



TUVALU NATIONAL PROVIDENT FUND



ANNUAL REPORT 2012

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VISION

“TO PROVIDE THE HIGHEST ACHIEVABLE STANDARD OF BENEFITS & SERVICES TO MEMBERS”

MISSION

“TO INVEST PRODUCTIVELY THE CONTRIBUTIONS RECEIVED SO MEMBERS AND THEIR DEPENDANTS CAN OBTAIN THE GREATEST BENEFIT OF THEIR LIFETIME DURING AND BEFORE RETIREMENT AND TO ENSURE THE CORPORATE DUTIES OF THE FUND, IN PARTICULAR, THE REGISTRATION OF MEMBERS, COLLECTION OF CONTRIBUTIONS, ENFORCEMENT OF COMPLIANCE, PROVISIONS FOR CUSTOMER SERVICES AND PAYMENT OF BENEFITS ARE DELIVERED EFFICIENTLY AND EFFECTIVELY”

HIGHLIGHTS FOR THE YEAR 2012

- The Fund reported a net profit of \$3,531,541 for the year.
- The Board declared an interest of 8 per cent to be credited as dividend for all members for the year 2012, resulting in the distribution of \$3,040,886 to members accounts.
- The Fund launched its new Corporate Plan for the years 2012 – 2014 during the year.
- The Board approved the Fund's new Fraud Policy during the year.
- The Fund changed its investment approach (strategy) during the year.
- 192 new members were registered during the year.
- 1 new employer was registered during the year.
- The Fund received \$4,380,528 in total member contributions during the year compared to \$4,806,440 received in 2011.
- Total benefit withdrawals paid out during the year was \$3,834,089, compared to \$3,076,102 paid out in 2011.
- Total loans disbursed during the year amounts to \$1,838,459.
- The Fund's loans portfolio increased by 1.60% to \$7,299,825 during the year
- The total member's fund increased by 10.51% to \$43,763,700 during the year.
- The Fund's total investment portfolio increased by 11.09% to \$43,250,442 during the year.
- Total assets of the Fund increased by 10.77% to \$43,887,200 during the year.

BOARD OF MANAGEMENT 2012

Names	Representative of
Ms. Limasene Teatu [Chairperson]	Public Service
Mr. Faatasi Malologa	Public Service
Mr. Elisala Pita	Employers
Mr. Michael Noa (<i>appointed during the year</i>)	Employees
Ms. Miliama Simeona (<i>appointed during the year</i>)	Employees
Mr. Petaia Meauma (<i>appointed during the year</i>)	Employers
Mr. Houati Iele (<i>term ended during the year</i>)	Employers
Mr. Pesega Lifuka (<i>term ended during the year</i>)	Employees
Mr. Kitiona Tausi (<i>term ended during the year</i>)	Employees



CHAIRPERSON'S REPORT

It gives me great pleasure to present the Fund's annual report for the financial year ending 31 December 2012. The report provides information on the operations of the Fund during the year and also includes highlights of what was achieved during the year. I am also pleased to submit the audited financial statements of the Fund for the financial year ending 31 December 2012, submitted in accordance with the requirements of the TNPf Act 1984.

It was indeed a successful year, as the Fund reported a net profit of \$3,531,541. I am pleased to report that the Board declared a dividend interest rate of 8% to be credited to all members' accounts for the reported financial year. The total dividend credited to members' individual accounts during the year amounted to \$3,040,886.

The Fund's investment portfolio (including offshore and local investments) increased by 11.09% to a total of \$43,250,442 while total assets of the Fund increased by 10.77% to \$43,887,200. The total member's fund increased by 10.51% to \$43,763,700 during the year. The Fund's offshore investment portfolio that makes up 79.57% of the Fund's total investment strategy reported a net return of 9.89% during the year, while the member's small loans scheme that makes up 16.88% of the Fund's total investment strategy reported a return of 10.20% for the year.

The Fund launched its new Corporate Plan for the years 2012 – 2014 during the year. Special in-house workshops were conducted by Management to introduce the new Corporate Plan to all Staff.

The Board approved the Fund's new Fraud Policy during the year. This is the first time for the Fund to introduce such policy. Considering the nature of the Fund's operation, it is vital for the Fund to have a fraud management policy in place. The policy outlines the detailed policies and procedures over the entire fraud risk management function and also specifies the disciplinary actions to be taken in the event of a fraud.

The Fund continued to monitor its MEDU scheme during the year. After considering suggestions from members, the Board approved six new grounds for members to access their MEDU benefits.

