



TUVALU NATIONAL PROVIDENT FUND



ANNUAL REPORT 2017

Honourable Minister
Ministry of Finance and Economic Development
Government Buildings
Vaiaku

Dear Sir,

Tuvalu National Provident Fund Annual Report 2017

I am pleased to present the Tuvalu National Provident Fund (TNPF) Annual Report 2017.

The report is a clear detailed record of our operations, activities and financial results over the past financial year.

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

Yours faithfully,



Vavau Fatuuga
Chairman
Board of Management
Tuvalu National Provident Fund

Contents

OUR VISION	1
OUR MISSION	1
OUR CORE VALUES	1
HIGHLIGHTS	2
OUR BOARD	3
OUR STAFF	4
CHAIRMAN’S REPORT	5
CHIEF EXECUTIVE OFFICER’S REPORT	7
OVERVIEW OF OPERATIONS	9
Membership	9
Employers	9
Growth of the Fund	9
Contributions	10
Interest (Dividend) Declared to Members	10
Withdrawals	10
Enforcement	11
Investments	11
Human Resource Development	12
Membership in Other Professional Organizations	12
TABLES OF STATISTICS – 2017	13
Table 1. Contributions	14
Table 2. Interest Rates	15
Table 3. Inflows and Outflows	16
Table 4. 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	23

Our Vision

A life-time saving Fund that is cherished by all members

Our Mission

To invest productively the contributions received so members and their dependants can enjoy the greatest benefit of their life-time before and during retirement.

Our Core Values

Members can have confident and trust in the integrity of TNPf hence these principles:

- We will act responsibly to enhance and sustain sound financial growth.
- We will exercise sound management practices and prudential investment policies over funds we are entrusted.
- We are supportive of each other's efforts and share the same objectives;
- We are loyal to one another and show respect to all our members;
- We have a shared passion that is to deliver results on time to the satisfaction of our members;
- We strive to achieve high standards of customer service at all times;
- We take ownership of our actions and we strive to be transparent in our decisions;
- As custodians of members funds, we value the trust of our members on what we do and we capitalize the relationship with members on that trust;
- We resolve to do what is right for our customers even when no one is looking.
- We will enhance employee's capacities to fulfil their future potentials in meeting future challenges and opportunities.

The Highlights

- The Fund as a group reported a consolidated net profit of \$3,260,880 for the year.
- The Board declared an interest rate of 4.5 per cent to be credited to all members' accounts for the year 2016. The decision resulted in the crediting of \$2,420,332 to members accounts.
- The Fund's subsidiary company TPNF Holdings Limited reported a net profit after tax of \$146,622 for its hotel business.
- The Fund hosted the 6th Pacific Provident Fund & Social Security Forum during the year.
- 405 new members were registered during the year.
- 7 new employers were registered during the year.
- The Fund received \$6,727,121 as total member contributions during the year compared to \$6,510,223 in 2016, an increase of 3.34%.
- Total benefit withdrawals paid out during the year amounted to \$5,317,466 compared to \$4,339,987 paid out in 2016.
- The Fund's loans portfolio increased by 7.62% to \$9,689,342 during the year
- The total member's fund increased by 8.08% to \$63,775,069 during the year.
- The Fund's total investment portfolio increased by 7.22% to \$62,420,849 during the year.
- Total assets of the Fund increased by 8.17% to \$64,771,069 during the year.

Our Board

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

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

The Board Members who were in office during the period are as follow:

Names	Appointments	Representative
Mr. Vavau Fatuuga	Chairman	Public Service
Mr. Petaia Meauma	Board Member	Employers
Mr. Katepu Laoi	Board Member	Employers
Dr. Miliama Simeona	Board Member	Employees
Mr. Pugameau Taufilo	Board Member	Employees
Mr. Pusinelli Laafai	Board Member	Employees (appointed 20 March 2017)
Mr. Temate Melitiana	Board Member	Public Service (resigned 20 March 2017)

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

Our Staff



Listed below are names of Staff employed by the Fund during the year –

Names	Position	Names	Position
Penielu Teo	<i>General Manager & CEO</i>	Tutokotahi Opapo	<i>Accounts Officer</i>
Siava Tekafa	<i>Manager Finance & Member Services</i>	Lessa Lui	<i>Loans Recovery Officer</i>
Kiatoa N Ulika	<i>Manager Corporate Services</i>	Veronica Lutelu	<i>Customer Service Officer I</i>
Siale Paueli	<i>Senior Enforcement Officer</i>	Malofou Kaokoro	<i>Customer Service Officer II</i>
Manaima Tauati	<i>Senior Accountant</i>	Nakala Ioane	<i>Loans Officer</i>
Tuitala Lasifo	<i>IT Officer</i>	Lina Vagalia	<i>Secretary (appointed during the year)</i>
Kiliata Peleti	<i>Data Service Officer</i>	Tofikai Eti	<i>Accounts Clerk</i>
Kiuniu Aselu	<i>Data Entry Operator</i>	Etimoni Timuani	<i>Messenger (resigned during the year)</i>
Peau Taasi	<i>Client Relations Officer</i>	Samuelu Hauma	<i>Cleaner</i>
Tioti Maatia	<i>Accounts Business Officer</i>	Lusama Uoli	<i>Market Clerk (resigned during the year)</i>



Chairman's Report

On behalf of the Board of Management of the Tuvalu National Provident Fund I have the pleasure to report to ALL members, employers, government and stakeholders that the Fund has achieved a consolidated net surplus of \$3,260,880 for the year ended 31 December 2017. This has led to the Board declaring a rate of interest of 4.5% on member's balances with the Fund where the total amount credited to member's accounts amounted to \$2,420,331, while \$840,549 was transferred to reserve funds.

The year was particularly significant to the Board and Staff of the Fund as TNPF hosted the 6th Pacific Provident Fund and Social Security CEO Forum which was a three-day event held on Funafuti in October 2017. A total of 11 regional member organizations were represented at the Forum.

During the year, the Fund continued to experience increase inflows of member's contribution. The increased number of construction projects underway on the capital has contributed to the increase.

The Fund's total investment portfolio (including offshore and local investments) increased by 7.22% to \$62,420,849 while total assets of the Fund increased by 8.17% to \$64,771,069. Total member's fund increased by 8.08% to \$63,775,069 during the year. The Fund's offshore investment portfolio that makes up 79.54% of the Fund's total investment strategy reported a net return of 6.6% during the year, while the member's small loans scheme that makes up 15.53% of the Fund's total investment strategy reported a return of 10.06% for the year.

The Fund made further diversification to its offshore investment strategy during the year. A new offshore cash portfolio account was opened with BT Asset Management Limited during the year with an initial deposit of \$1.5 million.

The Fund's subsidiary the TNPF Holdings Limited that operates its Hotel business under the trade name 'Funafuti Lagoon Hotel' reported a satisfactory after tax net profit of \$146,622 for year ended 31 December 2017.

On behalf of the Board, I take this opportunity to thank the Management team and Staff of the Fund for their commitment, hard work and genuine support during the year. I offer my special appreciation to the General Manager and the Management team for their outstanding leadership during the year. I

also wish to acknowledge with gratitude the support that the Fund is getting from the Government, employers, employees, members of the private sector and to all those who have contributed to the Fund. Moreover, I wish to thank my fellow Board members for their loyalty, advice, invaluable support and commitment in respect to their responsibilities to the Fund.

I look forward to a prosperous future of TNPF and its members.



Vavau Fatuuga
Chairman



Chief Executive Officer's Report

Financial Year 2017 was another successful financial period for the Tuvalu National Provident Fund and its members. The success would not have materialized without the positive direction of the Board and the committed efforts been displayed by all the hard working staff who demonstrated genuine teamwork spirit to realize the results.

The Fund reported a consolidated net profit of \$3,260,880 for the year. The Board declared an interest rate of 4.5% to be credited to member's accounts. The amount credited to members account was \$2.42 million and the remaining surplus was posted to General Reserves of the Fund. This is a successful result considering the negligible interest rates offered by commercial banks on fixed terms deposits.

