TUVALU NATIONAL PROVIDENT FUND

ANNUAL REPORT 2018

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

Dear Sir,

Tuvalu National Provident Fund Annual Report 2018

I am pleased to present the Annual Report for the Tuvalu National Provident Fund (TNPF) for the year ended 31 December 2018.

The report provides a detailed record of the Fund's operations, activities and financial results over the reported financial year.

Yours sincerely,

Tavau Siamua
For Chairman
Tuvalu National Provident Fund

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VISION, MISSION AND VALUES STATEMENTS

Vision Statement

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 benefits of their lifetime before and during retirement

Values Statements

Members can have the confident and trust in the integrity of the TNPF.

In all of our dealings:

- We will be a responsible steward of funds with which we are entrusted;
- We will demonstrate and offer absolute impartial service to all members of the organization without regard to their wealth or social standing;
- We will adhere to the highest standards of ethical behaviours;
- We will respect the dignity of each and every person we serve with fairness, dignity and compassion;
- We believe in giving our employees the opportunity to develop their full potential;
- We will maintain a strong partnership with our members, employers, Government and communities.

HIGHLIGHTS FOR THE YEAR

- The Fund as a group reported a net loss of $1,068,890 for the year.
- Despite the reported net loss, the Board declared an interest rate of 3 per cent to be credited to all members’ accounts for the year 2018.
- The Board authorized the transfer of $1,955,755 from reserves of the Fund to be credited to member’s accounts.
- The Fund’s subsidiary company TNPF Holdings Limited reported a net profit after tax of $121,062 for its hotel business.
- 215 new members were registered during the year.
- 6 new employers were registered during the year.
- The Fund received $9,305,283 as total member contributions during the year compared to $6,727,121 in 2017, an increase of 38.32%.
- Total benefit withdrawals paid out during the year amounted to $4,755,116 compared to $5,317,466 paid out in 2017.
- The Fund’s loans portfolio increased by 8.69% to $10,531,526 during the year
- The total member’s fund increased by 5.56% to $67,319,912 during the year.
- The Fund’s total investment portfolio increased by 2.87% to $64,214,316 during the year.
- Total assets of the Fund increased by 5.09% to $68,067,091 during the year.

THE BOARD OF TRUSTEES

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 under section 6(2) of the TNPF Act.

The following Board Members served during the year -

NAMES	APPOINTMENT
Mr. Talavai Iona	Chairman & Public service representative (*appointed during the year*)
Mr. Katepu Laoi	Board Member & Employer's representative
Mr. Pugameau Taufilo	Board Member & Employee's representative
Ms. Tavau Siamua	Board Member & Public service representative (*appointed during the year*)
Mr. Fatoga Talama	Board Member & Employer's representative (*appointed during the year*)
Mr. Letasi Iulai	Board Member & Employee's representative (*appointed during the year*)
Mr. Vavau Fatuuga	Chairman (outgoing) & Public service representative (*resigned during the year*)
Mr. Pusinelli Lafai	Board Member & Employee's representative (*resigned during the year*)
Dr. Miliama Simeona	Board Member & Public service representative (*resigned during the year*)
Mr. Petaia Meauma	Board Member - Employer's representative (*resigned during the year*)

TNPF STAFF

List of Staff employed by the Fund during the year –

Head-office:

Name of Officer	Position held	Name of Officer	Position held
Penielu Teo	General Manager & CEO	Lina Vagalia	Secretary
Siava Tekafa	Manager Finance & Member Services	Lessa Lui	Loans Recovery Officer
Kiatoa N Ulika	Manager Corporate Services	Veronica Lutelu	Customer Service Officer I
Siale Paueli	Senior Enforcement Officer	Malofou Kaokoro	Customer Service Officer II
Manaima Tauati	Senior Accountant	Nakala Ioane	Loans Officer
Tuitala Lasifo	IT Officer	Tofikai Eti	Accounts Clerk
Kiliata Peleti	Data Service Officer	Suafale Kelisiano	Client Relations Officer
Kiuniu Aselu	Data Entry Operator	Sepola Uota	Record Processing Officer
Peau Taasi	Client Relations Officer	Neipai Vailagi	Receptionist
Tioti Maatia	Accounts Business Officer	Samuelu Hauma	Messenger
Tutokotahi Opapo	Accounts Officer	Fakaotiga Tamaloa	Cleaner

Outer Island Branches:

Name of Officer	Name of Branch
Tauee Teikapu	Nanumea
Fatina Peni	Nanumaga
Katepu Laoi	Niutao
Nanu Puafuti	Nui
Namogali Savea	Nukufetau
Falavi Salani	Vaitupu
Eleni Silitone	Nukulaelae

CHAIRMAN'S REPORT

It is my pleasure to submit the audited financial statements and a summary report of the activities of the Tuvalu National Provident Fund (TNPF) for the year ended 31 December 2018, as in accordance with the requirements of the TNPF Act 1984.

The financial year was a difficult and challenging year for the Fund and its members. The sudden downturn in the global equity markets during the final quarter of the year resulted in substantial losses recorded for the Fund's offshore investments. The US Federal Reserve's rhetoric on rate hikes and the continued uncertainty around the US - China trade dispute were the two major risks that triggered the fall in global equity markets towards the year end.

A net loss of 1,068,890 was reported by the Fund for the financial year ending 31 December 2018. Despite the poor financial performance, the Board acted in the best interest of its members and declared an interest rate of three percent (3%) to be credited to all members account for the year 2018. To finance its decision, the Board approved the transfer of $1,955,755 from the reserves of the Fund, to be credited to member's accounts.

