

2015 Annual Report



VANUATU NATIONAL PROVIDENT FUND

C/- Vanuatu National Provident Fund
P.O. Box 420
Port Vila

17 October 2017

Hon. Minister of Finance & Economic Management
Ministry of Finance & Economic Management
PMB 9058
Port Vila

Dear Hon. Minister,

Re: VNPF 27th Annual Report

In accordance with Section 21(1) of the VNPF Act [CAP 189], I am pleased to present to you VNPF's Annual Report for the year ending 31st December 2015.

Yours faithfully,



ALAIN LEW
Chairman



2015 HIGHLIGHTS

- ❖ For the fund total comprehensive income of Vt628.58 million compared to a comprehensive loss of (Vt415.79 million) in 2014.
- ❖ For the Group total comprehensive income of Vt434.64 million compared to a comprehensive loss of (Vt229.37 million) in 2014.
- ❖ For the fund increase in total investment income by 21% from Vt759.31 million in 2014 to Vt919.41 million in 2015.
- ❖ For the Group increase in total investment income by 52% from Vt626.84 million in 2014 to Vt950.63 million in 2015.
- ❖ For the Fund reduction in direct investment expenses by 90% from (Vt716.21 million) in 2014 to (Vt69.05 million) in 2015.
- ❖ For the Group reduction in direct investment expenses by 27% from (Vt313,85 million) in 2014 to (Vt228.52 million) in 2015.
- ❖ For the Fund reduction in administrative and other expenses by 27% from (Vt496.16 million) in 2014 to (Vt363.51 million) in 2015.
- ❖ For the Group reduction in administrative and other expenses by 22% from (Vt578.06 million) in 2014 to (Vt452.16 million) in 2015.
- ❖ For the Fund reduction in General Reserve Deficit balance to (Vt220.56 million) in 2015 from (Vt757.97 million) in 2014.
- ❖ For the Group reduction in General Reserve Deficit balance to (Vt188.41 million) in 2015 from (Vt531.89 million) in 2014.
- ❖ VNPF Response to State of Emergency Relief to payout 20% for over 21,000 Members Contributions from their Retirement account. The operations lasted for over three months with a total payout of Vt1. 721 billion.
- ❖ Contributions collections summed up to VT1.649 billion compared to Vt1.612 billion in 2014, an increase of Vt37 million. It is an achievement despite the effect of PAM on business operations which lasted until mid-year.
- ❖ Acquisition of shares at in UNELCO company at 14.40% for Vt504,076 million.
- ❖ Redundancy of four Executive roles and creation of Director Fund Management position.

ABOUT US

Our Vision

A growing, sustainable, well managed, accountable, social security fund serving the best interests of Ni-Vanuatu.



Our Mission

To identify and administer social security benefits that improves the economic and social welfare of Ni-Vanuatu. It is also to invest in assets that generate a real return to the fund and makes significant contribution towards a just society of educated, healthy, wealthy Ni-Vanuatu and other eligible fund members.



Our Core Values

- Dedicated to the Fund members and customers;
- Transparency and integrity in fund management and decision making;
- Creativity;
- Accountability to the Fund's members;
- Team work with all key stakeholders;
- Commitment to human capital development;
- Forward looking; and
- Sustainability.



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CHAIRMAN'S STATEMENT

On behalf of the Vanuatu National Provident Fund Board, I take pleasure in presenting this report, together with its audited financial statements for the financial year ended 31 December 2015. Although I was not the Chairman during this period, I was part of the VNPF Board.

2015 was an historical year where the Fund was allowed by the Board on a request by the then Minister for Climate Change, Adaptation, Meteorology and Geo-Hazards, the Honourable James BULE to allow a partial withdrawal of Members' retirement savings following the onset of a natural disaster, Tropical Cyclone Pam.

The VNPF being the main social protection agency was happy to engage the majority of its staff in the project to pay out 20% of Members' savings between March and June. The payouts lasted for three months and the Board was happy to note that apart from the assistance from Government and other donor partners to Members in the geographical areas affected, we believe the payouts contributed towards bringing a positive impact on Members livelihoods.

The total amount of funds paid out to over 21,000 Members from their retirement accounts was approximately VT1.7 billion, and this was drawn from the Fund's local currency term deposits.

The year 2015 was another significant year with some major changes in the Executive Staff. During this year the Fund noted the departure of four members of the Executive team which were the Director Corporate Services, Director Members Services and Compliance, Director Investments and the Chief Financial Officer. Following a restructure of the organization, a new Executive Director to the position of Director Funds Manager was recruited. 2015 also saw changes in Board Membership twice.

The 2015 financial statements of the Fund have been extensively reviewed following the engagement of new external auditors and international firm; KPMG. Their review also rectified the earlier financial statements of 2014 financial statements and these have been accepted in this report.

Although 2014 saw a loss of VT418,792,000, but 2015 showed signs of improvement with a net profit of VT628,575,000 in benefits accrued. The consolidated result for the Group (VNPF & subsidiaries) was a profit of VT434,644,000 compared to a loss of VT229,371,000 in 2014.

During the year, VT13,281,000 was paid out to members in the form of interim interest on withdrawals from the General Reserve Account. However, no amounts were credited to members in the form of annual interest. Compared to 2014, VT11,733,000 was paid out to members in the form of interim interest on withdrawals and

VT196, 421,000 was credited in the form of annual interest from the General Reserve Account. However, it was a concern for the Board not to pay any annual interests to members.

The Board would like to assure all members that their savings will be protected under every circumstance. Special effort will be made to ensure that there will be no future lapses in our role.

ALAIN LEW
Chairman



FY2015 Numbers

FY2011-2015: Summary of Key Indicators

		2011	2012	2013	2014	2015
New Employer		257	366	398	471	216
New Membership		1,781	2,322	2,285	2,391	2,374
Total Membership		51,326	52,840	55,194	53,989	56,310
Total Employer		3,487	3,853	4,012	4,487	3,188
Total Members Balance (VT)		14,246,635,000	15,007,341,271	16,314,919,815	17,154,623,646	16,075,606,944
Total Members Funds (VT)		14,276,564,000	15,404,696,000	16,301,489,000	17,336,680,000	16,086,233,000
Contributions (VT)		1,403,340,000	1,454,179,517	1,544,763,254	1,612,050,370	1,636,356,762
Withdrawals (VT)	503,020,930	666,778,897	661,095,605		727,252,511	896,145,886
20% PAM SOE Relief						1,721,100,000



FY2011-2015: Summary of Member Withdrawals

Grounds of Withdrawals	2011	2012	2013	2014	2015
55 years and over(VT)	332,664,967	402,754,099	463,119,393	486,773,725	619,395,300
Death (VT)	51,726,255	79,037,018	68,178,735	64,254,847	95,322,783
Immigration (VT)	66,006,523	145,444,409	76,661,863	92,989,994	108,187,347
Incapacitated (VT)	39,379,014	25,874,159	40,479,001	71,345,531	59,325,741
Special Death Benefit (VT)	13,242,160	13,667,200	12,654,600	11,886,400	13,912,700



VNPF FINANCIAL STANDING

VUV(000,000)																
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Income	124	181	253	315	352	412	437	399	644	722	817	913	1,003	1,158	701	1,118
Government Grant		325														
Total Expenditure	99	122	180	252	170	152	210	236	216	376	337	438	1,067	677	931	684
Net Income	25	384	73	63	182	260	227	163	428	346	480	475	64	481	(229)	435
Interest credited to members	15	21	44	76	141	221	257	295	347	448	511	658	427	8	208	13
Annual(AI) Interest rates	3%	3%	3%	3%	3%	4%	4%	4%	4%	4.5%	4.5%	5.25%	3%		1.25%	
Net Surplus/Deficit	10	363	29	(13)	41	39	(30)	(132)	81	(102)	(31)	(183)	(491)	473	(21)	422
General Reserve Account	(345)	18	47	34	76	115	85	80	161	59	27	(156)	(648)	(175)	(531)	(188)



BOARD OF TRUSTEES

The VNPF Board of Trustees (“the Board”) is a body corporate established under Section 2(1) of the VNPF Act [CAP 189] (“the Act”). By virtue of Section 3 of the Act, the Board of Trustees is composed of six (6) members who are appointed by the Minister of Finance where by each member represents different employment sectors.

Prior to 29 September 2015 the Board of Trustees was composed of six (6) members:

Name	Representative	Commencement Date	Date Terminated
Simil Johnson	Chairman Government Rep	27 November 2014	
Alain Lew	Deputy Chairman Employer Rep	23 September 2014	
Makin Valia	Member Government Rep	13 June 2013	
Ephraim Kalsakau	Member Employee Rep	28 June 2013	
Willie Ben Karie	Member Employer Rep	23 September 2014	
Henlyn Saul	Member Employee Rep	19 December 2014	24 August 2015 (resigned)
Santos Vatoko	General Manager & ex officio		

Pursuant to the VNPF Act, the Board is mandated to meet at least four times in any 12 month period but not more than once every month. (Refer to table for details of number of Board sittings in 2015) In 2015 the Board had four (4) ordinary sessions and seven 7 special Board Sittings.

As stipulated by the Act the prescribed Board meeting fees as per each member is VT20, 000, per sitting.

The functions of the Board are prescribed by the Act mandating the Board to make internal rules regulating its procedures. For this reason the Board Charter stipulates the appointment of the Sub-Committees defining their roles and responsibilities.

INTERIM BOARD

On 29 September 2015 the Board was temporarily suspended. .

Subsequently, an Interim Board was appointed on 28 October 2015.

Composition of Interim Board

Board Members	Representative	Commencement date
Letlet August	Government	28 October 2015
John Ezra	Government	28 October 2015
Ronald Warsal	Employee	28 October 2015
David Russet	Employer	24 November 2015
Andrew Leong	Employer	24 November 2015
Vacant	Employee	-
Santos Vatoko	GM & Ex Officio	

2015 Board Sittings

Sittings	Board	Interim Board
Ordinary	4	1
Special	7	1

2015 Board Sub-Committees

Board Remuneration Committee Committee Members

Willie Ben Karie (Chairman)
Ephraim Kalsakau
Makin Valia
Jonathan Law
Santos Vatoko (GM)
Hollingsworth Ala (DCS)

Representatives

Employer Rep
Employee Rep
Government Rep
Independent Member
Ex Officio
HR

Tender Committee Members

Santos Vatoko
Simil Johnson
Hollingsworth Ala Ngwele
Paul Kaun
Heather Lini-Leo
Kensly Ham
Krishnamurti Natarajan

Designation

General Manager
VNPF Board rep
Director Corporate Services
Director Investments
Manager Legal Section
Risk Management Officer
Chief Financial Officer

2015 Board Sub-Committees meetings

- a) Investment Committee, Nil
- b) IT Committee, Nil
- c) Remuneration Committee, 1 meeting
- d) Tender Committee, 1 meeting
- e) Audit Committee, Nil

2015 November Interim Board Sub-Committees

Investment Committee

Andrew Leong – Chairman
 John Ezra – Member
 Ronald Warsal – Member
 David Russet - Member
 Santos Vatoko – GM & Ex Officio
 Viliame Baleitavua – DFM & Ex Officio

Audit Committee

David Russet - Chairman
 John Ezra – Member
 Ronald Warsal – Member
 Serah Obed - Independent Member
 Muriel Herbert - Ex officio member.

IT Committee

David Russet – Chairman
 John Ezra – Member
 Ronald Warsal – Member
 Fred Samuel – Independent Member
 Sailosi Rezel – Ex Officio Member
 Doreen Lango – Ex Officio Member

Remuneration Committee

Andrew Leong – Chairman
 John Ezra – Member
 Ronald Warsal – Member
 Santos Vatoko – GM & Ex Officio

The Board Sub-committee sitting allowances are compensated on an hourly fixed rate as prescribed by the Board Charter. The Chairman of the Board Sub-Committee receives VT12,000 per hour and Members receive VT10,000 per hour.

Corporate Governance

The Board and all employees owe the highest standard of duty to uphold governance and ethics as fundamental elements to fulfil the Fund's goals and objectives in a manner that adds value to the organization and is simultaneously beneficial to all its stakeholders.

More so, the Board sets the strategic direction of the Fund and oversees its overall conduct while the Management is responsible for the day to day business operations. The Fund's business operations are in line with established systems and controls so that strategies and policies are effectively carried out.

2015 Board Approved Policies

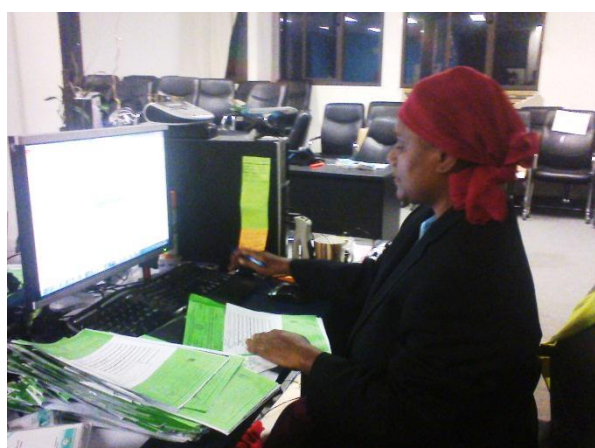
No	Policy	Owner	Approved Date
1	VNPF Standard Procurement Process Mapping, Guidelines & Procedures	Procurements Department	9 July 2015

MANAGEMENT TEAM

The VNPF Management team consisted of five (5) Executive members and eleven (11) Managers.

Executive

Santos Vatoko - General Manager
 Hollingsworth Ala – Director Corporate Services
 Paul Kaun (Outgoing), - Director Investments Division
 Viliame Baleitavua (New) – Director Funds Management
 Denny Gaua – Director Member Services and Compliance
 Raj Natarajan Krishnamurti – Chief Financial Controller
 Aileen Leodoro – Board Secretary



Managers

Linges Jones – Manager Human Resource
 Sailosi Rezel – Manager Information Technology Support Services
 Eniel Johnson – Manager Finance
 Doreen Leona Lango – Manager Member Services
 Jackson Lessa – Manager Compliance
 Heather Lini – Manager Legal (Deceased)
 Tony Benjiman – Manager Procurement
 Muriel Herbert – Manager Internal Audit
 Patricia Kalpokas – Manager Marketing & Communications

TROPICAL CYCLONE PAM WITHDRAWALS

After Tropical Cyclone Pam on 13th March 2015, the Vanuatu Government declared through Order No. 16, a State of Emergency Relief through the Minister of Climate Change, Adaptation, Meteorology and Geo-Hazards, the Honourable James BULE. Order 16 made on 20th March 2015 instructed VNPF to facilitate Members withdrawals of 20% of their contributions from their Retirement Accounts as some form of assistance from the effects of TC Pam.

Subsequently, a VNPF Response team was immediately set up to implement the Order. Within a week all processes were established and a system was built in-house known as 'PAM' to facilitate withdrawals and its workflow processes.

Over 21,000 Members out of an approximate total of 31,000 active Members withdrew their funds and were paid either by cash, Cheques, Bank deposits or money transfers. A total of VT1.721 billion was paid out to members from their individual Retirement Accounts. The service was delivered to every eligible member who lived in Vanuatu and abroad.

20% PAM PAYOUT RECORDS

Island	Member Counts	Total Funds Payout (VT)
Ambae	282	22,362,520
Ambrym	198	10,959,550
Aneityum	15	1,751,830
Banks	223	13,603,910
Emae	16	889,910
Epi	95	6,732,590
Erromango	5	485,170
Futuna	14	1,396,480
Gaua	1	5,510
Maewo	71	3,881,700
Makira	3	69,540
Malekula	797	58,866,307
Paama	84	4,361,430
Pentecost	351	26,561,246
Santo	3693	247,782,314
Tanna	609	51,130,358
Tongariki	13	452,350
Tongoa	86	3,451,400
Efate	15,078	1,266,659,223
TOTAL PAYOUTS	21,634	1,721,403,338

20% PAM RELIEF: SUMMARY OF EXPENSES

Item	Costs (VT)
Traveling Expenses	6,290,000
Vehicle Fuel	324,688
Staff Amenities	2,046,790
Staff Salary	15,851,364
Total Expenses	24,512,842

The normal business of the Fund was suspended for 3 months as a consequence of the withdrawals and gradually the Fund resumed normal operations in the month of June and July of the year. Few withdrawals were still made up to the end of July which was actually the cut-off date to stop processing of withdrawal applications.

The Board of VNPF wishes to acknowledge various Stakeholders who were directly involved towards the success of VNPF 20% Pam State of Emergency Relief payout, namely;

1. Vanuatu Police Department
2. Government Ministries and Departments
3. VMF
4. Security Companies
5. Commercial Banks
6. RBV
7. Internal Affairs Ministry & Departments
8. Airline Industry
9. Shipping Industry
10. Area Councils
11. Churches
12. Communities
13. Chiefs



INTERNAL AUDIT

The Internal Audit is responsible to advise all levels of management and the Board through the Audit Committee on the quality of the Fund's operations with particular emphasis on the effectiveness of Risk Management, Control and Governance processes.

Management on the other hand is responsible to ensure that adequate operating and financial controls are in place and are working effectively and efficiently, and that Internal Audit's assessments of these controls do not in any way alleviate management of the responsibilities assigned to them.

