

Nasonal Providen Fan Blong Vanuatu



ANNUAL  
REPORT  
2019



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VANUATU NATIONAL PROVIDENT FUND



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

13 February 2020

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

Dear Hon. Minister,

Re: VNPF 31st 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 2019

Yours Faithfully

August Letlet  
Chairman  
VNPF Board of Trustees



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# Corporate Statement

## Vision

Serving our Members throughout their lifetime and when needed

## Mission

To ensure the financial and economic security of the members of VNPF through professional and ethical leadership.

## Core Values

- Integrity and respect through action and interaction
- Professional and ethical representation of our organization
- Cooperation with employers, employees, Government and other stakeholders
- Accept and value individuals for their unique talents and contributions
- Accountability and responsibility for individual and collective actions
- Diligence in understanding and strengthening the individual and the organization
- Service to each other, the organization, and our constituents
- Continuity in ensuring leadership succession

Each year, the Fund implements its activities under thematic areas. In 2019, the theme was "Growth" where new growth strategies were introduced, whilst the previous year's theme "Improvements" was also maintained across all areas of responsibilities.



Vanuatu National Provident Fund is now over 30 years old since it was established in 1987 by an Act of Parliament (VNPF Act [CAP.189]).

VNPF is a financial institution and reports to the Minister of Finance through its Board of Directors. The Fund is regulated by the Reserve Bank of Vanuatu.

The core activities of the Fund under the VNPF Act include:

- Registration of employers;
- Registration of employees;
- Collection and recording of contributions;
- Maintenance of member accounts;
- Processing of withdrawal of member funds;
- Financial records and reporting;
- Investments and property management;
- Ensuring compliance with legislation at all appropriate levels
- Administration of approved social security benefits to eligible members

VNPF's tremendous history has guided consecutive Management and Boards of VNPF to set road maps for the future of Vanuatu's only superannuation institution.

Under the current management, VNPF's Strategic Plan 2018-2022 has four focus areas:

1. Revenue
2. Members Funds Management
3. Organizational Strengthening
4. People & Culture.

## About Vanuatu National Provident Fund

# Chairman's Report



# General Manager's Report





## BOARD

### ***Board Composition***

In 2019, the VNPF Board of Trustees was comprised of the following membership and representation:

August Letlet – Government Representative, Acting Chairman  
Antoine Boudier – Employer Representative  
Willie Karie – Employer Representative  
Jack Maite - Employee Representative  
Vacant—Employee Representative  
John Ezra – Government Representative  
Parmod Achary—General Manager VNPF, Ex-Officio Member

### ***Board meetings***

There were 14 Board meetings in total in the 2019 year.

### ***Board Committee memberships***

#### ***HR -Subcommittee***

- Antoine Boudier
- John Ezra
- Jack Maite

#### ***Investment & Tender Committee***

- Willie Karie
- Jack Maite
- John Ezra

#### ***ICT Subcommittee***

???

#### ***Audit Subcommittee***

???

The subcommittees held a total of 7 committee meetings in 2019.

### ***Board Fees***

The Board expended a total sum of VT??? on their expenses.



# MANAGEMENT

The VNPF Management team consisted of five (3) Executive members and eleven (9) Managers and three (3) Senior Officers/Team Leaders.

## **Executive**

- Parmod Achary—General Manager (September 2017 to current)
- John Naviti—Acting Executive Manager Branch Offices (commencing July 2019)
- Patricia Kalpokas—Acting Executive Manager Corporate Services (commencing July 2019)
- Cynthia Kammy-Ala—Board Secretary (to September 2019)
- Meresimani Bakeo—Acting Board Secretary (commencing September 2019)
- Anna Stephens—Executive Assistant to the General Manager (to September 2019)
- Ruby Malverus—Acting Executive Assistant to the General Manager (from September 2019)

