

SEYCHELLES PENSION FUND

**BOARD OF TRUSTEES' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

TABLE OF CONTENTS	PAGES
Board of Trustees' report	1 - 3
Auditor General's report	4
Statement of financial position	5
Statement of changes in net assets available for benefits	6
Statement of surplus and other comprehensive income	7
Statement of cash flows	8
Notes to the financial statements	9 - 56

BOARD OF TRUSTEES' REPORT

The Board of Trustees of the Seychelles Pension Fund ("the Fund") is pleased to present its report together with the audited Financial Statements for the year ended December 31, 2023. As required under Section 54 of the Seychelles Pension Fund Act, 2005 (as amended), the annual report is presented to the Minister responsible for Finance, the National Assembly and a copy is made available on the website of the Fund.

BACKGROUND INFORMATION

Seychelles Pension Scheme ("SPS") commenced its operations on January 1, 1991, under the Seychelles Pension Scheme Act, 1990, CAP 220. In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 under which the scheme became a statutory body and was renamed as Seychelles Pension Fund ("the Fund").

REGISTERED OFFICE

The registered office of Seychelles Pension Fund is situated at Caravelle House, second floor, Victoria, Mahé, Seychelles with its postal address, P O Box 576.

PRINCIPAL ACTIVITIES

The principal activity of Seychelles Pension Fund is to collect mandatory and voluntary contributions from members and to pay pension and benefits mostly to retiring members. Pension payments include monthly pension to pensioners and to dependents of deceased members and other benefits under various schemes as per Section 4 of the Act and applicable Regulations.

RESULTS

	<u>2023</u>	<u>2022</u>
	SR	SR
Surplus for the year before fair value changes	89,976,916	89,169,829
Net changes in fair values of investment	18,181,765	389,281,440
	108,158,681	478,451,269
Retained surplus brought forward	1,509,782,524	1,031,331,255
Retained surplus carried forward	<u>1,617,941,205</u>	<u>1,509,782,524</u>

INTEREST ON MEMBERS' FUND

Interest rate for the year 2023 was 1.75% and 4% for Mandatory and Voluntary contributions respectively. The rates are based on average 91 days treasury bills and average saving rates for the previous year end 2022, as published by Central Bank of Seychelles (2022: Mandatory 2%, Voluntary 4%).

PROPERTY AND EQUIPMENT

Additions of SR. 1,470,315 to property and equipment during the year comprised of software, equipment, furniture and fittings (2022: SR. 3,521,712). Disposals during the year comprised of furniture and equipment carried at net book value of SR. 62,678 (2022: SR. 233,013).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2023, did not differ materially from its carrying amount at the reporting date.

BOARD OF TRUSTEES' REPORT *Continued***INVESTMENT PROPERTIES**

Seychelles Pension Fund invested substantial amounts in properties for earning rental income and capital appreciation purposes. As at December 31, 2023, these totaled to SR. 1.46 billion (2022: SR. 1.46 billion). During the financial year under review, additions to investment properties amounted to SR. 15.8 million (2022: SR. 24.5 million). The net deficit on change in fair value on investment properties as at December 31, 2023 amounted to SR. 12.1 million (2022: Surplus of SR. 13.1 million).

BOARD OF TRUSTEES

Board of Trustees appointed/re-appointed for a period of three years effective March 1, 2024 were:

Shella Mohideen	Chairperson	(re-appointed)
Elsie Morel	Trustee	(re-appointed)
Brenda Morin	Trustee	(re-appointed)
Odile Vidot	Trustee	
Keith Arnephy	Trustee	
Dick Labonte	Trustee	
Tyrian Gendron	Trustee	
Fabiola Horner	Trustee	
Alexandra Benoiton	Trustee	
Vanessa Mussard	Trustee	

Term of the following Board of Trustees ended on February 29, 2024:

Marc Houareau	Ex-Chairman
Patrick Payet	Trustee
Jovinella Rath	Trustee
Shannon Jolicoeur	Trustee
Jose St Ange	Trustee
Sarah Lang	Trustee

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of Trustees is responsible for the overall management of the affairs of the Fund and all its investment decisions. The Board is required to appoint a secretary who is responsible for convening all meetings of the Board, the proper recording of its decisions and communications of those decisions to those who are required to act on them. The Board also ensures that proper books of accounts and other records in relation thereto are maintained. In preparing these financial statements, the Board has a general responsibility to:

- ensure that the financial statements are prepared 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 judgements and estimates that are reasonable and prudent and;
- disclose and explain any material departures from applicable accounting standards.

BOARD OF TRUSTEES' REPORT *Continued*STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES *Continued*

As defined in the Seychelles Pension Fund Act, 2005 (as amended), the Chief Executive Officer ("CEO") is responsible for the day to day administration, including the collection of contributions, payment of pensions and other benefits, investment of surplus monies and accounting for all monies collected, paid, or invested by the Fund.

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

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

AUDITORS

The Auditor General of Seychelles is mandated to carry out the audit of the Fund under Section 53(2) of the Seychelles Pension Fund Act, 2005 (as amended). They have outsourced the services to Baker Tilly Seychelles for the year 2023.

TRUSTEES



Shella Mohideen
Chairperson



Odile Vidot
Trustee



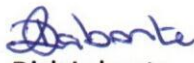
Elsie Morel
Trustee



Brenda Morin
Trustee



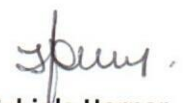
Keith Arnephy
Trustee



Dick Labonte
Trustee



Tyrian Gendron
Trustee



Fabiola Horner
Trustee



Alexandra Benoiton
Trustee



Vanessa Mussard
Trustee

Dated: March 28, 2024
Mahé, Seychelles



Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

Telephone: 248-4672500 Email: auditgen@oag.sc

Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

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

Opinion

The accompanying financial statements of the Seychelles Pension Fund, set out on pages 5 to 56, which comprise of the statement of financial position as at 31 December 2023; statement of surplus and other comprehensive income; statement of changes in net assets available for benefits; and statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Baker Tilly Chartered Accountants (auditors), appointed under Section 19 of the Auditor General Act, 2010 read with Section 53(2) of the Seychelles Pension Fund Act, 2005 as amended. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit, have been obtained.

Accordingly, in our opinion,

- (a) proper accounting records have been kept by the Fund as far as it appeared from examination of those records; and
- (b) the financial statements on pages 5 to 56 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2023 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards and the Seychelles Pension Fund Act, 2005.

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

➤ *Fair valuation of financial assets and investment properties based on IFRS 13:*

Our audit considered fair valuation of financial assets and investment properties as a key audit matter. The materiality of the reported amounts in the financial statements, inherent subjectivity due to the estimates used in determining the fair values and use of inputs from various sources in the fair value calculation underpinned our basis for considering it as a key audit matter.

To assess the reasonableness of the fair value of financial assets and investment properties, the audit procedures (among others) were designed to obtain sufficient and appropriate audit evidence, including the following:

- Evaluating the design effectiveness of controls over estimation of impairment of financial assets, which included assessing the level of oversight, review and approval of impairment policies of the Fund;
- Test-checking the underlying calculations and data;
- Assessing the valuation expert's competency, experience, qualifications and independence where necessary;
- Verifying the reasonability of the assumptions used in fair valuation;
- Obtaining a written representation in regard to the valuation decisions and assumptions;
- Assessing the adequacy of the related financial statement disclosures.

The value of the investment properties is subject to review every two years by an independent professionally qualified valuer, on an open-market basis with existing tenancies based on a valuation of properties policy approved by the Board.

- Audit relied on the independent valuation reviewed and approved by the expert Valuation Committee which is chaired by an independent, experienced and qualified professional in the field of land valuations. All 23 properties were revalued at the end of the year 2023 which resulted in a net re-valuation loss SR. 12.1 million.

Responsibilities of the Auditor General

My responsibility is to express an opinion on those financial statements based on our audit and report it to the Board of Trustees.

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

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

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SPF's internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- concludes on the appropriateness of the management's use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the fund to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- communicates with those charged with governance among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

Gamini Herath
Auditor General



30 April 2024
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
ASSETS			
Non-current assets:			
Property and equipment	7	16,376,990	18,911,746
Investment properties	8	1,453,434,179	1,462,974,021
Right-of-use on assets	9	40,556,783	41,072,247
Investment in subsidiary - OICL	10	38,631,300	34,768,170
Investment in associates - SBL	11	275,112,298	275,112,298
Investment in associates - ASBS	11	25,887,645	25,830,747
Investment in associates - CWS	11	660,000,000	660,000,000
Investment in financial assets	14	591,712,973	603,944,552
Loan receivable	16	30,360,787	53,257,472
		<u>3,132,072,955</u>	<u>3,175,871,253</u>
Current assets:			
Investment in financial assets	14	740,205,451	413,548,450
Receivables and prepayments	15	79,159,143	98,048,973
Assets held for sale	12	188,413,054	177,247,916
Loan receivable	16	21,488,010	18,832,001
Cash and bank balances	13	173,566,348	198,102,513
		<u>1,202,832,006</u>	<u>905,779,853</u>
Total assets		<u><u>4,334,904,961</u></u>	<u><u>4,081,651,106</u></u>
Current liabilities:			
Other payables	17	24,884,811	22,994,455
Non-current liabilities:			
Retirement benefit obligations	18	11,677,708	11,886,011
Deferred property lease	19	6,200,675	6,309,355
		<u>17,878,383</u>	<u>18,195,366</u>
Net assets		<u><u>4,292,141,767</u></u>	<u><u>4,040,461,285</u></u>
Made up as follows:			
Members' fund	21	1,972,426,048	1,828,904,247
Other fund	22	533,279,754	533,279,754
Reserve fund	23	14,568,591	14,568,591
Other reserves	24	153,926,169	153,926,169
Retained surplus		1,617,941,205	1,509,782,524
		<u>4,292,141,767</u>	<u>4,040,461,285</u>

