a steady and phased manner as recommended by Seychelles Pension Fund's Actuary by Seychelles Pension Fund and excess funds invested to yield maximum returns on the assets matching Seychelles Pension Fund's liabilities. In other words, funds which are not required for current benefit payments and administration expenses are invested to provide returns to assist in sustaining the Seychelles Pension Fund in the medium to long-term. As at 31.12.2018, Seychelles Pension Fund had 67% of its members below the age of 45 which means that Seychelles Pension Fund can invest 67% of its funds as it only needs to meet the long term liabilities of these members after 15 years.

3. Valuation of Seychelles Pension Fund

Under Section 55 of the Seychelles Pension Fund Act 2005, the Board of Trustees is required to make an actuarial evaluation of its assets and liabilities every 3 years. The latest actuarial review report was at December 31, 2016. See details of actuary evaluation in Note 19.

(i) Type of pension system

Seychelles Pension Fund operates a pay-as-you-go, a solidarity between generations, what the generation of today pays for retirees of today and children will pay for tomorrow's retirees.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. Changes in the preparation method and accounting policies have been specified in 4(a) Basis of preparation and 4(b) Changes in accounting policy below.

(a) Basis of preparation

The Financial Statements of Seychelles Pension Fund comply with the "Public Enterprise Monitoring Commission Act, 2013" and have been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost concept, except as disclosed in the accounting policies below.

Seychelles Pension Fund adopted the IFRS 10 consolidation exemption with regards to 'investment entities' with a date of initial application of 1 January 2017. Seychelles Pension Fund believes that a class of entity (an investment entity) uses a different business model to most other entities. It manages all of its investments on a fair value basis, whether they are simple investments, associates or controlled. It provides fair value information to its users, and that fair value information is more useful for decision-making than consolidated information. Seychelles Pension Fund further noted that preparing consolidated financial statements for such entities could hinder users' ability to assess their financial position and results; this is because consolidated financial statements emphasise the financial position, operations and cash flow of their investees, rather than those of the entities themselves.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(a) Basis of preparation (continued)

IFRS 10 requires an entity that is a parent to present consolidated financial statements. The amendment provides a limited scope exception to parents that are 'investment entities'. If the entity is an investment entity under the standard, it is exempt from consolidating underlying investees that it controls; instead, it is required to account for these subsidiaries at fair value through profit or loss under IFRS 9, 'Financial instruments'.

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

The standard defines an investment entity as, "an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

For an entity to qualify as an investment entity it must meet the above definition. The entity must also consider the following typical characteristics of an investment entity:

- holding more than one investment;
- having more than one investor;
- having investors that are not the entity's related parties; and
- Having ownership interests in the form of equity or similar interests.

As it stands the very purpose of a pension fund is to accumulate contributions from both employers and employees and to invest these funds for investment returns (both capital appreciation and investment income) and to distribute these returns once its members reach the age requirements in annuity until death.

The Board has found that the Seychelles Pension Fund complies with all the definitions of an investment entity and possesses all the characteristics of an investment entity; namely:

- pension fund holds various financial asset investments;
- Seychelles Pension Funds investors include all Seychellois-employed residents;
- while Seychelles Pension Fund may have a few members who are related to Seychelles Pension Fund, this is purely incidental since Seychelles Pension Fund supports, by definition, all Seychellois residents and this does not affect compliance with this characteristic;
- The members have ownership interests in Seychelles Pension Fund represented by the Member's fund displayed in equity under the Statement of Financial Position.

In applying the investment entity exemption, the following subsidiary will cease to be consolidated from 31 December 2018.

Subsidiary: Opportunity Investment Company Limited

(b) Changes in significant accounting policies

The Company has initially applied IFRS 15 from 1 January 2018. However there was no significant impact on Financial Statements on adoption. Due to the transition methods chosen by Seychelles Pension Fund in applying these standards and immateriality of the implication, comparative information throughout these Financial Statements has not been restated to reflect the impact of the new standards on adoption.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of IFRS 15 did not have any significant effect on the Seychelles Pension Fund's Financial Statements.

(c) IFRS 9- Financial Instruments

Seychelles Pension Fund adopted IFRS 9 Financial Instruments issued in July 2014, early since 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

i. Classification of financial assets and financial liabilities

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial Assets: Classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless Seychelles Pension Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, Seychelles Pension Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, Seychelles Pension Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

Seychelles Pension Fund makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the risks that affect performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with Seychelles Pension Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Seychelles Pension Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, Seychelles Pension Fund considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- Terms that limit Seychelles Pension Fund's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The application of these policies are explained below.

- a. The fixed deposits and treasury bonds are held by Seychelles Pension Fund in a separate portfolio to provide interest income. Seychelles Pension Fund considers that these instruments are held within a business model whose objective is achieved by holding financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value). The instruments mature in one to seven years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at amortised cost under IFRS 9.
- b. The equity securities represent investments that Seychelles Pension Fund both intends to hold for long-term dividends and those managed on a fair value basis. Seychelles Pension Fund has decided to not elect the FVOCI classification option for equity instruments not held for trading, therefore the entire equity portfolio of Seychelles Pension Fund have been classified as financial assets at FVTPL under IFRS 9.
- c. Trade and other receivables and Cash and cash equivalents are classified at amortised cost under IFRS 9.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

ii. Recognition and Initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when Seychelles Pension Fund becomes a party to contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

iii. Derecognition

Financial assets

Seychelles Pension Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Seychelles Pension Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

Seychelles Pension Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Seychelles Pension Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

SEYCHELLES PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018*****iv. Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, Seychelles Pension Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Seychelles Pension Fund recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- Contract assets (as defined in IFRS 15).

Seychelles Pension Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Seychelles Pension Fund considers reasonable and supportable information that is relevant and available without undue effort or cost. This includes both quantitative and qualitative information and analysis, based on Seychelles Pension Fund's historical experience and informed credit assessment and including forward-looking information. Seychelles Pension Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Seychelles Pension Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to Seychelles Pension Fund in full, without recourse by Seychelles Pension Fund to action such as realising security (if any is held); or deposit withheld or
- The financial asset is more than 90 days past due.

Seychelles Pension Fund considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which Seychelles Pension Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Seychelles Pension Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The company uses an internally developed model for the measurement of ECL. However, this will not carry any significant effect on the Company's Financial Statements

Credit-impaired financial assets

At each reporting date, Seychelles Pension Fund assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by Seychelles Pension Fund on terms that Seychelles Pension Fund would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when Seychelles Pension Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Seychelles Pension Fund's procedures for recovery of amounts due.

(d) 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 every two year 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 Seychelles Pension Fund and the cost of the item can be measured reliably.

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

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Where the carrying amount of 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.

(d) Investment properties

Properties held to earn rent/or for capital appreciation or both are classified as investment properties. Investment properties are carried at fair value, representing open-market value determined every two years 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 when they cease to meet the recognition criteria.

(e) Investment in subsidiary

Consolidation

The subsidiaries of Seychelles Pension Fund are not consolidated due to the application of the IFRS 10 consolidation exemption for 'investment entities'.

Separate financial statements

Subsidiaries are measured and accounted for at fair value in accordance with the requirements of 'investment entities'. Fair value gains or losses on subsidiaries are recognised on a separate line on the income statement under profit or loss.

(f) Investment in associates

Separate Financial Statements

In the separate financial statements of the investor, Seychelles Pension Fund elected to measure investments in associates at fair value through profit or loss in accordance with IFRS 9 with the exemption taken from applying the equity method based on IAS 28.