## **Managers**

- Reynold Amkori/Clara Seth – Manager Human Resources/Administration
- Joseph Robert – Manager Information Technology Support Services (up to September 2019)
- Stephen Daniel – Manager Finance
- Eric Amos – Manager Member Relations
- Jackson Lessa – Manager Employer Relations
- Manen Iopa-Mala – Manager Legal (up to September 2019)
- Tony Benjiman – Manager Procurements (up to March 2019)
- Muriel Herbert – Manager Internal Audit (up to September 2019)
- Patricia Kalpokas – Manager Marketing, Communications and Research

## **Team Leaders/Senior Officers**

- Clara Seth—SO responsible for the Discipline and Professional Standards Unit
- Wicky Mania'akau—SO responsible for Procurements Department
- Mansen Ahelmhalahlah—TL Investments

# CORPORATE GOVERNANCE

## **Compliance**

The fund is obliged to uphold and comply with the VNPF Act, internal Policies and Procedures, regulation requirements and all other relevant laws that govern the Republic of Vanuatu in all business dealings.

## **RBV Prudential Supervision**

Under the Reserve Bank of Vanuatu (RBV) Prudential Guidelines, the funds submit on a quarterly basis prudential return to RBV. The return contains the funds financial position and performance, directly held investment, derivative financial instruments and all the exposure concentration of the fund.

The RBV also conducts annual reviews and onsite visits on the funds business dealings and operations and for any issues identified, measures were recommendation to rectify the issues. The management team is doing its best to address issues raise and to ensure compliance with the with the RBV prudential guideline is always paramount.

## **Ethical Standards**

The fund ensures that best organizational principles, practices and norms are maintained and applied in all levels of management including at the board of trustees level, the management team, staff and also towards the Funds' members and stakeholders. The internal policies and procedures that govern such organizational principles, practices and norms are:

- Board Code of Conduct
- VNPF General Orders
- Staff Code of Conduct
- Whistling Blowing Policy.



## DISCIPLINE AND PROFESSIONAL STANDARDS

The Discipline and Professional Standards Unit was set up in July 2019 and manned by a Senior DPSU Officer as well as a Legal Officer. The main purpose of the Unit is to provide and facilitate a transparent framework to deal with conduct which does not meet the standards expected of Staff working within the Fund.

The Unit's Standard Operating Procedures were drafted and at the same time, the Unit assisted the Board Sub-Committee on Discipline to address a number of staff discipline cases.

The Unit has plans to conduct awareness to all staff and promote the Fund's Core Values as well as the Staff Code of Conduct.



## FINANCIAL REPORT

### FINANCIAL STATEMENTS

The 2017 Financials were completed in November after the figures were restated in the Equity balance based on revaluations made in 2018. The Financials were then signed by the Board Chairman in mid December and returned to KPMG for finalisation.

As at year's end, the 2018 Financial Statements were still to be approved and signed off by the VNPF Board

	2017	2018	2019
Members' Funds	1.4 million	19.6 billion	???
General Reserve of the Fund	-1.5 billion	20 billion	
General Reserve for the Group	-747 million	-631 million	
Net Loss for the Fund	1.3 billion	281 million	
Net Loss for the Group	733 million	???	
Net Profit for the Fund	(979,466 million)	485,185 million	
Net Profit for the Group	(388,739 million)	503 million	
Debts for the Fund	570 million	???	
Debts for the Group	Written off	???	
Annual Interest Declaration	2%	1%	

### GENERAL INFORMATION

## STATEMENT OF THE FUND'S FINANCIAL POSITION

	2019/0012	2018/012
<b>MEMBERS' FUNDS &amp; RESERVES</b>		
Members' Funds	21,201,659,712	19,745,111,009
Special Death Benefit Reserve	53,269,242	63,042,582
2019 Profit (Loss)	256,080,654	157,998,000
General Reserves	96,988,000	61,010,000
Revaluation Reserve	129,926,861	129,926,861
<b>TOTAL MEMBERS' FUND</b>	<b>21,737,924,469</b>	<b>20,035,068,452</b>
THIS IS REPRESENTED BY NON-CURRENT ASSETS		
Fixed Assets	31,416,207	28,278,262
Property PPE	549,543,741	550,416,202

Total Members Funds increased from 20 billion in 2018 to 21 billion in 2019.