Responding to the predicted high market volatility going forward into 2019, the Board tasked the Fund Monitor to review the Fund's existing offshore investment strategy. The aim of the review was to consider whether the Fund's current investment strategy is still appropriate in meeting the Fund's long term return target and to recommend if a change in strategy is required.

The Fund realized significantly increased contributions during the year. Total contributions received during the year amounted to $9,305,283 which is a 38.32% compared to 2017. The major development projects funded by Government on QEII Park to prepare the country for the upcoming Pacific Island Forum Meeting in 2019 and the high number of retired members re-joining the Fund on a voluntary basis boosted the amount of contribution collected during the year.

The Fund's total investment portfolio (including offshore and local investments) increased by 2.87% to $64,214,316 while total assets of the Fund increased by 5.09% to $68,067,091. Total member's fund increased by 5.56% to $67,319,912 during the year. The Fund's offshore investment portfolio that makes up 79.28% of the Fund's total investment strategy reported a negative return of -2.3% during the year, while the member's small loans scheme that makes up 16.40% of the Fund's total investment strategy reported a return of 10.02% for the year.

The Fund’s subsidiary the TNPF Holdings Limited that operates a Hotel business under the trade name ‘Funafuti Lagoon Hotel’ reported an after tax net profit of $121,062 for the year.

On behalf of the Board, I would like to thank the General Manager, the management team and all staff for their commitment and hard work during a difficult year.

I also wish to thank my fellow Board members for their support and contribution.

I also wish to acknowledge with gratitude the support that the Fund is getting from the Government, employers, employees and members of the private sector who have contributed to the Fund.

I look forward to a successful year in 2019.

Tavau Siamua
For Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

The financial year 2018 was a difficult period for the Fund and its members. The year was the first period since the global financial crisis (2008) for the Fund to report a negative profit in its operation. Majority of global equity markets reported negative returns during the year. Since the Fund invests majority of its funds in the global capital market, the Fund witnessed disappointing returns from its investments during the year.

Despite the poor performance, the Fund has been quite successful in making sure its members understand the difficult situation the Fund is going through during the year.

The Fund's membership continued to grow during the year with contributions received are at the highest levels ever recorded.

Registration

The Fund registered 215 new members during the year compared to 405 the previous year. The total registered members as at 31 December 2018 is 7,047 (2017 – 6,832). From those registered, around 4,987 are considered active members.

Member's fund

The total member's fund increased by 5.56% to $67,319,912 during the year.

Employers

A total of 6 new employers were registered during the year, bringing the total number of registered employers to 360 (2017 – 354). Out of this number about 93 employers were considered active and contributed to the Fund during the year.

Contributions

The Fund recorded its highest contributions growth rate during the 2018 financial year. The total contribution collected during the year amounted to $9,305,283 (2017 – $6,727,121), which is an increase of 38.32%.

The average monthly contributions received is $775,440 (2017– $560,593).

Interest Rate Declared to Members

Although the Fund recorded a net loss of $1.06 million during the year, the Board made a decision to credit an interest rate of three percent (3%) to all member's balances. To implement the Board decision, a transfer of $1,955,755 from general reserves was authorized by the Board to be made to the member's accounts.

Withdrawals

There are eight grounds of withdrawal available to members. During the year, a total of $4.75 million were paid out under the various grounds of withdrawals.

Type	Amount ($)
Retirement (lump sum)	2,414,542
Retirement Pension	2,497
Emigration	448,613
Death	119,218
Incapacity	22,634
Housing	143,452
Recovery for bad debts	565,088
MEDU	1,039,072
Total	**$4,755,116**

Enforcement

A special enforcement committee works closely with the enforcement staff in making sure non-complying employers are dealt with accordingly. Routine inspections are carried out on defaulting clients and reminder letters are issued accordingly.

Site visits to all Employers on the outer islands were also carried out during the year.

Investments

Offshore

The current three fund managers namely Schroders Real Return Fund, AMP Capital Extended Multi-Asset Fund and BT Asset Management Ltd were retained by the Board during the year. For the first time since the global financial crisis, the Fund's offshore investments reported a net loss. A total unrealized loss of $1,250,283 was recorded for the Fund's offshore investments during the year.

With expected high market volatility going forward, the Fund Monitor was tasked by the Board to review the Fund's offshore investment strategy. The Fund Monitor's review report will be received early in the next financial 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 $10,531,526 (2017 - $9,689,342). The loans portfolio gave the Fund a return of 10.02% during the year.

Commercial market property

The Fund's commercial market property investment collected $47,360 in total revenues. All rooms were fully occupied during the year.

Hotel property investment

Year 2018 was again another profitable year for the Funafuti Lagoon Hotel (FLH), a subsidiary business of the Fund. The FLH reported a net profit after tax of $121,062. For a concessional investment of $936,400 as of 31 December 2018, the return for the Fund from its Hotel business is around 12.93%.

Investment Strategy

The Fund's total investment portfolio as at 31 December 2018 amounted to $64,214,316 (2017 - $62,420,849).