The reported net return on member's contribution fund is 5.66%. The Fund's offshore investment strategy reported a gross return of 6.6% during the year. The Fund's membership continued to grow, with 405 new members registered during the year. In terms of financial growth, the total members fund grew by 8.08% to \$63,775,069 during the year. Likewise, total assets of the Fund also increased by 8.17% to \$64,771,069 during the year.

In 2017, the Fund responded to 379 claims for benefit withdrawals, 5875 approved loan applications and 1,435 applications for MEDU withdrawals.

The Fund hosted the 6th Pacific Provident Fund and Social Security CEO Forum (PPFSSF), a three-day event held on Funafuti in October 2017. About 25 candidates representing 11 regional member organizations from the Pacific region attended the Forum. The PPFSSF members that attended the Tuvalu Forum included Solomon Island National Provident Fund, Samoa National Provident Fund, Cook Islands Superannuation Fund, Fiji National Provident Fund, Kiribati Provident Fund, Tonga Retirement Board, Tonga National Retirement Benefit Fund, Nauru Pension Fund, Ngati Awa Holdings Ltd, New Zealand SuperFund and Tuvalu National Provident Fund. Four new admissions were considered during the PPFSSF AGM in Tuvalu and approvals for new memberships were awarded to Ngati Awa Holdings Fund (NZ), Nambawan Super Fund (PNG), New Zealand SuperFund and Nauru Pension Fund.

The financial success of the Fund would not have been realized without the teamwork and concerted efforts rendered by the TNPF Board of Management, the Management team and staff during the year. In this respect, may I sincerely thank the Chairman and members of the TNPF Board of Management for their continuous commitment, invaluable guidance and support to Management and Staff. I also wish to thank the Management team and Staff for their dedication, cooperation and hardworking efforts been displayed during the year.

I also like to record my appreciation for the support and assistance that has been forthcoming from Government, Employers, all stakeholders and especially all members during the year.



Penielu P. Teo
Chief Executive Officer

Overview of Operations

Membership

The Fund recorded 405 new registered employees during the financial year compared to 290 the previous year. The total registered members as at 31 December 2017 is 6,832 (2016 – 6,427). From those registered, around 4,743 are considered active members.

Employers

A total of 7 new employers were registered during the year, bringing the total number of registered employers to 354 (2016 – 347). Out of this number about 114 employers are considered active and contributed to the Fund during the year.

Growth of the Fund

Year End	Annual contribution (\$)	Total members' credit (\$)	Number of members
1984	145,910	1,677,870	1,136
1985	239,542	1,847,463	1,302
1986	279,472	2,130,788	1,913
1987	284,991	2,520,634	2,349
1988	348,933	2,841,207	2,646
1989	343,294	3,355,975	2,974
1990	378,750	4,076,556	3,164
1991	485,890	4,299,175	3,182
1992	668,961	5,240,336	3,241
1993	795,647	6,048,890	3,268
1994	643,555	6,899,359	3,287
1995	912,003	7,347,583	3,334
1996	785,333	8,094,935	3,376
1997	1,206,821	8,828,682	3,519
1998	1,279,968	10,018,061	3,538
1999	1,596,799	10,727,919	3,573
2000	2,554,855	12,918,586	3,726
2001	2,624,234	14,707,376	3,859
2002	2,994,661	15,313,348	4,267
2003	3,815,165	18,035,826	4,892
2004	3,220,414	21,623,307	5,343
2005	2,867,305	24,322,730	5,626
2006	3,435,203	28,004,214	5,851
2007	3,448,518	31,089,756	6,227
2008	3,936,902	32,406,919	6,585
2009	3,907,439	33,020,594	6,773
2010	4,230,324	36,064,320	5,099
2011	4,806,440	39,104,297	5,250
2012	4,380,528	42,500,702	5,442
2013	4,605,732	45,901,064	5,646
2014	5,196,065	48,903,798	5,840
2015	7,354,214	51,394,909	6,137
2016	6,510,223	56,140,647	6,427
2017	6,727,121	60,066,145	6,832

Contributions

Contributions collected during the 2017 financial year amounted to \$6,727,121 (2016 – \$6,510,223).

The average monthly contributions is A\$560,593 (2016 – \$542,518).

Interest (Dividend) Declared to Members

The Board declared a dividend of 4.5 per cent (4.5%) to be credited to all members' accounts for the financial year 2016. The total amount credited to members account amounted to \$2,420,332.

Withdrawals

Currently, there are eight (8) withdrawal grounds available to members. These include:

Retirement Benefit

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

Emigration

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

Death

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

Incapacity

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

Housing

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

Retirement Pension

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

Recovery for bad and doubtful debts

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

Medical and Educational benefit (MEDU)

The MEDU benefit is a benefit that is payable directly from a member's MEDU account for the purpose to finance a member or member's dependants medical and/or educational services in accordance with conditions laid out by way of policy.

Total withdrawals made by members during the year amounted to \$5,317,466 (2016 – \$4,339,987). The following withdrawals by category were made during the year:-

Type of Benefits	Amount (\$)
Retirement	2,746,105
Emigration	625,327
Death	293,378
Incapacity	40,914
Housing	218,684
Recovery for bad and doubtful debts	447,452
MEDU benefits	945,606
Total	5,317,466

Enforcement

The Fund's enforcement committee had been instrumental during the year, working closely with the enforcement team in making sure non-complying employers are dealt with accordingly. Routine inspections are carried out on defaulting clients and reminder letters are issued accordingly. Visits to all Employers on the outer islands were also carried out during the year.

Investments

Offshore

The Board appointed a new Cash Manager for the Fund during the year with the appointment of BT Asset Management Ltd (BT) during the year. A cash transfer of \$1.5 million was made as the Fund's initial investment with BT. The Fund's offshore investment portfolio continued to perform well during the year. A return of 6.6% was realised by the Fund from its offshore investments. The Fund retained its objective based asset allocation strategy during the year. Both existing fund managers namely AMP Capital Extended Multi-Asset Fund and Schroder Real Return Fund were retained by the Board during the year.

Loans

The Fund's loan portfolio produced a consistent positive return for the Fund during the year. Consistently increasing the loans portfolio size at end of year was \$9,689,342 (2016 - \$9,003,921). The loans portfolio gave the Fund a return of 10.06% during the year.

Commercial market property

The Fund's commercial market property investment collected \$43,450 in total revenues. Three additional rooms were constructed at the ground floor towards the end of the year. The new rooms will boost revenues for future financial periods.

Hotel property investment

Year 2017 was the first year of full operation for the Funafuti Lagoon Hotel (FLH), a subsidiary business of the Fund. The FLH reported a net profit after tax of \$146,623. For a concessional investment of \$836,400, the return for the Fund from its Hotel business is around 17.53%. The FLH's financial performance is considered successful.

The Fund's total investment portfolio as at 31 December 2017 amounted to \$62,420,849 (2016 - \$58,216,400). A breakdown of the Fund's overall investment strategy is presented below:-

Fund Manager / Portfolio Type	Amount (\$)	Weighting (%)
Schroder Real Return Fund	23,020,080	36.87
AMP Capital Extended Multi-Asset Fund	25,136,260	40.26
BT Asset Management	1,503,963	2.41
Members Small Loans	9,689,342	15.53
Fixed IBD Term Deposits with NBT	1,520,426	2.44
Property Market Investment	714,353	1.15
Investments in Subsidiary (TNPFI Investment Holdings Ltd)	836,400	1.34
Shares in TCS	25	0
<i>Total</i>	62,420,849	100

Human Resource Development

To upgrade the human resource capacity of Staff is a core value that Management has made a priority.

During the year two mid-level Officers were given the opportunity to attend a high-level summit. The Data Service Officer (Ms. Kiliata Afelee) and Data Entry Operator (Ms. Kiuniu Aselu) accompanied the General Manager to the Association of Superannuation Funds of Australia (ASFA) summit and Super Expo that was held in Sydney, Australia. The ASFA Summit 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.

