



# **TUVALU NATIONAL PROVIDENT FUND**

**ANNUAL REPORT 2015**

Honourable Minister  
Ministry of Finance and Economic Development  
Government Buildings  
Vaiaku  
Funafuti  
Tuvalu

Dear Sir,

**Tuvalu National Provident Fund Annual Report 2015**

In accordance with the requirements of the Tuvalu National Provident Fund Act 1984, I have the honour to submit to you, on behalf of the Board of the Tuvalu National Provident Fund, the Annual Report of the Fund for the Financial Year ended 31 December 2015.

The report provides information on the operation of the Fund during the year and also highlights the major events and activities of the Fund during the reported financial period.

On behalf of the TPNF Board, we thank you for your continuous understanding and support.

Yours faithfully,



**Palipa H Lauti**  
Chairperson  
Board of Management

# Contents

OUR VISION .....	1
OUR MISSION .....	1
HIGHLIGHTS .....	2
BOARD OF MANAGEMENT .....	3
STAFF .....	4
CHAIRPERSON'S REPORT .....	5
CHIEF EXECUTIVE OFFICER'S REPORT .....	7
OVERVIEW OF OPERATIONS .....	9
Membership .....	9
Employers .....	9
Growth of the Fund .....	9
Contributions .....	10
Interest (Dividend) Declared to Members .....	10
Withdrawals .....	10
Inspectorate .....	11
Investments .....	11
Human Resource Development .....	12
The Pacific Provident Fund and Social Security Forum.....	12
The Association of Superannuation Funds of Australia .....	13
Membership in Other Professional Organizations .....	13
TABLES OF STATISTICS – 2015 .....	14
Table 1. Contributions .....	15
Table 2. Interest Rates .....	16
Table 3. Analysis of Inflows and Outflows .....	17
Table 4. Overseas Investments .....	18
Table 5. Members Fund .....	19
Table 6. Income and Benefits Paid .....	20
Table 7. Benefit Withdrawals .....	21
Table 8. Special Death Benefit Fund (SDBF).....	23
FINANCIAL STATEMENTS .....	24

# **Our Vision**

A LIFE-TIME SAVING FUND THAT IS CHERISHED BY ALL MEMBERS

# **Our Mission**

“TO INVEST PRODUCTIVELY THE CONTRIBUTIONS RECEIVED SO MEMBERS AND THEIR DEPENDANTS CAN ENJOY THE GREATEST BENEFIT OF THEIR LIFETIME BEFORE AND DURING RETIREMENT.

## Highlights

- The Fund reported a net profit of \$1,510,108 for the year.
- The Board declared an interest rate of 3 per cent to be credited to all members' accounts for the year 2015. The decision resulted in the crediting of \$1,378,100 to members accounts.
- The Fund reviewed its offshore investment approach during the year.
- 297 new members were registered during the year.
- 5 new employers were registered during the year.
- The Fund received \$7,354,214 as total member contributions during the year compared to \$5,190,065 received in 2014, an increase of 41.70%.
- Total benefit withdrawals paid out during the year amounted to \$6,424,986 compared to \$4,641,681 paid out in 2014.
- The Fund's loans portfolio increased by 4.17% to \$8,535,150 during the year
- The total member's fund increased by 5.11% to \$53,713,607 during the year.
- The Fund's total investment portfolio increased by 4.66% to \$52,785,512 during the year.
- Total assets of the Fund increased by 5.82% to \$54,166,655 during the year.

# Board of Management

The Board of Management has a statutory responsibility to ensure sustainable growth and preservation of member's wealth for retirement through prudent investment decisions and ethical good governance practices.

The Board has tripartite representation and is composed of six Board members representing two from the Public Service, two from employees and two from employers. All Board members are appointed by the Hon. Minister for Finance & Economic Development under section 6(2) of the TNPF Act.

The Board of Management being in office during the period are as follow:

<b>Names</b>	<b>Appointments</b>	<b>Representative</b>
Ms. Palipa H Lauti	Chairperson	Public Service
Mr. Temate Melitiana	Board Member	Public Service
Mr. Petaia Meauma	Board Member	Employers
Mr. Katepu Laoi	Board Member	Employers
Dr. Miliama Simeona	Board Member	Employees
Mr. Pugameau Taufilo	Board Member	Employees
Mr. Solofa Uota	Board Member	Employees (resigned 26/5/2015)
Mr. Kakee Kaitu	Board Member	Public Service (retired 18/7/2015)
Mr. Karl Tili	Board Member	Employers (retired 5/11/2015)

The appointment of Ms. Palipa H Lauti (Chairperson) was renewed on the 8<sup>th</sup> of July 2015 after her initial term lapsed on the same month. Mr. Solofa Uota resigned from his position on the 26<sup>th</sup> of May, 2015 and was replaced Mr. Pugameau Taufilo. Mr. Kakee Kaitu's term came to an end on the 18<sup>th</sup> of July 2015 and was replaced by Mr. Temate Melitiana. Mr. Karl Tili's term came to end on 5<sup>th</sup> November 2015 and was replaced by Mr. Katepu Laoi.

The Board of Management had 10 meetings (both scheduled and extraordinary) during the year.

# Staff



List of Staff employed by the Fund during the year:

<b>Names</b>	<b>Positions</b>
Mr. Penielu P. Teo	General Manager & CEO
Ms. Siava Tekafa	Manager Finance & Member Services
Mr. Kiatoa N. Ulika	Manager Corporate Services
Mr. Siale Paueli	Senior Enforcement Officer
Mr. Manaima Tauati	Senior Accountant
Ms. Lomaloma Pepine	IT Officer
Ms. Kiliata Peleti	Member Services Officer
Ms. Kiuniu Aselu	Data Entry Operator
Ms. Peau Taasi	Secretary
Mr. Tioti Maatia	Loans Officer
Mr. Tutokotahi Lopati	Accounts Officer
Ms. Lessa Lui	Loans Recovery Officer
Ms. Veronica Lutelu	Customer Services Officer I
Ms. Malofou Kaokoro	Customer Service Officer II
Mr. Nakala oane	Accounts Clerk
Mr. Etimoni T Selu	Messenger
Mr. Samuelu Hauma	Cleaner
Mr. Lusama Uoli	Market Clerk



## Chairperson's Report

On behalf of the TNPF Board, I am pleased to report another profitable year for the Fund. Although the offshore global capital markets were very volatile during the year, the Fund was able to record a net profit of \$1,510,108 for the year. The Board awarded a rate of interest of 3% to be credited to members' accounts for the reported financial year. The total dividend paid from profits to member's individual accounts during the year amounted to \$1,378,100. The remaining \$132,008 were transferred into the reserve funds.

The Fund's total investment portfolio (including offshore and local investments) increased by 4.66% to \$52,785,512 while total assets of the Fund increased by 5.82% to \$54,166,655. Total member's fund increased by 5.10% to \$51,394,909 during the year. The Fund's offshore investment portfolio that makes up 80.05% of the Fund's total investment strategy reported a net return of 4.4% during the year, while the member's small loans scheme that makes up 16.17% of the Fund's total investment strategy reported a return of 10.25% for the year.

The Fund introduced its new Corporate Governance Policy during the year. The new policy was developed to ensure clear procedures are in place to assist the Board in the exercise of its governance responsibilities and at the same time serves as a framework that guides the Board as it conducts its business. The policy also advocated the need for the Board to uphold sound corporate governance practices and encouraged effective policy and decision making at both the Board and management level.

The Board and Management closely assessed new grounds of withdrawals under the MEDU benefit scheme and considered submissions proposed by members and stakeholders during the year. As a result of the assessments made, the Board approved the payment of school fees for local pre-schools to become a new ground for withdrawal under the MEDU scheme during the year. Total MEDU benefits paid out to members during the year amounted to \$684,155.

On behalf of the TNPF Board, I take this opportunity to thank the Management team and Staff of the Fund for their commitment and hard work during the year. I also wish



to acknowledge with gratitude the support that the Fund is getting from Government, employers, employees, members of the private sector and all stakeholders. For my fellow Board members, your continued and ongoing support and confidence in the Fund is sincerely appreciated.

A handwritten signature in blue ink, appearing to read 'Palipa H Lauti', written over a horizontal dotted line.

**Palipa H Lauti**  
**Chairperson**



## **Chief Executive Officer's Report**

The year was another profitable year for the Fund and its members. Although the global capital market was very volatile during the year, the Fund was able to record a net profit of \$1,510,108 for the year. The reported return on member's contribution fund is 3.03%.