A breakdown of the Fund's overall investment strategy is presented below:-

Fund Manager / Portfolio Type	Amount ($)	Weighting (%)
Schroder Real Return Fund	23,462,367	36.54
AMP Capital Extended Multi-Asset Fund	24,401,267	38.00
BT Asset Management	3,046,386	4.74
Members Small Loans	10,531,526	16.40
Fixed IBD Term Deposits with NBT	1,124,668	1.75
Property Market Investment	711,702	1.11
Investments in Subsidiary (TNPF Investment Holdings Ltd)	936,400	1.46
Total	**$ 64,214,316**	**100**

Human Resource Development

The Fund was able to send some of its staff and Directors to attend overseas short-term trainings during the year. The trainings are arranged as part of ongoing efforts to upgrade the human resource capacity of staff and Directors of the organization.

Three staff were given the opportunity to upgrade their knowledge and skills when they attended a one-week attachment training at the head-quarters of the Fiji National Provident Fund (FNPF) during the year. Mr. Tuitala Lasifo, Mr. Tofikai Eti and Ms. Lessa Lui were provided exposure to FNPF's operation in their specific areas of responsibilities.

Management Staff, Ms. Siava Tekafa and Mr. Kiatoa Ulika accompanied the CEO to the 4th Annual Portfolio Master investment forum that was held in Denarau, Nadi during the year.

Senior Staff, Mr. Kiatoa Ulika attended the Association of Superannuation Funds of Australia (ASFA) summit and Super Expo that was held in Adelaide, 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.

Management was able to conduct in-house trainings for all staff of the Fund. A special customer service workshop was arranged and attended by all staff of the Fund during the year. Staff workshops on loan policies and cash handling procedures were also arranged and were attended by all staff of the Fund during the year.

Public relations

A week-long public awareness campaign was organized during the year. Temporary public booths were established during the public awareness week to facilitate the speedy distribution of statements and benefit pamphlets to members. The aim of the public booths was to educate and create awareness on the role of TNPF.

Corporate Social Responsibility

As part of the organization's corporate social responsibility, the Fund has consistently sponsored a few national sporting events that were organized throughout the year. The TNPF National Football Tournament and the TNPF National Volleyball Tournament were major sporting events that were sponsored by the Fund during the year.

The Fund was also a major sponsor during the end of year prize giving day for both the Motufoua Secondary School and Fetuvalu High School. The Fund was also a sponsor during the graduation ceremony of the Tuvalu Maritime Training Institute.

TNPF Website

The Fund launched its second Web Site on the Internet during the year. Members are now able to download their forms from the Web Sites and are better able to communicate with the Fund since all contacts details are available on the Web Site.

The newly introduced Web Site is the ***www.tnpf.tv***

Membership in other Professional Organizations

Management encourages its employees to become members of various professional organizations as their memberships will benefit the Fund. The Fund's CEO, 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 the FIA during the year.

Appreciation

I wish to acknowledge and record my deep appreciation to the Chairman and members of the Board for their support during the year.

I would also like to thank the Management team and all Staff for their dedication and commitments to achieving the objectives of the Fund.

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.

I look forward to a challenging year ahead and wish the Fund a bright future.

Penielu P. Teo
Chief Executive Officer

Tables of Statistics
(1984 to 2018)

Table 1: Contributions

Presented below is the breakdown of contributions, annual contributions and average contributions from 1984 to 2018.

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
2018	7,047	9,305,283	1,320

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 2018.

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
2018	3	1,955,755	278

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 2018.

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	-3,793,005	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
2018	1,720,402	9,305,283	703,396	17.19

Note: The sudden increase in revenues and expenditures starting from year 2017 is due to the inclusion of revenues and expenses from the Funafuti Lagoon Hotel, a hotel business operated as 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 2018.

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
2018	67,319,912	64,214,316	95.39

Table 5: Member’s Fund

Presented below is the growth trend in members fund and number of members from 1984 to 2018.

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
2018	7,047	67,319,912	3.15	5.56

Table 6: Income and Benefits Paid

Presented below is the breakdown of total benefits paid out as compared to income earned from 1984 to 2018.

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
2018	4,755,116	703,396

Table 7: Benefits Withdrawals

Presented below is the breakdown of total benefits paid out of each of the following benefit categories from 1984 to 2018.

Year	Retire-ment (AUD)	Age & Other Claims (AUD)	Emigration (AUD)	Women's Home (AUD)	Incapacity (AUD)	Death (AUD)	Housing (AUD)	Retirement Pension (AUD)	Recovery of 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
2018	2,414,542	0	448,613	0	22,634	119,218	143,452	2,497	565,088	0	1,039,072	4,755,116
TOTAL	**35,375,912**	**1,247,826**	**7,743,396**	**3,703,895**	**633,111**	**4,336,837**	**3,282,287**	**152,295**	**4,801,445**	**484,859**	**5,317,934**	**67,079,797**

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 2018

Tuvalu National Provident Fund and its Subsidiary

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Tuvalu National Provident Fund and its Subsidiary

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 2018 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 (resigned during the year)
Mr. Katepu Laoi
Mr Pusineli Lafai – (resigned during the year)
Dr Miliama Simeona – (resigned during the year)
Mr Petaia Meauma – (resigned during the year)
Mr Talavai Iona – (appointed during the year)
Ms Tavau Siamua - (appointed during the year)
Mr Fatoga Talama – (appointed during the year)
Mr Letasi Iulai – (appointed during the year)

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 2018 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 loss as a result of operations of the Fund for the year ended 31 December 2018 amounted to $904,968 (2017: Net gain of $3,114,258). The consolidated result for the Group attributable to members for the year ended 31 December 2018 was a loss of $1,068,890 (2017: gain of $3,260,880).

Interest earned by members

An interest rate of 3% (2017: 4.5%) on members' balance was declared by the Board.

