

2016 ANNUAL REPORT



**VANUATU NATIONAL
PROVIDENT FUND**



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

15 February 2018

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

Dear Hon. Minister,

Re: VNPF 28th 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 2016

Yours faithfully,



Alain Lew
Chairman
VNPF Board of Trustees

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Message from the Chairman

On behalf of the Vanuatu National Provident Fund Board, it again gives me pleasure to present this report, together with its audited financial statements for the financial year ended 31 December 2016.

The major challenge in 2016 was a Commission of Inquiry of our operations but we celebrate our achievements for that year, which included closer working relationships with certain government agencies to improve collections and membership information; a first dividend payment from our UNELCO shares and a record increase in membership, as well as Employer registrations, to name a few.

The 2016 Financial Statements have been reviewed by our external auditors; KPMG and we note that the benefits earned by The Fund amounted to a profit of VT247,073,000 compared to a profit of VT628,575,000 in the 2015 Financial Year; whilst for The Group, an amount of VT413,482,000 compared to VT434,644,000 in 2015.

As at 31st December 2016, the Fund gained a total comprehensive income balance of VT17,085,080 on Member's accounts in the form of contributions from employers and members and interest credited to members. This balance includes amounts that were withdrawn as transfers from members, as well as benefits payments. Compared to a 2015 figure of VT16,015,032, this represents a 6% increase in the total comprehensive income balance.

Annual interest payment for the 2016 Financial Year was credited to Members' accounts at a rate of 1.5%, whilst an interim interest rate of 1.5% with a total of VT13,930,000 on withdrawals from the General Reserve Account was paid out to Members accounts during the 2016 year. We endeavor to see more increases in the interest rate in coming years.

I take this opportunity to thank the Government of the Republic of Vanuatu, in particular the Ministry of Finance & Economic Management, as well as the Ministry of Justice & Community Services for their guidance. A word of thanks is also owing to our regulator, the Reserve Bank of Vanuatu and other government departments such as the Vanuatu Investment Promotion Authority and the Civil Status Department, who are contributing towards our governance processes.



Alain LEW
CHAIRMAN

Key Achievements in 2016

- For the Fund total comprehensive income of Vt247.07 million.
- For the Group total comprehensive income of Vt413.48 million.
- For the Group increase in total investment income from Vt950.63 million in 2015 to Vt955.40 million in 2016.
- For the Group reduction in direct investment expenses from Vt228.52 million in 2015 to Vt82.82 million in 2016.
- Contributions collections summed up to VT1.687 billion compared to Vt1.649 billion in 2015.
- Payment of Dividend by UNELCO to VNPF for Vt39, 942,050.
- Signing of MOU between VNPF and VIPA to strengthen compliance to the VNPF Act and increase collection of contributions
- Signing of MOU between VNPF and Civil Status Department to provide for consistency in terms of civil status records and VNPF Membership records as well as control fraud related withdrawals
- Increase in registration of new employers and collections due to collections and inspection projects carried out on Malekula and Port Vila
- Increase in staff training and study awards to allow for strengthening of the funds Human Resources

Your Board of Trustees

VNPF Board of Trustees

Section 2 (1) of the Vanuatu National Provident Fund Act [CAP. 189] provides for a Board of trustees that is a body corporate. The Act also provides for membership of the Board, appointed by the Honourable Minister responsible for the administration of the Fund. There shall be 6 members, two representing Vanuatu Chamber of Commerce, two representing employees (and who must also be employees) and two representing Government. The General Manager of the Fund serves as an Ex-Officio member of the Board.

Board membership consisted of the following in 2016:

Name	Position	Date first appointed	Date appointment ended / ending
Simil Johnson	Chairman	27-Nov-14	29-Sep-15
Alain 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 Kalsakau	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
Alain 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

The Board is also empowered by the Act to meet not less than four times in a 12 month period. In 2016, details regarding the number of board meetings records of allowances paid and other Board expenses are not available.



Interim Board Member, Mr Andrew Leong in attendance at GM, Santos Vatoko's farewell, whilst GM, his family and Board Secretary Aileen Leodoro look on

The Board has also appointed Board sub-committees. The informations provided on the table below does not contain the Board Committee members prior to December 10, 2016.

Board Committee	Representative	Number of Meetings in 2016
Remuneration Committee		NOT AVAILABLE
David Russet	Member	
Jack Maite	Member	
Roan Lester	Member	
General Manager	Ex Officio	
Tender Committee Members		NOT AVAILABLE
General Manager	General Manager	
Alain Lew	Member (Board Rep)	
Gorden Bellam	Property Manager & Ex Officio	
Stephen Daniel	Acting Finance Manager & Ex Officio	
Manen Hopa-Mala	Acting Legal Manager & Ex officio	
Investment Committee		NOT AVAILABLE
Alain Lew	Chairman	
Roan Lester	Member	
David Russet	Member	
Jack Maite	Member	
General Manager	Ex-Officio	
Director Fund Management	Ex-Officio	

The information provided on the table below does not contain the board committee members prior to December 10, 2016 (continued).

Board Committee	Representative	Number of Meetings in 2016
Audit Committee		NOT AVAILABLE
David Russet	Chairman	
Alain Lew	Member	
Serah Obed	Independent Member	
Muriel Herbert	Internal Audit Manager & Ex officio	
General Manager	Ex Officio	
IT & Risk Committee		NOT AVAILABLE
David Russet	Chairman	
Alain Lew	Member	
Fred Samuel	Independent Member	
General Manager	Ex Officio`	
Sailosi Rezel	IT Manager & Ex Officio	

Corporate Governance

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 Board and all employees are required to uphold the highest standard of ethics, governance and also have a duty 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.

The Fund's business operations are in line with established systems and controls so that strategies and policies are effectively carried out.

Details of Board approved policies for the 2016 Year are not available.

Internal Audit

During 2016 financial period, Internal Audit performed independent reviews of the systems and controls within the Fund and reported its findings to the Management as well as the Fund Board of Directors through the Audit & Risk Committee. These reviews which included the normal operational and compliance audits as well as special reviews requested by the Management revealed internal control weaknesses which were brought to Management attention for rectification.

We are pleased to advise that the Management is taking the necessary steps to address the issues reported, and that Internal Audit will continue to conduct follow up reviews to ensure that issues are appropriately addressed to manage or minimise the risks involved.

Your Management Team

Position		Name
General Manager	Up to March 2016	Mr Santos Vatoko
Director Funds Management		Mr Viliame Baleitavua
Manager Member Services Department		Ms Doreen L. Lango
Manager Compliance & Inspection Department		Mr Jackson Lessa
Acting Manager Property Department		Mr Gorden Bellam
Manager Finance Department	Up to August 2016	Mr Eniel Johnson
Manager ICT Department		Mr Sailosi Rezel
Manager Procurements Department		Mr Tony Benjiman
Acting Manager HR & Admin. Department		Ms Joanne Bani
Manager Marketing & Communications Department		Ms Patricia Kalpokas
Manager Internal Audit & Risk Department		Ms Muriel Herbert

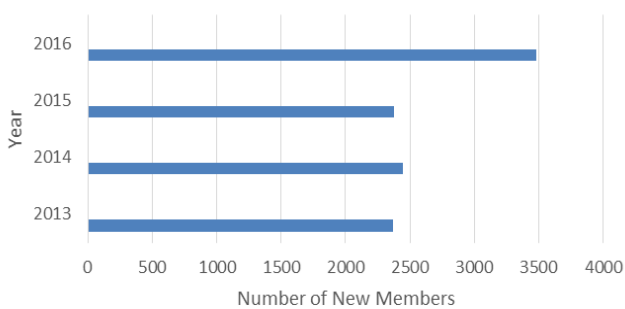
The Year at a Glance

MEMBER SERVICES

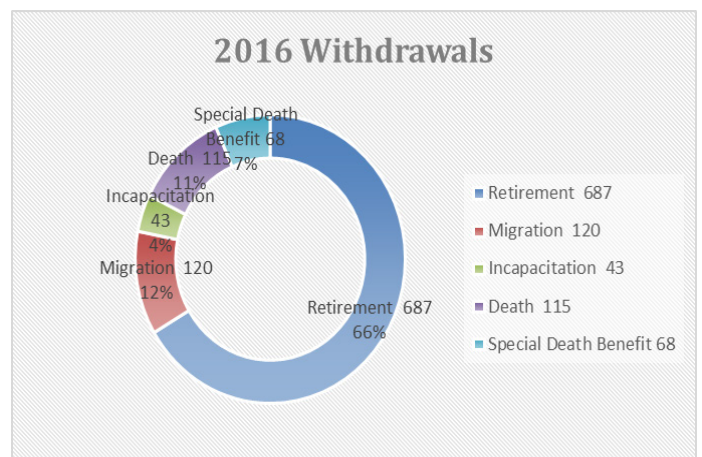
Context

VNPF is the only statutory institution that provides some form of social security to its members. As membership increases, the operations of Member Services department are crucial to the Fund. The Department undertakes the core functions of VNPF stipulated in the VNPF Act for registrations of members, collections of contributions and payout of members' benefits. In 2016, total membership was recorded at 59,790, a 6% growth from 2015.

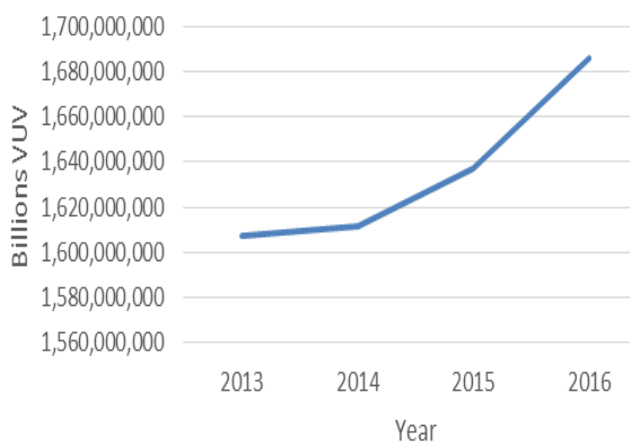
2016 New Member Registrations



2016 Withdrawals



2016 Members' Contributions



Issues

In order to manage members' records, the department is supported by a membership database system. Of the 62,298 members, only 27,408 members are active members contributing. Subsequent unemployment after registration is the leading factor of non-contribution by the other 34,890 registered members. The total contribution recorded by active members in 2016 is approximately VUV 1.6 billion, which represents 1% of the total members fund recorded by the Fund in that year and a 2% growth from 2015.

The department relies on information provided by employers to facilitate payment of contributions for their employees. However, due to various factors, the Department only recorded 271 new employees in 2016 compared to 379 in 2015. It is therefore essential for the Department to work closely with the Compliance Unit to ensure that any new or currently registered employer is complying with their obligations under the VNPF Act.



Acting GM Viliame Baleitavua and Ms Andrina Thomas shake over the MOU to seal a working relationship between VNPF and VIPA—May 2016

The Department's role

Members' services department supports members to register, manage their records and assists withdrawal of savings. The department supported a range of activities in 2016 to improve this including:

- Employer awareness with relevant Government departments emphasizing on process of registration and payments;
- Employer awareness with the private sector encouraging registration of new employees; and
- Stakeholder consultations in Port Vila and Santo on the proposed amendments to the VNPF Act.

Impact

The Department has played a leading role in protecting members' savings. A total of approximately VUV 760 million was processed for members who were eligible to withdraw their savings. The majority of the 1,033 members who withdrew in 2016 were members who had reached the retirement age of 55. The savings they have received will assist their livelihoods beyond retirement and possibly their contribution to Vanuatu's economy through small scale businesses.