(i) Contributions receivable

Contributions receivable are recognized when due which is 21st of the second month. Contributions receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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

(j) Benefits payable

Benefits payable are stated at their nominal value.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

(k) 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 in accordance with Note C (v).

The carrying amounts of receivables are assumed to approximate their fair values.

(l) 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.

(m) 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 Seychelles Pension Fund are presented in Seychelles Rupee, which is Seychelles Pension Fund'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 comprehensive income.

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

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

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

(n) 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).

(o) 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 of lease. The amount paid at inception by Seychelles Pension Fund to acquire lease interest on land has been capitalized and accounted as deposit on leasehold land and depreciated over the lease term.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(p) Interest and dividend income

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which Seychelles Pension Fund's right to receive payment is established.

The 'effective interest method' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, the interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(q) Retirement benefit obligations

Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon.

Defined benefit plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service. Seychelles Pension Fund operates a Defined Benefit Plan.

Actuarial present value of promised retirement benefits is the present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Vested benefits are benefits, the rights to which, under the conditions of a retirement benefit plan, are not conditional on continued employment. This means a vested member meets the criteria of 10 years continuous contribution or 20 years aggregate for a pension. However the criteria is prior to retirement to retirement for 10 years.

Retirement benefit plans are normally described as either defined contribution plans or defined benefit plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. Such hybrid plans are considered to be defined benefit plans for the purposes of this standard.

Defined benefit plan – Employees of Seychelles Pension Fund

As per the Employment Act of Seychelles, compensation obligation is only paid to employees leaving after five years of continued service. The entitlement is usually conditional on the employee remaining in service up to existing 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.

(r) Tax

In accordance with paragraph 69 of the Seychelles Pension Act, 2005, Seychelles Pension Fund is exempt from stamp duty, business tax, trade tax, goods and services tax and all other taxes, fees and duties on its assets, documents, instruments, profits, operations and properties.

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(s) Accruals

Accruals are recognised when Seychelles Pension Fund 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.

(t) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATION

(i) Standards, amendments to published standards and interpretations effective from 1 January 2017

The following amendments to IFRSs became mandatorily effective from 1 January 2017. All these amendments to IFRSs generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017)

The IASB issued the amendment to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments apply retrospectively.

These amendments will not have an effect as Seychelles Pension Fund is exempt from taxation.

Amendments to IAS 7: Disclosure Initiative (Effective for annual periods beginning on or after 1 January 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt.

The amendment requires entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes (such as foreign exchange gains or losses).

On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

Seychelles Pension Fund has no liabilities that arise from financing activities, thus this amendment will have no impact on Seychelles Pension Fund.

Amendments to IFRS 12: Annual Improvements to IFRS Standards 2014-2016 Cycle (Effective for annual periods beginning on or after 1 January 2017)

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2014-2016 cycle (issued December 2016)

Following is a summary of the amendments from the 2014-2016 annual improvements cycle.

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Standard	Details
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Deletion of short-term exemptions for first-time adopters <ul style="list-style-type: none"> Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018.
IAS 28 <i>Investments in Associates and Joint Ventures</i>	Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice <ul style="list-style-type: none"> The amendments clarify that: <ul style="list-style-type: none"> An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on investment-by-investment basis, to measure its investments in associates or joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Clarification of the scope of the disclosure requirements in IFRS 12: <ul style="list-style-type: none"> The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively.

These amendments will have no impact on Seychelles Pension Fund.

(ii) Standards, amendments to published standards and interpretations issued but not yet effective

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases – Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Identification of a lease IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

- a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- b) The right to direct the use of that asset.

The Standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lessee accounting IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16. In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

For additional information, please refer to the Deloitte publications IFRS in Focus and IFRS Industry Insights which highlight the practical implications of IFRS 16 to various industries. These publications can be downloaded at <http://www.iasplus.com/en/tag-types/global/newsletters/IFRS-industry-insights>.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity as appropriate).

Due to the fact that Seychelles Pension Fund has a large amount of lease contracts where they act as both lessee and lessor, this standard will have an impact on the financial statements once implemented. Management is in the process of determining the full impact of this standard.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- (i) The original liability is derecognised;
- (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
- (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

This standard will have no impact on Seychelles Pension Fund, as they do not make share based payments.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective for annual periods beginning on or after a date to be determined)

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.

This amendment will have no impact on Seychelles Pension Fund as is currently structured.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2018)

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standards that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

Seychelles Pension Fund does not issue insurance contracts, therefore this amendment will have no impact on Seychelles Pension Fund.

Amendments to IAS 40: Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Early application of the amendments is permitted and must be disclosed.

Seychelles Pension Fund holds a substantial amount of property as investments. The amendment will not have a material impact on Seychelles Pension Fund.

IFRIC Interpretation 22 Foreign Currency: Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation; or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation will have no effect on Seychelles Pension Fund since there is no advance consideration in the books of Seychelles Pension Fund.

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

Seychelles Pension Fund 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) Classification of financial assets

Seychelles Pension Fund follows the guidance of International Financial Reporting Standard (IFRS) 9 – “Financial instruments” on classifying non-derivative financial assets in accordance with Seychelles Pension Fund’s business model and cash flow test. This classification requires significant judgement. In making this judgement, Seychelles Pension Fund evaluates its intention and ability to hold such investments to collect contractual cash flows or to achieve an objective by both collecting contractual cash flows and selling financial assets.

(b) Impairment of financial assets

Seychelles Pension Fund follows the guidance of IFRS 9 ‘expected credit losses’ method to determine whether its financial assets require impairment. Expected credit losses are calculated by identifying scenarios in which a loan or receivable defaults; estimating the cash shortfall that would be incurred in each scenario if a default were to happen; multiplying that loss by the probability of the default happening; and summing the results of all such possible default events. This process requires significant judgement. In making this judgement, Seychelles Pension Fund considers all facts and circumstances that are available at the reporting date.

SEYCHELLES PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018****(c) Impairment of other assets**

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

(d) Retirement benefit obligation

The cost of compensation has been determined using the method as per the Seychelles Employment Act and have been estimated which will not be materially different had it been computed by an external Actuary.

(e) Limitations of sensitivity analysis

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

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

(f) Contributions receivable

As per Seychelles Pension Fund Act 2005, contributions are due on the 21st day of the following month. At year end, contributions for the month of December are due to be paid in January the following year which is not in the financial year. Therefore an estimate is made based on the actual contribution received of the preceding months.

(g) Fair Value Estimation

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

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

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

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

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

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

The following table shows the carrying amounts and fair values of financial assets; including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	31 December 2018 In thousands of rupees	Carrying amount			Fair value		
		Note	Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2
Financial assets measured at fair value							
Equity securities	11	239,017			239,017	12,313	-
						226,704	239,017
Financial assets not measured at fair value							
Fixed deposits	11				356,842	356,842	
Treasury bonds	11				345,208	345,208	
Cash and cash equivalents	26				97,598	97,598	
Trade and other receivables	13				85,662	85,662	
					885,310	885,310	
	31 December 2017 In thousands of rupees	Carrying amount			Fair value		
		Note	Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2
Financial assets measured at fair value							
Equity securities	12	147,619			147,619	12,478	-
						135,141	147,619
Financial assets not measured at fair value							
Fixed deposits	12				289,283	289,283	
Treasury bonds	12				340,509	340,509	
Cash and cash equivalents	26				220,146	220,146	
Trade and other receivables	13				85,187	85,187	
					935,125	935,125	

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT

Seychelles Pension Fund's activities expose it to a variety of financial and non-financial risks. In 2018, a Risk Register was compiled by Seychelles Pension Fund to record and measure all risks. A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Investment risk

There are some directly linked to the investments of Seychelles Pension Fund. Sustained poor performance would lead to insufficient returns that are currently topping up the surplus of excess contribution over pension payments. Seychelles Pension 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 Seychelles Pension Fund's assets and investment strategy by the Board of Trustees upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risk can be justified:

(i) Interest rate risk

The risk that falling interest rates will reduce investment income on the assets or lead to falling values of fixed income instruments.