The Fund's new commercial market project building was completed and officially opened to the public during the year. During the year, the new commercial market project collected \$26,157-00 in rental revenues and reported a net profit of \$5,552-00.

As Chairperson, I wish to express the Board's appreciation and gratitude for the support and assistance received from the Government, employers, employees, the private sector,

the NGO's and the general community during the year. I wish to thank all stakeholders and all members of the Fund for their support during the year.

On behalf of the Board, I would like to record our appreciation to the General Manager, Management and Staff for their commitment and dedication in delivering quality service to uphold the values and ideals of the Tuvalu National Provident Fund.

Finally, I wish to thank my fellow Board Members for their wisdom and support during the year, as I look forward to another successful year in 2013.



Limasene Teatu
Chairperson



CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

The reported financial year was another successful year for the Fund and its members. The Fund celebrated a number of corporate achievements during the year. The Fund recorded an outstanding net profit of \$3.5 million during the year, which is a return of 9.01% on member's fund. The Fund managed to launch its new Corporate Plan for the years 2012 – 2014 during the year. The Fund reviewed its offshore investment strategy early in the year. As a result, the Fund adopted a new dynamic investment approach. The Fund's membership continued to grow, with 192 new membership registrations made during the year.

The Fund also reviewed the capacity of its current staffing during the year. The aim of the review was to identify areas and responsibilities where there exists overloads, identify duties that could be re-distributed or delegated to other positions, identify areas where there are no clear accountability or if gaps (loopholes) or duplication in responsibilities exist, assess if staff lacks the knowledge to deliver responsibilities, see if poor time management exists within the operation processes and ascertain other staffing issues and problems that could be brought to the attention of Management. The results of the review led to the creation of two new positions within the human resource structure of the Fund.

The focus of Management was to continue to create an enabling environment that supports the ongoing needs of members of the Fund and more importantly to ensure a reasonable level of service is delivered to all members and stakeholders of the Fund. The Fund also reviewed its MEDU scheme during the year. As a result of continuous dialogue with members, the Board approved six new grounds for member's to access their MEDU benefits. The main new grounds for MEDU withdrawals approved during the year include the following; (1) The payment for travel and medical costs should a medically confirmed pregnant female member or dependant prefer to give birth at a better overseas-based hospital or medical facility, (2) Travel cost (airfares) for one caretaker accompanying a member or dependent that is referred overseas, (3) Refunds for medical costs, (4) school fees for dependents attending overseas based pre-school and primary schools, (5) payment for members / dependants textbooks and school uniforms, and (6) payment for airfares for members/ dependant where the school / institution is located overseas.

In terms of financial performance, the reported year was indeed an exceptional year for the Fund. The net assets of the Fund have grown significantly over the year. Total assets of the Fund as of 31 December 2012 is \$43,887,200, an increase of 10.77% from the previous year.

I take this opportunity to thank all members and stakeholders for their support and feedback during the year. I would also like to thank the Board for their leadership and for their continuous support to both Management and Staff. I would also like to express my gratitude and appreciation to staff and management for their cooperation and support and for embracing and enduring the challenges confronted by the Fund during the year.

Membership

The Fund welcomed 192 new members who were registered during the year compared to 151 the previous year. As of 31 December 2012, the number of registered members stands at 5,442 (2011 – 5,250). Out of this number about 2,976 members are considered active and contributing members who have made at least one contribution towards their accounts during the year.

Employers

Although a handful of new businesses were licensed during the year, only 1 business was registered as an employer with the Fund. The registration brings the total number of registered employers to 319 (2011 – 318). Out of this number about 137 employers are considered active and have made at least one contribution towards 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

Contributions

Contributions collected during the 2012 financial year amounted to \$4,380,528 (2011 – \$4,806,440). Monthly contributions therefore averaged at A\$365,044 (2011 – \$400,537).

Interest (Dividend) Declared to Members

The Board declared a dividend of 8 per cent (8%) to be credited to all members' accounts for the financial year 2011. The total amount credited to members account amounted to \$3,040,886.

Withdrawals

A total of \$3,834,089 (2011 – \$3,076,102) was paid to members who withdrew their monetary benefits during the year under the following grounds of withdrawals.

Type of Benefit	Amount (\$)
Retirement	2,633,418
Emigration	430,861
Death	99,547
Incapacity	74,499
Housing	51,352
Recovery for bad and doubtful debts	113,989
MEDU benefits	430,423
Total	3,834,089

Descriptions for each ground of withdrawals are briefly outlined below.

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.

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.

