

SPREP
Secretariat of the Pacific Regional Environment Programme

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

SPREP
Financial Statements
For the year ended 31 December 2016
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SPREP
Executive Management's Report
For the year ended 31 December 2016

The Executive Management present the annual report together with the financial statements of the Secretariat for the year ended 31 December 2016 as set out on the following pages and auditors' independent report thereon in accordance with the Secretariat's Financial Regulations.

Executive Management:

The Executive Management in office as at date of this report are:

Leota Kosi Latu – Director General
Roger Cornforth – Deputy Director General
Netatua Pelesikoti – Director, Climate Change
Stuart Chape – Director, Biodiversity & Ecosystem Management
Clark Peteru – Legal Adviser
Simeamativa Vaai – Human Resource Adviser
Petra Chan Tung – Finance & Administration Adviser

Principal Activity:

The purposes of SPREP is to promote co-operation in the Pacific region and to provide assistance in order to protect and improve its environment and to ensure sustainable development for present and future generations.

Operating Results:

We are pleased to present the following operating results of the Secretariat for the financial year as at 31 December 2016:

- During the year the Secretariat expended US\$16.04 million dollars compared to expenditure of US\$16.32 million in 2015 which was evidence of active cost controls by management which resulted in cost savings for the period.
- The net surplus for the period was \$346,898 compared to the net deficit of \$261,729 in 2015.
- Due to a sound decision by management to maintain predominantly USD holdings to minimize foreign exchange exposure, there was a reduction in foreign exchange losses from \$344,333 in 2015 to US\$98,258 in 2016.
- As a result of the net surplus of US\$346,898, the negative balance in Total Reserves was reduced from US\$778,112 in 2015 to US\$468,160 in 2016 which is a noticeable improvement.
- Management recognizes that there is a still need to maintain sustainability of funding with a view to removing negative reserves to ensure a strong financial position for the Secretariat moving forward.
- The challenge for the Secretariat moving forward is the collective effort by Members and Executive Management to reduce and eventually eliminate the overall negative reserves of US\$468,160 in Total Reserves. Hence, the Secretariat must focus on areas of generating sufficient funds from both Member Countries and Donors to resolve this issue of negative reserves and thus the overall financial sustainability of SPREP in the long term.

Responsibility for Financial Reporting and State of Affairs

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgments.

Management has established and been maintaining accounting and internal control systems which include clearly stated policies and procedures. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

SPREP
Executive Management's Report
For the year ended 31 December 2016

SPREP Members oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the SPREP Members on recommendation from management.

Our independent auditors (BDO Samoa.), having been appointed by the SPREP Members, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.

In our opinion:

- a. The accompanying statement of income is drawn up so as to give a true and fair view of the results of the Secretariat for the year ended 31 December 2016;
- b. The accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the Secretariat's affairs as at 31 December 2016;
- c. The accompanying statement of movement in reserves is drawn up so as to give a true and fair view of the movement of funds and reserves of the Secretariat for the year ended 31 December 2016; and
- d. The accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows for the Secretariat for the year ended 31 December 2016.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorize the attached financial statements for issue on behalf of the Executive Management of the Secretariat.



Leota Kosi Latu
Director General


Roger Cornforth
Deputy Director General

March 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of SPREP (Secretariat of the Pacific Regional Environment Programme)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SPREP (the Secretariat), which comprise:

- the statement of financial position as at December 31, 2016;
- the statement of income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Secretariat as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Secretariat in accordance with the 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 in Samoa, 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.

Other Information

Management is responsible for the other information. The other information comprises the Executive Management's Report included in the financial statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Secretariat'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 Secretariat or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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.

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 Secretariat'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 Secretariat's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Secretariat 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.

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 SPREP's Financial Regulation Requirements

In accordance with SPREP's Financial Regulation 32 we report on specific matters as follows. Our audit opinion is not modified in relation to these matters:

- a) The extent and character of our examination has been explained in the section on *Auditor's Responsibility* above and is based on the International Standards on Auditing. The financial statements for the year end of 31st of December, 2016 have been prepared in accordance with International Financial Reporting Standards.
- b) There are no matters affecting the completeness and accuracy of the accounts.
- c) We confirm the accuracy of the equipment records as determined by physical inspection of additions to assets and verification of disposals during the reporting period.
- d) The financial procedures of SPREP are adequate based on our examination of the financial procedures necessary for the purposes of formulating the auditor's opinion expressed above.
- e) Based on our examination of the insurance documentation the insurance cover for SPREP's assets is adequate.
- f) SPREP recorded a negative Reserves balance at 31st December 2016 of (\$468,160) dollars. This is an improvement in the negative Reserves position reported at 31st December 2015 of (\$778,112) dollars. Furthermore, SPREP has recorded a net surplus of \$346,898 dollars for the year ended 31st December 2016 compared to a net deficit of (\$261,729) dollars in the previous year.

