

SEYCHELLES PENSION FUND
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

SEYCHELLES PENSION FUND
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SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT

The Board of Trustees of the SPF is pleased to present its report together with Auditors report and the audited Financial Statements for the year ended December 31, 2016. 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 In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 under which the scheme became a body corporate and was renamed as Seychelles Pension Fund.

REGISTERED OFFICE OF SPF

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

PRINCIPAL ACTIVITIES

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

THE FUND

The Fund represents SPF main activities ie collecting contributions from its members and paying out benefits to retiring members and investing excess funds as per SPF Act 2005.

THE GROUP

The Group comprises of SPF activities as well as activities of its subsidiary company, Opportunity Investment Company Limited, that has invested in SACOS and its associate, Seychelles Breweries Limited, where SPF has invested directly. Details regarding the subsidiary company and the associated companies are as per notes 11 and 12 to these financial statements.

| RESULTS FOR THE YEAR | Year to 31st December 2016 | Year to 31st December 2016 |
|---|-----------------------------------|-----------------------------------|
| | THE GROUP | THE FUND |
| | SCR | SCR |
| Surplus for the year | 261,475,226 | 216,832,148 |
| Retained surplus brought forward | 535,119,160 | 535,242,896 |
| Retained surplus carried forward | 796,594,386 | 752,075,044 |
| Attributable to: | | |
| The Fund | 744,296,487 | 752,075,044 |
| Non-controlling interest | 52,297,899 | - |
| | 796,594,386 | 752,075,044 |

INTEREST ON MEMBERS' FUND

An interest of 3.5% was approved for the year under review to be credited to members accounts. (2015: 4%).

PLANT AND EQUIPMENT

SPF acquired property and equipment amounting to SCR 7.2 million during the year comprising of furniture, fittings and motor vehicle (2015: SCR 26m).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2016 does not differ materially from their carrying amounts as per the statements of net assets available for benefits at that date.

INVESTMENT PROPERTIES

SPF has invested substantial amounts in properties for rental and capital appreciation purposes. As at December 31, 2016, these totalled SCR 1.3b (2015: SCR 1.2b). During the year, additions amounted to SCR 88m (2015: SCR 338m) and increase in fair value following revaluation as at December 31, 2016 was SCR 55.2m (2015: CSR 73.4m)

**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:

Patrick Payet - Chairman

Bernard Adonis

Lambert Woodcock

Basil Hoareau - resigned October 2016

Jessie Espanon - resigned December 2016

Pamela Charlette - appointed 1st January 2017

Walter Labrosse

Alexandra Madelcine -appointed 1st January 2017

Suzanne Labrosse

Malika Jivan

Antonio Lucas

Antoine Robinson

Cillia Mangroo

Lekha Nair (Chief Executive Officer)

Elizabeth Agathine

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

The Board of Trustees is responsible for the overall management of the affairs of SPF. The Board also ensures that proper accounts and other books and records in relation thereto in which all its financial transactions shall be recorded and 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 SPF 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 moneys and accounting for all moneys 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 2016.

TRUSTEES

Patrick Payet

Lambert Woodcock

Walter Labrosse

Suzanne Labrosse

Antonio Lucas

Cillia Mangroo

Elizabeth Agathine

Bernard Adonis

Alexandra Madeleine

Pamela Charlette

Malika Jivan



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Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE SEYCHELLES PENSION FUND FOR THE YEAR ENDED 31 DECEMBER 2016

Scope

Pursuant to the powers conferred on me by Section 53(2) of the Seychelles Pension Fund Act, 2005, I have caused Pool & Patel to audit on my behalf the financial statements of the Seychelles Pension Fund and its subsidiary (The Group) for the year ended 31 December 2016 as set out on pages 5 to 43.

The Board of Trustees' Responsibility for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Pension Fund Act, 2005 and the Public Enterprise Monitoring Commission Act, 2013. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate policies, and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor General

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

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

Opinion

In my opinion, the financial statements on pages 5 to 43 give a true and fair view of the financial position of the Group and of the Fund at 31 December 2016, and of their financial performance and their cash flows for the year then ended prepared in accordance with International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005.



Rajinder Chouhan
Acting Auditor General

24 March 2017
Victoria, Seychelles



INDEPENDENT AUDITOR'S REPORT SEYCHELLES PENSION FUND

We have audited the accompanying financial statements of the Seychelles Pension Fund on pages 5 to 43, which comprise the statement of assets available for benefits for the Fund and the Group as at December 31, 2016, the income and expenditure accounts, the statement of changes in net assets available for benefits and the cash flow statement for the year then ended, and 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 for the opinion we have formed.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and that these are in accordance with the accounting records maintained by the management. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

Opinion

In our opinion, the accompanying financial statements of the Seychelles Pension Fund set out on pages 5 to 43 give a true and fair view of the financial position of the Fund and the Group as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of the Seychelles Pension Fund Act, 2005 and International Financial Reporting Standards.

Pool Patel
POOL & PATEL
CHARTERED ACCOUNTANTS

16 March 2017

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SEYCHELLES PENSION FUND
STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS - 31ST DECEMBER 2016

| Notes | THE GROUP | | THE FUND | |
|--|-----------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property and equipment | 7 | 43,800,068 | 42,123,283 | 43,800,068 |
| Investment properties | 9(a) | 1,340,455,559 | 1,197,182,770 | 1,340,455,559 |
| Deposit on leasehold land | 10 | 44,201,031 | 44,716,495 | 44,201,031 |
| Investment in subsidiary | 11&14 | - | - | 6,275,370 |
| Investment in associates | 12 | 308,642,800 | 110,332,618 | 198,876,360 |
| Investment in financial assets | 13 | 300,491,429 | 230,516,561 | 300,491,429 |
| | | <u>2,037,590,887</u> | <u>1,624,871,727</u> | <u>1,934,099,817</u> |
| Current assets | | | | |
| Investment in financial assets | 13 | 563,221,527 | 532,445,698 | 566,941,187 |
| Receivables and prepayments | 15 | 68,414,532 | 76,158,090 | 68,352,527 |
| Cash and cash equivalents | 28 | 68,363,126 | 118,400,486 | 68,053,825 |
| | | <u>699,999,185</u> | <u>727,004,274</u> | <u>703,347,540</u> |
| Total assets | | <u>2,737,590,072</u> | <u>2,351,876,001</u> | <u>2,637,447,357</u> |
| Current liability | | | | |
| Other payables | 16 | 16,134,442 | 17,309,140 | 16,105,692 |
| Non-current liability | | | | |
| Retirement benefit obligations | 17 | 3,768,878 | 2,792,258 | 3,768,878 |
| Net assets available for benefits | 20 | <u>2,717,686,752</u> | <u>2,331,774,603</u> | <u>2,617,572,787</u> |
| Made up as follows: | | | | |
| Member's fund | 18 | 1,307,939,292 | 1,188,453,994 | 1,307,939,292 |
| Other fund | 19 | 459,861,543 | 459,861,543 | 459,861,543 |
| Reserve funds | 21 | 14,568,591 | 14,568,591 | 14,568,591 |
| Other reserves | 22 | 86,425,040 | 95,020,901 | 83,128,316 |
| Retained earnings | | <u>796,594,386</u> | <u>565,791,820</u> | <u>752,075,044</u> |
| | | <u>2,665,388,853</u> | <u>2,323,696,849</u> | <u>2,617,572,787</u> |
| Non-controlling interest | 23 | <u>52,297,899</u> | <u>8,077,754</u> | <u>-</u> |
| | | <u>2,717,686,752</u> | <u>2,331,774,603</u> | <u>2,617,572,787</u> |
| | | | | <u>2,274,414,264</u> |

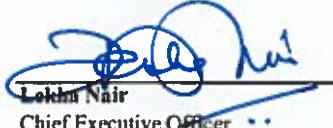
Valuation of net assets against actuarial value of promised retirement benefits

| | SCR'BILLION |
|---|-------------|
| Net Assets Value | 2.618 |
| Additional fund required from contribution received/investment | 3.456 |
| 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 in note 20 on page 40

These Financial Statements have been approved for issue by the Board of Trustees on 16th March 2017


 Patrick Payet
 Chairperson


 Lekha Nair
 Chief Executive Officer

The notes on pages 10 to 43 form an integral part of these financial statements.

Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED 31ST DECEMBER 2016

| | Notes | THE GROUP | | THE FUND | |
|---|-------|---------------|---------------|---------------|---------------|
| | | 2016 | 2015 | 2016 | 2015 |
| Compulsory contributions: | 2(o) | SCR | SCR | SCR | SCR |
| - by employees | | 105,795,220 | 93,388,461 | 105,795,220 | 93,388,461 |
| - by employers | | 105,843,556 | 102,045,793 | 105,843,556 | 102,045,793 |
| Voluntary contributions | | | | | |
| - by employees | | 8,094,848 | 6,774,234 | 8,094,848 | 6,774,234 |
| - by employers | | 3,317,356 | 3,040,524 | 3,317,356 | 3,040,524 |
| | | 223,050,981 | 205,249,013 | 223,050,981 | 205,249,013 |
| Interest received by members | | 54,099,894 | 51,695,649 | 54,099,894 | 51,695,649 |
| SSF Investment Funds transferred to SPF | | | 333,452,765 | | 333,452,765 |
| Net change in revaluation | | | 57,485,163 | | 57,485,163 |
| Reversal of associate equity upon change in accounting policy | | (41,379,124) | | | |
| Retained earnings adjustments | | 10,706,980 | | | |
| Net change in other reserves | | (15,436,937) | 21,239,389 | | |
| Net change in fair value on financial assets | | 6,841,077 | (1,675,642) | 6,841,077 | (1,675,642) |
| Net surplus for the year before share of results of associates but after non-controlling interest | | 261,475,226 | 78,007,970 | 216,832,148 | 94,395,230 |
| | | 276,307,117 | 540,205,294 | 277,773,119 | 535,353,164 |
| Benefits payments: | | | | | |
| - Normal Retirement | | 209,516,530 | 158,893,347 | 209,516,530 | 158,893,347 |
| - Death before Normal Retirement | | 2,196,327 | 1,637,569 | 2,196,327 | 1,637,569 |
| - Permanent Incapacity | | 37,930,341 | 21,844,183 | 37,930,341 | 21,844,183 |
| - Pre-Migration Retirement | | 438,026 | 296,924 | 438,026 | 296,924 |
| - Death after Normal Retirement | | 10,188 | - | 10,188 | - |
| - Special Pension Entitlement | | - | 246,308.00 | - | 246,308 |
| - Surviving Spouse Pension | | 7,109,894 | 5,340,390 | 7,109,894 | 5,340,390 |
| - Children Pension | | 2,714,392 | 2,035,944 | 2,714,392 | 2,035,944 |
| - Post-Retirement Surviving Spouse | | 5,548,421 | 4,083,443 | 5,548,421 | 4,083,443 |
| - Post-Retirement Children Pension | | 485,433 | 443,384 | 485,433 | 443,384 |
| - Early Retirement Benefits | | 49,144 | - | 49,144 | - |
| - Refunds | | 117,459 | 1,811,556 | 117,459 | 1,811,556 |
| <i>Less:</i> | | | | | |
| - Arrears for Social Security Fund Pension | | (1,051,684) | (9,935,632) | (1,051,684) | (9,935,632) |
| - Social Security Fund Pension | | (107,398,379) | (82,702,794) | (107,398,379) | (82,702,794) |
| | | 157,666,092 | 103,994,622 | 157,666,092 | 103,994,622 |
| Net increase in assets available for benefits before share of results of associates | | 341,692,005 | 641,459,685 | 343,158,007 | 636,607,555 |
| Share of results of associates | 12 | - | 16,942,748 | - | - |
| Net assets available for benefits: | | | | | |
| Balance at January 1, | | 2,323,696,849 | 1,665,294,416 | 2,274,414,264 | 1,637,806,709 |
| Balance at December 31, | | 2,665,388,853 | 2,323,696,849 | 2,617,572,272 | 2,274,414,264 |

The notes on pages 10 to 43 form an integral part of these financial statements.

Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE ACCOUNTS - YEAR ENDED 31ST DECEMBER 2016

| Notes | THE GROUP | | THE FUND | |
|---|-----------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| INCOME | | | | |
| Interest income | 24 | 46,018,333 | 50,844,097 | 46,018,333 |
| Investment income | 25 | 12,024,359 | 233,873 | 11,870,624 |
| Rental income | 9 | 92,858,203 | 74,369,504 | 92,858,203 |
| Other income | | 708,164 | 1,798,294 | 708,164 |
| Profit on disposal of property and equipment | | 147,485 | - | 147,485 |
| Profit on sale of investments | | 506,591 | 52,075 | 506,591 |
| Increase in fair value of investment properties | 9 | 55,240,057 | 73,418,211 | 55,240,057 |
| Increase in fair value of associates | | 186,875,355 | - | 139,213,452 |
| | | 394,378,548 | 200,716,054 | 346,562,909 |
| | | | | 213,940,863 |
| EXPENDITURE | | | | |
| Interest credited to members | 26 | 54,099,894 | 51,695,649 | 54,099,894 |
| Administrative expenses | 27 | 38,743,015 | 31,207,866 | 38,708,371 |
| Property management expenses | | 29,771,714 | 20,341,435 | 29,771,714 |
| Depreciation of property and equipment | 7 | 7,018,224 | 5,595,983 | 7,018,224 |
| Loss on disposal of property plant and equipment | | - | 48,250 | - |
| Amortisation of deposit on lease | 10 | 515,464 | 515,464 | 515,464 |
| Dividend to non-controlling interest holders | | 3,137,916 | - | |
| Professional fees | | 402,500 | 570,830 | 402,500 |
| | | 133,688,728 | 109,975,477 | 130,516,166 |
| | | | | 109,957,166 |
| (Loss)/Gain on exchange differences | | 260,689,820 | 90,740,577 | 216,046,742 |
| | | 785,406 | (9,588,468) | 785,406 |
| | | | | (9,588,468) |
| Share of results of associates | 12 | 261,475,226 | 81,152,109 | 216,832,148 |
| | | - | 16,942,748 | - |
| Surplus for the year | | 261,475,226 | 98,094,857 | 216,832,148 |
| Surplus brought forward | | 535,119,160 | 467,696,963 | 535,242,896 |
| Net Surplus carried forward | | 796,594,386 | 565,791,820 | 752,075,044 |
| | | | | 535,242,896 |
| <i>Surplus for the year Attributable to:</i> | | | | |
| The Fund | 23 | 212,544,502 | 94,950,718 | 216,832,148 |
| Non-controlling interest | | 48,930,725 | 3,144,139 | 94,395,230 |
| | | 261,475,226 | 98,094,857 | 216,832,148 |
| | | | | 94,395,230 |
| <i>Net Surplus carried forward Attributable to:</i> | | | | |
| The Fund | 23 | 744,296,487 | 562,647,681 | 752,075,044 |
| Non-controlling interest | | 52,297,899 | 3,144,139 | - |
| | | 796,594,386 | 565,791,820 | 752,075,044 |
| | | | | 535,242,896 |