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

Several specific risk measures may be cited:

- Seychelles Pension Fund's primary interest rate risk relates to interest-bearing investments. The information on maturity dates and effective interest rates of financial assets are disclosed under Note 11.
- Seychelles Pension Fund does not borrow, so the cost of borrowing is nil and unaffected by rate rises.
- There is a loan portfolio of loans to PMC at "fixed" rates. Although these rates are adjusted where the spread between Seychelles Pension Fund's rates and bank rates becomes too significant, there is a certain inertia that tends to protect Seychelles Pension Fund from sudden or temporary falls.

Sensitivity analysis

If interest rates have been 100 basis points higher/lower and all other variables were kept constant, Seychelles Pension Fund's surplus for the year ended December 31, 2018 would be impacted as follows:

	Amortised Cost Financial Assets	
	2018	2017
	SR'000	SR'000
Impact on surplus for the year (+/- 100 basis points)	7,021	6,298

The risk that a sudden fall in asset values restricts Seychelles Pension Fund's ability to pay benefits. There are several ways in which Seychelles Pension 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 Seychelles Pension Fund should not need to realize potentially volatile assets when their values are less.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Liquidity Risk	Financial assets at FVTPL	
	2018 SR'000	2017 SR'000
Impact of change in fair value of 5%	11,951	7,381

(i) Liquidity risk

The risk that cash flow requirements will force Seychelles Pension 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).

Seychelles Pension 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 Seychelles Pension Fund to take appropriate actions.

Seychelles Pension 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 Seychelles Pension 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 Seychelles Pension 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.

(ii) Credit risk

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

The risk is minimised by the fact that contribution to Seychelles Pension Fund by active workers are mandatory and contributions are deducted directly from employees' salaries and remitted to Seychelles Pension Fund. There is no history of material bad debts from contributions. Seychelles Pension Fund has established procedures to ensure that rental agreements are made with tenants with an appropriate credit history and though a newly introduced standing order "monthly rent payments and therefore risks of bad debts is considered to be low.

(iii) Currency risk

Seychelles Pension Fund's activities are not exposed to currency risk. However, Seychelles Pension Fund requires foreign exchange for developing its overseas investment 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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) 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 in-house assessment and due diligence from re known, independent external experts prior to appointment, and to regular appraisal thereafter,
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records,
- Seychelles Pension Fund seeks independent professional advice on overseas fund managers
- There is presently only one fund manager with whom Seychelles Pension Fund has entrusted with investing in Mauritian market,
- Seychelles Pension Fund manager provides regular monthly reports to Seychelles Pension Fund based on an established investment policy.

(b) Economic risk

This corresponds to the risk that external economic events (other than those specifically related to investments) will weaken Seychelles Pension 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 Seychelles Pension 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 Seychelles Pension Fund if it was accompanied by compensatory increase in one could not necessarily always count on the alignment of inflation and yields.

Seychelles Pension 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, Seychelles Pension Fund demands a significant yield compensation for inflation risk on long term instruments.
- For pension there is a capping of 5% inflation.

(c) Operational risk

The risk that Seychelles Pension 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 that is given a monthly report.

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

There is also an internal audit department who assesses the existing situation and reinforce any shortfalls that could come across. A risk department and a Quality Assurance Analyst also does thorough "audits" to ensure that there are no malpractices and fraud.

(d) Legal risk

The risk that Seychelles Pension Fund commits an act that is subsequently deemed illegal and would be subject to penalty.

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

(e) Disaster recovery risk

The risk that a disaster wipes out Seychelles Pension 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 discs 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. All records of members have also been digitalised. IT Section also undertakes a vigorous audit of its IT System, practices and users every 2 years by an independent external IT auditor from Mauritius.

As to the risk to Seychelles Pension 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 Seychelles Pension Fund.

(f) Reputational risk

The risk that certain activities of Seychelles Pension Fund be badly perceived by the public, thus damaging Seychelles Pension Fund's capacity to operate.

Seychelles Pension Fund's policy of transparency and open communication together with corporate governance framework will protect it from this risk. Although reputation is a fragile quality, Seychelles Pension Fund has established a sound and credible reputation. Seychelles Pension Fund has always promoted transparency especially with members, notably via dissemination of information and explanatory literature. It's very detailed annual report and financial statements each year also promotes clarity and full comprehensive details of all Seychelles Pension Fund's activities for the year. Website and other social media platforms are also well used as regular communication and information channels to all Seychelles Pension Fund stakeholders, especially its members.

Seychelles Pension Fund also plans to introduce a culture of best practice in every segment of its activities by benchmarking on whatever appropriate procedures are applied by enterprises around the world (e.g. custodians, independent fund managers, application of International Accounting Standards, etc.) An annual General Meeting started in 2017 will also help in addressing such risk.

(g) Anti-Money Laundering Act and prevention of Terrorism Act

Seychelles Pension Fund complies fully with Financial Institutions Act, Anti- Money Laundering Act, 2006 and Prevention of Terrorism Act, 2004. Seychelles Pension Fund observes all requirements and policies to ensure that there is no money laundering and terrorist financing sources of funds. Seychelles Pension Fund's main two sources of funds come via the banking system through contributions from employers and employees mostly via Company bank

SEYCHELLES PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

accounts or personal bank accounts with minimal cash. The other source of funds are from investment returns all from banking system. All banks are supervised by Central Bank of Seychelles and have stringent Anti- Money Laundering systems in place. Other mechanisms that Seychelles Pension Fund observes are;

- Employee training in AML.
- Independent audits
- Policies and procedures to detect and report suspicious transactions and ensure compliance with the laws.
- Timely Communications with regulators.

There were no non-compliances cases concerning to AML and Terrorist Financing. This is because Seychelles Pension Fund does not receive any income in foreign currency outside Seychelles other than return from Seychelles Pension Fund investments which are all bank transactions.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018**

6. PROPERTY AND EQUIPMENT

(a) December 31, 2018

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	
COST AND VALUATION									
At January 1, 2018	40,980,631		16,291,828		11,468,947		2,948,739		71,690,145
Additions	-		2,218,022		2,593,778		-		2,477,401
Revaluation	213,789		-		-		-		213,789
Disposals	-		(841,215)		(659,653)		-		(1,500,888)
At December 31, 2018	41,194,420		17,668,616		11,068,672		2,948,739		72,880,447
<i>Analyzed as:</i>									
- Cost	39,260,971		17,668,616		11,068,672		2,948,739		70,946,998
- Valuation	1,933,449		-		-		-		1,933,449
	41,194,420		17,668,616		11,068,672		2,948,739		72,880,447
DEPRECIATION									
At January 1, 2018	18,579,424		7,724,691		4,112,612		1,907,167		32,323,894
Change for the year	2,709,058		2,011,478		983,704		439,211		6,143,447
Disposal adjustments	-		(749,499)		(590,459)		-		(1,339,958)
At December 31, 2018	21,288,482		8,986,670		4,505,857		2,346,378		37,127,383
NET BOOK VALUE									
At December 31, 2018	19,905,938		8,681,946		6,562,816		602,361		35,751,062

(b) The Board is of the opinion that the fair value of property and equipment at 31 December 2018 does not differ materially from their carrying amounts.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

6. PROPERTY AND EQUIPMENT (CONT'D)

(c) December 31, 2017

(d) If property had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

6. PROPERTY AND EQUIPMENT (CONTINUED)

(e) The land and buildings were valued at December 31, 2018 by an independent valuer. The value of the land and buildings is subject to reviews every two years and the last one was carried out December 31, 2018.