The Department's ongoing dialogue with employers and registration of new members will continue to contribute to the expansion of the Fund. 2016 recorded the highest growth in new membership. This reflects the growth in employment as a result of the Government's infrastructure projects mainly in Port Vila and Santo. For example, in Port Vila, the Chinese led construction of Malapoa College and Convention Centre, and other projects such as the Port Vila Urban Development Project, Lapetasi Wharf and the Sea Front Beautification projects has led to more employment of local ni-Vanuatu. Registration of these members by the Department will protect the livelihoods of these new employees, the majority of whom are in the construction industry



Acting GM, Viliame Baleitavua delivers an opening address to public servants at a refresher session for employers – June 2016

Investment Updates

Property Investment Highlights

The Funds property Activities were fairly exciting during this financial year ended December 2016 as revealed in the following highlights:

I. Australian High commission Chancery Renovation-The Fund has completed Major Facelift on the building which include the Exterior repainting and the Nakamal refurbishment. The Total renovation costing is approximately 20 Million. Civil Engineers overseeing the works from start to completion is Kramer Ausenco Vanuatu.

II. Sunset Building Standby Generator Installation –The Fund has also invested into purchasing a brand new Generator for the above Building as back-up power for all Tenants during events of power surges. The cost is above VT 8 Million Vatu. Monthly rental for all Tenants within the building has also increased to cater for this added service.

III. Lease Renewals –All Expiry Lease agreements were successful renewed for longer terms during the tenure of 2016. Incremental increases were factored also as conditions to the new leases, and uniformity rates per square meter that the Fund wants to archive in all its rentals facets .

Property Investment Rehabilitation

Funds Rehabilitation programmer continue this year 2016 after a year of delay as result of disturbance caused by TC PAM .These activities includes :

I. Head office Renovation-The restoration of the Head office Fencing, painting as result TC damage was completed perfectly within the project timeline by the constructor, Island Construction. These renovations are Insurances funded claims under the policy contents of the Funds premium cover and has amounted to total of VT 25 Million Vatu.

II. Sunset Building –The newly refurbished shutters and ceiling tiles within the building were also damages as resulted from TC Pam. Renovations were completed by Insurers constructor for the total sum of VT 19Million.

Equities

FINANCIAL INVESTMENT UPDATE

2016 was another challenging year for the Fund’s fixed income investments. Excess liquidity coupled with normal market operations continue to push down interest rates limiting the fixed income investment options for the Fund domestically.

TERM DEPOSITS

Term deposits are cash investments held at a financial institution, bank or credit union for an agreed rate of interest over a fixed amount of time known as a term. Normal process for allocating term deposits to the financial institutions follows a tender process and normally the highest bidders gets to secure the term deposits placement, however not often is the case. As part of our investment risk management, under the investment policy guideline, we make sure that not more than 50% of the Term deposit total is held with each commercial bank. The pie chart below shows the distribution of term deposit between ANZ and NBV. 60% of the Term Deposit is with ANZ (Vanuatu) Ltd while 40% is with the National Bank of Vanuatu.

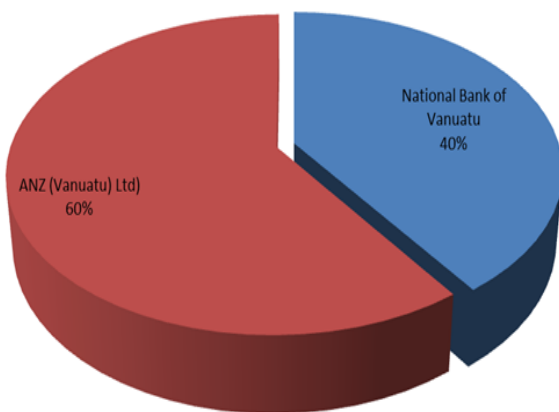
Total Term Deposits declined by 9% from VT2.5 billion in 2015 to VT2.2 billion in 2016 as a direct result of the excess liquidity. Interest Rates remain as low as 2.5% throughout the year. Total interest income declined from VT89 million in 2016 compared to VT169 million in 2015.

As usual, interest rates risk is one major risk factor to manage. Interest rates here are driven by the level of liquidity in the market. The monthly economic review published by the Reserve Bank of Vanuatu indicate a high level of liquidity during the third and fourth quarter which had an adverse impact on the Banks appetite to bid for Term deposits.

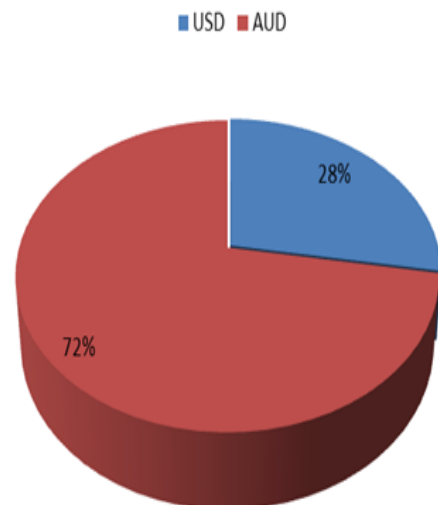
FOREIGN CURRENCY TERM DEPOSITS

The total foreign currency Term deposits decreased from VT482 million in 2015 to VT474 million in 2016 as a result of fluctuating exchange rate. Of the total foreign currency Term deposits, 72% is invested in Australian Dollars and the remaining 28% is invested in United States Dollars. Average return for foreign currency is 3.6% .

Term Deposit Distribution as at 31st December 2016



Foreign Currency Term Deposit Distribution as at 31st December 2016



GOVERNMENT BONDS

The Fund also invests in Government bonds, issued by the Reserve Bank of Vanuatu. Total Government Bonds is VT3.6 billion with an average Return on of 7.67%. During the year the Fund successfully secured one bond issue with a face value of VT499 million at an 8% return. A total of VT499 million reached maturity and was recalled during the year.

As usual, interest rates risk is one major risk factor to manage within the Fixed income portfolio which includes the term deposits for local and foreign currency, as well as Government bonds. Interest rates here are driven by the level of liquidity in the market. The monthly economic review published by the Reserve Bank of Vanuatu indicated a high level of liquidity during the third and fourth quarter which had an adverse impact on the Banks appetite to bid for Term deposits.

COMMERCIAL LOAN

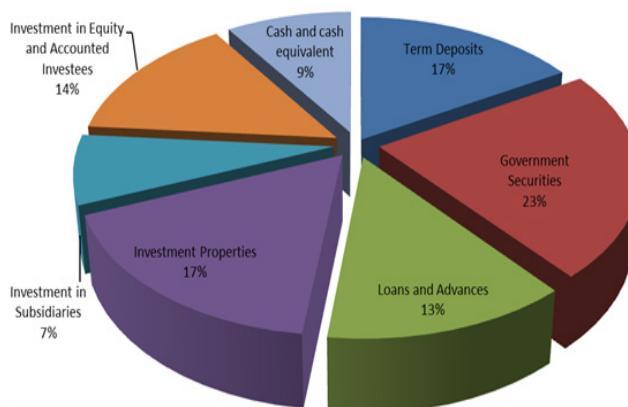
The Fund only gives commercial loans to Semi Government and Corporate entities. The fund’s commercial lending is mainly to large corporation particularly, Air Vanuatu operations Limited and Interchange limited (ICL).

Total Commercial loan portfolio, decreased from VT1.9 billion in 2015 to VT1.8 billion in 2016 as borrowers start repaying principle plus interests on their loans. Average return on the Commercial Loans Portfolio is 7%.

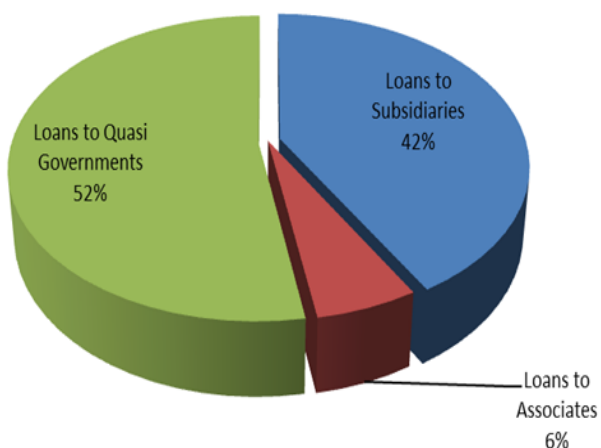
ASSET ALLOCATION

The total investment portfolio as at 31st December 2016, including cash is VT16 billion. The investment portfolio increased by 7% from 2015’s balance of VT15 billion.

The Investment Portfolio as at 31st December 2016



Commercial Loans Portfolio as at 31st December 2016



The Fund's Investment policy guidelines (IPG) is a set of guideline on how to allocate member's to a particular type of asset depending on their risk profile. The table below compares the asset allocation at the end of 2016 with the required IPG benchmarks.

Asset Class	IPG Maximum Limit	Asset Allocation 31/12/16	Variance
Cash	10%	17%	-7%
Fixed Interest	45%	36%	9%
Loans	15%	11%	4%
Equity	15%	19%	-4%
Property	40%	17%	23%
Offshore	15%	0%	15%
Total			

In 2015, Equity investments were over the required level of exposure by 7% and it's the only asset class that exceeds IPG benchmarks. In 2016 however, the equity exposure reduces to 4% while cash exceeds its required level by 7%. This is due to the excess liquidity and falling interest rates.

INVESTMENT PORTFOLIO PERFORMANCE:

The Table below shows the weighted average rate of return for each asset class.

Investment Portfolio	2016	
	Average return	Weighted average return
Term Deposits	3.91%	0.55%
Government Securities	7.72%	1.72%
Loans and Advances	6.84%	0.78%
Investment Properties	6.39%	1.01%
Investment in Subsidiaries	0.18%	0.05%
Investment in Equity and Accounted Investees	0.00%	0.28%
Cash and cash equivalent	1.72%	0.29%
		4.69%

The 2016 Weighted Average has dropped from 6.62% in 2015 to 4.69% in 2016 as Term deposit rates and Government bond yields continue to drop.

From the above table, defensive assets which include Government Bonds, Term Deposits, Cash and Loans made up 3.34% of the total weight average return while the remaining 1.34% represents the growth assets which include Properties and Equity Investments.

		Weighted Average Return	Weighted Average Return
Risk Classification	Total Costs	2015	2016
Defensive Asset	9,389,911	3.63%	3.34%
Growth Assets	5,937,400	2.99%	1.34%
Total	15,327,311	6.62%	4.69%

VNPF Subsidiaries

Bouffa Farm Limited

Background

The principal activity of the company during the past years was to operate and manage the farming activities of Vanuatu National Provident Fund as a secondary use of both properties; Bouffa (in Efate) and Beleru (in Santo); initially acquired for real estate/housing purposes.

The Vanuatu National Provident Fund started farming activity since 2011 when the initial purpose for real estate did not eventuate.

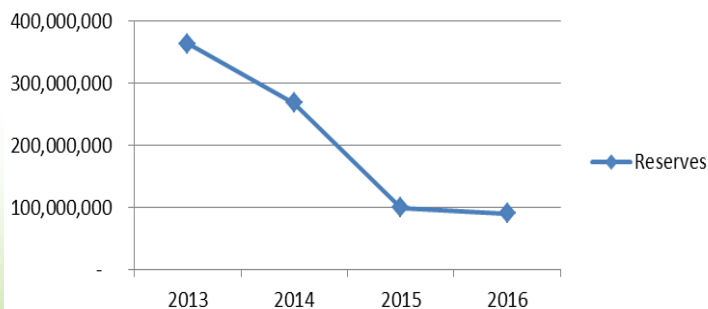


Performance 2016

Performance for the year recorded loss amounted to VT 9,489,893(2015: Loss of VT168, 807,108 and 2014 loss of VT 50,894,912).

The contribution to the losses is the high operational cost of running the two farms together with losses and as a result both properties have been devalued.