Enforcement

Enforcement of compliance remains a vital role of the Fund. Employers that defaulted in their payments are visited by enforcement officers and are issued notices. The Fund initiated several legal actions on employers that defaulted in making their payments during the year. The Fund has a special enforcement committee that works closely with the Enforcement team to make sure that no employer is left out in terms of compliance.

Investments

The Fund reviewed its investment approach during the year, more specifically comparing the benefits of moving from the current static asset allocation approach to a more dynamic approach (objective based asset allocation). As a result, the Board agreed that an objective based asset allocation approach is the preferred approach over the existing and more traditional static asset allocation approach. To facilitate the new investment approach, the Board agreed that the Fund's offshore investment portfolio should be equally split between the two multi-asset fund managers, namely AMP Capital Extended Multi-Asset Fund and Schroders Real Return Fund.

The Fund's total investment portfolio as at 31 December 2012 amounted to \$43,250,442 (2011 - \$38,930,850). A summary of the Fund's overall investment strategy and its weightings are presented below:-

Fund Manager / Portfolio Type	Amount (\$)	Weighting (%)
BT Global Return Fund	35,523	0.08
Schroder Real Return Fund	17,204,089	39.78
AMP Capital Extended Multi-Asset Fund	17,176,233	39.71
Members Small Loans	7,299,825	16.88
Fixed IBD Term Deposits with NBT	675,118	1.56
Property Investment	859,629	1.99
Shares in TCS	25	0
Total	43,250,442	100

Human Resource Development

Institutional strengthening of staff skills at all level remains a priority to the Fund's management.

The Senior Accounts Officer (Mr. Manraoi Vaaia) continued his studies for his third and final year, pursuing a Bachelors of Commerce Degree in Accounting and Finance. The Administrative Officer (Ms. Peau Taasi) and Loans Officer (Mr Tioti Maatia) were both awarded long-term training scholarships during the year. Peau Taasi pursued a Bachelors of Arts Degree in Management and Law, while Tioti Maatia pursued a Bachelors of Commerce in Professional Accounting. All officers are pursuing studies at the University of the South Pacific, Suva, Fiji.

As part of efforts to develop the Fund's human resource capacity, three Officers' were given the opportunity to further their knowledge and skills through a week long attachment training with the Fiji National Provident Fund in Suva, Fiji. The officers were - Mrs. Kiuniu Aselu, Ms. Lomaloma Pepine and Tutokotahi Lopati.

The Fund's General Manager (Mr. Penielu Teo) was also given an opportunity to upgrade his skills during the year. Mr Teo attended a 5 day Pension training workshop in London, UK. The training provided participants with the opportunity to learn and examine the range of public and private pension schemes that operate within the UK; how they are structured, how they are integrated into an overall system of social protection, how they are financed, how they are managed and how they are regulated. The training was coordinated by the Public Administration Institute and related costs for the training were co-shared between the Fund and the New Zealand PIC Funding Assistance.

The Fund maintained its educational and training assistance to Staff who were interested in pursuing extensions studies through Distance and Flexible Learning with the University of the South Pacific (USP) and other recognized training institutions.

International Social Security Association (ISSA)

The ISSA continued its support to the Fund throughout the year by sending reading materials, discussion materials, seminar papers and special reports on conferences and short courses conducted by the ISSA during the year.

Two officers of the Fund were invited during the year to attend the ISSA Regional Social Security Forum for Asia and the Pacific that was held in Seoul, Korea. The Fund's General Manager (Penielu Teo) and Manager Corporate Services (Kiatoa Ulika) were the two officers who attended the ISSA Forum in Korea.

The Australian Superannuation Funds Association (ASFA)

The Fund maintained its membership with ASFA during the year with the belief that it will benefit from its collective initiatives, seminars and conferences, information networks, technical supports and various trainings. The Manager Finance & Member Services (Siava Tekafa) attended the ASFA summit that was held in Sydney, Australia during the year.

Other Professional Organizations

Staff of the Fund are encouraged to join and become members of various professional organizations in which their memberships will be beneficial to 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.

