SPREP
Secretariat of the Pacific Regional Environment Programme

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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Financial Statements
For the year ended 31 December 2011
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We are pleased to present the Secretariat's financial statements and the independent auditors report thereon for the financial year ended 31 December 2011.

Overview of Financial Results

During the year total income increased from US$8.4 million in 2010 to $10.8 million in 2011, while expenditure increased from US$8.8 million to US$11.6 million. Total assets were USD$7.98 million with USD$4.45million held in cash and term deposits. Liabilities were USD$7.08 million of which USD$3.90million are current liabilities that includes program/donor fund liabilities of USD$2.98 million dollars.

The statement of income and expenditure or the net result from core fund activity shows a net deficit of $803,922 dollars. The net deficit includes a foreign exchange loss of $214,559 dollars from the unfavorable movement of exchange rates. The loss was also due to shortfall in core fund income than what was budgeted.

The overall core fund income for the year was $2,094,959 dollars, compared to its budgeted income of $2,615,714, a decrease of $520,755 dollars that also contributed to the net deficit incurred for the 2011 year.

The decrease in core fund income was a result of the decrease in Members Contributions received of $880,258 dollars compared to the prior year and compared to the approved budgeted member's contributions for 2011 of $1,035,572 dollars. In addition, bank interest income on term deposits fell short of the budget by $140,620 dollars because of the general lower interest rates and lower level of funds available for deposits. Program management fees income also fell short of the budget by $71,790 dollars.

Overall the core expenditure of $2,793,701 exceeded its budget of $2,615,714 by $167,988, primarily because of non-cash costs such as depreciation of $155,818 and because of increase in translation and interpretation costs.

Despite the resultant net deficit incurred for 2011 the net deficit was absorbed into the Core Fund reserve after the exchange variance reserve was transferred from the Specific Reserves to the Core Fund reserves. This transfer between reserves is allowed under Financial Regulation 18 (b) of the SPREP Financial Regulations. The remaining reserve amount of $140,000 dollars in the Specific Reserves relates to the Medical Evacuation Reserve.

Responsibility for Financial Reporting

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 maintains accounting and internal control systems that include written 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 Members oversees 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 (Betham & Co.), 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 2011;

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 2011;

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 2011; 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 2011.

David Sheppard
Director General

Kosi Latu
Deputy Director General

Alofa S Tuuau
Finance and Administration Adviser

17th May 2012

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

We have audited the accompanying financial statements of the Secretariat of the Pacific Regional Environment Programme ("SPREP") which comprises the statement of income, statement of movement in reserves and statement of cash flows for the year ended 31 December, 2011, the statement of financial position as of that date, a summary of significant accounting policies and other explanatory notes.

Managements' responsibility for the Financial Report
Management are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and with the requirements of the SPREP Financial Regulations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion to the Members of SPREP, as a body, in accordance with SPREP Financial Regulation 32. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than SPREP and the SPREP Members as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

We confirm that we have no other relationship with SPREP other than the audit of the financial statements.

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

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

Auditor's Opinion
In our opinion, proper books of account have been kept by SPREP, so far as it appears from our examination of those books and the financial statements which have been prepared in accordance with International Financial Reporting Standards:

(i) are in agreement with the books of account;
(ii) to the best of our information and according to the explanations given to us:
   a. give a true and fair view of SPREP's state of affairs as at 31 December, 2011 and of its statements of financial performance, changes in reserves, and its cash flows for the year ended on that date;
   b. give the information required by the SPREP Financial Regulations in the manner so required.

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.

Specific Reporting Requirements
In accordance with SPREP's Financial Regulation 32 we report on the specific matters per the financial regulation as follows:

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 31 December 2011 have been prepared in accordance with International Financial Reporting Standards.

b) There are no matters to report which affect 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) Others matters which do not affect our audit opinion have been brought to the attention of management in our report to management.

BETHAM & CO.
Certified Public Accountants
Apia, Samoa
17th May, 2012

SPREP

Statement of Income

For the year ended 31 December 2011

	Note	2011		2010
Income		$		$
Member contributions	5	880,258		939,739
Programme management charges	18	755,601		646,112
Programme/donor fund income	18	8,797,378		6,268,886
Other donor fund income	6	254,450		296,126
Amortisation of deferred income	8	108,234		112,986
Other income	7	96,416		161,768
Total income		10,892,337		8,425,617
Expenses				
Executive Management & Corporate Support		2,637,884		2,361,473
Island Ecosystem Programme	19	2,169,977		2,158,750
Pacific Futures Programme	19	6,627,401		4,110,136
Depreciation expense	11	155,818		174,114
Total expenses		11,591,080		8,804,473
Net finance cost/(income)	9	(109,380)		(137,223)
Loss/(gain) on sale of property and equipment		-		2,039
Foreign exchange loss/(gain)		214,559		(265,912)
Net (deficit)/surplus		(803,922)		22,240