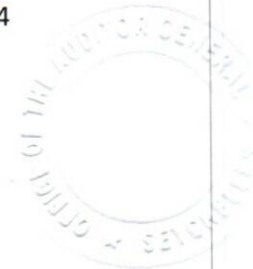
These financial statements were approved for issue by the Board of Trustees on March 28, 2024



Shella Mohideen
Chairperson



Nisreen Abdulmajid
Chief Executive Officer



STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - YEAR ENDED DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
Contribution Income			
Compulsory contributions:			
- by employees		374,504,292	277,399,009
- by employers		374,049,547	333,474,246
Voluntary contributions:			
- by employees		11,907,151	24,174,448
- by employers		27,378,011	10,825,297
		<u>787,839,001</u>	<u>645,873,000</u>
Investment income			
Members' interest	27	34,804,904	37,522,644
Surplus for the year from investments		108,158,681	478,451,269
		<u>142,963,585</u>	<u>515,973,913</u>
Total contribution and investment income		<u>930,802,586</u>	<u>1,161,846,913</u>
Benefits paid			
- Normal retirement		542,080,081	466,881,914
- Voluntary retirement refund upon retirement		2,387,815	3,132,930
- Death before normal retirement		2,977,337	4,448,539
- Permanent Incapacity		72,362,806	65,113,687
- Pre-Migration retirement		909,251	535,542
- Surviving spouse pension		17,186,498	15,223,508
- Children pension		5,216,501	4,544,728
- Post-Retirement surviving spouse		21,120,872	18,152,468
- Post-Retirement children pension		2,105,290	1,967,694
- Voluntary retirement contribution refund at 55 years onwards		12,214,496	18,244,174
- Dependent/Severe disability		27,480	26,532
- Refund of overpaid contributions		533,613	519,081
- Other adjustments		64	(199,768)
Total benefits paid		<u>679,122,104</u>	<u>598,591,029</u>
Excess contribution over benefits paid		<u>108,716,897</u>	<u>47,281,971</u>
Net increase in assets available for benefits for the year		<u>251,680,482</u>	<u>563,255,884</u>
Balance at January 1,		<u>4,040,461,285</u>	<u>3,477,205,401</u>
Balance as at December 31,		<u><u>4,292,141,767</u></u>	<u><u>4,040,461,285</u></u>

The notes on pages 9 to 56 form an integral part of these financial statements
Auditor General's report on page 4

STATEMENT OF SURPLUS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
Income			
Interest income	25	46,011,281	38,905,922
Dividend income	26	61,405,397	54,738,004
Rental income	8 (b)	103,334,985	98,300,973
Profit on disposal of property and equipment		-	153,486
Other income - surcharges		2,153,326	1,303,967
Insurance claim proceeds received		-	30,019,819
Amortisation of deferred Government Grant	19	108,680	108,680
		<u>213,013,669</u>	<u>223,530,851</u>
Expenditure			
Interest credited to members	27	34,804,904	37,522,644
Administrative expenses	28	60,277,940	51,153,087
Investment fees		810,135	1,102,897
Events and marketing		1,703,382	1,557,572
Property management expenses	8 (b)	18,463,053	23,034,657
Covid -19 related expenses		103,724	120,064
Depreciation of property and equipment	7	4,392,675	5,362,986
Amortisation of right-to-use on assets	9	515,464	551,464
Loss on disposal of investments	33	-	886,040
Loss on disposal of property and equipment (Reversal)/Provision for credit impairment	15 (ii)	(1,106,046)	2,250,738
Auditors' remuneration		385,000	385,000
Other professional fees	29	3,085,208	4,788,869
		<u>123,498,117</u>	<u>128,716,018</u>
Surplus before fair value changes and exchange differences		89,515,552	94,814,833
Gain/ (loss) on exchange		461,364	(5,645,004)
Surplus for the year before fair value changes		89,976,916	89,169,829
Increase/(Decrease) in fair value of quoted equities	14 (f)	265,690	(398,535)
Increase/(Decrease) in fair value - OICL	10 (a)	3,863,130	(5,794,695)
(Decrease)Increase in fair value of investment properties	8 (b)	(12,140,962)	13,053,990
Increase in fair value of property and equipment	7	450,282	-
Increase in fair value of associate - SBL	11 (a)	-	10,772,470
Increase in fair value of associate - ASBS	11 (b)	56,899	497,032
Increase in fair value of associate - CWS	11 (c)	-	365,564,208
Total fair value changes		(7,504,961)	383,694,470
Other comprehensive income			
Increase in fair value of unquoted equities	14 (f)	25,686,726	5,586,970
Total other comprehensive income		25,686,726	5,586,970
Net changes in fair values of investment		18,181,765	389,281,440
Surplus for the year		108,158,681	478,451,269
Retained surplus brought forward		<u>1,509,782,524</u>	<u>1,031,331,255</u>
Retained surplus carried forward		<u>1,617,941,205</u>	<u>1,509,782,524</u>

The notes on pages 9 to 56 form an integral part of these financial statements

Auditor General's report on page 4

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
OPERATING ACTIVITIES			
Net increase in assets available for benefits		251,680,482	563,255,884
Adjustments for:			
Depreciation of property and equipment	7	4,392,675	5,362,986
Amortisation of right-to-use on assets	9	515,464	551,464
Amortisation of deferred government grant	19	(108,680)	(108,680)
Loss/(profit) on disposal of property and equipment		62,678	(153,487)
Loss on sale of investments	33	-	886,040
Provision for retirement benefit obligation	18	4,936,934	4,569,842
Employee benefits paid during the year	18	(5,145,237)	(909,496)
(Reversal)/Provision for credit impairment	15	(1,106,046)	2,250,738
Fair value gain on property and equipment	7	(450,282)	-
Fair value loss/(gain) on investment properties (net)	8 & 12	12,140,962	(4,017,123)
Fair value gain on quoted and unquoted equities	14(g)	(25,952,416)	(5,188,435)
Fair value gain on associates	11	(56,898)	(376,833,709)
Fair value (gain)/loss on subsidiary	10	(3,863,130)	5,794,695
Interest receivable	25	(46,011,281)	(38,905,922)
Dividend income	26	(61,405,397)	(54,738,004)
Cash generated from operations		129,629,828	101,816,793
Changes in working capital:			
Receivables and prepayments		19,995,876	(21,701,970)
Payables and accruals		1,890,356	2,043,115
Net cash inflow from operating activities		151,516,060	82,157,938
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(1,470,315)	(3,521,712)
Proceeds from disposal of property and equipment		-	386,500
Purchase of investment properties	8 & 12	(13,766,258)	(24,518,151)
Loan repayment received from PMC	16	25,109,335	25,109,334
Purchase of financial assets	14 (g)	(1,226,772,857)	(738,135,989)
Proceeds from redemption of financial assets	14 (g)	938,299,851	625,467,838
Interest received (net of interest on PMC loan)	25	41,142,622	32,486,047
Dividend received	26	61,405,397	54,738,004
Net cash outflow from investing activities		(176,052,225)	(27,988,129)
Net change in cash and cash equivalents		(24,536,165)	54,169,809
At January 1,		198,102,513	143,932,704
At December 31,	13	173,566,348	198,102,513

The notes on pages 9 to 56 form an integral part of these financial statements
Auditor General's report on page 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

1. GENERAL INFORMATION

The Fund established under the Seychelles Pension Fund Act, 2005 (as amended) is domiciled in the Republic of Seychelles and its registered office situated at the Caravelle House, Victoria, with its postal address P.O Box 576, Mahé, Seychelles.

Investments made by the Fund as required under Section 50 of the Seychelles Pension Fund Act, 2005 (as amended) are disclosed in the notes to the financial statements.

These financial statements will be presented to the Minister responsible for Finance, laid before the National Assembly by the Minister responsible for Finance and made available on the website of the Fund as required in accordance with Section 53 of the Seychelles Pension Fund Act, 2005 (as amended).

Type of pension system

The Fund operates a Pay-As-You-Go pension plan, which is a solidarity between generations. This means that the working generation of today pays for retirees of today and the next generation pays for tomorrow's retirees. The pension plan is a Defined Benefits system where pensions are paid based on a pre-determined formula as per Regulation 8 (1B) of the Seychelles Pension Fund (Benefits) Regulations.

2. FUNDING POLICY

The overriding principle of the Fund's policy is that contributions are increased in a steady and phased manner as recommended by the Fund's Actuary and excess funds are invested to yield maximum returns on the assets informed by the Fund's liabilities. In other words, funds which are not required for current benefit payments and administration expenses are invested to provide returns to assist in sustaining the Fund in the medium to long-term.

As at December 31, 2023, the total active members below the age of 45 were 27,722, representing 64.96% of the total active members.

3. VALUATION OF SEYCHELLES PENSION FUND

Under Section 55 of the Seychelles Pension Fund Act, 2005 (as amended), an actuarial valuation of the Fund shall be carried out every three years by an approved actuary. The most recent actuarial valuation exercise of the Fund was carried out as of December 31, 2021 by BBL World Actuaries from Quebec, Canada. The next actuarial valuation will be due for the reporting year ending December 31, 2024.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently (subject to para 4.1 (f)), are set out below:

4.1 Basis of preparation

The financial statements of the Seychelles Pension Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Standards Interpretations Committee (the "Committee"), and comply with Seychelles Pension Fund Act, 2005 (as amended) and "Public Enterprises Act, 2023", including any amendments thereof.

