

SEYCHELLES PENSION FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

SEYCHELLES PENSION FUND

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BOARD OF TRUSTEES' REPORT

The Board is pleased to present its report together with the audited financial statements of the Group and the Fund for the year ended December 31, 2012.

THE FUND

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 In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and it was replaced by the Seychelles Pension Fund Act, 2005 under which the scheme became a body corporate and was renamed as Seychelles Pension Fund.

PRINCIPAL ACTIVITIES

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

THE GROUP

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

RESULTS

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

INTEREST ON MEMBERS' FUND

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

PROPERTY AND EQUIPMENT

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

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

INVESTMENT PROPERTIES

The Fund has invested substantial amounts in properties purchased for rental and capital appreciation purposes. At December 31, 2012, these totalled SR 603.3m (2011: SR 454.6m). During the year, additions amounted to SR 103.6m (2011: SR 46.9m) and increase in fair value was SR 41.4m (2011: Nil).

SEYCHELLES PENSION FUND

BOARD OF TRUSTEES' REPORT (CONT'D)

1(a)

BOARD OF TRUSTEES

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

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

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

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

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

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

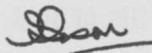
The Board and the Chief Executive Officer consider they have met their aforesaid responsibilities.

AUDITOR

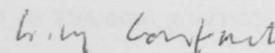
The Auditor General of Seychelles is mandated to carry out the audit of the Fund by Section 53(2) of the Seychelles Pension Fund Act, 2005.

APPROVAL

Signed in accordance with the authorisation of the Board by


Sitna Cesar
Chairperson

Date: March 28, 2013
Victoria, Seychelles


Willy Confait
Chief Executive Officer



OFFICE OF THE AUDITOR GENERAL

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Mahe, Republic of Seychelles
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Please address all correspondence to the Auditor General

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE THE SEYCHELLES PENSION FUND

Scope

Pursuant to the powers conferred on me by Section 53 (2) of the Seychelles Pension Fund Act, 2005, I have caused BDO Associates (Chartered Accountants) to audit on my behalf the financial statements of the Seychelles Pension Fund and its subsidiary (The Group) for the year ended 31 December 2012 as set out on pages 3 to 33.

The Board of Trustees Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

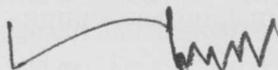
Opinion

In my opinion:

- the financial statements on pages 3 to 33 give a true and fair view of the financial position of the Group and of the Fund at 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005;
- proper accounting records have been kept by the Fund as far as it appears from my examination of those records; and
- I have obtained the information necessary for the purpose of the audit and am satisfied with the information received.

Emphasis of matter

Without qualifying my opinion, I draw attention that the Fund's actuarial report based on the 2011 results shows that the Fund is sustainable up to the year 2027 with a target level of 2 times the benefit outflow. An additional contribution of 3.5% will be required to sustain the Fund in the long run up to 2037 to be spread out over the years to minimise the impact it may have on take home pay of workers and employers' budgets. The orderly transition to long term rate of pension contribution is: 1% of earnings in 2014, 1.5% of earnings in 2024 and 2% of earnings in 2029.



Marc Benstrong
Auditor General

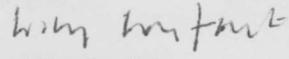
05 April 2013
Victoria, Seychelles

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

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

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


Sitna Cesar
Chairperson


Willy Confait
Chief Executive Officer

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

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

INCOME AND EXPENDITURE ACCOUNT- YEAR ENDED DECEMBER 31, 2012

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

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

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

Notes	THE FUND					
	THE GROUP		2011		2012	
	2012	SR	2011	SR	2012	SR
6	(1,393,481)		(1,189,826)		(1,393,481)	
7	(103,641,747)		(46,940,042)		(103,641,747)	
	20,843		128,000		20,843	
10	(257,149,169)		(239,963,169)		(257,149,169)	
	195,298,635		171,327,006		195,298,635	
10	25,716,388		17,550,455		25,716,388	
19	29,905,017		20,820,273		27,705,532	
	-		27,124,365		4,152	
	(111,243,514)		(51,142,938)		(113,438,847)	
	(11,338,678)		6,022,937		(11,345,262)	
	94,162,630		88,139,693		93,798,857	
23	82,823,952		94,162,630		82,453,595	
	(decrease)/increase in cash and cash equivalents					
	cash and cash equivalents at January 1,					
	cash and cash equivalents at December 31,					

(decrease)/increase in cash and cash equivalents
Cash and cash equivalents at January 1,
Cash and cash equivalents at December 31.

notes on pages 7 to 33 form an integral part of these financial statements.