Despite the improvement in the financial results for 2016, SPREP's ability to continue operating on the going concern basis is dependent on the continued funding from Member countries and Donors. Additional funding is required to enable the Secretariat to restore a positive Reserves position.

BDO Samoa
BDO Samoa
Chartered Accountants

Ernest Betham
Ernest Betham
Partner

Apia
Samoa.
30th March, 2017

SPREP
Statement of Financial Performance
For the year ended 31 December 2016

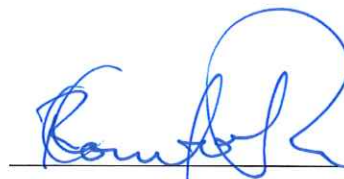
	Notes	USD 2016	USD 2015
Income		\$	\$
Members contributions	5	1,005,105	1,427,454
Programme management charges	19	953,541	1,129,449
Programme/donor fund income	19	12,728,902	12,138,382
Other donor fund income	6	1,519,341	1,389,464
Amortisation of deferred income	8	83,275	83,256
Other income	7	191,218	185,887
Total income		16,481,381	16,353,892
Expenses			
Executive management & corporate Support		3,060,920	3,944,401
Climate change	20	3,730,512	4,461,049
Biodiversity	20	3,554,534	3,260,947
Waste management	20	4,256,753	3,537,387
Environment monitoring	20	1,187,103	892,761
Depreciation and amortisation expense	11/12	253,961	228,912
Total expenses		16,043,783	16,325,457
Surplus / (Deficit) Before net finance income and foreign exchange		437,599	28,435
Net finance income	9	7,558	54,169
Foreign exchange gain/(loss)		(98,258)	(344,333)
Net Surplus/(Deficit)		346,898	(261,729)

The accompanying notes form an integral part of the above financial statement

SPREP
Statement of Financial Position
As at 31 December 2016

	Notes	USD 2016 \$	USD 2015 \$
ASSETS			
Non current assets			
Property, Plant and Equipment	11	3,085,988	3,154,998
Intangible Assets	12	281,322	375,097
Total non current assets		3,367,310	3,530,095
Current assets			
Cash at Bank and on Hand	13	7,285,880	4,178,036
Term Deposits	14	6,366	1,092,581
Receivables and prepayments	15	13,532	72,848
Total current assets		7,305,777	5,343,465
TOTAL ASSETS		10,673,088	8,873,560
RESERVES AND LIABILITIES			
Reserves			
Core Funds		(1,154,445)	(1,501,343)
General		501,425	501,425
Specific Fund	16	184,860	221,806
Total reserves		(468,160)	(778,112)
Non Current Liabilities			
Deferred Income	8	2,790,846	2,874,140
Total non current liabilities		2,790,846	2,874,140
Current Liabilities			
Programme/Donor funds	19	7,296,887	5,467,956
Payables and accruals	18	169,815	348,649
Provision for employee entitlements	17	800,424	877,671
Current portion of deferred income	8	83,275	83,256
Total current liabilities		8,350,402	6,777,532
TOTAL RESERVES AND LIABILITIES		10,673,088	8,873,560

Signed on behalf of the SPREP Members

The accompanying notes form an integral part of the above financial statement

SPREP
Statement of Changes in Funds and Reserves
For the year ended 31 December 2016

	Core Fund	General Reserve	Specific Reserve	Total
	\$	\$	\$	\$
Balance at 1st January 2015	(1,238,598)	501,425	244,542	(492,631)
Net Deficit for the year	(261,729)	-		(261,729)
Reserves used during the year	(1,016)		(22,736)	(23,752)
Balance at 31st December 2015	(1,501,343)	501,425	221,806	(778,112)
Net Surplus for the year	346,898	-		346,898
Reserves used during the year	-	-	(36,946)	(36,946)
Balance at 31 December 2016	(1,154,445)	501,425	184,860	(468,160)

The accompanying notes form an integral part of the above financial statement

SPREP
Statement of Cash Flows
For the year ended 31 December 2016

		2016	2015
		\$	\$
Cash flows from operating activities	Notes		
Member contributions		1,005,105	1,243,135
Interest received		22,158	83,071
Program/donor funds	19	15,486,784	14,000,376
Non programme donor funds received	6	1,519,341	1,389,464
Other receipts		229,739	696,630
Personnel costs - Corporate Services		(2,210,629)	(2,564,484)
Personnel costs - Programme		(3,606,545)	(3,886,840)
Corporate Services costs		(1,085,521)	(1,529,683)
Programme Expenditure		(9,112,423)	(8,516,264)
Net cash flows from operating activities		2,248,008	915,405
Cash flows from investing activities			
Reserves used during the year		(36,946)	-
Purchase of property and equipment	11	(91,175)	(42,273)
Net cashflows for investing activities		(128,121)	(42,273)
Net change in cash held		2,119,887	873,132
Cash at beginning of the year		5,270,617	4,741,818
Effects of foreign exchange		(98,258)	(344,333)
Ending cash balances	13	7,292,246	5,270,617

The accompanying notes form an integral part of the above financial statement

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. General information

The Secretariat of the Pacific Regional Environment Programme (SPREP) is an inter-governmental organization of the Pacific Region and is domiciled in Samoa.