The notes on pages 10 to 43 form an integral part of these financial statements.
 Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND
STATEMENTS OF CASH FLOWS - YEAR ENDED 31ST DECEMBER 2016

| | Notes | THE GROUP | | THE FUND | |
|---|---------|--------------------|--------------------|--------------------|--------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | SCR | SCR | SCR | SCR |
| Cash generated from operations | | | | | |
| Net increase in assets available for benefits before share of results of associates | | 341,692,004 | 641,459,685 | 343,158,007 | 636,607,555 |
| Net change in non-controlling interest | | 44,220,145 | 2,956,973 | - | - |
| Net cash generated from operations | | 385,912,149 | 644,416,658 | 343,158,007 | 636,607,555 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation of property and equipment | 7 | 7,018,224 | 5,595,983 | 7,018,224 | 5,595,983 |
| Amortisation of deposit on lease | 10 | 515,464 | 515,464 | 515,464 | 515,464 |
| Profit on disposal of plant and equipment | | - | - | - | - |
| Loss on disposal/transfer of property | | - | 48,250 | - | 48,250 |
| Plant & equipment | | (506,591) | (52,075) | (506,591) | (52,075) |
| Profit on sale of investments | | 976,621 | 342,639 | 976,621 | 342,639 |
| Retirement benefit obligations | | | | | |
| Revaluation of plant and equipment | 7 | - | - | - | - |
| Effect of foreign exchange in financial assets | | 1,134,103 | (1,824,566) | 1,134,103 | (2,658,939) |
| Fair value gains on investment properties | 9(a) | (55,240,057) | (73,418,211) | (55,240,057) | (73,418,211) |
| Net change in fair value on financial assets | 13(a&b) | (6,841,077) | 1,675,643 | (6,841,077) | 1,675,642 |
| Interest receivable | 24 | (46,018,333) | (50,844,097) | (46,018,333) | (50,844,097) |
| Interest accrued | 13(a&b) | - | - | - | - |
| Dividend income | 25 | (12,024,359) | (233,873) | (11,870,624) | (13,578,784) |
| Effect of change in exchange rates | | (785,406) | 9,588,468 | (785,406) | 9,588,468 |
| | | 274,140,738 | 535,810,283 | 231,540,332 | 513,821,895 |
| <i>Changes in working capital:</i> | | | | | |
| -Decrease/(Increase) in receivables and prepayments | | 7,743,558 | 59,818,613 | 7,424,981 | 60,199,195 |
| - (Decrease)/Increase in payables and accruals | | (1,174,698) | (7,496,200) | (1,203,448) | (7,227,896) |
| Net cash inflow from operations | | 280,709,598 | 588,132,696 | 237,761,866 | 566,793,194 |

The notes on pages 10 to 43 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND

STATEMENTS OF CASH FLOWS (CONT'D) - YEAR ENDED 31ST DECEMBER 2016

| Notes | THE GROUP | | THE FUND | | |
|--|-----------|-------------------|--------------------|-------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | |
| | SCR | SCR | SCR | SCR | |
| Cash flows from investing activities | | | | | |
| Purchase of property and equipment | 7 | (7,236,538) | (26,022,326) | (7,236,538) | (26,022,326) |
| Purchase of investment properties | 9 | (88,032,732) | (338,076,894) | (88,032,732) | (338,076,894) |
| Proceeds from disposal of property and equipment | | 322,760 | 23,744 | 323,276 | 23,744 |
| Loan to subsidiary | | - | - | - | (857,254) |
| Purchase of financial assets | 13(a&b) | (569,953,860) | (659,947,666) | (585,950,167) | (644,780,768) |
| Investment in associates adjusted | 12 | (198,310,182) | 6,270,270 | (139,213,452) | - |
| Proceeds from redemption of financial assets | 13(a&b) | 473,635,495 | 439,452,417 | 473,635,495 | 439,452,417 |
| Interest received | 24 | 46,018,333 | 50,844,097 | 46,018,333 | 50,844,097 |
| Dividend received | 25 | 12,024,359 | 233,873 | 11,870,624 | 13,578,784 |
| Net cash outflow from investing activities | | (331,532,364) | (527,222,486) | (288,585,161) | (505,838,200) |
| Net (decrease)/increase in cash and cash equivalents | | (50,822,766) | 60,910,211 | (50,823,296) | 60,954,994 |
| Effect of change in exchange rates | | 785,406 | (9,588,468) | 785,406 | (9,588,468) |
| Cash and cash equivalents at January 1, | | 118,400,486 | 67,078,743 | 118,091,715 | 66,725,189 |
| Cash and cash equivalents at December 31, | 28 | 68,363,126 | 118,400,486 | 68,053,825 | 118,091,715 |

The notes on pages 10 to 43 form an integral part of these financial statements.
 Auditor's Report on pages 3 and 4.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

1. General Information

SPF operates a Defined Benefit pension system where SPF guarantees a monthly pension for life computed under a pre-determined formula and not paid from contributions made. Membership is mandatory for every worker who is a citizen of Seychelles. Self employed persons can also become a member of SPF and pay contributions.

2. Funding Policies of SPF

The overriding principle of the funding policy is that investment must yield maximum returns to strengthen the financial position of SPF 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 SPF in the medium to long-term.

The main objective of the funding policy is to invest the assets so as to ensure that the SPF will always be able to meet its obligations to its members, for payment of all benefits. Subject to this primary objective, the Board of Trustees aim to optimize returns to its members. Contribution rates and interest payable decisions are determined by the Minister upon recommendation of the Board. Pensions are also indexed to the rate of inflation each year up to a maximum of 5%.

Investments are in bank deposits, Treasury bills and Bonds, equity, commercial, residence and industrial properties, housing and direct lending provided the Board is satisfied that there is sufficient security and due diligence have been made on the viability of the investments.

3 Valuation of the 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 20.

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.

4 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

These Financial Statement comply with the "Seychelles Pension Fund Act, 2005" and have been prepared in accordance with International Financial Reporting Standards (IFRS). Comparative figures have been included to conform with any changes for the current year. The Financial Statements are prepared under the historical cost convention, except:

- (i) Land and buildings which are at revalued amounts;
- (ii) Investment properties stated at fair value;
- (iii) Available-for-sale financial assets stated at their fair value
- (iv) Held-to-maturity financial assets, relevant financial assets and financial liabilities are carried at amortised cost.
- (v) Investments in associates are carried at fair value through profit or loss. (Previously equity accounted.)

The consolidated financial statements are presented in Seychelles Rupees (SCR) and all values have been rounded up except when otherwise indicated.

(b) Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiary as at December 31, 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:



SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

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

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

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

(b) Basis of consolidation (continued)

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

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

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

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

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

The following amendments to IFRSs became mandatorily effective in the current year. All these amendments to IFRSs generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

Kindly note: IFRS 14 Regulatory Deferral Accounts is also effective for an entity's first IFRS financial statements for annual periods beginning on or after 1 January 2016; however, it is not applicable to The Seychelles Pension Fund as the Group is not a first-time adopter of IFRSs.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Effective for annual periods beginning on or after 1 January 2016)

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively.

These amendments do not have a material effect on the group accounting as they are not relevant to the relationship between the Fund and its subsidiary (Opportunity Investment Company Limited.) The disclosure required has been provided in the notes to the financial statements in terms of IFRS 12. (Notes .10 & 11)

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

**Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
(Effective for annual periods beginning on or after 1 January 2016)**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments apply prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

These amendments are not applicable to the Group, as there have been no acquisition of joint operations at year end.

**Amendments to IAS 1 Disclosure Initiative
(Effective for annual periods beginning on or after 1 January 2016)**

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the consolidated financial statements of the Group amounts have been appropriately segregated so that immaterial information does not obscure material information by providing additional details regarding the items on the face of the financial statements that contain items with different names and functions in the notes to the financial statements.

**Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
(Effective for annual periods beginning on or after 1 January 2016)**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold from the mine until total cumulative revenue from the sale of gold reaches CU2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset; or

When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively.

Depreciation is not provided for using revenue based methods, thus these amendments will have no effect on the Group.

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

**Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
(Effective for annual periods beginning on or after 1 January 2016)**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

As a transition provision on initial application, entities need not disclose the quantitative information required by paragraph 28(f) of IAS 8 for the current period. However, quantitative information for each prior period presented is still required.

Also, on the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The Group owns no bearer plants, thus these amendments will have no effect on the Group.

**(v) Amendments to IAS 27 Equity Method in Separate Financial Statements
(Effective for annual periods beginning on or after 1 January 2016)**

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost,
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

In the current year investments in associates have been accounted for in accordance with IAS 39, and investments in subsidiaries at cost. Previously investments in Associates were accounted for in terms of IAS 28 using the equity method. Please refer to note 10 for details regarding the change in accounting policy.