Reserves

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

- $Nil (2017: $678,926) to the Dividend Equalisation Reserve.
- $Nil (2017: $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 a 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 20th day of December 2019.

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 2018;

(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 2018;

(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 2018;

(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 2018;

(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 20th day of December 2019

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 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
Income					
Net interest income	5	858,441	796,723	858,441	796,723
Movement in net market value of investments					
Unrealised (loss)/gain on investments		(1,250,283)	2,992,927	(1,250,283)	2,992,927
Investment income		-	-	-	-
Other operating income	6	1,095,238	1,077,956	492,030	241,038
		703,396	4,867,606	100,188	4,030,688
Expenses					
Personnel expenses	7	(796,050)	(729,558)	(586,997)	548,431
Depreciation		(49,382)	(47,798)	(49,382)	47,798
Other operating expenses	8	(874,970)	(766,532)	(368,777)	320,201
(Loss)/Gain from operations		(1,017,006)	3,323,718	(904,968)	3,114,258
Income tax expense	9(a)	(51,884)	(62,838)	-	-
Other comprehensive income		-	-	-	-
Net (loss)/gain for the year attributable to members of the Fund		(1,068,890)	3,260,880	(904,968)	3,114,258

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 30 to 57.

Tuvalu National Provident Fund and its Subsidiary
Statements of changes in equity
For the year ended 31 December 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
Contributions					
Balance at 1 January		60,066,145	56,140,647	60,066,145	56,140,647
Add: contributions received during the year	19(a)	9,305,283	6,727,121	9,304,295	6,727,121
Add: pension fund	19(a)	-	25,100	-	25,100
Add: transfers from statement of comprehensive income	19(a)	-	3,114,258	-	3,114,258
Add: transfer from dividend equalisation reserve	19(a)	1,955,715	-	1,955,715	-
Add: advance distribution accounts	19(a)	84,222	90,621	84,222	90,621
Add: transfer from unallocated contributions	19(a)	-	-	-	-
Less: transfer to unallocated contributions	19(a)	-	(44)	-	(44)
Less: administrative service fees	19(a)	(18,984)	(20,166)	(18,984)	(20,166)
Less: member withdrawals	19(a)	(4,755,116)	(5,317,466)	(4,755,116)	(5,317,466)
Less: transfer to dividend equalisation reserve	19(a)	-	(678,926)	-	(678,926)
Less: transfer to insurance reserve	19(a)	-	(15,000)	-	(15,000)
Balance at 31 December		66,637,265	60,066,145	66,636,277	60,066,145
Unallocated member contributions		69,750	69,706	69,750	69,706
Transfer from/(to) contributions	19(b)	-	44	-	44
		69,750	69,750	69,750	69,750
		66,707,015	60,135,895	66,706,027	60,135,895
Insurance reserve					
Balance at 1 January		240,000	225,000	240,000	225,000
Transfer from statement of comprehensive income	21	-	15,000	-	15,000
Balance at 31 December		240,000	240,000	240,000	240,000
Dividend equalisation reserve					
Balance at 1 January		3,242,978	2,564,052	3,242,978	2,564,052
Transfer from statement of comprehensive income	21	(904,968)	-	(904,968)	-
Transfer to members' contribution	21	(1,955,715)	678,926	(1,955,715)	678,926
Balance at 31 December		382,295	3,242,978	382,295	3,242,978
Total reserves		622,295	3,482,978	622,295	3,482,978
Retained earnings					
Balance at 1 January		156,196	9,573	-	-
Transfer from statement of comprehensive income	21	(165,594)	146,623	-	-
Balance at 31 December		(9,398)	156,196	-	-
Total member's funds at 31 December		67,319,912	63,775,069	67,328,322	63,618,873

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 30 to 57.

Tuvalu National Provident Fund and its Subsidiary

Statements of financial position

As at 31 December 2018

		Consolidated		The Fund	
		2018	2017	2018	2017
	Notes	$	$	$	$
Current assets					
Cash and cash equivalents	10	4,332,471	2,854,371	4,146,356	2,629,321
Other receivables	11	66,419	477,038	192,246	458,614
Inventories		48,666	28,013	13,503	14,843
Total current assets		4,447,556	3,359,422	4,352,105	3,102,778
Non-current assets					
Financial assets	12(a)	61,441,571	59,349,670	61,441,571	59,349,670
Investments in subsidiary	12(b)	-	-	936,400	836,400
Property, plant and equipment	13	122,009	132,185	122,009	132,185
Intangible assets	14	1,341,741	1,215,439	-	-
Investment property	15	714,214	714,353	714,214	714,353
Total non-current assets		63,619,535	61,411,647	63,214,194	61,032,608
Total assets		68,067,091	64,771,069	67,566,299	64,135,386
Current liabilities					
Trade and other payables	16(a)	265,500	140,410	170,121	101,873
Employee entitlements	17	7,492	7,492	7,492	7,492
Deferred income	18	-	7,826	-	7,826
Financial liability	16(b)	33,464	22,341	-	-
Current tax liability	9(b)	51,884	66,940	-	-
Total current liabilities		358,340	245,009	177,613	117,191
Non-current liabilities					
Employee entitlements	17	60,364	61,482	60,364	61,482
Financial liability	16(b)	328,475	351,669	-	-
Deferred income	18	-	337,840	-	337,840
Total non-current liabilities		388,839	750,991	60,364	399,322
Total liabilities		747,179	996,000	237,977	516,513
Net assets		67,319,912	63,775,069	67,328,322	63,618,873
Members' funds					
Contributions	19	66,707,015	60,135,895	66,706,027	60,135,895
Reserves	20	622,295	3,482,978	622,295	3,482,978
Retained earnings		(9,398)	156,196	-	-
Total members' funds		67,319,912	63,775,069	67,328,322	63,618,873

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 30 to 57.