Two Management Officers were also given the opportunity to attend to investment trainings during the year. Mrs. Siava Tekafa and Mr. Kiatoa Ulika accompanied the General Manager to the 3rd Annual Portfolio Construction MasterClass educational Conference that was held in Auckland, New Zealand.

Two Board Directors namely Mr. Petaia Meauma and Mr. Pusinelli Laafai were also given opportunities to attend investment trainings during the year.

Membership in other Professional Organizations

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

Tables of Statistics
(1984 to 2017)

Table 1: Contributions

Presented below is the breakdown of contributions, annual contributions and average contributions from 1984 to 2017.

Year	Number of contributors	Annual contributions (AUD)	Average annual contribution per member (AUD)
1984	1,136	145,910	128
1985	1,302	239,542	184
1986	1,913	279,472	146
1987	2,349	284,991	121
1988	2,646	348,933	132
1989	2,974	343,294	115
1990	3,162	378,750	120
1991	3,182	485,890	153
1992	3,241	668,961	206
1993	3,268	795,647	243
1994	3,287	643,555	196
1995	3,334	912,003	273
1996	3,376	785,333	233
1997	3,519	1,206,821	343
1998	3,538	1,279,968	362
1999	3,573	1,596,799	447
2000	3,726	2,554,855	686
2001	3,859	2,624,234	680
2002	4,267	2,994,661	702
2003	4,892	3,815,165	780
2004	5,343	3,220,414	603
2005	5,626	2,867,305	509
2006	5,851	3,435,203	587
2007	6,227	3,448,518	553
2008	6,585	3,936,902	598
2009	6,773	3,907,439	577
2010	5,099	4,230,324	830
2011	5,250	4,806,440	915
2012	5,442	4,380,528	805
2013	5,646	4,605,732	816
2014	5,840	5,196,065	889
2015	6,137	7,354,214	1,198
2016	6,427	6,510,223	1,013
2017	6,832	6,727,121	985

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 2017.

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
2014	5.26	2,292,875	392
2015	3	1,378,100	225
2016	5	2,521,485	392
2017	4.5	2,420,332	354

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 2017.

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
2014	776,028	5,196,065	3,788,322	8.64
2015	840,626	7,354,214	2,350,734	8.66
2016	901,696	6,510,223	3,970,511	8.60
2017	1,543,888	6,727,121	4,867,606	13.32

Note: The sudden increase in revenue and expenditure in year 2017 is due to the inclusion of revenues and expenses from the Funafuti Lagoon Hotel, a hotel business operated by a subsidiary of TNPF.

Table 4: Investments

Presented below is the breakdown of net assets, total investment and percentage of investment to net assets from 1984 to 2017.

Year	Net Assets (AUD)	Total Investment Portfolio (AUD)	Percentage of Investments to Net Assets (%)
1984	1,677,869	0	0
1985	2,015,933	1,736,878	86.15
1986	2,411,037	2,166,095	89.84
1987	2,967,739	2,495,312	84.08
1988	3,485,033	2,998,382	86.03
1989	4,021,985	3,398,402	84.49
1990	4,761,380	3,826,426	80.36
1991	5,064,310	4,450,136	84.49
1992	6,084,937	5,174,117	85.03
1993	7,072,620	6,667,883	94.27
1994	7,329,563	6,516,884	88.91
1995	7,808,451	7,191,764	92.10
1996	8,233,421	8,230,736	99.90
1997	9,148,852	8,830,023	96.51
1998	10,599,156	9,867,615	93.10
1999	10,816,077	9,915,161	91.67
2000	12,998,052	11,914,141	91.66
2001	14,801,842	13,391,074	90.47
2002	15,422,814	13,937,458	90.37
2003	18,160,292	16,001,722	88.11
2004	21,966,741	20,370,774	92.73
2005	25,262,106	24,570,258	97.26
2006	29,527,032	28,652,195	97.03
2007	32,465,281	31,793,222	97.92
2008	29,389,177	28,596,218	97.30
2009	33,645,436	32,750,044	97.34
2010	36,259,320	34,886,189	96.00
2011	39,600,601	36,632,056	92.50
2012	43,763,700	43,250,442	98.82
2013	47,387,513	46,886,628	98.94
2014	51,105,409	50,436,769	98.70
2015	53,713,607	52,785,512	98.27
2016	59,008,978	58,216,400	98.66
2017	63,775,069	62,420,849	97.88

Table 5: Member's Fund

Presented below is the growth trend in members fund and number of members from 1984 to 2017.

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	47,387,513	3.75	7.98
2014	5,840	51,105,409	3.44	7.85
2015	6,137	53,713,607	5.08	5.10
2016	6,427	59,008,978	4.73	9.86
2017	6,832	63,775,069	6.30	8.08

Table 6: Income and Benefits Paid

Presented below is the breakdown of total benefits paid out as compared to income earned from 1984 to 2017.

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
2014	4,641,681	3,788,322
2015	6,424,986	2,350,734
2016	4,339,987	3,970,511
2017	5,317,466	4,867,606

Table 7: Benefits Withdrawals

Presented below is the breakdown of total benefits paid out of each of the following benefit categories from 1984 to 2017.

Year	Retirement (AUD)	Age & Other Claims (AUD)	Emigration (AUD)	Women's Home (AUD)	Incapacity (AUD)	Death (AUD)	Housing (AUD)	Pension (AUD)	Recovery Bad Debts (AUD)	Members Home (AUD)	MEDU Benefit	Total (AUD)
1984	20,431	29,303	4,001	7,933	0	0	0	3,969				65,637
1985	145,508	4,262	4,249	2,412	0	601	0	5,508				162,540
1986	56,081	46,350	28,346	15,239	19	1,442	0	5,415				152,892
1987	33,568	5,205	67,174	2,231	0	9,803	0	5,424				123,405
1988	196,959	46,901	47,004	26,823	0	6,106	0	6,863				330,656
1989	71,257	45,907	49,702	13,629	0	38,431	0	6,336				225,262
1990	45,066	8,446	65,852	20,041	0	2,649	0	8,292				150,346
1991	692,721	24,967	75,925	18,526	0	39,050	0	7,571				858,760
1992	239,099	34,871	53,943	34,126	10,607	6,664	0	7,518				386,828
1993	464,414	29,902	40,772	39,047	0	23,308	0	8,721				606,164
1994	246,811	2,951	76,255	36,120	0	27,788	0	8,725				398,650
1995	630,631	13,442	105,214	243,624	10,235	49,182	0	8,725				1,061,053
1996	325,189	4,401	227,251	178,185	5,960	16,365	0	8,720				766,071
1997	749,755	157,201	223,881	168,143	4,551	61,146	0	2,611				1,367,288
1998	587,151	184,963	145,149	75,420	4,742	73,922	0	2,333				1,073,680
1999	402,951	509,562	152,660	128,059	0	11,177	0	4,740				1,209,149
2000	408,334	81,285	107,086	66,452	4,616	66,330	96,817	2,738				833,658
2001	450,374	0	198,247	51,309	0	165,373	96,199	2,738				964,240
2002	974,078	0	42,976	207,867	23,299	42,510	175,113	2,738				1,468,581
2003	1,169,377	0	53,745	275,168	1,451	40,361	109,704	2,738				1,652,544
2004	828,132	0	68,690	249,617	78,786	83,166	118,452	2,875				1,429,718
2005	1,018,581	0	138,087	298,234	41,569	180,325	135,137	2,875				1,814,808
2006	890,554	4,367	110,955	326,633	17,244	49,411	241,133	2,875				1,643,172
2007	776,831	0	294,043	409,897	5,807	184,449	221,573	2,875				1,895,475
2008	1,278,307	0	388,455	453,841	5,988	88,703	460,000	2,875	18,674			2,696,843
2009	1,625,968	0	254,988	236,182	79,679	53,824	263,200	2,875	150,240	484,859		3,151,815