The Fund's offshore investment strategy reported a gross return of 4.4% during the year. The Fund's membership continued to grow, with 297 new members registered during the year. In terms of financial growth, the total members fund grew by 5.11% to \$53,713,607 during the year. Likewise, total assets of the Fund also increased by 5.82% to \$54,166,655 during the year.

In 2015, the Fund responded to 380 claims for benefit withdrawals, 5,459 loan applications and 1,386 applications for MEDU withdrawals. The Fund launched its new Corporate Plan for the years 2015 – 2018 during the year. In-house workshops were conducted by Management to introduce the new Corporate Plan to all Staff of the Fund.

The Fund reviewed its offshore investment strategy (approach) during the year. Investment consultancy firm Eriksen Ltd was engaged by the Fund to perform the review. As a result of the review, no changes were made to the current investment strategy.

Overall, it has been another successful year for the Fund. I take this opportunity to thank all members of the Board for their leadership and guidance that led to the Fund realizing good financial results during the year.

Once again, the Fund would like to record its appreciation for the support and assistance that has been forthcoming from Government, Employers, all stakeholders and all members during the year.

Finally, I would like to take this opportunity to thank the Management and Staff for another year of good performance and the Board of Management for their valuable guidance, support and understanding during the year.

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above the printed name.

**Penielu P. Teo**  
**General Manager & CEO**

# Overview of Operations

## Membership

The Fund welcomed 297 new members who were registered during the year compared to 194 the previous year. The total number of registered members of the Fund as at 31 December 2015 reached 6,137 (2014 – 5,840). From those registered, around 3,116 members have active accounts.

## Employers

A total of 5 new employers were registered during the year, bringing the total number of registered employers to 341 (2014 – 336). Out of this number about 133 employers are considered active and have contributed to the Fund during the year.

## Growth of the Fund

Year End	Annual contribution (\$)	Total members' credit (\$)	Number of members
1984	145,910	1,677,870	1,136
1985	239,542	1,847,463	1,302
1986	279,472	2,130,788	1,913
1987	284,991	2,520,634	2,349
1988	348,933	2,841,207	2,646
1989	343,294	3,355,975	2,974
1990	378,750	4,076,556	3,164
1991	485,890	4,299,175	3,182
1992	668,961	5,240,336	3,241
1993	795,647	6,048,890	3,268
1994	643,555	6,899,359	3,287
1995	912,003	7,347,583	3,334
1996	785,333	8,094,935	3,376
1997	1,206,821	8,828,682	3,519
1998	1,279,968	10,018,061	3,538
1999	1,596,799	10,727,919	3,573
2000	2,554,855	12,918,586	3,726
2001	2,624,234	14,707,376	3,859
2002	2,994,661	15,313,348	4,267
2003	3,815,165	18,035,826	4,892
2004	3,220,414	21,623,307	5,343
2005	2,867,305	24,322,730	5,626
2006	3,435,203	28,004,214	5,851
2007	3,448,518	31,089,756	6,227
2008	3,936,902	32,406,919	6,585
2009	3,907,439	33,020,594	6,773
2010	4,230,324	36,064,320	5,099
2011	4,806,440	39,104,297	5,250
2012	4,380,528	42,500,702	5,442
2013	4,605,732	45,901,064	5,646
2014	5,196,065	48,903,798	5,840
2015	7,354,214	51,394,909	6,137

## **Contributions**

Contributions collected during the 2015 financial year amounted to \$7,354,214 (2014 – \$5,196,065). The infrastructural development projects that took place during the year boosted the amount of contributions collected by the Fund during the year.

The average monthly contributions is A\$612,851.17 (2014 – \$433,005).

## **Interest (Dividend) Declared to Members**

The Board declared a dividend of 3 per cent (3%) to be credited to all members' accounts for the financial year 2015. The total amount credited to members account amounted to \$1,378,100.

## **Withdrawals**

Currently, there are seven (7) withdrawal grounds available for members to withdraw their funds. These include:

### Retirement Benefit

Retirement benefit is payable as a lump sum to a member who has attained the age of 45 years and retires from employment.

### Emigration

Emigration benefit is payable to a member who leaves Tuvalu with no intention of returning. Members who have gained citizenship or permanent residence in country of migration are entitled to 100% withdrawal of total balance. Members without permanent residence status can access up to 50% of balance, provided members balance is in excess of \$1,000. Members accessing 50% can apply for withdrawal of remaining balance after 12 months of absence from Tuvalu

### Death

Death benefit is payable to a person nominated by a deceased member under the Provident Fund (Nominations) Regulations 1984.

### Incapacity

Incapacity benefit is payable to a member who is physically or mentally incapable of engaging in further employment or to a person authorized to act on member's behalf.

### Housing

Housing benefit is payable to a member who has attained the age of 45 and has an intention to construct or renovate his/her own private house.

### Retirement Pension

Retirement pension benefit is payable as a monthly pension to a member who retires from employment and elects to take a retirement pension in lieu of part or all of the retirement benefit. The benefit can also be payable to a member who has attained the age of 65, whether or not retired and elects to take a retirement pension.

### Recovery for bad and doubtful debts

This withdrawal benefit is payable as a direct deduction from a members retirement fund to clear or offset a members outstanding loan with the Fund.

### Medical and Educational benefit (MEDU)

The MEDU benefit is a benefit that is payable directly from a member's MEDU account for

the purpose to finance a member or member's dependants medical and/or educational services in accordance with conditions laid out by way of policy.

Total withdrawals made by members during the year amounted to \$6,431,820 (2014 – \$4,641,681). The breakdown of withdrawals made under each category during the financial year is summarized below-

<b>Type of Benefit</b>	<b>Amount (\$)</b>
Retirement	2,214,253
Emigration	632,395
Death	1,835,571
Incapacity	45,427
Housing	214,603
Recovery for bad and doubtful debts	798,583
MEDU benefits	684,154
<b>Total</b>	<b>6,424,986</b>

### **Inspectorate**

Enforcement of compliance under the legal provisions of the TNPF Act is an important function of the Fund to ensure contributions due to members are fully paid in a timely manner. The Fund's enforcement committee had been instrumental during the year, working closely with the enforcement team in making sure non complying employers are dealt with accordingly. Routine inspections are carried out on defaulting clients and reminder letters are issued accordingly. Visits to defaulting Employers on the outer islands were also carried out during the year.

### **Investments**

The Fund reviewed its offshore investment approach during the year. As a result of the review, the Fund agreed to retain its current objective based asset allocation strategy and also retained its two multi-asset fund managers, namely AMP Capital Extended Multi-Asset Fund and Schrodgers Real Return Fund. The Fund total offshore investment portfolio as at 31 December 2015 amounted to \$42,252,791.

The Fund's loan portfolio continued to produce a consistent positive return for the Fund. The loans portfolio gave the Fund a return of 10.31% during the year. The loan portfolio increased from \$8,193,274 to \$8,535,150 during the year.

The Fund's only commercial property investment collected \$27,590 in total revenues, a slight decline compared to \$28,035 revenues reported in 2014. The decline in the number of rooms rented during the first half of the reported year was a challenge. The second half of the year was a huge improvement, as all rooms were occupied during the last quarter of the year. Plans are now underway to construct two additional rooms at the ground floor in 2016.

The Fund's total investment portfolio as at 31 December 2015 amounted to \$52,533,523 (2014 - \$50,436,769). A breakdown of the Fund's overall investment strategy is presented below:-

<b>Fund Manager / Portfolio Type</b>	<b>Amount (\$)</b>	<b>Weighting (%)</b>
Schroder Real Return Fund	20,537,137	38.90
AMP Capital Extended Multi-Asset Fund	21,715,654	41.13
Members Small Loans	8,535,150	16.17
Fixed IBD Term Deposits with NBT	1,262,652	2.40
Property Investment	734,894	1.40
Shares in TCS	25	0
<b><i>Total</i></b>	<b>52,785,512</b>	<b>100</b>

### **Human Resource Development**

The success of an organization in achieving its set objectives and goals depends on the quality of its human resources available. Management is therefore highly committed to develop its human resource with the right skills and knowledge to take new challenges and responsibilities to achieve targeted results.

Senior officer, Ms. Siava Tekafa continued her training during the year under an Australian Award Pacific Scholarship, pursuing a Master of Commerce (Professional Accounting) course offered at the University of the South Pacific, Suva, Fiji.

Support Staff, Ms. Peau Taasi also continued her training during the year, pursuing a Bachelors of Arts Degree in Management and Law at the University of the South Pacific, Suva, Fiji.

Three officers namely Ms. Manaima Tauati, Mr. Tutokotahi Opapo and Mr. Penielu Teo were given the opportunity to further their MYOB Accounting skills during the year. The three officers attended a four day advanced MYOB Accounting Software training organized by the Software Factory Ltd in Suva, Fiji.

