



TUVALU NATIONAL PROVIDENT FUND

ANNUAL REPORT 2013

TABLE OF CONTENTS

TNPF STAFF 2013	1
TNPF ‘VISION’ & ‘MISSION’	2
HIGHLIGHTS FOR THE YEAR 2013	3
BOARD OF MANAGEMENT 2013.....	4
CHAIRPERSON’S REPORT	5
CHIEF EXECUTIVE OFFICER’S REPORT	7
Introduction	7
Membership	7
Employers	7
Growth of the Fund	8
Contributions	8
Interest (Dividend) Declared to Members	8
Withdrawals	9
Enforcement	10
Investments	10
Human Resource Development	10
The Australian Superannuation Funds Association	11
Membership in Other Professional Organizations	11
Staff	11
Appreciation	12
TABLES OF STATISTICS – 2013	13
Table 1. Contributions	14
Table 2. Interest Rates	15
Table 3. Analysis of Inflows and Outflows	16
Table 4. Overseas Investments	17
Table 5. Members Fund	18
Table 6. Income and Benefits Paid	19
Table 7. Benefit Withdrawals	20
Table 8. Special Death Benefit Fund (SDBF).....	22
FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013.....	23

TNPF STAFF 2013



VISION

‘PROVIDE EXCELLENT SERVICES AND SUSTAINABLE BENEFITS 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 2013

- The Fund reported a net profit of \$3,590,125 for the year.
- The Board declared an interest of 8 per cent to be credited as dividend for all members for the year 2013, resulting in the distribution of \$3,186,668 to members accounts.
- Management reviewed the human resource needs of the Fund during the year.
- Board approved the Fund's new Doubtful Debt policy during the year.
- 204 new members were registered during the year.
- 11 new employers were registered during the year.
- The Fund received \$4,605,732 in total member contributions during the year compared to \$4,380,528 received in 2012.
- Total benefit withdrawals paid out during the year was \$4,725,026 compared to \$3,834,089 paid out in 2012.
- Total loans disbursed during the year amounted to \$2,239,255 (2012: \$1,838,459).
- The Fund's loans portfolio increased by 6.04% to \$7,741,059 during the year
- The total member's fund increased by 8.28% to \$47,387,513 during the year.
- The Fund's total investment portfolio increased by 8.41% to \$46,886,628 during the year.
- Total assets of the Fund increased by 8.19% to \$47,483,473 during the year.

BOARD OF MANAGEMENT 2013

Names	Representing	Appointment
Ms. Palipa H. Lauti [Chairperson]	Public Service	Appointed during the year
Mr. Solofa Uota	Employees	Appointed during the year
Mr. Kakee P Kaitu	Public Service	Appointed during the year
Mr. Karl Tili	Employers	Appointed during the year
Ms. Miliama Simeona	Employees	Appointed in 2012
Mr. Petaia Meauma	Employers	Appointed in 2012
Ms. Limasene Teatu	Public Service	Retired during the year
Mr. Faatasi Malologa	Public Service	Retired during the year
Mr. Elisala Pita	Employers	Retired during the year
Mr. Michael Noa	Employees	Retired during the year



CHAIRPERSON'S REPORT

It is with great pleasure that I present the Fund's annual report for the financial year 2013. 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 2013, submitted in accordance with the requirements of the TNPF Act 1984.

I am delighted to report another year of positive financial results, as the Fund reported a net profit of \$3,590,125. The Board given its commitment to its members declared a dividend interest rate of 8% to be credited to all members accounts for the reported financial year. The total dividend credited to member's individual accounts during the year amounted to \$3,186,668.

The Fund's total investment portfolio (including offshore and local investments) increased by 8.41% to \$46,886,628 while total assets of the Fund increased by 8.19% to \$47,483,473. The total member's fund increased by 8.28% to \$47,387,513 during the year. The Fund's offshore investment portfolio that makes up 80.84% of the Fund's total investment strategy reported a net return of 10.7% during the year, while the member's small loans scheme that makes up 16.51% of the Fund's total investment strategy reported a return of 10.18% for the year.

Management with Board's approval reviewed the human resource needs of the Fund during the year. The objective of the review was to assess the ongoing human resource needs of the Fund.