The principal activity of SPREP is to promote co-operation in the Pacific Region and to provide assistance in order to protect and improve its environment and to ensure sustainable development for future generations.

These financial statements were authorized for issue by the Director General of SPREP on March 30, 2017.

2. Statement of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the SPREP Financial Regulations which requires the adoption of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) in preparing its financial statements.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis unless otherwise stated. The principal accounting policies are stated to assist in a general understanding of these financial statements.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2016

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016 that had a significant effect on SPREP's financial statements. IFRS 14 Regulatory Deferral Accounts is the only new Standard effective from 1 January 2016. None of the amendments to Standards that are effective from that date had a significant effect on SPREP's financial statements.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on SPREP'S future financial statements:

- IFRS 9 Financial Instruments - replaces IAS 39: Financial Instruments: Recognition and Measurement. Under IFRS 9, classification and measurement of financial instruments to be in 2 main categories - amortised cost and fair value (through other comprehensive income or through profit and loss). Held to maturity and Available for sale categories are to be eliminated. A significant change is in the impairment of financial assets from an 'incurred loss' model under IAS 39 to an 'expected loss' model under IFRS 9 which is a more 'forward' looking model. No significant change for classification and measurement of financial liabilities from IAS 39.
- IFRS 15 Revenue from Contracts with Customers - replaces IAS 18: Revenue and IAS 11: Construction Contracts as well as related Interpretations. A single revenue recognition framework is established under IFRS 15 where an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- IFRS 16 Leases - replaces IAS 17: Leases and related interpretations. The major change is a single model which eliminates the distinction between operating and finance leases, and results in the statement of financial performance reflecting a 'right of use' asset and a corresponding liability for most lease contracts.
- IAS 7 Statement of Cash Flows (Disclosure Initiative Amendments) - The amendments aim to improve disclosures about an entity's debt by enabling users to evaluate changes in liabilities arising from

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

2. Statement of significant accounting policies (cont'd)

financing activities, including both changes arising from cash flows and non-cash changes. The disclosure enhancements suggested would be to provide a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities.

The effects of the above standards are still being assessed as they may or may not have a significant effect on SPREP's future financial statements.

c. Functional and presentation currency

Items included in the financial statements of the Secretariat are measured using the currency as mandated by the SPREP Financial Regulations ('the functional currency'). The functional currency is the United States dollar (\$US).

d. Foreign currency transactions

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction for the twelve months of the year. Hedging rates were also used for translation to functional currency of transactions above \$100,000 throughout the year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in the statement of income in the period in which they arise.

e. Property and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets.

Depreciation is charged to financial performance on a straight-line basis over the estimated useful lives of each part of an item of property, and equipment. Land is not depreciated. The periods at which depreciation is charged are as follows:

• Buildings	50 years
• Furniture & fittings	5 to 10 years
• Motor vehicles	5 years
• Equipment	3 to 5 years

The residual value is reassessed annually. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the income statement.

f. Financial assets

The Secretariat classifies its financial assets in the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are classified as other receivables, cash at bank and on hand and term deposits in the current assets section of the balance sheet. The Secretariat assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired.

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

2. Statement of significant accounting policies (cont'd)

g. Receivables

Receivables and prepayments are recognized initially at fair value and subsequently measured at cost, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Secretariat will not be able to collect all amounts due according to the original terms of the receivables.

h. Payables

Payables are recognised when the Secretariat becomes obliged to make future payments resulting from the purchase of goods and services (including consultancy services for SPREP Programmes). Payables are recognised at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

i. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and term deposits which are subject to an insignificant change on drawdown net of bank overdrafts for the purposes of the statement of cash flows. Bank overdrafts are shown in current liabilities on the balance sheet.

j. Reserves

The following categories of Reserves are held in accordance with SPREP's Financial Regulations:

General Reserve – represents the sum total of the accumulated results arising from core activities and is assigned for unforeseen circumstances or emergencies.

Specific Funds – comprises funds earmarked for specific purposes and generally not available for uses other than those specified.

k. Income

Income primarily comprises the fair value of the member's contributions and donor or programme funds received or receivable.

Member contributions

Member's contributions are recognized as a receivable only if there is objective evidence that the contribution for the current period will be received. Otherwise, Member's contributions are only recognized when they are received.

Donor or Programme Funds

Donor or Program funds received are initially recorded as part of Donor or Programme Fund liability in the statement of financial position. Donor or Programme funds are not recognized as income until there is reasonable assurance that the Secretariat will comply with the conditions attaching to them i.e.: the incurrence of expenditure towards the performance of agreed programme activities.

Donor or Programme funds are recognized as income over the periods necessary to match them with the Programme costs for which they are intended to compensate, on a systematic basis.