Tuvalu National Provident Fund and its Subsidiary
Statements of cash flows
For the year ended 31 December 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
Cash flows from operating activities					
Contributions received		9,304,295	6,752,221	9,304,295	6,752,221
Interest received		892,524	887,344	892,524	887,344
Other income received		426,192	976,985	94,614	208,051
Payment of benefits		(4,755,116)	(5,317,466)	(4,755,116)	(5,317,466)
Payment to suppliers and employees		(1,481,568)	(1,410,461)	(1,178,887)	(841,651)
Net cash from operating activities		4,386,327	1,888,623	4,357,430	1,688,499
Cash flows from investing activities					
Net decrease in financial assets		(2,857,522)	(2,138,308)	(2,857,522)	(2,138,308)
Payment for investment properties		(18,615)	(12,759)	(18,213)	(12,759)
Payment for property, plant and equipment		(18,213)	(49,437)	(20,854)	(8,843)
Dividends received		-	-	156,194	-
Shares in subsidiary acquired		-	-	(100,000)	-
Payment for service concession		(13,877)	-	-	-
Net cash used in investing activities		(2,908,227)	(2,200,504)	(2,840,395)	(2,159,910)
Net increase /(decrease) in cash and cash equivalents		1,478,100	(311,881)	1,517,035	(471,411)
Cash and cash equivalents at 1 January		2,854,371	3,166,252	2,629,321	3,100,732
Cash and cash equivalents at 31 December	10	4,332,471	2,854,371	4,146,356	2,629,321

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 30 to 57.

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 2018 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 20th December 2019.

(b) Changes in accounting policies and disclosures

The Group has initially applied IFRS 9 and IFRS 15 from 1 January 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

(a.1) IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9 Financial Instruments, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment losses on financial assets are presented under 'other operating expenses", similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

There was no impact on opening retained earnings as a result of transition to IFRS 9 on 1 January 2018, as the impact was determined not to be material by the Company.

2. Basis of preparation (continued)

(b) Changes in accounting policies and disclosures (continued)

(a.1) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 category of "loans and receivables".

IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS, see Note 1.2(h).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Note	*Original classification under IAS 39*	*New classification under IFRS 9*	*Original carrying amount under IAS 39*	*New carrying amount under IFRS 9*
Financial assets					
Cash and cash equivalents	(a)	Loans and receivables	Amortised cost	2,854,371	2,854,371
Other receivables	(b)	Loans and receivables	Amortised cost	477,038	477,038
Financial assets – investment in pooled funds		Fair value through profit or loss	Fair value through profit or loss	49,660,328	49,660,328
Financial assets – Loans and advances	(a)	Loans and receivables	Amortised cost	9,689,342	9,689,342
Total financial assets				62,681,079	62,681,079

2. Basis of preparation (continued)

(b) Changes in accounting policies and disclosures (continued)

(a.1) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

	Note	*Original classification under IAS 39*	*New classification under IFRS 9*	*Original carrying amount under IAS 39*	*New carrying amount under IFRS 9*
Financial liabilities					
Trade and other payables		Other financial liabilities	Other financial liabilities	140,410	140,410
Financial liability		Other financial liabilities	Other financial liabilities	374,010	374,010
Total financial liabilities				514,420	514,420

(a) Cash and cash equivalents, other receivables and financial assets - loans and advances that were classified as loan and receivables under IAS 39 are now classified as amortised cost. No allowances for impairment was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 1.2 h (d).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in no additional allowance for impairment.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

— The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL

— If an investment had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. Basis of preparation (continued)

(b) Changes in accounting policies and disclosures (continued)

(a.2) IFRS 15 Revenue from Contract with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Group's withdrawal fees and surcharges income from contracts with customers was not impacted by the adoption of IFRS 15.

(i) Performance obligations and revenue recognition policies

Fee income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

<u>Nature and timing of satisfaction of performance obligations, including significant payment terms</u>

The Group provides services to its members, including withdrawals and loans and advances. Fees are recognised at a point in time when the service was provided and the customer has control over the contribution and loans and advances.

(c) 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.

(d) 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.

(e) 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.

(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 TNPF 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.

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Recognition and measurement

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:

	Depreciation rates
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.

(g) Financial assets

(i) Recognition and initial measurement

Loans and advances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued)

(g) Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Policy applicable from 1 January 2018 (continued)

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

Financial assets: Business model assessment - Policy applicable from 1 January 2018

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

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

Financial assets: Business model assessment - Policy applicable from 1 January 2018 (continued)

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 January 2018

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

3. Significant accounting policies (continued)

(g) Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

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

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

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

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Financial assets – Policy applicable before 1 January 2018

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.

3. Significant accounting policies (continued)

(g) Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

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.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gains or loss on derecognition is also recognised in profit or loss.

(iii) 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.

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.

3. Significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Derecognition

Financial assets

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.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Modifications of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(vi) Offsetting

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

(h) Impairment

Policy applicable from 1 January 2018

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Group measures loss allowances at 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

3. Significant accounting policies (continued)

(h) Impairment (continued)

Policy applicable from 1 January 2018 (continued)

Financial instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Financial instruments (continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. Significant accounting policies (continued)

(h) Impairment (continued)

Policy applicable from 1 January 2018 (continued)

Write-off

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

Policy applicable before 1 January 2018

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

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

(i) Investment property

Investment property is property held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or service or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

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

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

	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.