2010	2,466,619	13,540	227,762	119,137	53,320	96,157	60,806	2,875	330,713	0	87,929	3,455,983
2011	2,071,819	0	296,034	0	39,227	140,309	65,925	2,875	211,882	0	250,906	3,078,977
2012	2,633,418	0	430,861	0	74,499	99,547	51,352	2,875	113,989	0	430,423	3,836,964
2013	2,107,524	0	908,305	0	16,330	184,721	141,428	2,875	872,960	0	493,758	4,727,901
2014	2,418,800	0	615,248	0	20,178	144,317	198,933	2,875	700,923	0	543,282	4,644,556
2015	2,214,253	0	632,395	0	45,427	1,835,571	214,603	2,875	798,583	0	684,155	6,427,862
2016	1,974,704	0	534,201	0	26,029	101,533	269,776	2,875	590,941	0	842,803	4,342,862
2017	2,746,105	0	625,327	0	40,914	293,378	218,684	2,875	447,452	0	945,606	5,320,341
TOTAL	32,961,370	1,247,826	7,294,783	3,703,895	610,477	4,217,619	3,138,835	149,798	4,236,357	484,859	4,278,862	62,324,681

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 and its Subsidiary
Financial Statements
For the year ended 31 December 2017

Tuvalu National Provident Fund and its Subsidiary

Contents

Directors' report	25 - 26
Statement of 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 and forming part of the financial statements	32 - 52
Independent auditors report to the members of the Tuvalu National Provident Fund	53 - 54

Tuvalu National Provident Fund

Directors' report

In accordance with a resolution of the board of directors, the directors herewith submit the financial statements of Tuvalu National Provident Fund ("the Fund") and the consolidated financial statements of the Fund and its subsidiary ("the Group") for the year ended 31 December 2017 and report as follows:

Directors

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

Mr Vavau Fatuga – Chairman
Dr Miliama Simeona
Mr Petaia Meauma
Mr Pugameau Taufilo
Mr Temate Melitiana (resigned 20 March 2017)
Mr Katepu Laoi
Mr Pusinelli Laafai (appointed 20 March 2017)

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 and the Group as at 31 December 2017 and the accompanying statements of comprehensive income, statements of changes in equity and statements of cash flows give a true and fair view of the results, changes in equity and cash flows of the Fund and the Group for the year then ended.

Operating results

The net gain as a result of operations of the Fund for the year ended 31 December 2017 amounted to \$3,114,258(2016: \$3,059,242). The consolidated result for the Group attributable to members for the year ended 31 December 2017 was a gain of \$3,260,880.

Interest earned by members

An interest rate of 4.5% (2016: 5%) on members' balance was declared by the Board.

Reserves

The board approved the transfer of undistributed gains to the following reserves during the year:

- \$678,926 (2016: \$522,757) to the Dividend Equalisation Reserve.
- \$15,000 (2016: \$15,000) to the Insurance Reserve.

Principal activities

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

The principal activities of the subsidiary entity, TNPF Investments Holding Limited, were those of operation of hotel and its facilities.

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 and the Group's financial statements were made out to ascertain that the current assets 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 and its Subsidiary

Directors' report (continued)

Receivables

The directors took reasonable steps before the Fund's and the Group'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

In the opinion of the directors, all related party transactions have been recorded in the books of the Fund and its subsidiary are adequately disclosed in the financial statements.

Going concern

The financial statements of the Fund and the Group 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 or the Group, the results of those operations or the state of affairs of the Fund or the Group 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 and Group'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.

Significant events during the year

The results of the Fund's and Group'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 and Group 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 and Group'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 3rd day of July 2018.

Signed in accordance with a resolution of the directors.

Director.....

Director.....

Tuvalu National Provident Fund and its Subsidiary

Statement by directors

In the opinion of the directors:

- (a) the accompanying statements of comprehensive income are drawn up so as to give a true and fair view of the results of the Fund and the Group for the year ended 31 December 2017;
- (b) the accompanying statements of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the Fund and the Group for the year ended 31 December 2017;
- (c) the accompanying statements of financial position are drawn up so as to give a true and fair view of the state of affairs of the Fund and the Group as at 31 December 2017;
- (d) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Fund and the Group for the year ended 31 December 2017;
- (e) at the date of this statement there are reasonable grounds to believe the Fund and the Group will be able to pay its debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded and disclosed in the financial statements.

Dated at Vaiaku, Funafuti this 3rd day of July 2018

Signed in accordance with a resolution of the directors.

Director.....

Director.....

Tuvalu National Provident Fund and its Subsidiary
Statements of comprehensive income
For the year ended 31 December 2017

	Notes	Consolidated		The Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Income					
Net interest income	5	796,723	784,847	796,723	784,847
<i>Movement in net market value of investments</i>					
Unrealised gain on investments		2,992,927	2,694,042	2,992,927	2,694,042
Investment income		-	220,543	-	220,543
Other operating income	6	1,077,956	271,079	241,038	218,347
		<u>4,867,606</u>	<u>3,970,511</u>	<u>4,030,688</u>	<u>3,917,779</u>
Expenses					
Personnel expenses	7	729,558	520,502	548,431	511,030
Depreciation		47,798	45,944	47,798	45,944
Other operating expenses	8	766,532	331,148	320,201	301,563
Gain from operations		<u>3,323,718</u>	<u>3,072,917</u>	<u>3,114,258</u>	<u>3,059,242</u>
Income tax expense	9(a)	62,838	4,102	-	-
Other comprehensive income		-	-	-	-
Net gain for the year attributable to members of the Fund		<u>3,260,880</u>	<u>3,068,815</u>	<u>3,114,258</u>	<u>3,059,242</u>

The statements of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 32 to 52.

Tuvalu National Provident Fund and its Subsidiary

Statements of changes in equity

For the year ended 31 December 2017

	Notes	Consolidated		The Fund	
		2017 \$	2016 \$	2017 \$	2016 \$
Contributions					
Balance at 1 January		56,140,647	51,394,909	56,140,647	51,394,909
Add: contributions received during the year	19(a)	6,727,121	6,510,223	6,727,121	6,510,223
Add: pension fund	19(a)	25,100	27,558	25,100	27,558
Add: transfers from statement of comprehensive income	19(a)	3,114,258	3,059,242	3,114,258	3,059,242
Add: advance distribution accounts	19(a)	90,621	49,772	90,621	49,772
Add: transfer from unallocated contributions	19(a)	-	-	-	-
Less: transfer to unallocated contributions	19(a)	(44)	(2,303)	(44)	(2,303)
Less: administrative service fees	19(a)	(20,166)	(21,010)	(20,166)	(21,010)
Less: member withdrawals	19(a)	(5,317,466)	(4,339,987)	(5,317,466)	(4,339,987)
Less: transfer to dividend equalisation reserve	19(a)	(678,926)	(522,757)	(678,926)	(522,757)
Less: transfer to insurance reserve	19(a)	(15,000)	(15,000)	(15,000)	(15,000)
Balance at 31 December		60,066,145	56,140,647	60,066,145	56,140,647
Unallocated member contributions		69,706	67,403	69,706	67,403
Transfer from/(to) contributions	19(b)	44	2,303	44	2,303
		69,750	69,706	69,750	69,706
		<u>60,135,895</u>	<u>56,210,353</u>	<u>60,135,895</u>	<u>56,210,353</u>
Insurance reserve					
Balance at 1 January		225,000	210,000	225,000	210,000
Transfer from statement of comprehensive income	21	15,000	15,000	15,000	15,000
Balance at 31 December		<u>240,000</u>	<u>225,000</u>	<u>240,000</u>	<u>225,000</u>
Dividend equalisation reserve					
Balance at 1 January		2,564,052	2,041,295	2,564,052	2,041,295
Transfer from statement of comprehensive income	21	678,926	522,757	678,926	522,757
Balance at 31 December		<u>3,242,978</u>	<u>2,564,052</u>	<u>3,242,978</u>	<u>2,564,052</u>
Total reserves		<u>3,482,978</u>	<u>2,789,052</u>	<u>3,482,978</u>	<u>2,789,052</u>
Retained earnings					
Balance at 1 January		9,573	-	-	-
Transfer from statement of comprehensive income	21	146,623	9,573	-	-
Balance at 31 December		<u>156,196</u>	<u>9,573</u>	<u>-</u>	<u>-</u>
Total member's funds at 31 December		<u>63,775,069</u>	<u>59,008,978</u>	<u>63,618,873</u>	<u>58,999,405</u>

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 32 to 52.