Strengthening and upgrading the skills of all Staff in the area of Customer Services was made priority by Management during the year. The Fund organized a one-day in-house training on Customer Services for all Staff of the Fund. The training was conducted by the Management Staff.

### **The Pacific Provident Fund and Social Security Forum**

The General Manager (Penielu Teo) and Manager Corporate Services (Kiatoa N. Ulika) attended the 9<sup>th</sup> Pacific Provident Fund & Social Security CEO Forum in Nuku'alofa, Tonga that was held on the 14<sup>th</sup> to 16<sup>th</sup> October 2015. The theme of the CEO Forum was 'Sharing, Learning and Impacting our Region'.

All CEO's that attended the Forum shared the experiences of their respective funds through country papers that they presented to their peers. The discussions on the country papers was a good learning and sharing process and was very beneficial to all participants.

### **The Association of Superannuation Funds of Australia (ASFA)**

The Fund renewed its membership with ASFA during the year. The General Manager (Mr. Penielu Teo) and Manager Corporate Services (Mr. Kiatoa Ulika) attended the ASFA summit and Super Expo held in Brisbane, Australia during the year. The National Conference and Super Expo is ASFA's flagship event and is renowned as the largest superannuation and pension industry event staged in the Asia-Pacific region.

### **Membership in other Professional Organizations**

Management encouraged eligible employees to become members of various professional organizations as their memberships will benefit the Fund. The Fund's General Manager, Mr. Penielu P. Teo is a full Chartered Accountant (CA) member of the Fiji Institute of Accountants (FIA). Through his membership, the Fund receives reading materials, accounting journals and special reports on conferences and short courses conducted by FIA during the year.



# **Tables of Statistics (1984 to 2015)**

## Table 1: Contributions

Presented below is the breakdown of contributions, annual contributions and average contributions from 1984 to 2015.

Year	Number of contributors	Annual contributions (AUD)	Average annual contribution per member (AUD)
1984	1,136	145,910	128
1985	1,302	239,542	184
1986	1,913	279,472	146
1987	2,349	284,991	121
1988	2,646	348,933	132
1989	2,974	343,294	115
1990	3,162	378,750	120
1991	3,182	485,890	153
1992	3,241	668,961	206
1993	3,268	795,647	243
1994	3,287	643,555	196
1995	3,334	912,003	273
1996	3,376	785,333	233
1997	3,519	1,206,821	343
1998	3,538	1,279,968	362
1999	3,573	1,596,799	447
2000	3,726	2,554,855	686
2001	3,859	2,624,234	680
2002	4,267	2,994,661	702
2003	4,892	3,815,165	780
2004	5,343	3,220,414	603
2005	5,626	2,867,305	509
2006	5,851	3,435,203	587
2007	6,227	3,448,518	553
2008	6,585	3,936,902	598
2009	6,773	3,907,439	577
2010	5,099	4,230,324	830
2011	5,250	4,806,440	915
2012	5,442	4,380,528	805
2013	5,646	4,605,732	816
2014	5,840	5,196,065	889
2015	6,137	7,354,214	1,198

**Table 2: Interest rates**

Presented below is the breakdown of interest rates declared, bonus, amounts credited, and average amounts credited to members accounts from 1984 to 2015.

<b>Year</b>	<b>Declared Interest rate (%)</b>	<b>Amounts credited (AUD)</b>	<b>Average amount credited per member (AUD)</b>
1984	6.5	109,061	96
1985	7.5	124,540	96
1986	8	157,836	83
1987	10	229,149	98
1988	12	302,128	114
1989	13.5	397,850	134
1990	14	497,574	157
1991	14	595,489	187
1992	14	643,380	199
1993	14	777,946	238
1994	9	605,564	184
1995	8	597,270	179
1996	9.5	728,090	216
1997	10.5	894,214	254
1998	10.5	983,091	278
1999	4	418,220	117
2000	2.45	305,742	82
2001	2.45	364,678	95
2002	0	0	0
2003	1.5	274,979	56
2004	4.5	931,147	174
2005	6.5	1,484,485	263
2006	7	1,832,003	313
2007	5	1,532,451	246
2008	0	0	0
2009	1	331,887	49
2010	5	1,722,287	336
2011	4	1,522,249	290
2012	8	2,955,766	543
2013	8	3,186,668	564
2014	5.26	2,292,875	392
2015	3	1,378,100	225

### Table 3: Inflows and Outflows

Presented below is the breakdown of expenditure, total contributions, income and percentage of expenditure to total contributions plus income from 1984 to 2015.

<b>Year</b>	<b>Expenditure (AUD)</b>	<b>Total contributions (AUD)</b>	<b>Income (AUD)</b>	<b>Percentage of Expense to contributions plus income (%)</b>
1984	10,914	145,909	125,076	4.03
1985	17,247	239,542	258,141	3.47
1986	24,620	279,472	293,780	4.29
1987	25,122	284,991	423,665	3.55
1988	27,743	348,933	525,598	3.17
1989	33,052	343,394	448,185	4.17
1990	39,754	378,750	551,572	4.27
1991	45,257	485,890	717,711	3.76
1992	62,359	668,961	768,557	4.34
1993	47,085	795,647	112,7001	2.44
1994	553,339	643,555	569,659	45.6
1995	179,327	912,003	744,085	10.83
1996	198,203	785,333	659,253	13.72
1997	308,351	1,206,821	1,560,652	11.14
1998	331,597	1,279,968	1,248,125	13.12
1999	289,020	1,596,799	106,568	16.96
2000	575,464	2,554,855	1,049,399	15.97
2001	1,262,277	2,624,234	1,391,073	31.44
2002	1,794,421	2,994,661	885,147	46.25
2003	483,133	3,815,165	1,066,376	9.90
2004	332,057	3,220,414	2,358,233	5.95
2005	362,028	2,867,305	2,615,651	6.60
2006	507,548	3,435,203	2,908,735	8.0
2007	484,976	3,448,518	1,890,621	9.08
2008	522,483	3,936,902	802,993	11.02
2009	508,005	3,907,439	4,010,786	13.00
2010	595,811	4,230,324	2,939,954	8.30
2011	721,924	4,806,440	2,289,524	10.10
2012	650,378	4,380,528	4,181,919	7.59
2013	687,903	4,605,732	4,278,028	7.74
2014	776,028	5,196,065	3,788,322	8.64
2015	840,626	7,354,214	2,350,734	8.66

## Table 4: Investments

Presented below is the breakdown of net assets, total investment and percentage of investment to net assets from 1984 to 2015.

Year	Net Assets (AUD)	Total Investment Portfolio (AUD)	Percentage of Investments to Net Assets (%)
1984	1,677,869	0	0
1985	2,015,933	1,736,878	86.15
1986	2,411,037	2,166,095	89.84
1987	2,967,739	2,495,312	84.08
1988	3,485,033	2,998,382	86.03
1989	4,021,985	3,398,402	84.49
1990	4,761,380	3,826,426	80.36
1991	5,064,310	4,450,136	84.49
1992	6,084,937	5,174,117	85.03
1993	7,072,620	6,667,883	94.27
1994	7,329,563	6,516,884	88.91
1995	7,808,451	7,191,764	92.10
1996	8,233,421	8,230,736	99.90
1997	9,148,852	8,830,023	96.51
1998	10,599,156	9,867,615	93.10
1999	10,816,077	9,915,161	91.67
2000	12,998,052	11,914,141	91.66
2001	14,801,842	13,391,074	90.47
2002	15,422,814	13,937,458	90.37
2003	18,160,292	16,001,722	88.11
2004	21,966,741	20,370,774	92.73
2005	25,262,106	24,570,258	97.26
2006	29,527,032	28,652,195	97.03
2007	32,465,281	31,793,222	97.92
2008	29,389,177	28,596,218	97.30
2009	33,645,436	32,750,044	97.34
2010	36,259,320	34,886,189	96.00
2011	39,600,601	36,632,056	92.50
2012	43,763,700	43,250,442	98.82
2013	47,387,513	46,886,628	98.94
2014	51,105,409	50,436,769	98.70
2015	53,713,607	52,785,512	98.27

**Table 5: Member's Fund**

Presented below is the growth trend in members fund and number of members from 1984 to 2015.