## INVESTMENTS

The Fund's Investments comprises the following portfolios:

- Fixed Income
- Commercial Loans
- Equity
- Properties
- Offshore Investment

At the end of December 2019, the Invest ment asset allocation was 64/36; that is Defensive assets/ Growth assets respec tively. The Fund has been implementing a growth strategy and work has been in progress to turnaround the non performing investments. The department continues to collect investment returns on monthly rentals and interests through the current investments. More details on our perfor mance are provided below.

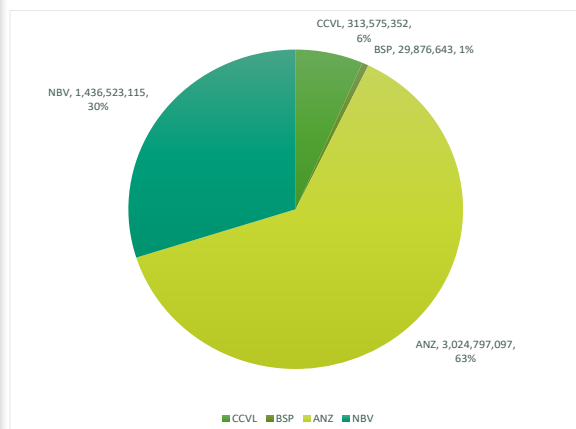
### FIXED INCOME

#### Government Bonds

VNPF has invested in 6 Government Bonds held at the Reserve Bank of Vanuatu and with a total amount of VT2,100,000. Average return on the bonds is 7.47% and a total accrued interest of VT73,017,534. Interest received from the bonds is VT33,000,000.

#### Local Term Deposits

VNPF holds 5 Term Deposits as collaterals in financial institutions and 17 other Term Deposits with commercial banks which are distrib uted as depicted below.



Average return on the term deposits is 1.9%. The Total Principle Amount for the TD was VT4,808,772,206. Total Accrued Interest is now VT29,742,589.

ANZ Bank (Vanuatu) has advised VNPF to discuss with ICL on liquidating funds tied to their loan which VNPF is guarantor.

#### Foreign Currency Term Deposits

The Fund only invested in US Dollars and Australian Dollars because they are negatively correlated.

The Total Principle Amount invested is USD 1,538,844 & AUD 8,243,820

Total Accrued Interest is VT10,857,352

Distribution between Banks is only with BRED Bank (Vanuatu) in USD with an amount of VT168,949,660.802

AUD is held in other commercial banks as follows:

NBV is VT46,219,44,.41

BRED is VT481,217,375

BSP is VT108,326,569

### COMMERCIAL LOANS

#### Telecom Vanuatu Limited

TVL took out a 7 year loan from VNPF to an amount of VT800 million. At the end of 2019, Interest Received was VT4,076,712 on the interest rate of 6.15%. TVL is committed to paying their loan and are on track with their repayments.

#### Air Vanuatu Operations Limited (AVOL)

AVOL's 10 year loan is of a principal amount of VT986,526,575.at an interest rate of 6.75%. Their loan balance currently stands at VT874,467,218.29.

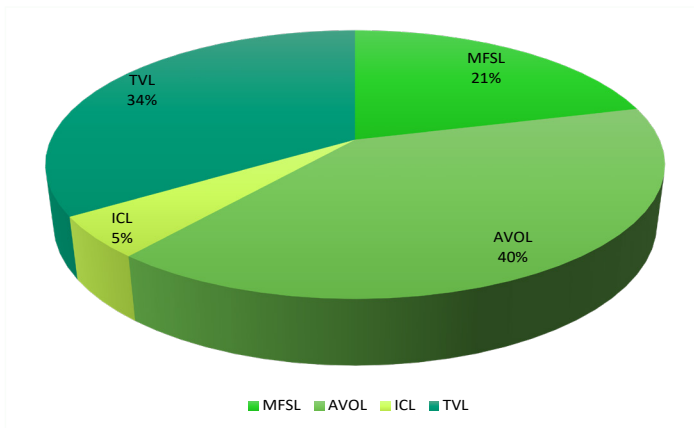
#### Members Financial Services Limited (MFSL)

VNPF's subsidiary company MFSL took out a loan of VT500 million at a 4% interest rate. MFSL has not been consistent with its loan repayments. Note that when individual member's Loan repayments are made, then this directly reduces MFSL's principal loan amount.

