SPREP
Secretariat of the Pacific Regional Environment Programme

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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The Executive Management present the annual report together with the financial statements of the Secretariat for the year ended 31 December 2018 and independent auditors' report as set out on the following pages thereon in accordance with the Secretariat's Financial Regulations.

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

Leota Kosi Latu –Director General
Roger Cornforth – Deputy Director General
Tagaloa Cooper – Director Climate Change Resilience (recruited on 5 February 2018)
Stuart Chape – Director, Biodiversity & Ecosystem Management
Vicki Hall – Director, Waste Management & Pollution Control
Easter Galuvao – Director, Environmental Monitoring & Governance
Clark Peteru – Legal Adviser
Simeamativa Vaai – Director Human Resource
Petra Chan Tung – Director Finance & Administration

Principal Activity:
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 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 2018:

- During the year the Secretariat expended US$3.6 million dollars compared to expenditure of US$3.7 million in 2017.
- The net surplus for the period was US$154,273, compared to the net surplus of US$445,982 in 2017.
- Foreign exchange exposure continues to be controlled and minimized however there was an increase in foreign exchange losses from US$15,245 in 2017 to US$39,388 in 2018.
- Management recognizes that there is still a need to maintain sustainability of funding with a view to rebuilding reserve funds and avoiding any further deficient positions in the future to ensure a strong financial position for the Secretariat moving forward.
- The challenge remains for the Secretariat to ensure a collective effort by Members and Executive Management to rebuild the total reserves. Hence, the Secretariat must focus on areas of generating sufficient funds from both Member Countries and Donors to resolve this issue as well as control costs, and thus strengthen the overall financial position and 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 had 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 Members oversee management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the SPREP Members on recommendation from management.

Secretariat of the Pacific Regional Environment Programme (SPREP)
Executive Management's Report
For the year ended 31 December 2018

Our independent auditors KPMG, Fiji, 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 comprehensive 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 2018;

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 2018;

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 2018; 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 2018.

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.

Kosi Latu
Director General

Roger Cornforth
Deputy Director General

26TH March 2019

Independent Auditor's Report to the Members of the Secretariat of the Pacific Regional Environment Programme

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Secretariat of the Pacific Environment Programme ("the Secretariat"), which comprise the Statement of Financial Position as at 31 December 2018, and Core Fund Statement of Comprehensive Income, Statement of Changes in Funds and Reserves, and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes 1 to 22.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Secretariat as at 31 December 2018 and of its financial performance, its changes in fund and reserves and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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) and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Members and Management

Members and Management are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as Members and management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making estimates that are reasonable in their circumstance.

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.

Members 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 International Standards on Auditing (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.

KPMG

Independent Auditor's Report to the Members of the Secretariat of the Pacific Regional Environment Programme (continued)

Report on the Audit of the Financial Statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Secretariat to cease to continue as a going concern; and
- 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 Members and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

In our opinion:

i) proper books of account have been kept by the Secretariat sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and

ii) to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Secretariat's Financial Regulation in the manner so required.

KPMG

KPMG
27 March **, 2019**
Suva, Fiji

Michael Yee Joy, Partner

Secretariat of the Pacific Regional Environment Programme (SPREP)
Core Fund Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018	2017
Income		$	$
Member contributions	5	1,172,741	1,350,062
Programme management charges	20(b)	1,059,865	1,227,455
Other donor fund income	6	1,315,096	1,322,651
Amortisation of deferred income - Property and Equipment		82,151	82,151
Other income	7	124,721	189,751
Total income		**3,754,574**	**4,172,070**
Expenses			
Advertisements		41,642	29,067
Consultancies		10,585	29,599
Depreciation and amortisation expense	12/13	238,753	252,702
Donation & Sponsorship		115	35,914
Electricity & Water		66,823	65,446
Freight and Postal Expenses		1,124	8,684
Insurance		64,110	89,618
Licences & Registration		36,957	28,084
Printing, Stationery and Office Supplies		74,819	75,064
Professional Services		111,187	91,209
Program Support Costs		109,822	71,795
Repairs & Maintenance		23,697	17,567
Salaries and wages		2,162,664	2,231,537
Superannuation expense		151,386	155,720
Other employee expenses		134,023	153,537
SPREP Meeting		44,399	94,640
Telephone and Internet		83,909	91,772
Travel		121,568	95,971
Workshops & Trainings		41,045	38,782
Other Expenses		41,688	67,906
Total expenses		**3,560,316**	**3,724,614**
Surplus before net finance income and foreign exchange		**194,258**	**447,456**
Net finance income	10	(597)	13,771
Foreign exchange loss		(39,388)	(15,245)
Net Surplus		**154,273**	**445,982**