<b>Year</b>	<b>Number of Members</b>	<b>Members Fund (AUD)</b>	<b>Members growth rate (%)</b>	<b>Members Fund growth rate (%)</b>
1984	1,136	1,677,870	0	0
1985	1,302	1,847,463	14.61	10.10
1986	1,913	2,130,788	46.92	15.13
1987	2,349	2,520,634	22.79	18.29
1988	2,646	2,841,207	12.64	12.71
1989	2,974	3,355,975	12.39	18.11
1990	3,164	4,076,556	6.39	21.47
1991	3,182	4,299,175	0.57	5.46
1992	3,241	5,240,336	1.85	21.89
1993	3,268	6,048,890	0.83	15.42
1994	3,287	6,899,359	0.58	14.05
1995	3,334	7,347,583	1.42	6.49
1996	3,376	8,094,935	1.25	10.17
1997	3,519	8,828,682	4.24	9.06
1998	3,538	10,018,061	0.54	13.47
1999	3,573	10,727,919	0.99	7.09
2000	3,726	12,918,586	4.28	20.42
2001	3,859	14,707,376	3.57	13.85
2002	4,267	15,313,348	10.57	4.12
2003	4,892	18,035,826	14.64	17.78
2004	5,343	21,623,307	9.22	21.02
2005	5,626	24,322,730	5.29	12.48
2006	5,851	28,003,472	3.99	15.13
2007	6,227	31,089,756	6.42	11.02
2008	6,585	29,070,897	5.74	- 6.49
2009	6,773	33,520,594	2.85	15.30
2010	5,099	36,064,320	-24.7	7.50
2011	5,250	39,190,501	2.96	8.66
2012	5,442	42,587,283	3.65	8.67
2013	5,646	47,387,513	3.75	7.98
2014	5,840	51,105,409	3.44	7.85
2015	6,137	53,713,607	5.08	5.10

## Table 6: Income and Benefits Paid

Presented below is the breakdown of total benefits paid out as compared to income earned from 1984 to 2015.

<b>Year</b>	<b>Total Benefits Paid (AUD)</b>	<b>Total Income Earned (AUD)</b>
1984	65,637	125,076
1985	162,540	258,141
1986	152,892	293,780
1987	123,405	423,665
1988	330,656	525,598
1989	225,261	448,185
1990	156,348	551,572
1991	858,762	717,711
1992	386,832	768,557
1993	606,164	1,127,001
1994	398,650	569,659
1995	1,061,049	744,085
1996	766,071	659,253
1997	1,367,288	1,560,652
1998	1,073,680	1,248,125
1999	1,209,149	577,174
2000	833,657	1,049,399
2001	964,240	1,391,073
2002	1,468,581	885,147
2003	1,649,806	1,066,376
2004	1,426,843	2,358,233
2005	1,811,933	2,615,651
2006	1,642,443	2,908,735
2007	1,895,427	1,890,621
2008	2,693,968	802,993
2009	3,148,940	4,010,786
2010	3,455,983	2,939,954
2011	3,076,102	2,289,524
2012	3,834,089	4,181,919
2013	4,725,026	4,278,028
2014	4,641,681	3,788,322
2015	6,424,986	2,350,734

## Table 7: Benefits Withdrawals

Presented below is the breakdown of total benefits paid out of each of the following benefit categories from 1984 to 2015.

Year	Retirement (AUD)	Age & Other Claims (AUD)	Emigration (AUD)	Women's Home (AUD)	Incapacity (AUD)	Death (AUD)	Housing (AUD)	Pension (AUD)	Recovery Bad Debts (AUD)	Members Home (AUD)	MEDU Benefit	Total (AUD)
1984	20,431	29,303	4,001	7,933	0	0	0	3,969				65,637
1985	145,508	4,262	4,249	2,412	0	601	0	5,508				162,540
1986	56,081	46,350	28,346	15,239	19	1,442	0	5,415				152,892
1987	33,568	5,205	67,174	2,231	0	9,803	0	5,424				123,405
1988	196,959	46,901	47,004	26,823	0	6,106	0	6,863				330,656
1989	71,257	45,907	49,702	13,629	0	38,431	0	6,336				225,262
1990	45,066	8,446	65,852	20,041	0	2,649	0	8,292				150,346
1991	692,721	24,967	75,925	18,526	0	39,050	0	7,571				858,760
1992	239,099	34,871	53,943	34,126	10,607	6,664	0	7,518				386,828
1993	464,414	29,902	40,772	39,047	0	23,308	0	8,721				606,164
1994	246,811	2,951	76,255	36,120	0	27,788	0	8,725				398,650
1995	630,631	13,442	105,214	243,624	10,235	49,182	0	8,725				1,061,053
1996	325,189	4,401	227,251	178,185	5,960	16,365	0	8,720				766,071
1997	749,755	157,201	223,881	168,143	4,551	61,146	0	2,611				1,367,288
1998	587,151	184,963	145,149	75,420	4,742	73,922	0	2,333				1,073,680
1999	402,951	509,562	152,660	128,059	0	11,177	0	4,740				1,209,149
2000	408,334	81,285	107,086	66,452	4,616	66,330	96,817	2,738				833,658
2001	450,374	0	198,247	51,309	0	165,373	96,199	2,738				964,240
2002	974,078	0	42,976	207,867	23,299	42,510	175,113	2,738				1,468,581
2003	1,169,377	0	53,745	275,168	1,451	40,361	109,704	2,738				1,652,544
2004	828,132	0	68,690	249,617	78,786	83,166	118,452	2,875				1,429,718
2005	1,018,581	0	138,087	298,234	41,569	180,325	135,137	2,875				1,814,808
2006	890,554	4,367	110,955	326,633	17,244	49,411	241,133	2,875				1,643,172
2007	776,831	0	294,043	409,897	5,807	184,449	221,573	2,875				1,895,475
2008	1,278,307	0	388,455	453,841	5,988	88,703	460,000	2,875	18,674			2,696,843



2009	1,625,968	0	254,988	236,182	79,679	53,824	263,200	2,875	150,240	484,859		3,151,815
2010	2,466,619	13,540	227,762	119,137	53,320	96,157	60,806	2,875	330,713	0	87,929	3,455,983
2011	2,071,819	0	296,034	0	39,227	140,309	65,925	2,875	211,882	0	250,906	3,078,977
2012	2,633,418	0	430,861	0	74,499	99,547	51,352	2,875	113,989	0	430,423	3,836,964
2013	2,107,524	0	908,305	0	16,330	184,721	141,428	2,875	872,960	0	493,758	4,727,901
2014	2,418,800	0	615,248	0	20,178	144,317	198,933	2,875	700,923	0	543,282	4,644,556
2015	2,214,253	0	632,395	0	45,427	1,835,571	214,603	2,875	798,583	0	684,155	6,427,862
<b>TOTAL</b>	<b>28,240,561</b>	<b>1,247,826</b>	<b>6,135,255</b>	<b>3,703,895</b>	<b>543,534</b>	<b>3,822,708</b>	<b>2,650,375</b>	<b>144,048</b>	<b>3,197,964</b>	<b>484,859</b>	<b>2,490,453</b>	<b>52,661,478</b>

Notes:

- (1) The Age benefit ceased in year 2001, given changes made to the TNPf Act.
- (2) Effective from the year 2003, pension instalments were no longer paid out as direct withdrawal from the member's fund, however, the payments were treated as general expenses of the Fund.
- (3) The Women's Home Benefit ceased in year 2010, given changes made to the TNPf Act.
- (4) The MEDU benefit was introduced as a new benefit in the year 2010.

## Table 8: Special death benefit fund (SDBF)

Presented below is the breakdown of amounts credited into the special death benefit Fund (SDBF) compared to total payments paid out of the SDBF fund from 1984 to 2000.

Year	Income (AUD)	Interest (AUD)	Payment (AUD)	Total fund (AUD)
1984	0	0	0	0
1985	5,958	300	251	6,007
1986	6,400	713	1,352	11,768
1987	8,500	1,317	550	21,035
1988	10,500	3,014	1,850	32,699
1989	12,626	4,083	1,350	48,058
1990	13,025	6,508	2,200	65,392
1991	0	3,944	2,700	66,636
1992	0	3,033	3,100	66,593
1993	0	2,063	3,400	47,476
1994	0	0	1,834	45,642
1995	0	0	4,538	41,104
1996	0	0	1,184	39,920
1997	0	0	3,558	36,362
1998	0	0	4,927	31,435
1999	0	0	3,277	28,158
2000	0	0	28,158	0

### **Note:**

The special death benefit reserve fund (SDBF) was closed at the end of the year 2000 and the balance of the reserve fund was distributed to all members who contributed. From the year 2001, the Fund continued to finance special death benefit payments under the direct expense of the Fund. The arrangement continued until the benefit was discontinued on 1<sup>st</sup> August 2007.