(a) Accounting convention

These financial statements have been prepared in accordance with the historical cost convention, except for investment properties that have been measured at fair value.

(b) Reporting and functional currency

The reporting and functional currency of the Fund is Seychelles Rupee ("SR"), as most of the transactions are effected in Seychelles Rupees.

(c) Accounting estimates

The preparation of financial statements require use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement, complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5 (Critical accounting estimates and judgements). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which it affects and also future periods if it affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***(d) Consolidation**

The Fund adopted IFRS 10 (Consolidated financial statements) consolidation exemption with regards to 'investment entities'. The Fund believes that a class of entity (an investment entity) uses a different business model to most other entities. It manages all its investments on a fair value basis, whether they are simple investments, associates or controlled. It provides fair value information to its users, and that fair value information is more useful for decision-making than consolidated information. All the subsidiaries, associates and joint ventures held as investments are measured in accordance with IFRS 9 (Financial instruments).

The Fund further noted that preparing consolidated financial statements for such entities could hinder users' ability to assess their financial position and results; this is because consolidated financial statements emphasise the financial position, operations, and cash flow of their investees, rather than those of the entities themselves.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***(d) Consolidation** *Continued*

The Board is of the opinion that the Fund complies with all the definitions of an investment entity and possesses all the characteristics of an investment entity, namely:

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

(e) Going concern

The Board of Trustees assessed the Fund's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Trustees is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern and it does not intend either to liquidate or to cease operations of the Fund. Therefore, the Board continues to prepare the financial statements on the going concern basis.

(f) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after January 1, 2023:

(i) New standards, improvements, interpretations, and amendments issued

- IFRS 17 : Insurance Contracts (January 1, 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies (January 1, 2023).
- IAS 8 : Definition of Accounting Estimates (January 1, 2023).
- Amendments to IAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction (January 1, 2023);
International Tax Reform - Pillar Two Models

These amendments had no impact on the consolidated financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***(f) Changes in accounting policies** *Continued***(ii) New standards, improvements, interpretations, and amendments issued but not yet effective**

The following new accounting standards, improvements, interpretations, and amendments have been issued, but are not mandatory until the dates shown, and hence have not been early adopted by the Fund in preparing the financial statements for the year ended December 31, 2023.

Standards and amendments mandatorily effective from January 1, 2024

- Amendment to IAS 7 and IFRS 7 : Supplier Finance Arrangements
- Amendment to IFRS 16 : Lease liability in a Sale and Leaseback
- Amendments to IAS 1 : Classification of Liabilities as Current or Non-Current
Non-current liabilities with Covenants

Standards and amendments mandatorily effective from January 1, 2025

- Amendments to IAS 21 : Lack of Exchangeability

Management anticipates that all of the above standards, improvements, interpretations and amendments will be adopted by the Fund to the extent applicable from their effective dates. The adoption of these standards, improvements, interpretations and amendments is not expected to have a material impact on the financial statements of the Fund in the year of their initial application.

The financial statements will provide comparative information in respect of the previous period. In addition, the Fund will present an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at the beginning of the prior period will be presented in these financial statements due to the retrospective correction of an error.

(g) Comparative information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments****Recognition and initial measurement**

Financial instruments are recognised in the statement of financial position when the Fund becomes a party to the contractual provisions of the financial instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through statement of surplus (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Financial assets: Classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity instrument; or Fair Value through statement of surplus (FVTPL).

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

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

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

The financial statements do not include any debt investments measured at FVOCI.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*4.2 Financial Instruments *Continued****Business model assessment***

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

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

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

Assessment whether contractual cash flows are SPPIs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued*

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

Reclassifications

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

Subsequent measurement and gains and losses

- *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses are recognised in profit or loss.

Equity investments (listed) and unlisted private equities which are managed and their performance is evaluated, on a fair value basis and are designated as FVTPL are included in this category.

- *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest rate. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of surplus. Any gain or loss on derecognition is recognised in the statement of surplus.

Cash and cash equivalents, fixed deposits, contribution receivable from members, rental receivables, loans and receivables and investments in treasury assets are included in this category.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued*

- *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of surplus.

Unlisted private equities which are managed, and their performance is evaluated, on a fair value basis and are not designated as FVTPL are included in this category.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of surplus. The financial statements do not include any FVTPL financial liabilities.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of surplus. Any gain or loss on derecognition is also recognised in the statement of surplus. This includes deposits from tenants and other payables.

Derecognition***Financial assets***

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

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.2 Financial Instruments** *Continued****Offsetting of financial assets and liabilities***

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

Impairment of financial assets

The impairment for financial assets are derived based on an 'expected credit loss' (ECL) model and applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

ECL model is the impairment method prescribed under IFRS 9 on "Financial Instruments" and will be calculated by multiplying the current gross receivable balance by the probability adjusted loss rate. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month expected credit loss ('ECL') is used to provide for impairment loss, otherwise lifetime ECL is used. However, only in case of trade receivables, The Fund applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Fund measures the impairment by applying a predetermined percentage to the receivables falling under different age buckets and is not significantly deviated had it been computed based on expected credit loss model.

Write-off

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

4.3 Current versus non-current classification

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or available to be settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.3 Current versus non-current classification** *Continued*

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Fund classifies all other liabilities as non-current.

4.4 Property and equipment

Capitalisation Policy for the acquisition, management, sale and disposal of the Fund-owned fixed assets were implemented during the year. Its aim is to establish standard guidelines for capitalisation of fixed assets owned by the Fund in conformity with IFRS and Fund's valuation policy and is followed for the accounting and management of all the Fund-owned fixed assets. These relate to all transactions relating to the acquisition, maintenance, sale, construction, and final disposal of the Fund's fixed assets which will ensure transparency, consistency and accountability in the accounts.

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 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 are 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 Fund and the cost of the item can be measured reliably.

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
Leasehold improvements	15
Equipment	5
Furniture and Fittings	10
Motor vehicles	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.4 Property and equipment** *Continued*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Increases in the carrying amount arising on revaluation are credited to a 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 statement of surplus.

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

4.5 Intangibles

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be reliably measured.

Intangible assets comprise software which have a finite economic life. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the statement of surplus when incurred.

Intangible assets are amortised on a straight-line basis in the statement of surplus and other comprehensive income over their estimated useful lives, from the date that they are available for use. The estimated useful life of computer software for the current and comparative periods is 3 to 5 years. Intangible assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of surplus when the asset is derecognised.

4.6 Investment properties

Properties held to earn rent/or for capital appreciation or both are classified as investment properties. Investment properties are carried at fair value, representing open-market value determined annually. Changes in fair values are recognized in the statement of surplus and subsequently in net assets available. Investment properties are transferred to property and equipment, or asset held for sale when they cease to meet the recognition criteria.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.7 Investment in subsidiary***Consolidation*

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

Separate financial statements

Investments in subsidiaries are measured and accounted for at FVTPL. Fair value gains or losses on subsidiaries are recognised on a separate line in the statement of surplus.

4.8 Investment in associates*Separate financial statements*

Investments in associates are measured and accounted for at FVTPL. Fair value gains or losses on associated are recognised on a separate line in the statement of surplus.

4.9 Receivables

Receivables are stated at original invoice amount less provision as per the expected credit loss model. Bad debts are written off when there is no possibility of recovery.

The Fund makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the provision, the Fund uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

The Fund assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to note 15 for a detailed analysis of how the impairment requirements of IFRS 9 are applied).

4.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with banks. For statement of cash flows purposes, cash and cash equivalents include bank overdrafts.

In the statement of cash flows, cash and cash equivalents includes cash in hand, balances with banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less at the date of inception and bank overdrafts, if any. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.11 Other current assets**

Other current assets include fixed deposits, prepaid expenses, advances to suppliers, and other deposits and advances which are carried at amounts recoverable through collection of monies or receipt of goods or services. Prepaid expenses pertain mainly to rent and medical insurance. Other deposits pertain to security deposits and advances pertain to staff advances.

4.12 Related parties

The Fund enters into transactions with companies and entities that fall within the definition of a related party as contained in IFRS. Related parties comprise companies and entities under joint or common management or control, their partners and key management personnel, subsidiaries, joint ventures, parent, associates, and other related parties.

4.13 Other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received and advance received from customers, whether claimed by the supplier or not. Monies received in advance for goods or services to be provided subsequent to the year-end are recognised as advances from customers in current liabilities. The carrying amount of other payables approximate their amortised cost.

4.14 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Accruals

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

4.16 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.17 Employee benefits obligations**

A defined benefit plan is a post-employment benefit other than a defined contribution plan. Provision for post-employment benefits with respect to long service compensation commences and is recognized as soon as the employees meet the eligibility criteria specified under the Seychelles Employment Act with respect to completion of 5 years of continuous employment. The act requires one day for each completed month of service after completion of 5 years of continuous employment. However, SPF has opted to provide compensation for all staff upon recruitment. The employees under fixed term contracts are eligible for End of Contract gratuity payable to employees under Fixed Term Contracts at rates between 5-15% applied to the total remuneration earned during the contractual term. For the provisioning requirement the highest rate of 15% is applied.