The Board approved the Fund's new Doubtful Debt Policy during the year. This is the first time for the Fund to formalize such a policy. Considering the nature of the Fund's operation, it is prudent for the Fund to have a debt management policy in place.

Members continued to enjoy the benefits they received from the Fund's new MEDU scheme during the year. Total MEDU benefits paid out during the year amounted to \$493,758.

The new commercial market building (project) was slowly occupied by tenants during the year. The project collected \$43,260 in rental revenues and reported a net profit of \$10,851.

As Chairperson, I wish to express the Board's appreciation and gratitude for the support obtained from all staff of TNPF during the year. My special appreciation to the General Manager & Chief Executive for his leadership and to Management for their outstanding contributions during the year. The Fund's achievements this year reflects on the hard work and commitment of TNPF employees and their ability to deliver quality service and to uphold the values and ideals of the Tuvalu National Provident Fund at all times.

We are thankful for the support that we are getting from Government, employers, employees, the private sector and all stakeholders.

Finally, I wish to thank my fellow Board Members for their advice, loyalty and support during the year as I look forward to a prosperous future for TNPf and its members.

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

Palipa H. Lauti
Chairperson



CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

The year was another successful one for the Fund and its members. The Fund reported an outstanding net profit of \$3.59 million during the year, which is a net return of 8.45% on member's fund. The Fund maintained its objective based asset allocation strategy during the year as the offshore portfolio reported a gross return of 10.7% during the year. The Fund's membership continued to grow, with 204 new members registered during the year.

The Fund reviewed its human resource needs during the year. The main objective of the review was to assess the human resource needs of the Fund, identify areas which are either under or over-resourced and to re-distribute and re-align staff responsibilities to provide a better balance of functions (duties) within all departments and units of the Fund. The review resulted in the creation of one new position within the Finance department during the year.

As outlined in previous reports, our priorities are to provide a satisfying service to our members and to manage TNPF with the level of professionalism required to sustain and grow the organization. To achieve these, we intend to continue to create an enabling environment that responds and supports the ongoing needs of our members. In 2013, we responded to 331 claims for benefit withdrawals, 5,598 loan applications and 536 applications for MEDU withdrawals. The Fund reviewed its MEDU scheme during the year.

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 increased by 8.19% to \$47,483,473 during the year.

Membership

The Fund welcomed 204 new members who were registered during the year compared to 192 the previous year. As of 31 December 2013, the number of registered members stands at 5,646 (2012 – 5,442). From those registered, around 3,180 members have active accounts.

Employers

A total of 11 new employers were registered during the year, bringing the total number of registered employers to 330 (2012 – 319). Out of this number about 148 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
2013	4,605,732	45,901,064	5,646

Contributions

Contributions collected during the 2013 financial year amounted to \$4,605,732 (2012 – \$4,380,528). Monthly contributions therefore averaged at A\$383,811 (2012 – \$365,044).

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 2013. The total amount credited to members account amounted to \$3,186,668.

Withdrawals

The total benefit withdrawals paid out during the year amounted to \$4,725,026 (2012 – \$3,834,089). Breakdown of withdrawals under each category of withdrawal is summarized below-

Type of Benefit	Amount (\$)
Retirement	2,107,524
Emigration	908,305
Death	184,721
Incapacity	16,330
Housing	141,428
Recovery for bad and doubtful debts	872,960
MEDU benefits	493,758
Total	4,725,026

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

The Fund's enforcement committee had been instrumental during the year, working closely with the enforcement team in making sure non complying employers (clients) are dealt with accordingly. Routine inspections are carried out on defaulting clients and reminder letters are issued accordingly.

Investments

The Fund maintained its objective based asset allocation strategy during the year as the offshore portfolio is equally split between two multi-asset fund managers, namely AMP Capital Extended Multi-Asset Fund and Schrodgers Real Return Fund.

The Fund's loan scheme continued to produce a consistent positive return for the Fund, where the total loan portfolio increased from \$7,299,825 to \$7,741,059 during the year.

The new commercial market investment project collected \$43,260 in rental revenues and reported a net profit of \$10,851. To promote the market project to members of the business community and general public, the Fund organized a Trade Fair during the year. The Trade Fair provided an opportunity for various businesses that participated to showcase and sell their products and services.