Staffing

The Fund employed the following staff during the year: -

Title (position)	Name(s)
General Manager & Chief Executive Officer	Mr. Penielu P. Teo
Manager Finance & Member Services	Ms. Siava Tekafa
Manager Corporate Services	Mr. Kiatoa Ulika
Senior Enforcement Officer	Mr. Siale Paueli
Senior Accounts Officer	Mr. Manraoi Vaaia
IT Officer	Ms. Lomaloma Pepine
Member Services Officer	Ms. Kiliata Peleti
Data Entry Operator	Ms. Kiuniu Aselu
Administrative Officer	Ms. Peau Taasi
Loans Officer	Mr. Tioti Maatia
Accounts Clerk	Mr. Tutokotahi Lopati
Loans Recovery Officer	Ms. Lessa Lui
Customer Services Officer	Ms. Veronica Lutelu
BSP Officer	Ms. Malofou Kaokoro
Messenger	Mr. Etimoni T Selu
Cleaner	Mr. Samuelu Hauma
Market Clerk	Mr. Lusama Uoli

Appreciation

I take this opportunity to convey my sincere appreciation to all members, employers, stakeholders and Government for their support and cooperation during the year. I would also like to acknowledge the leadership and stewardship of all Board members and for their outstanding contributions during the year. I also express my gratitude and appreciation to staff and management for their support throughout the year, as it was through their efforts that the Fund was able to better serve its members and also meet its objectives during the year.

I look forward to a challenging year ahead and would like to wish the Fund a prosperous future.

Fakafetai lasi

A handwritten signature in purple ink, consisting of several overlapping loops and a long horizontal stroke.

Penielu P. Teo
General Manager & CEO

Tables of Statistics (1984 to 2012)

Table 1: Contributions

A summary of the number of contributions, annual contributions and average contributions from 1984 to 2012.

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

Table 2: Interest rates

A summary of interest rates declared, bonus, amounts credited, and average amounts credited on members accounts from 1984 to 2012.

Year	Declared Interest rate (%)	Amounts credited (AUD)	Average amount credited per member (AUD)
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

Table 3: Analysis of inflows and outflows

A summary of expenditure, total contributions, income and percentage of expenditure to total contributions plus income from 1984 to 2012.

Year	Expenditure (AUD)	Total contributions (AUD)	Income (AUD)	Percentage of Expense to contributions plus income (%)
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

Table 4: Overseas investments

A summary of net assets, overseas investments at cost value, and percentage of investment to net assets from 1984 to 2012.

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

Table 5: Member's Fund

A summary of the number of members, growth in members fund and number of members as from 1984 to 2012.

Year	Number of Members	Members Fund (AUD)	Members growth rate (%)	Members Fund growth rate (%)
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

Table 6: Income and Benefits Paid

A summary of total benefits paid out as compared to income earned from 1984 to 2012.

Year	Total Benefits Paid (AUD)	Total Income Earned (AUD)
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

Table 7: Benefits Withdrawals

A summary of total benefits paid out of each of the following benefit categories from 1984 to 2012.

Year	Retire- ment (AUD)	Age & Other Claims (AUD)	Emigration (AUD)	Women's Home (AUD)	Incapacity (AUD)	Death (AUD)	Housing (AUD)	Pension (AUD)	Recove-ry Bad Debts (AUD)	Member s 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
TOTAL	21,499,984	1,247,826	3,979,307	3,703,895	461,599	1,658,099	2,095,411	135,423	825,498	484,859	769,258	36,861,159

Notes:

- (1) The Age benefit ceased in year 2001, given changes made to the TPNF 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 TPNF Act.
- (4) The MEDU benefit was introduced as a new benefit in the year 2010.

Table 8: Special death benefit fund (SDBF)

A summary of amounts credited into the special death benefit Fund (SDBF) compared to total payments paid out of the SDBF fund as 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 during the year 2000 after a refund was made to all respective members who contributed to this reserve fund. However, the Fund continued to provide the special death benefit payments to spouses and children of deceased members, as a direct expense of the Fund until the 1st August 2009 when it was discontinued as a benefit under the Provident Fund (Amendment) Act 2007.

Financial Statements
For the year ended 31 December 2012

Tuvalu National Provident Fund

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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 2012 and the related statement of 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:

Mrs Palipa Lauti (Chairwoman) (appointed: 8/07/2013)

Mr Solofa Uoata (appointed: 8/07/2013)

Mr Petaia Meauma (appointed: 22/08/2012)

Mr Kakee P Kaitu (appointed: 8/07/2013)

Dr Miliama Simeona (appointed: 2/03/2012)

Mr Elisala Piita (appointed: 28/07/2011)

Mr Pesega Lifuka (retired: 1/07/2012)

Mr. Kitiona Tausi (retired: 14/04/2012)

Mr Fatasi Malologa (retired: 5/07/2013)

Mr Michael Noa (appointed: 02/03/2012, retired 8/02/2013)

Ms Limasene Teatu (Chairman) (retired: 5/07/2013) State of affairs

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 2012 and the accompanying statement of 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 \$3,531,541 (2011: \$1,567,600).