Employment benefits

Employment benefits consist of short-term employment benefits, long term employment benefits, and post-employment benefits. Accounting policies followed for each of these benefits are as follows:

Short term employment benefits

Short term employment benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Fund has a present legal or constructive obligation to pay this.

Long term employment benefits

In terms of Circular No 2 of 2016 issued by the Department of Public Administration whereby employees in a parastatal organisation are entitled to a gratuity on completion of 5 years in service and each 5 years anniversary dates during the terms of the circular at the rates defined in the circular. At the end of each reporting period, accumulated long term employment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by charging to the statement of profit or loss.

Post-employment benefits

Post-employment benefits consist of defined contribution plans and defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.17 Employee benefits obligations** *Continued****Measurement and recognition of Employee benefits*****(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Fund pays fixed contributions to the Seychelles Pension Fund and the Fund has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

At the end of each reporting period, accumulated post-employment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by charging to the statement of profit or loss. Further provision is required for past services in the year if there is an increase in basic salary since the effect of increased salary would impact the existing provision. Provision is reversed to the statement of profit or loss when an employee defaults the eligibility criteria at the time or before termination of his employment. The liability recognized in the statement of financial position is the present value of the defined obligation at the reporting date.

The obligation has been determined using the method as per the Seychelles Employment Act and management has estimated that the amount of liability provided will not be materially different had it been computed by an external actuary.

4.18 Contingent liabilities

A contingent liability is disclosed when the Fund has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Fund; or when the Fund has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.19 Borrowings and borrowings costs

Borrowings are classified as current liabilities unless there is a formal agreement in place to defer repayment for a period in excess of 12 months, in which case the amount repayable after 12 months at the reporting date is classified as non-current liabilities.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

4.20 Foreign currencies

Transactions in foreign currencies are translated to Seychelles Rupees at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Seychelles Rupees at the exchange rate at that date. Foreign currency gains or losses on monetary items are the differences between the amortised cost in Seychelles Rupees at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in the statement of surplus. As at year end, the main exchange rates against the Seychelles Rupees were as follows:

Currencies	Exchange rates		Changes in % ge	
	2023	2022	2023	2022
United States Dollar	14.14	14.22	-0.58%	-3.13%
Euro	15.85	14.94	6.12%	-9.89%

At the year-end or at reporting periods, all assets and liabilities will be valued as per the Investment Policy or the CBS par rate as per the Finance policy. These shall also be treated in accordance with IFRS. The translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of surplus.

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 surplus 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 differences on non-monetary items, such as equities held at FVTPL, 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 other reserve in equity.

Currencies	Exchange rates as at		Changes in % ge
	Mar 8, 2024	Dec 31, 2023	
United States Dollar: SR	14.45	14.14	2.23%
Euro: SR	15.53	15.85	-2.04%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.21 Leases*****Leases as lessee and right-of-use-assets***

The Fund assesses whether a contract is or contains a lease at inception of the contract, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease payments for short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease terms.

Right-of-use assets:

The Fund recognises lease liabilities to make lease payments and right-of-use assets at the commencement date of the date representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line over the lease term.

Right-of-use assets and lease liabilities are presented as separate line items in the statement of financial position. Depreciation related to right-of-use assets, interest costs on lease liabilities and rent concessions, if temporary, are shown separately in the income statement.

Short term leases and leases of low-value-assets:

The Fund applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

4.22 Contributions receivable

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

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

4.23 Benefits payable

Benefits payable are stated at their nominal value.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

4. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued***4.24 Revenue recognition**

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Fund's activities.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Interest income

Interest income or expense is recognised using the effective interest rate.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets to the gross carrying amount of the financial asset.

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

Dividend income

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial assets to the gross carrying amount of the financial asset.

Net income from financial instruments at FVTPL

Net income from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences, interest, and dividend income.

4.25 Taxation

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

However, Seychelles Revenue Commission (SRC) has registered the Fund as a Value Added Tax Business on the January 1, 2020; and the Fund deduct income tax for its employees' salary for onward remittance to SRC including tax on the Income and Non-Monetary Benefits Act.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Classification of financial assets

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

(b) Impairment of financial assets

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

(c) 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 Fund's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Fund's views of possible near-term market changes that cannot be predicted with any certainty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued*(d) *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.

(e) *Contributions receivable*

As per the 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.

(f) *Fair Value Estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from for example, a stock exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued*(f) *Fair Value Estimation* *Continued*

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

	Notes	Fair Value measurement using			
		Total SR'000	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000
December 31, 2023					
Assets measured at FVTOCI/FVTPL:					
<i>Financial assets measured at fair value</i>					
Equity securities	14	322,392	14	-	322,378
Assets measured at Amortised cost:					
<i>Financial assets not measured at fair value</i>					
Fixed deposits	14	716,461	-	-	-
Corporate bonds	14	5,000	-	-	-
Treasury bills and bonds	14	288,065	-	-	-
		<u>1,331,918</u>	<u>14</u>	<u>-</u>	<u>322,378</u>
December 31, 2022					
Assets measured at FVTOCI/FVTPL:					
<i>Financial assets measured at fair value</i>					
Equity securities	14	296,440	14	-	296,426
Assets measured at Amortised cost:					
<i>Financial assets not measured at fair value</i>					
Fixed deposits	14	445,627	-	-	-
Treasury bills and bonds	14	275,426	-	-	-
		<u>1,017,493</u>	<u>14</u>	<u>-</u>	<u>296,426</u>

6. RISK MANAGEMENT

The Board of Trustees has the overall responsibility of determining the risk management framework and policies of the Fund. It also delegates the authority for designing and implementing risk management processes to the risk management function.

The Fund's activities expose it to a variety of risks. The overall objective of the Board of Trustees is to set policies that seek to mitigate and reduce risks as far as possible, without unduly affecting the competitiveness and flexibility of the Fund's operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. RISK MANAGEMENT *Continued*

Further details regarding some of the main risks are set out below:

(a) Investment risk

There are some risks that are directly linked to the investments of the Fund. Sustained poor performance would lead to insufficient returns that are necessary to support the Fund's long-term sustainability.

The Fund has adopted a prudent approach to asset management that is likely to generate moderate, yet regular returns. The primary control measure is the regular appraisal of the Fund's assets and investment policy by the Board of Trustees upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risks can be justified:

Interest rate risk

The risk that falling interest rates will reduce investment income on fixed income instruments. The Fund finances its operations through operating cash flows which are principally denominated in Seychelles Rupee.

Several specific risk measures may be cited:

- The Fund's primary interest rate risk relates to interest-bearing investments. The information on maturity dates and effective interest rates of financial assets are disclosed under Note 14.
- The Fund does not borrow, so the cost of borrowing is nil and unaffected by raise in interest rates.
- There is a loan extended to Property Management Corporation ('PMC') at "fixed" rate. Although these rates are adjusted, where the spread between the Fund's rates and bank rates becomes too significant, there is a certain inertia that tends to protect the Fund from sudden or temporary falls.

Sensitivity analysis

If interest rates had been 100 basis points higher/lower with all other variables held constant, results for the year would have been as shown below:

	Financial Assets at amortised cost	
	2023	2022
	SR'000	SR'000
Impact on surplus for the year	± 460	± 389

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. RISK MANAGEMENT *Continued*(a) *Investment risk Continued***Price 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 limited investment opportunities.
- Liquidity – great care is taken to ensure that the Fund should not need to realize potentially volatile assets when their values are less.
- Liquidity reserves policy is in place since 2022 with thresholds reviewed continually.

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 100 basis points.

	Financial Assets at FVTPL	
	<u>2023</u>	<u>2022</u>
	SR'000	SR'000
Impact of change in fair value	<u>± 75</u>	<u>± 3,837</u>

Liquidity risk

The risk that cash flow requirements will force the Fund to realize an investment on poor terms, either through the investment's non-marketability (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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. RISK MANAGEMENT *Continued***(a) Investment risk** *Continued***Credit risk**

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

The risk is minimised by the fact that contributions 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 from contributions. The Fund has established procedures to ensure that rental agreements are made with tenants with an appropriate credit history and through a newly introduced standing of order monthly rent payments which are assumed. Therefore, risks of bad debts are considered to be low.

A Debtor Management Policy was implemented in the year 2020. The policy aims to put in place effective procedures for the Fund to manage its debts in an efficient manner. A Debt Recovery Committee was set up in 2023 to consider to review recurring cases of defaulters and propose course the necessary of action.

Currency risk

The Fund's activities are not exposed to currency risk. However, the Fund requires foreign exchange for developing its overseas investment which are met through requests with financial institutions. Only a small percentage of the portfolio is invested overseas mainly in listed foreign markets, and recently a foreign bank.

Counter party risk

The risk that an external fund manager defaults on its contractual responsibilities. The risk is mitigated via the following measures:

- All fund managers are subject to rigorous in-house assessment and due diligence from well known, independent external experts prior to appointment, and to regular appraisal thereafter.
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records.

(b) Economic risk

Economic risk refers to the possibility that changes in macroeconomic conditions which will negatively impact the Fund and its investments. For instance, political instability or exchange rate fluctuations can impact losses or gains this will weaken the Fund's financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. RISK MANAGEMENT *Continued*(b) *Economic risk*

Two examples of such risk are:

Foreign Exchange risk

Foreign exchange risk refers to the risk the Fund takes when conducting transactions in foreign currencies. All currencies can fluctuate, and this type of volatility can affect the profit margins of the Fund's foreign investments.