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

Annual Improvements to IFRSs 2012 – 2014 Cycle

(Effective for annual periods beginning on or after 1 January 2016)

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below.

| Standard | Subject of amendment | Details |
|--|---|--|
| IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | Change in method of disposal | The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution accounting is discontinued |
| IFRS 7 <i>Financial Instruments: Disclosures (with consequential amendments to IFRS 1)</i> | Servicing contracts Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements | Financial Instruments: Disclosures (with consequential amendments to IFRS 1) Servicing contracts Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements The amendments (i) provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets; and (ii) clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to company with IAS 34 Interim Financial Reporting. |
| IAS 19 <i>Employee Benefits</i> | Discount rate: regional market issue | Employee Benefits Discount rate: regional market issue The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. |
| IAS 34 | Disclosure of information included 'elsewhere in | Interim Financial Reporting Disclosure of information included 'elsewhere in the interim |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2016

| | | |
|------------------------------------|-------------------------------|--|
| <i>Interim Financial Reporting</i> | the interim financial report' | financial report' The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements. |
|------------------------------------|-------------------------------|--|

These amendments will have no impact on the group.

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

IFRS 14 Regulatory Deferral Accounts (Effective for first annual IFRS financial statements with annual periods beginning on or after 1 January 2016)

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016.

IFRS 14 is not applicable to the Group due to the fact that they have not implemented IFRS for the first time in the current year.

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

IFRS 9 Financial instruments

Classification and measurement of financial assets

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

Classification and measurement of financial liabilities

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

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS15 and lease receivables under IAS 17 Leases.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

IFRS 15 Revenue from contracts with customers

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

This standard will have an impact on the financial statements once implemented. Management is still in the process of determining the full impact implementation.

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:

- 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.



**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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 the Group 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.

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.

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 the Group, 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:

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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 the Group as is currently structured.

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

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods.

The fund has no liabilities that arise from financing activities, thus *this amendment will have no impact on the Group*

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

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

This standard will have no impact on the Group as it currently stands due to the fact that they do not have unrealized losses and are not subject to taxation.

(c) Property, plant and equipment

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

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

Increases in the carrying amount arising on revaluation are credited to revaluation surplus in the statements of 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;

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

Investment properties are transferred from property and equipment when they cease to meet the recognition criteria.

(e) Investment in subsidiary

Separate financial statements of the Fund

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

(f) Consolidated financial statements

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when it is exposed to or has rights to variable returns from its investment in the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

(g) Transactions and non-controlling interests

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

(h) Disposal of subsidiaries

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

(i) Investment in associates

Separate financial statements of the Fund

In the separate financial statements of the investor, investments in associated companies are carried fair value.
(Previously at cost)

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Investment in associates (Continued)

Consolidated financial statements

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

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

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

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

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

(k) 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

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

(ii) Available-for-sale-financial assets

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

Recognition and measurement

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

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

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

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (Continued)

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

De-recognition

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

Impairment of financial assets

The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for 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 recognized in equity is removed from equity and recognized in the statement of comprehensive income.

(l) Contributions receivable

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

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

(m) Benefits payable

Benefits payable are stated at their nominal value.

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

(n) Receivables

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

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

(o) 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.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies

Functional and presentation currency

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

Transaction and balances

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

(q) 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).

(r) Leases

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

(s) Interest and income

Revenue after eliminating revenue within the Group comprises:

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) 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.

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.

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.

(i) Defined benefit plan – Employees of the fund

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

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

(ii) Retirement benefit plans – The Fund

Retirement benefit plans are arrangements whereby an entity provides benefits for employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices.

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

(p) Tax

The Fund is exempt from tax.

(q) Accruals

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

5. FINANCIAL RISK MANAGEMENT

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

(a) Investment risk

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

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 that rising interest rates will increase debt servicing costs or lead to falling values of fixed income instruments.

The Fund finances its operating 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 under note 11.
- The Fund does not generally borrow, so the cost of borrowing is nil and unaffected by rate rises.
- The loan portfolio is composed mainly of loans at "fixed" rates; although these rates are adjusted where the spread between the SPF rates and bank rates becomes too significant, there is a certain inertia that tends to protect the Fund from sudden or temporary falls. Additionally, penalties apply on early repayments to discourage clients from switching loan provider.

(b) Sensitivity analysis

If interest rates have been 100 basis points higher/lower and all other variables were kept constant, the Fund's surplus for the year ended December 31, 2016 would be impacted as follows:

(i) Market

| | Held - Maturity Financial Assets | |
|---|---|-----------------|
| | 2016 | 2015 |
| | SCR' 000 | SCR' 000 |
| Impact on surplus for the year (+/- 100 basis points) | 3,650 | 2,471 |

(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 values simultaneously. However, there are few investment mediums.
- Liquidity – great care is taken to ensure that the Fund should not need to realize potentially volatile assets when their values are depressed.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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

| Liquidity Risk | THE GROUP AND THE FUND | |
|-------------------------------------|-------------------------------|-----------------|
| | 2016 | 2015 |
| | SCR' 000 | SCR' 000 |
| Available for sale financial assets | 8,608 | 3,800 |

(ii) Liquidity risk

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

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

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

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

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

(iii) Credit risk

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

The risk is minimize by the fact that contributions or a possible default by a tenant.

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

(iv) Currency risk

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

Only a small percentage of the portfolio is invested overseas mainly in listed foreign market and recently a foreign bank. The Fund's portfolio in key holdings yielded lower returns in 2014 compared to 2013.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Counter party risk

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

The risk is mitigated via the following measures:

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

(c) Economic risk

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

(i) Industry risk

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

(ii) Inflation risk

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

The Fund protects itself in the following ways:

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

(d) Operational risk

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

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

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

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2016**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Legal risk

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

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

(f) 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.

(g) Reputational risk

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

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

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

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Held-to-maturity investments

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

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

(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 the 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.

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.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

| | Level 1 | Level 2 | Level 3 | THE GROUP Total |
|---|------------|------------|---------|--------------------|
| <i><u>At December 31, 2016- GROUP</u></i> | | | | |
| Available-for-sale | 18,821,884 | 54,281,650 | - | 73,103,534 |
| <i><u>At December 31, 2016- FUND</u></i> | | | | |
| Available-for-sale | 21,712,134 | 54,281,650 | - | 75,993,784 |
| | Level 1 | Level 2 | Level 3 | THE FUND Total |
| <i><u>At December 31, 2015 – The Group and the Fund</u></i> | | | | |
| Available-for-sale | 16,846,751 | - | - | 16,846,751 |

(e) Retirement benefit obligation

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

(f) 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 asset 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.

(g) 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. The amount of contribution receivable is as per note 13, the sum of SCR 17.247m.

(g) Provision for bad debts, rent receivable

In the current year bad debts have been provided for by adjusting the debtors balance in order to align the current debtors days to historical rates. In 2017 a more accurate method of provision will be approved for use.

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

7. PROPERTY AND EQUIPMENT - THE GROUP AND THE FUND

(a) December 31, 2016

| | Buildings on Freehold land | | | Buildings on leasehold land and improvements | | | Equipment | | | Furniture and fittings | | | Motor vehicles | | | Total |
|---|----------------------------------|-----|-----|--|------------|-----|------------|-----|------------|---------------------------|------------|-----|----------------|-----------|--|-------|
| | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | | |
| COST AND VALUATION | | | | | | | | | | | | | | | | |
| At January 1, 2016 | | | | 18,916,202 | 13,204,364 | | 29,159,964 | | 2,544,654 | | 63,825,184 | | | | | |
| Additions | | | | 2,067,945 | 2,628,641 | | 1,949,757 | | 590,196 | | 7,236,538 | | | | | |
| Revaluation (note 21) | | | | | | | | | | | | | | | | |
| Transfer | | | | | | | | | | | | | | | | |
| Disposals | | | | | | | | | | | | | | | | |
| Transfers to investment properties (note 9) | | | | | | | | | | | | | | | | |
| At December 31, 2016 | | | | 20,984,147 | 15,793,073 | | 31,083,346 | | 2,946,739 | | 70,809,306 | | | | | |
| <i>Analysed as:</i> | | | | | | | | | | | | | | | | |
| - Cost | | | | 19,264,489 | 15,793,073 | | 31,083,346 | | 2,946,739 | | 69,089,648 | | | | | |
| - Valuation | | | | 1,719,660 | | | | | | | | | | 1,719,660 | | |
| DEPRECIATION | | | | | | | | | | | | | | | | |
| At January 1, 2016 | | | | | | | | | | | | | | | | |
| Charge for the year | | | | | | | | | | | | | | | | |
| Disposal adjustments | | | | | | | | | | | | | | | | |
| Transfers to investment properties (note 9) | | | | | | | | | | | | | | | | |
| Transfer | | | | | | | | | | | | | | | | |
| At December 31, 2016 | | | | 13,292,900 | 6,575,586 | | 5,744,751 | | 1,396,000 | | 27,009,238 | | | | | |
| NET BOOK VALUE | | | | | | | | | | | | | | | | |
| At December 31, 2016 | | | | | 7,691,247 | | 9,217,487 | | 25,338,595 | | 1,552,738 | | 43,800,068 | | | |