The Fund's total investment portfolio as at 31 December 2013 amounted to \$46,886,628 (2012 - \$43,250,442). A breakdown of the Fund's overall investment strategy is presented below:-

Fund Manager / Portfolio Type	Amount (\$)	Weighting (%)
Schroder Real Return Fund	18,842,280	40.19
AMP Capital Extended Multi-Asset Fund	19,059,586	40.65
Members Small Loans	7,741,059	16.51
Fixed IBD Term Deposits with NBT	398,249	0.85
Property Investment	845,429	1.80
Shares in TCS	25	0
Total	46,886,628	100

Human Resource Development

Motivating employees to achieve higher qualifications and to move up the ranks has always been Management's priority.

Senior officer, Mr. Kiatoa Ulika was awarded an NZAID scholarship during the year to pursue a Masters of Business & Management programme.

Two other officers namely Ms. Peau Taasi and Mr Tioti Maatia also continued their trainings during the year. Ms. Taasi pursued a Bachelors of Arts Degree in Management and Law, while Mr. Maatia pursued a Bachelors of Commerce Degree in Professional Accounting. Both officers attended the University of the South Pacific, Suva, Fiji.

Two junior officers (Ms. Lessa Lui and Mr. Tukotahi Lopati) were given the opportunity to further their knowledge and skills during the year. The two attended a week long attachment training organized with the Samoa National Provident Fund in Apia, Samoa.

The General Manager (Mr. Penielu Teo) also attended a 3 days investment training workshop in Seoul, Korea. The training provided participants with the opportunity to learn and examine various investment strategies. The training was funded by the Asian Development Bank.

Staff of the Fund are encouraged to take up extension studies through the University of the South Pacific (USP) Extension Centre. Two officers took up extension courses during the year.

The Australian Superannuation Funds Association (ASFA)

The Fund extended its membership with ASFA during the year. The General Manager attended the ASFA summit and Super Expo that was held in Perth, 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. Attended by more than 2,000 participants, the summit spanned over three days and attracted an array of high caliber speakers who presented on a wide range of topics. The Super Expo also attracted more than 30 companies who showcased their products and services.

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.

Staff

The following employees were employed by the Fund 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. Kiatua Ulika
Senior Enforcement Officer	Mr. Siale Paeli
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 Officer	Mr. Tutokotahi Lopati
Loans Recovery Officer	Ms. Lessa Lui
Customer Services Officer	Ms. Veronica Lutelu
BSP Officer	Ms. Malofou Kaokoro
Accounts Clerk	Mr. Nakala Ioane
Messenger	Mr. Etimoni T Selu
Cleaner	Mr. Samuelu Hauma
Market Clerk	Mr. Lusama Uoli

Appreciation

I am most grateful for the support that we received from all our members and stakeholders during the year. I would also like to thank the Board for their leadership and for their support of both management and staff. I would also like to express my gratitude and appreciation to all Staff and Management for their cooperation and support and for embracing and enduring the challenges confronted by the Fund during the year. It was through the efforts of all Staff 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



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

Tables of Statistics (1984 to 2013)

Table 1: Contributions

Presented below is the breakdown of contributions, annual contributions and average contributions from 1984 to 2013.

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

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 2013.

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
2013	8	3,186,668	564

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 2013.

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
2013	687,903	4,605,732	4,278,028	7.74

Table 4: Investments

Presented below is the breakdown of net assets, total investment and percentage of investment to net assets from 1984 to 2013.

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

Table 5: Member's Fund

Presented below is the growth trend in members fund and number of members from 1984 to 2013.

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
2013	5,646	45,987,645	3.75	7.98

Table 6: Income and Benefits Paid

Presented below is the breakdown of total benefits paid out as compared to income earned from 1984 to 2013.

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
2013	4,725,026	4,278,028

Table 7: Benefits Withdrawals

Presented below is the breakdown of total benefits paid out of each of the following benefit categories from 1984 to 2013.

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
TOTAL	23,607,508	1,247,826	4,887,612	3,703,895	477,929	1,842,820	2,236,839	138,298	1,698,458	484,859	1,263,016	41,589,060

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 1st August 2007.