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

Secretariat of the Pacific Regional Environment Programme (SPREP)
Statement of Financial Position
As at 31 December 2018

	Notes	2018	2017
ASSETS		$	$
Non current assets			
Property plant and equipment	12	2,853,289	2,936,529
Intangible Assets	13	93,772	187,547
		2,947,061	**3,124,076**
Current assets			
Cash and cash equivalents	14	8,503,117	6,935,388
Term Deposits	15	-	6,678
Receivables and prepayments	16	87,108	61,887
		8,590,225	**7,003,953**
TOTAL ASSETS		**11,537,286**	**10,128,029**
RESERVES AND LIABILITIES			
Reserves			
Core Funds		139,740	(684,065)
General		-	501,425
Specific Fund	17	-	187,763
Total reserves		**139,740**	**5,123**
Non Current Liabilities			
Employee benefits	18	347,164	223,610
Deferrred income - property plant and equipment	8	2,585,190	2,667,341
Total non current liabilities		**2,932,354**	**2,890,951**
Current Liabilities			
Programme/Donor funds	20	6,049,956	4,857,807
Payables and accruals	19	351,623	725,784
Employee benefits	18	535,462	566,213
Deferrred income – property plant and equipment	8	82,151	82,151
Income received in advance	9	1,446,000	1,000,000
Total current liabilities		**8,465,192**	**7,231,955**
TOTAL RESERVES AND LIABILITIES		**11,537,286**	**10,128,029**

Signed on behalf of the SPREP Members

Kosi Latu
Director General

Roger Cornforth
Deputy Director General

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

Secretariat of the Pacific Regional Environment Programme (SPREP)
Statement of Changes in Funds and Reserves
For the year ended 31 December 2018

	Notes	Core Fund	General Reserve	Specific Reserve	Total
		$	$	$	$
Balance at 1st January 2017		(1,130,047)	501,425	184,860	(443,762)
Net Deficit for the year		445,982	-		445,982
Reserves used during the year				2,903	2,903
Balance at 31st December 2017		(684,065)	501,425	187,763	5,123
Balance at 1 January 2018 as previously reported		(684,065)	501,425	187,763	5,123
Adjustment on initial application of IFRS 9	2Aii	(19,656)			(19,656)
Restated balance at 1 January 2018		(703,721)	501,425	187,763	(14,533)
Transfer from general reserve		501,425	(501,425)		-
Transfer from specific reserve		187,763		(187,763)	-
Net surplus for the year		154,273			154,273
Balance at 31 December 2018		139,740	-	-	139,740

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

Cash flows from operating activities	Notes	2018 $	2017 $
Member contributions	5	1,172,741	1,350,062
Interest received		5,483	15,383
Non programme donor funds received	6	1,315,096	1,322,651
Other receipts		99,497	98,919
Personnel costs - Corporate Services		(2,543,352)	(2,352,563)
Corporate Services costs		(449,143)	479,226
Programme Income/(Expenditure)		2,085,336	(1,242,047)
Net cash flows from operating activities		**1,685,659**	**(328,369)**
Cash flows from investing activities			
Reserves added/(used) during the year		-	2,903
Purchase of property and equipment	12	(61,738)	(9,468)
Net cashflows for investing activities		**(61,738)**	**(6,565)**
Net change in cash held		1,623,921	(334,935)
Cash at beginning of the year		6,942,066	7,292,246
Effects of foreign exchange		(39,388)	(15,245)
Ending cash balances	14	**8,526,599**	**6,942,066**

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 General of SPREP on March 26th, 2019.

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 accounting

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.

New standards, interpretations and amendments effective from 1 January 2018

Except for the changes below, the Secretariat has consistently applied the accounting policies to all periods presented in this financial statement.

A. IFRS 9 Financial Instruments

The Secretariat has adopted IFRS 9 Financial Instruments with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Secretariat's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Secretariat adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Additionally, the Secretariat consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures in the 2018 financial year but generally have not been applied to comparative information.

(i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Secretariat classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2.g.

The adoption of IFRS 9 has not had a significant effect on the Secretariat's accounting policies for financial liabilities.

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

A. IFRS 9 Financial Instruments (continued)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 2.h.

(ii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Comparative periods have not been restated. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in reserves as at 1 January 2018. Accordingly information presented for 2017 does not reflect the requirements of IFRS 9 and therefore not comparable to the information presented for 2018 under IFRS 9. The table below summarises the impact of transition to IFRS 9 on reserves at 1 January 2018.