For the 2015 financial period, the Internal Audit Annual Activity Plan was adversely affected and not fully achieved as anticipated as a result of a Management and Board decision to suspend the Fund's normal operations due to TC PAM payouts during the period from March to October 2015.

Nevertheless, we are pleased to advise that the issues raised in the internal audit reports released in 2015 were being actioned and rectified by the Management.

RISK SECTION

Risk Management

Risk Management is an integral function of the Fund whereby risks are identified, analyzed and evaluated on an ongoing basis. A system has been set up to monitor and manage risks. In the opinion of the Trustees the risk management system is operating effectively.

Reserve Bank of Vanuatu (RBV) Prudential Supervision

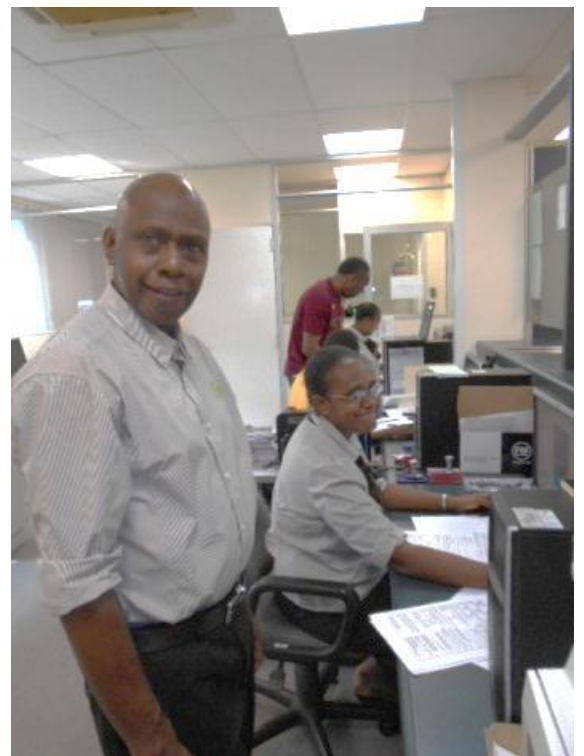
Under the Reserve Bank of Vanuatu (RBV) Prudential Guidelines, the Fund is required to submit prudential returns on a quarterly basis. The returns contain the Funds Financial Position and Performance, Directly held Investments, Derivative Financial Instruments and all the Exposure Concentration of the Fund.

The RBV also conducts annual onsite reviews on the Fund's business dealings and operations and provide suggested corrective measures on any issues identified. The Management is effectively addressing issues to ensure that compliance with the RBV Prudential Guidelines always prevails.

Ethical Standards

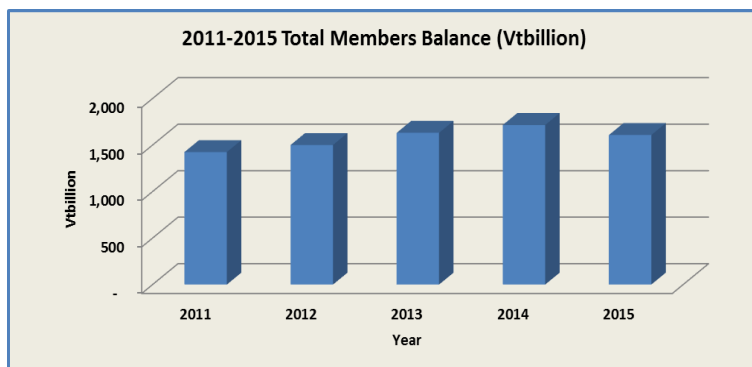
The Fund ensures that best organizational principles, practices and norms are maintained and applied in all levels of management including the Board of Trustees, Management, Staff inclusive of the Financial Members and Stakeholders. The internal Policies and Procedures that govern the organizational principles, practices and norms are, but not limited to;

1. Board Code of Conduct
2. VNPF General Orders
3. Staff Code of Contact
4. Whistling Blowing Policy

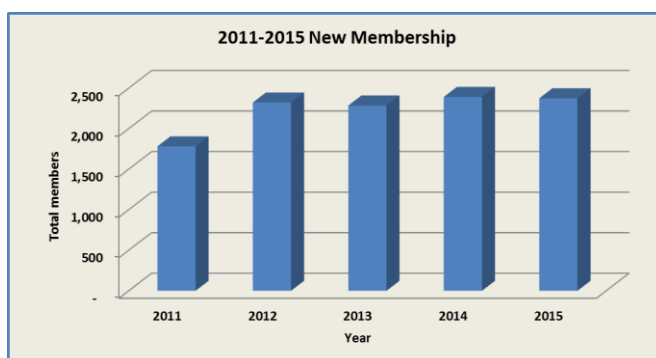


MEMBER SERVICES

The operations of Member Services department is crucial to the Fund, as it undertakes the core functions of VNPF stipulated in the VNPF Act for registrations of members, collections of contributions and payout of members' benefits. The department is supported by a membership database system that stores records and administers the process to enhance its operations and provide statistical reports.

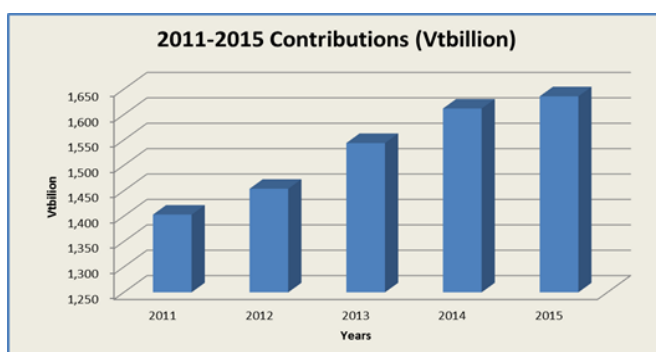


Membership



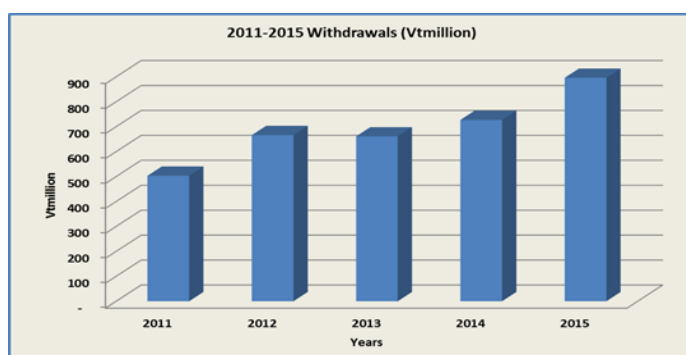
Despite the impact of TC PAM on business operations VNPF managed to register a total of 2,374 new memberships in 2015 compared to 2,391 memberships registered in 2014.

Contributions



Total contributions collections increased by 2% from VT1, 611,520,469 in 2014 to VT1, 638,398,859 in 2015, a short fall of 3% from 2015 budget figures of VT1, 684,000,000.

Withdrawals



The total member payouts under the four withdrawal grounds had increased by 23% from VT1, 715, 364 097 in 2014 to

VT882, 231,171 in 2015. A total of 1,317 members withdrew in 2015 compared to 1,132 in 2014.

Overall, withdrawal on four grounds constituted 54% of the total funds collected during the year.

Retirement

In 2015 a total of 1003 members withdrew their funds upon reaching retirement age of 55 years compared to 803 in 2014. There was an increase of 27% from VT486, 773,725 in 2014 to VT619, 395,300 in 2015.

Migration

The statistics shows 116 members withdrew a total of VT108, 187,347 in 2015 compared to 126 members that withdrew VT92, 989,994 in 2014.

Incapacitation

A total of VT59, 325,741 was paid to 81 members who were medically certified to be physically and mentally incapacitated from engaging in further employment. This is less than 93 members who withdrew in 2014 with a total withdrawal amount of VT71, 345,531.

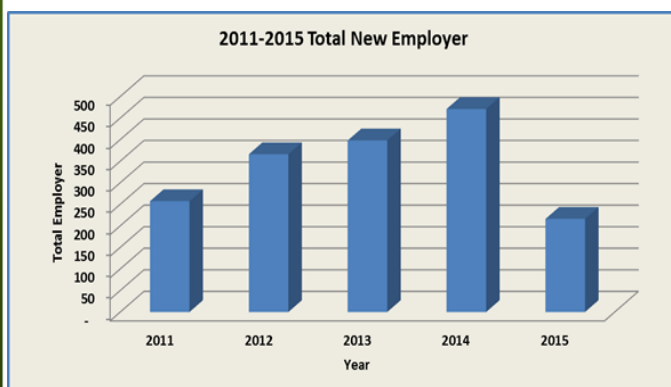
Death

In 2015 a total payout of VT95, 322,783 was paid to nominees under death claims. This shows an increase of 48% from VT64, 254,847 in 2014.

Special Death Benefit

Members who passed away during employment were paid their Special Death Benefits (SDB) to their nominees. A total of 117 members were paid SDB amounts of VT13, 912,700 compared to 64 in 2014 value at VT11, 886,400.

Employers



Employer registrations shows a decrease by 55% total to 216 in 2015 compared to 471 registrations made in 2014.

Unidentified Contribution

Total unidentified contributions recorded in 2015 were VT23, 929,003. This is due to incomplete information provided by the employers to the Fund.

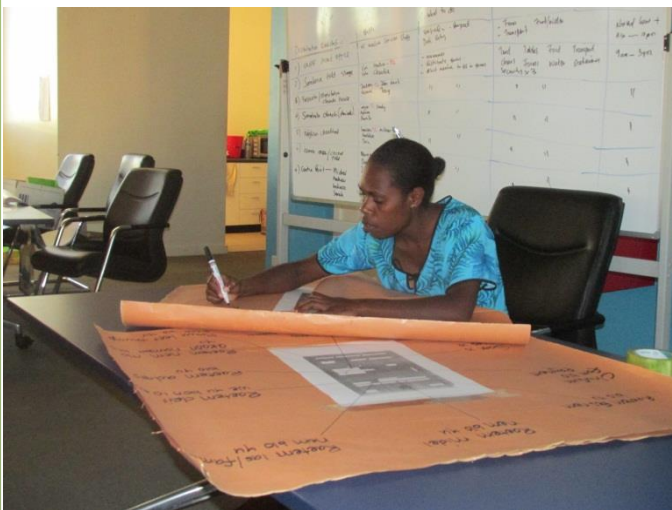
It is important that employers are aware of VNPF and Bank payments procedures for contributions.

Contribution Debtors

Total outstanding contributions for 3,726 defaulted employers summed up to VT887, 825,853 of which 2,844 was for active employers which totaled to VT791, 487,932.

Data Integrity Project

The issues relating to data integrity in the current membership system were identified and documented in 2013 for VNPF and implemented in October of 2015. A team was formed internally and is assigned with roles and responsibilities to undertake the project. To enhance the management, reporting and workflow of the project, an interactive system was built internally known as Data Management Integrity System (DMIS).



FINANCIAL INVESTMENTS

2015 was a challenging year for the Fund's fixed income investments. Challenges faced during the year are driven by normal market operations and impacts of natural disasters.

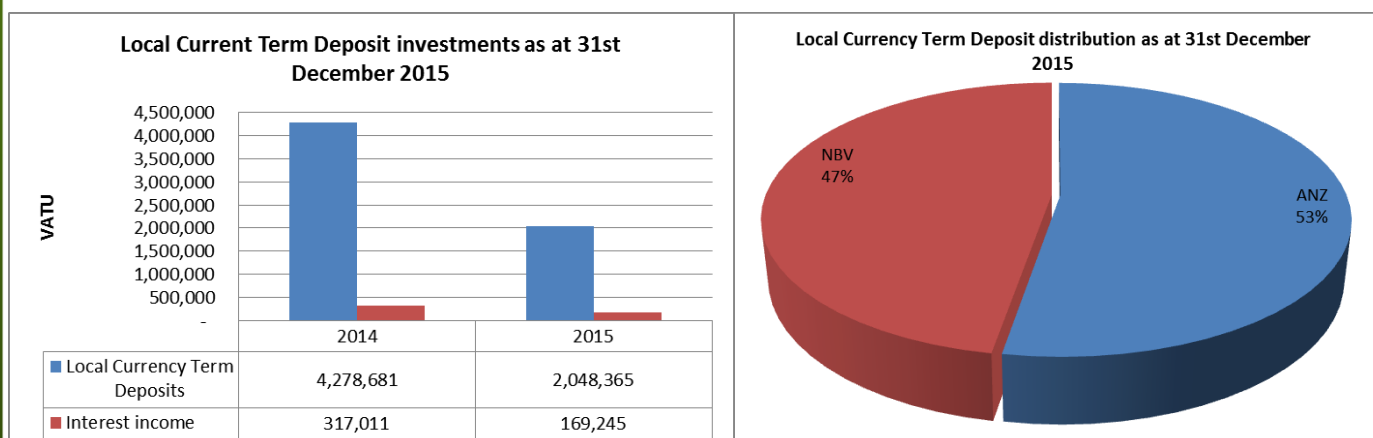
In the international market front, the Fund did not take up any financial investments, apart from the existing fixed term foreign currency deposits with the local commercial banks in country. The market uncertainty coupled with prevailing low interest rates largely explained why the Fund did not invest offshore.

Within the domestic market, fixed income investment options continued to be limited to Government bonds and term deposits with local financial institutions that dominated fixed income in the Fund's fixed investment portfolio. The interest rates received from these assets are driven largely by liquidity conditions in the domestic banking system plus the Government's fiscal position.

LOCAL CURRENCY TERM DEPOSITS

Total Local currency Term Deposits declined by 46% from VT4.7 billion in 2014 to VT2.5 billion in 2015. . This is due to the mass payout made to the fund's members for the impacts of the TC PAM where VT1.7 billion was drawn from existing Term Deposits. Term deposit activities slowed down during the year as the liquidity in the banking system continued to remain high, posing threats for deposit rates to drop from 6.00%, in December 2014, to 2.50% in December 2015 resulting in a 47% decrease in interest income on local currency term deposits in 2015. The majority of the matured local term deposits were recalled and placed in call accounts.

The Local Currency Term Deposit is generating an average return of 4.5% and a weighted average return of 0.6% of the total Investment Portfolio.

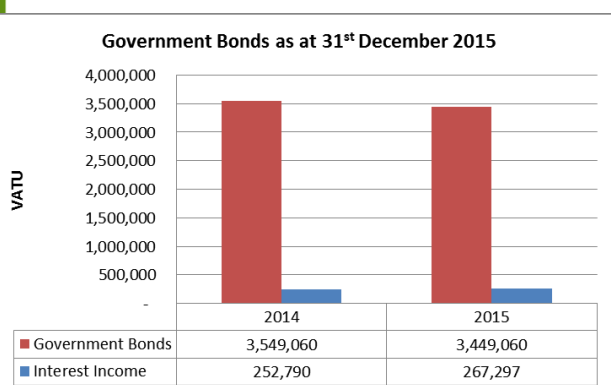
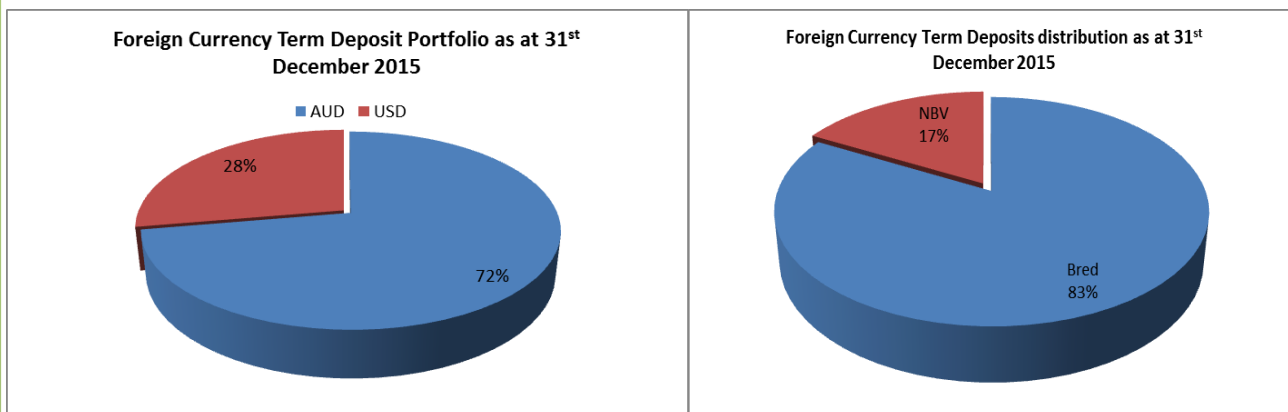


The National Bank of Vanuatu holds 47% of the Fund's total Local Currency Term Deposits while ANZ (Vanuatu) Limited holds 53%.

FOREIGN CURRENCY TERM DEPOSITS

There were no purchasing and selling of Foreign Currency during the year; however, the total foreign currency Term deposits showed an increase of 10% being for an exchange gain because of a strong USD at the conversion date. Of the total foreign currency Term deposits, 72% was invested in Australian Dollars and the remaining 28% was invested in

United States Dollars. The average return on total foreign currency Term deposits is 2.11% with a weighted average of 0.06% of the total Investment Portfolio.