3. Significant accounting policies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(n) Income tax (continued)

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.

(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).

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.

4. Financial risk management (continued)

Market risk (continued)

ii. Price risk (continued)

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 2017 for BT. Thus the change in returns are compounded each month over a 54 month period.

Consolidated and the Fund

	Actual FUM as at 31/12/2018 $	10% Increase $	10% Decrease $	20% Increase $	20% Decrease $	1 Std Dev Increase $	1 Std Dev Decrease $
AMP Capital Extended	24,401,267	26,841,394	21,961,140	29,281,520	19,521,014	32,697,698	16,104,836
Schroder Australian Equity Fund	23,462,367	25,808,604	21,116,130	28,154,840	18,769,894	31,439,572	15,485,162
BT Global Return Fund	3,046,386	3,351,025	2,741,747	3,655,663	2,437,109	4,082,157	2,010,615
Total	50,910,020	56,001,022	45,819,018	61,092,024	40,728,016	68,219,427	33,600,613

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	
	2018 $	2017 $	2018 $	2017 $
Fixed rate deposits				
Short term deposits	1,124,668	1,520,426	1,124,668	1,520,426

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.

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:

		Consolidated		**The Fund**	
		2018	**2017**	**2018**	**2017**
	Notes	**$**	**$**	**$**	**$**
Cash and cash equivalents	10	4,332,471	2,854,371	4,146,356	2,629,321
Investments:					
- investments in pooled funds	12(a)	50,910,045	49,660,328	50,910,045	49,660,328
- loans and advances	12(a)	10,531,526	9,689,342	10,531,526	9,689,342
		65,774,042	62,204,041	65,587,927	61,978,991

4. Financial risk management (continued)

v. Credit risk (continued)

Cash and cash equivalent

The Group held cash and cash equivalents of $4,332,471 (2017: $2,854,371). Cash and cash equivalents are held with National Bank of Tuvalu.

Impairment for cash and cash equivalent have been considered based on qualitative factors. The Group did not recognise an impairment allowance against cash and cash equivalent at 1 January 2018 due to the strong financial position of the bank.

Loans and advances

Impairment for loans and advances have been considered based on qualitative factors. The Company did not recognise an impairment allowance loans and advances equivalent at 1 January 2018 as they are secured against the members' contribution.

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 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
5.	**Net interest income**					
	Interest on members small loans		890,896	824,955	890,896	824,955
	Interest on member contributions		(84,222)	(90,621)	(84,222)	(90,621)
	Interest on term deposits		51,767	62,389	51,767	62,389
			858,441	796,723	858,441	796,723
6.	**Other operating income**					
	Surcharges		13,205	49,898	13,205	49,898
	Loan approval fees		117,740	117,580	117,740	117,580
	Hotel income		853,960	831,721	-	-
	TNPF Market – Rental		47,360	43,450	47,360	43,450
	Withdrawal fees		18,984	20,166	18,984	20,166
	Release of deferred income		7,826	7,826	7,826	7,826
	Hotel investment income		-	-	284,984	-
	Miscellaneous income		36,163	7,315	1,931	2,118
			1,095,238	1,077,956	492,030	241,038
7.	**Personnel expenses**					
	Salaries and wages		625,231	566,482	454,791	408,902
	Provident fund contributions		75,871	63,956	37,258	40,409
	Allowance and entitlements		26,131	34,064	26,131	34,064
	Housing allowance		55,100	52,300	55,100	52,300
	Staff bonus		13,717	12,756	13,717	12,756
			796,050	729,558	586,997	548,431
8.	**Other operating expenses**					
	Auditors – remuneration		22,665	22,665	10,000	10,000
	– other disbursement		6,735	6,735	4,600	4,600
	Amortisation expense - intangibles		75,810	64,158	-	-
	Bank charges		7,217	7,277	6,413	7,004
	Board expenses		49,975	50,131	35,815	37,711
	Bad and doubtful debts		132,009	-	60,799	-
	Electricity		97,479	96,912	27,052	23,892
	Office expenditure		13,259	28,650	3,135	16,354
	Food and beverage		177,570	183,268	-	-
	Portfolio management charge		24,910	16,356	24,910	16,356
	Repairs and maintenance		25,179	38,095	14,996	14,424
	Room rental		19,607	17,804	-	-
	Sponsorship		12,644	11,609	12,644	11,609
	Training		39,193	32,722	39,193	32,687
	Travelling, meals and accommodation		64,493	71,050	64,493	71,050
	Telecommunications		8,581	15,880	8,131	9,624
	TNPF market		16,219	12,122	16,219	12,122
	Other		81,425	91,098	40,377	52,768
			874,970	766,532	368,777	320,201