	Impact of adopting IFRS 9 at 1 January 2018 $
Core Funds	
Closing balance under IAS 39 (31 December 2017)	(684,065)
Recognition of expected credit losses under IFRS 9	(19,656)
Opening balance under IFRS 9 (1 January 2018)	**(703,721)**

(iii) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Secretariat's financial assets and financial liabilities as at 1 January 2018.

	Note	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS39 $**	**New carrying amount under IFRS 9 $**
Financial assets					
Cash at bank	14	Loans and receivables	Amortised cost	6,942,066	6,922,410
Receivables and prepayments	16	Loans and receivables	Amortised cost	6,479	6,479
Total financial assets				6,948,545	6,928,889
Financial liabilities					
Payables and accruals	19	Other financial liabilities	Other financial liabilities	725,784	725,784
Total financial liabilities				725,784	725,784

The Secretariat's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.g. The application of these policies did not result in any reclassification.

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

B. IFRS 15 Revenue from contracts with customers

The Secretariat adopted IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2018. As a result, the Secretariat has changed its accounting policy for revenue recognition as detailed below.

The Secretariat applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. There was no quantitative impact of the changes in accounting policies from the adoption of IFRS 15.

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 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 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.

c. Functional and presentation currency

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

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 fair value in a foreign currency are translated at the exchange rate when the fair value was determined. Exchange differences on monetary items are recognized in the profit or loss.

e. Property Plant and equipment

Items of property plant 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 the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The periods at which depreciation is charged are as follows:

• Buildings	50 years
• Furniture & fittings	5 to 10 years

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

e. Property plant and equipment (cont'd)

- 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 profit or loss.

f. Intangible assets

Computer software

The computer software was 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.

g. Financial instruments

Recognition and initial measurement

All financial assets and financial liabilities are initially recognised when the Secretariat becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Secretariat changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

g. Financial instruments (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Secretariat makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Secretariat's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Secretariat's continuing recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Secretariat considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Secretariat considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Secretariat's claim to cash flows from specified assets (e.g. non recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Reclassifications– Policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Secretariat changes its business model for managing financial assets.

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

g. Financial instruments (cont'd)

Financial assets – Policy applicable before 1 January 2018

(i) Non-derivative financial assets
The Secretariat initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Secretariat becomes a party to the contractual provisions of the instrument.

The Secretariat derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Secretariat is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Secretariat has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
Non-derivative financial assets of the Secretariat include receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and other assets excluding prepayments.

(ii) Non-derivative financial liabilities
The Secretariat recognises financial liabilities on the trade date at which the Secretariat becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Secretariat has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Secretariat has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Trade payables, provisions and other payables
Trade and other payables are stated at cost. A provision is recognised in the statement of financial position when the Secretariat has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

g. Financial instruments (cont'd)

Derecognition

Financial assets

The Secretariat derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Secretariat also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Secretariat enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Secretariat derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Secretariat also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Modification of financial assets

If the terms of a financial asset are modified, the Secretariat evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case the original financial assets is derecognized and a new financial assets is recognized at fair value.

Policy applicable from 1 January 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial assets. In this case, the Secretariat recalculates the gross carrying amount of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Policy applicable before 1 January 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

h. Impairment

Policy applicable from 1 January 2018

Financial instruments

The Secretariat recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and
- contract assets (as defined in IFRS 15).

The Secretariat measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

h. Impairment (cont'd)

Policy applicable from 1 January 2018 (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Secretariat considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Secretariat's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Secretariat is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

– *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Secretariat expects to receive); and
– *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Secretariat assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– the restructuring of a loan or advance by the Secretariat on terms that the Secretariat would not consider otherwise; or
– it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets.

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

h. Impairment (cont'd)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Secretariat determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Secretariat's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Secretariat on terms that the Secretariat would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Secretariat considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

In assessing impairment the Secretariat uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

i. Funds and 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.

j. Income

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

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

k. Income (cont'd)

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-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 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. These charges are recognised on an accrual basis in the period to which the management services relate.

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

l. Employee benefits

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

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 in the profit or loss as.soon as a present legal or construction obligation exists.

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave is recorded at present value to the extent that an employee is not expected to utlise their leave balance with 12 months of reporting date.

Long-term benefits
On resignation or cessation of service other than by misconduct, an expatriate employee is entitled to repatriation costs and is discounted and measured at present value.

m. Net finance income

Net finance income comprises interest income on bank term deposits and finance costs such as bank charges and bank overdraft fees that are recognised in the profit or loss.

n. 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.

o. Leases

The Secretariat does not have any leases which transfer all of the risks and rewards of ownership of the leased asset i.e. finance leases. The Secretariat currently leases assets under operating leases which are not recognized in the statement of financial position. Payments under operating leases are recognised in the profit or loss on a straight-line basis over the terms of the lease.