Tuvalu National Provident Fund
Financial Statements
For the year ended 31 December 2013

Tuvalu National Provident Fund

Contents

Directors' report	25-26
Statement by directors	27
Statement of comprehensive income	28
Statement of changes in equity	29
Statement of financial position	30
Statement of cash flows	31
Notes to the financial statements	32-48
Independent Auditors Report	49

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 2013 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:

Ms Palipa H. Lauti (Chairperson) (appointed: 8/07/2013)

Dr Miliama Simeona

Mr Petaia Meauma

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

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

Mr Karl Tili (appointed: 5/11/2013)

Ms Limasene Teatu (Chairperson) (retired: 5/07/2013)

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

Mr Elisala Pita (retired: 28/07/2013)

Mr Michael Noa (retired: 8/02/2013)

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 2013 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 \$3,590,125(2012: \$3,531,541).

Interest earned by members

An interest rate of 8% (2012: 8%) on members' balance was declared by the Board.

Reserves

Undistributed gain of \$403,457for the financial year 31 December 2013was transferred to Dividend equalisation reserve (2012: \$766,317).

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 assets

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.

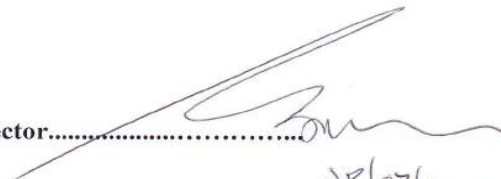
Directors' interests

Since the end of the financial year, no benefits (other than those included in the total amount of emoluments received or due and receivable by the directors shown in the Fund's financial statements) have accrued to any directors by reason of a contract made by the company, or related corporation with that director or with any firm of which he/she is a member or a entity in which he/she has a substantial financial interest.

Dated at Funafuti, this 28th day of July 2014.

Signed in accordance with a resolution of directors.

Director.....

Director.....
28/07/2014

Tuvalu National Provident Fund


Statement by directors

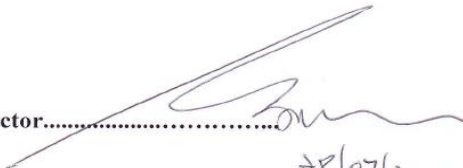
In the opinion of the directors of the Tuvalu National Provident Fund:

- (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 2013;
- (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 2013;
- (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 2013;
- (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 2013;
- (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 Funafuti, this 28th day of July 2014.

Signed in accordance with a resolution of directors.

Director.....

Director.....
28/07/2014

Tuvalu National Provident Fund
Statement of comprehensive income
For the year ended 31 December 2013

	Notes	2013 \$	2012 \$
Income			
Net interest income	5	528,924	582,816
<i>Movement in net market value of investments</i>			
Unrealised gain on investments		2,380,060	3,331,947
Realised (loss) on disposal of investments		-	(193,417)
Investment income		1,141,484	266,768
Other operating income	6	<u>227,560</u>	<u>193,805</u>
		4,278,028	4,181,919
Expenses			
Personnel expenses	7	350,934	407,392
Depreciation		50,173	44,830
Other operating expenses	8	<u>286,796</u>	<u>198,156</u>
Gain from operations		3,590,125	3,531,541
Income tax expense	3(n)	<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Net gain for the year attributable to members of the Fund		<u>3,590,125</u>	<u>3,531,541</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 26.

Tuvalu National Provident Fund
Statement of changes in equity
For the year ended 31 December 2013


	Notes	2013 \$	2012 \$
Contributions			
Balance at 1 January		42,500,702	39,104,297
Add: contributions received during the year	17(a)	4,605,732	4,380,528
Add: transfers from statement of comprehensive income	17(a)	3,590,125	3,531,541
Add: advance distribution accounts	17(a)	144,815	93,174
Add: transfer from dividend equalisation reserve	17(a)	196,848	-
Less: administrative service fees	17(a)	(8,675)	(8,055)
Less: member withdrawals	17(a)	(4,725,026)	(3,834,089)
Less: transfer to dividend equalisation reserve	17(a)	(403,457)	(766,317)
Less: transfer to unallocated contributions	17(a)	-	(377)
Balance at 31 December		<u>45,901,064</u>	<u>42,500,702</u>
Unallocated member contributions	17(b)	<u>86,581</u>	<u>86,581</u>
		<u>45,987,645</u>	<u>42,587,283</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		981,417	215,100
Transfer from statement of comprehensive income	17(a)	403,457	766,317
Transfer to contributions	17(a)	(196,848)	-
Transfer from loans and advances		16,842	-
Balance at 31 December		<u>1,204,868</u>	<u>981,417</u>
Total reserves		<u>1,399,868</u>	<u>1,176,417</u>
Total member's funds at 31 December		<u>47,387,513</u>	<u>43,763,700</u>