Inflation risk

Inflation Risk also known as Purchasing Power Risk, commonly refers to how the prices of goods and services increase more than expected. Inversely, such a situation results in the same amount of money resulting in less purchasing power. For instance, If the Fund buys a bond at the rate of 3%, then this would be the nominal return of the investment. However, if the inflation rate is at 2%, then the purchasing power is only really increasing by 1%.

The Fund recognizes the adverse effects of such risks and has put in place controls such as:

- Diversification of Investment.
- Index-linked investments.
- Indexation maximised at 5% in accordance with Regulation 36 of the Fund (Benefits).
- Regulations as amended in 2013 (S.I. 3 of 2013).
- Adopt tactical investment approach to lessen short term exposure from adverse market movements.
- Monitor the maturity profile of related investments and seek most favourable market rates for new placements.
- Funding policy in place.

(c) *Operational risk*

Operational risk describes as "The risk of loss resulting from inadequate or failed internal processes, people, systems or from external events".

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

There is also an internal audit department assessing and testing all risks and internal controls helping to reinforce any shortfalls that could arise. A Risk Department, a Quality Assurance Analyst and compliance function under the Business Development and Compliance Section also strengthens in risk mitigation process to ensure that there are no malpractices and fraud.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. RISK MANAGEMENT *Continued***(d) Legal risk**

Legal risks occur from negligence or a deliberate failure to comply with client obligations. All the activities of the Fund are determined by the "Seychelles Pension Act, 2005", and the Fund is regulated by PEMC. The Fund is also accountable to the Minister responsible for Finance for submission of its Annual report, and a copy of which is also submitted to the National Assembly by the Minister.

In addition, the Fund has in place a legal and compliance function to ensure compliance to legal obligations and a legal counsel on retainer. Legal and compliance section plays a major role in the mitigation of such risk in collaboration of the Risk and Business development section.

(e) Disaster recovery risk

An event such as a cyberattack, natural disaster, power outage, or human error can cause network failure, and seriously disrupt operations. So, disaster recovery is being able maintain or quickly restore your IT infrastructure and services in a disaster.

Any disaster recovery plan definition should relate to business continuity. The Fund aims to minimize business loss (productivity, revenue, data), and liability. Downtime derails processes or shuts down customer communication, hence a speedy recovery is critical. Ever since the covid 19 pandemic the Fund has invested a lot of resource disaster recovery and business continuity. And this risk is being mitigated by the following controls in place:

- IT disaster recovery plan in place.
- Business continuity plan.
- System is hosted externally with backup.
- IT continuity plan reviewed when a service changes or a new service is added.
- External access through VPN services (work from home).

While in case of the death of a Fund staff member, a clear and well-defined succession planning within the Fund is in place, as per the Human Resources Policy.

(f) Reputational risk

Reputational risk is a threat or danger to the good name or standing of a business or entity. Reputational risk can occur in the following ways:

- Directly, as the result of the actions of the Fund.
- Indirectly, due to the actions of an employee or employees.
- Tangentially, through other peripheral parties, such as joint venture partners or suppliers.

The Fund is very dynamic and is continually evolving in terms of the services and the benefits it is offering to its members and at times the changes are not well perceived by the members and cause some trust or doubts amongst them.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. RISK MANAGEMENT *Continued***(f) Reputational risk** *Continued*

From analysis it was found that the main cause of the reputational risk for the Fund is misinformation and misunderstanding, as a result the corporate communication section have been doing some intensive work to mitigate such risk through:

- A communication policy and plan.
- Increased marketing activities through awareness campaigns (newspaper, TV, online) to promote the product and services of the Fund.
- Identify emerging organizations and marketing opportunities and undertake regular workplace meetings.
- In-house clinics targeting individuals and small groups at workplaces to conduct awareness sessions.
- Members are sensitized and briefed on the benefits operating model and the timing of accessing their benefits.
- Regular road shows.
- Brand training with staff.
- Digital communication portal is in operation.
- e-contribution portal.
- e-pension service is fully functional.
- Yearly Youth education and awareness session at post-secondary level.

(g) Compliance risk/ Anti- Money Laundering and prevention of Terrorism financing

The Fund complies fully with Anti-Money Laundering Act, 2020 (as amended) and Countering of Financial Terrorism Act, 2020 (as amended) and its amendments thereof. The Fund observes all requirements and policies to ensure that there is no money laundering and terrorist financing sources of funds. The main sources of funds come via the banking system through transactions from employers and employees mostly via the Fund's bank accounts with minimal cash. The other source of funds is from investment returns all from banking system. All banks are supervised by Central Bank of Seychelles and have stringent Anti- Money Laundering systems in place. Other mechanisms that the Fund observes are:

- Implementing its anti-money laundering and countering financing of terrorism anti-terrorism financing policies in place since 2019. This policy is being updated to ensure full compliance with the AML/CFT Act 2020 and its amendments.
- Employee training in AML.
- Independent audits.
- Policies and procedures to detect and report suspicious transactions and ensure compliance with the laws.
- Timely communications with the Financial Intelligence Unit (FIU).
- Submitting information to FIU, as requested.

There were no reported non-compliance cases concerning AML/ CFT at the Fund in the year 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

7. PROPERTY AND EQUIPMENT

	Buildings on leasehold land and improvements	Software	Equipment	Furniture and fittings	Motor vehicles	Total
	SR	SR	SR	SR	SR	SR
COST						
At January 1, 2022	34,256,767	-	23,063,260	11,584,001	3,253,888	72,157,916
Additions	40,000	-	1,800,272	1,681,440	-	3,521,712
Disposals	-	-	(1,614,946)	(661,428)	-	(2,276,374)
At December 31, 2022	34,296,767	-	23,248,586	12,604,013	3,253,888	73,403,254
Revaluation surplus	450,282	-	-	-	-	450,282
Additions	-	518,898	883,111	68,306	-	1,470,315
Disposals	-	-	(530,191)	(124,602)	-	(654,793)
At December 31, 2023	34,747,049	518,898	23,601,506	12,547,717	3,253,888	74,669,058
ACCUMULATED DEPRECIATION						
At January 1, 2022	28,886,791	-	15,357,478	7,365,918	2,738,217	54,348,404
Charge for the year	1,724,158	-	2,368,572	1,105,491	164,765	5,362,986
Adjustment (Note 8 (a))	(3,176,521)	-	-	-	-	(3,176,521)
Disposals	-	-	(1,497,828)	(545,533)	-	(2,043,361)
At December 31, 2022	27,434,428	-	16,228,222	7,925,876	2,902,982	54,491,508
Charge for the year	873,251	12,044	2,244,038	1,098,577	164,765	4,392,675
Disposals	-	-	(479,421)	(112,694)	-	(592,115)
At December 31, 2023	28,307,679	12,044	17,992,839	8,911,759	3,067,747	58,292,068
NET BOOK VALUE						
At December 31, 2023	6,439,370	506,854	5,608,667	3,635,958	186,141	16,376,990
At December 31, 2022	6,862,339	-	7,020,364	4,678,137	350,906	18,911,746

Land and buildings were valued at December 31, 2023 by an independent valuer. The value of the land and buildings is subject to review as per the revised Valuation Policy for Investment Assets approved by the Board of Trustees in November 2023. The valuation and accounting recommended approaches are guided under IAS 40 for valuation for investment properties and also as per IFRS 16 for leases.

Adjustment (Note 8 (a)) - In 2021 the Fund transferred the cost of a property of Orion Mall to assets held for sale. However, accumulated depreciation of SR. 3,176,521 carried in the books pertaining to this asset was not transferred to assets held for sale. Accumulated depreciation was transferred to assets held for sale during the financial year ended December 31, 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

8. INVESTMENT PROPERTIES

	<u>2023</u>	<u>2022</u>
	SR	SR
(a) At fair value		
Movements during the year is as follows:		
At January 1,	1,462,974,021	1,408,297,206
Additions	11,839,308	24,518,151
Adjustment from property and equipment (note 7)	-	(3,176,521)
Transfer from assets held for sale (note 12)	-	55,413,503
Movements in fair values:		
Investment properties	(21,379,150)	27,826,264
Assets held for sale	-	(14,772,275)
Revaluation of investment properties to reserve account	-	5,735,409
Transfer to assets held for sale (note 12)	-	(40,867,716)
At December 31,	<u>1,453,434,179</u>	<u>1,462,974,021</u>

(b) The following amounts have been recognised in statement of surplus:

	<u>2023</u>	<u>2022</u>
	SR	SR
Property Management income:		
Rental income	103,334,985	98,300,973
Property Management expenses:		
Direct operating expenses	(18,463,053)	(23,034,657)
Profit arising from investment property	84,871,932	75,266,316
(Decrease)/Increase in fair value	(12,140,962)	13,053,990
Surplus after fair value changes	<u>72,730,970</u>	<u>88,320,306</u>

(c) The value of investment properties is subject to review every year by an independent professionally qualified valuer, on an open-market basis with existing tenancies based on a Valuation of Properties Policy approved by the Board. A Valuation Committee has also been set up since 2018 to review the value of the investment properties on an annual basis. The Valuation Committee is chaired by an independent, experienced, and qualified professional who is well versed in property valuation. All investment properties were revalued as at December 31, 2023, resulting in a loss of SR. 12.1 million on 23 properties (note 8 (b)).

(d) The fair value of the properties has been valued by an external valuer and administered by the Investment Department under the Property Valuation Committee, chaired by an independent individual.