Donor or Programme funds that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Secretariat with no future related costs are recognized in the income statement in the period in which they become receivable.

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

2. Statement of significant accounting policies (cont'd)

Donor funded assets

Donor funds whose primary condition is that the Secretariat should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet (or statement of financial position) and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Programme management charges

Programme management charges are levied at an agreed percentage on Programme funds expended during the year.

Interest revenue

Interest revenue is recognised in the income statement as it accrues, using the effective interest rate method.

l. Employee benefits

For local employees, the Secretariat contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in the income statement.

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

On resignation or cessation of service other than by misconduct, an expatriate employee is entitled to repatriation costs and is measured on an undiscounted basis and expensed as they become due.

m. Net finance income

Net finance income comprises interest income on bank term deposits and bank charges and bank overdraft fees that are recognised in the statement of income.

n. Impairment

The carrying amounts of the Secretariat's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating amount exceeds its recoverable amount. Impairment losses are recognised immediately in the statement of income.

o. Comparatives

Where necessary previous periods comparatives have been changed to conform to the presentation of financial information for the current year in order to achieve consistency in disclosure.

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. Financial risk management

a. Financial risk factors

The Secretariat's principal financial instruments comprise cash and term deposits. The main purpose of these financial instruments is to provide finance for the Secretariat's operations. As a result of the Secretariat's operations and sources of finance, it is exposed to exchange rate and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

Foreign currency risk

Foreign currency risk is the risk of loss from changes in the exchange rates against the \$US dollar which is the functional currency of the Secretariat. The Secretariat receives funding from various member countries and donors in foreign currency. In addition, the Secretariat sometimes transacts in currencies other than the \$US dollar. This exposes the Secretariat to foreign currency risk. In order to reduce the exposure to foreign currency risks, the Secretariat operates various foreign currency bank accounts (such as Australia, New Zealand and Samoa dollar accounts) and transacts where required in these currencies.

The Secretariat's exposure to foreign currency risk was as follows based on notional amounts:

	Carrying Amounts	
	2016	2015
	\$	\$
AUD	45,169	479,816
NZD	7,188	268,326
WST	130,360	593,991

The following significant exchange rates applied at the reporting date:

	Reporting date rate	
	2016	2015
	\$	\$
AUD	0.5379	0.5297
NZD	0.5595	0.5657
WST	0.3879	0.3858

Sensitivity analysis

A 10 percent strengthening/weakening of the foreign currency against the \$US dollar at 31 December 2016 would have affected core fund reserves and income by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

	Effect on Equity & Income	
	2016	2015
	\$	\$
AUD – Income and Core Fund reserve +10%	3,258	34,947
AUD – Income and Core Fund reserve -10%	(3,258)	(34,947)
NZD – Income and Core Fund reserve +10%	498	18,299
NZD – Income and Core Fund reserve -10%	(498)	(18,299)
WST – Income and Core Fund reserve +10%	5,057	22,916
WST – Income and Core Fund reserve -10%	(5,057)	(22,916)

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For the year ended 31 December 2016

3. Financial risk management (cont'd)

The Secretariat does not manage foreign exchange risk by the use of foreign currency hedges or forward rate agreements due to the limited availability of these products in its primary economic environment.

Credit risk

Credit risk is the potential risk for loss arising from failure of Members to meet their agreed contributions or other counter-party to a financial instrument fails to meet its contractual obligations. The risk in relation to Members contributions is not considered significant because the Secretariat's policy is to only accrue Members contribution's where there is objective evidence that there is an insignificant risk of counterparty default. The Secretariat's receivable balances are monitored on an ongoing basis in order to reduce any exposure to bad debts.

Financial instruments that potentially subject the Secretariat to concentrations of credit risk consist principally of cash at bank and bank term deposits.

The Secretariat places its cash and bank term deposits with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution in accordance with its Executive approved cash management policy.

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Secretariat's maximum exposure to credit risk.

b. Fair value estimation

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values.

4. Critical accounting estimates and judgments

Preparing financial statements to conform to IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Secretariat's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements. The financial statements are affected by estimates and judgments in valuation of Property and Equipment (Note 3.e) and Receivables (Note 3.g).

Fair value measurement

A number of assets and liabilities included in SPREP's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of SPREP's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

4. Critical accounting estimates and judgments (cont'd)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

5. Member contributions

Details of member contributions are specified as follows:

	2016 \$	2015 \$
American Samoa	10,184	10,184
American Samoa – voluntary contribution	509	
Australia	185,106	185,106
Australia – voluntary contribution	9,256	
Cook Islands	10,184	10,184
Cook Islands – voluntary contribution	489	
Federated States of Micronesia	10,184	10,184
Fiji	20,344	20,422
France	134,172	140,883
France – voluntary contribution	6,711	
French Polynesia	20,360	20,360
Guam	20,353	20,360
Guam – voluntary contribution	1,018	
Kiribati	10,184	10,165
Kiribati – voluntary contribution	509	
Marshall Islands	-	10,184
Nauru	9,358	10,184
New Caledonia	24,122	16,366
New Caledonia – voluntary contribution	1,018	
New Zealand	134,202	134,202
New Zealand – voluntary contribution	6,711	
Niue	20,340	-
Northern Marianas	-	-
Palau	19,491	-
Palau – voluntary contribution	509	
Papua New Guinea	8,754	20,360
Papua New Guinea – voluntary contribution	-	353,140
Samoa	40,680	20,380
Samoa – voluntary contribution	2,004	
Solomon Islands	20,328	20,360
Tokelau	10,184	10,184
Tokelau – voluntary contribution	509	
Tonga	10,185	30,553
Tonga – voluntary contribution	449	
Tuvalu	10,184	10,184
Tuvalu – voluntary contribution	501	
United Kingdom	-	134,202
United States of America	194,663	200,000
Vanuatu	-	8,980
Wallis & Futuna Islands	30,537	-
Wallis & Futuna Islands – voluntary contribution	509	
Samoa Host Country Contribution	20,307	20,327
Total	1,005,105	1,427,454

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

6. Other donor fund income

Funds received from aid agencies under additional extra budgetary work programmes are usually for specified purposes and administered by the executive management and corporate support. For 2016 funds received were from AusAID, China, GCF, PACMAS and the Government of Sweden to fund the Medium Size Project, Monitoring & Evaluation costs, Media Operations, IT Operations, Executive Officer costs, and the Sub Regional costs. The total other income from donor funds for 2016 is \$1,519,341 (2015: \$1,389,464).

7. Other income

Details of other income are specified as follows:

	2016	2015
	\$	\$
Income from rental of office spaces	90,006	43,198
Director General's travel savings	-	6,742
Travel and other recoveries	34,359	98,615
Miscellaneous	66,853	37,332
Total other income	<u>191,218</u>	<u>185,887</u>

8. Deferred income liability

Deferred income relates to the following buildings and office equipment and furniture funded by donors for SPREP's activities – i) SPREP Complex funded by Donor Governments; ii) Training and Education Centre (TEC) funded by Japan; and iii) Information Resource Centre funded by the European Union. The deferred income liability is amortised to income over 50 years for buildings and 10 years for office equipment and furniture which are the same rates at which the assets are depreciated.

	2016	2015
	\$	\$
Cost of donated assets		
SPREP Complex funded by donor Governments	1,822,798	1,822,798
Training and education centre project by Japan	2,374,692	2,374,692
Information and research centre by European Union	350,000	350,000
Total cost of assets	<u>4,547,490</u>	<u>4,547,490</u>
Accumulated amortisation		
Opening accumulated amortisation	1,590,094	1,506,838
Amortisation for current year	83,275	83,256
Closing accumulated amortisation	<u>1,673,369</u>	<u>1,590,094</u>
Unamortised amount	<u>2,874,121</u>	<u>2,957,396</u>
 Current portion of amortisation	 83,275	 83,256
Non-current portion of amortisation	<u>2,790,846</u>	<u>2,874,140</u>
Unamortised amount	<u>2,874,121</u>	<u>2,957,396</u>

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For the year ended 31 December 2016

9. Net finance income

Net finance costs are specified as follows:

	2016	2015
	\$	\$
Interest income on bank deposits	11,297	57,537
<i>less finance costs relating to:</i>		
Bank charges	<u>(3,739)</u>	<u>(3,368)</u>
Net finance income	<u>7,558</u>	<u>54,169</u>

10. Senior Management Team (key management personnel)

During the year the following persons were the management executives that were identified as key management personnel with the greatest authority for planning, directing and controlling the activities of the Secretariat:

Mr Kosi Latu – Director General, started office 1 January 2016
 Mr Roger Cornforth – Deputy Director General, started office 1 June 2016
 Dr. Netatua Pelesikoti – Director, Climate Change
 Mr Stuart Chape – Director, Biodiversity & Ecosystem Management
 Mr Clark Peteru – Legal Adviser
 Ms Simeamativa Vaai – Human Resource Adviser
 Ms Petra Chan Tung – Finance and Administration Adviser, started Office 25 July 2016

The remuneration of key members of management during the year was as follows:

	2016	2015
	\$	\$
Salaries and short term employment benefits	<u>970,176</u>	<u>1,317,464</u>

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11. Property and equipment

Property and equipment is specified as follows:

	Buildings	Computer equipment	Equipment & furniture	Motor vehicles	Total
Gross carrying amount					
Cost at 1st January 2015	4,163,762	439,834	780,243	103,002	5,486,841
Additions	-	13,406	28,867	-	42,273
Disposals	-	-	-	-	-
Balance at 31st December 2015	4,163,762	453,240	809,110	103,002	5,529,114
Additions	-	37,539	53,637	-	91,175
Disposals	-	-	-	-	-
Balance at 31st December 2016	4,163,762	490,779	862,747	103,002	5,620,289
Accumulated depreciation					
Balance at 1st January 2016	(1,197,295)	(384,598)	(744,886)	(47,336)	(2,374,115)
Depreciation charge for the year	(83,275)	(32,819)	(23,491)	(20,601)	(160,186)
Disposals	-	-	-	-	-
Balance at 31st December 2016	(1,280,570)	(417,417)	(768,377)	(67,937)	(2,534,301)
Net book value					
As at 31st December 2015	2,966,467	68,642	64,224	55,666	3,154,998
As at 31st December 2016	2,883,192	73,361	94,370	35,065	3,085,988