Tuvalu National Provident Fund and its Subsidiary

Statements of financial position

As at 31 December 2017

	Notes	Consolidated		The Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	10	2,854,371	3,166,252	2,629,321	3,100,732
Other receivables	11	477,038	404,061	458,614	453,619
Inventories		28,013	25,903	14,843	15,187
Total current assets		<u>3,359,422</u>	<u>3,596,216</u>	<u>3,102,778</u>	<u>3,569,538</u>
Non-current assets					
Financial assets	12(a)	59,349,670	54,171,322	59,349,670	54,171,322
Investments in subsidiary	12(b)	-	-	836,400	836,400
Property, plant and equipment	13	132,185	152,921	132,185	152,921
Intangible assets	14	1,215,439	1,239,003	-	-
Investment property	15	714,353	719,815	714,353	719,815
Total non-current assets		<u>61,411,647</u>	<u>56,283,061</u>	<u>61,032,608</u>	<u>55,880,458</u>
Total assets		<u>64,771,069</u>	<u>59,879,277</u>	<u>64,135,386</u>	<u>59,449,996</u>
Current liabilities					
Trade and other payables	16(a)	140,410	47,684	101,873	30,168
Employee entitlements	17	7,492	7,492	7,492	7,492
Deferred income	18	7,826	7,826	7,826	7,826
Financial liability	16(b)	22,341	24,080	-	-
Current tax liability	9(b)	66,940	4,102	-	-
Total current liabilities		<u>245,009</u>	<u>91,184</u>	<u>117,191</u>	<u>45,486</u>
Non-current liabilities					
Employee entitlements	17	61,482	59,439	61,482	59,439
Financial liability	16(b)	351,669	374,010	-	-
Deferred income	18	337,840	345,666	337,840	345,666
Total non-current liabilities		<u>750,991</u>	<u>779,115</u>	<u>399,322</u>	<u>405,105</u>
Total liabilities		<u>996,000</u>	<u>870,299</u>	<u>516,513</u>	<u>450,591</u>
Net assets		<u>63,775,069</u>	<u>59,008,978</u>	<u>63,618,873</u>	<u>58,999,405</u>
Members' funds					
Contributions	19	60,135,895	56,210,353	60,135,895	56,210,353
Reserves	20	3,482,978	2,789,052	3,482,978	2,789,052
Retained earnings		156,196	9,573	-	-
Total members' funds		<u>63,775,069</u>	<u>59,008,978</u>	<u>63,618,873</u>	<u>58,999,405</u>

Signed in accordance with the resolution of the directors:

Director.....

Director.....

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 32 to 52

Tuvalu National Provident Fund and its Subsidiary
Statements of cash flows
For the year ended 31 December 2017

	Notes	Consolidated		The Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Cash flows from operating activities					
Contributions received		6,752,221	6,537,781	6,752,221	6,537,781
Interest received		887,344	784,847	887,344	784,847
Other income received		976,985	310,980	208,051	265,389
Payment of benefits		(5,317,466)	(4,311,225)	(5,317,466)	(4,311,225)
Payment to suppliers and employees		(1,410,461)	(826,413)	(841,651)	(800,855)
Net cash from operating activities		<u>1,888,623</u>	<u>2,495,970</u>	<u>1,688,499</u>	<u>2,475,937</u>
Cash flows from investing activities					
Net increase in financial assets		(2,138,308)	(468,771)	(2,138,308)	(468,771)
Payment for investment properties		(12,759)	(3,306)	(12,759)	(3,306)
Payment for property, plant and equipment		(49,437)	(113,875)	(8,843)	(113,875)
Advance to related party		-	-	-	(50,000)
Shares in subsidiary acquired		-	-	-	(836,400)
Payment for service concession		-	(840,913)	-	-
Net cash used in investing activities		<u>(2,200,504)</u>	<u>(1,426,865)</u>	<u>(2,159,910)</u>	<u>(1,472,352)</u>
Net (decrease)/increase in cash and cash equivalents					
		(311,881)	1,069,105	(471,411)	1,003,585
Cash and cash equivalents at 1 January		<u>3,166,252</u>	<u>2,097,147</u>	<u>3,100,732</u>	<u>2,097,147</u>
Cash and cash equivalents at 31 December	10	<u>2,854,371</u>	<u>3,166,252</u>	<u>2,629,321</u>	<u>3,100,732</u>

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 32 to 52

Tuvalu National Provident Fund and its Subsidiary

Notes to and forming part of the financial statements

For the year ended 31 December 2017

1. Reporting entity

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

The consolidated financial statements of the Fund as at and for the year ended 31 December 2017 comprise the Fund and its controlled entity ("the Group").

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.

The principal activities of the subsidiary entity, TNPF Investment Holdings Limited, were those of operation of hotel and its facilities.

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 of the Fund and the Group (being the Fund and its subsidiary) have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as 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 25th June 2018.

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 2018, and have not been applied in preparing these financial statements. The following new standards relevant to the Group have been issued. The Group does not intend to apply these new standards until its effective date:

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is yet to assess the potential impact on the financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

The standard will provide a single source of requirements for accounting for all contracts with customers (except for some specific exceptions, such as lease contracts, insurance contracts and financial instruments) and will replace all current accounting pronouncements on revenue. New revenue disclosures are also introduced. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is yet to assess the potential impact on the financial statements resulting from the application of IFRS 15.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

2. Basis of preparation (continued)

(b) Basis of measurement

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

The accounting policies have been consistently applied by the Group 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 Group'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.

3. Significant accounting policies

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Foreign currency transactions

Foreign currency transactions are translated into the Australian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Cash and cash equivalents

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

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

(d) Other receivables

Other receivables are recognised initially at fair value and comprise of receivables from employers with respect to surcharges less allowance for doubtful debts, and receivables from Government with respect to the subsidy in relation to the capital expenditure on the TPNF Market Building and prepayments.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(f) Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent expenditure

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

Depreciation

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

	<i>Depreciation rates</i>
Office Furniture and Equipment	5%, 15%, & 20%
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 and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

(g) Financial assets

(i) Non-derivative financial assets

The Group 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 Group becomes a party to the contractual provisions of the instrument.

The Group 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 Group 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 Group 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 Group 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 Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group'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.

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 using the effective interest rate method. The loans are secured against the members' contributions to the Fund.

(ii) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

(g) Financial assets (continued)

(ii) Fair Value Measurement (continued)

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 Group 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 Group 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 Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognised in profit or loss. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and it intends to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted under 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 12 provides 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 is not to exceed 30 percent of the contribution balance at any point in time.

(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.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

(i) 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:

Depreciation rates

Furniture and equipment	5%, 15%
Buildings	2%

(j) Trade creditors and accruals

Trade and other payables are stated initially at fair value. A provision is recognised in the statement of financial position when the Group 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 using the effective interest rate method.

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 when the related services have been provided to the members.

Deferred income

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

Service concession arrangements

Revenue related to provision of hotel accommodation, public bar facilities, restaurant services and related activities under the service concession arrangement is recognised on the following basis; revenue from the rooms, restaurants and bars sales is recognised in the profit or loss when goods/services have been provided to the customers and revenue from the rendering of service is recognised in the profit or loss when the service has been rendered to the customer.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

(m) Expense recognition

All expenses are recognised in the profit or loss when the service has been performed.