		Consolidated		The Fund	
		2018	**2017**	**2018**	**2017**
		$	**$**	**$**	**$**
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:				
	(Loss)/Gain before tax	(1,017,006)	3,323,718	(904,968)	3,114,258
	Prima facie tax (receivable)/payable @ 30% (2017: 30%)	(305,102)	997,115	271,490	934,277
	Exempt income	356,986	934,277	271,490	934,277
	Income tax expense	51,884	62,838	-	-
	Total income tax expense is made up of:				
	Current income tax expense	51,884	62,838	-	-
	Income tax expense	51,884	62,838	-	-
(b)	**Current tax liability**				
	Balance at 1 January	66,940	4,102	-	-
	Current income tax expense	51,884	62,838	-	-
	Payments made	(66,940)	-	-	-
	Balance at 31 December	51,884	66,940	-	-
10.	**Cash and cash equivalents**				
	Cash on hand	4,769	4,571	4,571	4,373
	Cash at bank	3,203,034	1,329,374	3,017,117	1,104,522
	Term deposits	1,124,668	1,520,426	1,124,668	1,520,426
		4,332,471	2,854,371	4,146,356	2,629,321
11.	**Other receivables**				
	Sundry debtors	367,396	305,606	243,223	237,182
	Less: allowance for doubtful debts	(306,263)	(220,878)	(235,053)	(220,878)
		61,133	84,728	8,170	16,304
	Receivable from Government	-	391,319	-	391,319
	Receivable from related party	-	-	178,790	50,000
	Prepayments	5,286	991	5,286	991
		66,419	477,038	192,246	458,614
	Allowance for doubtful debts				
	Balance at 1 January	220,878	220,878	220,878	220,878
	Additional provision recognised	85,385	-	14,175	-
	Balance at 31 December	306,263	220,878	235,053	220,878

	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
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	23,462,367	23,020,080	23,462,367	23,020,080
AMP Capital Extended	24,401,267	25,136,260	24,401,267	25,136,260
BT Global Return Fund	3,046,386	1,503,963	3,046,386	1,503,963
Total investment in pooled funds	50,910,045	49,660,328	50,910,045	49,660,328
Loans and advances				
Members' small loans	10,531,526	9,689,342	10,531,526	9,689,342
Total investments	61,441,571	59,349,670	61,441,571	59,349,670

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 (2017: 8.75 per cent). The loans are secured against the member's contribution.

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.

12(a) Financial assets (continued)

Determining fair values (continued)

Consolidated and the Fund

	Level 1 $	Level 2 $	Level 3 $	Total $
Listed equities	50,910,020	-	25	50,910,045
Balance as at 31 December 2018	50,910,020	-	25	50,910,045
Listed equities	49,660,303	-	25	49,660,328
Balance as at 31 December 2017	49,660,303	-	25	49,660,328

	Consolidated		The Fund	
	2018 $	2017 $	2018 $	2017 $
12(b) Investments in subsidiary				
TNPF Investment Holdings Limited	-	-	936,400	836,400

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

11. Property, plant and equipment

Consolidated and the Fund

	Buildings $	Office furniture & equipment $	Total $
Cost			
Balance at 1 January 2017	346,975	358,577	705,552
Acquisitions	-	8,842	8,842
Balance at 31 December 2017	346,975	367,419	714,394
Acquisitions	-	20,854	20,854
Balance at 31 December 2018	346,975	388,273	735,248
Depreciation			
Balance at 1 January 2017	241,486	311,145	552,631
Depreciation charge for the year	11,486	18,092	29,578
Balance at 31 December 2017	252,972	329,237	582,209
Depreciation charge for the year	14,264	16,766	31,030
Balance at 31 December 2018	267,236	346,003	613,239
Carrying amount			
At 1 January 2017	105,489	47,432	152,921
At 31 December 2017	94,003	38,182	132,185
At 31 December 2018	79,739	42,270	122,009

12. Intangible assets

Service concession arrangements

	Consolidated		The Fund	
	2018	2017	2018	2017
	$	$	$	$
Cost				
Balance at 1 January	1,279,597	1,239,003	-	-
Acquisitions	202,435	40,594	-	-
Balance at 31 December	1,482,032	1,279,597	-	-
Amortisation				
Balance at 1 January	(64,158)	-	-	-
Amortisation charge for the year	(76,133)	(64,158)	-	-
Balance at 31 December	(140,291)	(64,158)	-	-
Carrying amount				
At 1 January	1,215,439	1,239,003	-	-
At 31 December	1,341,741	1,215,439	-	-

On 30 November 2017, 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.

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 2018 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 2018.

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 2018, the Group has recognised revenue of $853,960, consisting of revenue generated from the operation of the Hotel and related facilities and ultimately recognised a profit of $121,062.

14. Investment property

Consolidated and the Fund

	Buildings $	Office furniture and equipment $	Total $
Cost			
Balance at 1 January 2017	877,505	4,341	881,846
Acquisitions	10,563	2,195	12,758
Balance at 31 December 2017	888,068	6,536	894,604
Acquisitions	18,213	-	18,213
Balance at 31 December 2018	906,281	6,536	912,817
Depreciation and impairment			
Balance at 1 January 2017	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
Depreciation charge for the year	17,756	596	18,352
Balance at 31 December 2018	194,579	4,024	198,603
Carrying amount			
At 1 January 2017	718,262	1,553	719,815
At 31 December 2017	711,245	3,108	714,353
At 31 December 2018	711,702	2,512	714,214

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	
	2018 $	2017 $	2018 $	2017 $
16(a) Trade and other payables				
Trade creditors	55,550	117	55,550	117
Accruals	100,610	92,390	64,057	53,853
Other current liabilities	72,309	790	13,483	790
Unclaimed monies	37,031	47,113	37,031	47,113
	265,500	140,410	170,121	101,873
16(b) Financial liability				
Service concession arrangements	361,939	374,010	-	-
Represented by:				
Current	33,464	22,341	-	-
Non-current	328,475	351,669	-	-
	361,939	374,010	-	-