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

	Notes	2011 $	2010 $
ASSETS			
Non current assets			
Property, Plant and Equipment	11	3,401,330	3,519,322
Total non current assests		**3,401,330**	**3,519,322**
Current assets			
Cash at bank and on hand	12	992,283	663,656
Term deposits	13	3,459,273	3,850,729
Receivables and prepayments	14	132,023	112,816
Total current assets		4,583,579	4,627,201
TOTAL ASSETS		**7,984,909**	**8,146,523**
RESERVES AND LIABILITIES			
Reserves			
Core fund		254,043	754,267
General		501,425	501,425
Specific fund	15	140,000	443,698
Total reserves		**895,468**	**1,699,390**
Non current liabilities			
Deferred income	8	3,186,606	3,290,088
Total non current liabilities		**3,186,606**	**3,290,088**
Current liabilities			
Programme/Donor funds	18	2,928,538	1,834,473
Payables and accruals	17	219,133	596,046
Provision for employee entitlements	16	646,930	613,540
Current portion of deferred income	8	108,234	112,986
Total current liabilities		3,902,835	3,157,045
TOTAL RESERVES AND LIABILITIES		**7,984,909**	**8,146,523**

Signed on behalf of the SPREP Members

Director General

17 th May 2012

Deputy Director General

17th May 2012

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

	Note	Core fund	General Reserve	Specific Reserve	Total
		$	$	$	$
Balance at 1st January 2010		732,027	501,425	443,698	1,677,150
Net surplus for the year		22,240			22,240
Balance at 31st December 2010		754,267	501,425	443,698	1,699,390
Transfer of exchange variation reserve from					
Specific Reserve to the Core fund reserve	15	303,698		(303,698)	-
Net loss for the year		(803,922)			(803,922)
Balance at 31st December 2011		254,043	501,425	140,000	895,468

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

	Notes	2011		2010
		$		$
Cash flows from operating activities				
Members contributions	5	880,258		939,739
Interest received		125,956		233,402
Programme/Donor funds	18	10,647,044		7,122,908
Non Programme Donor Funds received	6	254,450		296,126
Other receipts		65,155		197,918
Personnel costs		(4,518,875)		(3,903,539)
Corporate services costs		(959,462)		(960,367)
Programme costs		(6,304,970)		(4,593,410)
Net cash flows from operating activities		189,556		(667,223)
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		-		12,617
Purchase of property, plant and equipment	11	(37,826)		(65,918)
Net cash flows for investing activities		**(37,826)**		**(53,301)**
Net increase/(decrease) in cash balances		151,730		(720,524)
Beginning cash balance		4,514,385		4,999,960
Effects of foreign exchange		(214,559)		234,949
Ending cash balances	12	**4,451,556**		**4,514,385**

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

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 of SPREP on 17th May, 2012.

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.

Standards, interpretations and amendments issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 July 2011 or later periods as stated, but SPREP has not early adopted them. Adoption of these standards and interpretations may or may not have any significant impact on SPREP's financial statements as the organization is assessing the impact of future adoption of these standards.

IFRS 1 Amendment	First-time adoption: Exemption for severe hyperinflation and removal of fixed dates	1 July 2011
IFRS 7 Amendment	Financial instruments: Disclosures on transfer of financial assets	1 July 2011
IAS 1 Amendment	Financial statement presentation regarding other comprehensive income accounting for investment properties	1 July 2012
IFRS 9 Amendment	Financial instruments: Classification and measurement	1 January 2013
IAS 19 Amendment	Employee benefits	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (Revised)	Separate financial statement	1 January 2013

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. 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 profit or loss 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
- Equipment 3 to 5 years
- Furniture & fittings 5 to 10 years
- Motor vehicles 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.

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.

a. 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.

b. 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.

c. 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 are assigned for unforeseen circumstances or emergencies.

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

d. 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 Programme 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.