12. Intangible Assets

	2016	2015
	\$	\$
Computer Software	375,097	468,872
Less Amortisation	(93,775)	(93,775)
Net book value	281,322	375,097

The computer software is purchased as part of a system upgrade and was under development up to December 2014. This software is assessed as having a finite life and amortised at 20% over the estimated useful life of the asset in 2016. This asset is not internally generated. The asset was in full use in 2015.

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13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2016	2015
	\$	\$
Cash on hand	201	200
Cash at bank	<u>7,285,679</u>	<u>4,177,836</u>
	7,285,880	4,178,036
Bank term deposits	14	
	6,366	1,092,581
Cash and cash equivalents for purpose of cash flow statement	<u>7,292,246</u>	<u>5,270,617</u>

Cash and Bank balances are allocated to the following currencies in \$US dollars at balance date:

SAT denominated cash balances in \$US currency	130,360	196,141
AUD denominated cash balances in \$US currency	45,169	44,677
NZD denominated cash balances in \$US currency	823	8,734
USD denominated cash balances in \$US currency	<u>7,109,328</u>	<u>3,928,284</u>
	<u>7,285,679</u>	<u>4,177,836</u>

14. Bank term deposits

Bank term deposits are specified as follows:

	2016	2015
	\$	\$
Total bank term deposits	<u>6,366</u>	<u>1,092,581</u>

The bank term deposits have an average maturity of 203 days and a weighted average interest rate of 2.5% per annum. The carrying value of the term deposits equals their fair value.

Bank term deposits are allocated to the following currencies in \$US dollars at balance date:

	2016	2015
	\$	\$
SAT denominated term deposits in \$US currency	-	397,850
AUD denominated term deposits in \$US currency	-	435,139
NZD denominated term deposits in \$US currency	<u>6,366</u>	<u>259,592</u>
	<u>6,366</u>	<u>1,092,581</u>

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15. Receivables and prepayments

Receivables and prepayments are specified as follows:

	2016	2015
	\$	\$
Receivables	13,532	34,018
Prepayments	-	27,969
Accrued interest on bank term deposits	-	10,861
	<u>13,532</u>	<u>72,848</u>

16. Specific Funds Reserve

The Specific Funds Reserve contains funds which are earmarked for specific purposes and are generally not available for uses other than those specified.

The Specific Funds Reserve as of 2016 represents medical evacuation funds as follows:

	2016	2015
	\$	\$
Opening balance	221,806	244,542
Less reserves used during the year	(36,946)	(22,736)
Closing balance	<u>184,860</u>	<u>221,806</u>

17. Provisions for employee entitlements

Provisions for employee entitlements are specified as follows:

	2016	2015
	\$	\$
<i>Leave Entitlement</i>		
Opening balance	433,406	444,095
Entitlements accrued during the year	(38,379)	122,777
Entitlements used during the year	(47,577)	(133,466)
Closing balance	<u>347,450</u>	<u>433,406</u>
<i>Repatriation entitlement</i>		
Opening balance	444,265	556,073
Additions during the year	50,611	39,019
Repatriation costs paid during the year	(41,902)	(150,827)
Closing balance	<u>452,974</u>	<u>444,265</u>
Total provision for employee entitlement	<u>\$ 800,424</u>	<u>\$ 877,671</u>

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18. Payables and accruals

Payables and accruals are specified as follows:

	2016	2015
	\$	\$
Payables	153,585	316,236
Accrued Salaries and others	16,231	32,413
	<u>169,815</u>	<u>348,649</u>

19. Donor and Programme Fund liability

a. Movement summary schedule

	2016	2015
	\$	\$
Opening balance	5,467,956	4,735,411
Funds received during the year	<u>17,006,124</u>	<u>14,000,376</u>
Total funds available	22,474,080	18,735,787
Less Programme expenditure during the year	(12,728,902)	(12,138,382)
Less Other Donor expenditure during the year	(1,494,751)	-
Less Programme management charge	<u>(953,541)</u>	<u>(1,129,449)</u>
Closing balance	7,296,887	5,467,956

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b. Detailed movement schedule