**Financial Statements**  
**For the year ended 31 December 2015**

# **Tuvalu National Provident Fund**

## **Contents**

Directors' report	26 – 27
Statement by directors	28
Statement of profit or loss and other comprehensive income	29
Statement of changes in equity	30
Statement of financial position	31
Statement of cash flows	32
Notes to the financial statements	33 – 49
Independent auditors report	50

## **Tuvalu National Provident Fund**

### **Directors' report**

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of Tuvalu National Provident Fund ("the Fund") as at 31 December 2015 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

#### **Directors**

The names of directors in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorised for issue are as follows:

Mr Vavau Fatuga (appointed Chairman 19/05/2016)  
Ms Palipa Lauti (resigned 16/02/2016)  
Dr Miliama Simeona  
Mr Petaia Meauma  
Mr Solofa Uota (resigned 26/05/2015)  
Mr Kakee P Kaitu (retired 18/07/2015)  
Mr Karl Tili (retired 5/11/2015)  
Mr Pugameau Taufilo (appointed 29/06/2015)  
Mr Temate Melitiana (appointed 17/08/2015)  
Mr Katepu Laoi (appointed 24/11/2015)

In the opinion of the directors, the accompanying statements of financial position give a true and fair view of the state of affairs of the Fund as at 31 December 2015 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Fund for the year then ended.

#### **Operating results**

The net gain for the year after income tax amounted to \$1,510, 108 (2014: \$3,012,294)

#### **Interest earned by members**

An interest rate of 3.00% (2014: 5.26%) on members' balance was declared by the Board.

#### **Reserves**

Undistributed gain of \$117,008 for the financial year 31 December 2015 was transferred to reserves (2014: \$719,419).

#### **Principal activities**

The principal activities of the Fund during the course of the financial year were receiving and managing contributions on behalf of its members, providing personal loans to members secured against the members' contribution and investing in interest bearing deposits, bonds, the money market and equity through professional fund managers.

There were no significant changes in the nature of the activities during the year.

#### **Current asset**

The directors took reasonable steps before the Fund's financial statements were made out to ascertain that the current assets of the Fund were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of operation.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

# **Tuvalu National Provident Fund**

## **Directors' report (continued)**

### **Receivables**

The directors took reasonable steps before the Fund's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

### **Related party transactions**

All related party transactions have been adequately recorded in the financial statements.

### **Going concern**

The financial statements have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of operation.

### **Events subsequent to balance date**

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.

### **Other circumstances**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the accounts to be misleading.

### **Unusual circumstances**


The results of the Fund's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

### **Directors' interests**

No director of the Fund has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the Fund's financial statements) by reason of a contract made with the Fund or a related corporation with the director or with a firm of which he/she is a member, or in a company in which he/she has a substantial financial interest.

Dated at Vaiaku, Funafuti this 28<sup>th</sup> day of September 2016

Signed in accordance with a resolution of directors.

Director.....

Director.....

## **Tuvalu National Provident Fund**

### **Statement by directors**

In the opinion of the directors of Tuvalu National Provident Fund:

- (a) the accompanying statement of profit or loss and other comprehensive income of the Fund is drawn up so as to give a true and fair view of the results of the Fund for the year ended 31 December 2015;
- (b) the accompanying statement of changes in equity of the Fund is drawn up so as to give a true and fair view of the changes in equity of the Fund for the year ended 31 December 2015;
- (c) the accompanying statement of financial position of the Fund is drawn up so as to give a true and fair view of the state of affairs of the Fund as at 31 December 2015;
- (d) the accompanying statement of cash flows of the Fund is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 31 December 2015;
- (e) at the date of this statement there are reasonable grounds to believe the Fund will be able to pay its debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Fund.

Dated at Vaiaku, Funafuti this 28<sup>th</sup> day of September, 2016

Signed in accordance with a resolution of directors.

Director.....

Director.....

**Tuvalu National Provident Fund**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2015**

	Notes	2015 \$	2014 \$
<b>Income</b>			
Interest income	5 (a)	606,734	560,528
<i>Movement in net market value of investments</i>			
Unrealised gain on investments	5 (b)	1,458,221	2,360,487
Investment Income		-	533,651
Other operating income	6	<u>285,779</u>	<u>333,656</u>
		2,350,734	3,788,322
<b>Expenses</b>			
Personnel expenses	7	462,033	445,197
Depreciation		44,995	47,732
Other operating expenses	8	<u>333,598</u>	<u>283,099</u>
<b>Gain from operations</b>		1,510,108	3,012,294
Income tax expense	3(l)	<u>-</u>	<u>-</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Net gain for the year attributable to members of the Fund</b>		<u>1,510,108</u>	<u>3,012,294</u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.



**Tuvalu National Provident Fund**  
**Statement of changes in equity**  
**For the year ended 31 December 2015**

	Notes	2015 \$	2014 \$
<b>Contributions</b>			
Balance at 1 January 2015		48,903,798	45,901,064
Add: contributions received during the year	17(a)	7,354,214	5,196,065
Add: pension fund	17(a)	30,015	-
Add: transfers from statement of profit or loss and other comprehensive income	17(a)	1,510,108	3,012,294
Add: advance distribution accounts	17(a)	157,999	168,663
Add: transfer from unallocated contributions	17(a)	14,921	4,257
Less: administrative service fees	17(a)	(19,152)	(17,445)
Less: member withdrawals	17(a)	(6,424,986)	(4,641,681)
Less: transfer to dividend equalisation reserve	17(a)	(117,008)	(719,419)
Less: transfer to insurance reserve	17(a)	<u>(15,000)</u>	<u>-</u>
Balance at 31 December 2015		<u>51,394,909</u>	<u>48,903,798</u>
Unallocated member contributions	17(b)	82,324	86,581
Less Transfer(to) from contributions	17(b)	<u>(14,921)</u>	<u>(4,257)</u>
		<u>67,403</u>	<u>82,324</u>
		<u>51,462,312</u>	<u>48,986,122</u>
<b>Insurance reserve</b>			
Balance at 1 January 2015		195,000	195,000
Transfer from statement of statement of profit or loss and other comprehensive income		<u>15,000</u>	<u>-</u>
Balance at 31 December 2015		<u>210,000</u>	<u>195,000</u>
<b>Dividend equalisation reserve</b>			
Balance at 1 January 2015		1,924,287	1,204,868
Transfer from statement of profit or loss and other comprehensive income	17(a)	<u>117,008</u>	<u>719,419</u>
Balance at 31 December 2015		<u>2,041,295</u>	<u>1,924,287</u>
<b>Total reserves</b>		<u>2,251,295</u>	<u>2,119,287</u>
<b>Total member's funds at 31 December 2015</b>		<u>53,713,607</u>	<u>51,105,409</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.

**Tuvalu National Provident Fund**  
**Statement of financial position**  
**As at 31 December 2015**

	Notes	2015	2014
<b>Current assets</b>			
Cash and cash equivalents	9	2,097,147	1,231,462
Other receivables	10	480,043	57,111
<b>Total current assets</b>		<u>2,577,190</u>	<u>1,288,573</u>
<b>Non current assets</b>			
Financial assets	11	50,787,966	48,987,870
Property, plant and equipment	12	66,605	86,048
Investment properties	13	734,894	827,369
<b>Total non current assets</b>		<u>51,589,465</u>	<u>49,901,287</u>
<b>Total assets</b>		<u>54,166,655</u>	<u>51,189,860</u>
<b>Current liabilities</b>			
Trade creditors and accruals	14	28,193	29,453
Employee entitlements	15	10,004	5,502
Deferred Income	16	7,826	-
<b>Total current liabilities</b>		<u>46,023</u>	<u>34,955</u>
<b>Non current liabilities</b>			
Employee entitlements	15	53,533	54,998
Deferred Income	16	353,492	-
<b>Total non current liabilities</b>		<u>407,025</u>	<u>54,998</u>
<b>Total liabilities</b>		<u>453,048</u>	<u>51,189,860</u>
<b>Net assets</b>		<u>53,713,607</u>	<u>51,105,409</u>
<b>Members' funds</b>			
Contributions	17	51,462,312	48,986,122
Reserves	18	2,251,295	2,119,287
<b>Total members' funds</b>		<u>53,713,607</u>	<u>51,105,409</u>

Signed in accordance with the resolution of the directors:

Director.....  


Director.....  


The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.