Reserves



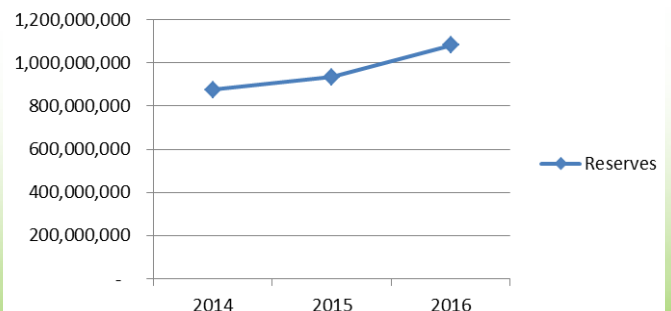
Vanuatu Property Holdings Ltd

Performance 2016

Performance for the year recorded profit amounted to VT146,198,409(2015:Profit of VT58,787,40 and 2014 loss of VT188,044,609).

The contribution to profits are earnings obtained from rental income on the Port Vila /Santo Wilco properties during the year.

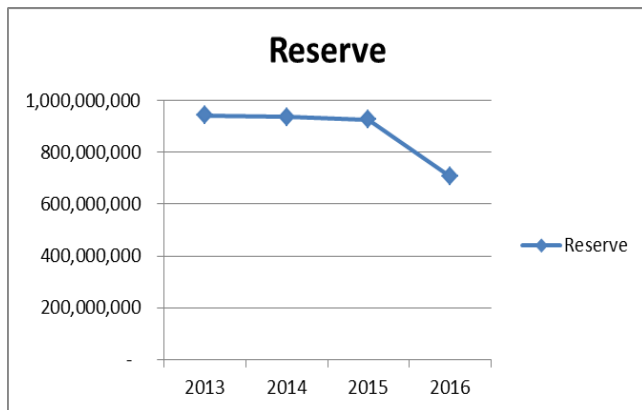
Reserves



Vanuatu National Provident Fund/Bred

Performance 2016

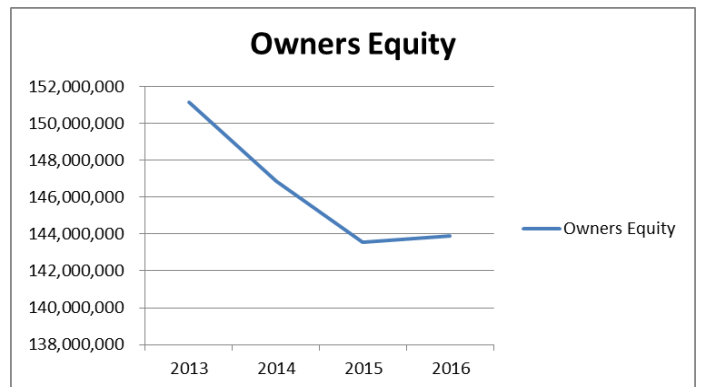
Performance for the year recorded loss amounted to VT 219,867,127(2015: Loss of VT6, 798,721). The contribution to the losses is the high operational and impairment costs.



BDL

Performance 2016

Performance for the year recorded a profit amounting to VT 11,394,170(2015: Profit of VT9, 976, 381). During the financial year, no significant changes occurred in the company’s activities.



VNPF & CIVIL STATUS

VNPF and Civil Status Department representatives at the signing of an MOU for closer working relationship—July 2016

Legal Service

Legal Services Department is mainly focused on enforcement services specifically in representing the VNPF Board in court on matters regarding non-compliant employers as well as court cases brought against VNPF.

The department also plays an advisory role to an extent whereby the Executive or Board of Trustees acquires the sole discretion in deciding this.

Civil Litigation

In 2016, the team brought forward 16 civil litigation cases ranging from 2011 to 2015, filed ten (10) new cases.



Sr Compliance & Inspection Officer, Melten Manuake in discussions with members of the building and construction industry—Sept 2016

Criminal Litigation

Apart from 3 criminal case files that were carried over from 2014 to 2015, 1 new criminal case was filed in 2015 and was brought over and concluded in 2016.

Corporate Conveyance and procurement

With respect to Corporate conveyance and Procurement, Legal Services was not involved in any during the reporting year.



VNPF Staff and members of the Tourism sector at a refresher training - Sept 2016

Opinions and advice to Board and Management

Legal Team's contribution towards opinions and advice to Board and Management is approximately more than 25 by way of written or emailed advices. For advice via written documents, Legal Team submitted at least 3 to 5 on a weekly basis depending, whilst documents that required review and approval would normally amount to not more than 5 a week.

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 Department looks forward to a continued cooperation of the Board, Executive, Management and staff of the Fund in this regard.

Information & Communication Technology

ICT Strategic Review

2016 was a challenging year as it was the second year into the 5 year ICT Strategic Plan (ICTSP) that was developed in December 2014. Although the remedial strategies of the ICTSP is equally crucial as it is high priority, the Department was pushed to engage two IT consultants on ad hoc arrangements to assist in major remedies of the infrastructure that needed immediate attention.

Below are strategies from the 5 year ICTSP to implement;

- Strategy 1 – Remediation
- Strategy 2 – Disaster Recovery
- Strategy 3 - ICT Infrastructure
- Strategy 4 – ICT Remote Access
- Strategy 5 – ICT SOE and Devices
- Strategy 6 – ICT Applications and Data
- Strategy 7 – ICT Support
- Strategy 8 – ICT Governance
- Strategy 9 – ICT Security Framework



Manager Compliance and Inspection, Jackson Lessa with members of the Vanuatu Public Service Refresher Training—June 2016

A professional management review of a few red tape checkpoints in the procurement process would be a catalyst to ensure the ICTSP pickup pace and strictly meet its timelines, and this is a way forward for 2017.

In-house Microsoft access database development and process improvements

With the benefit of in-house knowledge on system development using Microsoft access, some mini systems were developed to improve on process workflows and management. These systems greatly automated processes from manual functions to efficient automations in data input through to real time reporting, and for better decision making.

The mini Microsoft access databases created in 2016 are;

- ID card system – used to manage the printing and issuance of new membership ID cards as well as ID card reprints.
- EMMSD – used to manage the business process of a data integrity project as well as compliance management.



Two long serving VNPF staff received medals of merit for their service; L-Sepeta Jonas & R-Eniel Johnson—Aug 2016

Cost control using a Managed Print Solution

The history of printing and printer consumables reveals that an average annual cost of VT5,627,540 is expended in this IT sector. Since February 2016 the Fund is engaged in a Managed Print Solution approach, outsourcing not only printers and printer consumables but also paper, with a known local company. The Fund realised a 12% cost savings in the arrangement.

Security upgrades and enhancements

The main firewall changeover was amongst the first projects done in January 2016 since the old firewall could not support the increasing user load with its state of degrading processing CPU. This network component is a key security defense feature in any financial institution, and similarly the upgrade of the Trend Micro Antivirus software was also partially done the last quarter of 2016 but will be fully completed in the first quarter of 2017. The Department also upgraded the access control system, installing more access controls on the exit and entrance glass doors at the lobby of the Head Office to strengthen the control of office use after hours and on weekends.

Other achievements

- Website improvements on statistics, vacancy notices, tender notices and contact us page.
- Numerous statistics for VIPA, Statistics Office, Reserve Bank of Vanuatu, MFSL, Board decision making.
- Upgrade of the WAN Communication links between the Head Office and the Branch Offices.
- Implement a second SMS service called ActiveXpert to communicate a message with arbitrary lengths to members.
- Implement a new data cable management approach.
- Establish a read only connection to the civil status database to allow for ease of member verification through birth certificate.

Human Resource Management

Staff training

In 2016, the Board supported training programs as important to the Fund as it develops and strengthens human capital. The Board approved the 2016 training calendar with the inclusion of more in-house training.

The following were conducted throughout the year:

- In house training on policy & procedures refresher
- Overseas training which are also ongoing, particularly for the Investments team
- ICT team training abroad to up skill their knowledge and skills so that they are update to date with the technology in the market.

On the Job Training

The Fund is encouraging and has accepted:

- Holiday jobs
- Working experience
- Internship program

There were two working experience conducted at Finance department; two were through the internship programs.

Performance Management System

Staff performance appraisals were conducted at the end of the year and which form the basis for a check on the performance of each staff member.

Administration & Archives

Procurement and Tender Facilitation

The procurement of goods and services throughout the year continued to be facilitated through the strict tender process stipulated under the Financial & Administrative Policy on Procurement of Good, Services, Tender and Contracts.

The process is carried out in a transparent, accountable and cost efficient manner with due consideration given to quality, quantity and the value for money in the best interests of the fund. A total of four (4) requests for tenders (RFT) altogether were advertised and processed this year. Furthermore, a total of forty- Seven (47) request for quotes (RFQ) altogether was advertised and processed.

Request for quotes (RFQ) and Request for tender (RFT) is send out to the preferred supplier listing of the fund. The fund will continue to tender all procurement requests that are above 30,000 Vatu as prescribed; to ensure that transparency and good governance is practiced at all times and by all levels of the fund.

Fleet Management

The Vanuatu National Provident Fund (VNPF) owns five vehicles. The vehicles are managed and administered by the Procurements Department since late 2015. Earlier in 2016 we sold the old vehicles through an open tender process. All vehicles were sold on market value and not by book values.

Five new vehicles have been purchased in late 2016 as replacements. Out of the five vehicles, one (1) went to Santo branch and four (4) were used by Port Vila Office. In 2015 we had installed GPS's on the vehicle. The GPS on the vehicles is the latest technology for real time monitoring and managing of these vehicles.

Marketing & Communications

Introduction

The strategic objective of the Marketing & Communications Department is to “Re-build trust in Vanuatu National Provident Fund (VNPF) while proactively promoting institutional programs and benefits to eligible Members”.

Following a restructure of the Fund’s organisational structure in October 2015, the Marketing & Communications Department was staffed with two officers for the 2016 year.

Where there was normally a dedicated officer carrying out the job of Public Relations Officer, the responsibilities were collapsed with that of the Customer Care Officer. The Manager on the other hand was required to also undertake various Corporate Services related tasks as well and later, engage more with coordinating public awareness events for the Members Services Department and the Compliance & Inspection Department.

The Department’s activities engaged in and or achieved throughout the year are detailed below.

Corporate Branding

Since 2014, the Fund has endeavoured to change its corporate image and undertaken numerous activities to transform the face of the Fund; the main driver being that of a new logo, branding colours and the policy to implement it.

The Department carried out the following activities throughout the year:

- designed framed posters of the Fund’s vision, mission and core values for each department and branch office
- changed staff’s email signatures
- redesigned the Members’ Identity Card
- assisted Members Services Department with design of name tags and signage
- designed Malekula Office signs in consultation with the Branch Offices Manager
- branded VNPF’s new vehicle fleet in collaboration with the Procurements Department
- designed promotional items that were later produced for resale
- rebranded ad hoc templates
- designed various materials used in public events and as publications, including that of the VNPF Conference Rooms (for Santo Branch & Head Office), VNPF Christmas Card etc...
- continued >>



VNPF Members registering for V-SMS Alerts during ICT Days event—May 2016

- in collaboration with mainly the IT Department and the VNPF website administrators, revamped the VNPF website and changed the appearance of the website. The project also aims to ensure the online portals, including the “Contact Us” link are fully functional and IT Department is assisting here. The website administrators were also able to set up the Department to link up to Google Analytics so as to enable the Fund to view website data such as number of hits per day on the VNPF website.
- ongoing activities on rebranding include the Head Office sign.
- Revamping of the VNPF intranet site.
- The ID Card Room Poster.
- And the VNPF Calendar to name a few.

Sample of old staff email signature



Sample of new staff email signature

Public Relations

Improving relations with Employers, Members and the public is a key objective of the Marketing & Communications Department, given the negative image of the Fund in recent years and the need to gain back the trust of all stakeholders.

The benefits of being a member and the obligations of employers are also areas that the Fund must educate the public on.

Awareness

Between June and October, the Fund conducted four major awareness activities in Port Vila; the first one being awareness to the biggest employer in Vanuatu, the Public Service Commission, followed by the Vanuatu Builders’ Association, the Fres Wota 4 Community and finally, tourism sector employers.