(n) Income tax

The Provident Fund is exempt from income tax under section 32 of the National Provident Fund Act 1984. This exemption does not apply to any subsidiary.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Intangible assets – service concession arrangements

The Group recognises an intangible asset arising from a service concession arrangement when the initial payment by the Group is made as consideration for a right to charge for use of the concession infrastructure. Where the Group is required to make a combination of fixed and variable payments over the concession period to acquire the right to charge for use of the concession infrastructure, the Group includes the fair value of the fixed element of the payments in the cost of the intangible asset and recognises a corresponding financial liability (refer note 16(b)) at inception of the agreement. Variable payments are expensed as they are incurred.

Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period. The concession term for the Group 25 years.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

3. Significant accounting policies (continued)

(p) Contributions

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

(q) Comparative figures

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

4. Financial risk management

Introduction

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

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

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

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

Market risk includes currency, price and interest rate 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 Group has no currency risk exposure on its financial instruments as all financial instruments are denominated in the functional currency (Australian Dollars).

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

4. Financial risk management (continued)

Market risk (continued)

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.

The table below summarises what the market values would be, given 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 30 June 2012 for AMP and Schroders, and 30 November 2018 for BT. Thus the change in returns are compounded each month over a 54 month period.

Consolidated and the Fund

	Actual FUM as at 31/12/2017 \$	10% Increase \$	10% Decrease \$	20% Increase \$	20% Decrease \$	1 Std Dev Increase \$	1 Std Dev Decrease \$
AMP Capital Extended Schroder Australian Equity Fund	25,136,260	26,281,455	24,046,031	27,471,785	22,997,185	25,551,028	24,735,595
BT Global Return Fund	23,020,080	23,834,913	22,231,776	24,677,119	21,469,184	23,243,812	22,798,395
Total	49,660,303	51,621,026	47,781,644	53,653,973	45,969,795	50,299,111	49,038,214
% Change		3.95%	-3.78%	8.04%	-7.43%	1.29%	-1.25%

iii. Interest rate risk

Interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. Interest rate risk arises from the structure and characteristics of the Group'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 Group and the Fund's interest-bearing financial instruments was:

	Consolidated		The Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Fixed rate deposits</i>				
Short term deposits	<u>1,520,426</u>	<u>2,086,260</u>	<u>1,520,426</u>	<u>2,086,260</u>

Fair value sensitivity analysis for fixed rate instruments

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

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

4. Financial risk management (continued)

iv. Liquidity risk

Liquidity risk arises in the general funding of the Group'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 Group assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

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

All the financial liabilities of the Group 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.

v. 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 Group is subject to credit risk through its lending and investing activities.

The Group'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 statements 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 Group's offshore investments. Exposure to credit risk on these investments is monitored by management on an on-going basis. The Group 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 Group's financial assets exposed to credit risk amounted to the following:

	Notes	Consolidated		The Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Cash and cash equivalents	10	2,854,371	3,166,252	2,629,321	3,100,732
Investments:					
- investments in pooled funds	12	49,660,328	45,167,401	49,660,328	45,167,401
- loans and advances	12	9,689,342	9,003,921	9,689,342	9,003,921
		<u>62,204,041</u>	<u>57,337,574</u>	<u>61,978,991</u>	<u>57,272,054</u>

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

4. Financial risk management (continued)

vi. Operational risk

The Group's operational risk management framework supports the achievement of the Group'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 Group on a daily basis. The Board also meets monthly to discuss and approve process or policies to strengthen the operational environment.

	Notes	Consolidated		The Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
5. Net interest income					
Interest on members small loans		824,955	772,823	824,955	772,823
Interest on member contributions		(90,621)	(49,772)	(90,621)	(49,772)
Interest on term deposits		62,389	61,796	62,389	61,796
		<u>796,723</u>	<u>784,847</u>	<u>796,723</u>	<u>784,847</u>
6. Other operating income					
Surcharges		49,898	30,235	49,898	30,235
Loan approval fees		117,580	112,740	117,580	112,740
Hotel income		831,721	46,033	-	-
TNPF Market – Rental		43,450	44,716	43,450	44,716
Withdrawal fees		20,166	21,010	20,166	21,010
Release of deferred income		7,826	7,826	7,826	7,826
Miscellaneous income		7,315	8,519	2,118	1,820
		<u>1,007,956</u>	<u>271,079</u>	<u>241,038</u>	<u>218,347</u>
7. Personnel expenses					
Salaries and wages		566,482	389,797	408,902	381,556
Provident fund contributions		63,956	39,492	40,409	38,261
Allowance and entitlements		34,064	30,295	34,064	30,295
Housing allowance		52,300	45,115	52,300	45,115
Staff bonus		12,756	15,803	12,756	15,803
		<u>729,558</u>	<u>520,502</u>	<u>548,431</u>	<u>511,030</u>
8. Other operating expenses					
Auditors – remuneration		22,665	10,000	10,000	10,000
– other disbursement		6,735	4,600	4,600	4,600
Amortisation expense - intangibles		64,158	-	-	-
Bank charges		7,277	5,797	7,004	5,763
Board expenses		50,131	24,185	37,711	23,705

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

	Consolidated		The Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
8. Other operating expenses (continued)				
Doubtful debts – surcharge	-	57,499	-	57,499
Electricity	96,912	16,908	23,892	16,908
Office expenditure	28,650	20,240	16,354	18,993
Food and beverage	183,268	16,436	-	-
Portfolio management charge	16,356	16,365	16,356	16,365
Repairs and maintenance	38,095	12,136	14,424	11,850
Room rental	17,804	1,453	-	-
Sponsorship	11,609	8,340	11,609	8,340
Training	32,722	33,452	32,687	33,452
Travelling, meals and accommodation	71,050	48,363	71,050	48,363
Telecommunications	15,880	8,799	9,624	8,799
TNPF market	12,122	15,836	12,122	15,836
Other	91,098	30,739	52,768	21,090
	<u>766,532</u>	<u>331,148</u>	<u>320,201</u>	<u>301,563</u>
9. Income tax				
(a) Income tax expense				
The amount of income tax attributable to the financial year differs from the amount prima facie payable on the profit. The difference is reconciled as follows:				
Gain before tax	<u>3,323,718</u>	<u>3,072,917</u>	<u>3,114,258</u>	<u>3,059,242</u>
Prima facie tax payable @ 30% (2016: 30%)	997,115	921,875	934,277	917,773
Exempt income	<u>934,277</u>	<u>917,773</u>	<u>934,277</u>	<u>917,773</u>
Income tax expense	<u>62,838</u>	<u>4,102</u>	<u>-</u>	<u>-</u>
Total income tax expense is made up of:				
Current income tax expense	<u>62,838</u>	<u>4,102</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>62,838</u>	<u>4,102</u>	<u>-</u>	<u>-</u>
(b) Current tax liability				
Balance at 1 January	4,102	-	-	-
Current income tax expense	<u>62,838</u>	<u>4,102</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>66,940</u>	<u>4,102</u>	<u>-</u>	<u>-</u>
10. Cash and cash equivalents				
Cash on hand	4,571	4,767	4,373	4,569
Cash at bank	1,329,374	1,075,225	1,104,522	1,009,903
Term deposits	1,520,426	2,086,260	1,520,426	2,086,260
	<u>2,854,371</u>	<u>3,166,252</u>	<u>2,629,321</u>	<u>3,100,732</u>