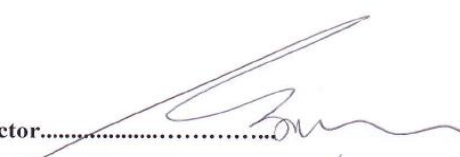
The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 26.

Tuvalu National Provident Fund
Statement of financial position
As at 31 December 2013

	Notes	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	9	817,618	1,053,498
Other receivables and assets	10	73,393	160,872
Total current assets		<u>891,011</u>	<u>1,214,370</u>
Noncurrent assets			
Financial assets	11	45,642,950	41,715,695
Property, plant and equipment	12	104,083	93,645
Intangible assets	13	-	-
Investment properties	14	845,429	863,490
Total noncurrent assets		<u>46,592,462</u>	<u>42,672,830</u>
Total assets		<u>47,483,473</u>	<u>43,887,200</u>
Current liabilities			
Trade creditors and accruals	15	42,573	73,074
Employee entitlements	16	6,672	3,426
Total current liabilities		<u>49,245</u>	<u>76,500</u>
Noncurrent liabilities			
Employee entitlements	16	46,715	47,000
Total noncurrent liabilities		<u>46,715</u>	<u>47,000</u>
Total liabilities		<u>95,960</u>	<u>123,500</u>
Net assets		<u>47,387,513</u>	<u>43,763,700</u>
Members' funds			
Contributions	17	45,987,645	42,587,283
Reserves	18	1,399,868	1,176,417
Total members' funds		<u>47,387,513</u>	<u>43,763,700</u>

Signed in accordance with the resolution of the directors:

Director.....

Director.....
28/07/2014

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 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Contributions received		4,605,732	4,360,116
Interest received		528,924	582,816
Other income received		315,039	171,093
Payment of benefits		(4,588,886)	(3,748,970)
Payment to suppliers and employees		(665,270)	(459,926)
Net cash provided by operating activities		<u>195,539</u>	<u>905,129</u>
Cash flows from investing activities			
Net decrease/(increase) in investments		35,523	(1,600,000)
Net (increase) in small members loan		(424,392)	(115,089)
Payment for property, plant and equipment		(42,550)	(166,282)
Net cash outflow from investing activities		<u>(431,419)</u>	<u>(1,881,371)</u>
Net increase in cash and cash equivalent		(235,880)	(976,242)
Cash and cash equivalents at 1 January		<u>1,053,498</u>	<u>2,029,740</u>
Cash and cash equivalents as at 31 December	23	<u>817,618</u>	<u>1,053,498</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 26.

Tuvalu National Provident Fund

Notes to and forming part of the financial statements

For the year ended 31 December 2013

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 (IFRSs) 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 2nd July 2014.

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 2013 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.

(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 2013

3. Significant accounting policies

(a) Change in accounting policies

Commencing from 1 January 2013, the Fund has changed its accounting policies in the following areas:

IFRS 13 Fair Value Measurement

The Fund adopted IFRS 13 Fair Value Measurement with a date of initial application of 1 January 2013.

In accordance with the transitional provisions of IFRS 13, the Fund has applied the new definition of fair value, as set out in Note (g) (ii), prospectively.

The change in accounting policy did not have any impact on the measurement of the Fund's assets and liabilities. The Fund has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Fund has provided the relevant comparative disclosure under those standards.

IFRS 9 Financial Instruments

The Fund has elected to early adopt IFRS 9 Financial Instruments issued in October 2010 (IFRS 9) as amended in December 2011 with a date of initial application of 1 January 2013.

IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. Unless it is designated as measured at fair value, a financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis. There was no change to the value of these financial assets on adoption of IFRS9. The Fund continues to classify its financial assets at fair value through profit or loss and hence there was no reclassification required upon adoption of IFRS 9.