3. Financial risk management

The Secretariat's objective is to generate positive reserves to ensure the organistion's future sustainability. Management seeks to do this through the continued drive for member and donor contributions, as well as cost control.

The Secretariat's Senior Management Team (SMT) has overall responsibility for the establishment and oversight of SPREP's risk management framework. The SMT has established a Risk Committee, which is responsible for developing and monitoring the Secretariat's risk management policies. The committee reports regularly to the SMT on its activities.

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:

		2018			**2017**	
	AUD	**NZD**	**WST**	**AUD**	**NZD**	**WST**
Cash and cash equivalents	46,122	14,161	134,638	49,843	17,480	101,428
Receivables			23,292			5,463
Payables	3,990	3,264	57,150	76,442	12,342	41,414
Net statement of financial position exposure	**50,112**	**17,425**	**215,080**	**126,285**	**29,822**	**148,305**

The following significant exchange rates applied at the reporting date:

	2018	2017
	$	$
AUD	0.5409	0.5094
NZD	0.5696	0.5522
WST	0.3820	0.3970

3. **Financial risk management (cont'd)**

Sensitivity analysis

A 10 percent strengthening/weakening of the foreign currency against the $US dollar at 31 December 2017 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	
	2018 $	2017 $
AUD – Income and Core Fund reserve +10%	3,539	9,843
AUD – Income and Core Fund reserve -10%	(3,539)	(9,843)
NZD – Income and Core Fund reserve +10%	1,169	2,144
NZD – Income and Core Fund reserve -10%	(1,169)	(2,144)
WST – Income and Core Fund reserve +10%	8,216	5,888
WST – Income and Core Fund reserve -10%	(8,216)	(5,888)

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 contributions 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.

Liquidity risk

Liquidity risk is the risk that the Secretariat will encounter difficulty in meeting the obligations associated with it financial liabilities that are settled by cash or another financial asset.

Financial instruments that potentially subject the Secretariat to concentrations of liquidity risk consist payables.

The Secretariat places its cash and bank term deposits with high credit quality financial institutions and monitors its cash flow requirements 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**

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

The carrying value of financial and non-financial assets and liabilities approximate fair value.

4. Critical accounting estimates and judgements

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 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:

- Note 2e property and equipment;
- Note 2f intangible assets;
- Note 2g financial instruments
- Note 2k employee benefits (long term benefits)

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).

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:

	2018	2017
	$	**$**
American Samoa	10,184	10,693
Australia	222,127	194,362
Cook Islands	10,189	10,718
Federated State of Micronesia	10,177	11,202
Fiji	20,360	20,410
France	140,973	140,973
French Polynesia	22,396	20,360
Guam	20,360	21,378
Kiribati	-	10,725
Marshall Islands	10,184	20,361
Nauru	11,723	9,432
New Caledonia	29,485	21,268
New Zealand	140,912	140,913
Niue	10,716	10,667
Northern Marianas	10,184	20,368
Palau	45,433	-
Papua New Guinea	-	-
Samoa	24,700	21,476
Solomon Islands	20,341	20,360
Tokelau	10,184	10,693
Tonga	10,152	10,701
Tuvalu	12,222	10,694
United Kingdom	134,195	281,826
United Statesof America	194,663	194,663
Vanuatu	20,360	104,842
Wallis & Futuna Islands	10,161	10,686
Samoa Host Country Contribution	20,360	20,295
Total	**1,172,741**	**1,350,062**

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 2018 funds received were from Australia's Department of Foreign Affairs and Trade (DFAT), China, NZAid, Green Climate Fund (GCF) and other partnership agreements. The total other income from donor funds for 2018 is $1,315,096 (2017 $1,322,651).

7. Other income

Details of other income are specified as follows:

	2018	2017
	$	$
Income from rental of office spaces	49,667	95,232
Travel and other recoveries	16,934	6,306
Miscellaneous	58,120	88,213
Total other income	**124,721**	**189,751**

8. Deferred income liability – property plant and equipment

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.

Cost of donated assets		
SPREP Complex funded by donor Governments	1,822,798	1,822,798
Training and education centre project by Japan	2,330,266	2,330,266
Information and research centre by European Union	350,000	350,000
Total cost of assets	4,503,064	4,503,064
Accumulated amortisation		
Opening accumulated amortisation	1,753,572	1,671,421
Amortisation for current year	82,151	82,151
Closing accumulated amortisation	1,835,723	1,753,572
Unamortised amount	**2,667,341**	**2,749,492**
Represented by:		
Current	82,151	82,151
Non-current	2,585,190	2,667,341
Unamortised amount	**2,667,341**	**2,749,492**

9. Income received in advance

Income received in advance of $1,446,000 (2017: $1,000,000) relates to the advanced tranche for 2019 received from Australia's Department of Foreign Affairs and Trade (DFAT).