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

	Consolidated		The Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
11. Other receivables				
Sundry debtors	305,606	233,320	237,182	232,878
Less: allowance for doubtful debts	(220,878)	(220,878)	(220,878)	(220,878)
	<u>84,728</u>	<u>12,442</u>	<u>16,304</u>	<u>12,000</u>
Receivable from Government	391,319	391,319	391,319	391,319
Receivable from related party	-	-	50,000	50,000
Prepayments	991	300	991	300
	<u>477,038</u>	<u>404,061</u>	<u>458,614</u>	<u>453,619</u>
Allowance for doubtful debts				
Balance at 1 January	220,878	163,379	220,878	163,379
Additional provision recognised	-	57,499	-	57,499
Balance at 31 December	<u>220,878</u>	<u>220,878</u>	<u>220,878</u>	<u>220,878</u>
12(a) Financial assets				
Fair value through profit or loss				
Investment in pooled funds				
Shares in Tuvalu Co-operative Society Limited	25	25	25	25
Schroder Australian Equity Fund	23,020,080	21,929,808	23,020,080	21,929,808
AMP Capital Extended	25,136,260	23,237,568	25,136,260	23,237,568
BT Global Return Fund	1,503,963	-	1,503,963	-
Total investment in pooled funds	<u>49,660,328</u>	<u>45,167,401</u>	<u>49,660,328</u>	<u>45,167,401</u>
Loans and advances				
Members' small loans	9,689,342	9,003,921	9,689,342	9,003,921
Total investments	<u>59,349,670</u>	<u>54,171,322</u>	<u>59,349,670</u>	<u>54,171,322</u>

Shares

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

Fair value through profit of 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 (2016: 8.75 per cent). The loans are secured against the member's contribution.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

12(a) Financial assets (continued)

Determining fair values

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

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

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

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

The table below analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Consolidated and the Fund

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Listed equities	49,660,303	-	25	49,660,328
Balance as at 31 December 2017	<u>49,660,303</u>	<u>-</u>	<u>25</u>	<u>49,660,328</u>
Listed equities	45,167,376	-	25	45,167,401
Balance as at 31 December 2016	<u>45,167,376</u>	<u>-</u>	<u>25</u>	<u>45,167,401</u>

Consolidated		The Fund	
2017	2016	2017	2016
\$	\$	\$	\$

12(b) Investments in subsidiary

TNPF Investment Holdings Limited	-	-	836,400	836,400
	<u>-</u>	<u>-</u>	<u>836,400</u>	<u>836,400</u>

The Fund has 100% equity holding in TNPF Investment Holdings Limited. TNPF Investment Holdings Limited's place of incorporation and business is Tuvalu.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

11. Property, plant and equipment

Consolidated and the Fund

	Buildings	Office furniture & equipment	Total
	\$	\$	\$
Cost			
Balance at 1 January 2016	261,060	330,617	591,677
Acquisitions	85,915	27,960	113,875
Balance at 31 December 2016	<u>346,975</u>	<u>358,577</u>	<u>705,552</u>
Acquisitions	-	8,842	8,842
Balance at 31 December 2017	<u>346,975</u>	<u>367,419</u>	<u>714,394</u>
Depreciation			
Balance at 1 January 2016	231,296	293,776	525,072
Depreciation charge for the year	10,190	17,369	27,559
Balance at 31 December 2016	<u>241,486</u>	<u>311,145</u>	<u>552,631</u>
Depreciation charge for the year	11,486	18,092	29,578
Balance at 31 December 2017	<u>252,972</u>	<u>329,237</u>	<u>582,209</u>
Carrying amount			
At 1 January 2016	29,764	36,841	66,605
At 31 December 2016	<u>105,489</u>	<u>47,432</u>	<u>152,921</u>
At 31 December 2017	<u>94,003</u>	<u>38,182</u>	<u>132,185</u>

12. Intangible assets

Service concession arrangements

	Consolidated		The Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cost				
Balance at 1 January	1,239,003	-	-	-
Acquisitions	40,594	1,239,003	-	-
Balance at 31 December	<u>1,279,597</u>	<u>1,239,003</u>	<u>-</u>	<u>-</u>
Amortisation				
Balance at 1 January	-	-	-	-
Amortisation charge for the year	(64,158)	-	-	-
Balance at 31 December	<u>(64,158)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount				
At 1 January	1,239,003	-	-	-
At 31 December	<u>1,215,439</u>	<u>1,239,003</u>	<u>-</u>	<u>-</u>

On 30 November 2016, the Fund (being the “Concession Holder”) entered into a service concession agreement (“the agreement”) with the Government of Tuvalu. The Government of Tuvalu through a public enterprise company called Vaiaku Lagi Hotel owned a 20 bedroom Hotel with associated dining and function facilities at Funafuti.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

14. Intangible assets (continued)

Service concession arrangements (continued)

Under the agreement, the Concession Holder and the Government of Tuvalu have agreed terms on which the Hotel will be made available and the Concession Holder will operate and further develop and use before returning it to the Government of Tuvalu. The Concession Holder will be responsible to ensure that the refurbishment of the Hotel occurs as outlined in the agreement as soon as possible and that maximum practicable continuing use of the assets is achieved. The Government of Tuvalu considers that the refurbishment of the Hotel in accordance with the Programme and its ongoing operation by an experienced private sector operator is essential to the Government of Tuvalu's intentions to provide quality accommodation for tourists, diplomats and a function centre for local and regional events.

In consideration for entering into the Agreement, the Concession Holder paid the following to the Government of Tuvalu:

- a sum of \$790,000 within two business days of executing the agreement; and
- on settlement date a sum of \$50,913 for chattels and consumables.

In addition to the payments made by the Concession Holder, the Concession Holder must also pay a Concession Fee equal to 3% of the Gross Revenue derived from the Hotel and the Land. The Concession Fee is payable in respect of Gross Revenue charged by the Concession Holder or any affiliate whether in Tuvalu or elsewhere, and shall be paid quarterly in arrears within one month of the end of each quarter. The minimum Concession Fee payable in respect of each year, starting with the calendar year commencing 1 January 2017 irrespective of total Gross Revenue for that or any other year, is \$25,000 and the final payment in respect of each year must bring the Concession Fee up to this amount if necessary. The minimum Concession Fee does not apply in respect of any period before 1 January 2017.

Both the parties agreed that the Agreement be for a term of 25 years commencing on the date of the Agreement and ending 31 December 2040. If the Concession Holder is not in breach of any of its obligations under the Agreement and the Agreement has not been terminated, the Concession Holder has the right to extend the Agreement for a further 20 years. A renewal fee of fifty percent of the then current concession fee is payable on exercise of the right.

For the year ended 31 December 2017, the Group has recognised revenue of \$831,721, consisting of revenue generated from the operation of the Hotel and related facilities and ultimately recognised a profit of \$146,622.

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

15. Investment property

Consolidated and the Fund

	Buildings	Office furniture and equipment	Total
	\$	\$	\$
Cost			
Balance at 1 January 2016	874,199	4,341	878,540
Acquisitions	3,306	-	3,306
Balance at 31 December 2016	877,505	4,341	881,846
Acquisitions	10,563	2,195	12,758
Balance at 31 December 2017	888,068	6,536	894,604
Depreciation and impairment			
Balance at 1 January 2016	141,435	2,211	143,646
Depreciation charge for the year	17,808	577	18,385
Balance at 31 December 2016	159,243	2,788	162,031
Depreciation charge for the year	17,580	640	18,220
Balance at 31 December 2017	176,823	3,428	180,251
Carrying amount			
At 1 January 2016	732,764	2,130	734,894
At 31 December 2016	718,262	1,553	719,815
At 31 December 2017	711,245	3,108	714,353

The investment property is mainly comprised of the TNPf Market Building and furniture and equipment. The fair value on the property cannot be reliably determined as there is no active property market in Tuvalu.