Detailed Movement Schedule							
DONOR/PROGRAMME	Balance	Actual Funds	Total Funds	Prog.	Total	Other	Balance
	1/01/2016	Received	Available	Support	Expenses	Adjs	31/12/16
Asian Development Bank	\$ 252,239	\$ 712,751	\$ 964,990	\$ (86,322)	\$ (729,060)		\$ 149,608
Australian Bureau of Metrology	\$ 1,626	\$ 894,782	\$ 896,408	\$ (19,997)	\$ (202,683)	\$ (250)	\$ 673,479
Govt. of Aust. Extra Budget	\$ 421,334	\$ 1,036,974	\$ 1,458,308	\$ (103,698)	\$ (1,179,578)	\$ (175,033)	\$ 0
Govt. of Aust. Extra Extra Budget	\$ 90,680		\$ 90,680	\$ (710)	\$ 7,555	\$ (775)	\$ 96,750
British High Commission	\$ 3,233		\$ 3,233				\$ 3,233
Climate Analytics	\$ 32,124	\$ 133,635	\$ 165,759	\$ (21,865)	\$ (150,598)		\$ (6,704)
Commonwealth Secretariat	\$ 11,175		\$ 11,175				\$ 11,175
Conservation International	\$ (5,689)		\$ (5,689)		\$ (450)		\$ (6,139)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	\$ 202,885	\$ 42,848	\$ 245,733	\$ (18,183)	\$ (125,862)		\$ 101,688
European Union	\$ 2,270,962	\$ 3,561,167	\$ 5,832,129	\$ (170,316)	\$ (2,468,080)		\$ 3,193,733
Food and Agriculture Organisation	\$ 95,206		\$ 95,206	\$ (4,406)	\$ (66,415)		\$ 24,385
Government of Canada	\$ 9,932		\$ 9,932				\$ 9,932
Government of Finland	\$ 395,724	\$ 913,670	\$ 1,309,394	\$ (46,783)	\$ (612,909)		\$ 649,702
Government of France	\$ 173,032	\$ 99,451	\$ 272,483	\$ (3,365)	\$ (250,611)		\$ 18,507
Government of Germany	\$ (17,740)	\$ 1,402,830	\$ 1,385,089	\$ (119,773)	\$ (1,005,279)		\$ 260,037
Government of Japan	\$ 112,348		\$ 112,348	\$ (2,831)	\$ (28,306)		\$ 81,212
Government of Sweden	\$ -	\$ 2,175,103	\$ 2,175,103		\$ (1,576,586)		\$ 598,517
Government of Switzerland	\$ 301		\$ 301		\$ 199		\$ 500
Government of Wallis and Futuna	\$ 6,892		\$ 6,892		\$ 10,910		\$ 17,802
Institute of Global Environment Strategies	\$ 8,320		\$ 8,320	\$ (692)	\$ (10,964)		\$ (3,336)
International Fund for Agriculture Development	\$ 2,641		\$ 2,641				\$ 2,641
International Maritime Organisation	\$ 21,237	\$ 108,670	\$ 129,907	\$ (14,292)	\$ (101,794)		\$ 13,821
International Unit of conservation on nature	\$ 71,470	\$ 233,550	\$ 305,020	\$ (14,389)	\$ (114,002)		\$ 176,630
John D & Catherine T MacArthur Foundation	\$ 6,304		\$ 6,304				\$ 6,304
NZ Aid PIE	\$ 4,812		\$ 4,812				\$ 4,812
NZ Aid Extra Budget	\$ 75,444	\$ 888,736	\$ 964,180	\$ (85,058)	\$ (827,595)	\$ 5,917	\$ 57,443
NZAid Extra Extra Budget	\$ 532,708	\$ 312,964	\$ 845,672	\$ (27,042)	\$ (371,050)	\$ (10,000)	\$ 437,580
PACMAS	\$ 5,769	\$ 15,117	\$ 20,885		\$ (115)		\$ 20,771
Pacific Islands Development Cooperation Fund	\$ 24,562		\$ 24,562		\$ 257		\$ 24,818
Pacific Islands Forum Secretariat	\$ 21,761	\$ 163,968	\$ 185,729	\$ (26,151)	\$ (201,313)		\$ (41,735)
Parkard Foundation	\$ 837		\$ 837		\$ 2,500		\$ 3,337
People's Republic of China	\$ 160,266	\$ 149,968	\$ 310,233		\$ (77,378)		\$ 232,855
PEW	\$ 60,107	\$ 259,970	\$ 320,077	\$ (26,982)	\$ (215,723)		\$ 77,372
Other Funds	\$ (361,022)	\$ 325,872	\$ (35,151)	\$ (22,234)	\$ (138,995)	\$ 180,447	\$ (15,932)
Ramsar Secretariat	\$ (205,153)	\$ 120,388	\$ (84,765)				\$ (84,765)
Secretariat of the Pacific Community	\$ (15,311)	\$ 337,536	\$ 322,226	\$ (12,763)	\$ (125,248)		\$ 184,215
The Nature Conservancy	\$ -		\$ -				\$ -
The Christensen Foundation	\$ 1,146		\$ 1,146				\$ 1,146
United Kingdom Meteorology Office	\$ 149,593	\$ 266,910	\$ 416,503	\$ (33,833)	\$ (282,013)		\$ 100,657
United Nations Development Program	\$ 221,079	\$ 889,486	\$ 1,110,565	\$ (17,999)	\$ (935,231)		\$ 157,335
United Nations Environment Program	\$ 578,892	\$ 1,616,682	\$ 2,195,573	\$ (51,654)	\$ (2,111,175)	\$ (56)	\$ 32,689
United Nations Institute for Training & Research	\$ 1,631		\$ 1,631				\$ 1,631
UN Educational, Scientific & Cultural Organisation (UNESCO)	\$ -		\$ -				\$ -
UN Economic & Social Commission for Asia & the Pacific (UNESCAP)	\$ 3,500		\$ 3,500				\$ 3,500
UN Office of Project Services	\$ 3,029		\$ 3,029				\$ 3,029
US Dept of Energy/Los Alamos University	\$ 738		\$ 738				\$ 738
US Fish & Wildlife	\$ 14,625		\$ 14,625		\$ (220)		\$ 14,405
US Dept. of State	\$ (39,727)		\$ (39,727)		\$ (1,700)		\$ (41,427)
USAID	\$ (47,374)	\$ 262,856	\$ 215,482	\$ (1,697)	\$ (149,568)		\$ 64,217
US National Oceanic Atmospheric Administration	\$ 11,525	\$ 54,993	\$ 66,517	\$ (10,378)	\$ (86,656)		\$ (30,517)
US Western Pacific Regional Fisheries Management Council	\$ (164)		\$ (164)				\$ (164)
World Meteorological Organisation	\$ 98,449	\$ 25,000	\$ 123,449	\$ (10,128)	\$ (97,919)		\$ 15,402
	\$ 5,467,956	\$ 17,005,874	\$ 22,473,831	\$ (953,541)	\$ (14,223,653)	\$ 250	\$ 7,296,887