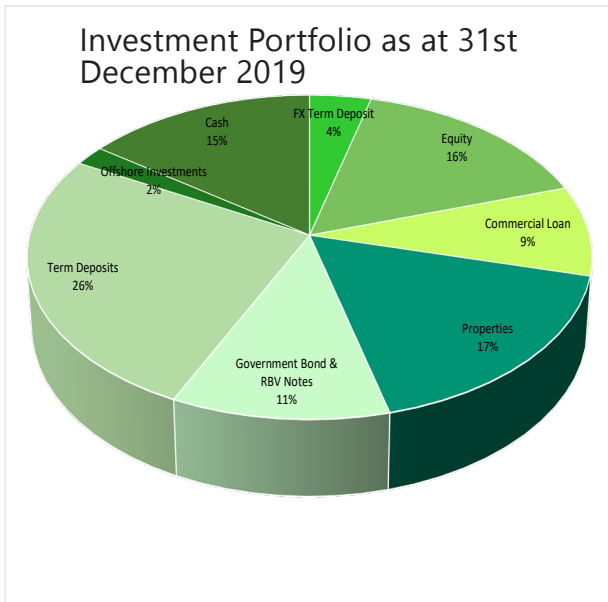
#### Interchange Company Limited (ICL)

In 2014 the VNPF Board approved to provide VT800 million in term deposit as a guarantee for ICL to operate their ANZ account. Under this arrangement VNPF has a very restricted control of its term deposit.

### Commercial Loan Distribution



### Investment Portfolio as at 31st December 2019

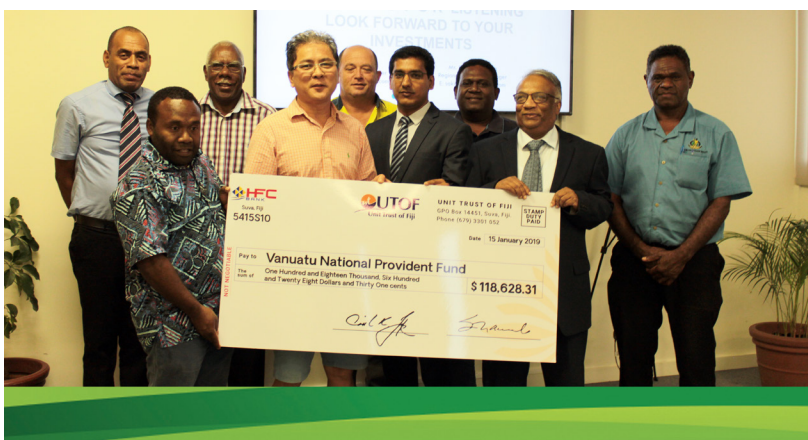


## INVESTMENT PORTFOLIO PERFORMANCE

REVENUE AND EXPENDITURE VARIANCE	
Revenue	
Rental Income	23%
Property Expenses	-27%
Net Rental Income	22%
Interest on Term Deposits	21%
Interest on Government Bond	6%
Interest on Commercial Loans	-10%
Interest on Foreign Currency Deposits	-50%
Interest on Collateral Deposits	14%

The Fund's Asset Allocation is shown in the figure above.

- Rental income was below budgeted figures in December 2019 by 23%. However, we will be expecting further increase once TVL 's Flagship shop moves in to occupy the TVL Post office building and also having Air Vanuatu on the 2nd floor as a new tenant
- Interest on Term Deposits was 21% below budget.
- Interest on Government bonds was 6% below the budget.
- Interest on Commercial loans was 10% above the budget figure.
- Interest on FX Term Deposit was above budget by 50%
- Property Expenses was above budget by 27%.
- Interest on Collateral Deposits was 14% below budget.