Interest earned by members

An interest rate of 8% (2011: 4%) on members' balance was declared by the Board.

Reserves

Undistributed gain of \$190,543 and \$575,774 for the financial year 31 December 2011 and 31 December 2012 respectively was transferred to Dividend equalisation reserve (2011: \$215,100 relating to 31 December 2010).

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 and 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 21st day of August 2013.

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 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 2012;
- (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 2012;
- (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 2012;
- (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 2012;
- (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 21st day of August 2013.

Signed in accordance with a resolution of directors.


Director.....


Director.....

Tuvalu National Provident Fund
Statement of comprehensive income
For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Income			
Interest income	5 (a)	582,816	585,572
<i>Movement in net market value of investments</i>			
Unrealised gain on investments	5 (b)	3,598,715	1,381,038
Realised (loss) on disposal of investments		(193,417)	-
Other operating income	6	193,805	322,914
		<u>4,181,919</u>	<u>2,289,524</u>
Expenses			
Personnel expenses	7	407,392	328,524
Depreciation		44,830	33,505
Other operating expenses	8	198,156	359,895
Gain from operations		<u>3,531,541</u>	<u>1,567,600</u>
Income tax expense	3(m)	<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Net gain for the year attributable to members of the Fund		<u>3,531,541</u>	<u>1,567,600</u>

The statement of 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 24.

Tuvalu National Provident Fund
Statement of changes in equity
For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Contributions			
Balance at 1 January		39,104,297	36,017,222
Add: contributions received during the year	17(a)	4,380,528	4,806,440
Add: transfers from statement of comprehensive income	17(a)	3,616,660	1,610,943
Less: member withdrawals	17(a)	(3,834,089)	(3,076,102)
Less: transfer to dividend equalisation reserve		(766,317)	(215,100)
Less: transfer to unallocated contributions		(377)	(39,106)
Balance at 31 December		<u>42,500,702</u>	<u>39,104,297</u>
Unallocated member contributions	17(b)	<u>86,581</u>	<u>86,204</u>
		<u>42,587,283</u>	<u>39,190,501</u>
Insurance reserve			
Balance at 1 January		195,000	195,000
Transfer to/(from) statement of comprehensive income		-	-
Balance at 31 December		<u>195,000</u>	<u>195,000</u>
Dividend equalisation reserve			
Balance at 1 January		215,100	-
Transfer from statement of comprehensive income	17(a)	766,317	215,100
Balance at 31 December		<u>981,417</u>	<u>215,100</u>
Total reserves		<u>1,176,417</u>	<u>410,100</u>
Total member's funds at 31 December		<u>43,763,700</u>	<u>39,600,601</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 24.

Tuvalu National Provident Fund
Statement of financial position
As at 31 December 2012

	Notes	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	9	1,053,498	2,029,740
Other receivables	10	160,872	121,354
Total current assets		<u>1,214,370</u>	<u>2,151,094</u>
Non current assets			
Financial assets	11	41,715,695	36,632,056
Property, plant and equipment	12	93,645	834,861
Intangible assets	13	-	822
Investment properties	14	863,490	-
Total non current assets		<u>42,672,830</u>	<u>37,467,739</u>
Total assets		<u>43,887,200</u>	<u>39,618,833</u>
Current liabilities			
Trade creditors and accruals	15	73,074	18,232
Total current liabilities		<u>73,074</u>	<u>18,232</u>
Non current liabilities			
Employee entitlements	16	50,426	-
Total non current liabilities		<u>50,426</u>	<u>-</u>
Total liabilities		<u>123,500</u>	<u>18,232</u>
Net assets		<u>43,763,700</u>	<u>39,600,601</u>
Members' funds			
Contributions	17	42,587,283	39,190,501
Reserves	18	1,176,417	410,100
Total members' funds		<u>43,763,700</u>	<u>39,600,601</u>

Signed in accordance with a resolution of 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 24.

Tuvalu National Provident Fund
Statement of cash flows
For the year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Contributions received		4,453,290	4,856,028
Interest received		582,816	585,572
Other income received		171,093	203,460
Payment of benefits		(3,842,144)	(3,076,102)
Payment to suppliers and employees		(459,926)	(651,117)
Net cash provided by operating activities		<u>905,129</u>	<u>1,917,841</u>
Cash flows from investing activities			
Net decrease/(increase) in investments		(1,600,000)	37,198
Net (increase)/decrease in small members loan		(115,089)	(402,027)
Payment for property, plant and equipment		(166,282)	(382,289)
Net cash outflow from investing activities		<u>(1,881,371)</u>	<u>(747,118)</u>
Net increase in cash and cash equivalent		(976,242)	1,170,723
Cash and cash equivalents at 1 January		<u>2,029,740</u>	<u>859,017</u>
Cash and cash equivalents as at 31 December	23	<u>1,053,498</u>	<u>2,029,740</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 24.