The purpose of the awareness to employers was twofold – to build a good working relationship between VNPF and the employers and to educate employers on VNPF’s requirements in terms of contributions payments and ensuring that employers are aware of their obligations. It was also an opportunity to receive feedback from them and to respond to any queries or comments to improve upon. The Data Integrity team were present during sessions with Employers to highlight areas of concern on data received from employers; who were accordingly advised on how to avoid discrepancies when submitting membership data, contribution payments etc. Open communications between VNPF and employers was stressed as a way forward to avoid issues from occurring or re-occurring.

Communication Channels

Since the Fund set up additional communication channels in 2014 (“Enquiry” email address, VNPF’s Facebook page – Vanuatu National Provident Fund Chairman Etc.), these avenues have been progressing well with an average response time to queries being one day. Employers and Members often emailed through the Enquiry email address to query member statements or respond to Compliance & Inspection checks. The Facebook page also received a limited number of queries from users.

The Facebook page and the VNPF website were regularly updated with notices and news updates from the Fund throughout the year.

The Fund also issued several updates via the Vanuatu Daily Post Newspaper, who kindly retained their arrangement with the Fund for a monthly spot. Topics ranged from Members Services Department requirements to Compliance & Inspection Department road shows and the signing of an MOU between VNPF and the Civil Status Department in July.



The awareness at Fres Wota Flea Market brought the Members Services, MFSL, Compliance & Inspection and Marketing teams to deliver services to Members on the ground

Awareness Fres Wota flea market

The Members Services Department located in the Head Office building was regularly stocked throughout the year with FOC brochures and annual reports for visitors to read whilst waiting to be served. The Compliance & Inspection team were also provided with materials for dissemination during their projects throughout the year.

To improve staff communications and relations, the Department was also tasked to issue an internal newsletter, the VNPF News Flash on a regular basis. A lot of what was covered during the year was on internal policies, given that the Fund staff either needed reminding or needed to be informed of their obligations.

The Department was also involved in issuing two Press Releases throughout the year; one being on an MOU between VIPA and VNPF in May and the other being the payment of dividend by UNELCO to VNPF, also in May 2016.

As mentioned earlier, job vacancies, tender notices and general advertisement of VNPF services were also posted throughout the year via the print media as well as VNPF’s website and Facebook page.

Vacancies advertised included:

February	General Manager & CEO
April	Senior Accountant Subsidiaries
May	Customer Services Officer
September	Senior Manager – Members Services & Compliance Investment Analyst MFSL Investment Officers
December	General Manager & CEO (Re-advertised)



VNPF and UNELCO staff at the handing over of a cheque dividend—May 2016

A work in progress in to the New Year has been the advertisement targeting Employers and Employees, requested by the Compliance & Inspection Department. There is a concern that VNPF is not visible enough to ensure that Employers are complying with the VNPF Act and Employees need to know that payment of their contributions is important for their retirement.



The Department also coordinated the publication of notices. The following were issued throughout the year:

January	Radio message to Members on Tanna for MFSL loans
March	Notice issued to Members on Ambae for MFSL loans Tender Notice on Private Branch Networks (PBN)
April	Radio message to Employers & Members on Tanna
June	Returned Schedules Bouffa & Beleru Land Sale Tender Notice on VNPF Fencing
July	Radio message to Employers & Members on Malekula Tender sale on old office arm chairs
August	Tender Notice for Insurance Broker Services
September	Etas and Narpow Point (Shark Bay) Land Sale
December	MFSL Notice on Closing of Office MSD Notice on Closing of Office

Customer Satisfaction Survey

The Department trialled a customer satisfaction survey with a low response rate and is currently reassessing this activity which will flow on to the New Year. Towards the end of the year, the Fund's IT and Marketing & Communications Department were working with the VNPF website administrators to have the survey carried by the website so that anyone accessing the website could have an opportunity to participate in the survey online. This is a work in progress into the 2017 year and the Department looks forward to receiving responses early in the New Year. From there, findings and recommendations can be gathered, thereby enabling the Fund to improve upon its services and benefits for its stakeholders.

2014 and 2015 Annual Report

The Marketing & Communications Department is responsible for coordinating the writing, translating, printing and distribution of the Fund's annual reports that are submitted to the Honourable Minister of Finance, who will in turn lay the report before Parliament every year.

Following the TC Pam payout exercise in 2015 which involved all staff of the Fund, the 2014 Annual Report was delayed in its issuing. In early 2016, Management decided that both the 2014 and 2015 Annual Reports would be issued together in 2016. The reason was because the Fund has engaged new external auditors, who would subsequently conduct another audit of the 2014 financial statements (normally attached to the annual reports), as well as the 2015 financial statements of the Fund.

In the 2016 year, the PRO/Customer Care Officer was assigned to oversee this challenging project. At the end of the 2016 year, the 2014 report was already with the printer whilst the 2015 report was still to be completed, and then translated into the official languages of Vanuatu before it is distributed. These activities will roll into the 2017 year. It will again be another year of issuing two annual reports, as was the case in 2014 when both the 2012 and 2013 were issued.

This is a practice that the Department has taken a stand on for the Fund to improve in timeliness and looks forward to cooperation from all involved in the process.



VNPF Members registering for V-SMS Alerts during ICT Days event—May 2016

Public Events

ICT Days

In 2016, ICT Days was celebrated at the new Convention Centre near the Parliament Complex in Port Vila on 17th and 18th May. The Department is normally the sponsor for this event and the theme for 2016 was “ICT entrepreneurship for social impact.” The organising of the event was coordinated mainly by the IT Department and assisted by Marketing & Communications Department, Member Financial Services Limited and Members Services Department. The team aimed to raise awareness on service and benefits on the following:

1. VSMS Registration
2. Online registration
3. General enquiries
4. Loan services

As quoted in the final report conclusion:

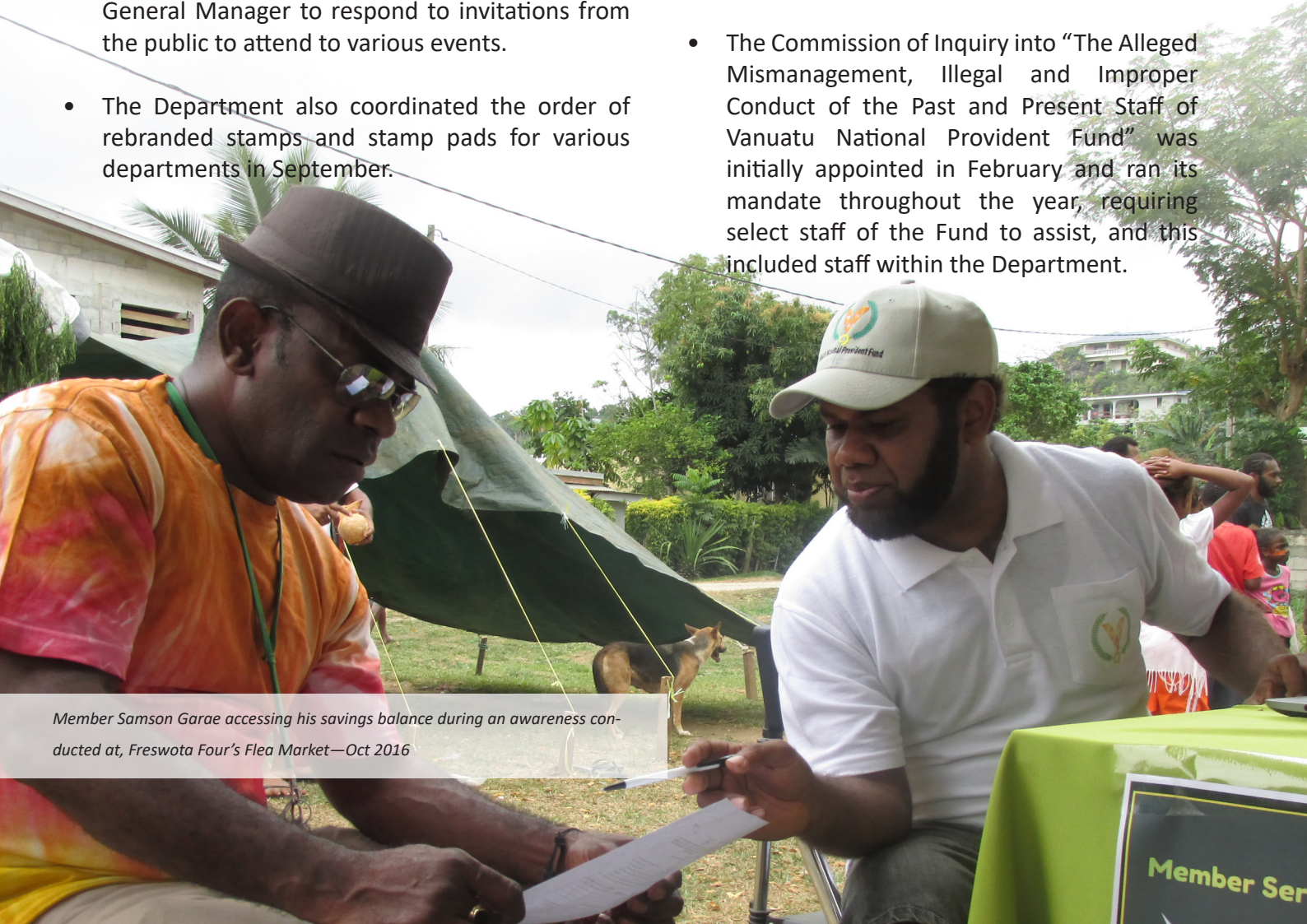
The results of the VSMS sign up showed a total of 516. The general observation of team in the ICT day booth on these online services is that a lot of the members do not know that such a service exist and that explains the increase in the number of sign-ups for the VSMS.

Overall, the event was deemed a success for the Fund.

Other Activities

- The Members Services Department hosts a plasma screen with content that is out dated, and although the updating of content was unplanned for the year, this was taken on board. Progress with changing the content has been slow going due to competing priorities and a limited budget for video productions. However, as this is a work in progress, it will be carried over in to the New Year.

- The Department is responsible for coordinating documents for translations from the source language, which is normally English, to French and Bislama. Throughout the year, the Department was able to enjoy the services of staff in-house as well as external translators. It is a requirement in the Constitution of the Republic of Vanuatu for public documents to be presented in all three official languages of Vanuatu and the Fund acknowledges this.
- The Department anticipated in the year to distribute its stock of annual reports and various publications to stakeholders, including schools and the VNPF branch offices. This is an activity that will roll over into the New Year.
- Printing of VNPF and MFSL Business Cards is an activity normally coordinated by the Department. Throughout the year, requests for prints came from mainly the Members Services Department, the Compliance and Inspection Department and Member Financial Services Limited.
- Marketing & Communications Department was also tasked in the year to assist the Office of the General Manager to respond to invitations from the public to attend to various events.
- The Department also coordinated the order of rebranded stamps and stamp pads for various departments in September.
- The Fund receives on a regular basis, requests from the community at large for sponsorship, whether in kind or monetary form for various events. The Fund lacks a Corporate Social Responsibility policy which would be a useful guide towards determining whether the Fund is able to contribute or not in such circumstances. The Marketing & Communications Department is normally directed by the Office of the General Manager to respond to such requests. It is hoped that the CSR Policy will be drafted and implemented in the coming months.
- The Marketing & Communications Department is tasked to assist Management to monitor public opinion on VNPF and contribute towards assessing risk situations. Throughout the year, the social media platform, Facebook carried various posts regarding VNPF's failed investments and other minor internal issues. In such circumstances, the information is normally compiled and reported to management and the VNPF Board for their information and action where necessary.
- The Commission of Inquiry into "The Alleged Mismanagement, Illegal and Improper Conduct of the Past and Present Staff of Vanuatu National Provident Fund" was initially appointed in February and ran its mandate throughout the year, requiring select staff of the Fund to assist, and this included staff within the Department.