(b) The Board is of the opinion that the fair value of property and equipment at 31ST December 2016 does not differ materially from their carrying amounts.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

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

(c) December 31, 2015

| | Buildings on Freehold land | | Buildings on leasehold land and improvements | | Equipment | | Furniture and fittings | | Motor vehicles | | Total |
|--|----------------------------------|-----|--|-----|-------------------|-----|---------------------------|-----|-------------------|-----|-------------------|
| | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | SCR | |
| COST AND VALUATION | | | | | | | | | | | |
| At January 1, 2015 | 3,678,856 | | 31,390,989 | | 9,782,212 | | 8,477,001 | | 1,415,810 | | 54,744,868 |
| Additions | - | | - | | 3,694,225 | | 21,199,258 | | 1,128,844 | | 26,022,326 |
| Revaluation (note 21) | - | | - | | (98,714) | | (396,759) | | - | | (495,472) |
| Transfer | - | | - | | (173,359) | | (119,536) | | - | | (292,896) |
| Disposals | | | | | | | | | | | (16,153,642) |
| Transfers to investment properties (note 9) | | | | | | | | | | | |
| At December 31, 2015 | (3,678,856) | | (12,474,787) | | 18,916,202 | | 13,204,364 | | 29,159,964 | | 63,825,184 |
| <i>Analysed as:</i> | | | | | | | | | | | |
| - Cost | - | | 17,196,543 | | 13,204,364 | | 29,159,964 | | 2,544,654 | | 62,105,525 |
| - Valuation | - | | 1,719,660 | | - | | - | | - | | 1,719,660 |
| DEPRECIATION | 18,916,203 | | 13,204,364 | | 29,159,964 | | 2,544,654 | | 63,825,185 | | |
| At January 1, 2015 | - | | 15,334,590 | | 4,014,445 | | 1,876,346 | | 653,182 | | 21,878,563 |
| Charge for the year | - | | 2,092,737 | | 1,284,794 | | 2,041,770 | | 397,585 | | 5,816,886 |
| Disposal adjustments | - | | - | | (170,351) | | (50,551) | | - | | (220,902) |
| Transfers to investment properties (note 9) | - | | (5,533,374) | | - | | - | | - | | (5,533,374) |
| Transfer | - | | - | | (74,866) | | (164,405) | | - | | (239,271) |
| At December 31, 2015 | - | | 11,893,953 | | 5,054,022 | | 3,703,159 | | 1,050,767 | | 21,701,901 |
| NET BOOK VALUE | | | | | | | | | | | |
| At December 31, 2015 | - | | 7,022,250 | | 8,150,342 | | 25,456,805 | | 1,493,887 | | 42,123,283 |
| (d) If property had been carried at cost less accumulated depreciation, the carrying amount would have been as follows: | | | | | | | | | | | |
| | | | Land | | Buildings | | Total | | 2016 | | 2015 |
| Cost | | | SCR | | SCR | | SCR | | SCR | | SCR |
| Accumulated depreciation | | | - | | (11,558,693) | | (11,558,693) | | 19,264,489 | | 17,196,543 |
| Net book value | | | - | | 7,705,796 | | 7,705,796 | | | | (9,171,523) |
| | | | - | | 7,705,796 | | 7,705,796 | | 19,264,489 | | 17,196,543 |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

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

- (e) The land and buildings were valued at December 31, 2016 by independent valuers. The revaluation surplus was credited to revaluation reserve (note 21).
- (f) The fair value of land and buildings fall within category level 3 of the fair value hierarchy. No changes noted during the year.
- (g) The fair value of freehold land ranged between SR 3,000 to SR 11,000 per square metre for the properties transferred from SSF Investment Fund.

| 8. ACCOUNTING FOR ASSOCIATES AT FAIR VALUE | SEYBREW | SACOS | TOTAL |
|--|--------------------|--------------------|--------------------|
| | 2016 | 2016 | 2016 |
| Opening balance | SCR | SCR | SCR |
| Share of results | 59,662,908 | 50,669,710 | 110,332,618 |
| Dividends paid | (4,971,909) | (3,268,363) | (8,240,272) |
| Movements | 144,185,361 | 62,365,093 | 206,550,454 |
| Closing Fair value at 31 December | 198,876,360 | 109,766,440 | 308,642,800 |

The application from equity accounting to fair value accounting in respect of SEYBREW and SACOS takes in to effect from 2016. The associated companies are listed on TROPEX stock exchange thus sufficient market data has become available to objectively value the investment at market rate. Retrospective application is impractical due to the fact that historical market information was not available, this is due to the fact that the companies have just listed on the Seychelles Stock Exchange.

9. INVESTMENT PROPERTIES

| (a) Fair value | THE FUND | |
|---|----------------------|----------------------|
| | 2016 | 2015 |
| | SCR | SCR |
| At January 1, | 1,197,182,770 | 775,067,397 |
| Addition - Work in progress | 88,032,732 | 338,076,894 |
| Increase in fair value | 55,240,057 | 73,418,211 |
| Net transfer from property and equipment (note 6 (a)) | - | 10,620,268 |
| At December 31, | 1,340,455,559 | 1,197,182,770 |

- (b) The value of the investment properties is subject to reviews every two years and the last one was carried out at December 31, 2016 by Gustave Larue, Gerard Renaud and Bryan Felix, independent professionally qualified valuers, on an open-market basis with existing tenancies. Two valuers were taken to value each property and the average was accounted for at the end of the reporting period.
- (c) The fair value of the properties has been valued by external valuers and fall within category level 3 of the fair value hierarchy. No changes noted during the year.
- (d) If investment properties had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

| | 2016 | | 2015 | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | Land | Building | Total | Total |
| Cost | 176,774,099 | 755,237,622 | 932,011,721 | 646,015,314 |
| Accumulated depreciation | - | (45,327,961) | (45,327,961) | (30,223,209) |
| Net book value | 176,774,099 | 709,909,661 | 886,683,760 | 615,792,105 |

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

| | THE GROUP AND THE FUND | |
|--|------------------------|-------------------|
| | 2016 | 2015 |
| | SCR | SCR |
| Rental income | 92,858,203 | 74,369,504 |
| Direct operating expenses generating rental income | (28,413,320) | (20,341,435) |
| Profit arising from investment property | 64,444,883 | 54,028,069 |

- (f) As at 31 December 2016, several investment properties under construction are carried at cost SR 67m (2015: SR 338m) because their fair values could not be reliably measured.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

10. 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 SR 50 million is being amortised over the term of lease and the movement is as follows:

| | THE GROUP AND THE FUND | |
|-------------------------------|-------------------------------|-------------------|
| | 2016 | 2015 |
| Cost | | |
| At January 1 and December 31, | 50,000,000 | 50,000,000 |
| Amortisation | | |
| At January 1, | 5,283,505 | 4,768,004 |
| - Prior year adjustment | - | 37.00 |
| Charge for the year | 515,464 | 515,464 |
| At December 31, | 5,798,969 | 5,283,505 |
| Net Book Value | | |
| At December 31, | 44,201,031 | 44,716,495 |

11. INVESTMENT IN SUBSIDIARY

| | THE FUND |
|--|------------------------------------|
| | 2016 & 2015 |
| At January 1, and December 31, Investment in subsidiary | SCR 6,275,370 |