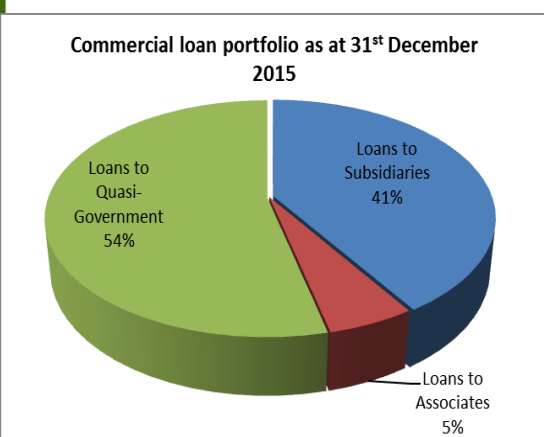
GOVERNMENT BONDS

During the year, four of the Fund's existing Government bonds reached maturity. Of a total of VT450 million, VT350 million was rolled over causing the total government bond portfolio to decline by 3% from a 2014 balance of VT3.5 billion. However, total Interest income on Government bonds climbed 6% from 2014 figures as a result of

rolling over the maturities at 8% p.a.

Average Return on the Government bonds was 7.60% with a weighted average return of 1.71% of the total Investment Portfolio.

COMMERCIAL LOANS



Total Commercial loan investments, increased by 11% from VT1.7 billion, in 2014 to VT1.9 billion, in 2015. The increase was partly due to the formalization of a contingent equity drawdown by ANZ (Vanuatu) Limited for an Interchange Limited Debt and the capitalization of TC Pam interest rates on all Air Vanuatu (Operations) Limited loans. Interest rates for the month of March to September 2015, for Air Vanuatu (Operations) Limited, were capitalized upon so as to allow the airline company to recover from the impact of cyclone Pam.

Average return on all commercial loans which includes loans to Air Vanuatu (Operations)

Limited, Member Financial Services Limited and Interchange Limited was 7.40% with a weighted average of 0.95% of the total Investment Portfolio.

ASSET ALLOCATION

Investment Diversification is subject to the Investment Policy Guidelines (IPG) of 2007 which outlines the minimum and maximum limit to allocating member funds to a class of investments. The table below illustrates a summary of the Asset allocation as at 31st December 2015 compared to the maximum limit as stipulated in section 8.0 of the IPG.

Asset Class	IPG Maximum Limit	Asset Allocation, 31/12/15	Variance
Cash	10%	9%	1%
Fixed Interest	45%	39%	6%
Loans	15%	13%	2%
Equity	15%	22%	-7%
Property	40%	17%	23%
Offshore	15%	0%	15%

All Asset Classes are below the IPG bench mark except for Equity investment which is above IPG benchmark by 7%.

INVESTMENT PORTFOLIO PERFORMANCE:

The table below illustrates the weighted average rate of return for each asset class.

Asset Class	Total Costs (VUV)	Average return	Weighted average return
Foreign Currency Term Deposits	482,747	2.11%	0.07%
Investment in Subsidiaries	1,145,388	0.00%	0.00%
Cash and cash equivalent	1,433,840	3.20%	0.30%
Loans and Advances	1,975,899	7.40%	0.95%
Local Currency Term Deposits	2,048,365	4.50%	0.60%
Investment in Equities	2,197,746	13%	1.83%
Investment properties	2,594,266	6.90%	1.17%
Government Bonds	3,449,060	7.60%	1.71%
Total	15,327,311		6.62%

Weighted Average Return for the total investment portfolio as at 31st December 2015 is 6.62%, showing an increase of 0.85% from 2014's weighted average return of 5.77%

Risk Classification	Total Costs	Weighted Average Return	
		2015	2014
Defensive Asset	9,389,911	3.63%	3.88%
Growth Assets	5,937,400	2.99%	1.99%
Total	15,327,311	6.62%	5.77%

Defensive assets, which includes Government Bonds, Term Deposits, Cash and Loans, made up 3.88% of the total weight average return while the remaining 2.99% is for Growth assets, which includes Properties and Equities.

PROPERTY INVESTMENTS

Key Developments & Highlights

In March 2015, Cyclone Pam swept over Vanuatu sending the property market back into recession. The Fund was fortunate that most of its commercial properties were not severely damaged and tenants continued to be secured. A technical team was appointed right after the cyclone and assessments were conducted on all the Fund's properties. Upon issuance of a report, the team contacted contractors and sourced quotations and claims with the Insurance company on the damages caused during the cyclone. Insurance claims were lodged for the Fund's commercial properties namely:

- I. Air Vanuatu Building
- II. VNPF Head office Building

Repairs have commenced on the VNPF Head Office building. Every year, the Fund purchases a new insurance premium to cover claims on damages.



In June 2015, The Fund through the Board endorsed the sale of one of its properties, Banian Subdivision. The property was a subdivision acquired back in 2014 consisting of 81 residential plots. The Subdivision is located in Santo along the vicinity of Banban Area. Sales and marketing was progressing internally within VNPF. After the initial sales advert was released, statistics revealed that the market price was quite high. Again, Cyclone Pam contributed a lot to the cash strapped situation that the general public was faced with. There was a lot of demand from the members and the general public. However, the money is not there.

In August 2015, Major refurbishment works were done within the Australian High Commission chancery. Fletcher construction completed these renovations and fittings which included the additional emergency exit constructed at the western elevation of the building. Re-sealing of a few windows to the premises and the removal of a crane arm that hit the western wall of the building during the Cyclone PAM was also done.

In November 2015, The Fund approved the purchase of a Standby Generator for the Air Vanuatu, Sunset Building. This is a 200KVA power generator established to connect all tenants within this building to supplement power during unexpected power failure from the main UNELCO line. Vate Electrics has completed all prerequisite requirements for this installation, with anticipating commissioning of the generator before end of January 2016.

In December 2015, all tenants leasing VNPF owned buildings had their leases reviewed. Rent reviews are stipulated to all commercial tenants and are benchmarked to the quarterly and yearly CPI fluctuations. For the Air Vanuatu Building Tenants, the review took into account new services that were connected to the building such as the installation of a new standby generator. This meant that an increase in rent was imposed due to the added service.

In December 2015, The Fund arranged for valuation on few of its commercial properties and Agricultural leases. As an Audit requirement, valuations are undertaken to recheck on all current book values and to register gains/losses on the market value. This is an accounting standard that ensures property values are not under/ overestimated in our records.



Operating Performance

There was an increase in the 2015 annual rental collection and this is reflected in the underlying financial report, principally, the increase income from rental adjustment that is done annually.

Gross rental income also increased as a result of securing new tenants leasing with VNPF commercial properties.

With the increased controls on expenses, property maintenance within this fiscal year was managed below the budget. Management controls and well informed decisions made over maintenance issues was a key contributor to managing property expenses.

Another plus on operating expenses was the reimbursement of all Cyclone Pam renovation issues through our Insurance Policy comprehensive covers.

Property Investment Prospects

The demand for office space in Port Vila Central Business District (CBD) in the 2nd quarter of 2015 has continued to rise particularly with the expected completion of the urban infrastructure project.

Commercial Property investment will still dominate the property market as far as investment in property is concerned, taking into consideration the lucrative advantages in terms of return/capital gain that it will offer. It hedges on the risk of inflation through proportional annual increases.

The Fund has few non performing properties that we are generally managing; and this has an impact on the overall property portfolio performance. The Fund is keen and is seeking investment opportunities through prudent approaches to breed growth that will generate returns. The challenge is getting the right Investor with the right project to contribute to a positive return, and ensuring that vacant or undeveloped properties are always put to their “highest and best” so as to capitalise on growth. Researching viable investment options and securitizing investor profiles are mandatory and this is warranted for all proposed Investments.

Portfolio Overviews

As of 2015, the Fund managed over 18 properties under the VNPF property Portfolio and 14 of these properties are commercial, in terms of land zoning, while 2 are developed Agricultural leases, whilst the other 2 are residential properties.

All commercial buildings are fully tenanted with Anchor tenant arrangements as specified under section 8.1.5 of the IPG. VNPF’s commercial tenants range from diplomatic offices and government offices to private entrepreneurs. The rental amounts are determined by the urban market rate which ranges from VT1,000sqm - VT4, 500 per square meter.

The Property Investment scope of works is driven and guided under the IPG that dictates the boundaries for investment and the obligatory requirements that qualifies how and where to invest.

Estate Management

VNPF property department manages 18 properties that it has purchased and developed. The Management service includes day to day assistances for occupants, management, maintenances, cleaning, security and renovations of buildings, common areas and facilities. The department places great emphasis on maintaining good relationships with occupants and this will continue to be reciprocated with our new clients on new projects.



LEGAL SERVICES DEPARTMENT

Legal Services

The objectives of the Legal Services Department has slightly varied from playing an advisory role to the Management and the VNPF Board to merely enforcement services specifically representing VNPF in court on matters regarding non-compliant Employers or any court cases brought against VNPF. This change was brought about by the recent corporate structure implemented in 2015.

Civil Litigation

In 2015, the Department brought forward sixteen (16) civil litigation cases against non-compliant Employers dating from 2011 to 2015, filed four (4) new cases and concluded two (2).

For civil cases against VNPF, there were a total of eight (8) civil cases. Six (6) were carried over from 2015 and two (2) were concluded in 2015.

Criminal Litigation

Apart from 3 criminal case files that were carried over from 2014 to 2015, 1 new criminal case was filed in 2015.

Corporate Convincing and procurement

With respect to corporate convincing and procurement, Legal Services was not involved in any during the reporting year.

Opinions and advice to Board and Management

Legal Team's contribution towards opinions and advice to Board and Management is approximately more than 20 by way of written or emailed advices. For advice via written documents, the team submitted at least 5 to 10 on a weekly basis, whilst documents that required review and approval would normally amount to not more than 5 a week.

One of the projects to be undertaken back in 2014 was the review of the VNPF Act [CAP 189]; however this was shared with Managers and Directors and has been an ongoing project. To date, this is still a big need to be accomplished due to out-dated laws that do not suit the changes brought about by surrounding circumstances and mostly modern day technology.

Maintaining ethical standards and promoting good governance

It should be noted that maintaining ethical standards and promoting good governance in the Fund is often challenging at times and the Section looks forward to a continued cooperation of the Board, Executive, Management and staff of the Fund in this regard.



COMPLIANCE AND ENFORCEMENT

The Compliance and Enforcement Department is mandated by the Act to pursue non-compliant Employers and to ensure that Members contributions are paid by employers as well as the surcharges for late payments.

The four main business centers that accommodate these huge outstandings are Port Vila with more than 90% of registered businesses, followed by Luganville, Malekula then Tanna.

The table below shows the number of Employers per center and the amount of outstanding that is involved.

Contributions	VT764,197,045
Surcharges	VT312,120,796

To strengthen the compliance framework, the Fund has been working with the Vanuatu Investment and Promotion Authority (VIPA) towards securing arrangements for some form of understanding. It is hoped that a mechanism will be put in place to strengthen the relationship between the two entities to compel all current and potential foreign investors to comply with the laws of Vanuatu governing their respective areas.



INFORMATION & COMMUNICATION TECHNOLOGY

Strategic Review Development

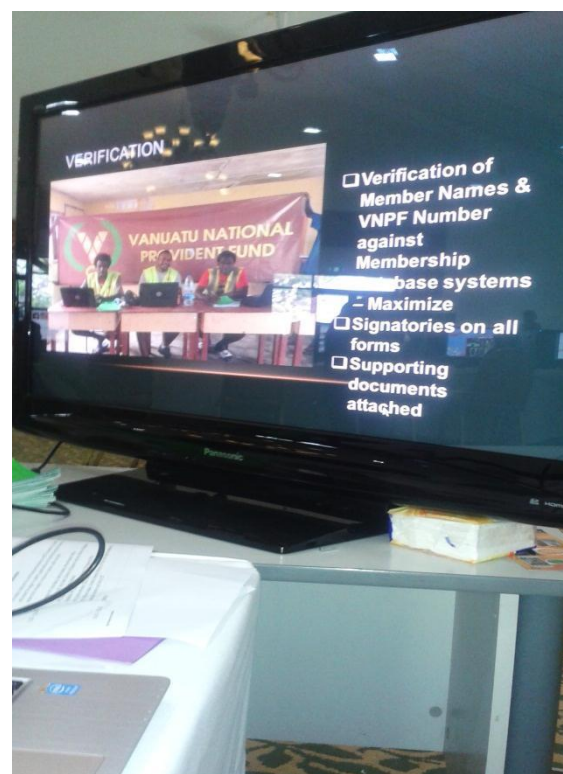
While the ICT Strategic plan was originally completed in 2014, the execution of it was very little due to the effects of cyclone Pam. The impact of the cyclone halted the progress of the ICT Strategic plan with the project of replacing the main hardware firewall as one of the major problems that needed fixing. This would be carried over into the new year (2016).

Infrastructure Upgrade

The upcoming upgrade that is to happen is the acquiring of the new membership administration system. The tender process was completed this year and the selection of the winning bidder as well as the commencement of the project will happen in early next year 2016.

Software Application

A new system called 'PAM' was developed in March 2015 to cater for the State of Emergency 20% withdrawal process. The Microsoft access database was developed in-house to manage the workflow process from registration, monitoring to reporting.



BRANCH COORDINATION UNIT

Following the restructuring of the Fund, and under the new Fund's strategic plan for 2014 – 2018, the department for Branch Coordination was created and established.

The main responsibilities of the department are, but not limited to, improving the image of the Fund in rural areas and bringing VNPF closer to the communities around the country. Thus, the main strategy towards achieving this is through the setting up of provincial offices throughout the main centers within Vanuatu.

VNPF currently has existing branch offices in Tanna for Tafea Province, Malekula for Malampa Province and Luganville for Sanma Province. The branch office in Lenakel Tanna was severely ravaged by cyclone Pam in 2015 and since then, VNPF is yet to find a suitable space to relocate to.

Efforts are currently underway to have the office resurrected, however, due to very limited space in and around Lenakel areas; no suitable and convenient space was located. This year, a team was dispatched to Tanna in July after the cyclone; however no space is yet secured to relocate the office.

The Branch Coordination Unit currently has a total of nine (9) staff, of which six (6) are based in the Santo office, 1 in Tanna office (who was relocated to Port Vila), 1 in Malekula (currently the post is vacant) and the Manager who is based in Port Vila.



HUMAN RESOURCES

The Human Resources Department is an important arm of the Fund. It has several responsibilities that are inclusive but not limited to prominent matters such as Recruitment, Training and Development, Performance Management, Fleet Management and Archiving and Record Management.

Staffing

A total of seventy (70) full time and six (6) part-time highly skilled and committed staff are employed and occupying various positions within various departments of the Fund. Out of these are five (5) executives and eleven (11) managerial positions.

Training and Development

The Fund recognises the importance of human capacity building to develop its human resources and is committed to ensuring that there is continuity to meet business outcomes. In doing so, members of staff have also taken advantage to upgrade their skills and knowledge by enrolling in high profile academic and tertiary institutions. Moreover, they have also been taking advantage of training opportunities as and when they become available.

On the Job Training

The Fund continues to support students to introduce them to real life employment experience, by accommodating them on internship programmes. Students range from a number of high calibre organisations that include but are not limited to the Vanuatu Institute of Technology, Youth Challenge Vanuatu and the University of the South Pacific School of Law.

PROCUREMENTS DEPARTMENT

The Procurements Department is a newly established department within the Fund's support services. It was set up in October 2014 with one officer and became fully operational in 2015 with an additional support staff.

The aim of the department is to ensure effective and efficient administration, logistics, coordination and distribution of goods and services. It operates within established procedures and guidelines in accordance to the Financial and Administrative policies and procedures on procurement of goods and services of the Fund.

The department also works to ensure cost control, while on the other hand promotes business opportunities and small scale businesses including commercial businesses in the national and international arena.

MARKETING AND COMMUNICATIONS DEPARTMENT

The key function of the Marketing & Communications Department is “*to promote the Vanuatu National Provident Fund services in line with the Fund’s overall mission and vision*”.

Staffing

From January to February, the Department was staffed by a Manager, two Customer Care Officers and a Public Relations Officer. In February, the Public Relations Officer (PRO) tendered her resignation and the post was left vacant. One of the two Customer Care Officers also agreed to act as Team Leader Benefits in the Members Services Department following a vacancy, and her transfer was facilitated in July, leaving the department with only two officers.

In November, the Fund restructured its organisational structure, to focus on recovery and filling in the financial gaps. The initiative would be in force for six months, and thereafter another review would be conducted. As such, the PRO duties were amalgamated into the Job Description of the Customer Care Officer, whilst the Manager position was revised to include more policy related matters and driving the strategic direction of the Fund.

Tropical Cyclone Pam & 20% Payouts to Members

In mid-March, Tropical Cyclone Pam hit Vanuatu and this caused a major disruption to the Department’s work plans for the year. Administration and support staff which included the Department was relocated to Head Office Conference Room to assist Finance Department in the processing of 20% payouts from Members’ retirement accounts, up until July. The Manger took up the majority of the Public Relations tasks that needed to be addressed during the payout process and also took on any other related matters. One of the two Customer Care Officers took up the role of writing and distributing the internal newsletter, whilst the other was responsible for updating the Facebook page until her move to the Members Services Department.