Member Samson Garae accessing his savings balance during an awareness conducted at, Freswota Four's Flea Market—Oct 2016

- The Fund set up a committee to refresh the current stock of staff uniforms and the Department was taken on board as a member of the committee, together with other representatives of the various departments within VNPF. Chaired by the HR & Administration Department, the Committee has met with various suppliers and is looking forward to purchasing new uniforms in 2017.
- In October, the Air Vanuatu Building in Port Vila caught fire. The Department was part of an ad hoc team set up to ensure that insurance reports were compiled and proper security and investigations conducted to determine the cause of the fire and provide recommendations to Management and Board of VNPF.
- VNPF was approached towards the end of 2016 to advertise in a well renowned business magazine, Harvard Business Review. The intension is to pool interest from European investors to invest in Vanuatu. The contract is still being discussed and will roll over in to the 2017 year.
- The Department assisted the IT Department and Members Services Department in the formatting of a covering letter which is to be attached to Members' Annual Statements.

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 task to achieving this is through the setting up of provincial offices throughout the main centers throughout Vanuatu.

VNPF currently has existing branch offices in Tanna for Tafea Province, Malekula in Malampa province and Luganville in Santo, Sanma Province.

During this reporting period, the VNPF Tanna office was closed down after it was ravaged by cyclone Pam in March 2015. After the damage done to the building that housed the office, no suitable and convenient space were identified which to rehouse the office. In 2016, several efforts were made to identify a location in Lenakel area with no success. A rehabilitation team was set up and made 3 trips to Tanna where negotiations were made with several landlords with no fruitful outcome. Discussions were also made with existing landlord where they advised that a space will only be made available in 2017 since the process of renovating the damaged building was progressing but will take the full year to complete.

There were however double news for Malekula office, as this year a new Officer in Charge (OIC) was recruited. The position was advertised and several candidates were shortlisted and interviews carried out in Malekula. A new office space was also identified and the office was relocated from Malekula Distributions Center (MDC) to Lakatoro Trading Center (LTC). The new office location is much more convenient and within walking distance from the banking services and the area is much more spacious and environmentally friendly for corporate businesses.

Branch Coordination Department currently has a total of 9 staffs, of which 6 are based in Santo office, 1 in Tanna office (who currently is relocated to Vila), 1 in Malekula and one in Head Office, Port Vila. VNPF also housed its subsidiary company staffs' within respective branch offices.

There are plans this year to open up new offices in other provinces, which is subject to management endorsement and approval before members and the public are informed of the developments.

FINANCIAL STATEMENTS

**Vanuatu National Provident Fund
and its Controlled Entities**

Consolidated Financial Statements

31 December 2016



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 controlled entities (“the Group”) for the year ended 31 December 2016 and report as follows:

Board members

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

Name	Position	Date first appointed	Date of suspension/ temporary appointment	Date suspension/ temporary appointment ended	Date appointment ended/ ending
Simil Johnson	Chairman	27-Nov-14	29-Sep-15	29-Apr-16	12-Apr-16
Allen Lew	Chairman	23-Sep-14	29-Sep-15	29-Apr-16	
Willie Karie	Member	23-Sep-14	29-Sep-15	29-Apr-16	
Makin Valia	Member	13-Jun-13	29-Sep-15	29-Apr-16	12-Apr-16
Ephraim Kalsakau	Member	28-Jun-13	29-Sep-15	29-Apr-16	
Letlet August	Chairman	28-Oct-15	2-Mar-16	29-Apr-16	29-Apr-16
Astride Boulekone	Deputy Chairman	28-Oct-15	28-Oct-15		24-Nov-15
John Ezra	Member	28-Oct-15	2-Mar-16	29-Apr-16	29-Apr-16
Phillip Malas	Member	28-Oct-15	28-Oct-15		24-Nov-15
Ronald Warsal	Member	28-Oct-15	28-Oct-15		9-Oct-15
Jeff Joel Patunvanu	Member	2-Mar-16	2-Mar-16	29-Apr-16	29-Apr-16
Tony A. Sewen	Chairman	2-May-16	2-May-16		
Andrew Leong	Deputy Chairman	24-Nov-15	2-Mar-16	29-Apr-16	
Roan Lester	Member	2-May-16	2-May-16		
Philip Dovo	Member	2-Mar-16	2-Mar-16	29-Apr-16	
David Russet	Member	24-Nov-15	2-Mar-16	29-Apr-16	
Jack Maite	Member	2-Nov-16	2-May-16		
Henrickson Rolife Malsokle	Deputy Chairman	2-Nov-16			

Key

Suspended

Temporary appointment

* Revocation of temporary appointment of members whose appointment commenced on 28 October 2015. Revocation was effective from 9 October 2015.

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

Operating results

The benefits accrued as a result of the operations of the Fund for the year ended 31 December 2016 amounted to a profit of Vatu 247,073,000 (2015: Vatu 628,575,000). The consolidated result for the Group attributable to the members for the year ended 31 December 2016 was a profit of Vatu 413,482,000 (2015: Vatu 434,644,000).

Reserves

During the year, Vatu 13,930,000 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 2015, Vatu 13,281,000 was paid out to members in the form of interest on withdrawals, however, no amounts were credited to members in the form of annual interest.

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. 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

There has not arisen during the year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operation or the state of the affairs of the Company.

Events subsequent to balance date***Commission of Inquiry findings***

In February 2016 a Commission of Inquiry was appointed by the Government of Vanuatu to investigate "The Alleged Mismanagement, Illegal and Improper Conduct of the Past and Present Staff of Vanuatu National Provident Fund". The Commission's report was released in early 2017 with recommendations of two task forces to conduct further in-depth investigations of the findings, review and amend the Laws and policies of the Fund, prosecute staff guilty of mismanaging members' savings, and tighten loopholes in the Vanuatu National Provident Fund Act.

Refurbishment of Australian High Commission Chancery building

Subsequent to year-end, The Fund has completed a major facelift on the Australian High Commission Chancery building which includes the exterior repainting and the Nakamal refurbishment. The total renovation cost is Vatu 20 million.

Key management personnel

During the year Director Investment & Fund Management, Mr Viliame Baleitavua, was appointed as Acting General Manager until he was suspended on 21 October 2016 following an allegation against him. Subsequent to year-end Joan Bani was appointed as Acting General Manager until her resignation in February 2017. Mr Viliame Baleitavua was reinstated as Director Investment & Fund Management in May 2017 until his resignation on 21 July 2017. Mr Parmod Achary was appointed General Manager of the Fund on 4 September 2017.

Annual interest declaration

Subsequent to year-end the Board declared an annual and interim interest of 1.5 percent each for the year 2016. The annual interest amount credited to members' accounts for the period is Vatu 232,483,000.

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

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 controlled entities 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.

Unusual transactions

The results of the Fund and its controlled entities' operations during the financial year have not in the opinion of the Board members been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Board member's interest

No Board member of the Fund has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Board members as shown in the Fund's financial statements) by reason of a contract made by the Fund or related corporation with the Board member or with a firm of which he is a member, or with an entity in which he/she has a substantial financial interest.

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



[Chairman]



[Board member]

Dated: 24/05/18

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 2016;
- 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 2016;
- 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 2016;
- 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 2016;
- 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

all related party transactions have been recorded and adequately disclosed in the financial statements

Dated at Port Vila this 24 day of May 2018.

Signed in accordance with a resolutions of the Board of Trustees.



[Chairman]



[Board member]

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

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Vanuatu National Provident Fund (the "Fund") and the consolidated financial statements of the Fund and its controlled entities (the "Group"), which comprise the statements of net assets of the Fund and the Group as at 31 December 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in member funds and reserves and the statements of cash flows for the year then ended, for both the Fund and the Group and Notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and the Group as at 31 December 2016, and of their financial performance, changes in member funds and reserves and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the Vanuatu National Provident Fund Act 2011 (Act No. 52) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

- i. The financial statements are prepared in accordance with the Vanuatu National Provident Fund Act 2011 (Act No. 52); and
- II. The Board, Board members and staff members have given all the information, explanations and assistance necessary for the purposes of the audit

Vanuatu National Provident Fund and its Subsidiaries

Statement of net assets


As at 31 December 2016

	Note	The Group		The Fund	
		2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Assets Investments					
<i>Financial investment</i>					
Term deposits	11(a)	2,293,466	2,531,112	2,293,466	2,531,112
Government securities	11(b)	3,649,950	3,449,060	3,649,950	3,449,060
Loans and advances	11(c)	1,643,766	1,618,044	1,875,985	1,975,899
<i>Non-financial investments</i>					
Investments properties	12	3,465,367	3,394,266	2,585,367	2,594,266
Investments in subsidiaries	13	-	-	1,145,400	1,145,388
Investments in equity accounted investees	14(a)	1,262,574	1,423,300	-	-
Investments at cost	14(b)	718,825	718,825	2,048,616	2,197,746
		13,033,948	13,134,607	13,598,784	13,893,471
Other assets					
Cash and cash equivalents	15	2,924,370	1,628,315	2,798,364	1,433,840
Receivables and other assets	16	316,146	300,861	407,035	362,652
Biological assets	17	49,830	53,606	-	-
Property plant and equivalent	18	1,144,805	1,161,944	670,685	682,437
		4,435,151	3,144,726	3,876,084	2,478,929
Total assets		17,469,099	16,279,333	17,474,868	16,372,400
Liabilities					
Creditors and payables	19	101,240	173,195	311,003	304,055
Employee entitlements	20	84,224	91,106	78,785	85,459
Total liabilities (excluding net assets)		185,464	264,301	389,788	389,514
Net assets available to pay benefits		17,283,635	16,015,032	17,085,080	15,982,886
Net assets available to pay benefits					
General reserve	21(a)	(217,386)	188,409	(20,831)	220,555
Revaluation reserve	21(b)	79,878	77,878	77,878	77,878
Member funds	21(c)	16,944,870	16,086,233	16,944,870	16,086,233
Special death benefit reserve	21(d)	41,501	39,330	41,501	39,330
		17,283,635	16,015,032	17,085,080	15,982,886

Signed in accordance with a resolution of the Board of Trustees



Chairman of the Board



Board member

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

Vanuatu National Provident Fund and its Subsidiaries
Statement of Profit or loss and other comprehensive income
For the year ended 31 December 2016

	Note	The Group		The Fund	
		2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Investment Income	5	626,990	627,981	558,033	662,529
Interest income		239,882	236,816	170,456	165,212
Property rental income		39,942	-	71,285	5,833
Dividend income		-	-	11,297	-
Change in fair value of investments	6	48,590	85,834	(31,410)	85,834
Total investment income		955,404	950,631	779,661	919,408
Direct investment expenses	7	(82,820)	228,521()	(228,994)	(69,054)
Net return on investments		872,584	722,110	550,667	850,354
Other revenue					
Sales revenue		18,486	27,932	-	-
Surcharge revenue		34,510	13,664	34,510	13,664
Other revenue	8	75,946	48,089	27,459	50,189
		128,942	89,685	61,969	63,853
Expenses incurred					
Administrative and other expenses	9	(435,661)	(452,157)	(365,563)	(363,510)
		(435,661)	(452,157)	(365,563)	(363,510)
Share of losses of equity accounted investees		(154,383)	(2,872)	-	-
Net profit/(loss) for the year		411,482	356,766	247,073	550,697
Other comprehensive income		2,000	77,878	-	77,878
Total Comprehensive income /(loss) for the year		413,482	434,644	247,073	628,575

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 2016

	The Group				
	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 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 loss 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
Balance as at 1 January 2016	16,086,233	39,330	77,878	(188,409)	16,015,032
Contributions from employers and members	1,687,888	-	-	-	1,687,888
Interest credited to member accounts	5,687	-	-	(5,687)	-
Transfer from members	(13,930)	13,930	-	-	-
Benefit payments	(821,008)	(11,759)	-	-	(832,767)
Total comprehensive income for the year	-	-	2,000	411,482	413,482
Balance as at 31 December 2016	16,944,870	41,501	79,878	217,386	17,283,635