(b) 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.

(c) 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.

(d) Other receivables

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

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(e) 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.

(f) 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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(g) 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.

Loans and receivables

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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(g) Financial assets (continued)

(ii) Fair Value Measurement – Policy applicable from 1 January 2013

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 recognized 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 recognized 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 either 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 IFRSs, 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 provide a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9.

(h) 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.

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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(i) 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%

(j) 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.

(k) 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.

(l) 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 and dividend income 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.

(m) Expense recognition

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

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

3. Significant accounting policies (continued)

(n) Income tax

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

(o) Contributions

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

(p) Comparative figures

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

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; 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 for the Fund includes price, interest rate and foreign exchange risk, which are explained as follows:

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

4. Financial risk management (continued)

Market risk (continued)

i. 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 is shown below. Thus the changes in returns are compounded each month over a nineteen month period.

	Actual Funds Under Management as at 31/12/2013 \$	10% Increase \$	10% Decrease \$	20% Increase \$	20% Decrease \$	1 Std Dev Increase \$	1 Std Dev Decrease \$
AMP Capital Extended Schroder Australian Equity Fund	19,059,586	19,401,153	18,796,198	19,709,985	18,499,977	19,126,722	19,066,466
Total	37,901,866	38,586,058	37,438,823	39,171,326	36,876,677	38,057,785	37,959,446
% Change		1.81%	(1.22%)	3.35%	(2.70%)	0.41%	0.15%

ii. 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:

	2013	2012
<i>Fixed rate instruments</i>	\$	\$
Short term deposit	<u>398,249</u>	<u>675,118</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.

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

4. Financial risk management (continued)

Liquidity risk (continued)

The Fund manages this risk by holding a pool of readily tradable investment assets and term deposits with 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.

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 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.

The Fund's secondary 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.

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:

	2013	2012
	\$	\$
Cash and cash equivalents	817,618	1,053,498
Investments :		
- investments in pooled funds	37,901,891	34,415,870
- loans and advances	7,741,059	7,299,825
	<u>46,460,568</u>	<u>42,769,193</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.

Tuvalu National Provident Fund

Notes to and forming part of the financial statements

For the year ended 31 December 2013

4. Financial risk management (continued)

Operational risk (continued)

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.

	2013	2012
	\$	\$
5. Net interest income		
Interest on members small loans	658,387	642,526
Interest on member contributions	(144,815)	(93,174)
Interest on term deposits	15,352	33,464
	<u>528,924</u>	<u>582,816</u>
6. Other operating income		
Surcharges	25,891	27,408
Loan approval fees	112,040	103,440
BSP Life – service fee	24,481	24,481
TNPF Market – Rental	43,261	26,157
Withdrawal fees	8,675	8,257
Miscellaneous income	13,212	4,062
	<u>227,560</u>	<u>193,805</u>
7. Personnel expenses		
Salaries and wages	258,211	280,923
Provident fund contributions	31,466	28,008
Allowance and entitlements	20,928	67,482
Rent	30,890	23,429
Staff bonus	9,439	7,550
	<u>350,934</u>	<u>407,392</u>
8. Other operating expenses		
Auditors' – remuneration	7,500	9,600
– other disbursement	7,100	20,325
Bank charges	6,258	5,796
Board expenses	6,176	6,944
Doubtful debts-surcharge	125,939	-
Electricity	17,184	16,861
Office expenditure	12,393	17,103
Portfolio management charges	14,717	28,362
Repairs and maintenance	20,331	5,010
Sponsorship	12,370	7,404
Training	11,324	26,254
Travelling, meals and accommodation	33,232	32,201
Telecommunications	7,260	8,361
TNPF Market	14,349	6,135
Other	(9,337)	7,800
	<u>286,796</u>	<u>198,156</u>