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.

a. **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.

b. **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.

c. **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.

d. Comparatives

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

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 3 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 currency 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	
	2011 $	2010 $
AUD	804,774	825,989
NZD	500,180	498,498
WST	6,040,087	6,854,620

The following significant exchange rates applied at the reporting date:

	Reporting date rate	
	2011 $	2010 $
AUD	1.0068	1.0203
NZD	0.7659	0.7740
WST	0.4254	0.4287

Sensitivity analysis
A 10 percent strengthening/weakening of the foreign currency against the $US dollar at 31 December 2011 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	
	2011 $	2010 $
AUD – Income and Core Fund reserve +10%	81,025	85,987
AUD – Income and Core Fund reserve -10%	(81,025)	(85,987)
NZD – Income and Core Fund reserve +10%	38,309	29,865
NZD – Income and Core Fund reserve -10%	(38,309)	(29,865)
WST – Income and Core Fund reserve +10%	256,945	125,947
WST – Income and Core Fund reserve -10%	(256,945)	(125,947)

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 bank 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 with IFRS requires management to make judgements, 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 be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements 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
judgements, 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 judgements in valuation of Property and Equipment (Note 3.e) and Receivables (Note 3.g).

5. Member contributions

Details of member contributions are specified as follows:

	2011 $	2010 $
American Samoa	10,184	10,184
Australia	185,106	185,106
Cook Islands	10,154	12,492
Federated States of Micronesia	10,184	10,184
Fiji	20,360	32,868
France	134,202	134,202
French Polynesia	20,360	20,360
Kiribati	10,159	10,184
Marshall Islands	12,492	10,184
Nauru	10,159	10,184
New Caledonia	24,936	33,007
New Zealand	134,202	134,202
Niue	12,492	15,719
Papua New Guinea	-	65,345
Samoa	20,360	24,974
Solomon Islands	20,360	20,360
Tokelau	10,184	10,184
Tuvalu	21,421	-
United States of America	200,000	200,000
Wallis & Futuna Islands	12,943	-
Total	**880,258**	**939,739**

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 2011 funds received were from AusAid to fund the Strategic Planning processes and the Sub-Regional Presence study. The total other income from donor funds for 2011 is $254,450 (2010: $296,126).

7. Other income

Details of other income are specified as follows:

	2011	2010
	$	$
Rental income from office space	72,548	43,928
Accounts payable accounts written back to income	6,279	116,278
Travel and other recoveries	17,589	1,562
	96,416	161,768

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 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.

	2011		2010
	$		$
SPREP Complex funded by donor Governments	1,822,798		1,870,480
Less adjustment to value of building based on			
claim from contractor extinguished	-		(47,682)
Final value of SPREP Complex by Donor Governments	1,822,798		1,822,798
Training and education centre project by Japan	2,374,692		2,370,833
Add adjustment to agree the asset values between			
the deffered income schedule and fixed asset register	-		3,859
Final value of TEC by Japan	2,374,692		2,374,692
Information and research centre by European Union	350,000		350,000
Total cost of assets	4,547,490		4,547,490
Accumulated amortisation			
Amortisation for current year	1,144,416		1,031,430
Closing amortisation	108,234		112,986
	1,252,650		1,144,416
Unamortised amount	3,294,840		3,403,074
Current protion of amortisation	108,234		112,986
Non-Current portion of amortisation	3,186,606		3,290,088
Unamortised amount	3,294,840		3,403,074

9. Net finance income

Net finance costs are specified as follows:

	2011	2010
	$	$
Interest income on bank term deposits	120,532	146,702
Less finance costs relating to:		
Bank charges	(11,152)	(9,479)
Net finance income	109,380	137,223

10. Executive management (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 David Sheppard - Director
Mr Kosi Latu – Deputy Director
Mr Stuart Chape – Island Ecosystems Programme Manager
Ms Netatua Pelesikoti – Pacific Futures Programme Manager

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

	2011 $	2010 $
Salaries and short-term employment benefits	687,562	603,180
Employers contribution to:		
National Provident Fund	96,126	43,983
	783,688	647,163

11. Property and equipment

Property and equipment is specified as follows:

	Buildings	Computer equipment	Office equipment & furniture	Motor vehicles	Total
Gross carrying amount					
Cost at 1st January 2010	4,172,834	286,092	733,837	70,148	5,262,911
Additions	-	15,493	5,737	44,689	65,919
Disposals	(44,426)	-	-	(32,576)	(77,002)
Balance at 31st December 2010	4,128,408	301,585	739,574	82,261	5,251,828
Additions	6,318	21,549	9,959	-	37,826
Disposals	-	-	-	-	-
Balance at 31st December 2011	4,134,726	323,134	749,533	82,261	5,289,654
Accumulated depreciation					
Balance at 1st January 2011	(781,321)	(252,129)	(673,782)	(25,274)	(1,732,506)
Depreciation charge for the year	(82,873)	(24,332)	(40,386)	(8,227)	(155,818)
Disposals	-	-	-	-	-
Balance at 31st December 2011	(864,194)	(276,461)	(714,168)	(33,501)	(1,888,324)
Net book value					
As at 31st December 2010	3,347,087	49,456	65,792	56,987	3,519,322
As at 31st December 2011	3,270,532	46,673	35,365	48,760	3,401,330