**Tuvalu National Provident Fund**  
**Statement of cash flows**  
**For the year ended 31 December 2015**

	Note	2015	2014
<b>Cash flows from operating activities</b>			
Contributions received		7,384,230	5,196,065
Interest received		606,737	560,528
Other income received		224,165	349,937
Payment of benefits		(6,286,139)	(4,490,463)
Payment to suppliers and employees		(713,941)	(739,805)
<b>Net cash provided by operating activities</b>		<u>1,215,052</u>	<u>876,262</u>
<b>Cash flows from investing activities</b>			
Net decrease in investments		-	1,434
Net (increase) in small members loan		(341,876)	(452,215)
Payment for property, plant and equipment		(7,491)	(11,637)
<b>Net cash outflow from investing activities</b>		<u>(349,367)</u>	<u>(462,418)</u>
<b>Net increase in cash and cash equivalent</b>		865,685	413,844
Cash and cash equivalents at 1 January		<u>1,231,462</u>	<u>817,618</u>
<b>Cash and cash equivalents as at 31 December</b>	9	<u>2,097,147</u>	<u>1,231,462</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**1. Reporting Entity**

Tuvalu National Provident Fund (the "Fund") is a national superannuation fund domiciled in Tuvalu. The address of the Fund's registered office is Funafuti, Tuvalu.

The principal activities of the Fund during the course of the financial year were receiving and managing contributions on behalf of its members; providing personal loans to members secured against the members' contribution; and investing in interest bearing deposits, bonds, the money market and equity through professional fund managers.

There were no significant changes in the nature of the activities during the year.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the provisions of the National Provident Fund Act 1984.

The financial statements were approved by the Board of the Directors on 28 September, 2016.

*Standards, amendments and interpretations issued but not yet effective*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

**(b) Basis of measurement**

The financial statements have been prepared on the basis of historical cost and do not take into account changing money values or current valuation of non-current assets, except for the valuation of investments in pooled managed funds through profit and loss which is measured at fair value.

The accounting policies have been consistently applied by the Fund and except where there is a change in accounting policy are consistent with those of the previous year.

**(c) Functional and presentation currency**

The financial statements are presented in Australian dollars, which is the Fund's functional currency, and have been rounded to the nearest dollar.

**(d) Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 the estimates are revised and in any future periods affected.

# Tuvalu National Provident Fund

## Notes to and forming part of the financial statements

### For the year ended 31 December 2015

#### 3. Significant accounting policies

##### (a) Foreign currency transactions

Transactions in foreign currencies are translated to Australian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the exchange rate at that date. The foreign currency gains or losses on translation are recognised in profit or loss.

##### (b) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes deposits held at call with financial institutions; and other short term highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### (c) Other receivables

Other receivables are stated at cost and comprise of: receivables from employees with respect to surcharges less allowance for doubtful debts, and prepayments.

##### (d) Property, plant and equipment

###### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

###### Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Fund and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

###### Depreciation

Items of property, plant and equipment are depreciated using the straight line method, at rates which will write off the costs of those assets over their expected useful lives. The method of write off and the rates used are those considered appropriate to each class of asset. The annual depreciation rates are as follows:

	<i>Depreciation rates</i>
Office Furniture and Equipment	5%, 15%, 20% & 33%
Buildings	3.6%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

# Tuvalu National Provident Fund

## Notes to and forming part of the financial statements

### For the year ended 31 December 2015

#### 3. Significant accounting policies (continued)

##### (e) Intangibles

###### *Computer software*

Acquired computer software licences, which have a finite life, are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Fund, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

##### (f) Financial assets

###### *(i) Non-derivative financial assets*

The Fund initially recognises loans and advances on the date they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of the ownership of the financial asset are transferred. Any interest in such financial asset that is created or retained by the Fund is recognised as a separate asset or liability.

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

The Fund classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

###### **Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Attributable transaction costs are recognised in the profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the profit or loss.

Financial assets designated as at fair value through profit or loss comprise investment in managed funds that otherwise would have been classified as available-for-sale.

# Tuvalu National Provident Fund

## Notes to and forming part of the financial statements

### For the year ended 31 December 2015

#### 3. Significant accounting policies (continued)

##### (f) Financial assets (continued)

###### *(i) Non-derivative financial assets (continued)*

###### **Loans and advances**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Members' small loans include direct finance provided to members through term loans. Interest is charged at 8.75% per annum.

Members' small loans are carried at principal balances outstanding. Interest income is brought to account on an accrual basis. The loans are secured against the members' contributions to the Fund.

###### *(ii) Fair Value Measurement*

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 and the measurement date in the principal or, in its absence, the most advantageous market to which the fund has access at that date.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liabilities take place with sufficient frequency and volume to provide pricing information on an on-going basis.

###### *(iii) Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognised in profit or loss. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

###### *(iv) Offsetting*

Financial assets and liabilities are offset and net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted under IFRS, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

Note 11 provides a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**3. Significant accounting policies (continued)**

**(g) Impairment**

*(i) Non-derivative financial assets*

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

As the loans and advances of the Fund are secured against the members' contributions there is no impairment recorded in respect of these loans and advances. The loans and advances balance of a member is not to exceed 30 percent of the contribution balance at any point in time.

**(h) Investment property**

Investment property is property held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or service or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Investment property and equipment are depreciated using the straight line method, at rates which will write off the cost of those assets over their expected useful lives. The method of write off and the rates used are those considered appropriate to each class of assets. The annual depreciation rates are as follows:

	<i>Depreciation rates</i>
Furniture and equipment	5%, 15%
Buildings	2%



# **Tuvalu National Provident Fund**

## **Notes to and forming part of the financial statements**

### **For the year ended 31 December 2015**

#### **3. Significant accounting policies (continued)**

##### **(h) Trade creditors and accruals**

Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Fund has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

##### **(i) Employee benefits**

###### *Wages, Salaries and Employee entitlements*

Liabilities for wages, salaries and employee entitlements are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to the reporting date.

##### **(j) Revenue**

###### *Interest income*

Interest income earned from investments such as term deposits and members' small loans are brought to account on an accrual basis.

###### *Income from pooled managed funds*

Income from pooled managed funds comprises of unrealised gains relating to investments. Movement in the market value of the investments are brought to account in the profit or loss.

###### *Fees and surcharges*

Fees and surcharges comprising of loan application fee and surcharges on member contributions are recognised on an accrual basis, when related services have been provided to the members.

###### *Deferred income*

Grants that compensate the Fund for the cost of an asset or future expenses are initially recognised in the statement of financial position as deferred income liability, when reasonable assurance exists that the grant will be received and the Fund will comply with the conditions attached to the grant. Deferred income liability is then released to the profit or loss and other comprehensive income as amortization of deferred income, commensurate with depreciation of the associated asset or the release of associated expenditure to the profit and loss.

##### **(k) Expense recognition**

All expenses are recognised in the profit or loss is on an accrual basis.

##### **(l) Income tax**

The Provident Fund is exempt from income tax under section 32 of the Tuvalu National Provident Fund Act 1984.

##### **(m) Contributions**

Contributions from employers and members are recorded on a cash basis.

##### **(n) Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in current year presentation.

# **Tuvalu National Provident Fund**

## **Notes to and forming part of the financial statements**

### **For the year ended 31 December 2015**

#### **4. Financial risk management**

##### ***Introduction***

The Fund is committed to the management of risk to achieve sustainability of service to its members, employment of its staff and net surplus attributable to members and, therefore, takes on controlled amounts of risk when considered appropriate.

The Fund has exposure to the following risk:

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

Implementation of risk management strategy and the day to day management of risk is the responsibility of the General Manager, supported by the management of the Fund. The following sections describe the risk management framework components:

##### ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Fund's operations are subject to the risk of interest rate fluctuations to the extent that investments re-price at different times or in differing amounts. Risk management activities are aimed at optimising gain on investment; at given market interest rate levels consistent with the Fund's business strategies.

Market risk is the potential for change in the value of assets on and off the statement of financial position caused by a change in the value, volatility or relationship between market rates and prices.

Market risk arises from the mismatch between assets and liabilities, both on and off statement of financial position, and from controlled trading undertaken in pursuit of returns.

The Fund procures the service of an international fund manager based in New Zealand to manage its investment in overseas pooled managed funds. International Fund Managers report on a quarterly basis to the management of the Fund. The Fund will devise appropriate investment strategies to maximise the returns on these investments. The management of the Fund reports to the Board on a regular basis.

Market risk includes currency, price, interest rate and foreign exchange risk, which are explained as follows:

##### ***i. Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has no currency risk exposure on its financial instruments as all financial instruments are denominated in the functional currency (Australian Dollars).

##### ***ii. Price risk***

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments of a specific type traded in the market.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**4. Financial risk management (continued)**

*Market risk (continued)*

**ii. Price risk (continued)**

A +/- 10% and +/- 20% change in returns each month from a starting value as at 31 December 2015.