In July, an assessment of the viable activities for the year was undertaken and once the office space was cleared for occupation again in August, the Department returned to the second floor of the building and set to work.

Annual Report 2014

The write up process began at the beginning of the year, but due to the onset of TC Pam, this activity was delayed. Never-the-less, the Department persisted to send out reminders and coordinate the write up whose process has been ongoing into the 2016 FY.

Newsletter

A newsletter covering the 2014 year was released in February. The newsletter covered Departmental updates as well as a brief of the highlights that year.

VNPF Updates on Vanuatu Daily Post Newspaper

Updates were maintained and a total of 14 updates were released throughout the year, ranging from topics regarding the 20% payouts, to educational awareness on the Fund and its benefits.



Weekly Newsflash

The Weekly Newsflash, an internal newsletter was revived in 2015 with 14 issues released. At times, it was challenging to maintain a weekly release, due to lack of information, but the issuing process did not stop altogether. The newsletter is acknowledged as a useful mode of communication with all staff of the Fund and so whenever there were announcements, news items etc. to share, every effort was made to write and share the information to all staff.

VNPF Staff Uniforms

From 2013 to 2014, the Marketing and Communications Department took on the role of chairing the committee that was entrusted to oversee the purchasing and distribution of new staff uniforms. In 2015, minor issues with uniforms was still ongoing and so one of the two Customer Care officers was charged with compiling a list of staff with issues and prepare a handover to the Human Resources Department to assist staff.

Changing the Corporate Image

Activities relating to the corporate image were delayed due to the disruption in activities by the TC Pam payouts. This included new document templates, the ID card and email signatures.

However, the Member Financial Services Limited (MFSL) requested assistance with a logo design and the Manager took up this responsibility to work closely with MFSL to create the logo and additional works such as document templates. The MFSL logo is derived from the new VNPF logo which was approved in August 2014.

Sponsorship Requests

The Department has been tasked with the duty of responding to sponsorship requests from individuals or groups from the public. In 2015, 9 sponsorship requests were received from the public, and all were declined. This is largely due to the fact that there is no allowance in the Fund's budget to provide funding or sponsorship in kind to those requesting. As a consequence, a proposal for a corporate social responsibility policy was made to the Executive for consideration.

Public Notices were issued between March and December on the following matters:

March	20% payouts from Members retirement accounts, following Ministerial order
	Opening of VNPF Office
	Closing of stations distributing State of Emergency Relief forms (SER forms) for 20% payouts
	VNPF SMS Short Codes
April	2 nd Advisory on stations distributing SER forms
	Advisory from MFSL on grace period for loans
July	Independence Anniversary Greetings (Port Vila and Luganville Municipal Council)

December Members Services notice on cut-off date for Withdrawals
Christmas Greeting

Radio Messages were also issued between March and July:

March Message to Members in the northern islands regarding 20% payouts from Members' retirement accounts

April Message to Members in the Shepherds group of islands regarding 20% payouts from Members' retirement accounts

May Final reminder on submission of SER forms

June Advisory to Members on islands of Vanuatu on locations for dispatch of cheques

July MFSL message to Members on Ambae regarding loan applications

Vacancies Advertised included:

February Investments Analyst Officer
Real Estate Management Officer
Investment Support Officer

August Procurements Officer
Senior Accountant - Subsidiaries

September Team Leader Compliance Department
Inspection Officer, Compliance Department

December Legal Officer
OIC Malekula Branch

Published Tender Notices were published in-country as well as in the region, except for the MFSL notice and the notice for a standby generator:

March MFSL Panel of Engineers, Insurance Companies, Panel of Solicitors, Panel of Valuers

July Supply and installation of standby generator for Air Vanuatu building

September External Audit Services
Professional Services for the Valuation of VNPF Properties

New Membership System

The printing, enveloping and dispatching of VNPF Annual Member Statements

Published Advertisements

August	Sale of Banian Land sub-division
November	Etas Property sale, 3,500m2 Vacant Plot, Title: 12/0923/147

Public Events

ICT Days

The ICT Day is an annual event which saw members of the International Telecommunication Union (ITU) join to Celebrate World Telecommunications & Society Day.

In 2015, VNPF as one of the sponsors of the two (2) days event joined the celebration. The Fund took this opportunity to showcase a new system designed in-house to cater for the emergency Cyclone Pam relief payout.

Awareness

Opportunities to conduct an awareness programme via face to face meetings with Members and the public in the year were thwarted with the untimely payouts following TC Pam. There were two occasions when the Customer Care Officer was called to present at a careers talk in one of Port Vila's schools, and another when a new Employer was curious to know his obligations under the VNPF Act.

Partnerships with Other Departments

- Between June and July, the Manager of Marketing & Communications Department was requested to be part of an internal investigation on allegations levelled against a VNPF Manager. This was taken on board as an additional responsibility, on top of the TC Pam payouts, as well as public relations duties.
- As part of the ongoing rebranding exercise, the Department was also involved with IT Department and the Members Services Department to revise the current Member ID cards. This is an ongoing project that would be carried over into the 2016 FY.
- In liaison with the General Manager's office, the Department designed a Christmas Greeting card for circulation to key Employers and partners of the Fund in December. A Christmas greeting was also designed for inclusion in one of the local newspapers. Other publications include the Fund's Calendar which is an ongoing project.

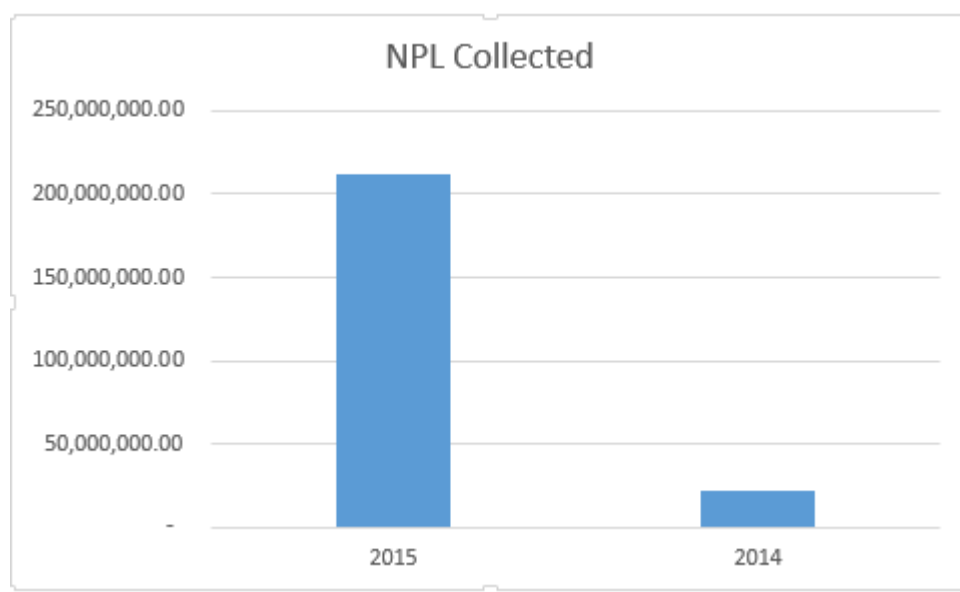
MEMBER FINANCIAL SERVICES LIMITED (MFSL)

The Financial year 2015 was challenging and at the same time exciting for MFSL.

The year started with training for all staff. The first training was on how to review the loan account. Participants included all MFSL staff as well as Branch staff and invitations were also extended to VNPF staff. During the year other training were also provided in-house.

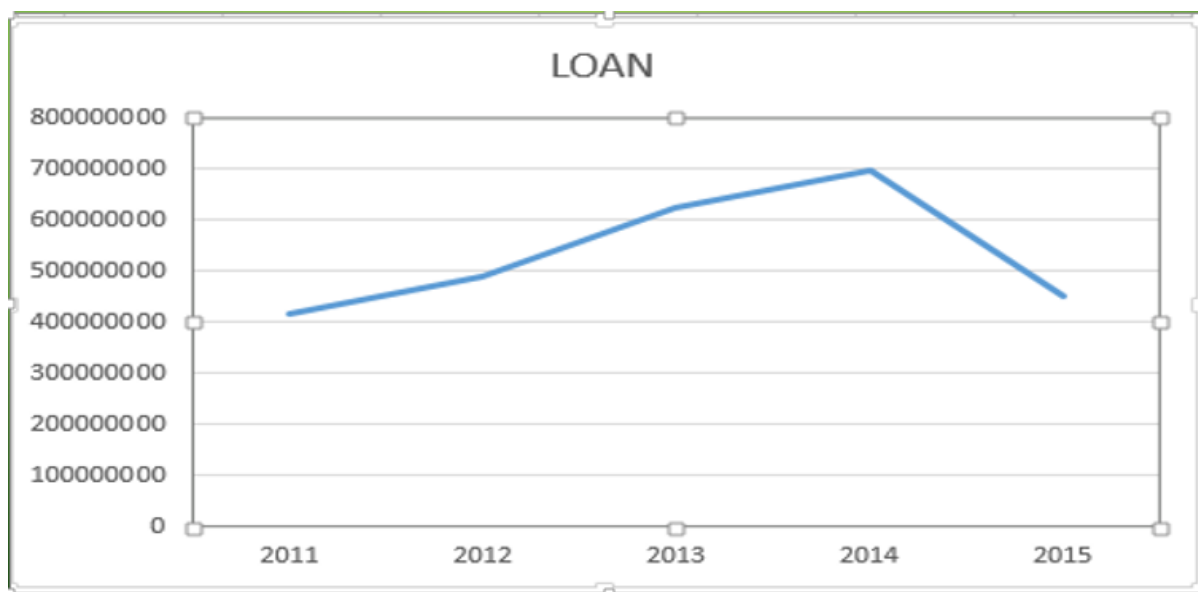
Cyclone PAM left behind a devastating record on MFSL's income level. The reduction of income was attributed to firstly the Cyclone Pam 20% Assistance by VNPF to our members, and also as a result of a reduced demand for loans because of the 20% withdrawals. Further, the MFSL Board approved a 3 months interest freeze on all outstanding loans as part of Cyclone Pam assistance to members. MFSL's income level was therefore badly affected by these two circumstances.

Although MFSL faces these challenges, the exciting part of the work was that they were able to utilise their time in cleaning their loan portfolio as, a significant portion of the portfolio was bad.



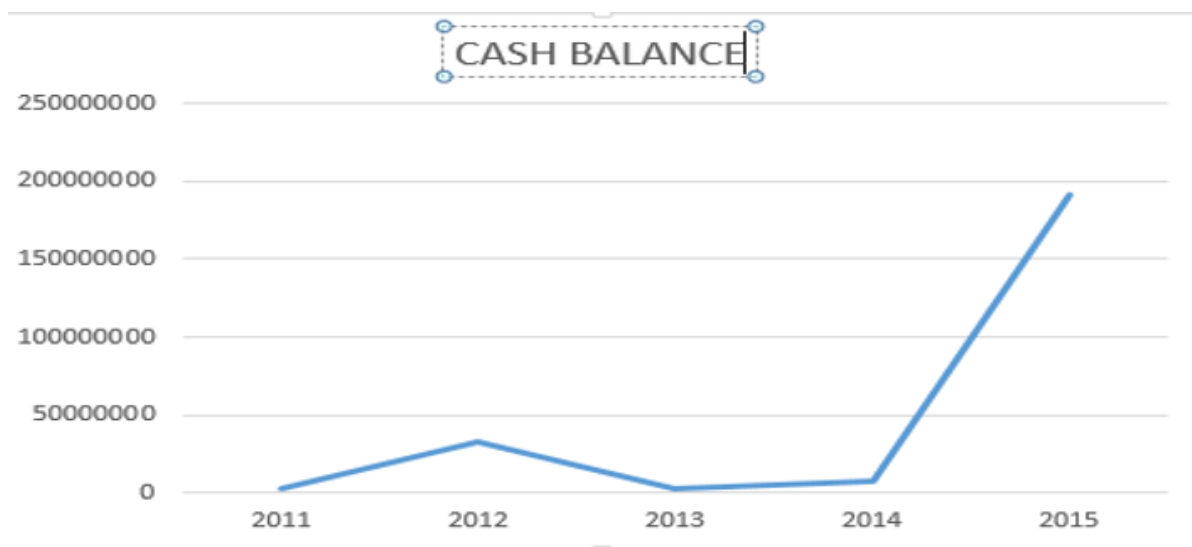
The above graph reflects the demand accounts MFSL collected.





As a result of collection of non performing accounts the total loan outstanding decreased as reflected in the above graph. At the end of the 2015 financial year MFSL managed to recover most of the bad accounts.

As a result of their loan recovery, their cash position recorded a 97% increase to VT191m (refer to graph below).



With the improved cash position resulting in a huge surplus, MFSL was able to institute certain commercial financial disciplines and that was to meet their financial obligations in time. In 2015 MFSL paid a total interest on loan to VNPF for the sum of VT92.7m, this being payment of interest from periods 2008 – 2014. In addition to the same, MFSL paid an additional VT50m being principal deduction, bringing the balance of loan to VT380m from a total loan of VT430m. Currently they are meeting a monthly interest payment of VT1.2m. MFSL paid a total of VT142.7m to VNPF being interest and principal reduction.

A total loan of VT 500m at the rate of 4.00% per annum was offered to MFSL. Funds were drawn progressively. A grace period of interest only payment was associated with the offer,

this grace period will end in September 2018 after which repayment of principal and interest will commence.



Another milestone that was achieved in 2015 was the upgrading of the Loan Management System with the view to generate certain Management reports to assist staff in their monitoring work and also assist Management in developing strategies to maintain the sustainability of the business.

For about 7 years of business operation and for the first time each staff are being allocated a portfolio to manage, this makes staff accountable to their respective portfolio and forms a measure by which management will appraise their performance.

Management is considering reviewing the organisation structure to create a sense of competition amongst staff, and at the same time address the Governance issues

Finally MFSL Management and Staff take this opportunity to thank the Board of Directors for providing guidance and they also acknowledge the support from VNPF and also thank the staff for their commitment towards the organisation.



CONSOLIDATED FINANCIAL STATEMENTS



**Vanuatu National Provident Fund
and its Subsidiaries**

Consolidated Financial Statements

31 December 2015



Vanuatu National Provident Fund and its Subsidiaries**Table of contents**

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Vanuatu National Provident Fund and its Subsidiaries Board of Trustees' report

The Board of Trustees present their report together with the financial statements of Vanuatu National Provident Fund ("the Fund") and the consolidated financial statements of the Fund and its Subsidiaries and Associates ("the Group") for the year ended 31 December 2015 and report as follows:

Board members

The board members during the year and up till the date of this report were:

Name	Position	Date of first appointed	Date appointment ended / ending
Simil Johnson	Chairman	27-Nov-14	29-Sep-15
Alen Lew	Deputy Chairman	23-Sep-14	29-Sep-15
Willie Karie	Member	23-Sep-14	29-Sep-15
Makin Valia	Member	13-Jun-13	29-Sep-15
Ephraim Kalsaku	Member	28-Jun-13	29-Sep-15
Henlyn Saul	Member	19-Dec-14	29-Sep-15
Letlet August	Chairman	28-Oct-15	29-Apr-16
Astrid Bulekone	Deputy Chairman	28-Oct-15	28-Oct-15
John Ezra	Member	28-Oct-15	29-Apr-16
Phillip Malas	Member	28-Oct-15	28-Oct-15
Ronald Warsal	Member	28-Oct-15	1-Jan-16
Jeff Joel Patunvanu	Member	2-Mar-16	29-Apr-16
Tony A. Sewen	Chairman	9-May-16	2-Nov-16
Allen Lew	Deputy Chairman	9-May-16	2-Nov-16
Andrew Leong	Deputy Chairman	2-Mar-16	2-Nov-16
Roan Lester	Member	9-May-16	2-Nov-16
Phillip Dovo	Member	2-Mar-16	2-Nov-16
David Russet	Member	2-Mar-16	2-Nov-16

Operation of the Fund

The Fund is a defined contributions fund and the operations of the Fund have been carried out in accordance with the Vanuatu National Provident Fund Act [CAP 189].

Principal Activities

The Principal activity of the Fund during the financial year was the provision of superannuation services to its members.

The Principal activities of the subsidiary entities during the year were those of financial services, farm operations and property management.

Vanuatu National Provident Fund and its Subsidiaries Board of Trustees' report (continued)

Operating results

The benefits accrued as a result of the operations of the Fund for the year ended 31 December 2015 amounted to a profit of Vatu 628,575,000 (2014 loss: Vatu 418,792,000). The consolidated result for the Group attributable to the members for the year ended 31 December 2015 was a profit of Vatu 434,644,000 (2014 loss: Vatu 229,371,000).

Reserves

During the year, Vatu 13,281,000 was paid out to members in the form of interest on withdrawals from general reserve, however, no amounts were credited to members in the form of annual interest. In 2014, Vatu 11,733,000 was paid out to members in the form of interest on withdrawals and Vatu 196,421,000 was credited in the form of annual interest from general reserve.