(e) During the year one property was partially demolished at a total cost of SR. 6 million and the refurbishment is expected to commence in 2024 (2022: two properties that were under construction were carried at a total cost of SR. 147.4 million of which one property was completed in the year 2023).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

8. INVESTMENT PROPERTIES *Continued*

- (f) The fair value changes of the properties which are leased from the Government of Seychelles at one rupee are directly recognised in other reserves. This relates to four properties with a total deferred income of SR 108,680 (2022 : SR 108,680).
- (g) If Investment properties had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	Land 2023	Building 2023	Total 2023	Total 2022
	SR	SR	SR	SR
Cost	292,257,620	1,158,442,091	1,450,699,711	1,441,502,556
Accumulated depreciation	-	(175,166,657)	(175,166,657)	(151,997,815)
Net book value	<u>292,257,620</u>	<u>983,275,434</u>	<u>1,275,533,054</u>	<u>1,289,504,741</u>

9. RIGHT-OF-USE ON ASSETS

The Fund leased a land located at Caravelle House to run its business for a period of 97 years. The initial deposit on the lease amounting to SR. 50 million paid in 2006 is being amortised over the term of lease. The movement during the year is as follows:

	2023	2022
	SR	SR
Cost		
As January 1, and December 31,	<u>50,000,000</u>	<u>50,000,000</u>
Amortisation		
At January 1,	8,927,753	8,376,289
Charge for the year	515,464	551,464
At December 31,	<u>9,443,217</u>	<u>8,927,753</u>
Net Book Value		
At December 31,	<u>40,556,783</u>	<u>41,072,247</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

10. INVESTMENT IN SUBSIDIARY

- (a) Subsidiaries are investees controlled by the Fund. The Fund "Controls" an investee if it is exposed to, or has right to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

	<u>Shareholding</u>	<u>2023</u>	<u>2022</u>
	% ge	SR	SR
At fair value:			
Opportunity Investment Company Limited - ('OICL')		<u>38,631,300</u>	<u>34,768,170</u>
Movements during the year:			
At January 1,	100%	34,768,170	40,562,865
Movement in fair value		<u>3,863,130</u>	<u>(5,794,695)</u>
At December 31,	100%	<u>38,631,300</u>	<u>34,768,170</u>

The Fund holds 100 shares of SR 100 each (at face value) in OICL as at December 31, 2023 representing a shareholding of 100%.

Details of the SPF's subsidiary ('OICL'), are given below:

	<u>OICL</u>
Class of shares held	: Ordinary
Year end	: 31 December
Proportion of ownership interest and voting power held (direct)	: 100%
Country of incorporation and residence	: Seychelles
Activity	: Investment holding

OICL was incorporated as an investment vehicle solely for the purpose of acquiring shares in SACOS Group Limited ('SACOS'). OICL currently holds 386,313 shares in SACOS which represents an ownership interest of 19.31%.

The fair value of OICL is derived from the fair value of the SACOS shares it holds. At the end of the reporting period the value per SACOS share was listed on the stock exchange at SR. 100 per share (2022: SR. 90 per share).

Total value of SACOS shares held in OICL as at December 31, 2023 is 386,313 at SR. 100 each (2022: SR. 90 per share).

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

As at December 31, 2023, the Fund holds 20.64% in SACOS directly and indirectly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

10. INVESTMENT IN SUBSIDIARY *Continued*

(b) Details of the Fund's subsidiary at the end of the reporting period is as follows:

Name : Opportunity Investment Company Limited ('OICL')
Principal activity : Investment holding

(i) Summarized statement of financial position and statement of profit or loss and other income as per audited financial statements:

	<u>2023</u>	<u>2022</u>
	SR'000	SR'000
Statement of financial position:		
Assets		
Current assets	143	106
Non-current assets	38,631	34,768
Liabilities		
Current liabilities	97	40
Equity	38,677	34,834
Statement of profit or loss:		
Total comprehensive profit or (loss) for the year	<u>5,059</u>	<u>(4,677)</u>

(ii) Summarized cash flow information:

Operating activities	1,254	1,121
Financing activities	(1,216)	(1,162)
Net change in cash and cash equivalents	<u>38</u>	<u>(41)</u>

(iii) There were no commitment and contingencies as at the reporting date (2022 : SR. nil).

11. INVESTMENT IN ASSOCIATES

Associates are those entities in which the Fund has significant influence, but not control, over variable returns through its power over investee. Significant influence is presumed to exist when the Fund holds 20% or more of voting power of another entity.

	<u>2023</u>	<u>2022</u>
	SR	SR
At fair value		
Seychelles Breweries Limited ('SBL') - (listed)	275,112,298	275,112,298
Al Salam Bank Seychelles Limited ('ASBS') - (non- listed)	25,887,645	25,830,747
Cable & Wireless (Seychelles) Limited ('CWS') - (listed)	<u>660,000,000</u>	<u>660,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

11. INVESTMENT IN ASSOCIATES *Continued***(a) Seychelles Breweries Limited ('SBL')**

Principal activity : Beverage manufacturing
Shareholding: : 26% (2022: 26%)

	<u>2023</u>	<u>2022</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	275,112,298	264,339,828
Movement in fair value	-	10,772,470
At December 31,	<u>275,112,298</u>	<u>275,112,298</u>

The financial year of Seychelles Breweries Limited ends on 30 June each year.

At December 31, 2023, the fair value of the Fund's interest in Seychelles Breweries Limited, which is listed on the MERJ exchange, was 3,314,606 shares at SR. 83.00 per share (2022: 3,314,606 shares at SR. 83.00) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(i) Summarized statement of financial position and statement of surplus and other comprehensive income as per the unaudited financial statements:

	<u>June, 30</u>	<u>June, 30</u>
	2023	2022
	SR'000	SR'000
Statement of financial position:		
Assets		
Current assets	290,148	273,363
Non-current assets	457,240	393,931
Liabilities		
Current liabilities	156,822	157,163
Non-current liabilities	86,717	78,482
Equity	503,849	431,649
Statement of profit or loss:		
Revenues	578,339	513,847
Profit before tax	179,531	142,459
Total comprehensive income	<u>179,531</u>	<u>142,459</u>

(ii) Summarized cash flow information:

Operating activities	180,683	196,174
Investment activities	(87,752)	(61,236)
Financing activities	(102,084)	49,432
Net change in cash and cash equivalents	<u>(9,153)</u>	<u>184,370</u>

(iii) Capital commitments at June 30, 2023, was SR 56.9 million (2022: SR 49.6 million). There were no contingencies as at the reporting date (2022 : SR. nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

11. INVESTMENT IN ASSOCIATES *Continued*

(b) Al Salam Bank Seychelles Limited ('ASBS')

Principal activity : Banking Services

Shareholding: : 30% (2022: 30%)

	<u>2023</u>	<u>2022</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	25,830,747	25,333,715
Movement in fair value	56,898	497,032
At December 31,	<u>25,887,645</u>	<u>25,830,747</u>

As at December 31, 2023, the fair value of the shares in respect of Al Salam Bank which is a non-listed associate, were calculated using the adjusted net asset value method which is a level 3 input in terms of IFRS 13.

- (i) Summarized statement of financial position and statement of surplus and other comprehensive income as per the unaudited financial statements:

	<u>Dec, 31</u>	<u>Dec, 31</u>
	2023	2022
	SR'000	SR'000

Statement of financial position:

Assets	965,158	870,627
Liabilities	877,979	783,640
Equity	87,179	86,987

Statement of profit or loss:

Revenues	26,690	26,353
Profit before tax	2,744	2,444
Tax charge	(173)	(770)
Total comprehensive income	<u>2,571</u>	<u>1,674</u>

- (ii) Summarized cash flow information:

Operating activities	33,778	(134,430)
Investment activities	695	16,264
Financing activities	(8,976)	(7,272)
Net change in cash and cash equivalents	<u>25,497</u>	<u>(125,438)</u>

- (iii) At December 31, 2023 the commitments were SR. 992,257 (2022: SR. nil) and there were no contingencies (2022: SR. nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

11. INVESTMENT IN ASSOCIATES *Continued*

(c) Cable & Wireless (Seychelles) Limited ('CWS')

Principal activity : Telecommunication
Shareholding: : 22% (2022: 22%)

	<u>2023</u>	<u>2022</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	660,000,000	294,435,792
Movement in fair value	-	365,564,208
At December 31,	<u><u>660,000,000</u></u>	<u><u>660,000,000</u></u>

Cable & Wireless (Seychelles) Limited ('CWS') was first listed on the MERJ exchange in the year 2022. At December 31, 2023, the fair value of 1,320,000 shares held in Cable and Wireless (Seychelles) Limited was SR. 500 per share (2022: SR. 500 per share) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(i) Summarized statement of financial position as per the unaudited financial statements:

	<u>Dec, 31</u>	<u>Dec, 31</u>
	2023	2022
	SR'Mn	SR'Mn
Statement of financial position:		
Assets		
Current assets	472	615
Non-current assets	1,390	1,236
Liabilities		
Current liabilities	492	356
Non-current liabilities	513	681
Equity	857	814

(ii) Summarized cash flow information:

Operating activities	378	352
Investment activities	(244)	(118)
Financing activities	(258)	(71)
Net change in cash and cash equivalents	<u><u>(124)</u></u>	<u><u>163</u></u>

(iii) There were commitments of SR. 15.5 million (2022: SR. 5 million) and no contingencies as at the reporting date (2022: SR. nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

12. ASSETS HELD FOR SALE

	<u>2023</u>	<u>2022</u>
	SR	SR
The movement during the year is as follows:		
At January 1,	177,247,916	206,565,978
Transfer from investment properties (note 8 (a))	-	40,867,716
Transfer back to investment properties (note 8 (a))	-	(55,413,503)
Movements in fair values	9,238,189	(14,772,275)
Additions	1,926,949	-
At December 31,	<u>188,413,054</u>	<u>177,247,916</u>

Transfer from investment properties as per note 8.