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

1. GENERAL INFORMATION

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

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

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2013 or later periods, but which has not early adopted.

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

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

IFRS 9 Financial Instruments

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (Revised 2011)

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

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

Amendment to IFRS 1 (Government Loans)

Annual Improvements to IFRSs 2009-2011 Cycle

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

Transition Guidance

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

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

(b) Property and equipment

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment (Cont'd)

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

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

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

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

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

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

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

(c) Investment properties

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

(d) Investment in subsidiary

Separate financial statements of the Fund

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(d) Investment in subsidiary (Cont'd)***Consolidated financial statements*

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

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

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

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

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

Transactions and non-controlling interests

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

Separate financial statements of the Fund

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

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

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

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

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

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

(f) Financial assets

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

(i) Held-to-maturity investments

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

(ii) Available-for-sale financial assets

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

Initial measurement

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (cont'd)

(ii) *Available-for-sale financial assets (Cont'd)*

Derecognition

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

Subsequent measurement

Available-for-sale financial assets are subsequently carried at their fair values.

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

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

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

(iii) *Contributions receivable*

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

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

(iv) *Benefits payable*

Benefits payable are stated at their nominal value.

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

(v) *Receivables and prepayments*

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

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

(vi) *Cash and cash equivalents*

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in the statement of comprehensive income. Impairment losses for an investment in an equity instrument are not reversed through the Statement of Comprehensive Income.

(g) Foreign currencies*Functional and presentation currency*

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

Transactions and balances

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

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

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

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

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

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped together in asset groups.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Leases

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

(j) Contributions, interest and income

Revenue after eliminating revenue within the Group comprises:

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

(k) Retirement benefit obligations

(i) *Defined benefit plans*

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

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

(l) Tax

The Fund is exempt from tax.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, the fulfilment of which is probable and for which an outflow of resources is expected to result.

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

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

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

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

(b) Funding policy

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

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

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

(c) Valuation of the Fund

Under Section 55 of the Seychelles Pension Fund Act 2005, the Board is required to make an actuarial investigation of its assets and liabilities at intervals of not more than 3 years. The last actuarial review report as at December 31, 2011 was issued on February 7, 2012 and the next one due for the year ending December 31, 2014.

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

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

4. FINANCIAL RISK MANAGEMENT

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

(a) Investment risk

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

The following types of investment risk can be identified:

(i) *Interest rate risk*

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

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

Several specific risk measures may be cited:

- The Fund's primary interest rate risk relates to interest-bearing investments. The information on maturity dates and effective interest rates of financial assets are disclosed.
- The Fund does not generally borrow, so the cost of borrowing is nil and unaffected by rate rises.

(ii) *Market risk*

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Investment risk (Cont'd)

(ii) Market risk (Cont'd)

Sensitivity analysis

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

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

(iii) Liquidity risk

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

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

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

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

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

(iv) Credit risk

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

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

(v) Currency risk

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

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

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Investment risk (Cont'd)

(vi) *Counter-party risk*

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

This risk is mitigated via the following measures:

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

(b) Economic risk

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

(i) *Industry risk*

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

(ii) *Inflation risk*

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

The Fund protects itself in the following ways:

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

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

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

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

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

(d) Legal risk

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

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

(e) Disaster recovery risk

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

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

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

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

(f) Reputational risk

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Held-to-maturity investments

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

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

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

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

(c) Impairment of other assets

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

(d) Fair value estimation

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

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

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

Critical accounting estimates and assumptions (Cont'd)

(d) Fair value estimation (Cont'd)

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

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

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

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

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

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i><u>At December 31, 2012</u></i>				
Available-for-sale	<u>15,310,127</u>	-	-	<u>15,310,127</u>
<i><u>At December 31, 2011</u></i>				
Available-for-sale	<u>15,317,451</u>	-	-	<u>15,317,451</u>