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

	2013 \$	2012 \$
9. Cash and cash equivalents		
Cash on hand	1,317	10,371
Cash in bank	418,052	368,009
Term deposits	398,249	675,118
	<u>817,618</u>	<u>1,053,498</u>
10. Other receivables and assets		
Sundry debtors	216,501	166,290
Less: Allowance for doubtful debts	(167,729)	(41,790)
	<u>48,772</u>	<u>124,500</u>
Stationery stock	24,621	36,372
	<u>73,393</u>	<u>160,872</u>
11. Financial assets		
Fair value through profit or loss		
Investment in pooled funds		
Shares in Tuvalu Co-operative Society Limited	25	25
BT Global Return Fund	-	35,523
Schroder Australian Equity Fund	18,842,280	17,204,089
AMP Capital Extended	19,059,586	17,176,233
Total investment in pooled funds	<u>37,901,891</u>	<u>34,415,870</u>
Loans and advances		
Members' small loans	7,741,059	7,299,825
	<u>7,741,059</u>	<u>7,299,825</u>
Total investments	<u>45,642,950</u>	<u>41,715,695</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 (2012: 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 measurements:

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

11. Financial assets (continued)

Determining fair values (continued)

Level 1: Quoted market price (unadjusted) in active market for an identical instrument.

Level 2: Valuation technique based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active market for similar instrument; quoted prices for identical or similar instrument in the market that are considered less than active; or other valuation techniques where all significant inputs are directly inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted price for similar instruments where significant unobservable adjustments or assumption are required to reflect differences between the instruments. Fair values of financial assets that are traded in active markets are based on quoted prices or dealer price quotations. For unlisted equity investments the Fund determines fair values using valuation techniques. Some or all of the significant inputs these valuations use may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions.

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:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Listed equities	37,901,891	-	-	37,901,891
Balance as at 31 December 2013	37,901,891	-	-	37,901,891
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Listed equities	34,415,870	-	-	34,415,870
Balance as at 31 December 2012	34,415,870	-	-	34,415,870

12. Property, plant and equipment

	Buildings \$	Office furniture & equipment \$	Work in progress \$	Total \$
Cost				
Balance at 1 January 2012	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
Acquisitions	2,166	40,384	-	42,550
Disposals	-	(35,758)	-	(35,758)
Balance at 31 December 2013	261,060	311,744	-	572,804

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

12. Property, plant and equipment (continued)

	Buildings	Office furniture & equipment	Work in progress	Total
	\$	\$	\$	\$
Depreciation				
Balance at 1 January 2012	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
Depreciation charge for the year	9,417	22,695	-	32,112
Disposals	-	(35,758)	-	(35,758)
Balance at 31 December 2013	212,462	256,259	-	468,721
Carrying amount				
At 1 January 2012	65,188	44,392	725,281	834,861
At 31 December 2012	55,849	37,796	-	93,645
At 31 December 2013	48,598	55,485	-	104,083

13. Intangible assets

	2013	2012
	\$	\$
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	90,479	89,657
Amortisation charge during the year	-	822
Balance at 31 December	90,479	90,479
Total written down value at 31 December	-	-

14. Investment property

	Buildings	Office furniture & equipment	Total
	\$	\$	\$
Cost			
Balance at 1 January 2013	874,199	4,341	878,540
Acquisitions	-	-	-
Balance at 31 December 2013	874,199	4,341	878,540
Depreciation			
Balance at 1 January 2013	14,570	480	15,050
Depreciation charge for the year	17,484	577	18,061
Balance at 31 December 2013	32,054	1,057	33,111

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

14. Investment property (continued)

	Buildings \$	Office furniture & equipment \$	Total \$
Carrying amount			
At 1 January 2013	859,692	3,861	863,490
At 31 December 2013	<u>842,145</u>	<u>3,284</u>	<u>845,429</u>