Negative balances as at year end relate to Funding Arrangements based on a reimburseable basis.

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20. Expenditure by function and comparison to budget

A comparison of actual expenditures versus budgeted expenditure is for 2016 is as follows:

	2016		2015	
	Actual	Budget	Actual	Budget
Climate Change				
Personnel Costs	1,053,024	1,081,970	1,116,584	1,205,461
Operating Costs	2,675,816	4,207,412	3,342,622	2,987,686
Capital Costs	1,672	-	1,843	14,000
	3,730,512	5,289,382	4,461,049	4,207,147
Programme Support Costs	347,275	581,511	428,171	486,732
	4,077,787	5,870,893	4,889,220	4,693,879
Biodiversity & Ecosystem Management				
Personnel Costs	1,241,473	1,442,693	1,228,038	1,211,465
Operating Costs	2,294,828	1,716,188	2,021,851	1,935,401
Capital Costs	18,232	5,678	11,058	5,750
	3,554,534	3,164,559	3,260,947	3,152,616
Programme Support Costs	275,355	390,606.00	218,362	208,881
	3,829,889	3,555,165	3,479,309	3,361,497
Waste Management & Pollution Control				
Personnel Costs	805,496	1,004,370	767,461	813,110
Operating Costs	3,444,739	3,954,567	2,768,854	3,325,542
Capital Costs	6,518	4,500	1,072	2,545
	4,256,753	4,963,437	3,537,387	4,141,197
Programme Support Costs	234,092	333,692.00	291,050	367,686
	4,490,845	5,297,129	3,828,437	4,508,883
Environment Monitoring & Governance				
Personnel Costs	506,552	578,040	700,602	1,014,130
Operating Costs	678,664	903,022	183,069	545,458
Capital Costs	1,887	5,500	9,090	3,500
	1,187,103	1,486,562	892,761	1,563,088
Programme Support Costs	72,229	108,931.00	99,494	158,761
	1,259,332	1,595,493	992,255	1,721,849
Executive Management & Corporate Services				
Personnel Costs	2,117,200	2,579,214	2,383,626	2,696,500
Operating Costs	919,131	1,518,431	1,672,650	1,345,727
Capital Costs	-	93,500	42,273	36,000
	3,036,331	4,191,144	4,098,549	4,078,227
Programme Support Costs	24,589	72,669	92,372	105,846
	3,060,920	4,263,813	4,190,921	4,184,073
Total costs (excluding Programme Support)	15,765,232	19,095,084	16,250,693	17,142,275
Total Programme Support	953,541	1,487,409	1,129,448	1,327,906
Grand Total	16,718,773	20,582,493	17,380,142	18,470,181

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21. Contingent liabilities and capital commitments

As at 31st December 2016 and as at the date of signing these financial statements, SPREP has outstanding legal proceedings relating to a dispute on a claim by a consultant over contractual benefits. The total claim is estimated to be around US\$197,000. The Court is yet to rule on the outcome of the legal proceedings. No liability has therefore been recognized in the financial statements at year end until the Court decision is made.

22. Events after reporting period

There were no significant events after the reporting period.