In the year 2023, the Fund intended to dispose six investment properties. The date of approval from the Board of Trustees is not more than one year from the reporting date. These assets were initially recognised at fair value when transferred to assets held for sale. Negotiations for disposal of one property is still in process as at the end of the year.

As at December 31, 2023, there is an on-going negotiation with the Government of Seychelles for one property valued at SR 14.5 million. The Management is of the view that this issue will be resolved and will not affect the timely disposal of the property.

The initial offer for one investment property, Corail D'Or was withdrawn during the year. The customer paid SR. 2.4 million as deposit together with the offer. The Fund retained 50% of the deposit amounting to SR. 1.2 million and recognised it as Other Income.

13. CASH AND BANK BALANCES

	<u>2023</u>	<u>2022</u>
	SR	SR
Cash at bank	173,524,552	198,064,306
Cash in hand	41,796	38,207
At December 31,	<u>173,566,348</u>	<u>198,102,513</u>

Bank balances were denominated in the following currencies:

Seychelles Rupees	93,151,695	152,435,441
US Dollar	75,425,533	40,898,946
Euro	4,947,324	4,729,919
	<u>173,524,552</u>	<u>198,064,306</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

14. INVESTMENT IN FINANCIAL ASSETS

		<u>2023</u>	<u>2022</u>
		SR	SR
Non-current	Measurement category		
Fixed deposits	Amortised cost	26,269,471	32,092,071
Treasury bonds	Amortised cost	238,065,217	275,426,612
Corporate bonds	Amortised cost	5,000,000	-
Equity securities	Fair value through OCI	322,378,285	296,425,869
		<u>591,712,973</u>	<u>603,944,552</u>
Current	Measurement category		
Fixed deposits	Amortised cost	690,191,740	413,534,739
Treasury bonds	Amortised cost	50,000,000	-
Equity securities	Fair value through P&L	13,711	13,711
		<u>740,205,451</u>	<u>413,548,450</u>
Total financial assets		<u><u>1,331,918,424</u></u>	<u><u>1,017,493,002</u></u>

- (a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 4.40% to 5.32% per annum for US Dollar accounts (2022: USD 3.30% to 4.40%) and 2.00% to 7.00% per annum for Seychelles Rupee deposits (2022: SR. 1.50% to 7.00%) and their maturity dates fall between January 15, 2024, and April 24, 2025.
- (b) Investments in Treasury Bonds comprise bonds with interest rates ranging from 3.50% to 12.00% per annum (2022 : 3.50% to 12.00%) and treasury bills from 4.76% to 6.10% for 365 days (2022: 4.76% to 6.10%) and their maturity dates fall between August 7, 2024, and November 14, 2033.
- (c) Equity securities comprise local securities listed on the MERJ Exchange and other unlisted securities. They also include listed and unlisted foreign securities.
- (d) Hierarchy of fair value levels is detailed under note 5 (f). Due to limited information available for the fair value determination of the unquoted foreign securities, their fair values have been determined based on the adjusted net assets value which is a level 3 input in terms of IFRS 13. In July 2022, the Fund purchased 19 shares in Afrexim Bank for a consideration of USD 334,085, in line with its diversification strategy.
- (e) Investments in Corporate bonds represent bonds issued by Cable and Wireless (Seychelles) Limited at 6% interest rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

14. INVESTMENT IN FINANCIAL ASSETS *Continued*

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

	<u>2023</u>	<u>2022</u>
	SR	SR
Africa Finance Corporation	338,840	(293,719)
Afrexim Bank	926,855	785,019
TDB Class B shares	24,206,358	5,605,066
Seychelles Commercial Bank	117,788	195,529
Central Common Cold store	96,885	(704,925)
	<u>25,686,726</u>	<u>5,586,970</u>

The net movement in the financial assets including equity securities is shown below:

	<u>2023</u>	<u>2022</u>
	SR	SR
SACOS	<u>265,690</u>	<u>(398,535)</u>

(g) The net movement in the financial assets including equity securities is shown below:

	<u>2023</u>	<u>2022</u>
	SR	SR
At January 1,	1,017,493,002	900,522,456
Additions	1,226,772,857	738,135,989
Redemption	(938,299,851)	(626,353,878)
Fair value gain	25,952,416	5,188,435
At December 31,	<u>1,331,918,424</u>	<u>1,017,493,002</u>

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

	<u>2023</u>	<u>2022</u>
	SR	SR
Seychelles Rupee	860,091,663	680,038,911
Mauritian Rupee	13,711	13,711
US Dollar	471,813,050	337,440,380
	<u>1,331,918,424</u>	<u>1,017,493,002</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

15. RECEIVABLES AND PREPAYMENTS

	2023	2022
	SR	SR
(i) Contributions receivables from members (note (iv))	36,122,206	51,023,958
Amount receivable from Seychelles Government (note (v))	-	4,766,906
Interest receivable (note (ix))	37,753,299	33,518,375
Rental income receivable (note (ii) and (vii))	2,431,577	5,478,025
Prepayments	1,380,852	1,389,610
Other receivables (note (vi))	1,471,209	1,872,099
	<u>79,159,143</u>	<u>98,048,973</u>
(ii) Rental income receivable	11,046,523	16,293,131
Provision for credit impairment (note (vii))	<u>(8,614,946)</u>	<u>(10,815,106)</u>
Net rent receivable	<u>2,431,577</u>	<u>5,478,025</u>

Movement in credit impairment:

At January 1,	10,815,106	8,564,368
(Reversal)/charge for the year	(1,106,046)	2,250,738
Write offs	(1,094,114)	-
At December 31	<u>8,614,946</u>	<u>10,815,106</u>

- (iii) The carrying amount of the above receivables are denominated in Seychelles rupees and approximate their fair value.
- (iv) Contributions receivable from members are for the month of December 2023 that are due by January 21, 2024. These also include contributions that are receivable in arrears.
- (v) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement). This was paid by the Fund to its members and the same is due for refund by the Government of Seychelles.
- (vi) Other receivables comprise sundry debtors, staff loan and debtors clearing accounts.
- (vii) Rent receivables are net of provision for credit impairment. It is the Fund's policy to provide 50% for debts outstanding over 60 days and 100% for debts outstanding for over 120 days. Rent receivables with agreed repayment plans are excluded from provision for credit impairment. After exhausting all means of recovery, 2 rental debts were written off against the bad debts provision at the end of the year.
- (viii) The Fund does not hold any collateral as security for the above receivables.
- (ix) Interest receivables comprise interest due on Fixed Deposit, Treasury Bonds and Corporate bonds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

16. LOAN RECEIVABLE

Loan receivable is from Property Management Corporation (PMC) a government entity, secured by Government Gazetted guarantee:

	<u>2023</u>	<u>2022</u>
	SR	SR
At January 1,	72,089,473	90,778,932
Repaid during the year	(25,109,335)	(25,109,334)
Interest receivable (note 25)	4,868,659	6,419,875
At December 31	<u>51,848,797</u>	<u>72,089,473</u>
<i>Analysed:</i>		
Non-current	30,360,787	53,257,472
Current	21,488,010	18,832,001
	<u>51,848,797</u>	<u>72,089,473</u>

17. OTHER PAYABLES

	<u>2023</u>	<u>2022</u>
	SR	SR
Rental deposits	11,575,264	11,796,204
Advance on rent	589,459	1,365,473
Sundry and other payables	662,819	902,060
VAT overpaid	(388,965)	(1,326,348)
Accrued expenses	12,446,234	10,257,066
	<u>24,884,811</u>	<u>22,994,455</u>

- (a) The carrying amounts of other payables are denominated in Seychelles rupees and approximate their fair value.
- (b) Sundry payables include pension payments returned due to incorrect bank accounts/details of the pensioners/members.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

18. RETIREMENT BENEFIT OBLIGATIONS

The Fund recognised and provided for employee benefit obligations arising on account of gratuity based on the regulations applicable to parastatal organisations and length of service severance compensation based on the provisions of Seychelles Employment Act 1995, as amended.

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

	<u>2023</u>	<u>2022</u>
	SR	SR
Present value of unfunded obligation:		
Gratuity	2,258,196	3,239,750
Compensation for length of service	9,419,512	8,646,261
	<u>11,677,708</u>	<u>11,886,011</u>

(ii) Movement in the liability during the year:

At January 1,	11,886,011	8,225,665
Provided during the year	4,936,934	4,569,842
Paid during the year	(5,145,237)	(909,496)
At December 31,	<u>11,677,708</u>	<u>11,886,011</u>

The Fund has estimated that the provisions for retirement benefit obligation are reasonable and would not materially differ had the obligation been computed based on an actuarial valuation as mandated by IAS 19.