(f) The fair value of land and buildings fall within category 3 of the fair value hierarchy. No changes noted during the year.

7. INVESTMENT PROPERTIES

(a) Fair value

	2018	2017
	SCR	SCR
At January 1,	1,396,362,857	1,340,455,559
Additions	35,449,996	48,910,439
Revaluation on investment properties	8,681,320	6,996,859
Adjustment	542,406	-
At December 31,	1,441,036,578	1,396,362,857

(b) The value of the investment properties are subject to reviews every two years and the last one was carried out at December 31, 2018 by an independent professionally qualified valuer, on an open-market basis with existing tenancies based on income method approved by the Board. A Valuation Committee has been set up to review the value of the investment properties on an annual basis. The Valuation Committee is chaired by a qualified Quantity Surveyor. A valuation of properties policy has also been introduced.

(c) The fair value of the properties has been valued by external valuers and fall within category level 3 of the fair value hierarchy.

(d) If Investment properties had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	2018		2017	
	Land SCR	Building SCR	Total SCR	Total SCR
Cost	176,774,099	755,237,622	932,011,721	932,011,721
Accumulated depreciation	-	(75,537,465)	(75,537,465)	(60,432,713)
Net book value	176,774,099	679,700,157	856,474,256	871,579,008

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

	2018	2017
	SCR	SCR
Rental income	114,510,673	108,122,984
Direct operating expenses generating rental income	(37,068,039)	(30,029,455)
Profit arising from investment property	77,442,634	78,093,529
Increase in fair value	8,681,320	6,996,859
Total	86,123,954	85,090,388

(f) As at 31 December 2018, several Investment properties under construction are carried at cost SCR 38.4 m (2017: SCR 131m) because their fair values could not be reliably measured.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

8. DEPOSIT ON LEASEHOLD CARAVELLE HOUSE

(a) Deposit was paid to Mascareignes Properties Limited in 2005 on a long term lease of 97 years. The initial deposit on the lease amounting to SCR 50 million paid in 2006 is being amortised over the term of lease and the movement is as follows:

	2018	2017
Cost	SCR	SCR
As at 1 January	50,000,000	50,000,000
Amortisation		
At 1 January,	6,314,433	5,798,969
- Charge for the year	515,464	515,464
At 31 December	6,829,897	6,314,433
Net Book Value		
At 31 December	43,170,103	43,685,567

9. INVESTMENT IN SUBSIDIARY

	2018	2017
Proportionate shareholding	51%	51%
Opportunity Investment Company Limited - At fair value (2017: SCR 115 per share)	44,426,026	44,426,026

- No fair value adjustment has been made in view that there was no change in fair value as at 31.12.2018.

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

	<u>OICL</u>
Class of shares held:	Ordinary
Year end:	31 December
Proportion of ownership interest and voting power held (direct):	51%
Country of incorporation and residence:	Seychelles
Activity:	Investment holding

OICL was incorporated as an investment vehicle solely for the purpose of acquiring shares in SACOS. OICL currently holds 757,477 shares in SACOS which represents an ownership interest of 19.32%.

The fair value of OICL is derived from the fair value of the SACOS shares it holds. At the end of the reporting period the value per SACOS share as listed on the stock exchange was SCR 115.

	SCR
Total value of SACOS shares in OICL as at 31 December 2018 (757,477 at SCR 115 each):	87,109,855
Seychelles Pension Fund's 51% portion of the total value	44,426,026

The Fund has also directly invested in SACOS with a total investment of 26,569 shares which represents an ownership interest of 1.33%. This investment has been classified under financial assets measured at fair value through profit or loss.

As at 31 December 2018, SPF holds 20.64% in SACOS in total of which 19.32% through OICL and 1.33% directly in SACOS at a total fair value of SCR 47,481,461.

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

9. INVESTMENT IN SUBSIDIARY (CONTINUED)

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

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

Opportunity Investment Company Limited	2018		2017	
	SCR'000	SCR'000	SCR'000	SCR'000
Current assets	1,507		5,645	
Non-current assets	87,110		87,110	
Current liabilities	1,135		5,301	
Non-current liabilities	-		-	
Revenue	1,135		5,302	
Total comprehensive profit or loss for the year	1,134		(13,664)	

(ii) Summarised cash flow information:

Opportunity Investment Company Limited	2018		2017	
	SCR'000	SCR'000	SCR'000	SCR'000
Operating activities	2,332		5,243	
Investment activities	-		-	
Financing activities	1,106		(5,272)	
Net change in cash and cash equivalents	1,226		(29)	

(iii) There is no commitment and contingencies as at the reporting period

10. INVESTMENT IN ASSOCIATES

(a) At fair value	2018		2017	
	% Held	% Held	2018	2017
Seychelles Breweries Limited	26%	26%	258,539,268	215,449,390
Al Salam Bank (non- listed)	30%	30%	21,836,581	20,975,220
(i) Movements- Seybrew				
Balance as at January 1,			215,449,390	198,876,360
Fair value adjustments			43,546,779	16,573,030
Balance as at December, 31			258,539,268	215,449,390

Seychelles Breweries has a financial reporting period ending 30 June.

At 31 December 2018, the fair value of the Fund's interest in Seychelles Breweries Limited, which is listed on the Trop-X exchange, was SCR 78 per share (2017: SCR 65) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(ii) Movements- Al Salam bank

	2018	2017
	SCR	SCR
Balance as at January 1,	20,975,220	20,651,400
Fair value adjustments	861,361	323,820
Balance as at December, 31	21,836,581	20,975,220

The Al Salam Bank has a financial reporting period ending 31st December and has only started full operations from February 2019 onwards.

As at 31 December 2018, the fair value of the shares in respect of Al Salam Bank which is an non- listed company were calculated using the adjusted net asset value method which is a level 3 input in terms of IFRS 13. This is as per SPF's new policy on valuation of unlisted equities.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

10. INVESTMENT IN ASSOCIATES (CONTINUED)

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

Name	Seychelles Breweries Limited			
Principle Activities	Beverage manufacturing			
(i) Summarised statement of Financial position and statement of profit or loss and other income as per the Audited Financial Statements.				
	30 June 2018	30 June 2017		
	SCR '000	SCR '000		
Assets				
Current assets	151,422	171,649		
Non-current assets	314,647	259,365		
Liabilities				
Current liabilities	129,692	121,947		
Non-current liabilities	39,057	29,165		
Revenues	375,534	335,606		
Profit before tax	62,113	28,248		
Other comprehensive income	-	-		
Total comprehensive income	42,618	18,029		
Proportion of ownership interest and voting rights (Direct)	26%	26%		

(ii) Summarised cash flow information:

	30 June 2018	30 June 2017
	SCR	SCR
Operating activities	94,038	6,806
Investment activities	(75,171)	(47,247)
Financing activities	(25,200)	(12,600)
Net change in cash and cash equivalents	(6,333)	(53,041)

(iii) There is no contingent liability as at the reporting period. However, capital commitments reported during the period amounted to SCR 23.2m.