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 2016

	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 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 loss 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
Balance as at 1 January 2016	16,086,233	39,330	77,878	(220,555)	15,982,886
Contributions from employers and members	1,687,888	-	-	-	1,687,888
Interest credited to member accounts	5,687	-	-	(5,687)	-
Transfer from members	(13,930)	13,930	-	-	-
Benefit payments	(821,008)	(11,759)	-	-	(832,767)
Total comprehensive income for the year	-	-	-	247,073	247,073
Balance as at 31 December 2016	16,944,870	41,501	77,878	20,831	17,085,080

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 cash flows
For the year ended 31 December 2016

	The Group		The Fund		
	Note	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Cash flows from operating activities					
Contributions received		1,687,888	1,649,294	1,687,888	1,649,294
Cash receipts from customers		30,840	27,932	-	-
Interest received		608,781	673,373	550,695	707,921
Dividends received		46,285	5,833	71,285	5,833
Property rental received		242,974	234,196	171,359	152,078
Other income received		97,855	29,244	53,362	72,287
Withdrawal payments to members		(832,767)	(1,206,881)	(832,767)	(1,206,881)
Cyclone Pam payments to members		-	(1,721,100)	-	(1,721,100)
Purchase of livestock		(4,827)	(3,446)	-	-
Net (increase) / decrease in loans - MFSL		(100,538)	275,725	-	-
Payments to suppliers and employees		(541,599)	(360,670)	(425,946)	(236,412)
Net cash from / (used by) operating activities		1,234,892	(396,500)	1,275,876	(576,980)
Cash flows from investing activities					
Net government securities matured / (acquired)		(200,890)	100,000	(200,890)	100,000
Net movement in term deposits		237,646	2,215,912	237,646	2,215,912
Acquisition of equity investments		-	(504,075)	-	(504,075)
Acquisition of investment properties		(9,410)	(80,107)	(9,410)	(80,107)
Acquisition of property plant and equipment		(26,450)	(7,240)	(25,511)	(5,568)
Net movement in loans to related parties		-	-	26,546	(13,228)
Net movement in loans to quasi government bodies		73,368	(180,984)	73,368	(180,984)
Net cash from investing activities		74,264	1,543,506	101,749	1,531,950
Net increase in cash and cash equivalents		1,309,156	1,147,006	1,377,625	954,970
Cash and cash equivalents at the beginning of the year		1,628,315	452,042	1,433,840	449,603
Effect of change in foreign exchange rates		(13,101)	29,267	(13,101)	29,267
Cash and cash equivalents at the end of the year	16	2,924,370	1,628,315	2,798,364	1,433,840

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

1. Reporting entity

Vanuatu National Provident Fund (“the Fund”) is a defined contribution superannuation fund domiciled in Vanuatu. The address of the registered office is Cnr Pierre Lamy & Andre Ballande Street, Port Vila, Vanuatu. These consolidated financial statements comprise the Fund and its controlled entities (collectively “the Group”).

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 Office2

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 24/05/18.

(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) 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.

(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 the most significant effect on the amounts recognised in the financial statements are described 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.

(a) Basis of consolidation

(i) Controlled Entities

Controlled Entities 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 controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ends

(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.

(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. When an associate's accounting policies differ significantly to that of the Fund, adjustments are made to the associate's gains and losses to conform to the Fund's accounting policies before they are incorporated into the Group statement of financial position.

(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.

(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.

(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.

(iv) 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.

(v) Surcharge Revenue

Surcharge revenue relates to charges for late payment of contributions. This revenue is recognised from the date the contribution is owed.

(vi) Fees

Fees comprise housing application, withdrawal, voluntary contribution application, documentation, investment application, loan confirmation, commitment and computer service fees. Revenue from fees and commissions is recognised when related services have been provided.

(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 when the service was performed.

(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 Controlled Entities of the Fund are exempt from income taxes in accordance with the Laws of Vanuatu.

(g) Employee Benefits**(i) Wages and salaries**

Liabilities for wages and salaries and incentives expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Annual Leave and severance pay

The liability for annual leave and severance pay is recognised in employee benefits measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and periods of service.

Annual leave is generally taken within one year and accordingly it is expected that a significant portion of the total annual leave balance will be utilised within the next financial year.

For severance pay, given the unpredictability of when an employee may resign, the Group treats the liability as potentially being settled within one year.

(h) 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 the assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Upon impairment, the revised carrying value of the asset is depreciated over the remaining estimated useful life of the asset. Gains and losses on disposal

are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

(i) Investment property

Investment property is initially measured at cost and subsequently at fair value determined by external. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

(j) 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.

(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	Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than those that meet the definition of 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.
Loans and receivables	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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	Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Certain private equity investments are included under this category. 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.

3 Significant accounting policies (continued)**(j) Financial instruments (continued)****(i) 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.

(k) Impairment**(ii) 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.

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>
Financial assets measured at amortised cost (continued)	<p>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.</p>
Available-for-sale financial assets	<p>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.</p>
Equity-accounted investees	<p>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.</p>

3 Significant accounting policies (continued)

(k) Impairment (continued)

(i) 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.

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 (if applicable) arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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 per-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.

4 Fair value estimation

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

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a ask price

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transactions price. Subsequently, that difference is recognised in profit or loss on an appropriate basis.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- » Level 1- fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- » Level 2 - fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- » Level 3 - fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government bonds	Market comparison: The fair value of the long term investment securities is based on market prices published by the Reserve Bank of Fiji.	Not applicable	Not applicable

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are shown in their respective note disclosures as relevant.

5 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, 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 Financial instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, 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 Revenue from Contracts with Customers	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 Revenue, AS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. 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.
IFRS 16 Leases	IFRS 16 removes the classification of leases as either operating leases or finance leases - for the lessee - effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognize a front loaded pattern of expense for most leases even when they pay constant annual returns.	The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.
IAS 7 Disclosure Initiative	These amendments are effective for annual reporting periods beginning on or after 1 April 2017 and aim to improve information about an entity's debt, including movements in that debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	The Group is assessing the potential impact on its financial statements resulting from the application of IAS 7.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC interpretation 22 is effective from 1 January 2018 and addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency in advance of the recognition of the related asset, expense or income.	The Group is assessing the potential impact on its financial statements resulting from the application of IFRIC 22.

Vanuatu National Provident Fund and its Controlled Entities Notes to the consolidated financial statements
For the year ended 31 December 2016

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
6 Interest income				
Term deposits	89,781	169,245	89,781	169,245
Government securities	281,835	267,297	281,835	267,297
Commercial loans	113,774	117,744	128,280	210,520
Call accounts	48,010	15,467	48,010	15,467
Collateral	10,127	-	10,127	-
Member loans (MFSL)	83,463	58,228	-	-
	<u>626,990</u>	<u>627,981</u>	<u>558,033</u>	<u>662,529</u>
7 Changes in fair value of investments				
Gain / (loss) from changes in fair value of investment properties (refer Note 13)	61,691	56,567	(18,309)	56,567
Unrealised exchange (loss) / gain - term deposits	(13,101)	29,267	(13,101)	29,267
Net gain / (loss)	<u>48,590</u>	<u>85,834</u>	<u>(31,410)</u>	<u>85,834</u>
8 Direct investment expenses				
Building maintenance	25,265	28,733	21,094	8,623
Utilities	3,649	4,899	3,649	4,899
Insurance	18,355	23,415	18,355	17,526
Land rent and municipal taxes	17,183	7,638	17,183	7,638
Valuation fees	3,811	1,931	3,811	1,931
Consultancy and professional fees	4,486	26,122	4,486	26,122
Impairment of investments	-	-	160,416	-
Impairment of property plant and equipment	-	133,468	-	-
Other investment expenses	10,071	2,315	-	2,315
	<u>82,820</u>	<u>228,521</u>	<u>228,994</u>	<u>69,054</u>
9 Other revenue				
Gain on sale of fixed assets	8,737	822	8,737	822
Shared services centre - revenue	-	-	5,072	6,648
Processing fees	19,235	-	6,304	3,082
Penalty fees	36,016	1,279	1,989	-
Insurance proceeds	-	39,992	-	39,992
Fair value gain - livestock	3,751	5,991	-	-
Other sundry income / (expense)	8,207	5	5,357	(355)
	<u>75,946</u>	<u>48,089</u>	<u>27,459</u>	<u>50,189</u>

Vanuatu National Provident Fund and its Controlled Entities Notes to the consolidated financial statements
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	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
10 Administrative and other expenses				
Depreciation expense	45,641	36,070	37,303	25,852
Travelling	3,006	7,135	3,006	7,135
Legal fees	3,620	19,269	3,620	19,269
Auditor's remuneration	8,349	4,083	6,933	3,455
Board expenses	3,591	2,761	3,525	2,761
Public relations	5,743	3,768	5,743	3,768
Doubtful debts	10,871	-	10,871	-
Computer software maintenance	23,114	17,416	23,114	17,416
Utilities	7,850	10,257	7,850	10,257
Telephone and communications	4,982	5,136	4,982	5,136
Stationary	3,358	3,483	3,358	3,374
Other administrative expenses	93,182	49,801	82,072	22,877
Personnel expenses (refer Note 11)	222,354	292,978	173,186	242,210
	<u>435,661</u>	<u>452,157</u>	<u>365,563</u>	<u>363,510</u>
11 Personnel expenses				
Salaries and wages	70,265	226,668	134,857	177,931
VNPF contributions	7,756	8,584	5,684	6,553
Severance pay	10,641	24,450	7,608	24,450
Allowances	25,367	20,343	19,664	20,343
Other staff related expenses	8,325	12,933	5,373	12,933
	<u>222,354</u>	<u>292,978</u>	<u>173,186</u>	<u>242,210</u>

Key management compensation is disclosed under Note 23 (b)

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12 Financial investments

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
(a) Term deposits				
Term deposits - local currency	1,818,668	2,048,365	1,818,668	2,048,365
- foreign currency	474,798	482,747	474,798	482,747
	<u>2,293,466</u>	<u>2,531,112</u>	<u>2,293,466</u>	<u>2,531,112</u>
<i>Movement in term deposits during the year is as follows</i>				
Balance as at 1 January	2,531,112	4,717,757	2,531,112	4,717,757
Net movement during the year	(224,545)	(2,215,912)	(224,545)	(2,215,912)
Unrealised exchange gain/(loss)	(13,101)	29,267	(13,101)	29,267
Balance as at 31 December	<u>2,293,466</u>	<u>2,531,112</u>	<u>2,293,466</u>	<u>2,531,112</u>
<i>Maturity represented as:</i>				
Less than 1 year	1,622,637	1,860,283	1,622,637	1,860,283
More than 1 year	670,829	670,829	670,829	670,829
	<u>2,293,466</u>	<u>2,531,112</u>	<u>2,293,466</u>	<u>2,531,112</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 24)	<u>3,649,950</u>	<u>3,449,060</u>	<u>3,649,950</u>	<u>3,449,060</u>
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Movement in government securities during the year is as follows:

Balance as at 1 January	3,449,060	3,549,060	3,449,060	3,549,060
Purchased during the year	699,950	350,000	699,950	350,000
Redeemed during the year	(499,060)	(450,000)	(499,060)	(450,000)
Balance as at 31 December	<u>3,649,950</u>	<u>3,449,060</u>	<u>3,649,950</u>	<u>3,449,060</u>

Maturity represented as:

Less than 1 year	450,000	499,060	450,000	499,060
1 to 5 years	1,499,950	1,350,000	1,499,950	1,350,000
Greater than 5 years	1,700,000	1,600,000	1,700,000	1,600,000
	<u>3,649,950</u>	<u>3,449,060</u>	<u>3,649,950</u>	<u>3,449,060</u>

The fair value of government bonds in the current year is Vatu 3,603,778,178. The carrying value in the prior year approximates fair value.