Tuvalu National Provident Fund

Notes to and forming part of the financial statements

For the year ended 31 December 2012

1. Reporting Entity

Tuvalu National Provident Fund (the "Fund") is a national superannuation fund domiciled in the Republic of 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 and 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 21/8/2013.

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 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except for the following:

- IFRS 13 Fair Value Measurement, which becomes mandatory for the Fund's 2013 financial statements. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. This standard is applied prospectively.
- IFRS 9 Amendment – Financial Instruments: Classification and measurement (effective 1 January 2015)

The Fund does not plan to adopt this standard early and the extent of the impact has not been determined.

(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 and 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 2012

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

(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 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>
Plant 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 2012

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 2012

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.

Loans and receivables comprise cash and cash equivalents, other receivables and loans and advances.

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.

(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.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Fund considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

Financial assets measured at amortised cost

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 does not 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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

3. Significant accounting policies (continued)

(h) Investment property (continued)

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%

(i) 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.

(j) 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.

(k) 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.

(l) Expense recognition

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

(m) Income tax

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

(n) Contributions

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

(o) 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 2012

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

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; given market interest rate levels are consistent with the Fund's business strategies.

Market risk is the potential for change in the value of on and off statement of financial positions 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 balance sheet, and from controlled trading undertaken in pursuit of returns.

The Fund procures the service of International Fund Managers based in New Zealand to manage its investment in overseas pool managed funds. The Fund manager reports on 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 dominated 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.

A +/- 10% and +/- 20% change in returns each month, as well as a one standard deviation change per month, from a starting value as at 31 May 2012. Thus the changes in returns are compounded each month over a seven month period.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

4. Financial risk management (continued)

Market risk (continued)

iii. Price risk (continued)

	Actual FUM as at 31/12/2012 \$	10% Increase \$	10% Decrease \$	20% Increase \$	20% Decrease \$	1 Std Dev Increase \$	1 Std Dev Decrease \$
AMP Capital Extended Schroder Australian Equity Fund	17,176,233	17,295,341	17,060,753	17,413,633	16,944,450	17,191,502	17,163,938
Total	34,380,322	34,608,431	34,156,413	34,836,298	33,932,251	34,402,039	34,361,581
% Change		0.66%	-0.65%	1.33%	-1.30%	0.06%	-0.05%

iv. Interest rate risk

Cash flow 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:

	2012 \$	2011 \$
<i>Fixed rate instruments</i>		
Short term deposit	<u>675,118</u>	<u>1,535,483</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.

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 credit quality 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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

4. Financial risk management (continued)

Liquidity risk (continued)

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:

	2012	2011
	\$	\$
Cash and cash equivalents	1,053,498	2,029,740
Investments :		
- investments in pooled funds	34,415,870	29,447,320
- loans and advances	7,299,825	7,184,736
	<u>42,769,193</u>	<u>38,661,796</u>

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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

	2012	2011
	\$	\$
5.(a) Interest income		
Interest on members small loans	642,526	607,960
Interest on member contributions	(93,174)	(49,588)
Interest on term deposits	33,464	27,200
	<u>582,816</u>	<u>585,572</u>
5.(b) Movement in net market value of investments		
Unrealised gain on investments	<u>3,598,715</u>	<u>1,381,038</u>
6. Other operating income		
Surcharges	27,408	197,318
Loan approval fees	103,440	97,340
BSP Life – service fee	24,481	18,935
TNPF Market – Rental	26,157	-
Withdrawal fees	8,257	6,245
Staff deductions	4,062	3,076
	<u>193,805</u>	<u>322,914</u>
7. Personnel expenses		
Salaries and wages	280,923	256,358
Provident fund contributions	28,008	25,654
Allowance and entitlements	67,482	22,363
Rent	23,429	18,870
Staff bonus	7,550	5,279
	<u>407,392</u>	<u>328,524</u>
8. Other operating expenses		
Auditors – remuneration	9,600	9,600
– other disbursement	20,325	3,499
Bank charges	5,796	4,930
Board expenses	6,944	6,848
Doubtful debts-surcharge	-	190,000
Electricity	16,861	17,520
Office expenditure	17,103	7,995
Portfolio management charges	28,362	24,426
Repairs and maintenance	5,010	11,563
Sponsorship	7,404	8,127
Training	26,254	30,682
Travelling, meals and accommodation	32,201	28,615
Telecommunications	8,361	8,311
TNPF Market	6,135	-
Other	7,800	7,779
	<u>198,156</u>	<u>359,895</u>