(c) Name	Al Salam Bank Seychelles			
Principle Activities	Banking Services			
(i) Summarised statement of Financial position and statement of profit or loss and other income as per unaudited Financial Statements.				
	31 December 2018	31 December 2017		
	USD	USD		
Assets				
41,326,712	33,511,545			
Liabilities	35,832,429	28,148,653		
Equity	5,494,283	5,362,892		
Revenues	1,736,030	1,255,852		
Profit before tax	198,072	168,218		
Tax charge	10,071	7,783		
Total comprehensive income	161,883	160,435		
Proportion of ownership interest and voting rights (Direct)	30%	30%		

(ii) Summarised cash flow information:

	31 December 2018	31 December 2017
	USD	USD
Operating activities	7,478,550	5,810,003
Investment activities	845,037	963,612
Financing activities	(100,000)	30,000
Net change in cash and cash equivalents	8,223,587	4,876,391

(iii) There is no commitment and contingencies as at the reporting period

11. INVESTMENT IN FINANCIAL ASSETS

	2018	2017
	SCR	SCR
Non-current investments		
Fixed deposits - Amortised cost	45,637,293	115,664,315
Treasury bonds - Amortised cost	95,494,391	142,522,825
Equity securities - mandatorily at fair value through profit or loss	226,703,923	135,140,590
	367,835,607	393,327,730
Current investments		
Fixed deposits - Amortised cost	147,618,783	168,594,003
Treasury Bills - Amortised cost	7,380,939	-
Treasury bonds - Amortised cost	7,381	21,723,968
Equity securities - mandatorily at fair value through profit or loss		
	573,231,988	384,083,534

(a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 2.15% to 3.80% for USD account (2017: USD 2%) and 4.90% to 7% (on local currency account) per annum (2017: SCR 4.5% to 8%) with maturity dates from 22 February 2019 to 24 April 2025.

(b) Investments in Treasury Bonds comprise bonds with interest rates ranging from 5.50% to 7.50% per annum (2017: 4.50% to 7.50%) and treasury bills from 4.76% to 7.30% for 365 days, 1.05% to 1.14% for 91 days (2017: 3.88% to 7.83%) maturity dates from 16 March 2019 to 31 October 2024.

(c) Equity securities comprise local securities listed on the Seychelles stock exchange, unquoted foreign securities, an exchange traded fund and a Mauritian equity portfolio. Hierarchy of fair value levels is detailed under note 5 (d).

Due to limited information available for the fair value determination of the unquoted foreign securities, their fair values have been determined based on the adjusted net assets value which is a level 3 hierarchy classified as an unobservable input of IFRS 13. The fair value of the unquoted equities has been calculated for the first time in 2018. The details of these instruments are as follows:

	2018	2017
	SCR	SCR
Africainbank		
Ahalan Bank (re-classified as Associates in Notes 10)	37,209,707	32,557,830
PTA Class B Shares	-	20,975,220
	145,519,224	93,336,985
	182,728,931	146,870,035

The details of the fair value adjustments for the investments in unquoted equities are as follows:

	2018	2017
	SCR	SCR
Africain Bank		
TDB Class B shares	4,024,073	-
Seychelles Commercial Bank	50,382,444	-
	103,495	-
	54,680,012	-

The details of the fair value adjustments for the investments in quoted equities are as follows:

	2018	2017
	SCR	SCR
Exchange Traded Fund		
Mauritius Stock Exchange	1,192,373	-
	315,386	-
	1,507,759	-

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

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

	2018	2017
	SCR	SCR
Seychelles Rupee		
Mauritian Rupee	598,431,979	583,173,847
US Dollar	32,318,319	24,520,357
	310,317,297	190,692,280
	941,067,595	798,386,484

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

12. RECEIVABLES AND PREPAYMENTS

		2018	2017
		SCR	SCR
i) Contributions receivables from members	b	27,860,479	23,163,015
Amount receivable from the Government of Seychelles	c	116,999	12,361,435
Interest receivable	h	27,493,332	24,714,198
Rental income receivable	d	5,882,904	2,249,314
Advance payment on capital projects		4,176,802	660,565
Prepayments		3,423,626	988,825
Other receivables	e	12,126,202	16,048,833
		81,089,344	89,186,186

	2018	2017
	SCR	SCR
ii) Rental income receivable	10,464,611	7,423,391
Provision for bad and doubtful debts (Note f)	(4,581,707)	(5,174,077)
Net rent receivable	5,882,904	2,249,314

The provision for bad and doubtful debts is as follows:

	2018	2017
	SCR	SCR
Opening balance January 1	5,174,077	-
Movement	(1,041,128)	5,174,077
Adjustment	448,758	-
Closing balance December 31	4,581,707	5,174,077

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

(b) The contributions receivable from members are contributions for December 2018 due on the 21st day of January 2019 and other contribution in arrears.

(c) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement) which the Fund paid to its members on behalf of and refundable by the Government of Seychelles.

(d) Rental income receivable represents outstanding rent from tenants of which around SCR 0.8m was collected in January 2019, SCR 2m are cases at the Rent Board and SCR 1.6m are inactive tenants, enacted for non-payments of rent.

(e) Other receivables comprise of sundry debtors, staff loan and debtors clearing.

(f) A new policy for Provision for bad debts was approved by the Board in January 2019 for implementation in 2018.. The calculation is based as per IFRS 9 whereby the expected credit losses are determined based on current data and adjusted using a macro-economic factor, in this case, the inflation rate at the end of 2018 which was 3.70%. Full provision for bad debts have been provided for total debts in excess of 90 debtors days and non active tenants as per the policy.

(g) The Fund does not hold any collateral as security.

(h) Interest receivable includes interest receivable from Fixed Deposit, Treasury Bill and Treasury Bonds.

13. RECEIVABLE FROM PROPERTY MANAGEMENT CORPORATION (PMC)

	2018	2017
	SCR	SCR
Opening balance		-
Additions-Disbursement	150,000,000	-
Total repayment	(18,611,654)	-
Interest receivable	7,369,092	-
	138,757,438	-
Current	14,786,813	-
Non-Current	123,970,625	-
	138,757,438	-

The amount receivable from Government PMC loan, represents the loan disbursed to Government of Seychelles for housing projects undertaken by Government of Seychelles.

14. OTHER PAYABLES

	2018	2017
	SCR	SCR
Rental deposits	10,144,970	9,718,379
Advance on rent	4,411,061	839,456
Accrued expenses	7,018,027	4,077,286
Other payables	b	111,183
Provision- Salaries	25	-
Retention payable		1,411,169
		1,576,173
	21,685,241	17,676,668

(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 and it includes pension payments returned due to incorrect bank accounts/details of the pensioners/members.

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

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:

	2018	2017
SCR	SCR	SCR
Present value of unfunded obligation	6,231,559	4,741,028

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

	2018	2017
SCR	SCR	SCR
At January 01,	4,741,028	3,768,878
Charge for the year	1,490,531	972,150
At December 31,	6,231,559	4,741,028

The retirement benefit obligation has not been valued by an actuary since the management decide that had it been valued by actuary the impact is not material.