(e) Limitations of sensitivity analysis

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

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

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

PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

December 31, 2012

	Freehold land and buildings SR	Leasehold buildings and improvements SR	Equipment SR	Furniture and fittings SR	Motor vehicles SR	Total SR
COST AND VALUATION						
At January 1, 2012	7,137,805	26,969,024	4,545,716	2,621,522	575,501	41,849,568
Additions	-	-	641,344	517,695	234,442	1,393,481
Disposals	-	-	(129,126)	(18,480)	-	(147,606)
Revaluation surplus (note 17)	254,851	3,513,000	-	-	-	3,767,851
Transfer to investment properties (note 7(a))	<u>(3,713,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,713,800)</u>
At December 31, 2012	<u><u>3,678,856</u></u>	<u><u>30,482,024</u></u>	<u><u>5,057,934</u></u>	<u><u>3,120,737</u></u>	<u><u>809,943</u></u>	<u><u>43,149,494</u></u>
<i>Analysed as:</i>						
Cost	3,199,005	18,347,674	5,057,934	3,120,737	809,943	30,535,293
Valuation	479,851	12,134,350	-	-	-	12,614,201
	<u><u>3,678,856</u></u>	<u><u>30,482,024</u></u>	<u><u>5,057,934</u></u>	<u><u>3,120,737</u></u>	<u><u>809,943</u></u>	<u><u>43,149,494</u></u>
DEPRECIATION						
At January 1, 2012	310,964	9,198,543	1,834,820	1,045,047	344,225	12,733,599
Charge for the year	-	2,019,070	710,298	262,539	115,803	3,107,710
Disposal adjustments	-	-	(113,477)	(14,708)	-	(128,185)
Transfer to investment properties (note 7(a))	<u>(310,964)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(310,964)</u>
At December 31, 2012	<u><u>-</u></u>	<u><u>11,217,613</u></u>	<u><u>2,431,641</u></u>	<u><u>1,292,878</u></u>	<u><u>460,028</u></u>	<u><u>15,402,160</u></u>
NET BOOK VALUE						
At December 31, 2012	<u><u>3,678,856</u></u>	<u><u>19,264,411</u></u>	<u><u>2,626,293</u></u>	<u><u>1,827,859</u></u>	<u><u>349,915</u></u>	<u><u>27,747,334</u></u>

PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

	December 31, 2011			COST AND VALUATION			Analysed as:			NET BOOK VALUE	
	Freehold land and buildings	Leasehold buildings and improvements	SR	Equipment	SR	Furniture and fittings	SR	Motor vehicles	SR	Total	SR
At January 1, 2011	7,137,805	26,969,024		3,770,365		2,405,897		462,897		40,745,988	
Additions	-	-		796,201		215,625		178,000		1,189,826	
Disposals	-	-		(20,850)		-		(65,396)		(86,246)	
At December 31, 2011	7,137,805	26,969,024		4,545,716		2,621,522		575,501		41,849,568	
Analysed as:											
- Cost	3,176,645	18,347,674		4,545,716		2,621,522		575,501		29,267,058	
- Valuation	3,961,160	8,621,350		-		-		-		12,582,510	
	7,137,805	26,969,024		4,545,716		2,621,522		575,501		41,849,568	
DEPRECIATION											
At January 1, 2011	217,408	6,764,629		1,332,435		801,822		346,302		9,462,596	
Charge for the year	93,556	2,433,914		523,235		243,225		63,319		3,357,249	
Disposal adjustments	-	-		(20,850)		-		(65,396)		(86,246)	
At December 31, 2011	310,964	9,198,543		1,834,820		1,045,047		344,225		12,733,599	
At December 31, 2011											
	6,826,841	17,770,481		2,710,896		1,576,475		231,276		29,115,969	

Land and buildings of the Fund were last revalued in 2012 by Messrs. Baseline Surveys & Co. (Pty) Ltd, Hubert Alton and Lester J.W Quatre & Co, independent professionally qualified valuers.

The Board of Trustees is of the opinion that the carrying amounts of property and equipment approximate their fair values at the end of the reporting period.