	<b>Actual Funds Under Management as at 31/12/2015</b>	<b>10% Increase</b>	<b>10% Decrease</b>	<b>20% Increase</b>	<b>20% Decrease</b>
	\$	\$	\$	\$	\$
AMP Capital Extended	23,887,219	19,544,089	26,058,785	17,372,523	23,887,219
Schroder Australian Equity Fund	22,590,850	18,483,423	24,644,564	16,429,709	22,590,850
<b>Total</b>	<b>41,909,468</b>	<b>39,969,868</b>	<b>42,912,140</b>	<b>39,032,042</b>	<b>41,909,468</b>
<b>% Change</b>	<b>2.73%</b>	<b>-2.02%</b>	<b>5.19%</b>	<b>-4.32%</b>	<b>2.73%</b>

**iii. Interest rate risk**

Interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. Interest rate risk arises from the structure and characteristics of the Fund's assets, liabilities and equity, and in the mismatch in re-pricing dates of its assets and liabilities. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Fixed rate instruments</b>		
Short term deposit	<u>1,262,652</u>	<u>621,530</u>

**Fair value sensitivity analysis for fixed rate instruments**

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**4. Financial risk management (continued)**

***Liquidity risk***

Liquidity risk arises in the general funding of the Fund's activities and in the management of positions. It includes both:

- the risk of being unable to fund assets at appropriate maturities and rates; and
- the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Fund assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Fund strategy.

The Fund manages this risk by holding a pool of readily tradable investment assets and term deposits with quality credit counterparties to provide for any unexpected patterns in cash movements and by seeking a diverse and stable funding base.

All the financial liabilities of the Fund are payable within twelve months and hence the exposure to liquidity risk is minimal.

To control liquidity risk in terms of member withdrawals, the Fund has implemented measures in place to restrict withdrawals for certain benefits only. The major portion of the member withdrawals is retirement which is controlled by maintaining adequate cash in the general operating account. The Fund also holds highly liquid term deposits with an original term of one month to use in cases of liquidity issues.

***Credit risk***

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is subject to credit risk through its lending and investing activities.

The Fund's primary exposure to credit risk arises through its loans to members. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. Lending standards and criteria are defined for loans provided to members of the Fund. The Fund relies primarily on the integrity of members and their ability to meet the obligations to the Fund.

The major concentrations of credit risk arise in relation to the Fund's offshore investments. Exposure to credit risk on these investments is monitored by management on an on-going basis. The Fund has an investment manager (Eriksen & Associates Limited) that provides investment advice.

Collateral for loans to members is held through the members' contribution. However, for offshore investments no collateral is held as security and no other credit enhancements exist. The Fund's financial assets exposed to credit risk amounted to the following:

	Note	2015 \$	2014 \$
Cash and cash equivalents	9	2,097,172	1,231,462
Investments :			
- investments in pooled funds	11	42,252,816	40,794,596
- loans and advances	11	8,535,150	8,193,274
		52,885,138	50,219,332

# Tuvalu National Provident Fund

## Notes to and forming part of the financial statements

### For the year ended 31 December 2015

#### 4. Financial risk management (continued)

##### *Operational risk*

The Fund's operational risk management framework supports the achievement of the Fund's financial and business goals.

Operational risk is defined as the risk of economic gain or loss resulting from:

- inadequate or failed internal processes and methodologies;
- people;
- systems; or
- external events.

There are policies and procedures which staff are required to comply with, which also incorporates controls and systems to minimise operational risk. The General Manager is closely involved in the operational management of the Fund on a daily basis. The Board also meets monthly to discuss and approve process or policies to strengthen the operational environment.

	2015	2014
	\$	\$
<b>5.(a) Interest income</b>		
Interest on members small loans	736,573	709,644
Interest on member contributions	(157,999)	(168,663)
Interest on term deposits	28,160	19,547
	<u>606,734</u>	<u>560,528</u>
<b>5.(b) Movement in net market value of investments</b>		
Unrealised gain on investments	<u>1,458,221</u>	<u>2,360,487</u>
<b>6. Other operating income</b>		
Surcharges	98,754	152,332
Loan approval fees	109,540	114,160
BSP Life – service fee	-	14,281
TNPF Market – Rental	27,590	28,035
Withdrawal fees	19,152	17,445
Release of deferred income	30,001	-
Miscellaneous income	742	7,403
	<u>285,779</u>	<u>333,656</u>
<b>7. Personnel expenses</b>		
Salaries and wages	342,815	338,605
Provident fund contributions	32,942	33,616
Allowance and entitlements	37,431	32,853
Rent	33,633	26,560
Staff bonus	15,212	13,563
	<u>462,033</u>	<u>445,197</u>
<b>8. Other operating expenses</b>		
Auditors - remuneration	10,000	7,964
- other disbursement	4,600	6,636
Bank charges	5,244	5,376
Board expenses	13,856	6,995
Doubtful debts-surcharge	34,210	101,378
Electricity	17,337	17,807
Office expenditure	15,479	18,910
Portfolio management charges	31,323	15,794

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**8. Other operating expenses (continued)**

	<b>2015</b>	<b>2014</b>
	\$	\$
Repairs and maintenance	12,636	10,438
Sponsorship	9,128	6,603
Training	29,511	12,550
Travelling, meals and accommodation	48,527	37,333
Telecommunications	7,184	7,399
TNPF market	11,064	10,375
Impairment cost – TNPF Building	74,414	-
Other	9,085	17,541
	<u>333,598</u>	<u>283,099</u>

**9. Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks, and short term deposits. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

Cash on hand	2,140	441
Cash in bank	832,355	609,491
Term deposits	1,262,652	621,530
	<u>2,097,147</u>	<u>1,231,462</u>

**10. Other receivables**

Sundry debtors	230,305	306,923
Less: Allowance for doubtful debts	<u>(163,379)</u>	<u>(269,107)</u>
	66,926	37,816
Receivable from Government	391,319	-
Stationery stock	15,129	19,296
Prepayments	<u>6,669</u>	<u>-</u>
	480,043	57,112

**11. Financial assets**

**Fair value through profit or loss**

**Investment in pooled funds**

Shares in Tuvalu Co-operative Society Limited	25	25
Schroder Australian Equity Fund	20,537,137	20,123,672
AMP Capital Extended	21,715,654	20,670,899
<b>Total investment in pooled funds</b>	<u>42,252,816</u>	<u>40,794,596</u>

**Loans and advances**

Members' small loans	<u>8,535,150</u>	<u>8,193,274</u>
	8,535,150	8,193,274
<b>Total investments</b>	<u>50,787,966</u>	<u>48,987,870</u>

**Shares**

Two shares of \$10 and \$15 each is held in Tuvalu Co-operative Society Limited, a locally incorporated organisation. Dividend is recorded in the financial statements on an accrual basis.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**11. Financial assets (continued)**

**Fair value through profit or loss (continued)**

The investments other than shares in Tuvalu Co-operative Society Limited are managed by International Fund Managers based in Australia. The portfolio of investment includes equity, properties, bonds and other fixed interest products. The investments are recorded at the market value as at reporting date.

**Loans and advances**

Members small loans comprise of loans made to members of the Fund. These loans attract an annual interest rate of 8.75 per cent (2014: 8.75 per cent). The loans are secured against the member's contribution.

**Determining fair values**

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Quoted market price (unadjusted) in active market for an identical assets or liabilities.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly ( i.e., derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
Listed equities	42,252,816	-	-	42,252,816
Balance as at 31 December 2015	42,252,816	-	-	42,252,816
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
Listed equities	40,794,596	-	-	40,794,596
Balance as at 31 December 2014	40,794,596	-	-	40,794,596

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**12. Property, plant and equipment**

	<b>Buildings</b> \$	<b>Office furniture &amp; equipment</b> \$	<b>Work in progress</b> \$	<b>Total</b> \$
<b>Cost</b>				
Balance at 1 January 2014	261,060	311,744	-	572,804
Acquisitions	-	11,637	-	11,637
Balance at 31 December 2014	261,060	323,381	-	584,441
Acquisitions	-	7,491	-	7,491
Balance at 31 December 2015	261,060	330,872	-	591,932
<b>Depreciation</b>				
Balance at 1 January 2014	212,462	256,259	-	468,721
Depreciation charge for the year	9,417	20,255	-	29,672
Balance at 31 December 2014	221,879	276,259	-	498,393
Depreciation charge for the year	9,417	17,517	-	26,934
Balance at 31 December 2015	231,296	294,031	-	525,327
<b>Carrying amount</b>				
At 1 January 2014	48,598	55,485	-	104,083
At 31 December 2014	39,181	46,867	-	86,048
At 31 December 2015	29,764	36,841	-	66,605