### Overall Investment Portfolio

This was the investment portfolio as at December 2019

<b>Investment Types</b>	<b>VUV</b>
Term Deposits	4,804,772,197
Government Bond & RBV Notes	2,100,000,000
Properties	3,137,525,180
Commercial Loan	1,677,547,716
Equity	2,837,679,256
FX Term Deposit	814,503,164
Cash	2,685,147,846
Offshore Investments	288,251,901
Properties PPE	549,567,346
<b>Total</b>	<b>18,381,427, 260</b>

### Equity and Offshore

With reference to the Suns system, there has been no changes in the Offshore Balances from November to December. The offshore amount still sits at VUV288, 251,901. Equity has decreased from VUV3, 287,762,550 to VUV2, 873,679,256 in December. (However it should be VT3, 377,664,457. This was due to the addition of Head Office Building into the equity balance). New investments that are still in process for approval are VUI and Fruit Processing.



Name	Current Status	Progress	Balance Outstanding
Unelco	Own 40% Shares	Up to date with payments	VT792,070,399
Bay Development	Own 50% Shares	Not Performing since share purchase. Will follow up mid-January	VT107,429,000
Interchange Limited	Own 37.5 Shares	Still not performing, VNPF has organised for winding down of business	VT1,199,886,156
VNBR Limited	Owens 50% Shares	Also not performing. Follow up will be done mid -anuary	VT417,557,500
National Bank of	Own 15% of Shares	Want to increase shares to 49% (IFC will exercise put option)	VT356,736,201
Nasama Resort	Purchased 6 units	Up to date with monthly payments	Waiting for December Rents
Unit Trust of Fiji	Own	Up to date with quarterly payments	Waiting for December dividends
Noumea Property	Purchased Land	Will be meeting with Foreign Affairs to agree on rental issues	-

## VNPF SUBSIDIARIES

This portfolio comprises of companies that are 100% owned by VNPF and this includes Bouffa Ltd, MFSL and Vanuatu Property Holding Ltd.

### ***Bouffa Limited***

Bouffa Limited is comprised of Bouffa farm in Vila, Beleru and Egan land in Santo. In 2018, Tropical Plantations Limited took over management of Beleru and Egan land and in May this year TPL started managing Bouffa farm







**Vanuatu National Provident Fund and its Controlled Entities**  
**Consolidated Financial Statements**  
**31 December 2019**

Vanuatu National Provident Fund and its Controlled Entities

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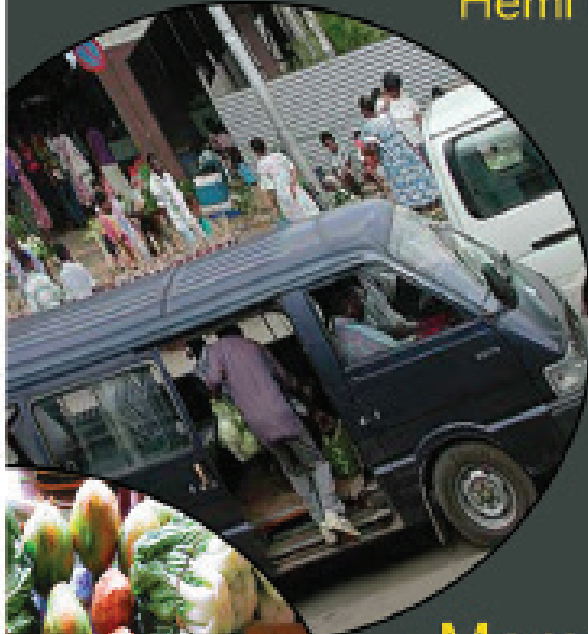
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**Nasonal Providen Fan Blong Vanuatu**

# VNPF INFOMOL SEKTA

Hemi lukluk long saet blong:



- Transpot
- Fama
- Fisherman
- Kava Bar
- Mama blong Maket



- Mama blong Handikraft
- Sisenol woka
- Stokipa
- Domestik
- Haus kel
- Gadena



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