12. 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:

	2,011	2,010
	$	$
Cash on hand	200	200
Cash at bank	992,083	663,456
	992,283	663,656
Bank term deposits	3,459,273	3,850,729
Cash and equivalents for purpose of cash flow statement	4,451,556	$4,514,385

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

	2011	2010
	$	$
SAT denominated cash balances in $US currency	126,290	69,284
AUD denominated cash balances in $US currency	56,604	56,137
NZD denominated cash balances in $US currency	120,620	108,947
USD denominated cash balances in $US currency	688,769	429,288
	992,283	663,656

13. Bank term deposits

Bank term deposits are specified as follows:

	2011	2010
	$	$
Total bank term deposits	3,459,273	3,850,729

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:

	2011	2010
	$	$
SAT denominated bank term deposits in $US currency	2,443,163	2,848,349
AUD denominated bank term deposits in $US currency	753,642	743,073
NZD denominated bank term deposits in $US currency	262,468	259,307
	3,459,273	3,850,729

14. Receivables and prepayments

Receivables and prepayments are specified as follows:

Receivables		38,388		27,976
Prepayments		33,704		19,485
Accrued Interest on bank deposits		59,931		65,355
		132,023		112,816

15. Specific funds reserve

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

The Specific Funds Reserve as of 2011 represents medical evacuation funds as follows:

Specific funds reserve				
		2011		2010
		$		$
Exchange variation reserve				
Opening balance as at 1st January		303,698		303,698
Less transfer to core funds of exchange reserve		(303,698)		-
Closing balance as at 31st December		-		303,698
Medical evacuation reserve		140,000		140,000
Total Specific Funds Reserve		140,000		443,698

During the year, the exchange variance reserve component of the Specific Funds Reserve was transferred to the Core Funds Reserve. This follows the adoption of IFRS by SPREP in 2010 whereby exchange variances are no longer charged to the reserves but recognised in the income statement when incurred. The transfer between the reserves was approved by the authority granted to the Director under Financial Regulation 18(b) where The Reserve Fund may be used by the Director in any emergency or unforeseen circumstances and may authorize transfers from the Reserves Fund to the Core Fund to meet unforeseen expenditure or shortfalls. Details of such transfers are to be reported to the next SPREP Meeting. The remaining balance in the Specific Funds Reserve relates to the medical evacuation reserve.

16. Provision for employee entitlements

Provision for employee entitlements are specified as follows:

	2011		2010
Leave Entitlement	$		$
Opening balance	270,177		243,785
Entitlements accrued during the year	92,408		77,587
Entitlements used during the year	(134,201)		(51,168)
Closing balance	228,384		270,177
Repatriation entitlement			
Opening balance	242,262		215,735
Additions during the year	96,585		193,482
Repatriation costs paid during the year	(21,402)		(65,854)
Closing balance	418,546		343,363
Total provision for employee entitlement	**646,930**		**613,540**

17. Payables and accruals

Payables and accruals are specified as follows:

	2011	2010
	$	$
Payables	199,488	595,768
Accrued salaries	2,275	278
Other	17,370	-
	219,133	596,046

18. Donor and Programme Fund liability

a. Movement summary schedule

	2011 $	2010 $
Opening balance	**1,834,473**	**2,272,673**
Funds received during the year	10,647,044	6,476,797
Total Funds Available	12,481,517	8,749,471
Less Programme Expenditure during the year	**(8,797,378)**	**(6,268,886)**
Less Programme Management charge	(755,601)	(646,112)
Closing balance	**2,928,538**	**1,834,473**