	Consolidated		The Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
16(a) Trade and other payables				
Trade creditors	117	9,034	117	117
Accruals	92,390	37,860	53,853	29,261
Other current liabilities	790	790	790	790
Unclaimed monies	47,113	-	47,113	-
	<u>140,410</u>	<u>47,684</u>	<u>101,873</u>	<u>30,168</u>
16(b) Financial liability				
Service concession arrangements	<u>374,010</u>	<u>398,090</u>	<u>-</u>	<u>-</u>
Represented by:				
Current	22,341	24,080	-	-
Non-current	351,669	374,010	-	-
	<u>374,010</u>	<u>398,090</u>	<u>-</u>	<u>-</u>

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

	Notes	Consolidated 2017 \$	2016 \$	The Fund 2017 \$	2016 \$
17. Employee entitlements – annual and long service leave					
Balance at 1 January		66,931	63,537	66,931	63,537
Expense recognised in profit or loss		2,043	3,394	2,043	3,394
Balance at 31 December		<u>68,974</u>	<u>66,931</u>	<u>68,974</u>	<u>66,931</u>
Represented by:					
Current					
Annual leave		<u>7,492</u>	<u>7,492</u>	<u>7,492</u>	<u>7,492</u>
Non-current					
Long service leave		<u>61,482</u>	<u>59,439</u>	<u>61,482</u>	<u>59,439</u>
18. Deferred income					
Balance at 1 January		353,492	361,318	353,492	361,318
Additions		-	-	-	-
Amounts released to other income	6	(7,826)	(7,826)	(7,826)	(7,826)
		<u>345,666</u>	<u>353,492</u>	<u>345,666</u>	<u>353,492</u>
Represented by:					
Current		7,826	7,826	7,826	7,826
Non-current		<u>337,840</u>	<u>345,666</u>	<u>337,840</u>	<u>345,666</u>
		<u>345,666</u>	<u>353,492</u>	<u>345,666</u>	<u>353,492</u>
Deferred income consists of the government subsidy in relation to the capital expenditure on the TNPF Market Building.					
19. Contributions					
Allocated members contribution	19(a)	60,066,145	56,140,647	60,066,145	56,140,647
Unallocated members contribution	19(b)	69,750	69,706	69,750	69,706
		<u>60,135,895</u>	<u>56,210,353</u>	<u>60,135,895</u>	<u>56,210,353</u>

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

	Notes	Consolidated 2017 \$	2016 \$	The Fund 2017 \$	2016 \$
19. Contributions (continued)					
(a) Allocated members contribution					
Balance at 1 January		56,140,647	51,394,909	56,140,647	51,394,909
Add: Contributions received					
from members		6,727,121	6,510,223	6,727,121	6,510,223
Pension fund		25,100	27,558	25,100	27,558
Operating surplus attributable to members	21	3,114,258	3,059,242	3,114,258	3,059,242
Advance distribution accounts	19(c)(a)	90,621	49,772	90,621	49,772
Transfer from unallocated members contribution	19(b)	-	-	-	-
		<u>66,097,747</u>	<u>61,041,704</u>	<u>66,097,747</u>	<u>61,041,704</u>
Less: Withdrawals	22	(5,317,466)	(4,339,987)	(5,317,466)	(4,339,987)
Administrative service fees		(20,166)	(21,010)	(20,166)	(21,010)
Transfer to dividend equalisation reserve	21	(678,926)	(522,757)	(678,926)	(522,757)
Transfer to unallocated members contribution	19(b)	(44)	(2,303)	(44)	(2,303)
Transfer to insurance reserve	21	(15,000)	(15,000)	(15,000)	(15,000)
Balance at 31 December		<u>60,066,145</u>	<u>56,140,647</u>	<u>60,066,145</u>	<u>56,140,647</u>
(b) Unallocated members contribution					
Balance at 1 January		69,706	67,403	69,706	67,403
Transfer from allocated members contribution		44	2,303	44	2,303
Balance at 31 December		<u>69,750</u>	<u>69,706</u>	<u>69,750</u>	<u>69,706</u>
(c) Interest credited on members' account					
Interest is credited on members' account at the rate of 4.5% for the year ended 31 December 2017 (2016: 5%)					
(a) The advance distribution accounts are accounts which were withdrawn before the establishment of the 2017 interest rate. The interest paid is based on the previous year's rate.					
(b) Interest credited on members' account is calculated on the member's balance prior to crediting of the current year's interest.					
(d) Distribution of investment income					
The total surplus from the change in market value of investments in pooled managed funds totalled \$2,992,927 for the year ended 31 December 2017 (2016: \$2,694,042) and realised loss from investments in managed funds for the year ended 31 December 2017 totalled \$nil (2016: \$nil)					

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

20. 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.

21. Operating surplus

	Notes	Consolidated		The Fund	
		2017	2016	2017	2016
		\$	\$	\$	\$
Net gain for the year attributable to members		3,260,880	3,068,815	3,114,258	3,059,242
Transfer to dividend equalisation reserve		(678,926)	(522,757)	(678,926)	(522,757)
Transfer to insurance reserve		(15,000)	(15,000)	(15,000)	(15,000)
Transfer to members contribution accounts		(2,420,332)	(2,521,485)	(2,420,332)	(2,521,485)
Transfer to retained earnings		(146,623)	(9,573)	-	-
Balance		-	-	-	-

22. Withdrawal of contributions

The following withdrawals by category were made during the year:

Retirement	2,746,105	1,974,704	2,746,105	1,974,704
Emigration	625,327	534,201	625,327	534,201
Death	293,378	101,533	293,378	101,533
Incapacity	40,914	26,029	40,914	26,029
Housing	218,684	269,776	218,684	269,776
Recovery for bad and doubtful debts	447,452	590,941	447,452	590,941
MEDU	945,606	842,803	945,606	842,803
	<u>5,317,466</u>	<u>4,339,987</u>	<u>5,317,466</u>	<u>4,339,987</u>

23. Commitment and contingencies

Contingent liabilities and capital expenditure commitments not otherwise provided in the financial statements amounted to \$nil (2016: \$nil).

24. Related parties

Identity of related parties

The Fund is directly controlled 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

Other receivables from related parties

Government of Tuvalu	391,319	391,319	391,319	391,319
TNPF Investment Holdings Limited	-	-	50,000	50,000
	<u>391,319</u>	<u>391,319</u>	<u>441,319</u>	<u>441,319</u>

Tuvalu National Provident Fund and its Subsidiary
Notes to and forming part of the financial statements
For the year ended 31 December 2017

24. Related parties (continued)

Transactions with related parties (continued)

The following were directors of the Fund during the year:

Mr Vavau Fatuga – Chairman (appointed 16 February 2016)
 Dr Miliama Simeona
 Mr Petaia Meauma
 Mr Pugameau Taufilo
 Mr Temate Melitiana (resigned 20 March 2017)
 Mr Katepu Laoi
 Mr Pusinelli Laafai (appointed 20 March 2017)

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.

Transactions with related parties (continued)

		Consolidated		The Fund	
	Notes	2017	2016	2017	2016
		\$	\$	\$	\$
Loans to director		50,739	68,626	50,739	68,626
Board expenses	8	50,131	24,185	37,711	24,185
Contributions		420,058	431,004	420,058	431,004

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:

Loans to director	122,931	113,568	122,931	113,568
Contribution	449,174	392,527	449,174	392,527
Short term benefit	164,627	102,323	164,627	102,323
Long term benefit	8,260	35,490	8,260	35,490

24. Subsequent events

There has not arisen in the interval between the end of financial 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 of the Group, to affect significantly the operations of the Fund and the Group, the results of those operations, or the state of affairs of the Fund and the Group, in subsequent financial years.

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

Opinion

We have audited the accompanying financial statements of Tuvalu National Provident Fund (“the Fund”) and the consolidated financial statements of Tuvalu National Provident Fund and its subsidiary (“the Group), which comprise the statements of financial position as at 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 25.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of the Group as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group and Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUVALU NATIONAL PROVIDENT FUND (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

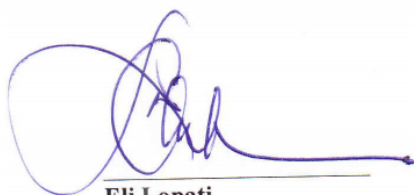
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 and Group, 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 1984 in the manner so required.



Eli Lopati
Auditor General
Government of Tuvalu

2nd July, 2018