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

7. INVESTMENT PROPERTIES

(a) Fair value

	THE GROUP AND THE FUND	
	2012	2011
	SR	SR
At January 1,	454,618,559	407,678,517
Additions	103,641,747	9,902,440
Work in progress	-	37,037,602
Increase in fair value	41,356,651	-
Transfer from property and equipment (note 6(a))	3,402,836	-
At December 31,	603,019,793	454,618,559

(b) The value of the investment properties was subject to a bi-annual review at December 31, 2012 by Messrs. Baseline Surveys & Co. (Pty) Ltd, Hubert Alton and Lester J.W Quatre & Co, independent professionally qualified valuers, on an open-market basis with existing tenancies.

The next valuation is expected to be performed in 2014. The Board of Trustees are of the opinion that the carrying amounts of Investment Properties approximate their fair values at the end of the reporting period.

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

	THE GROUP AND THE FUND	
	2012	2011
	SR	SR
Cost		
At January 1 and December 31,	50,000,000	50,000,000
Amortisation		
At January 1,	9,186,507	7,069,239
Charge for the year	4,008,090	2,117,268
At December 31,	13,194,597	9,186,507
Net Book Value		
At December 31,	36,805,403	40,813,493

8. INVESTMENT IN SUBSIDIARY

	THE FUND
	2012 & 2011
	SR
Cost	
At January 1, and December 31,	5,100

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

	2012 & 2011
Class of shares held	Ordinary
Year end	December 31,
Proportion of ownership interest and voting power held (direct)	51%
Country of incorporation and residence	Seychelles
Activity	Investment

INVESTMENT IN ASSOCIATES

THE FUND - AT COST

	<u>2012 & 2011</u>	<u>SR</u>
At January 1, and December 31,	<u>59,662,908</u>	

THE GROUP

	<u>2012</u>	<u>2011</u>
	<u>SR</u>	<u>SR</u>
At January 1,	103,223,777	83,259,462
Share of results for the year	14,407,466	38,395,115
Dividends	(27,162,000)	(18,430,800)
At December 31,	<u>90,469,243</u>	<u>103,223,777</u>

The Group's interest in associates was as follows:

Name	Year end	Assets	Liabilities	Revenues	Profit	Proportion of ownership interest and voting rights	
						SR	%
<u>At December 31, 2012</u>							
Seychelles Breweries Ltd	June 30,	316,523,450	67,554,262	346,777,000	41,142,486	26	
SACOS Group Limited	December 31,	654,460,700	518,067,630	130,474,552	19,663,060	-	18.87
<u>At December 31, 2011</u>							
Seychelles Breweries Ltd	June 30,	386,848,761	155,740,674	465,868,965	83,464,822	26	
SACOS Group Limited	December 31,	567,776,821	439,047,441	112,849,675	25,228,289	-	18.87

Shares in SACOS Group Limited (SGL) are held by the Fund through its subsidiary, Opportunity Investment Company Limited, and the Directors consider that significant influence exist to recognise SGL as an associate.

INVESTMENT IN ASSOCIATES (CONT'D)

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

Management accounts to December 31, have been used for consolidating the results of Seychelles Breweries Limited.

INVESTMENT IN FINANCIAL ASSETS

THE GROUP AND THE FUND

	Unquoted			Listed			2012	2011
	Money markets	Held-to-Maturity	Available-for-Sale	SR	SR	SR		
At January 1,	116,603,580	204,529,240	15,317,451	336,450,271	257,149,169	273,511,213		
Additions	220,110,730	34,270,077	2,768,362					239,963,169
Increase/(Decrease) in fair value (note 17)	316,110	-	(2,494,226)	(2,178,116)				805,644
Redemptions/Disposals	(140,763,424)	(54,253,751)	(281,460)	(195,298,635)				(170,734,371)
Accrued interest	-	2,661,336	-	2,661,336				(7,095,384)
At December 31,	196,266,996	187,206,902	15,310,127	398,784,025				336,450,271

Analysed as follows :

Non-current	150,114,148	169,327,243
Current	248,669,877	167,123,028
	398,784,025	336,450,271

Investment in money markets represent term deposits with banks with interest rates ranging from 2.5% to 16.5% per annum (2011: 3% to 7%).