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

	2012	2011
	\$	\$
9. Cash and cash equivalents		
Cash on hand	10,371	78,490
Cash in bank	368,009	415,767
Term deposits	675,118	1,535,483
	<u>1,053,498</u>	<u>2,029,740</u>
10. Other receivables		
Sundry debtors	166,290	386,931
Less: Allowance for doubtful debts	<u>(41,790)</u>	<u>(313,150)</u>
	124,500	73,781
Stationery stock	36,372	43,967
Prepayments	-	3,606
	<u>160,872</u>	<u>121,354</u>
11. Financial assets		
Fair value through profit or loss		
Investment in pooled funds		
Shares in Tuvalu Co-operative Society Limited	25	25
All Weather Fund	-	3,461,913
RREEF Global Property Securities Fund	-	1,972,775
Aberdeen Inflation Linked Bonds	-	3,334,212
JFCP Australian Equity Trust	-	1,959,499
BT Global Return Fund	35,523	85,323
State Street Wealth Weighted Global Equity	-	3,414,538
Schroder Australian Equity Fund	17,204,089	1,383,692
BlackRock Asset Management Australia Limited	-	13,835,343
AMP Capital Extended	17,176,233	-
Total investment in pooled funds	<u>34,415,870</u>	<u>29,447,320</u>
Loans and advances		
Members' small loans	<u>7,299,825</u>	<u>7,184,736</u>
Total investments	<u>41,715,695</u>	<u>36,632,056</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.

Fair value through profit or loss

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 (2011: 8.75 per cent). The loans are secured against the member's contribution.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

12. Property, plant and equipment

	Buildings \$	Office furniture & equipment \$	Work in progress \$	Total \$
Cost				
Balance at 1 January 2011	258,894	303,276	352,628	914,798
Acquisitions	-	9,636	372,653	382,289
Disposals	-	(18,817)	-	(18,817)
Balance at 31 December 2011	258,894	294,095	725,281	1,278,270
Acquisitions	-	13,023	47,397	60,420
Disposals	-	-	-	-
Transfers to investment property	-	-	(772,678)	(772,678)
Balance at 31 December 2012	258,894	307,118	-	566,012
Depreciation				
Balance at 1 January 2011	185,518	254,358	-	439,876
Depreciation charge for the year	8,188	14,162	-	22,350
Disposals	-	(18,817)	-	(18,817)
Balance at 31 December 2011	193,706	249,703	-	443,409
Depreciation charge for the year	9,339	19,619	-	28,958
Disposals	-	-	-	-
Balance at 31 December 2012	203,045	269,322	-	472,367
Carrying amount				
At 1 January 2011	73,376	48,918	352,628	474,922
At 31 December 2011	65,188	44,392	725,281	834,861
At 31 December 2012	55,849	37,796	-	93,645

13. Intangible assets

	2012 \$	2011 \$
Software		
Cost		
Cost at 1 January	90,479	90,479
Acquisitions	-	-
Balance at 31 December	90,479	90,479
Amortisation		
Accumulated balance at 1 January	89,657	78,502
Amortisation charge during the year	822	11,155
Balance at 31 December	90,479	89,657
Total written down value at 31 December	-	822

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

14. Investment property

	Buildings	Office furniture & equipment	Total
	\$	\$	\$
Cost			
Balance at 1 January 2012	-	-	-
Acquisitions	101,521	4,341	105,862
Transfers from property, plant and equipment	772,678	-	772,678
Balance at 31 December 2012	<u>874,199</u>	<u>4,341</u>	<u>878,540</u>
Depreciation			
Balance at 1 January 2012	-	-	-
Depreciation charge for the year	14,570	480	15,050
Balance at 31 December 2012	<u>14,570</u>	<u>480</u>	<u>15,050</u>
Carrying amount			
At 1 January 2012	-	-	-
At 31 December 2012	<u>859,629</u>	<u>3,861</u>	<u>863,490</u>