	Notes	2013 \$	2012 \$
15. Trade creditors and accruals			
Trade creditors		3,409	56,169
Accruals		38,924	16,665
Other current liabilities		240	240
		<u>42,573</u>	<u>73,074</u>
16. Employee entitlements – annual and long service leave			
Net liability at 1 January		50,426	-
(Income)/expense recognised in the profit or loss		2,961	50,426
Net liability at 31 December		<u>53,387</u>	<u>50,426</u>
Represented by:			
Current			
Annual leave		<u>6,672</u>	<u>3,426</u>
Noncurrent			
Long service leave		<u>46,715</u>	<u>47,000</u>
17. Contributions			
Allocated members contribution	17(a)	45,901,064	42,500,702
Unallocated members contribution	17(b)	86,581	86,581
		<u>45,987,645</u>	<u>42,587,283</u>
(a) Allocated contributions			
Balance at 1 January		42,500,702	39,104,297
Add: Contributions received from members		4,605,732	4,380,528
Transfer from dividend equalisation reserve		196,848	-
Operating surplus attributable to members	19	3,590,125	3,531,541
Advance distribution accounts	19	144,815	93,174
		<u>51,038,222</u>	<u>47,109,540</u>
Less: Withdrawals	20	(4,725,026)	(3,834,089)
Administrative service fees	19	(8,675)	(8,055)
Transfer to dividend equalisation reserve	19	(403,457)	(766,317)
Transfer to unallocated contributions		-	(377)
Balance at 31 December		<u>45,901,064</u>	<u>42,500,702</u>

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

17. Contributions (continued)

(b) Unallocated members contributions

Balance at 1 January		86,581	86,204
Transfer from allocated contributions	17(a)	<u>-</u>	<u>377</u>
Balance at 31 December		<u>86,581</u>	<u>86,581</u>

(c) Interest credited on members' account

Interest is credited on members' account at the rate of 8% for the year ended 31 December 2013 (2012: 8%).

- (a) The advance distribution accounts were withdrawn before establishment of 2013 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 \$2,380,060 for the year ended 31 December 2013 (2012: \$3,331,947) and realised loss from investments in managed funds for the year ended 31 December 2013 totalled \$nil, (2012: \$193,417).

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

	2013	2012
	\$	\$
Balance at 1 January	-	-
Net surplus for the year attributable to the members of the Fund	3,590,125	3,531,541
Advance distribution accounts	-	93,174
Administrative service fees	-	(8,055)
Transfer to dividend equalisation reserve	(403,457)	(575,774)
Transfer (to) members contribution accounts	<u>(3,186,668)</u>	<u>(3,040,886)</u>
Balance at 31 December	<u>-</u>	<u>-</u>

20. Withdrawal of contributions

The following contributions by category were withdrawn during the year.

	2013	2012
	\$	\$
Retirement	2,107,524	2,633,418
Emigration	908,305	430,861
Death	184,721	99,547
Incapacity	16,330	74,499
Housing	141,428	51,352
Recovery for bad and doubtful debts	872,960	113,989
Medical and Education Benefit	<u>493,758</u>	<u>430,423</u>
	<u>4,725,026</u>	<u>3,834,089</u>

Tuvalu National Provident Fund
Notes to and forming part of the financial statements
For the year ended 31 December 2013

21. Commitment and contingent liabilities

Contingent liabilities and capital expenditure commitments not otherwise provided in the financial statements amounted to \$nil (2012: \$nil).

22. Related parties

Identity of related parties

The Fund has related party relationship with its directors and executive officers.

Transactions with related parties

There were no significant transactions outside the ordinary course of business with Government of Tuvalu for 2013 (2012: \$Nil).

The following were directors of the Fund during the year:

Ms Limasene Teatu (Chairperson) (retired: 05/07/2013)
 Ms Palipa H. Lauti (Chairperson) (appointed: 08/07/2013)
 Mr Fatasi Malologa (retired: 05/07/2013)
 Mr Elisala Pita (retired: 28/07/2013)
 Mr Michael Noa (retired: 08/02/2013)
 Dr Miliama Simeona
 Mr Petaia Meauma
 Mr Solofa Uoata (appointed: 08/07/2013)
 Mr Kakee P Kaitu (appointed: 08/07/2013)
 Mr Karl Tili (appointed: 05/11/2013)

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.

	2013	2012
	\$	\$
Loans to director	56,439	60,411
Board expenses	6,176	6,944
Contributions	411,480	419,060

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, short term benefits and long term benefits and are set out below:

	2013	2012
	\$	\$
Loans	83,102	75,018
Contribution	276,752	258,710
Short term benefits	75,642	75,642
Long term benefits	28,433	23,546

Tuvalu National Provident Fund

Notes to and forming part of the financial statements

For the year ended 31 December 2013

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:

	2013	2012
	\$	\$
Cash and cash equivalents	<u>817,618</u>	<u>1,053,498</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 2013, 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 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 2013 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 July 2014