Bad and doubtful debts

The Board members 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 provision was made for doubtful debts.

As at the date of this report, the Board members are not aware of any circumstances which would render the amounts written off for bad debts, or the amounts of provision for doubtful debts, inadequate to any substantial extent.

Significant events during the year

In March 2015, Vanuatu was hit by Cyclone Pam a category 4 cyclone which caused widespread damage to the country. In the wake of the cyclone, a state of emergency was declared and the government authorised a special 20% payout for members out of their VNPF balances. Approximately Vatu 1.7 billion was paid to members as a result of this during the year.

Events subsequent to balance date

(i) Appointment of new Board of Trustees

Effective 2 March 2016, the appointments made to the Board of Trustees on 28 October 2015 and November 2015, were revoked and a temporary appointment of the following members were made:

Name	Representing	Position	Date	
			appointed	appointment ended
Letlet August	Government	Chairman	2-Mar-16	29-Apr-16
Andrew Leon	Employer	Deputy Chairman	2-Mar-16	29-Apr-16
John Ezra	Government	Member	2-Mar-16	29-Apr-16
David Russet	Employer	Member	2-Mar-16	29-Apr-16
Philip Dovo	Employee	Member	2-Mar-16	29-Apr-16
Jeff Joel Patunvanu	Employee	Member	2-Mar-16	29-Apr-16

**Vanuatu National Provident Fund and its Subsidiaries
Board of Trustees' report (continued)**

Events subsequent to balance date (continued)

On 2 May 2016, the following members were appointed to the Board until 2 November 2016 (officially gazetted on 9 May 2016).

Name	Representing	Position	Date appointed	Date appointment ending
Tony A. Sewen	Government	Chairman	9-May-16	2-Nov-16
Allen Lew	Employee	Deputy chairman	9-May-16	2-Nov-16
Roan Lester	Government	Member	9-May-16	2-Nov-16
Andrew Leong	Employer	Member	9-May-16	2-Nov-16
David Russet	Employer	Member	9-May-16	2-Nov-16
Phillip Dovo	Employee	Member	9-May-16	2-Nov-16

(ii) Bouffa Limited

Subsequent to year end, the land and buildings in Bouffa Limited were offered for sale through a public tender called on 8 June 2016.

Other than the matters outline above, in the opinion of the Board of Trustees, there has not arisen in the interval between the end of the year and the date of this report any items, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group and the Fund, and the results of those operations or the state of affairs of the Group and the Fund in subsequent years.

Basis of preparation

The financial statements of the Fund and of the Group have been drawn up in accordance with International Financial Reporting Standards and the requirements of the Vanuatu National Provident Fund Act.


Related party transactions

In the opinion of the Board members all related party transactions have been recorded in the books of the Fund and its Subsidiaries and are adequately disclosed in the financial statements.


Other circumstances

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

Signed in accordance with a resolution of the Board of Trustees:



[Chairman]



[Board member]

Dated: 26 July 2016

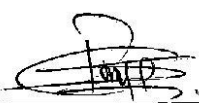
Vanuatu National Provident Fund and its Subsidiaries
Statement by the Board of Trustees

In the opinion of the Board of Trustees:


- (a) the accompanying statements of net assets are drawn up so as to give a true and fair view of the movements in net assets of the Fund and the Group as at 31 December 2015;
- (b) the accompanying statements of profit or loss and other 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 2015;
- (c) the accompanying statements of changes in members funds and reserves are drawn up so as to give a true and fair view of the changes in members funds and reserves of the Fund and the Group for the year ended 31 December 2015;
- (d) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the changes in cash flows of the Fund and the Group for the year ended 31 December 2015;
- (e) at the date of this statement there are reasonable grounds to believe that the Fund and the Group will be able to pay their debts as and when they fall due; and
- (f) all related party transactions have been recorded and adequately disclosed in the financial statements.

Dated at Port Vila this 26 day of July 2016.

Signed in accordance with a resolutions of the Board.



[Chairman]



[Board member]



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

Report on the Fund and Consolidated Financial Statements

We have audited the accompanying financial statements of the Vanuatu National Provident Fund (the "Fund") and the consolidated financial statements of the Fund and its Subsidiaries (the "Group"), which comprise statements of net assets as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in member funds and reserves and statements of cash flows for the year then ended, and notes 1 to 31, comprising a summary of significant accounting policies and other explanatory information.

Trustees' and Management's Responsibility for the Financial Statements

Trustees and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Vanuatu National Provident Fund Act [CAP 189], 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the Fund and consolidated financial statements give a true and fair view, in all material respects, of the financial position of Vanuatu National Provident Fund and the Group as at 31 December 2015, and their financial performance, changes in members equity, and cash flows for the year then ended in accordance with International Financial Reporting Standards so far as concerns the members of the Fund.

Emphasis of matter

Without modifying our opinion, we draw attention to note 30 of the financial statements relating to restatements and prior period errors. In respect of these, the corresponding amounts for the year ended 31 December 2014 and where applicable, the statement of net assets as at 1 January 2014 have been restated to correct these errors and misstatements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANUATU NATIONAL PROVIDENT FUND (continued)

Other matter

The consolidated financial statements of the prior period were audited by Barrett & Partners. The predecessor auditors expressed an unqualified opinion dated 11 August 2015.

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, sufficient to enable financial statements to be prepared so far as it appears from our examination of those books; and
- ii. to the best of our information and according to the explanations given to us the financial statements give the information required by the Vanuatu National Provident Fund Act [CAP 189], in the manner so required.

26 July 2016
Nadi, Fiji

A handwritten signature in black ink that reads 'KPMG.' with a period at the end.

KPMG
Chartered Accountants

Vanuatu National Provident Fund and its Subsidiaries
Statements of net assets
As at 31 December 2015

	The Group			The Fund	
	2015 Vatu (000's)	2014 Vatu (000's)	2013 Vatu (000's)	2015 Vatu (000's)	2014 Vatu (000's)
Assets					
Investments					
<i>Financial investments</i>					
Term deposits	2,531,112	4,717,757	4,613,644	2,531,112	4,717,757
Government securities	3,449,060	3,549,060	3,199,060	3,449,060	3,549,060
Loans and advances	1,618,044	1,683,087	1,322,428	1,975,899	1,781,687
<i>Non-financial investments</i>					
Investment properties	3,394,266	3,257,592	3,213,015	2,594,266	2,457,592
Investment in subsidiaries	-	-	-	1,145,388	1,145,388
Investment in equity accounted investees	1,423,300	1,432,005	1,478,920	2,197,746	1,693,670
Investments at cost	718,825	214,750	214,750	-	-
	13,134,607	14,854,251	14,041,817	13,893,471	15,345,154
Other assets					
Cash and cash equivalents	1,628,315	452,042	510,449	1,433,840	449,603
Receivables and other assets	300,861	366,222	498,889	362,652	412,351
Biological assets	53,606	67,868	61,145	-	-
Property plant and equipment	1,161,944	1,260,318	1,312,054	682,437	632,052
	3,144,726	2,146,450	2,382,537	2,478,929	1,494,006
Total assets	16,279,333	17,000,701	16,424,354	16,372,400	16,839,160

¹ - refer note 30

The statements of net assets are to be read in conjunction with the notes to and forming part of the financial statements.





Yannatu National Provident Fund and its Subsidiaries
Statements of net assets (continued)
As at 31 December 2015

	The Group			The Fund	
	2015 Yatu (000's)	2014 Yatu (000's)	2013 Yatu (000's)	2015 Yatu (000's)	2014 Yatu (000's)
Liabilities					
Creditors and payables	19	173,195	72,217	102,413	304,055
Employee entitlements	20	91,106	69,409	61,241	85,459
Total liabilities (excluding net assets available to pay benefits)		264,301	141,626	163,654	389,514
Net assets available to pay benefits		16,015,032	16,959,075	16,260,700	15,982,886
Net assets available to pay benefits is represented by:					
General reserve	21 (a)	(188,409)	(531,894)	(94,369)	(220,555)
Revaluation reserve	21 (b)	77,878	-	-	77,878
Member funds	21 (c)	16,086,233	17,336,680	16,301,489	16,086,233
Special death benefit reserve	21 (d)	39,330	54,289	53,580	39,330
		16,015,032	16,859,075	16,260,700	15,982,886

¹ - refer note 30

Signed in accordance with a resolution of the Board of Trustees:


 Chairman of the Board


 Board Member

The statements of net assets are to be read in conjunction with the notes to and forming part of the financial statements.



Vanuatu National Provident Fund and its Subsidiaries
Statements of profit or loss and other comprehensive income
For the year ended 31 December 2015

	Note	The Group		The Fund	
		2015 Vatu (000's)	2014 Vatu (000's)	2015 Vatu (000's)	2014 Vatu (000's)
			<i>(restated)¹</i>		<i>(restated)¹</i>
Investment income					
Interest income	5	627,981	716,189	662,529	661,407
Property rental income		236,816	252,141	165,212	180,536
Dividend income		-	-	5,833	7,970
Change in fair value of investments	6	85,834	(341,494)	85,834	(90,600)
Total investment income		950,631	626,836	919,408	759,313
Direct investment expenses	7	(228,521)	(313,852)	(69,054)	(716,205)
Net return on investments		722,110	312,984	850,354	43,108
Other revenue					
Sales revenue		27,932	31,386	-	-
Surcharge revenue		13,664	20,247	13,664	20,247
Other revenue	8	48,089	23,017	50,189	14,010
		89,685	74,650	63,853	34,257
Expenses incurred					
Administrative and other expenses	9	(452,157)	(578,060)	(363,510)	(496,157)
		(452,157)	(578,060)	(363,510)	(496,157)
Share of losses of equity accounted investees		(2,872)	(38,945)	-	-
Net profit / (loss) for the year		356,766	(229,371)	550,697	(418,792)
Other comprehensive income		77,878	-	77,878	-
Total comprehensive income / (loss) for the year		434,644	(229,371)	628,575	(418,792)

¹ - refer note 30

The statements of profit or loss and other comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements.

Vanuatu National Provident Fund and its Subsidiaries
Statement of changes in members funds and reserves
For the year ended 31 December 2015

	The Group				
	Member Accounts Valu (000's)	Special Death Benefit Reserve Valu (000's)	Revaluation Reserve Valu (000's)	General Reserve Valu (000's)	Total Valu (000's)
Balance at 1 January 2014	(16,301,489)	(53,580)	-	94,369	(16,260,700)
Contributions from employers and members	(1,612,414)	-	-	-	(1,612,414)
Interest credited to member accounts	(207,445)	(709)	-	208,154	-
Benefit payments	784,668	-	-	-	784,668
Total comprehensive loss for the year	-	-	-	229,371	229,371
Balance as at 31 December 2014	(17,336,680)	(54,289)	-	531,894	(16,859,075)
Balance as at 1 January 2015	(17,336,680)	(54,289)	-	531,894	(16,859,075)
Contributions from employers and members	(1,649,294)	-	-	-	(1,649,294)
Interest credited to member accounts	(13,051)	(230)	-	13,281	-
Benefit payments	1,191,692	15,189	-	-	1,206,881
Benefit payments - Cyclone Pam	1,721,100	-	-	-	1,721,100
Total comprehensive income for the year	-	-	(77,878)	(356,766)	(434,644)
Balance as at 31 December 2015	(16,086,233)	(39,330)	(77,878)	188,409	(16,015,032)

The statements of changes in member funds and reserves are to be read in conjunction with the notes to and forming part of the financial statements.



Vanuatu National Provident Fund and its Subsidiaries
Statement of changes in members funds and reserves
For the year ended 31 December 2015

	The Fund				
	Member Accounts Vatu (000's)	Special Death Benefit Reserve Vatu (000's)	Revaluation Reserve Vatu (000's)	General Reserve Vatu (000's)	Total Vatu (000's)
Balance at 1 January 2014	(16,301,489)	(53,580)	-	131,025	(16,224,044)
Contributions from employers and members	(1,612,414)	-	-	-	(1,612,414)
Interest credited to member accounts	(207,445)	(709)	-	208,154	-
Benefit payments	784,668	-	-	-	784,668
Total comprehensive loss for the year	-	-	-	418,792	418,792
Balance as at 31 December 2014	(17,336,680)	(54,289)	-	757,971	(16,632,998)
Balance as at 1 January 2015	(17,336,680)	(54,289)	-	757,971	(16,632,998)
Contributions from employers and members	(1,649,294)	-	-	-	(1,649,294)
Interest credited to member accounts	(13,051)	(230)	-	13,281	-
Benefit payments	1,191,692	15,189	-	-	1,206,881
Benefit payments - Cyclone Pam	1,721,100	-	-	-	1,721,100
Total comprehensive income for the year	-	-	(77,878)	(550,697)	(628,575)
Balance as at 31 December 2015	(16,086,233)	(39,330)	(77,878)	220,555	(15,982,886)

The statements of changes in member funds and reserves are to be read in conjunction with the notes to and forming part of the financial statements.



Vanuatu National Provident Fund and its Subsidiaries
Statements of cash flows
For the year ended 31 December 2015

	The Group		The Fund	
	2015	2014	2015	2014
<i>Note</i>	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
		<i>(restated)</i>		<i>(restated)</i>
Cash flows from operating activities				
Contributions received	1,649,294	1,612,414	1,649,294	1,612,414
Cash receipts from customers	27,932	31,386	-	-
Interest received	673,373	689,051	707,921	702,371
Dividends received	5,833	7,970	5,833	7,970
Property rental received	234,196	331,769	152,078	180,536
Other income received	29,244	43,264	72,287	34,257
Withdrawal payments to members	(1,206,881)	(784,668)	(1,206,881)	(784,668)
Cyclone Pam payments to members	(1,721,100)	-	(1,721,100)	-
Purchase of livestock	(3,446)	(21,617)	-	-
Net (increase) / decrease in loans - MFSL	275,725	(101,478)	-	-
Payments to suppliers and employees	(360,670)	(543,016)	(236,412)	(362,991)
Net cash (used by) / from operating activities	(396,500)	1,265,075	(576,980)	1,389,889
Cash flows from investing activities				
Net government securities matured / (acquired)	100,000	(350,000)	100,000	(350,000)
Net movement in term deposits	2,215,912	(194,713)	2,215,912	(194,713)
Acquisition of equity investments	(504,075)	-	(504,075)	-
Acquisition of investment properties	(80,107)	(295,471)	(80,107)	(295,471)
Acquisition of property plant and equipment	(7,240)	(103,819)	(5,568)	(8,417)
Net movement in loans to related parties	-	(106,355)	(13,228)	(106,355)
Net movement in loans to quasi government bodies	(180,984)	(182,524)	(180,984)	(182,524)
Net cash from/(used by) investing activities	1,543,506	(1,232,882)	1,531,950	(1,137,480)
Net increase in cash and cash equivalents	1,147,006	32,193	954,970	252,409
Cash and cash equivalents at the beginning of the year	452,042	510,449	449,603	287,794
Effect of change in foreign exchange rates	29,267	(90,600)	29,267	(90,600)
Cash and cash equivalents at the end of the year	15 1,628,315	452,042	1,433,840	449,603

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

1 Reporting entity

Vanuatu National Provident Fund ("the Fund") is a defined contribution fund domiciled in Vanuatu. These consolidated financial statements comprise the Fund, its subsidiaries and equity accounted investees (collectively "the Group" and individually "Group entities").

The Fund was established in 1987 under an act of Parliament of the Republic of Vanuatu as superannuation or saving scheme for all employees who are members of the Fund. The Fund is primarily involved in providing retirement benefits to its members. The address of the Fund's registered office is at the VNPF Head Office Building, Port Villa, Vanuatu.

2 Basis of preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Vanuatu National Provident Fund Act ("the Act").

The consolidated financial statements were authorised for issue by the Board of Trustees on 26 July 2016.

(b) Functional and presentation currency

These consolidated financial statements are presented in Vatu, which is the Fund's and the Group's functional currency.

(c) Level of rounding

All amounts presented in these consolidated financial statements have been rounded to the nearest thousand, unless otherwise indicated.

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except as modified by the revaluation of certain land and buildings, biological assets and investment properties which are measured at fair value.

(e) Use of estimates and judgements

In preparing these consolidated financial statements, management have made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in notes 3 (a) (iii) - classification of a joint arrangements.

(ii) Assumptions and estimations uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 is included in the following notes:

Note 3 (g) - Valuation of owner occupied properties (land and buildings)

Note 3 (h) - Valuation of investment properties

Note 3 (j) - Impairment test: key assumptions underlying recoverable amounts.

3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in the consolidated financial statements.

Certain comparative amounts in the consolidated financial statements have been reclassified or restated either as a result of a correction of error or to conform to changes in the current year presentation (see Note 30).

(a) Basis of consolidation

(i) 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 investment 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.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Interests in associates and joint ventures in the consolidated financial statements are accounted for using the equity method. In the separate financial statements of the Fund, these are accounted for at cost including transaction costs less impairment (if any). Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

(c) Revenue

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and rebates.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(c) Revenue (continued)

(ii) Investment property rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Interest income

Interest income is earned from investments such as government securities, loans and advances, term deposits and other fixed term securities. Interest income is recognised in the profit or loss using the effective interest method.