b. Detailed movement schedule

DONOR/PROGRAMME	Balance 1st Jan. 2011	Actual Funds Received	Total Funds Available	Program Support Charge	Programme Expenditure	Other	Balance 31st Dec. 2011
AusAID Extra Budget	243,462	1,279,094	1,522,556	(134,049)	(1,352,810)	10,056	45,753
AusAID Extra Extra Budget	216,742	1,815,214	2,031,956	(94,214)	(1,166,197)	(11,023)	760,522
British High Commission	22,860		22,860	(873)	(8,733)		13,254
Bishop Museum	(234)		(234)				(234)
Commonwealth Secretariat	14,045		14,045				14,045
Conservation International	111,756	40,557	152,313	(3,712)	(60,165)		88,435
European Union	51,841	2,764	54,605		(1,305)		53,300
Finnish Institute of Meteorology	(747)	112,841	112,064	(8,033)	(103,054)		977
Food and Agriculture Organisation	36,308	35,000	71,308	(408)	(4,083)		66,816
Government of Canada	2,180		2,180				2,180
Government of France	(113,002)	513,714	400,712	(11,834)	(116,552)		272,326
Government of Japan	8,397	704	9,101	(160)	(1,600)		7,341
Government of Switzerland	(25)	169,950	169,925	(15,433)	(154,333)		159
International Maritime Organisation	16,449	89,251	105,700	(5,247)	(55,210)		45,244
John D & Catherine T MacArthur Foundation	6,303		6,303				6,303
NZ Aid PIE	4,812		4,812				4,812
NZ Aid Extra Budget	(21,806)	979,945	958,139	(88,602)	(857,642)		11,895
NZAid Extra Extra Budget	23,989	154,172	178,161	(7,958)	(90,509)		79,694
Pacific Development & Conservation Trust	919		919				919
Parkard Foundation	(209)		(209)				(209)
People's Republic of China	10,298		10,298				10,298
Other Funds	575,165	354,840	930,005	(53,495)	(454,845)	968	422,633
Ramsar Secretariat	12,014	84,985	96,999	(9,743)	(97,431)		(10,175)
The Nature Conservancy	(31.539)	68,018	36,479	(4,382)	(43,819)		(11,721)
The Christensen Foundation	11,568		11,568				11,568
United Nations Development Program	193,226	3,697,163	3,890,389	(188,255)	(3,163,533)		538,601
United Nations Environment Program	233,466	952,794	1,186,260	(103,902)	(797,453)		284,906
United Nations Institute for Training & Research	127,856	40,000	167,856	(15,757)	(168,278)		(16,179)
UN Economics & Social Commission for Asia & the Pacific (UNESCAP)	8,786		8,786				8,786
UN Office of Project Services	7,055		7,055				7,055
US Dept of Energy/Los Alamos University	4,471		4,471				4,471

DONOR/PROGRAMME	Balance 1st Jan. 2011	Actual Funds Received	Total Funds Available	Program Support Charge	Programme Expenditure	Other	Balance 31st Dec. 2011
US Fish & Wildlife	14,625		14,625				14,625
US Dept. of Land & Natural Resources	1,439		1,439	(131)	(1,347)		(39)
US Dept. of State	121,274	60,000	181,274	(303)	(7,557)		173,414
US National Oceanic Atmospheric Administration	(81,592)	124,900	43,308	(2,382)	(23,661)		17,266
US Western Pacific Regional Fisheries Management Council	(134)	71,166	71,032	(6,726)	(67,262)		(2,956)
World Health Organisation	2,456		2,456				2,456
TOTALS	**1,834,473**	**10,647,044**	**12,481,517**	**(755,601)**	**(8,797,378)**	**-**	**2,928,538**

19. Expenditure by function and comparison to budget

A comparison of actual expenditures versus budgeted expenditure is for 2011 is as follows:

	2011 $		2010 $	
	Actual	Budget	Actual	Budget
Island Ecosystem Programme				
Personnel cost	1,199,684	1,311,021	1,141,020	1,347,059
Operating cost	965,381	1,809,563	1,014,131	1,480,972
Capital costs	4,912	10,000	3,598	30,566
	2,169,977	3,130,584	2,158,749	2,858,597
Pacific Futures Programme				
Personnel cost	1,663,006	1,628,771	1,505,816	1,332,527
Operating cost	4,951,226	4,140,268	2,593,650	3,865,203
Capital costs	13,169	104,000	10,670	8,700
	6,627,401	5,873,039	4,110,136	5,206,430
Executive Management & Corporate Support				
Personnel cost	1,689,575	1,666,818	1,410,750	1,440,849
Operating cost	948,309	832,110	950,723	861,783
Capital costs	37,826	47,500	65,918	49,000
	2,675,710	2,546,428	2,427,391	2,351,632
Total	**11,473,088**	**11,550,051**	**8,696,276**	**10,416,659**

20. Contingent liabilities and capital commitments

Contingent liabilities as at 31 December 2011 are nil (31 December 2010: nil).

The Secretariat is not aware of any capital commitments at balance date (2010: nil) except for capital expenditure budgeted for the next financial year per the details in note 19.

21. Events after reporting period

There were no significant events after the reporting period.