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12 Financial investments (continued)

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
(c) Loans and advances				
Loans to subsidiaries (refer note 23(e))	-	-	781,829	808,375
Loans to investees (refer note 23(e))	106,356	106,356	106,356	106,356
Loans quasi-government 1	987,800	1,061,168	987,800	1,061,168
MFSL loans to members 2	551,058	450,520	-	-
	1,645,214	1,618,044	1,875,985	1,975,899
Provision for loan impairment 2	(1,448)	-	-	-
	1,643,766	1,618,044	1,875,985	1,975,899
<i>Maturity of gross loans and advances represented as:</i>				
Current (Less than 1 year)	386,881	343,332	171,843	40,798
Non-current (More than 1 year)	1,258,333	1,274,712	1,704,142	1,935,101
	1,645,214	1,618,044	1,875,985	1,975,899
<i>Movement in provision for loan impairment:</i>				
Balance as at 1 January	-	(29,698)	-	-
Created during the year	(1,448)	-	-	-
Reversed during the year	-	29,698	-	-
Balance as at 31 December	(1,448)	-	-	-

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 a 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.

MFSL

Security over loan balances are held against members VNPF investment account balances. The provision of Vatu 1,448,000 reflects loan balance in excess of members' investment account balances. 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 their fair value.

Vanuatu National Provident Fund and its Controlled Entities
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13 Investment properties

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Balance as at 1 January	3,394,266	3,257,592	2,594,266	2,457,592
Acquisitions and additions	9,410	80,107	9,410	80,107
Fair value gains/(loss) - refer Note 7	61,691	56,567	(18,309)	56,567
Balance as at 31 December	3,465,367	3,394,266	2,585,367	2,594,266

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 and 2016, 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.

<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Inter-relationship between key unobservable inputs and fair value measurement</i>
Income capitalization approach: Discounted cash flows and Direct Capitalisation: The valuation model considers the present value of net operating income (NOI) to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The net income is converted into a value indicator using a direct and or yield capitalization model. The capitalisation rate has been developed using three techniques: extracted from comparable sale, debt coverage method and a band of investment method.	<ul style="list-style-type: none"> » Expected market rental growth 2.5% » Annualised vacancy and credit loss allowance, 2.5% - 10% » Market based management fee 2.5 % -4.5% » Operating expense increases, 3%-5% » Capitalisation rates -*% -11% 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> » expected market rental growth were higher (lower); » void periods were shorter (longer); » the occupancy rate were higher (lower); » rent-free periods were shorter (longer); or » the capitalisation rates were lower (higher).

14 Investment in controlled entities

	<u>The Group</u>		<u>The Fund</u>	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Investment in controlled entities	-	-	1,637,328	1,637,328
Provision for impairment	-	-	(491,928)	(491,940)
	-	-	1,145,400	1,145,388
<i><u>Movement in provision for impairment:</u></i>				
Balance as at 1 January	-	-	(491,940)	(491,940)
Created during the year	-	-	(11,285)	-
Reversed during the year	-	-	11,297	-
Balance as at 31 December	-	-	(491,928)	(491,940)

	<u>The Fund</u>			
	2016 Cost (Vatu 000's)	2016 Impairment (Vatu 000's)	2015 Cost (Vatu 000's)	2015 Impairment (Vatu 000's)
Member Financial Services Limited	2,146	-	2,146	-
VNPF Property Holdings Limited	1,053,194	-	1,053,194	(11,297)
Bouffa Limited	581,988	(491,928)	581,988	(480,643)
	1,637,328	(491,928)	1,637,328	(491,940)

The Fund has a 100% ownership interest in all the above Controlled Entities.

15 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 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

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15 Investment in equity accounted investees (continued)

(a) Equity accounted investees - consolidated (continued)

(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.

<u>Equity accounted investees</u>	<u>The Group</u>	
	<u>2016</u> <u>Vatu (000's)</u>	<u>2015</u> <u>Vatu (000's)</u>
Balance as at 1 January	1,423,300	1,432,005
Share of total comprehensive (loss)	(154,383)	(2,872)
Elimination of dividends	(6,343)	(5,833)
Balance at 31 December	<u>1,262,574</u>	<u>1,423,300</u>

Summarised financial information of the equity accounted investees, not adjusted for the percentage ownership held by the Group as at and for the year ended 31 December 2016 is set out below:

	<u>Assets</u> <u>Vatu (000's)</u>	<u>Liabilities</u> <u>Vatu (000's)</u>	<u>Revenue</u> <u>Vatu (000's)</u>	<u>Expenses</u> <u>Vatu (000's)</u>	<u>Profit / (loss)</u> <u>Vatu (000's)</u>
2016	4,513,393	1,079,494	204,143	740,786	(536,643)
2015	<u>5,178,141</u>	<u>1,005,437</u>	<u>987,785</u>	<u>1,057,327</u>	<u>69,542</u>

(b) Investments carried at cost

The Group also has investments 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 entities and therefore has accounted for them at cost.

	Effective ownership interest	<u>The Group</u>	
		<u>2016</u> <u>Vatu (000's)</u>	<u>2015</u> <u>Vatu (000's)</u>
Investments carried at cost			
National Bank of Vanuatu Limited	15.00%	214,750	214,750
UNELCO *	14.40%	504,075	504,075
		<u>718,825</u>	<u>718,825</u>

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

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15 Investment in equity accounted investees (continued)

(b) Investments carried at cost (continued)

	The Group	
	2016	2015
	Vatu (000's)	Vatu (000's)
Investment in Controlled Entities, JVs, and other entities	2,197,746	2,197,746
Provision for impairment	(149,130)	-
	<u>2,048,616</u>	<u>2,197,746</u>
<i>Movement in provision for impairment:</i>		
Balance as at 1 January	-	-
Created during the year	(149,130)	-
Reversed during the year	-	-
Balance as at 31 December	<u>(149,130)</u>	<u>-</u>

	2016	2016	2015	2015
	Cost	Impairment	Cost	Impairment
	(Vatu 000's)	(Vatu 000's)	(Vatu 000's)	(Vatu 000's)
Bay Developments Limited	123,375	-	123,375	-
VNBR Limited	502,159	(149,130)	502,159	-
Interchange Limited	853,386	-	853,386	-
National Bank of Vanuatu Limited	214,750	-	214,750	-
UNELCO	504,076	-	504,076	-
	<u>2,197,746</u>	<u>(149,130)</u>	<u>2,197,746</u>	<u>-</u>

16 Cash and cash equivalents

	2016	2015	2016	2015
	Vatu (000's)	Vatu (000's)	Vatu (000's)	Vatu (000's)
Cash on hand	245	245	190	190
Cash at bank - local currency	2,912,255	1,621,229	2,786,304	1,426,809
Cash at bank - foreign currency	11,870	6,841	11,870	6,841
	<u>2,924,370</u>	<u>1,628,315</u>	<u>2,798,364</u>	<u>1,433,840</u>

17 Other receivables and prepayments

Interest receivable	280,388	262,179	280,388	262,179
Rental receivable	18,047	18,950	18,047	18,950
Receivable from related parties	-	-	91,132	61,791
Surcharge receivable	71,626	71,626	71,626	71,626
Other receivables	8,641	-	8,398	-
Insurance prepayment	17,084	18,032	17,084	18,032
Other prepayments	2,857	1,700	2,857	1,700
	<u>398,643</u>	<u>372,487</u>	<u>489,532</u>	<u>434,278</u>
Provision for doubtful debts	(82,497)	(71,626)	(82,497)	(71,626)
	<u>316,146</u>	<u>300,861</u>	<u>407,035</u>	<u>362,652</u>

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18 Biological assets

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Livestock	49,830	53,606	-	-

Movement in livestock is as follows:

Balance at 1 January	53,606	67,868	-	-
Purchases	4,827	3,446	-	-
Sales	(12,354)	(23,699)	-	-
Fair value gain (refer Note 9)	3,751	5,991	-	-
Balance at 31 December	49,830	53,606	-	-

The fair value measurements of livestock have been categorised as level 2 fair values based on observable market sales data (see note 4). The fair values are based on the market price of livestock of similar age, weight and market values.

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19. 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 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
Balance as at 1 January 2016	1,179,068	164,756	57,776	38,530	52,197	1,492,327
Additions	-	4,824	814	12,400	8,412	26,450
Disposals	-	-	-	(15,153)	-	(15,153)
Revaluation gain	2,000	-	-	-	-	2,000
Balance as at 31 December 2016	1,181,068	169,580	58,590	35,777	60,609	1,505,624
Accumulated depreciation						
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
Balance as at 1 January 2016	57,013	158,985	55,969	24,340	34,076	330,383
Depreciation expense	23,890	3,856	768	8,497	8,630	45,641
Disposals	-	-	-	(15,205)	-	(15,205)
Balance as at 31 December 2016	80,903	162,841	56,737	17,632	42,706	360,819
Carrying amount						
Carrying amount as at 1 January 2015	1,200,606	3,733	7,138	23,449	25,392	1,260,318
Carrying amount as at 31 December 2015	1,122,055	5,771	1,807	14,190	18,121	1,161,944
Carrying amount as at 31 December 2016	1,100,165	6,739	1,853	18,145	17,903	1,144,805

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19. Property plant and equipment (continued)

	<u>The Fund</u>					Total (Vatu 000's)
	Land and buildings (at valua- tion) (Vatu 000's)	Computer equipment (Vatu 000's)	Furniture fittings (Vatu 000's)	Motor vehicles (Vatu 000's)	Other equipment (Vatu 000's)	
Cost						
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	<u>708,842</u>	<u>145,335</u>	<u>56,245</u>	<u>19,046</u>	<u>32,991</u>	<u>962,459</u>
Balance as at 1 January 2016	708,842	145,335	56,245	19,046	32,991	962,459
Additions	-	4,097	602	12,400	8,412	25,511
Disposals	-	-	-	(15,153)	-	(15,153)
Balance as at 31 December 2016	<u>708,842</u>	<u>149,432</u>	<u>56,847</u>	<u>16,293</u>	<u>41,403</u>	<u>972,817</u>
Accumulated depreciation						
Balance as at 1 January 2015	31,858	172,245	60,240	19,935	26,281	304,822
Depreciation expense	15,929	2,362	5,709	9,259	4,648	33,033
Disposals	-	(33,400)	(10,982)	(4,854)	(8,597)	(57,833)
Balance as at 31 December 2015	<u>47,787</u>	<u>141,207</u>	<u>54,967</u>	<u>24,340</u>	<u>22,332</u>	<u>280,022</u>
Balance as at 1 January 2016	47,787	141,207	54,967	24,340	22,332	280,022
Depreciation expense	23,890	2,978	580	8,497	4,809	37,303
Disposals	-	-	-	(15,205)	-	(15,193)
Balance as at 31 December 2016	<u>71,677</u>	<u>144,185</u>	<u>55,547</u>	<u>17,632</u>	<u>27,141</u>	<u>302,132</u>
Carrying amount						
Carrying amount as at 1 January 2015	<u>599,106</u>	<u>3,127</u>	<u>6,762</u>	<u>9,702</u>	<u>13,355</u>	<u>632,052</u>
Carrying amount as at 31 December 2015	<u>661,055</u>	<u>4,128</u>	<u>1,278</u>	<u>5,317</u>	<u>10,659</u>	<u>682,437</u>
Carrying amount as at 31 December 2016	<u>637,165</u>	<u>5,247</u>	<u>1,300</u>	<u>12,711</u>	<u>14,262</u>	<u>670,685</u>

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	<u>The Group</u>		<u>The Fund</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>	<u>Vatu (000's)</u>
20 Creditors and payables				
Creditors and accruals	85,423	172,834	295,186	303,694
Deferred income	2,189	-	2,189	-
Other payables	13,628	361	13,628	361
	<u>101,240</u>	<u>173,195</u>	<u>311,003</u>	<u>304,055</u>
21 Employee benefits				
Provision for severance pay	75,054	77,764	71,448	74,795
Provision for annual leave	9,170	13,342	7,337	10,664
	<u>84,224</u>	<u>91,106</u>	<u>78,785</u>	<u>85,459</u>

22 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 monies 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 Fund's land and buildings classified as property plant and equipment was carried out in 2015. The revaluation surplus was credited to the revaluation reserve. Management do not believe that is a significant change in property values and accordingly have not sought a revaluation during 2016. The next revaluation of the land and buildings is scheduled for the 2017 financial year.