(v) Dividend income

Dividend income is recognised in the profit or loss on the date on which the Group's right to receive payment is established.

(d) Expenses

(i) Benefits paid

Benefits paid include member withdrawals and other member payments. These are recognised directly in equity at the time of the payment of such benefits.

(ii) Other expenses

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

(e) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

(f) Income tax expense

The Fund is exempt from all income taxes under Part 9 (para 46) of the Vanuatu National Provident Fund Act (CAP 198).

The Subsidiaries of the Fund are exempt from income taxes in accordance with the Laws of Vanuatu.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings which are carried at revalued amounts.

If significant 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. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Land and buildings	Term of lease
Computer equipment	3 years
Furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(h) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of 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. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to the general reserve.

(i) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(i) Non-derivative financial assets and financial liabilities - Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity 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 right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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 offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Non-derivative financial assets - Measurement

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. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.
Held-to-maturity financial assets	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
Loans and receivables	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
Available-for-sale financial assets	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities - Measurement

A financial liability 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. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(j) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost	<p>The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.</p> <p>In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.</p> <p>An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.</p>
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Vanuatu National Provident Fund and its Subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2015

3 Significant accounting policies (continued)

(i) Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost (continued)	When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.
Equity-accounted investees	An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Vanuatu National Provident Fund and its Subsidiaries
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3 Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 <i>Financial instruments</i>	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial instruments: Recognition and measurement</i> . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , AS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

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	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
		<i>restated</i>		<i>restated</i>
5 Interest income				
Term deposits	169,245	317,011	169,245	317,011
Government securities	267,297	252,790	267,297	252,790
Commercial loans	117,744	79,445	210,520	79,445
Call accounts	15,467	12,457	15,467	12,161
Member loans (MFSL)	58,228	54,486	-	-
	<u>627,981</u>	<u>716,189</u>	<u>662,529</u>	<u>661,407</u>
6 Changes in fair value of investments				
Gain / (loss) from changes in fair value of investment properties (refer Note 12)	56,567	(250,894)	56,567	-
Unrealised exchange gain / (loss) - term deposits	29,267	(90,600)	29,267	(90,600)
Net gain / (loss)	<u>85,834</u>	<u>(341,494)</u>	<u>85,834</u>	<u>(90,600)</u>
7 Direct investment expenses				
Building maintenance	28,733	18,862	8,623	14,665
Utilities	4,899	5,600	4,899	5,600
Insurance	23,415	27,592	17,526	22,335
Land rent and municipal taxes	7,638	5,574	7,638	4,539
Valuation fees	1,931	6,402	1,931	6,402
Consultancy and professional fees	26,122	112,826	26,122	112,826
Impairment of investments	-	-	-	491,940
Impairment of property plant and equipment	133,468	78,731	-	-
Other investment expenses	2,315	58,265	2,315	57,898
	<u>228,521</u>	<u>313,852</u>	<u>69,054</u>	<u>716,205</u>
8 Other revenue				
Gain on sale of fixed assets	822	95	822	95
Shared services centre - revenue	-	-	6,648	8,536
Processing fees	-	-	3,082	4,676
Penalty fees	1,279	20,866	-	-
Insurance proceeds	39,992	-	39,992	-
Fair value gain - livestock	5,991	492	-	-
Other sundry income / (expense)	5	1,564	(355)	703
	<u>48,089</u>	<u>23,017</u>	<u>50,189</u>	<u>14,010</u>

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	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
		<i>restated</i>		<i>restated</i>
9 Administrative and other expenses				
Depreciation expense	36,070	69,641	25,852	54,368
Travelling	7,135	2,600	7,135	2,600
Legal fees	19,269	4,095	19,269	4,095
Auditors remunerations	4,083	1,643	3,455	1,033
Board expenses	2,761	4,879	2,761	4,879
Public relations	3,768	8,733	3,768	8,733
Bad debts	-	76,980	-	76,980
Doubtful debts	-	71,626	-	71,626
Provision for loan impairment (MFSL)	-	29,698	-	-
Computer software maintenance	17,416	25,767	17,416	25,767
Utilities	10,257	10,481	10,257	10,481
Telephone and communications	5,136	7,561	5,136	7,561
Stationary	3,483	4,650	3,374	4,133
Other administrative expenses	49,801	39,134	22,877	30,757
Personnel expenses (refer Note 10)	292,978	220,572	242,210	193,144
	<u>452,157</u>	<u>578,060</u>	<u>363,510</u>	<u>496,157</u>
10 Personnel expenses				
Salaries and wages	226,668	170,165	177,931	143,834
VNPF contributions	8,584	6,639	6,553	5,542
Severance pay	24,450	7,681	24,450	7,681
Allowances	20,343	17,833	20,343	17,833
Other staff related expenses	12,933	18,254	12,933	18,254
	<u>292,978</u>	<u>220,572</u>	<u>242,210</u>	<u>193,144</u>

Key management compensation is disclosed under Note 22 (b)

Vanuatu National Provident Fund and its Subsidiaries
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	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
11 Financial investments		<i>restated</i>		<i>restated</i>
(a) Term deposits				
Term deposits - local currency	2,048,365	4,278,681	2,048,365	4,278,681
- foreign currency	482,747	439,076	482,747	439,076
	<u>2,531,112</u>	<u>4,717,757</u>	<u>2,531,112</u>	<u>4,717,757</u>
<i>Movement in term deposits during the year is as follows:</i>				
Balance as at 1 January	4,717,757	4,613,644	4,717,757	4,613,644
Net movement during the year	(2,215,912)	194,713	(2,215,912)	194,713
Unrealised exchange gain/(loss)	29,267	(90,600)	29,267	(90,600)
Balance as at 31 December	<u>2,531,112</u>	<u>4,717,757</u>	<u>2,531,112</u>	<u>4,717,757</u>
<i>Maturity represented as:</i>				
Less than 1 year	1,860,283	4,046,928	1,860,283	4,046,928
More than 1 year	670,829	670,829	670,829	670,829
	<u>2,531,112</u>	<u>4,717,757</u>	<u>2,531,112</u>	<u>4,717,757</u>
The Fund has pledged term deposits amounting to Vatu 670 million as security for a loan obtained by Interchange Limited from ANZ Banking Group Limited. Although the maturities of these deposits are less than 1 year, they have been shown as more than 1 year due to the restrictions placed on them and to match the tenor of the loan for which they provide security.				
The carrying amounts of term deposits approximate their fair value.				
(b) Government securities				
Government bonds (refer Note 23)	<u>3,449,060</u>	<u>3,549,060</u>	<u>3,449,060</u>	<u>3,549,060</u>
<i>Movement in government securities during the year is as follows:</i>				
Balance as at 1 January	3,549,060	3,199,060	3,549,060	3,199,060
Purchased during the year	350,000	798,940	350,000	798,940
Redeemed during the year	(450,000)	(448,940)	(450,000)	(448,940)
Balance as at 31 December	<u>3,449,060</u>	<u>3,549,060</u>	<u>3,449,060</u>	<u>3,549,060</u>
<i>Maturity represented as:</i>				
Less than 1 year	499,060	450,000	499,060	450,000
1 to 5 years	1,350,000	1,599,060	1,350,000	1,599,060
Greater than 5 years	1,600,000	1,500,000	1,600,000	1,500,000
	<u>3,449,060</u>	<u>3,549,060</u>	<u>3,449,060</u>	<u>3,549,060</u>
The carrying amounts of government securities approximate their fair value.				

Vanuatu National Provident Fund and its Subsidiaries
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11 Financial investments (continued)	The Group		The Fund	
	2015 Vatu (000's)	2014 Vatu (000's)	2015 Vatu (000's)	2014 Vatu (000's)
(c) Loans and advances				
Loans to subsidiaries (refer note 22(e))	-	-	808,375	795,147
Loans to associates (refer note 22(e))	106,356	106,356	106,356	106,356
Loans quasi-government ¹	1,061,168	880,184	1,061,168	880,184
MFSL loans to members ²	450,520	726,245	-	-
	<u>1,618,044</u>	<u>1,712,785</u>	<u>1,975,899</u>	<u>1,781,687</u>
Provision for loan impairment ²	-	(29,698)	-	-
	<u>1,618,044</u>	<u>1,683,087</u>	<u>1,975,899</u>	<u>1,781,687</u>
<i>Maturity of gross loans and advances represented as:</i>				
Current (Less than 1 year)	343,332	363,123	40,798	-
Non-current (More than 1 year)	1,274,712	1,349,662	1,935,101	1,781,687
	<u>1,618,044</u>	<u>1,712,785</u>	<u>1,975,899</u>	<u>1,781,687</u>
<i>Movement in provision for loan impairment:</i>				
Balance as at 1 January	(29,698)	-	-	-
Created during the year	-	(29,698)	-	-
Reversed during the year	29,698	-	-	-
Balance as at 31 December	-	(29,698)	-	-

¹ **Quasi-Government**

There are two loan agreements between Air Vanuatu Operations Limited (AVOL) and VNPF. The First Loan agreement was made in August of 2009 for a principle sum of Vatu 340,000,000 at an interest rate of 10% for an 8 year term. In 2015 after the devastation of Cyclone PAM, interest from March to September 2015, a total of Vatu 25,459,905 was capitalised and grace period was given to assist AVOL in its recovery. This first loan is secured by a Vanuatu Government Guarantee for the full amount of Vatu 340,000,000.

The second loan agreement was made in 2013 for a principle sum of Vatu 660,000,000 at an interest rate of 8.75% for a term of 10 years. In 2015, Vatu 95,860,105 of interest was capitalised and a grace period extended as part of AVOL's recovery after Cyclone PAM. This Second loan is also fully secured through a government Guarantee of Vatu 660,000,000.

² **MFSL**

Security over loan balances are held against members VNPF investment account balances. As at 31 December 2015, no amounts exceeded the members investment account balance (2014: Vatu 36 million exceeded the members investment account balance). Therefore, in 2014, a provision of Vatu 29 million was recognised for this shortfall which was reversed in current year. The balance of loans by MFSL to members is considered fully recoverable through the members investment account balances held with VNPF.

The carrying amounts of loans and advances approximate its fair value.

Vanuatu National Provident Fund and its Subsidiaries
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	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
		<i>restated</i>		<i>restated</i>
12 Investment properties				
Balance as at 1 January	3,257,592	3,213,015	2,457,592	2,162,121
Acquisitions and additions	80,107	295,471	80,107	295,471
Fair value gains/(loss) - refer Note 6	56,567	(250,894)	56,567	-
Balance as at 31 December	<u>3,394,266</u>	<u>3,257,592</u>	<u>2,594,266</u>	<u>2,457,592</u>

Investment properties are measured at fair value in accordance with the accounting policy set out in note 3(h). Changes in fair value are recognised as gains or losses in profit or loss. All gains and losses arising out of fair value movements are unrealised.

In December 2015, the Fund obtained external valuations of its investment properties by engaging Vanuatu Property Valuation Limited and Vanuatu Property Appraisals Limited, registered Valuers to carry out valuations. The valuations were based on a combination of the income, depreciated replacement cost method and comparable sales approaches.

	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
				<i>restated</i>
13 Investment in subsidiaries				
Investment in subsidiaries	-	-	1,637,328	1,637,328
Provision for impairment	-	-	(491,940)	(491,940)
	<u>-</u>	<u>-</u>	<u>1,145,388</u>	<u>1,145,388</u>
<i>Movement in provision for impairment:</i>				
Balance as at 1 January	-	-	(491,940)	-
Created during the year	-	-	-	(491,940)
Reversed during the year	-	-	-	-
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>(491,940)</u>	<u>(491,940)</u>

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13 Investment in subsidiaries (continued)

Name of subsidiary	The Fund			
	2015 Cost (Vatu 000's)	2015 Impairment (Vatu 000's)	2014 Cost (Vatu 000's)	2014 Impairment (Vatu 000's)
Member Financial Services Limited	2,146	-	2,146	-
VNPF Property Holdings Limited	1,053,194	(11,297)	1,053,194	(11,297)
Bouffa Limited	581,988	(480,643)	581,988	(480,643)
	<u>1,637,328</u>	<u>(491,940)</u>	<u>1,637,328</u>	<u>(491,940)</u>

The Fund has 100% ownership interest in all the above subsidiaries.

14 Investment in equity accounted investees

(a) Equity accounted investees - consolidated

The Group accounts for its investment in joint ventures and associates over which it has significant influence using the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Groups' share of net assets. Associates over which the Group does not have significant influence are accounted for at cost less impairment losses (if any).

(i) Bay Developments Limited (Joint venture)

Bay Developments Limited is a joint venture in which the Group has joint control and a 50% ownership interest. The principal activity of Bay Developments Limited is ownership and rental of a buildings located in Downtown, Port Vila, Vanuatu. The company is domiciled in Vanuatu.

(ii) VNBR Limited (Joint venture)

VNBR Limited is a joint venture in which the Group has joint control and a 50% ownership interest. The principal activity of VNBR is that of property investment. The company is domiciled in Vanuatu.

(iii) Interchange Limited (Associate)

Interchange Limited (ICL) is an investee in which the Group has a 37.5% ownership interest. The principal activity of ICL is to own and sell capacity on a submarine telecommunications cable in Vanuatu. The company is domiciled in Vanuatu.

	The Group	
	2015 Vatu (000's)	2014 Vatu (000's)
(a) <u>Equity accounted investees</u>		
Balance as at 1 January	1,432,005	1,478,920
Share of total comprehensive (loss)	(2,872)	(38,945)
Elimination of dividends	(5,833)	(7,970)
Balance at 31 December	<u>1,423,300</u>	<u>1,432,005</u>

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14 Investment in equity accounted investees (continued)

(a) Equity accounted investees - consolidated (continued)

Summarised financial information of the equity accounted investees, not adjusted or the percentage ownership held by the Group as at and for the year ended 31 December 2015 is set out below:

	Assets Vatu (000's)	Liabilities Vatu (000's)	Revenue Vatu (000's)	Expenses Vatu (000's)	Profit / (loss) Vatu (000's)
2015	5,178,141	1,005,437	987,785	1,057,327	69,542
2014	4,810,815	956,444	1,775,328	398,708	(1,376,620)

(b) Associates carried at cost

The Group also has interests in associates where the Group owns less than 20% of the equity interest. Consequently the Group has assessed that it does not have significant influence over these associates and therefore has accounted for them at cost.

	Effective ownership interest	<u>The Group</u>	
		2015 Vatu (000's)	2014 Vatu (000's)
National Bank of Vanuatu Limited	15.00%	214,750	214,750
UNELCO *	14.40%	504,075	-
		<u>718,825</u>	<u>214,750</u>

* During the year, the Fund acquired 14.4% interest in UNELCO, for a consideration of Vatu 504 million.

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14 Investment in equity accounted investees (continued)

(b) Associates carried at cost (continued)

The Fund in its separate financial statements, accounts for investments in joint ventures and associates at cost less impairment losses (if any).

	The Fund	
	2015	2014
	Cost	Cost
	(Vatu 000's)	(Vatu 000's)
Bay Developments Limited	123,375	123,375
VNBR Limited	502,159	502,159
Interchange Limited	853,386	853,386
National Bank of Vanuatu Limited	214,750	214,750
UNELCO *	504,076	-
	2,197,746	1,693,670

* During the year, the Fund acquired 14.4% interest in UNELCO, for a consideration of Vatu 504 million.