		Notes	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
17.	**Employee entitlements – annual and long service leave**					
	Balance at 1 January		68,974	66,931	68,974	66,931
	Utilised entitlements		(1,118)	-	(1,118)	
	Expense recognised in profit or loss		-	2,043	-	2,043
	Balance at 31 December		67,856	68,974	67,856	68,974
	Represented by:					
	Current					
	Annual leave		7,492	7,492	7,492	7,492
	Non-current					
	Long service leave		60,364	61,482	60,364	61,482
18.	**Deferred income**					
	Balance at 1 January		345,666	353,492	345,666	353,492
	Additions		-	-	-	-
	Write-off		345,666	-	345,666	-
	Amounts released to other income	6	-	(7,826)	-	(7,826)
			-	345,666	-	345,666
	Represented by:					
	Current		-	7,826	-	7,826
	Non-current		-	337,840	-	337,840
			-	345,666	-	345,666

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

		Notes	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
19.	**Contributions**					
	Allocated members contribution	19(a)	66,637,265	60,066,145	66,636,277	60,066,145
	Unallocated members contribution	19(b)	69,750	69,750	69,750	69,750
			66,707,015	60,135,895	66,706,027	60,135,895

	Notes	Consolidated 2018 $	Consolidated 2017 $	The Fund 2018 $	The Fund 2017 $
19. Contributions (continued)					
(a) Allocated members contribution					
Balance at 1 January		60,066,145	56,140,647	60,066,145	56,140,647
Add: Contributions received from members		9,305,283	6,727,121	9,304,295	6,727,121
Pension fund		-	25,100	-	25,100
Operating surplus attributable to members	21	-	3,114,258	-	3,114,258
Transfer from dividend equalisation reserve	21	1,955,715	-	1,955,715	-
Advance distribution accounts	19(c)	84,222	90,621	84,222	90,621
		71,411,365	66,097,747	71,410,377	66,097,747
Less: Withdrawals	22	(4,755,116)	(5,317,466)	(4,755,116)	(5,317,466)
Administrative service fees		(18,984)	(20,166)	(18,984)	(20,166)
Transfer to dividend equalisation reserve	21	-	(678,926)	-	(678,926)
Transfer to unallocated members contribution	19(b)	-	(44)	-	(44)
Transfer to insurance reserve	21	-	(15,000)	-	(15,000)
Balance at 31 December		66,637,265	60,066,145	66,636,277	60,066,145
(b) Unallocated members contribution					
Balance at 1 January		69,750	69,706	69,750	69,706
Transfer from allocated members contribution		-	44	-	44
Balance at 31 December		69,750	69,750	69,750	69,750

(c) Interest credited on members' account

Interest is credited on members' account at the rate of 3% for the year ended 31 December 2018 (2017: 4.5%)

(a) The advance distribution accounts are accounts which were withdrawn before the establishment of the 2018 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.

20. Reserves

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

Dividend equalisation reserve represents undistributed gains to members.

21. Operating surplus

		Consolidated		The Fund	
		2018	2017	2018	2017
	Notes	$	$	$	$
Net (loss)/gain for the year attributable to members		(1,068,890)	3,260,880	(904,968)	3,114,258
Transfer to dividend equalisation reserve		1,068,890	(678,926)	904,968	(678,926)
Transfer to insurance reserve		-	(15,000)	-	(15,000)
Transfer to members contribution accounts		-	(2,420,332)	-	(2,420,332)
Transfer to retained earnings		-	(146,623)	-	-
Balance		-	-	-	-

22. Withdrawal of contributions

The following withdrawals by category were made during the year:

Retirement	2,417,039	2,746,105	2,417,039	2,746,105
Emigration	448,613	625,327	448,613	625,327
Death	119,218	293,378	119,218	293,378
Incapacity	22,634	40,914	22,634	40,914
Housing	143,452	218,684	143,452	218,684
Recovery for bad and doubtful debts	565,088	447,452	565,088	447,452
MEDU	1,039,072	945,606	1,039,072	945,606
	4,755,116	5,317,466	4,755,116	5,317,466

23. Commitment and contingencies

Contingent liabilities and capital expenditure commitments not otherwise provided in the financial statements amounted to $nil (2017: $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
TNPF Investment Holdings Limited	-	-	178,790	50,000
	-	391,319	178,790	441,319

24. Related parties (continued)

Transactions with related parties (continued)

The following were directors of the Fund during the year:

Mr Vavau Fatuga – Chairman (resigned during the year)
Mr. Katepu Laoi
Mr Pusineli Lafai – (resigned during the year)
Dr Miliama Simeona – (resigned during the year)
Mr Petaia Meauma – (resigned during the year)
Mr Talavai Iona – (appointed during the year)
Ms Tavau Siamua - (appointed during the year)
Mr Fatoga Talama – (appointed during the year)
Mr Letasi Iulai – (appointed during the year)

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.

		Consolidated		**The Fund**	
		2018	**2017**	**2018**	**2017**
	Notes	**$**	**$**	**$**	**$**
Loans to director		62,759	50,739	62,759	50,739
Board expenses	8	49,975	50,131	35,815	37,711
Contributions		457,720	420,058	457,720	420,058

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	140,621	122,931	140,621	122,931
Contribution	491,629	449,174	491629	449,174
Short term benefit	88,576	164,627	88,576	164,627
Long term benefit	0	8,260	0	8,260

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 2018, 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 24.

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 2018, 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the Directors report, but does not include the financial statements and our auditors' thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.
- 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 National Provident Fund Act 1984 in the manner so required.

Eli Lopati
Auditor General
Government of Tuvalu

3/02/20.