22 Reserve (continued)**(c) Member funds**

		<u>The Fund</u>	
		2016	2015
		Vatu (000's)	Vatu (000's)
Total members funds		17,227,353	16,086,233
Total member funds are spilt as follows:			
Members - Retirement account	50%	8,613,677	8,043,117
Members - Investment account	25%	4,306,838	4,021,558
Members - Medi-save account	25%	4,306,838	4,021,558
		17,227,353	16,086,233

(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 member's 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 monies 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 shortfall in the reserve is made good out of the general reserves of the Fund.

23 Related parties**(a) Board of directors**

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

Name	Position	Date first appointed	Date appointment ended/ ending
Letlet August	Chairman	28-Oct-15	29-Apr-16
Tony A. Sewen	Chairman	2-May-16	
Allen Lew	Chairman	23-Sep-14	
Andrew Leong	Deputy Chairman	24-Nov-15	
Henrickson Rolife Malsokle	Deputy Chairman	2-Nov-16	
John Ezra	Member	28-Oct-15	29-Apr-16
David Russet	Member	24-Nov-15	
Philip Dovo	Member	2-Mar-16	
Jeff Joel Patunvanu	Member	2-Mar-16	29-Apr-16
Roan Lester	Member	2-May-16	
Jack Maite	Member	2-Nov-16	
Willie Karie	Member	23-Sep-14	
Tony A. Sewen	Chairman	2-May-16	*
Ephraim Kalsakau	Member	28-Jun-13	**

Key

*Temporary appointment

**Suspended member but has not been removed

23 Related parties

(b) Board of directors (Continued)

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Board sitting allowances	1,670	1,560	1,610	1,560
Other board expenses	1,921	993	1,915	993
	3,591	2,553	3,525	2,553

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.

(c) 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).

Names	Position	Entity
Santos Vatoko	General Manager	Vanuatu National Provident Fund
Viliame Baleitavua	Director Fund Management	Vanuatu National Provident Fund
Mosese Nakabea	General Manager	Member Financial Services Limited
David Russet	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	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Short term benefits	21,522	44,581	14,553	34,831

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

23 Related parties

(c) Identity of other related parties

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

Entity	Interest	Classification
Member Financial Services Limited (MFSL)	100.00%	Subsidiary
VNPF Property Holdings Limited (VNPF-HL)	100.00%	Subsidiary
Bouffa Limited (Bouffa)	100.00%	Subsidiary
Bay Developments Limited (BDL)	50.00%	Joint venture
VNBR Limited (VNBR)	50.00%	Joint venture
Interchange Limited (ICL)	37.50%	Associate
National Bank of Vanuatu (NBV)	15.00%	Investment
Union Electric Company Limited (UNELCO)	14.40%	Investment

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 totaled Vatu 581 million which represents the Funds equity investment in Bouffa Limited. The value of the land has subsequently been written down to Vatu 463 million and the Fund's investment in Bouffa has been written down to Vatu 101 million.

23 Related parties (continued)

(c) Identity of other related parties (continued)

Bay Developments Limited (BDL)

Bay Developments Limited is a partnership between VNPF and Vonciere du Vanuatu Ltd, a subsidiary of Bred Bank (Vanuatu) Limited. A joint agreement was entered into between VNPF and Bred Bank in May 2012, with each party having a 50% interest, with a view to generating rental income from office space. Bay Developments 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 nation-wide telecommunication technologies and infrastructure 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 corporatisation 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.

23 Related parties (continued)**(d) Transactions with related parties**

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 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	-	-	10,871	7,148
Member Financial Services Ltd	-	-	14,481	92,777
Interchange Limited	-	-	7,126	10,501
	-	-	32,478	110,426

(ii) Rental income

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

Member Financial Services Ltd	-	-	2,378	2,378
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(iii) Dividends from investees

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

Member Financial Services Ltd	-	-	25000	-
Bay Developments Limited	-	-	6343	5,833
UNELCO	-	-	39942	
	-	-	71,285	5,833

(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	-	-	11,376	9,730
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(e) Loans balances owed to the Fund by its investees

	The Group		The Fund	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Member Financial Services Ltd	-	-	350,000	380,000
Bouffa Limited	-	-	431,829	428,375
Interchange Limited	-	-	106,356	106,356
	-	-	888,185	914,731

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. 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 and default interest at 10%. 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 commenced interest and principal repayments after June 2016 based on the agreement between ICL and VNPF. The loan to ICL is unsecured.

24 Government securities

Government bonds held by the Fund as at 31 December 2016 were as follows:

Bond series	Term	Principal Vatu (000's)	Coupon rate	Issue date	Maturity date
002/16	2	499,950	6.15%	20/02/16	20/02/18
001/16	7	200,000	7.50%	28/01/16	28/01/23
003/15	4	250,000	8.00%	13/06/15	13/06/19
002/15	6	100,000	8.25%	04/04/15	04/04/21
004/14	4	200,000	7.50%	21/08/14	07/08/18
003/14	4	300,000	7.80%	16/07/14	16/07/18
002/13	10	400,000	8.55%	01/08/13	01/08/23
005/12	10	400,000	8.25%	27/12/12	09/12/22
002/12	10	700,000	8.25%	07/06/12	07/06/22
001/12	5	450,000	6.75%	08/03/12	08/03/17
001/08	10	150,000	7.35%	20/02/08	20/02/18
		3,649,950			

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	8.00%	13/06/15	13/06/19
002/15	6	100,000	8.25%	04/04/15	04/04/21
004/14	4	200,000	7.50%	21/08/14	21/08/18
003/14	4	300,000	7.80%	16/07/14	16/07/18
001/14	2	298,940	6.25%	20/02/14	20/02/16
002/13	10	400,000	8.55%	01/08/13	01/08/23
005/12	10	400,000	8.25%	27/12/12	27/12/22
003/12	4	100,120	7.25%	21/09/12	21/09/16
002/12	10	700,000	8.25%	07/06/12	07/06/22
001/12	5	450,000	6.75%	08/03/12	08/03/17
001/09	7	100,000	7.00%	28/01/09	28/01/16
001/08	10	150,000	7.35%	20/02/08	20/02/18
		3,449,060			

25 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.

26 Auditor's Remuneration

Auditor's remuneration for the audit of the Fund and its Controlled Entities for the financial year ended is as follows:

	<u>2016</u> <u>Vatu (000's)</u>	<u>2015</u> <u>Vatu (000's)</u>
<u>KPMG:</u>		
Vanuatu National Provident Fund (The Fund)	3,430	1,900
<u>Other auditors:</u>		
Vanuatu National Provident Fund (The Fund)	-	-
Member Financial Services Limited	1,201	1,200
VNPF Property Holdings Limited	215	400
Bouffa Limited	411	850

27 Employees

The number of full time permanent Fund employees as at 31 December 2017 was 71 (2015: 74).

28 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 is not expected to be material.

29 Significant events during the year

There has not arisen during the year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operation or the state of the affairs of the Company.

30 Subsequent events

Commission of Inquiry findings

In February 2016 a Commission of Inquiry was appointed by the Government of Vanuatu to investigate “The Alleged Mismanagement, Illegal and Improper Conduct of the Past and Present Staff of Vanuatu National Provident Fund”. The Commission’s report was released in early 2017 with recommendations of two task forces to conduct further in-depth investigations of the findings, review and amend the Laws and policies of the Fund, prosecute staff guilty of mismanaging members’ savings, and tighten loopholes in the Vanuatu National Provident Fund Act.

Refurbishment of Australian High Commission Chancery building

Subsequent to year-end, The Fund has completed a major facelift on the Australian High Commission Chancery building which includes the exterior repainting and the Nakamal refurbishment. The total renovation cost is Vatu 20 million.

Key management personnel

During the year Director Investment & Fund Management, Mr Viliame Baleitavua, was appointed as Acting General Manager until he was suspended on 21 October 2016 following an allegation against him. Subsequent to year-end Joan Bani was appointed as Acting General Manager until her resignation in February 2017. Mr Viliame Baleitavua was reinstated as Director Investment & Fund Management in May 2017 until his resignation on 21 July 2017. Mr Parmod Achary was appointed General Manager of the Fund on 4 September 2017.

Annual interest declaration

Subsequent to year-end the Board declared an annual and interim interest of 1.5 percent each for the year 2016. The annual interest amount credited to members account for the period is Vatu 232,483,000.

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.

31 Financial risk management (continued)

(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:

	<u>The Group</u>		<u>The Fund</u>	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Term deposits - USD	164,231	155,060	164,231	155,060
Term deposits - AUD	310,567	297,971	310,567	297,971

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>	
	2016 Vatu (000's)	2016 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
10 % increase in USD	16,423	15,506	16,423	15,506
10 % decrease in USD	(16,423)	(15,506)	(16,423)	(15,506)

(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>	
	2016 Vatu (000's)	2015 Vatu (000's)	2016 Vatu (000's)	2015 Vatu (000's)
Loans to controlled entities	-	-	781,829	808,375
Loans to investees	106,356	106,356	106,356	106,356
Loans quasi-government entities	987,800	1,061,168	987,800	1,061,168

(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.

31 Financial risk management (continued)

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 analyzed 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.

In relation to loans and advances made to Fund members by MFSL, these amounts are fully secured against the balance of the members' investment account.

	<u>The Group</u>		<u>The Fund</u>	
	<u>2016</u> <u>Vatu (000's)</u>	<u>2015</u> <u>Vatu (000's)</u>	<u>2016</u> <u>Vatu (000's)</u>	<u>2015</u> <u>Vatu (000's)</u>
Cash and cash equivalents	2,924,370	1,628,315	2,798,364	1,433,840
Term deposits	2,293,466	2,531,112	2,293,466	2,531,112
Government securities	3,649,950	3,449,060	3,649,950	3,449,060
Loans and advances	1,643,766	1,618,044	1,875,985	1,975,899
Receivables and other assets	316,146	300,861	407,035	362,652
	<u>10,827,698</u>	<u>9,527,392</u>	<u>11,024,800</u>	<u>9,752,563</u>

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

(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:

As at 31 December 2016

<u>Financial liabilities</u>	<u>Contractual cash flows (vatu 000's)</u>			
	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>Between 1 - 5 years</u>	<u>More than 5 years</u>
<u>The Group</u>				
Creditors and payables	99,051	99,051	-	-
Employee benefits	84,224	9,170	75,054	-
	<u>183,275</u>	<u>108,221</u>	<u>75,054</u>	<u>-</u>

31 Financial risk management (continued)As at 31 December 2016**Financial liabilities**Contractual cash flows (vatu 000's)

	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>Between 1 - 5 years</u>	<u>More than 5 years</u>
<u>The Fund</u>				
Creditors and payables	308,814	308,814	-	-
Employee benefits	78,785	7,337	71,448	-
	<u>387,599</u>	<u>316,151</u>	<u>71,448</u>	<u>-</u>

As at 31 December 2015**Financial liabilities**Contractual cash flows (vatu 000's)

	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>Between 1 - 5 years</u>	<u>More than 5 years</u>
<u>The Group</u>				
Creditors and payables	172,834	172,834	-	-
Employee benefits	91,106	91,106	-	-
	<u>263,940</u>	<u>263,940</u>	<u>-</u>	<u>-</u>
<u>The Fund</u>				
Creditors and payables	303,694	303,694	-	-
Employee benefits	85,459	85,459	-	-
	<u>389,153</u>	<u>389,153</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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