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
15 Cash and cash equivalents				
Cash on hand	245	200	190	190
Cash at bank - local currency	1,621,229	445,078	1,426,809	442,649
Cash at bank - foreign currency	6,841	6,764	6,841	6,764
	1,628,315	452,042	1,433,840	449,603
16 Other receivables and prepayments				
Interest receivable	262,179	307,571	262,179	307,571
Rental receivable	18,950	16,330	18,950	16,330
Receivable from related parties	-	-	61,791	51,277
Surcharge receivable	71,626	71,626	71,626	71,626
Other receivables	-	8,433	-	8,433
Insurance prepayment	18,032	20,363	18,032	20,363
Other prepayments	1,700	13,525	1,700	8,377
	372,487	437,848	434,278	483,977
Provision for doubtful debts	(71,626)	(71,626)	(71,626)	(71,626)
	300,861	366,222	362,652	412,351

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	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
17 Biological assets				
Livestock	53,606	67,868	-	-
<i><u>Movement in livestock is as follows:</u></i>				
Balance at 1 January	67,868	61,145	-	-
Purchases	3,446	21,617	-	-
Sales	(23,699)	(15,386)	-	-
Fair value gain (refer Note 8)	5,991	492	-	-
Balance at 31 December	53,606	67,868	-	-

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18. Property plant and equipment

	The Group					
	Land and buildings (at valuation) (Vatu 000's)	Computer equipment (Vatu 000's)	Furniture fittings (Vatu 000's)	Motor vehicles (Vatu 000's)	Other equipment (Vatu 000's)	Total (Vatu 000's)
Cost						
Balance as at 1 January 2014 <i>(restated)</i>	1,233,500	192,218	66,867	36,025	64,260	1,592,870
Additions	86,921	1,188	1,381	7,359	6,970	103,819
Disposals	-	-	-	-	(1,200)	(1,200)
Provision for impairment	(78,731)	-	-	-	-	(78,731)
Balance as at 31 December 2014	1,241,690	193,406	68,248	43,384	70,030	1,616,758
Balance as at 1 January 2015	1,241,690	193,406	68,248	43,384	70,030	1,616,758
Additions	-	4,778	510	-	1,952	7,240
Disposals	(7,032)	(33,428)	(10,982)	(4,854)	(19,785)	(76,081)
Provision for impairment	(133,468)	-	-	-	-	(133,468)
Revaluation gain	77,878	-	-	-	-	77,878
Balance as at 31 December 2015	1,179,068	164,756	57,776	38,530	52,197	1,492,327
Accumulated depreciation						
Balance as at 1 January 2014 <i>(restated)</i>	25,155	160,591	50,902	13,622	30,546	280,816
Depreciation expense	15,929	29,082	10,208	6,313	15,292	76,824
Disposals	-	-	-	-	(1,200)	(1,200)
Balance as at 31 December 2014	41,084	189,673	61,110	19,935	44,638	356,440
Balance as at 1 January 2015	41,084	189,673	61,110	19,935	44,638	356,440
Depreciation expense	15,929	2,712	5,841	9,259	9,223	42,964
Disposals	-	(33,400)	(10,982)	(4,854)	(19,785)	(69,021)
Balance as at 31 December 2015	57,013	158,985	55,969	24,340	34,076	330,383
Carrying amount						
Carrying amount as at 01/01/14 <i>(restated)</i>	1,208,345	31,627	15,965	22,403	33,714	1,312,054
Carrying amount as at 31/12/14	1,200,606	3,733	7,138	23,449	25,392	1,260,318
Carrying amount as at 31/12/15	1,122,055	5,771	1,807	14,190	18,121	1,161,944

¹ Land and buildings was transferred from investment properties as of 31 December 2013 to reflect the fact that the Fund uses these properties for internal purposes.



Vanuatu National Provident Fund and its Subsidiaries
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	The Fund						Total (Vatu 000's)
	Land and buildings (at valuation) ¹ (Vatu 000's)	Computer equipment (Vatu 000's)	Furniture and fittings (Vatu 000's)	Motor vehicles (Vatu 000's)	Other equipment (Vatu 000's)		
Cost							
Balance as at 1 January 2014 (<i>restated</i>)	630,964	174,340	65,922	23,900	33,331	928,457	
Additions	-	1,032	1,080	-	6,305	8,417	
Disposals	-	-	-	-	-	-	
Balance as at 31 December 2014	630,964	175,372	67,002	23,900	39,636	936,874	
Balance as at 1 January 2015	630,964	175,372	67,002	23,900	39,636	936,874	
Additions	-	3,391	225	-	1,952	5,568	
Disposals	-	(33,428)	(10,982)	(4,854)	(8,597)	(57,861)	
Revaluation gain	77,878	-	-	-	-	77,878	
Balance as at 31 December 2015	708,842	145,335	56,245	19,046	32,991	962,459	
Accumulated depreciation							
Balance as at 1 January 2014 (<i>restated</i>)	15,929	147,220	50,032	8,181	21,909	243,271	
Depreciation expense	15,929	25,025	10,208	6,017	4,372	61,551	
Disposals	-	-	-	-	-	-	
Balance as at 31 December 2014	31,858	172,245	60,240	14,198	26,281	304,822	
Balance as at 1 January 2015	31,858	172,245	60,240	14,198	26,281	304,822	
Depreciation expense	15,929	2,362	5,709	4,385	4,648	33,033	
Disposals	-	(33,400)	(10,982)	(4,854)	(8,597)	(57,833)	
Balance as at 31 December 2015	47,787	141,207	54,967	13,729	22,332	280,022	
Carrying amount							
Carrying amount as at 01/01/14 (<i>restated</i>)	615,035	27,120	15,890	15,719	11,422	685,186	
Carrying amount as at 31/12/14	599,106	3,127	6,762	9,702	13,355	632,052	
Carrying amount as at 31/12/15	661,055	4,128	1,278	5,317	10,659	682,437	

¹ Land and buildings was transferred from investment properties as of 31 December 2013 to reflect the fact that the Fund uses these properties for internal purposes.



Vanuatu National Provident Fund and its Subsidiaries
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	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
19 Creditors and payables				
Creditors	172,834	71,308	303,694	138,762
Other payables	361	909	361	909
	<u>173,195</u>	<u>72,217</u>	<u>304,055</u>	<u>139,671</u>
20 Employee benefits				
Provision for severance pay	77,764	58,711	74,795	57,027
Provision for annual leave	13,342	10,698	10,664	9,464
	<u>91,106</u>	<u>69,409</u>	<u>85,459</u>	<u>66,491</u>

21 Reserves

(a) General reserve

Under section 33 of the Vanuatu National Provident Fund Act, "there shall be an account known as the General Reserve which shall be credited with -

- (a) any income of the fund remaining unappropriated at the end of any financial year; and
- (b) any other moneys prescribed to be so credited by regulations made under the Act.

Revenue less normal operating expenses are credited to the General Reserve unless otherwise appropriated. In complying with Section 33(a) of the Act, the following items are credited and debited respectively to and from the general reserve each year:

- Net profit from operations is credited to the general reserve; and
- Interest on member accounts is debited from general reserve and credited to member accounts.

The net movement of these transactions equate to "income of the fund remaining unappropriated at the end of the financial year."

(b) Revaluation reserve

Revaluation of the Funds land and buildings classified as property plant and equipment was carried out in 2015. The revaluation surplus was credited to the revaluation reserve. The next revaluation of the land and buildings will be carried out in the 2017 financial year.

Vanuatu National Provident Fund and its Subsidiaries
Notes to and forming part of the financial statements
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21 Reserves (continued)

(c) Member funds

Member funds are made up of contributions paid by employers and employees to the Fund. In accordance with the Act, Member funds are allocated as follows:

- (a) 50% of the amount of the contribution paid to the retirement account;
- (b) 25% of the amount of the contribution paid to the investment account; and
- (c) 25% of the amount of the contribution paid to the Medi-save account.

	The Fund	
	2015	2014
	Vatu (000's)	Vatu (000's)
Total members funds	<u>16,086,233</u>	<u>17,336,680</u>
<u>Total member funds are split as follows:</u>		
Members - Retirement account	50% 8,043,117	8,668,340
Members - Investment account	25% 4,021,558	4,334,170
Members - Medi-save account	25% 4,021,558	4,334,170
	<u>16,086,233</u>	<u>17,336,680</u>

(d) Special death benefit reserve

When a member dies prior to attaining any of the dates of entitlement for withdrawal as specified in the Act, an amount known as the special death benefit is added to the amount standing to the credit of the member and is treated as forming part of the members benefit.

In accordance with the Act, a reserve (known as the "special death benefit reserve") was created out of which the special death benefit is to be paid and into which annual sums are transferred as deductions from member accounts.

The amount of benefit paid is calculated taking into account the deceased member's period of membership of the fund and the periods for which contributions have been paid to the fund.

The moneys in the special death benefit reserve form part of the fund and any interest arising from the investment thereof is placed to the general reserves of the Fund and any short fall in the reserve is made good out of the general reserves of the Fund.

Vanuatu National Provident Fund and its Subsidiaries
Notes to and forming part of the financial statements
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22 Related parties

(a) Board of directors

The names of Directors in office at any time during the financial year were as follows:

Name	Representing	Position	Date appointed	Date appointment ended
Simil Johnson *	Government	Chairman	27-Nov-14	29-Sep-15
Alen Lew	Employer	Deputy chairman	23-Sep-14	29-Sep-15
Willie Karie	Employer	Member	23-Sep-14	29-Sep-15
Makin Valia	Government	Member	13-Jun-13	29-Sep-15
Ephraim Kalsaku	Employee	Member	28-Jun-13	29-Sep-15
Henlyn Saul	Employee	Member	19-Dec-14	24-Aug-15

* Simil Johnson was appointed as Chairman on 22 December 2011 and on completion of his 3-year term, was reappointed as Chairman on the 27th November 2014.

The above Board was removed on 12 April 2016 following a temporary suspension on 29 September 2015. Following the suspension the temporary appointment of the following was made effective 28 October 2015 until 29 April 2016 (officially gazetted on 5 November):

Name	Representing	Position	Date appointed	Date appointment ended / ending
Letlet August	Government	Chairman	28-Oct-15	29-Apr-16
Astride Boulekone*	Employer	Deputy Chairman	28-Oct-15	28-Oct-15
John Ezra	Government	Member	28-Oct-15	29-Apr-16
Phillip Malas*	Employee	Member	28-Oct-15	28-Oct-15
Ronald Warsal*	Employee	Member	28-Oct-15	1-Jan-16
Andrew Leong*	Employer	Deputy Chairman	24-Nov-15	2-Nov-16
David Russet*	Employer	Member	24-Nov-15	2-Nov-16

*Astride Bulekone and Phillip Malas immediately resigned from the appointment and Ronald Warsal was subsequently elected to Parliament thus had to step down as a board member. Following the resignations, Andrew Leong and David Russet were appointed as replacements effective 24 November 2015.

Vanuatu National Provident Fund and its Subsidiaries
Notes to and forming part of the financial statements
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22 Related parties (continued)

(a) Board of directors (continued)

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
Board sitting allowances	1,560	1,000	1,560	1,000
Other board expenses	993	3,769	993	3,769
	<u>2,553</u>	<u>4,769</u>	<u>2,553</u>	<u>4,769</u>

Any director who is a member of the Fund contributes and receives benefits on the same terms and conditions as those available to other members.

(b) Key management

In addition to directors, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity (whether executive or otherwise).

During the reporting period, the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling of activities.

<u>Names</u>	<u>Position</u>	<u>Entity</u>
Santos Vatoko	General Manager	Vanuatu National Provident Fund
Viliame Baleitavua	Director Fund Management	Vanuatu National Provident Fund
Paul Kaun	Director Investments	Vanuatu National Provident Fund
Denny Gaua	Director Member Benefits	Vanuatu National Provident Fund
Hollingsworth Ngwele	Director Corporate Services	Vanuatu National Provident Fund
Mosese Nakabea	General Manager	Member Financial Services Limited
Steglar Tabi	General Manager	Bouffa Limited

The aggregate compensation of the key management personnel for the Fund comprises short term benefits and is set out below:

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
Short term benefits	<u>44,581</u>	<u>31,262</u>	<u>34,831</u>	<u>27,558</u>

Management personnel who are members of the Fund contribute and receive benefits on the same terms and conditions as those available to other members.

Vanuatu National Provident Fund and its Subsidiaries
Notes to and forming part of the financial statements
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22 Related parties (continued)

(c) Identity of other related parties

The following entities are related parties by virtue of ownership interest.

<u>Entity</u>	<u>Interest</u>	<u>Classification</u>
Member Financial Services Limited (MFSL)	100%	Subsidiary
VNPF Property Holdings Limited (VNPF-HL)	100%	Subsidiary
Bouffa Limited (Bouffa)	100%	Subsidiary
Bay Developments Limited (BDL)	50%	Joint venture
VNBR Limited (VNBR)	50%	Joint venture
Interchange Limited (ICL)	37.50%	Associate
National Bank of Vanuatu (NBV)	15%	Associate
Union Electric Company Limited (UNELCO)	14.40%	Associate

Member Financial Services Limited (MFSL)

Member Financial Services Limited (MFSL) is a wholly owned subsidiary of the Fund and was established under section 30 of the VNPF Act (as amended). Currently MFSL offers a single product, micro loans to members of the Fund. A Fund Member may pledge up to 85% of their investment account at VNPF as collateral for the loan and are entitled to borrow for purposes of education, home improvement, furniture and fittings. Loans to members are currently at an interest rate of 10.50%.

VNPF Property Holdings Limited (VNPF-HL)

VNPF Property Holdings Limited was acquired for the purpose of earning rental income from two purpose built stores in Port Vila and Luganville. The acquisition in 2013 was through a sale and lease back arrangement between VNPF and Wilco Hardware.

Bouffa Limited (Bouffa)

Bouffa Limited is a wholly owned subsidiary of the Fund.

The land that is presently owned by Bouffa Limited was farm land, purchased in 2009, with an intention of establishing a housing scheme, providing low cost housing for members of the Fund. The idea was to subdivide, build and market the sites with an expectation to make returns through the housing scheme.

The housing development concept was a prohibited investment under the Investment Policy Guidelines of the Fund and therefore on 27th April 2011, a feasibility study for a cattle project was presented to and approved by the Board and the initial purpose of the housing scheme was put on hold.

The value of the land in Efate and Santo totalled Vatu 581 million which represents the Funds equity investment in Bouffa Limited.

Vanuatu National Provident Fund and its Subsidiaries
Notes to and forming part of the financial statements
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22 Related parties (continued)

(c) Identity of other related parties (continued)

Bay Developments Limited (BDL)

Bayview Development Limited is a partnership between VNPF and Vonciere du Vanuatu Ltd, a subsidiary of Bred Bank (Vanuatu) Limited. A joint agreement was entered between VNPF and BRED in May 2012, with each party having a 50% interest, with a view to generate rental income from office space. Bayview Development Limited is managed by LJ Hooker, a real estate company operating in Port Vila, which oversees its operations.

VNBR Limited (VNBR)

VNBR Limited was created between VNPF and Bred Bank in 2012, to purchase property, and enter into a joint venture with a view of building a Commercial Complex Development in the heart of Port Vila, providing lettable office space, food courts, multi-story parking and lettable space for shop owners. The Company has engaged Caillard & Kaddour as the project manager for the proposed development.

Interchange Limited (ICL)

The Vanuatu National Provident Fund (VNPF) in partnership with Interchange Holdings Limited, Vanuatu Posts Limited, Vanuatu Government and Fidelity Group owns the submarine cable connecting from the Southern Cross cables through Fiji, which will contribute to a better future for Vanuatu providing nationwide telecommunication technologies and infrastructures to communities throughout the entire country and the region. VNPF has a 37.5% interest in Interchange Limited.

National Bank of Vanuatu (NBV)

The National Bank of Vanuatu Limited is a Vanuatu owned Bank, established in August 1991 under the NBV Act of 1989. The Bank in 2012 underwent a corporatization process and issued fresh capital of which VNPF acquired 15%.

Union Electric Company Limited (UNELCO)

Unelco is a locally incorporated Company, having 2 shareholders; 85% of the shares is owned by ENGIE and 14.4% is owned by VNPF. UNELCO is the only Electricity Supplier in Port Vila, Vanuatu's Capital city holding 4 geographical concessions, being Efate Island, two administrative centers in Norsup, Malekula and Lenakal, Tanna for the provision of electricity and supplies water.

In September 2015, VNPF purchased 11,923 shares which represent 14.4% interest in UNELCO.

Vanuatu National Provident Fund and its Subsidiaries
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22 Related parties (continued)

(d) Transactions with related parties

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
<u>(i) Interest income</u>				
The amount of interest income charged to related parties during the year is as follows:				
Bouffa Limited	-	-	7,148	-
Member Financial Services Ltd	-	-	92,777	5,822
Interchange Limited	-	-	10,501	-
	<u>-</u>	<u>-</u>	<u>110,426</u>	<u>5,822</u>

(ii) Rental income

The amount of rental charged to related parties during the year is as follows

Member Financial Services Ltd	<u>-</u>	<u>-</u>	<u>2,378</u>	<u>2,378</u>
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(iii) Dividends from investees

The amount of dividend income from related parties during the year is as follows:

Bay Developments Limited	<u>-</u>	<u>-</u>	<u>5,833</u>	<u>7,970</u>
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(iv) Shared services and processing fees

The amount of shared services and processing fees charged to related parties during the year is as follows:

Member Financial Services Ltd	<u>-</u>	<u>-</u>	<u>9,730</u>	<u>13,212</u>
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Vanuatu National Provident Fund and its Subsidiaries
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22 Related parties (continued)

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
(e) Loans balances owed to the Fund by its investees				
Member Financial Services Ltd	-	-	380,000	380,000
Bouffa Limited	-	-	428,375	415,147
Interchange Limited	-	-	106,356	106,356
	<u>-</u>	<u>-</u>	<u>914,731</u>	<u>901,503</u>

Member Financial Services Limited (MFSL)

The loan is limited to Vatu 500 million at an interest rate of 4.00% per annum which has been drawn down by MFSL progressively. Up till September 2018 interest only payments are due after which repayment of principal and interest will commence. During the year, MFSL was charged and paid interest for the period 2008 - 2014 of Vatu 92.7 million. The loan is secured against the assets of the Company.

Bouffa Limited (Bouffa)

The loan is for a period of 5 years and interest being charged at the rate of 3% per annum. The loan is secured against the assets of the Company.