16. DEFERRED PROPERTY LEASE

Cost

	2018	2017
SCR	SCR	SCR
At 1 January 2018	7,846,750	7,846,750
Additions	-	-
Disposal	-	-
At 31 December 2018	7,846,750	7,846,750

Amortisation and Impairment

	2018	2017
SCR	SCR	SCR
At 1 January 2018	993,996	885,316
Charge for the year	108,680	108,680
Disposal	-	-
At 31 December 2018	1,102,676	993,596

Carrying amount

	2018	2017
SCR	SCR	SCR
At 1 January 2018	6,852,754	6,961,434
At 31 December 2018	6,744,074	6,852,754

The value less than land was originally accounted for at SCR 1, the value at which it was transferred from the Government of Seychelles, this value has been restated to fair value at the time of acquisition in the 2017 comparative. The leasehold properties are Providence Micro Enterprise, Providence Warehouse, Port- Glaud Micro Enterprise, Eve Island Enterprise. The benefit received from Government is being taken to Income over the life of the underlying assets (60 - 99 years).

17. MEMBERS' FUND

Member's fund represents the balance due to members who have contributed to the Seychelles Pension Fund (which also includes the Seychelles Pension Scheme from 1991). This includes mandatory and voluntary contributions from employer and employee and contributions from self-employed with accumulated interest over the years. The members fund is used to finance pension payment on a monthly basis and lump sum refunds for members not qualifying for a monthly pension. The total funds accumulated under members' fund is as follows:

	2018	2017
SCR	SCR	SCR
Net members fund	1,521,918,474	1,417,563,303
Funds taken from investment returns	782,876,497	578,968,586
Members fund	2,304,794,971	1,996,531,889

Details of members fund are as follows:

	2018	2017
SCR	SCR	SCR
Mandatory contribution	1,692,661,970	1,432,924,265
Voluntary contribution	85,345,469	77,227,975
Interest on mandatory contributions	505,304,646	468,783,277
Interest on voluntary contributions	21,482,887	17,596,372
At 31 December	2,304,794,971	1,996,531,889

18. OTHER FUNDS

	2018	2017
SCR	SCR	SCR
Contributions from Social Security Division (note (a) below)	532,099,144	532,099,144
Payments made for Social Security Pension	(520,395,209)	(520,395,209)
Net contributions from Social Security carried forward	11,703,935	11,703,935
Receipts from National Provident Fund (note (b) below)	71,215,276	71,215,276
SSF Investment Funds transferred to SPF	406,870,976	406,870,976
SPF contribution from Govt (note (c) below)	43,489,567	43,489,567
At 31 December	833,279,754	533,279,754

The 2017 figure for SSF investment funds transferred to SPF has been restated to account for the initial fair value in 2015 of the following properties (Le Chantier property, La Digue land, Orion Mall building and Oceangate house property) these have been transferred to other reserves from prior year retained earnings.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

18. OTHER FUNDS (CONTINUED)

(a) 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.

19. Valuation of net assets against actuarial value of promised retirement benefits

As per IAS 26, the Actuary conducted a comparison of net assets of SCR 2.822b in its last Actuarial valuation as at 31st December 2016 and actuarial value of necessary retirement benefit of SCR 6.074b required to pay all of SPF's members for the period up to 2050. Since Seychelles Pension Fund is only 11 years old and currently immature the Actuary has confirmed that under that under SPF's "pay as you go" scheme (not a Fully Funded scheme), it is normal for the Fund's assets to be less than projected benefits required to pay all current members, provided that periodic adjustments are made in contribution rates as per Actuary's recommendations, over the next 18 years when Seychelles Pension Fund will get 9.5% contribution from each of its members by the year 2035 to meet all benefit obligations. The Actuary has also confirmed the following:

1. SPF continues to be in a sound financial position.
2. As at 31st December 2016 the level of SPF's total funds represents 11 times the benefit outgo today.
3. Over the years as Seychelles Pension Fund matures it is expected to become relatively stable especially when the contribution rate would have increased to 9.5% of salaries by the year 2035.

20. RESERVE FUND

	2018	2017
	SCR	SCR
Reserve Fund	14,568,591	14,568,591

The Chief Executive Officer, acting on the advice of the Board of Trustees, has not made any annual transfer which up to the year 2006 on the amount set aside which was 30% of the difference between the interest earned by Seychelles Pension Fund and the interest paid to the members. This is a contingency fund set aside which can be used to meet the cost of pensions or interest paid to members in the event of a shortfall.

The transfer to the Reserve Fund was made in order to increase the distributable reserve.

21. OTHER RESERVES

	2018				2017
	Revaluation reserve	Fair value reserve	Other reserves	Property reserve	Total
	SCR	SCR	SCR	SCR	SCR
At January 1,	76,988,431	11,395,977	55,445,682	-	143,830,090
Net change in fair value of associates and subsidiaries	-	-	-	-	-
Net change in FV of properties	-	-	-	7,752,600	7,752,600
Net change in fair value of financial assets	-	(192,415)	-	-	(192,415)
At December 31,	76,988,431	11,203,562	55,445,682	7,752,600	151,390,274
					143,830,089

22. INTEREST INCOME

	2018	2017
	SCR	SCR
<i>Interest income under the effective interest method on:</i>		
- Fixed deposits - at amortised cost	15,238,968	17,318,339
- Treasury bonds - at amortised cost	20,866,925	29,781,986
- Equity securities	230,997	338,591
- Bank balances	59,648	92,188
- Staff loans	336,110	296,958
- Loan to PMC	7,369,092	-
	44,101,740	47,828,062

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

23. INVESTMENT INCOME

	2018	2017
	SCR	SCR
Dividends on local securities	7,976,323	8,442,891
Dividends on foreign securities	6,067,116	5,706,193
	14,043,439	14,149,084

Dividend income is recognised in the financial statements when their right to be received is firmly established.

24. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund was 2.5% from 01.01.2018 to 30.09.2018. From 01.10.2018 to 31.12.2018 as per the new Interest Policy approved by the Board, the interest was revised upwards to 4.81% on mandatory contributions and 5.99% on voluntary contributions. The new interest policy effective 01.10.2018 credits interest to non-vested members only as they can withdraw the amounts from their account since they do not qualify for a pension. The other vested members are eligible for pension and as such do not need the interest credited on their mandatory accounts. (Prior policy credited interest to all members). The amount of SCR 38m was paid for the year ended December 31, 2018 (2017: 3.5% - SR 61m).

25. ADMINISTRATIVE EXPENSES

	Re stated	
	2018	2017
	SCR	SCR
Salaries, wages and other related expenses	32,252,201	26,642,499
Salaries and Wages adjustment-2017	-	1,411,169
Office running costs	4,447,210	3,703,752
Motor vehicles running expenses	441,772	410,704
Postage, printing and stationary	1,387,208	2,114,901
Telephone	1,398,123	1,099,996
Utilities	618,834	696,244
Repairs and maintenance	959,656	1,818,725
Other expenses	2,961,595	2,610,092
	44,466,598	40,508,082

Details of other expenses includes;

	2018	2017
	SCR	SCR
Internet Charges	880,781	1,019,325
Rent- Caravelle House	1,702,235	783,512
Rent- Jupiter House	12,500	-
Cleaning	204,197	435,906
Medical Board Expenses	133,248	150,480
International Social Security Association (ISSA)	-	194,862
Official meeting expense	28,634	26,006
Total	2,961,595	2,610,092

The 2017 figure for salaries and wages been restated to account for part of bonus and part of 13th month salary for the year 2017 amounting to SCR 1,411,169 which was paid in 2018.