**13. Investment property**

	<b>Buildings</b> \$	<b>Office furniture &amp; equipment</b> \$	<b>Total</b> \$
<b>Cost</b>			
Balance at 1 January 2015	874,199	4,341	878,540
Balance at 31 December 2015	874,199	4,341	878,540
<b>Depreciation</b>			
Balance at 1 January 2015	49,537	1,634	51,171
Depreciation charge for the year	17,484	577	18,061
Impairment for the year	74,414	-	-
Balance at 31 December 2015	141,435	2,211	143,646
<b>Carrying amount</b>			
At 1 January 2015	824,662	2,707	827,369
At 31 December 2015	732,764	2,130	734,894



**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**13. Investment property (continued)**

	<b>Buildings</b>	<b>Office furniture &amp; equipment</b>	<b>Total</b>
	\$	\$	\$
<b>Cost</b>			
Balance at 1 January 2014	874,199	4,341	878,540
Balance at 31 December 2014	<u>874,199</u>	<u>4,341</u>	<u>878,540</u>
<b>Depreciation</b>			
Balance at 1 January 2014	32,054	1,057	33,111
Depreciation charge for the year	17,483	577	18,060
Balance at 31 December 2014	<u>49,537</u>	<u>1,634</u>	<u>51,171</u>
<b>Carrying amount</b>			
At 1 January 2014	842,145	3,284	845,429
At 31 December 2014	<u>824,662</u>	<u>2,707</u>	<u>827,369</u>

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>14. Trade creditors and accruals</b>		
Trade creditors	117	2,052
Accruals	27,286	21,599
Other current liabilities	790	300
	<u>28,193</u>	<u>23,951</u>
<b>15. Employee entitlements – annual and long service leave</b>		
Net liability at 1 January	50,115	53,387
Expense recognised in the profit or loss	13,422	7,113
Net liability at 31 December	<u>63,537</u>	<u>60,500</u>
<b>Represented by:</b>		
<b>Current</b>		
Annual leave	<u>10,004</u>	<u>5,502</u>
<b>Noncurrent</b>		
Long service leave	<u>53,533</u>	<u>54,998</u>
<b>16. Deferred Income</b>		
Opening balance	-	-
Additions	391,319	-
Amounts released to other income (note 6)	(30,001)	-
	<u>361,318</u>	<u>-</u>
Disclosed in the financial statements as follows:		
Current	7,826	-
Non current	353,492	-
	<u>361,318</u>	<u>-</u>

Deferred income consists of the government subsidy in relation to the capital expenditure on the TNPF Market Building.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

	Notes	2015 \$	2014 \$
<b>17. Contributions</b>			
Allocated members contribution	17(a)	51,394,909	48,903,798
Unallocated members contribution	17(b)	<u>67,403</u>	<u>82,324</u>
		<u>51,410,073</u>	<u>48,986,122</u>
<b>(a) Allocated contributions</b>			
Balance at 1 January 2015		48,903,798	45,901,064
Add: Contributions received from members		7,354,214	5,196,065
Pension fund		30,015	-
Operating surplus attributable to members	19	1,510,108	3,012,294
Advance distribution interest paid	17(c)(i)	157,999	168,663
Transfer from unallocated contributions	17(b)	<u>14,921</u>	<u>4,257</u>
		<u>57,971,055</u>	<u>54,282,343</u>
Less: Withdrawals	20	(6,424,986)	(4,641,681)
Administrative service fees		(19,152)	(17,445)
Transfer to dividend equalisation reserve	20	(117,008)	(719,419)
Transfer (to) insurance reserve	20	<u>(15,000)</u>	<u>-</u>
Balance at 31 December 2015		<u>51,394,909</u>	<u>48,903,798</u>
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>(b) Unallocated members contributions</b>			
Balance at 1 January 2015		82,324	86,581
Transfer to allocated contributions		<u>(14,921)</u>	<u>(4,257)</u>
Balance at 31 December 2015		<u>67,403</u>	<u>82,324</u>

**(c) Interest credited on members' account**

Interest is credited on members' account at the rate of 3% for the year ended 31 December 2015 (2014: 5.26%).

(a) The advance distribution accounts are accounts which were withdrawn before establishment of 2015 interest rate. The interest paid is based on the previous year's rate.

(b) Interest credited on members' account is calculated on the member's balance prior to crediting of the current year's interest.

**(d) Distribution of investment income**

The total surplus from the change in market value of investments in pooled managed funds totalled - \$1,458,221 for the year ended 31 December 2015 (2014: \$2,360,487) and realised loss from investments in managed funds for the year ended 31 December 2015 totalled nil, (2014: \$nil).

**18. Reserves**

Insurance reserve represents amounts set aside as self insurance cover for the Tuvalu National Provident Fund building.

Dividend equalisation reserve represents undistributed gain to members.

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**19. Operating surplus**

	<b>2015</b>	<b>2014</b>
	\$	\$
Balance at 1 January 2015	-	
Net surplus for the year attributable to the members of the Fund	1,510,108	3,012,294
Transfer to dividend equalisation reserve	(117,008)	(719,419)
Transfer to insurance reserve	(15,000)	-
Transfer to members contribution accounts	<u>(1,378,100)</u>	<u>(2,292,875)</u>
Balance at 31 December 2015	<u>-</u>	<u>-</u>

**20. Withdrawal of contributions**

The following contributions by category were withdrawn during the year.

	<b>2015</b>	<b>2014</b>
	\$	\$
Retirement	2,214,253	2,418,800
Emigration	632,395	615,248
Death	1,835,571	144,317
Incapacity	45,427	20,178
Housing	214,603	198,933
Recovery for bad and doubtful debts	798,583	700,923
MEDU	684,154	543,282
	<u>6,424,986</u>	<u>4,641,681</u>

**21. Commitment and contingencies**

Contingent liabilities and capital expenditure commitments not otherwise provided in the financial statements amounted to \$nil (2014: \$nil).

**22. Related Parties**

***Identity of related parties***

The Fund is directly controlled entity by the Government of Tuvalu which wholly owns the Fund through the National Provident Fund Act 1984. The Fund also has related party relationship with its directors and executive officers.

***Transactions with related parties***

There is a receivable of \$391,319 from the Government of Tuvalu for 2015 (2014: \$Nil).

The following were directors of the Fund during the year:

Mr Vavau Fatuga (appointed Chairman 16/02/2016)  
 Ms Palipa Lauti (resigned 16/02/2016)  
 Dr Miliama Simeona  
 Mr Petaia Meauma  
 Mr Solofa Uota (resigned 26/05/2015)  
 Mr Kakee P Kaitu (retired 18/07/2015)  
 Mr Karl Tili (retired 5/11/2015)  
 Mr Pugameau Taufilo (appointed 29/06/2015)  
 Mr Temate Melitiana (appointed 17/08/2015)  
 Mr Katepu Laoi (appointed 24/11/2015)

**Tuvalu National Provident Fund**  
**Notes to and forming part of the financial statements**  
**For the year ended 31 December 2015**

**22. Related Parties (continued)**

*Transactions with related parties (continued)*

The terms and conditions of transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

	<b>2015</b>	<b>2014</b>
	\$	\$
Loans to director	54,938	64,252
Board expenses	13,856	6,995
Contributions	358,901	300,061

During the year the following persons were the key management personnel identified as personnel with the greatest authority and responsibility for planning, directing and controlling the activities of the Fund:

General Manager (Mr Penielu Teo);  
 Manager Finance (Ms Siava Tekafa) ;  
 Manager Corporate Services (Mr Kiatua Ulika).

The aggregate compensation of the key management personnel comprises of loans and advances, contributions and short term benefits and are set out below:

	<b>2015</b>	<b>2014</b>
	\$	\$
Loans	105,424	89,448
Contribution	361,117	323,286
Short term benefits	92,781	85,182
Long term benefits	31,287	25,385

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUVALU NATIONAL PROVIDENT FUND**

We have audited the accompanying financial statements of Tuvalu National Provident Fund, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 6 to 26.

### **Directors' and Management's Responsibility for the Financial Statements**

Directors and Management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Section 9 (5) of the Tuvalu National Provident Fund Act 1984, and the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Tuvalu National Provident Fund as at 31 December 2015 and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

In our opinion,

- i) proper books of account have been kept by the Fund, so far as it appears from our examination of those books;
- ii) the financial statements are in agreement with the books of account; and
- iii) to the best of our information and according to the explanations given to us the financial statements give the information required by the Tuvalu National Provident Fund Act in the manner so required.



**Eli Lopati**  
**Auditor-General**  
**Government of Tuvalu**

28<sup>th</sup> September, 2016.