Interchange Limited (ICL)

The loan has a 3 year term with interest being charged at the rate of 6.7% per annum. ICL will commence interest and principal repayments after June 2016 based on the agreement between ICL and VNPF. The loan to ICL is unsecured

Vanuatu National Provident Fund and its Subsidiaries
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23 Government securities

Government bonds held by the Fund as at 31 December 2015 were as follows:

Bond series	Term	Principal (Vatu 000's)	Coupon rate	Issue date	Maturity date
003/15	4	250,000	8%	13/06/2015	13/06/2019
002/15	6	100,000	8%	4/04/2015	4/04/2021
004/14	4	200,000	8%	21/08/2014	21/08/2018
003/14	4	300,000	8%	16/07/2014	16/07/2018
001/14	2	298,940	6%	20/02/2014	20/02/2016
002/13	10	400,000	9%	1/08/2013	1/08/2023
005/12	10	400,000	8%	27/12/2012	27/12/2022
003/12	4	100,120	7%	21/09/2012	21/09/2016
002/12	10	700,000	8%	7/06/2012	7/06/2022
001/12	5	450,000	7%	8/03/2012	8/03/2017
001/09	7	100,000	7%	28/01/2009	28/01/2016
001/08	10	150,000	7%	20/02/2008	20/02/2018
		3,449,060			

Government bonds held by the Fund as at 31 December 2014 were as follows:

Bond series	Term	Principal (Vatu 000's)	Coupon rate	Issue date	Maturity date
001/08	10	150,000	7.35%	20/02/2008	20/02/2018
002/15	6	100,000	8.25%	4/04/2015	4/04/2021
001/09	7	100,000	8.25%	28/01/2009	28/01/2016
003/15	4	250,000	8.00%	13/06/2015	13/06/2019
001/12	5	450,000	6.75%	9/03/2012	9/03/2017
002/12	10	700,000	8.25%	7/06/2012	7/06/2022
003/12	4	100,120	7.25%	12/09/2012	21/09/2016
005/12	10	400,000	8.25%	27/12/2012	27/12/2022
001/13	2	100,000	6.75%	8/07/2013	8/07/2015
002/13	10	400,000	8.55%	1/08/2013	1/08/2023
003/14	4	300,000	7.80%	16/07/2014	16/07/2018
004/14	4	200,000	7.50%	21/08/2014	21/08/2018
002/15	2	298,940	6.25%	20/02/2014	20/02/2016
		3,549,060			

Vanuatu National Provident Fund and its Subsidiaries
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24 Going Concern

The Fund is designed to provide retirement and saving benefits to its members and operates within the parameters of the Vanuatu economy. The general economic outlook for the Vanuatu economy is positive, however the Reserve Bank of Vanuatu warns that further economic growth depends on maintenance of law and order and the Government's commitment to reforms and policies to enhance employment and the living standards of all citizens.

The Fund's Board and Management believes the Fund can comfortably meet its obligations to members as and when they fall due and that with concentrated attention, the co-operation of the Reserve Bank of Vanuatu, the opportunities for improved financial performance for the benefit of members can be realized.

25 Auditors Remuneration

Auditors remuneration for the audit of the Fund and its Subsidiaries for the financial year ended is as follows:

	2015	2014
	Vatu (000's)	Vatu (000's)
<u>KPMG:</u>		
Vanuatu National Provident Fund (The Fund)	1,900	-
<u>Other auditors:</u>		
Vanuatu National Provident Fund (The Fund)	-	2,306
Member Financial Services Limited	1,200	1,200
VNPF Property Holdings Limited	400	400
Bouffa Limited	850	843

26 Employees

The number of full time permanent Fund employees as at 31 December 2015 was 74 (2014: 75).

27 Contingencies

The Fund is defending actions and claims brought by former employees. Although liability is not admitted, management are of the view that the chances of success on these claims are low. However any liability as a result of adverse decisions of these will not be material.

28 Significant events during the year

In March 2015, Vanuatu was hit by Cyclone Pam a category 4 cyclone which caused widespread damage to the country. In the wake of the cyclone, a state of emergency was declared and the government authorised a special 20% payout for members from their VNPF balances. Approximately Vatu 1.7 billion was paid to members as a result of this.

Vanuatu National Provident Fund and its Subsidiaries
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29 Subsequent events

(i) Appointment of new Board of trustees

Effective 2 March 2016, the appointments made to the Board of Trustees on 28 October 2015 and November 2015, were revoked and a temporary appointment of the following members were made:

Name	Representing	Position	Date appointed	Date appointment ended / ending
Letlet August	Government	Chairman	2-Mar-16	29-Apr-16
Andrew Leong	Employer	Deputy Chairman	2-Mar-16	29-Apr-16
John Ezra	Government	Member	2-Mar-16	29-Apr-16
David Russet	Employer	Member	2-Mar-16	29-Apr-16
Phillip Dovo	Employee	Member	2-Mar-16	29-Apr-16
Jeff Joel Patunvanu	Employee	Member	2-Mar-16	29-Apr-16

On 2 May 2016, the following members were appointed to the Board until 2 November 2016 (officially gazetted on 9 May 2016).

Name	Representing	Position	Date appointed	Date appointment ended / ending
Tony A. Sewen	Government	Chairman	9-May-16	2-Nov-16
Allen Lew	Employee	Deputy chairman	9-May-16	2-Nov-16
Roan Lester	Government	Member	9-May-16	2-Nov-16
Andrew Leon	Employer	Member	9-May-16	2-Nov-16
David Russet	Employer	Member	9-May-16	2-Nov-16
Phillip Dovo	Employee	Member	9-May-16	2-Nov-16

(ii) Bouffa Limited

Subsequent to year end, the land and buildings owned by Bouffa Limited were offered for sale through a public tender called on 8 June 2016.

Other than the matters outline above, in the opinion of the Board of Trustees, there has not arisen in the interval between the end of the year and the date of this report any items, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group and the Fund, and the results of those operations or the state of affairs of the Group and the Fund in subsequent years.

Vanuatu National Provident Fund and its Subsidiaries
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30 Restatement and correction of prior period errors

During 2015, the following issues were noted:

- There was an error in the 2014 financial year relating to unrealised foreign exchange losses on term deposits not being brought to account.
- Depreciation was being charged on investment properties that were being accounted for at fair value.
- Two investments in associates were being carried at fair value rather than cost.
- Equity accounting for associates over which the Group has significant influence was not being taken up on consolidation.
- There was an understatement of provision for doubtful debts in 2014 relating to surcharges taken up as a receivable as at 31 December 2014.
- There was a reclassification made in respect of owner occupied property from investment properties to property plant and equipment.
- There were also a number of other reclassifications made in order to conform to changes in current year presentation.

As a result of the above, the financial statements for the year ended 31 December 2014 and where applicable 1 January 2014 (representing 2014 opening balances) have been restated to correct these anomalies.

There is no effect on the 2015 year.

There is no restatement of the financial statements of the Fund for the 2014 and earlier financial years as the Fund has not previously published its stand alone financial statements.

The effects of the restatements on these financial statements is set out below:

Vanuatu National Provident Fund and its Subsidiaries
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30 Restatement and correction of prior period errors (continued)

Consolidated statement of net assets

31 December 2014	As previously reported	Reclassifications ¹	Adjustments	As currently reported
	(Vatu 000's)	(Vatu 000's)	(Vatu 000's)	(Vatu 000's)
Assets				
Term deposits	-	4,808,357	(90,600) ⁴	4,717,757
Government securities	-	3,549,060	-	3,549,060
Loans and advances	1,683,087	-	-	1,683,087
Investment properties	3,205,372	(33,832)	86,052 ²	3,257,592
Equity accounted investees	-	1,577,657	(145,652) ³	1,432,005
Investments at cost	-	274,233	(59,483) ⁵	214,750
Other investments	5,914,261	(5,914,261)	-	-
Cash and cash equivalents	4,730,710	(4,278,668)	-	452,042
Receivables and other assets	355,961	10,261	-	366,222
Stock / biological assets	67,868	-	-	67,868
Property plant and equipment	1,253,869	6,449	-	1,260,318
	<u>17,211,128</u>			<u>17,000,701</u>
Liabilities				
Creditors and payables	(76,578)	7,859	(3,498) ⁷	(72,217)
Employee benefits / provisions	(69,409)	-	-	(69,409)
	<u>(145,987)</u>			<u>(141,626)</u>
Net assets	<u>17,065,141</u>			<u>16,859,075</u>
Reserves				
Member funds	(17,257,230)	(7,824)	(71,626) ⁶	(17,336,680)
Special death benefit reserve	(54,289)	-	-	(54,289)
General reserve	246,378	709	284,807	531,894
Total reserves	<u>(17,065,141)</u>	<u>-</u>	<u>-</u>	<u>(16,859,075)</u>

Notes

- ¹ Reclassifications made to confirm with changes in current year presentation.
- ² Reverse depreciation on investment properties carried at fair value.
- ³ Reverse fair value gains on investments and record share of losses in associates through equity method.
- ⁴ Record unrealised foreign exchange loss on revaluation of financial instruments at year end.
- ⁵ Reverse fair value gains on investments carried a cost.
- ⁶ To provide for doubtful debts in relation to surcharges receivable.
- ⁷ Other reconciling items

Vanuatu National Provident Fund and its Subsidiaries
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30 Restatement and correction of prior period errors (continued)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2014	As previously reported	Reclassifications ¹	Adjustments	As currently reported
	(Vatu 000's)	(Vatu 000's)	(Vatu 000's)	(Vatu 000's)
Interest income	(716,189)	-		(716,189)
Property rental income	-	(252,141)		(252,141)
Change in fair values	203,951	46,943	90,600 ³	341,494
Other operating income	(427,083)	427,083		-
	<u>(939,321)</u>			<u>(626,836)</u>
Direct investment expenses	-	147,662	166,190 ⁵	313,852
Sales revenue	-	(31,386)		(31,386)
Surcharge revenue	-	(20,247)		(20,247)
Other revenue	-	(23,017)		(23,017)
Administrative expenses	875,649	(286,661)	(10,928) ²	578,060
Interest credited to members	135,766	(135,766)	-	-
Share of profits of associates	-	-	38,945 ⁴	38,945
Total comprehensive loss / (income)	<u>72,094</u>	<u>(127,530) ⁶</u>	<u>284,807</u>	<u>229,371</u>

Notes

- ¹ Reclassifications made to confirm with changes in current year presentation.
- ² Income statement effect of balance sheet adjustments
- ³ Record unrealised foreign exchange loss on revaluation of financial instruments at year end.
- ⁴ To record share of profits of equity accounted investees.
- ⁵ Income statement effect of balance sheet adjustments
- ⁶ To reconcile movement in member account balances at year end.

Vanuatu National Provident Fund and its Subsidiaries
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30 Restatement and correction of prior period errors (continued)

Consolidated statement of net assets

1 January 2014	As previously reported (Vatu 000's)	Reclassifications ¹ (Vatu 000's)	Adjustments (Vatu 000's)	As currently reported (Vatu 000's)
Assets				
Term deposits	-	4,613,644	-	4,613,644
Government securities	-	3,199,060	-	3,199,060
Loans and advances	1,322,428	-	-	1,322,428
Investment properties	4,339,995	(1,126,980)	-	3,213,015
Equity accounted investees	-	1,478,920	-	1,478,920
Investment at cost	-	214,750	-	214,750
Other investments	5,422,171	(5,422,171)	-	-
Cash and cash equivalents	4,614,461	(4,104,012)	-	510,449
Receivables and other assets	422,807	76,082	-	498,889
Stock / Biological assets	61,145	-	-	61,145
Property plant and equipment	184,356	1,127,698	-	1,312,054
	<u>16,367,363</u>			<u>16,424,354</u>
Liabilities				
Creditors and payables	(106,544)	4,131	-	(102,413)
Employee benefits / provisions	(61,241)	-	-	(61,241)
	<u>(167,785)</u>			<u>(163,654)</u>
Net assets	<u>16,199,578</u>			<u>16,260,700</u>
Reserves				
Member funds	(16,320,246)	(61,122) ²	79,879 ²	(16,301,489)
Special death benefit reserve	(53,580)	-	-	(53,580)
General reserve	174,248	-	(79,879) ²	94,369
Total reserves	<u>(16,199,578)</u>	<u>-</u>	<u>-</u>	<u>(16,260,700)</u>

Notes

¹ Reclassifications made to conform to changes in current year presentation.

² To reconcile movement in member account balances at year end.

Vanuatu National Provident Fund and its Subsidiaries
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31 Financial risk management

The Group's objective is to take a strategic and consistent approach to managing risks across the Group through risk management and associated activities that assist in the safeguarding of the Group's assets and seeks to avoid potential adverse effects on the Group's financial performance.

The respective Board of Directors and Board Audit Committee are responsible for the risk management, monitoring and reporting functions. At the Fund level, they are supported by:

- VNPF's Investment Committee; and
- VNPF's Internal Audit Department.

Risk management is carried out by executive management under policies approved by the Board and the approved investment policy guidelines.

VNPF caters for the retirement funding of its members and invests significantly to cater for this. The Group's activities expose it to a variety of financial risks as follows:

- (i) Market risk;
- (ii) Credit risk; and
- (iii) Liquidity risk.

(i) Market risk

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

(a) Currency risk

The Group has held-to-maturity investments in foreign currencies and is exposed to foreign exchange risk arising from these currency exposures. Currency risk is primarily associated with the Australian and US Dollar.

The Group and Funds significant exposures are as follows:

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
Term deposits - USD	155,060	140,506	155,060	140,506
Term deposits - AUD	297,971	298,570	297,971	298,570

Vanuatu National Provident Fund and its Subsidiaries
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31 Financial risk management (continued)

(i) Market risk (continued)

(a) Currency risk (continued)

A strengthening or weakening of the Vatu against the Australian and US Dollar at the reporting date would have increased / decreased profit by the amount shown below. This analysis is based on foreign currency exchange rate variances that the Group and Fund considers to be reasonably possible at the reporting date. The analysis assumes that all other variables are constant.

	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
10 % increase in USD	15,506	14,051	15,506	14,051
10 % decrease in USD	(15,506)	(14,051)	(15,506)	(14,051)
10 % increase in USD	29,797	29,857	29,797	29,857
10 % decrease in USD	(29,797)	(29,857)	(29,797)	(29,857)

(b) Interest rate risk

Interest rate risk refers to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group adopts a policy of ensuring that its exposure to changes in interest rates on loans and advances is on a fixed-rate basis over a period of time.

Given that the interest rates on loans and advances (including intra group loans) are fixed, the Group and the Fund does not have a significant exposure to interest rate risk as the loans are not fair valued through profit or loss.

At the reporting date, the fixed interest rate profile of the Group and the Fund was:

	<u>The Group</u>		<u>The Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
Loans to subsidiaries	-	-	808,375	795,147
Loans to associates	106,356	106,356	106,356	106,356
Loans quasi-government entities	1,061,168	880,184	1,061,168	880,184

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31 Financial risk management (continued)

(ii) Credit risk

Credit risk is the risk of financial loss to the Group and Fund if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and Funds loans and advances and receivables.

The carrying amount of financial assets represent the maximum credit exposure.

Loans and advances

The Group and Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the customer including the default risk of the industry as these factors have an influence on credit risk.

The Group and Fund have established credit policies under which each new customer is analysed individually for credit worthiness before the loans are offered.

The Group and Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and advances. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The maximum exposure to credit risk at the reporting date is as follows:

	The Group		The Fund	
	2015	2014	2015	2014
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
Cash and cash equivalents	1,628,315	452,042	510,449	1,433,840
Term deposits	2,531,112	4,717,757	4,613,644	2,531,112
Government securities	3,449,060	3,549,060	3,199,060	3,449,060
Loans and advances	1,618,044	1,683,087	1,322,428	1,975,899
Receivables and other assets	300,861	366,222	498,889	362,652
	9,527,392	10,768,168	10,144,470	9,752,563

Cash and cash equivalents and other receivables are at call. The maturities of term deposits, government securities and loans and advances is disclosed in Note 11.

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31 Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group and the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group and Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to reputation.

The following are the contractual maturities of financial liabilities:

<u>As at 31 December 2015</u>	<u>Financial liabilities</u>	<u>Carrying amount</u>	<u>Contractual cash flows (vatu 000's)</u>		
			<u>Less than 1 year</u>	<u>Between 1 - 5 years</u>	<u>More than 5 years</u>

The Group

Creditors and payables	172,834	172,834	-	-
Employee benefits	361	361	-	-
	<u>173,195</u>	<u>173,195</u>	<u>-</u>	<u>-</u>

The Fund

Creditors and payables	303,694	303,694	-	-
Employee benefits	361	361	-	-
	<u>304,055</u>	<u>304,055</u>	<u>-</u>	<u>-</u>

As at 31 December 2014

<u>Financial liabilities</u>	<u>Carrying amount</u>	<u>Contractual cash flows (vatu 000's)</u>		
		<u>Less than 1 year</u>	<u>Between 1 - 5 years</u>	<u>More than 5 years</u>

The Group

Creditors and payables	71,308	71,308	-	-
Employee benefits	909	909	-	-
	<u>72,217</u>	<u>72,217</u>	<u>-</u>	<u>-</u>

The Fund

Creditors and payables	138,762	138,762	-	-
Employee benefits	909	909	-	-
	<u>139,671</u>	<u>139,671</u>	<u>-</u>	<u>-</u>

For maturity analysis of the Group and Fund's financial assets, refer Note 11.

Capital management

The Group and the Fund pursues an active approach to capital management, which is designed to protect the interests of members.



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