	Notes	2012	2011
		\$	\$
15. Trade creditors and accruals			
Trade creditors		56,169	13,195
Accruals		16,665	4,797
Other current liabilities		240	240
		<u>73,074</u>	<u>18,232</u>
16. Employee entitlements – annual and long service leave			
Net liability at 1 January		-	2,055
(Income)/expense recognised in the profit or loss		50,426	(2,055)
Net liability at 31 December		<u>50,426</u>	<u>-</u>
17. Contributions			
Allocated members contribution	17(a)	42,500,702	39,104,297
Unallocated members contribution	17(b)	86,581	86,204
		<u>42,587,283</u>	<u>39,190,501</u>
(a) Allocated contributions			
Balance at 1 January		39,104,297	36,017,222
Add: Contributions received from members		4,380,528	4,806,440
Interest credited on members accounts:			
Operating surplus attributable to members	19	3,531,541	1,567,600
Advance distribution accounts	19	93,174	49,588
		<u>47,109,540</u>	<u>42,440,850</u>
Less: Withdrawals	20	(3,834,089)	(3,076,102)
Administrative service fees		(8,055)	(6,245)
Transfer to dividend equalisation reserve		(766,317)	(215,100)
Transfer to unallocated contributions		<u>(377)</u>	<u>(39,106)</u>
Balance at 31 December		<u>42,500,702</u>	<u>39,104,297</u>

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

17. Contributions (continued)

	Notes	2012 \$	2011 \$
(b) Unallocated members contributions			
Balance at 1 January		86,204	47,098
Transfer from allocated contributions	17(a)	377	39,106
Balance at 31 December		<u>86,581</u>	<u>86,204</u>

(c) Interest credited on members' account

Interest is credited on members' account at the rate of 8% for the year ended 31 December 2012 (2011: 4%).

(a) The advance distribution accounts were withdrawn before establishment of 2012 interest 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 \$3,626,816 for the year ended 31 December 2012 (2011: \$1,381,038) and realised loss from investments in managed funds for the year ended 31 December 2012 totalled (\$193,417) (2011: \$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.

19. Operating surplus

	2012 \$	2011 \$
Balance at 1 January	-	-
Net surplus for the year attributable to the members of the Fund	3,531,541	1,567,600
Advance distribution accounts	93,174	49,588
Administrative service fees	(8,055)	(6,245)
Transfer to dividend equalisation reserve	(575,774)	-
Transfer (to) members contribution accounts	(3,040,886)	(1,610,943)
Balance at 31 December	<u>-</u>	<u>-</u>

20. Withdrawal of contributions

The following contributions by category were withdrawn during the year.

	2012 \$	2011 \$
Retirement	2,633,418	2,071,819
Emigration	430,861	296,034
Death	99,547	140,309
Incapacity	74,499	39,227
Housing	51,352	65,925
Recovery for bad and doubtful debts	113,989	211,882
MEDU	430,423	250,906
	<u>3,834,089</u>	<u>3,076,102</u>

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

21. Commitment and contingent liabilities

Contingent liabilities and capital expenditure commitments not otherwise provided in the financial statements amounted to \$nil (2011: \$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 were no significant transactions with Government of Tuvalu for 2012 (2011: \$Nil).

The following were directors of the Fund during the year:

Mrs Palipa Lauti (Chairwoman) (appointed: 8/07/2013)
 Mr Solofa Uoata (appointed: 8/07/2013) Mr Petaia Meauma (appointed: 22/08/2012)
 Mr Kakee P Kaitu (appointed: 8/07/2013) Dr Miliama Simeona (appointed: 2/03/2012)
 Mr Elisala Piita (appointed: 28/07/2011)

Mr Pesega Lifuka (retired: 1/07/2012) Mr. Kitona Tausi (retired: 14/04/2012)
 Mr Fatasi Malologa (retired: 5/07/2013)
 Mr Michael Noa (appointed: 02/03/2012, retired 8/02/2013)
 Ms Limasene Teatu (Chairman) (retired: 5/07/2013)

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.

	2012	2011
	\$	\$
Loans to director	60,411	46,277
Board expenses	6,944	6,848
Contributions	419,060	310,792

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 Kiatoa Ulika)

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

	2012	2011
	\$	\$
Loans	75,018	59,119
Contribution	258,710	231,659
Short term benefits	75,642	106,202
Long term benefits	23,546	-

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2012

23. Notes to the statement of cash flows

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:

	2012	2011
	\$	\$
Cash and cash equivalents	<u>1,053,498</u>	<u>2,029,740</u>

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 2012, and the statement of 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 24.

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 2012 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
Acting Auditor-General
Government of Tuvalu

21st August, 2013