26. CASH AND CASH EQUIVALENTS

	2018	2017
	SCR	SCR
Cash at bank	97,554,037	220,103,521
Cash in hand	43,602	42,973
	97,597,640	220,146,494

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018

27. RELATED PARTY TRANSACTIONS

	2018	2017
	SCR	SCR
<i>Balances owing from related parties:</i>		
<i>Other related parties</i>		
Government of Seychelles	3,017,189	12,361,435
Receivable from PMC loan	138,757,438	-
<i>Transactions</i>		
<i>Dividends received</i>		
Opportunity Investment Company Limited	564,170	2,704,193
Seychelles Breweries Limited	6,629,212	4,971,909
<i>Rental received:</i>		
Government of Seychelles	57,257,215	56,278,455
<i>Key management personnel</i>		
- Gross salaries	2,665,200	1,747,020
Board of Trustees' remuneration (note28)	912,000	808,488

(a) Transactions with related parties are within the normal course of business.

(b) For the year ended December 31, 2018, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2017: 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.

28. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

	2018	2017
	SCR	SCR
<i>J. Dugasse (From 17th September 2018)</i>		
<i>E. Palmer (From 1st March 2018 to 16th September 2018)</i>		
P Puyet	75,000	74,376
L Woodcock	6,000	61,056
S Labrosse	-	61,056
J Esparon	-	4,176
W Lahrosse	6,000	61,056
A Lucas	6,000	61,056
C Mangroo	72,000	61,056
R Valmont	60,000	-
B Morin (From 1st March 2018)	60,000	-
C Vidot (From 1st March 2018)	60,000	-
P Sinon (From 1st March 2018)	60,000	-
P Charlette (From February 1, 2017 to July 31, 2017)	-	25,056
A Madeleine (From February 1, 2017)	6,000	56,880
M C Marie (From August 1, 2017)	72,000	30,000
B Adenis (from February 1, 2015)	72,000	61,056
E Agathine (from February 1, 2015)	6,000	61,056
A Robinson (from February 1, 2015)	72,000	61,056
B Hoareau (up to January 31, 2017)	-	4,176
M Jivan (from February 1, 2015)	72,000	61,056
Elsie Morel (From 1st March 2018)	60,000	-
<i>Secretariat</i>		
Willy Confaït (up to January 31, 2017) (Secretary)	-	4,176
Maylene Spiro (February 1, 2017 to April 30, 2017) (Secretary)	-	8,352
Audrey Nanon (From May 1, 2017) Secretary	72,000	35,088
Marie-Ange Waye-Hive (January 1, 2017 to April 31, 2017) (Alternate Secretary)	-	16,704
	912,000	808,488

SEYCHELLES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2018

29. PRIOR YEAR RESTATEMENT

		2018	2017
		SCR	SCR
SSF Properties transferred to SPF	18	-	73,418,211
Deferred Government Grant	16	-	6,961,434
Total		-	80,379,644

30. COMMITMENTS

(a) Capital commitments

	2018	2017
	SCR'000	SCR'000
Approved and contracted for	224,974	33,060
Approved but not contracted for	52,665	15,047
	277,639	48,107

(b) Lease commitments

	2018	2017
	SCR	SCR
Within one year	77,086,466	50,102,539
After one year but not more than 5 years	153,008,047	134,461,529
More than 5 years	22,559,472	6,091,913
	252,653,985	190,655,981

31. CONTINGENT LIABILITIES

- (i) At the end of 2017, SPF contracted out the piling works at the ex- Pirates Arms site to Vijay Construction. However early in January 2018, during the piling, Central Bank Of Seychelles reported to SPF that their Annex building had suffered some structural damages such as floor/wall cracks and blocked doors. An independent investigation was then carried out by SPF through a geological expert from South Africa who concluded that the main causes of the structural defects amongst others were, a weak floating raft foundation of the Central Bank Of Seychelles Annex, piling method used and weak soil sub strata. The recommendation was to fix it through underpinning. Central Bank Of Seychelles however undertook a separate study in July 2018 and their consultant recommended that the building could not be 100% safe even if the "underpinning" is done. In January 2019, Central Bank Of Seychelles informed SPF that they expected SPF to pay the sum of SCR10.3m. In March 2019 the details of this costing was sought by SPF and Central Bank Of Seychelles clarified that it comprises of SCR 1m for demolition, SCR 7m for rebuilding the annex and SCR 2.3m for electrical and other fittings. SPF Board also decided to evoke the arbitration clause in the piling contract with the piling contractor. The matter is expected to be resolved after arbitration when a ruling would be given as to the cause and responsible party is identified.
- (ii) Seychelles Pension Fund Act 2005 Section (69) states that SPF is exempted from stamp duty, business tax, trades tax, goods and service tax and all other taxes, fees, duties on its assets, documents instruments, profits, operations and properties. Thus Seychelles Pension Fund strongly believes that it is exempted from VAT, even if specific exemption has not yet been enacted in the VAT Act. The matter has been taken up with the Ministry of Finance throughout 2018, but as at end of the period this issue still remains pending.

Apart from the above there were no contingent liabilities as at 31 December, 2018.

32. 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, 2018.

CHAPTER 5 | The Way Forward

CHAPTER 5 | THE WAY FORWARD

5.1 CONTINUING ON THE PATH TOWARDS SUSTAINABILITY

It is with much pride that we at SPF, have grown over the past few years to become an established part of the pension and investment landscape both in Seychelles, and in the international arena with our investments in Afrexim Bank and TDB Bank.

We now have a culture of continuous improvement at all levels within SPF. This ranges from improved member services, better out-reach to all our stakeholders, utilization of IT for effective automated processes and new investment strategy, all aiming towards turning SPF into a sophisticated, efficiently-run organization that strives to provide valuable protection for its members.

5.2 CHALLENGES AHEAD

5.2.1 Review of Regulations

With the approval and coming into force of the amendments of the SPF Act, the immediate path SPF has to take is to inform its members on firstly the benefits of the changes, how to effectively access these changes and to ensure all eligible members actually do take up these new pension services. The next step is for SPF to do a full review of its Regulations so that it is in line with the amended Act and to have a modern pension service meeting the needs of our Seychellois workforce.

5.2.2 Investment Income to be the second source of regular income

SPF has two key sources of revenue; contributions from members (employees and employers) and investment income. The aim in the future is to ensure that SPF continues to have this second source of stable income from its investments other than pension contributions.

In the past thirteen years of its existence, SPF has by default, invested primarily in the domestic market in fixed income and real estate, with a strong focus on the development of properties. This is because there were very limited options in the financial market in the country. Through this strategy, SPF also contributed towards the country's economic development by "anchoring" the rental prices in Seychelles, promoting small businesses and micro enterprises by providing affordable rental spaces, making available much needed commercial spaces in the capital and thereby changing the 'face' of Victoria. In other words, SPF played a very active role in the financing of long-term, productive activities that support sustainable growth, such as infrastructure projects in the country.

Traditionally, there has always been a general lack of domestic investment instruments and opportunities to diversify risks, resulting in a maturity mismatch between SPF's long term liabilities and available short-term investment instruments. As the only contributory pension system in Seychelles, there is constant pressure for higher returns to sustain pension commitments, while contributing to the country's economic development.

In order to inject more diversity in its investment portfolio, SPF is now compelled to embrace more innovative approach to investments, by gradually increasing its investments in equities and making more of overseas investments. With 64% of its members being less than 45 years old, SPF can afford to make use of up to 64% of its surplus funds in long term investments, geared towards technologically and modern investments of the future, as the liquidity needs arising from its obligation to pay pension benefits will only be a priority after 15 years.