19. DEFERRED PROPERTY LEASE

	<u>2023</u>	<u>2022</u>
	SR	SR
Cost		
As January 1, and December 31,	<u>7,846,750</u>	<u>7,846,750</u>
Amortisation		
At January 1,	1,537,395	1,428,715
Charge for the year	108,680	108,680
At December 31,	<u>1,646,075</u>	<u>1,537,395</u>
Net Book Value		
At December 31,	<u>6,200,675</u>	<u>6,309,355</u>

The leasehold land was originally accounted for at SR. 1, the value at which it was transferred to the Fund by the Government of Seychelles and restated at fair value at the time of their acquisition. The leasehold properties comprise; Providence Micro Enterprise, Providence Warehouse, Port-Glaud Micro Enterprise and Eve Island Enterprise. The fair value of the benefit is being taken to income over the life of the underlying assets (60 - 99 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

20. VALUATION OF NET ASSETS AGAINST ACTUARIAL VALUE OF PROMISED RETIREMENT BENEFITS

As per the actuary valuation, the accrued benefits are separated between vested and non-vested benefits. Vested benefits are at the present value of all expected future payments to current pensioners and future spouses' pension on the death of current pensioners. Non-vested benefits are the measure of the value of the amount standing in member accounts at valuation date. The Fund will be able to meet all benefit obligations in the future if this is followed since the Fund operates a 'pay-as-you-go' pension plan. Actuarial evaluation is carried to cover next 60 years.

21. MEMBERS' FUND

Members' fund represents the balance due to members who have contributed to the Fund (It also includes the balance transferred from Seychelles Pension Scheme from 1991). This includes employee contributions both mandatory and voluntary, contributions from self-employed and employer contributions both mandatory and voluntary together with cumulative accumulated interest thereon. The members' fund is used to finance pension payment on a monthly basis and lump-sum refunds to members who do not qualify for monthly pension.

	<u>2023</u>	<u>2022</u>
	SR	SR
Details of members fund are as follows:		
At January 1,	1,828,904,247	1,744,099,632
Mandatory contribution	748,553,839	610,873,255
Voluntary contribution	39,285,162	34,999,744
Pension and Benefit payments	(663,986,180)	(576,694,843)
Other refunds (overpayments)	(15,135,924)	(21,896,185)
Interest for the year	34,804,904	37,522,644
At December 31,	<u>1,972,426,048</u>	<u>1,828,904,247</u>

22. OTHER FUND

	<u>2023</u>	<u>2022</u>
	SR	SR
Net contributions from Social Security inherited (note (a))	11,703,935	11,703,935
Receipts from National Provident Fund	71,215,276	71,215,276
Transfer from Social Security Fund - Investment Funds	406,870,976	406,870,976
Pension contributions from Govt	43,489,567	43,489,567
At December 31,	<u>533,279,754</u>	<u>533,279,754</u>

(a) Net contributions from Social Security includes following:

Contributions from Social Security Division	532,099,144	532,099,144
Payments made for Social Security Pension	(520,395,209)	(520,395,209)
	<u>11,703,935</u>	<u>11,703,935</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

22. OTHER FUND Continued

- (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 the Fund as required under Section 73 (2) of the Seychelles Pension Fund Act, 2005.

23. RESERVE FUND

	<u>2023</u>	<u>2022</u>
	SR	SR
Reserve fund	<u>14,568,591</u>	<u>14,568,591</u>

The Fund transferred annually to this Reserve Fund, 30% of the surplus interest earned by the Fund after payment of interest to its members. The Chief Executive Officer, acting on the advice of the Board of Trustees, did not make any annual transfers subsequent to the year 2006.

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

24. OTHER RESERVES

	<u>2023</u>	<u>2022</u>
	SR	SR
Fair value reserve		
At January 1,	153,926,169	153,926,169
Net change during the year	-	-
At December 31,	<u>153,926,169</u>	<u>153,926,169</u>

Other reserves comprise the revaluation reserve, fair value reserves on equity investments and property.

25. INTEREST INCOME

	<u>2023</u>	<u>2022</u>
	SR	SR
Fixed deposits	18,919,492	11,364,448
Treasury bonds and bills	21,305,991	20,778,425
Corporate bonds	65,753	-
Bank balances	842,745	292,779
Staff loans	8,641	50,395
PMC loan	4,868,659	6,419,875
	<u>46,011,281</u>	<u>38,905,922</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

26. DIVIDEND INCOME

	<u>2023</u>	<u>2022</u>
	SR	SR
Dividends on local equity investments	52,883,376	47,176,944
Dividends on foreign equity investments	8,522,021	7,561,060
	<u>61,405,397</u>	<u>54,738,004</u>

27. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund was 1.75% and 4% for mandatory and voluntary respectively for the year 2023. The new interest policy effective April 1, 2019, is to calculate interest rate to be credited to non-vested members who can withdraw lump sum amounts from their account since they do not qualify for a pension based on the 12 months average savings rate. Amount credited for the year ended December 31, 2023, is SR. 34.8 million (2022: Mandatory 2% and Voluntary 4% - SR. 37.5 million).

28. ADMINISTRATIVE EXPENSES

	<u>2023</u>	<u>2022</u>
	SR	SR
Salaries, wages and other related expenses	34,039,460	32,187,024
13th month salary	2,340,396	1,914,340
Bonus	4,625,060	-
Pension contribution	2,268,652	1,947,746
Provision for employee compensation	2,230,700	1,180,357
Provision for staff gratuity	2,706,233	3,389,485
Office operating costs (note (a))	2,778,747	2,718,357
Motor vehicles running expenses	300,174	351,211
Postage, printing, and stationery	1,174,877	957,998
Telephone	765,566	835,074
Utilities	944,356	546,198
Repairs and maintenance	1,092,434	339,363
Other expenses (note (b))	5,011,285	4,785,934
	<u>60,277,940</u>	<u>51,153,087</u>

(a) Office operating costs are analysed as follows:

Training	780,697	643,882
Uniforms	251,274	405,460
Travelling	432,889	207,168
Staff welfare	606,496	791,025
Staff insurance	61,289	52,704
Journals and newspaper	42,236	64,700
Bank charges	516,489	464,604
Miscellaneous expense	87,377	85,091
Agency cost	-	3,723
	<u>2,778,747</u>	<u>2,718,357</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

28. ADMINISTRATIVE EXPENSES *Continued*

	2023	2022
	SR	SR
(b) Other expenses are analysed as follows:		
Internet charges	1,436,921	1,467,074
Rent - Caravelle House	1,390,800	1,390,800
Rent - Jupiter House	166,000	150,000
Rent - Pointe Conan	-	20,000
Cleaning	138,770	115,543
Board of trustees' fees	744,000	744,000
Appeal review panel fees	29,400	9,000
Medical board fees	159,600	176,400
Office consumables	49,715	38,243
Input VAT not claimable	896,079	674,874
	<u>5,011,285</u>	<u>4,785,934</u>

29. OTHER PROFESSIONAL FEES

Other professional fees include:

- (a) Professional fees paid to Reserve Advisory and Management Partnership (RAMP) for capacity building purposes, a partnership between the Fund and the World Bank entered into in the year 2020, Actuary and due diligence fees both services conducted in year 2022.
- (b) Professional fees paid to BBL World Actuaries for actuarial services which are carried out every three years.
- (c) Professional fees paid to Swan Corporate Advisors to undertake the due diligence analysis on Seafont Development LTD associated with real estate project.

30. RELATED PARTY TRANSACTIONS

	2023	2022
	SR	SR
Balances owing from related parties:		
Government of Seychelles	-	4,766,906
Loans and receivable from PMC	51,848,797	72,089,473
Transactions - Dividends received		
Cable & Wireless (Seychelles) Limited	28,050,000	19,358,368
Al Salam Bank Seychelles Limited	713,814	-
Seychelles Breweries Limited	22,506,175	26,306,397
Rental received:		
Government of Seychelles	80,277,195	57,186,738
Key management personnel		
Gross salaries (strategic management personnel)	4,477,248	4,112,287
Board of Trustees' remuneration (note 31)	744,000	744,000
	<u>4,477,248</u>	<u>4,112,287</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

30. RELATED PARTY TRANSACTIONS *Continued*

- (a) Transactions with related parties are within the normal course of business.
- (b) For the year ended December 31, 2023, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties as its carrying value approximates their fair value. (2022: SR. 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.

31. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

	<u>2023</u>	<u>2022</u>
	SR	SR
M. Houareau	96,000	96,000
P. Payet	72,000	72,000
B. Morin	72,000	72,000
Elsie Morel	72,000	72,000
S. Mohideen	72,000	72,000
Jose St Ange	72,000	72,000
Sarah Lang	72,000	72,000
S. Jolicoeur	72,000	72,000
J. Rath	72,000	72,000
Secretariat		
M. Pillay	72,000	72,000
	<u>744,000</u>	<u>744,000</u>

32. CAPITAL COMMITMENTS

	<u>2023</u>	<u>2022</u>
	SR'000	SR'000
Capital Commitments		
Approved and contracted	27,838	15,593
Approved but not contracted	258	230
	<u>28,096</u>	<u>15,823</u>

Capital commitments are for ongoing projects which have been approved by the Board of Trustees as at the reporting date. They include projects that have been contracted and yet to commence and those that are yet to be contracted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

33. LOSS ON DISPOSAL OF INVESTMENTS

	<u>2023</u>	<u>2022</u>
	SR	SR
Loss on sale of GRIT Investment	-	(770,435)
Loss on sale of foreign deposits, bonds, and equities	-	(115,605)
	<u>-</u>	<u>(886,040)</u>

34. CONTINGENT LIABILITIES

The Board of trustees are not aware of any contingent liabilities at December 31, 2023 (2022: SR. nil).

35. EVENTS OCCURING AFTER REPORTING PERIOD

During the financial year under review, the Fund offered six properties for sale. These were the Corail D'Or apartments located at North East Point, the La Clementine property at Baie St Anne, the La Passe Pension House on La Digue, Port Glaud property, a property of 3 vacant land Parcels at Pointe Aux Sel and 1 vacant land on La Digue. The offer for 1 property is being actively negotiated. It is expected that the completion of sale of this property will be concluded in the year 2024.