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

| | 2016 & 2015 |
|--|------------------------|
| Class of shares held: | Ordinary |
| Year end: | December 31, |
| Proportion of ownership interest and voting power held (direct): | 51% |
| Country of incorporation and residence: | Seychelles |
| Activity: | Investment holding |

**SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016**

11. INVESTMENT IN SUBSIDIARY

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

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

| Year | Name of Company | Current assets SCR'000 | Non-current assets SCR'000 | Current liabilities SCR'000 | Non-current liabilities SCR'000 | Revenue SCR'000 | Profit for the year and other comprehensive income SCR'000 | Total comprehensive income for the year SCR'000 |
|------|-----------------|---------------------------|-------------------------------|--------------------------------|------------------------------------|--------------------|--|---|
| 2016 | OICL | 371 | 106,047 | 29 | - | 6,439 | 6,404 | 6,404 |
| 2015 | OICL | 661,07 | 105,759 | 26 | - | 6,435 | 6,390 | 6,390 |

(ii) Summarised cash flow information:

| Year | Name of Company | Operating activities SCR'000 | Investing activities SCR'000 | Financing activities SCR'000 | Net change in cash and cash equivalents SCR'000 |
|------|-----------------|---------------------------------|---------------------------------|---------------------------------|---|
| 2016 | OICL | 6,697 | (287) | (6,409) | 1 |
| 2015 | OICL | 5,921 | (1,680,89) | (4,285) | (45) |

12. INVESTMENT IN ASSOCIATES

(a) THE FUND - AT FAIR VALUE(PRIOR YEAR at COST)

At January 1, and December 31,

(b) THE GROUP

| 2016 | 2015 |
|--------------------|--------------------|
| SCR | SCR |
| 198,876,360 | 59,662,908 |
| 2016 | 2015 |
| SCR | SCR |
| 110,332,618 | 100,494,512 |
| 139,213,452 | 6,270,270 |
| 13,303,921 | |
| 45,792,809 | |
| | 16,942,748 |
| | (13,374,912) |
| 308,642,800 | 110,332,618 |

At January 1,
Revaluation to fair value - Seybrew
Revaluation to fair value - SACOS(Atributable to Group)
Revaluation to fair value - SACOS(Atributable to Non-Controlling Interest holders)
Share of results for the year
Dividends

At December 31,

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

12. INVESTMENT IN ASSOCIATES (CONTINUED)

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

| Name | At December 2016 | | At December 2015 | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | Seychelles Breweries Ltd | SACOS Group Limited | Seychelles Breweries Ltd | SACOS Group Limited |
| Principle Activities | Beverage manufacturing | Insurance | Beverage manufacturing | Insurance |
| | SCR | SCR | SCR | SCR |
| Assets | - | - | 411,748 | 682,171 |
| Current assets | 177,589 | 128,897 | - | - |
| Non-current assets | 238,992 | 536,403 | - | - |
| Liabilities | - | - | 117,994 | 520,914 |
| Total Current liabilities | 93,777 | 95,349 | | |
| Total non-current liabilities | 31,329 | 414,380 | | |
| Revenues | 179,623 | 60,810 | 233,435 | 148,688 |
| Profit | - | - | 48,435 | 21,533 |
| Profit/Loss from continuing operations | 33,187 | 30,825 | - | - |
| Other comprehensive income | - | 285 | - | - |
| Total comprehensive income | - | 15,397 | - | - |
| Proportion of ownership interest and voting rights (Direct) | 26% | 1% | 26% | 1.33% |
| Proportion of ownership interest and voting rights (Indirect) | - | 37.87% | - | 37.77% |

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

The financial year-end date of Seychelles Breweries Ltd is 30th June. For the purposes of applying the fair value method of accounting, the audited financial statements of Seychelles Breweries Ltd for the year ended June 30, 2016 has been used and adjusted for significant transactions between that date and December 31, 2016 based on management's financial reports. Seybrew shares is (e) listed on Trop-X, the Stock Exchange of Seychelles, was SR60 per share at December 31, 2016.

(f) At December 31, 2016, the fair value of the Fund's interest in SACOS Group Limited which is listed on Trop-X, the Stock Exchange of Seychelles, was SR 140 per share (2015: SR 140) based on the quoted market price available, which is a level 1 input in terms of IFRS 13. Seychelles Breweries Ltd is a private company and there is no quoted market price available for its shares.

(g) As at 31st December 2016, SPF holds 20.64% in SACOS in total of which 19.32% through OICL and 1.33% directly in SACOS. OICL holds 37.87% shares in total at SACOS. SPF and SWAN are represented by two directors respectively in OICL.

(h) The figures stated above are unaudited, taken from the management accounts of Seybrew and SACOS.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

13. INVESTMENT IN FINANCIAL ASSETS

(a) THE GROUP

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

| | Money markets | Held-to-Maturity | Available-for-sale | 2016 | |
|---|---------------|------------------|--------------------|---------------|---------------|
| | | | | SCR | SCR |
| At January 1, | 354,226,951 | 282,534,566 | 126,200,741 | 762,962,258 | 540,954,498 |
| Reclassification to Interest receivable | | (6,524,412) | - | (6,524,412) | |
| Addition | 121,640,285 | 404,692,391 | 59,617,492 | 585,950,167 | 659,947,666 |
| Prior Period Error corrected through reserves | (3,719,660) | 445,162 | (12,721,810) | (15,996,307) | - |
| (Decrease) / increase in fair value (note 21) | - | 5,364,316 | 1,476,761 | 6,841,077 | (1,675,643) |
| Redemptions/Disposals | (228,859,729) | (241,897,837) | (2,877,930) | (473,635,495) | (439,452,417) |
| (Loss)/Gain on foreign exchange | 730,241 | (58,606) | 462,468 | 1,134,103 | (2,683,294) |
| Accrued interests | - | 2,981,567 | - | 2,981,567 | 5,871,447 |
| At December 31, | 244,018,088 | 447,537,146 | 172,157,722 | 863,712,956 | 762,962,258 |

Analysed as follows:

| | | 2016 | 2015 |
|-------------|--|-------------|-------------|
| | | Total | Total |
| Non-current | | 300,491,429 | 230,516,561 |
| Current | | 563,221,527 | 532,445,698 |
| | | <hr/> | <hr/> |
| | | 863,712,956 | 762,962,259 |

(b) THE FUND

| | Money markets | Held-to-Maturity | Available-for-sale | 2016 | |
|---|---------------|------------------|--------------------|---------------|---------------|
| | | | | SCR | SCR |
| At January 1, | 354,226,952 | 282,979,728 | 113,478,931 | 750,685,611 | 543,844,748 |
| Reclassification to Interest receivable | | (6,524,412) | - | (6,524,412) | - |
| Addition | 121,640,285 | 404,692,391 | 59,617,492 | 585,950,167 | 644,780,768 |
| (Decrease) / increase in fair value (note 21) | | 5,364,316 | 1,476,761 | 6,841,077 | (1,675,643) |
| Redemptions/ Disposals | (228,859,729) | (241,897,837) | (2,877,930) | (473,635,495) | (439,452,417) |
| (Loss)/Gain on foreign exchange | 730,241 | (58,606) | 462,468 | 1,134,103 | (2,683,294) |
| Accrued interests | - | 2,981,567 | - | 2,981,567 | 5,871,447 |
| At December 31, | 247,737,748 | 447,537,146 | 172,157,722 | 867,432,617 | 750,685,611 |

Analysed as follows:

| | | 2016 | 2015 |
|-------------|--|-------------|-------------|
| | | Total | Total |
| Non-current | | 300,491,429 | 230,516,561 |
| Current | | 566,941,187 | 520,169,050 |
| | | <hr/> | <hr/> |
| | | 867,432,617 | 750,685,611 |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