Held-to-maturity investments comprise treasury bonds with interest rates ranging from 6% to 8% per annum (2011: 6% to 8%) and treasury bills from 5.35% to 15.25% per annum (2011: 5.50% to 6.1%).

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

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

10. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

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

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

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

11. LOAN TO SUBSIDIARY

(a) The loan to subsidiary is interest free with no fixed repayment terms.

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

(c) The loans and receivables are denominated in Seychelles rupee.

12. RECEIVABLES AND PREPAYMENTS

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

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

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

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

13. PAYABLES AND ACCRUALS

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

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

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

14. MEMBERS' FUND

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

The Members' Fund balances up to December 31, 2012 are reduced by the new benefits paid under the new scheme. The Members' Fund also includes accumulated balance of members who have reached the retirement age and are eligible for monthly pension. However, the accounts of the retirees should have been separated from the active members fund and reflected in the other fund created for this purpose and as at December 31, 2012 this was still in progress.

15. OTHER FUNDS

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

- (a) Under the new scheme of benefits payable to the members, the Social Security Fund refunds the whole of the social security pension to the Seychelles Pension Fund for payment of Social Security and Benefits to the members eligible for monthly pension.
- (b) The National Provident Fund Act was repealed and after refunding the contributions to the persons entitled under that Act, the balance was transferred to Seychelles Pension Fund as required under Section 73(2) of the Seychelles Pension Fund Act, 2005.
- (c) The SPF contribution from Government are funds received from SSF Investment Fund as approved by the Government of Seychelles. During the year an amount of SR 12.5m was received (2011: SR 31m).

16. RESERVE FUND

	THE GROUP AND THE FUND	
	2012 & 2011	SR
At January 1, and December 31,		14,568,591

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

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

OTHER RESERVES

THE GROUP

	2012			2011		
	Revaluation reserve	Fair Value reserve	Associates' reserve	Total	Revaluation reserve	Fair Value reserve
	SR	SR	SR	SR	SR	Total
At January 1,						
Revaluation of property and equipment (note 6)	12,582,571	4,537,061	4,109,220	21,228,852	24,065,609	SR
Net change in fair value of financial assets (note 10)	3,767,851	-	-	3,767,851	-	-
Reversal of fair value reserve on disposal of available-for-sale financial assets	-	(2,178,116)	-	(2,178,116)	805,644	
At December 31,	16,350,422	2,358,945	4,109,220	22,818,587	(3,642,399)	

THE FUND

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

NON-CONTROLLING INTEREST

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

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

19. INTEREST INCOME

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

20. INVESTMENT INCOME

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

21. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund at 4.5% for the year ended December 31, 2012, amounted to SR 36.2m to the Fund (2011: 4% per annum - SR 28.3m). However, only SR 4.3m (2011: SR 3.4m) were actually paid towards retiring members, death gratuities and migration allowance for the year under review. The remaining surplus balance is booked every year as a provision in the Members' Fund Account to be used for settlement of future obligations towards existing members.

22. ADMINISTRATIVE EXPENSES

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

23. CASH AND CASH EQUIVALENTS

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

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

24. RELATED PARTY TRANSACTIONS

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

- (a) Transactions with related parties are made at normal market prices.
- (b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2012, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

25. BOARD OF TRUSTEES' REMUNERATION

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

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

26. COMMITMENTS

Capital commitments

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

27. CONTINGENT LIABILITIES

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

28. FINANCIAL SUMMARY

(a) THE GROUP

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

FUND

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

Note

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

STATEMENT OF FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2012

FINANCIAL SUMMARY (CONT'D)

THE FUND

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

FUNDS

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

EVENTS AFTER THE REPORTING PERIOD

The receivable from Government of Seychelles includes an amount of SR 8.4m representing costs incurred by the Fund on the proposed commercial development project at Albert Street. This project had to be stopped since the land leased by the Fund from the Government of Seychelles had to be returned by the latter to the previous owner based on a Court judgement. Subsequently, costs incurred by the Fund was claimed back to the Government of Seychelles. In a letter dated March 18, 2013, the Government of Seychelles agreed to compensate the Fund but in lieu of cash, compensation instead comprised: i) freehold interest of Pension Complex at Grand Anse, Praslin presently held on lease by the Fund, and ii) other properties that the Fund can undertake agreed development on.