SPF is fairly cash positive, having 43% of its investments in liquid assets, which is more than sufficient to pay off all benefits along with current contributions each year, for the remaining 32% of its members aged over 45 years.

5.2.3 Impact Investments

For investments, the key is to be prudent and diversified with assets split between fixed-income investments such as Treasury Bills and Bonds, equity investments such as blue-chip dividend stocks/index funds and commercial real estate. An emerging trend is to place some assets in “impact investments” and to only make “ethical investments”.

Impact investments are made with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return and such investments provide capital to address social and environmental issues. SPF is considering new investments in a renewable energy project, as well as in housing to provide basic affordable housing to Seychellois professionals, as part of SPF’s impact investments, although since inception SPF has been making “impact investments”, by providing commercial spaces for micro-enterprises.

5.2.4 Increasing membership and reviewing contribution rates

SPF currently has around 43,561 active members, a record to date, as membership has gradually increased over the years. The aim of SPF is to have 100 percent coverage of all Seychellois in employment. SPF will ensure that measures to expand coverage are reviewed, especially those targeting the self-employed, and ensure workers are continuously moved from the informal to the formal sector in order to enlarge the contributory base. Specific target groups are looked at each year. For 2018, the target group was artists and for 2019, the target group will be fishermen.

A periodic review of contribution rates is also necessary to consolidate long-term financing. This is done through long-term actuarial assessments so as to provide a scientific rationale for reviews of contribution rates. As per the last Actuarial valuation, the next increase in contributions rates is in five years’ time when contribution rates need to be increased by 2% by 2025. However this is subject to change based on the next actuarial review expected in 2019.

New measures will also have to be continually introduced to improve compliance and enforce penalties for the late payment of contributions.

5.2.5 Reducing administrative expenses

Getting the most from our money is a key focus which will be further highlighted in the coming year, as we note an increase in the cost of administration and oversight. This is mostly due to personnel emolument costs having increased with more staff and a new scheme of service put in place since 2017. Successful deployment of strong financial controls and expense management across SPF will be a priority in 2019 along with independent audits to be carried out both in administration and investments.

5.2.6 Efficient and productive workforce

SPF’s aim is to have capable, qualified and knowledgeable workforce, who are always customer focused. This can only be achieved through intensive training, professional qualifications, international exposure through workshops and seminars, and building confidence so that all staff acquire and perfect skills with outstanding attitude and competence. In 2018, 96% of the workforce of SPF benefited with some type of training, which SPF will continue in the years to come.

5.2.7 Risk management

SPF has a very good understanding of all the risks it faces. Management and Board of Trustees places a lot of emphasis on making sure such risks are mitigated effectively. There are however risks, not directly within SPF’s control, such as demographic developments in the country, with decreasing birth rates, increasing life expectancy and longevity.

Such risks are inevitable in any pension scheme especially one as immature as SPF where it has contributions built up for only 13 years, with benefits to be paid for all retirees in the future, for a current membership of 43,561. Since Seychelles has an aging population, pensions in the future would require either, increases in income through increased contributions or other income or/ and an increase in retirement age in the future, for the very youngest workers in today's labour market. Since SPF operates a 'Pay-as-you-go' scheme, the number of "contributors" in the future, will be less than the pensioners who are increasing and also living longer.

Money that is paid through contributions are more than sufficient today to fund the retirement benefits, as there have been surpluses from inception, although the actual surplus has dwindled due to higher pension payments. This may not be the case in the future.

As long as the contribution rates and retirement age are reviewed as recommended by the Actuary, and there are surpluses of contributions over pension payments, which has been a significant reason for the growth of SPF in the last 13 years, the risk of unsustainability can be avoided. There has always been a perception that SPF may not be able to finance or may not be there for future pension payments. As at 31st December 2018, total assets of SPF sits at SCR 3,068 billion and is expected to continue to grow from increased contributions and investment income in the years to come.

Today, more than ever, SPF is in a strong financial position and Seychellois should feel good about SPF being there when they retire. SPF's total assets of SCR 3,068 billion, is SCR 241million more than what was projected by the Actuary in 2016, and well into half the total funds required to fund all its members' pensions, if they were to turn 60 years today, for which SPF would need SCR 6.074 billion. The Actuary in its 2016 evaluation confirmed that the early built-up of funds, has made SPF's level of fund to be 11 times the benefit outgo needed in 2016. The actuary, who reviews the health of the SPF every three years, also confirmed that SPF is in a sound financial position, provided all recommendations of the Actuary are implemented.

5.2.7 Minimum pension

SPF is also working in the immediate future, to see if there can be a minimum pension for workers on lower incomes, so that they can get a better pension than they are currently getting, which is below the minimum wage. A minimum pension that would bring it closer to the minimum wage would be worked on in 2019, now that a maximum pension has been established in 2018.

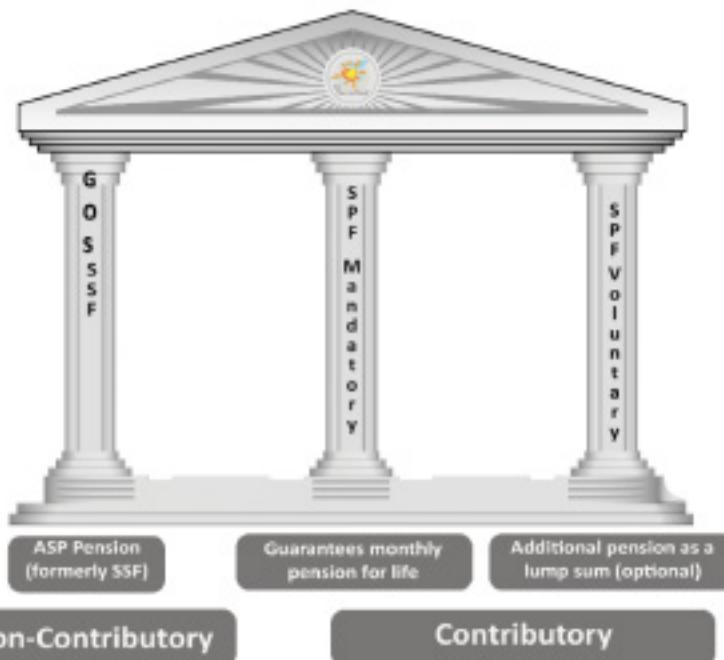
5.2.8 Strengthening Governance

SPF will be strengthening its governance processes through a series of training, policies and reinforce procedures to ensure there is always a 'clean' source of funds coming into SPF and the risks of financial crime and money laundering are mitigated.

5.2.9 Conclusion

What is needed in the coming decades is sustained and steady contribution and investment income to pay the increasing pension payments. The challenge then is to find ways and means of framing long term financing strategies, securing long term sources of finance and shielding them as effectively as possible from short term exigencies. The path adopted by SPF is thus clear to all. Our goal is to ensure the future sustainability of SPF, thereby reinforcing abilities to pay its members an entitlement which better reflects the current economic and social situation of the country.

Pension system in Seychelles



SPF Mandatory

5.5 %

Entitles you to a monthly pension for life

SPF Voluntary

As per your means

Entitles you to additional monthly pension as an option or lump sum with interest of 5.99 %

OTHER BENEFITS OFFERED MONTHLY

Normal Retirement Pension

Invalidity Pension

Surviving Spouse Pension

Children Pension

REFUNDS

Death Refund

Non Qualifying Refund

Migration Refund



Being self-employed,
shouldn't you start securing
your retirement
today?

Tomorrow?

Too late?

Sometimes we start
caring when it's
too late...

Will that be you?



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