13. INVESTMENT IN FINANCIAL ASSETS (CONTINUED)

- (c) Investments in money markets represent term deposits with banks with interest rates ranging from 2% (for USD account) and 4.50% to 8.15% (on local currency account) per annum (2015: USD 1.12%, SCR 5% to 10%).
- (d) Held-to-maturity investments comprise treasury bonds with interest rates ranging from 4.50% to 7.50% per annum (2015: 4% to 7.50%) and treasury bills from 5.66% to 7.83% per annum (2015: 5.82% to 11.21%) maturity dates from (March 27, 2017 to May 16, 2021).
- (e) Available-for-sale investments comprise foreign securities listed on overseas stock markets and an unquoted investment in a foreign bank. Hierarchy of fair value levels is detailed under note 5 (d).
- (f) None of the financial assets are either past due or impaired.
- (g) Investments in financial assets are denominated in the following currencies:

| | THE GROUP | THE FUND | THE GROUP | THE FUND |
|------------------|-------------|-------------|-------------|-------------|
| | 2016 | 2016 | 2015 | 2015 |
| | SCR | SCR | SCR | SCR |
| Seychelles Rupee | 672,896,122 | 676,615,783 | 618,652,032 | 606,375,384 |
| Mauritian Rupee | 31,704,268 | 31,704,268 | 17,461,540 | 17,461,540 |
| US Dollar | 159,112,566 | 159,112,566 | 126,848,687 | 126,848,687 |
| | 863,712,956 | 867,432,617 | 762,962,259 | 750,685,611 |

14. Comparative figure (reclassification)

In order to enhance the relevance and comparability of the financial statements comparative figures have been restated. The reason for this is due to the fact that an amount previously classified as a loan with subsidiary is actually an investment in nature.

The change resulted in a reclassification of comparative information as shown below:

| | THE FUND |
|--------------------------|-------------|
| ASSETS | 2015 |
| Non-current assets | SCR |
| Investment in subsidiary | 6,270,270 |
| Loan to subsidiary | (6,270,270) |
| | = |

Please refer to note 11, "Investment in Subsidiary" for all the detailed disclosure required in terms of IFRS 12.

15. RECEIVABLES AND PREPAYMENTS

| | THE GROUP | | THE FUND | |
|---|------------|------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| Contributions receivables from members | 17,247,016 | 15,509,927 | 17,247,016 | 15,509,927 |
| Amount receivable from the Government of Seychelles | 2,843,047 | 12,013,669 | 2,843,047 | 12,013,669 |
| Interest receivable | 29,199,886 | 14,353,309 | 29,199,886 | 14,353,309 |
| Rental income receivable | 8,511,090 | 6,764,032 | 8,511,090 | 6,764,032 |
| Advance payment on capital projects | 1,309,560 | 20,965,786 | 1,309,560 | 20,965,786 |
| Prepayments | 750,493 | 911,011 | 750,493 | 911,011 |
| Other receivables | 8,553,440 | 5,640,356 | 8,491,435 | 5,259,774 |
| | 68,414,532 | 76,158,090 | 68,352,527 | 75,777,508 |

- (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 2016 due on the 21st day of January 2017.
- (c) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement) which SPF paid to its members on behalf of and refundable by the Government of Seychelles.
- (d) Rental income receivable represents outstanding rent from SPF tenants.
- (e) Other receivables comprise of sundry debtors, staff loan and debtors clearing.
- (f) Provision for bad debts have been provided for total debt in excess of historic debtors days.
- (g) The Group does not hold any collateral as security.

16. OTHER PAYABLES

| | THE GROUP | | THE FUND | |
|-------------------|------------|------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| Rental deposits | 9,240,809 | 9,147,461 | 9,240,809 | 9,147,461 |
| Advance on rent | 1,473,621 | 1,394,682 | 1,473,621 | 1,394,682 |
| Accrued expenses | 2,739,722 | 2,485,672 | 2,710,972 | 2,485,672 |
| Retention payable | 2,680,290 | 4,281,326 | 2,680,290 | 4,281,326 |
| | 16,134,442 | 17,309,140 | 16,105,692 | 17,309,140 |

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

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

17. 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:

| THE GROUP AND THE FUND | |
|------------------------|-----------|
| 2016 | 2015 |
| SCR | SCR |
| 3,768,878 | 2,792,256 |

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

| THE GROUP AND THE FUND | |
|------------------------|------------------|
| 2016 | 2015 |
| SCR | SCR |
| 991,238 | 668,278 |
| 52,151 | 174,986.00 |
| (66,769) | (11,108.00) |
| - | 278,856.00 |
| 976,619.41 | 1,111,012 |

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

| THE GROUP AND THE FUND | |
|------------------------|------------------|
| 2016 | 2015 |
| SCR | SCR |
| 2,792,258 | 2,449,617 |
| 976,619 | 1,111,015 |
| - | (768,373) |
| 3,768,878 | 2,792,258 |

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

| THE GROUP AND THE FUND | |
|------------------------|------------|
| 2016 | 2015 |
| %/year old | %/year old |
| 6.41 | 6.41 |
| 8% | 8% |
| 25 | 25 |
| 100% | 100% |

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

18. MEMBERS' FUND

Member's fund represents the balance due to members who have contributed to the SPF (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;

| | <u>THE FUND</u> |
|--|----------------------|
| | 2016 |
| Net members fund | 1,307,939,292 |
| Funds taken from investment returns | 415,330,950 |
| Members fund | <u>1,723,270,242</u> |
| Details of members fund are as follows; | |
| Mandatory contribution | 1,208,818,886 |
| Voluntary contribution | 65,229,018 |
| Interest on mandatory contributions | 432,490,476.00 |
| Interest on voluntary contributions | <u>16,731,862</u> |
| | <u>1,723,270,242</u> |

19. OTHER FUNDS

| THE GROUP AND THE FUND | |
|------------------------|--------------------|
| 2016 | 2015 |
| SCR | SCR |
| 532,099,144 | 423,649,081 |
| (520,395,209) | (411,945,146) |
| 11,703,935 | 11,703,935 |
| 71,215,276 | 71,215,276 |
| 333,452,765 | 333,452,765 |
| 43,489,567 | 43,489,567 |
| 459,861,543 | 459,861,543 |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

19. OTHER FUNDS (CONTINUED)

- (a) Under the new scheme of benefits payable to the members, the Social Security Fund refunds the whole of the social security pension to the Seychelles Pension Fund for payment of Social Security and Benefits to the members eligible for monthly pension.
- (b) The National Provident Fund Act was repealed and after refunding the contributions to the persons entitled under the Act, the balance was transferred to Seychelles Pension Fund as required under Section 73(2) of the Seychelles Pension Fund Act, 2005.
- (c) The SPF contribution from Government of Seychelles are funds received on the gross salary of members. None were received during the year under review (2015- Nil).

20. 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.2,618b and actuarial value of promised retirement benefit of SCR.6,074b for the period up to 2050. The accrued benefits are separated between vested and non vested benefit. The vested benefits are the present value of all expected future payments to current pensioners and future spouses' pension on the death of current pensioners. Non vested benefit is a measure of the value of pension amounts that is accrued to contributing members at valuation date. The salary assumptions used to calculate the present value of non vested benefit is based on current salary assuming a salary increase of 5% per annum, pension indexation of 3% per annum after commencement and a discount rate of 7% per annum. Since SPF is only 10 years old and currently immature and has over 35% of its income from investment returns, the difference is immaterial. The Actuary has confirmed that such difference are normal and provided that periodic adjustments are made in contribution rates as per his recommendations, over the next 18 years. SPF will be able 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 SPF 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.

21. RESERVE FUND

| | THE GROUP AND THE FUND | |
|---------------------------------------|-----------------------------------|-------------------|
| | 2016 & 2015 | |
| | SCR | |
| 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 increase the distributable reserve.

22. OTHER RESERVE

(a) THE GROUP

| | 2016 | | | | 2015 |
|--|--------------------------------|-------------------------------|-----------------------|-------------------|-------------------|
| | Revaluation reserve | Fair value reserve | Other reserves | Total | |
| | SCR | SCR | SCR | SCR | |
| At January 1, | 76,991,875 | 5,405,270 | 12,623,756 | 95,020,901 | 31,580,919 |
| Net change in revaluation reserve | (7,044,585) | 934,680 | (9,327,032) | (15,436,937) | 52,491,868 |
| Correction between reserves | 44,282 | (1,129,080) | 1,084,799 | - | 10,623,756 |
| Deposits on equity | - | - | - | - | 2,000,000 |
| Deposits on share | - | - | - | - | |
| Net change in fair value of financial assets (note 12) | - | 6,841,077 | - | 6,841,077 | (1,675,642) |
| At December 31, | 69,991,572 | 12,051,946 | 4,381,523 | 86,425,040 | 95,020,901 |

(b) THE FUND

| | 2016 | | | | 2015 |
|--|--------------------------------|-------------------------------|-----------------------|-------------------|-------------------|
| | Revaluation reserve | Fair value reserve | Other reserves | Total | |
| | SCR | SCR | SCR | SCR | |
| At January 1, | 69,947,290 | 6,339,950 | - | 76,287,240 | 25,471,014 |
| Net change in revaluation reserve | - | - | - | - | 52,491,868 |
| Correction between reserves | 44,282 | (1,129,080) | 1,084,799 | - | - |
| Net change in fair value of financial assets (note 12) | - | 6,841,077 | - | 6,841,077 | (1,675,642) |
| At December 31, | 69,991,572 | 12,051,946 | 1,084,799 | 83,128,316 | 76,287,240 |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

23. NON-CONTROLLING INTEREST

| | 2016 | 2015 |
|--|-------------------|------------------|
| | SCR | SCR |
| At January 1, | 8,077,754 | 5,120,781 |
| Share of results Profit (note 10) | 3,137,916 | 3,144,139 |
| Share of results Revaluation (note 10) | 45,792,809 | |
| Share of dividends | (3,140,912) | (187,166) |
| Adjustment due to change in accounting policies. | | |
| (Associates) (Note 2) | (1,569,667) | |
| At December 31, (page 3) | <u>52,297,899</u> | <u>8,077,754</u> |

24. INTEREST INCOME

| | THE GROUP AND THE FUND | |
|-------------------------------------|------------------------|-------------------|
| | 2016 | 2015 |
| | SCR | SCR |
| <i>Interest arising on:</i> | | |
| - Held-to-maturity financial assets | 24,856,874 | 19,068,864 |
| - Investments in money markets | 20,758,242 | 31,364,608 |
| - Investments available-for-sale | 158,192 | 168,320 |
| - Bank balances | 23,825 | 107,506 |
| - Staff loans | 221,201 | 134,798 |
| | <u>46,018,333</u> | <u>50,844,097</u> |

25. INVESTMENT INCOME

| | THE GROUP | | THE FUND | |
|---------------------------------|-------------------|----------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| Dividends on local securities | 8,466,108 | - | 8,466,108 | 13,374,912 |
| Dividends on foreign securities | 3,558,251 | 233,873 | 3,404,516 | 203,872 |
| | <u>12,024,359</u> | <u>233,873</u> | <u>11,870,624</u> | <u>13,578,784</u> |

26. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund at 3.5% for the year ended December 31, 2016, amounted to SR 54m to the Fund (2015: 4% - SR 51.7m). However, only SR 6.4m (2015: SR 6.2m) were actually paid towards retiring members, death gratuities and migration allowance for the year under review. The remaining surplus balance is booked every year in the Members' Fund Account to be used for settlement of future obligations towards existing members.

27. ADMINISTRATIVE EXPENSES

| | THE GROUP | | THE FUND | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| Salaries, wages and other related expenses | 23,705,891 | 20,416,797 | 23,705,891 | 20,416,797 |
| Administration costs | 7,521,964 | 5,711,545 | 7,487,320 | 5,693,233 |
| Motor vehicles running expenses | 545,751 | 331,960 | 545,751 | 331,960 |
| Postage, printing and stationary | 2,076,705 | 1,109,074 | 2,076,705 | 1,109,074 |
| Telephone | 1,303,134 | 754,716 | 1,303,134 | 754,716 |
| Utilities | 435,382 | 442,958 | 435,382 | 442,958 |
| Repairs and maintenance | 1,397,283 | 1,147,431 | 1,397,283 | 1,147,431 |
| Other expenses | 1,756,905 | 1,293,384 | 1,756,905 | 1,293,384 |
| | <u>38,743,015</u> | <u>31,207,866</u> | <u>38,708,371</u> | <u>31,189,554</u> |

28. CASH AND CASH EQUIVALENTS

| | THE GROUP | | THE FUND | |
|--------------|-------------------|--------------------|-------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | SCR | SCR | SCR | SCR |
| Cash at bank | 68,318,145 | 118,370,076 | 68,008,845 | 118,061,305 |
| Cash in hand | 44,981 | 30,410 | 44,981 | 30,410 |
| | <u>68,363,126</u> | <u>118,400,486</u> | <u>68,053,825</u> | <u>118,091,715</u> |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2016

29. RELATED PARTY TRANSACTIONS

| | THE GROUP | | THE FUND | |
|--|-------------|-------------|-------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| <u>Balances.</u> | SCR | SCR | SCR | SCR |
| <i>Subsidiary company</i> | | | | |
| - Investment | - | - | 5,100 | 5,100 |
| - Loan receivable | - | - | 6,270,270 | 6,270,270 |
| <i>Enterprises on which the Company exerts significant influence</i> | | | | |
| - Investment | 308,642,800 | 110,332,618 | 198,876,360 | 59,662,908 |
| <i>Transactions</i> | | | | |
| - Dividends | 11,870,624 | 13,344,911 | 11,870,624 | 13,578,784 |
| <i>Key management personnel</i> | | | | |
| - Gross salaries | 2,265,773 | 1,763,539 | 2,265,773 | 1,763,539 |
| Board of Trustees' remuneration (note 29) | 709,968 | 709,968 | 709,968 | 709,968 |

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

(b) For the year ended December 31, 2016, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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.

30. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

| | THE GROUP AND THE FUND | |
|--|------------------------|----------------|
| | 2016 | 2015 |
| | SCR | SCR |
| P Payet | 58,512 | 58,512 |
| M Afif (up to January 31, 2015) | - | 4,176 |
| G Beaudoin (up to January 31, 2015) | - | 4,176 |
| R. Weber (up to January 31, 2015) | - | 4,176 |
| R Spiro (up to January 31, 2015) | - | 4,176 |
| L Woodcock | 50,112 | 50,112 |
| M Felix (up to January 31, 2015) | - | 4,176 |
| S Labrosse | 50,112 | 50,112 |
| A Mousbe (up to January 31, 2015) | - | 4,176 |
| J Espanon | 50,112 | 50,112 |
| W Labrosse | 50,112 | 50,112 |
| A Lucas | 50,112 | 50,112 |
| C Mangroo | 50,112 | 50,112 |
| Bernard Adonis (from February 1, 2015) | 50,112 | 45,936 |
| Elizabeth Agathine (from February 1, 2015) | 50,112 | 45,936 |
| Antoine Robinson (from February 1, 2015) | 50,112 | 45,936 |
| Basil Hoareau (from February 1, 2015) | 50,112 | 45,936 |
| Malika Jivan (from February 1, 2015) | 50,112 | 45,936 |
| Secretariat | | |
| Willy Confaite (from February 1, 2015) (Secretary) | 50,112 | 45,936 |
| Marie-Ange Waye-Hive (Alternate Secretary) | 50,112 | 50,112 |
| | 709,968 | 709,968 |

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST DECEMBER 2016

31. COMMITMENTS

(a) Capital commitments

| | THE GROUP AND THE FUND | |
|---------------------------------|-------------------------------|----------------|
| | 2016 | 2015 |
| | SCR'000 | SCR'000 |
| Approved and contracted for | 13,566 | 86,000 |
| Approved but not contracted for | 443,250 | 624,050 |
| | 456,816 | 710,050 |

(b) Lease commitments

| | THE GROUP AND THE FUND | |
|--|-------------------------------|-------------------|
| | 2016 | 2015 |
| | SCR | SCR |
| Within one year | 13,798,863 | 515,464 |
| After one year but not more than 5 years | 35,557,551 | 2,061,856 |
| More than 5 years | 976,488 | 42,139,175 |
| | 50,332,901 | 44,716,495 |

32. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2016 (2015: Nil).

33. 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, 2016.