10. Net finance income

Net finance costs are specified as follows:

	2018	2017
	$	$
Interest income on bank deposits	5,483	15,383
less finance costs relating to:		
Bank charges	(2,254)	(1,612)
Impairment expense applicable for IFRS 9	(3,826)	-
Net finance income	**(597)**	**13,771**

11. Related parties

Key management personnel compensation

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
- Mr Roger Cornforth – Deputy Director General
- Mr Tagaloa Cooper – Director Climate Change Resilience (recruited on 5 February 2018)
- Mr Stuart Chape – Director, Island & Ocean Ecosystems
- Ms Vicki Hall – Director, Waste Management & Pollution Control
- Ms Easter Galuvao – Director, Environmental Monitoring & Governance
- Ms Tagaloa Cooper – Director, Climate Change Resilience
- Mr Clark Peteru – Legal Adviser
- Ms Simeamativa Vaai – Director, Human Resource
- Ms Petra Chan Tung – Director, Finance and Administration

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

Salaries and short term employment benefits	1,414,906	1,222,170

12. Property plant and equipment

Property and equipment is specified as follows:

Gross carrying amount	Buildings $	Computer equipment $	Equipment & furniture $	Motor vehicles $	Total $
Cost at 1st January 2017	4,163,762	490,779	862,747	103,002	5,620,290
Additions	-	3,509	5,958	-	9,467
Balance at 31st December 2017	4,163,762	494,288	868,705	103,002	5,629,757
Additions	53,565	3,628	4,545	-	61,738
Balance at 31st December 2018	4,217,327	497,916	873,250	103,002	5,691,495
Accumulated depreciation					
Balance at 1st January 2017	(1,280,570)	(417,417)	(768,377)	(67,937)	(2,534,301)
Depreciation charge for the year	(83,275)	(29,372)	(25,679)	(20,601)	(158,927)
Balance at 31st December 2017	(1,363,845)	(446,789)	(794,056)	(88,538)	(2,693,228)
Depreciation charge for the year	(83,974)	(21,440)	(26,038)	(13,526)	(144,978)
Balance at 31st December 2018	(1,447,819)	(468,229)	(820,094)	(102,064)	(2,838,206)
Net book value					
As at 31st December 2017	**2,799,917**	**47,499**	**74,649**	**14,464**	**2,936,529**
As at 31st December 2018	**2,769,508**	**29,687**	**53,156**	**938**	**2,853,289**

13. Intangible assets

The computer software was 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 2018.

	2018 $	2017 $
Computer Software	187,547	281,322
Less Amortisation	(93,775)	(93,775)
Net book value	**93,772**	**187,547**

14. 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:

	Note	2018	2017
		$	$
Cash on hand		201	201
Cash at bank		8,526,398	6,935,187
		8,526,599	6,935,388
Bank term deposits	15	-	6,678
Provision for impairment through application of IFRS 9		(23,482)	-
Cash and cash equivalents for purpose of cash flow statement		**8,503,117**	**6,942,066**

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

SAT denominated cash balances in $US currency	134,639	101,428
AUD denominated cash balances in $US currency	46,122	49,843
NZD denominated cash balances in $US currency	14,161	10,802
USD denominated cash balances in $US currency	8,331,677	6,773,114
	8,526,599	**6,935,187**

15. Bank term deposits

Bank term deposits are specified as follows:

Total bank term deposits	-	6,678

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:

NZD denominated term deposits in $US currency	-	6,678
	-	**6,678**

16. Receivables and prepayments

Receivables and prepayments are specified as follows:

	2018	2017
	$	$
Receivables	37,958	6,479
Prepayments	49,150	55,408
	87,108	**61,887**

17. Specific fund

The Specific fund contains funds which are earmarked for specific purposes and are generally not available for use other than those specified.

Opening balance	187,763	184,860
Less reserves used during the year	(187,763)	-
Plus reserves added during the year	-	2,903
Closing balance	**-**	**187,763**

18. Employee benefits

Employee benefits are specified as follows:

Leave Entitlement		
Opening balance	379,512	347,450
Entitlements accrued during the year	40,716	115,976
Entitlements used during the year	(33,070)	(83,914)
Closing balance	387,158	379,512
Repatriation entitlement		
Opening balance	410,311	428,576
Additions during the year	129,349	117,276
Repatriation costs paid during the year	(44,192)	(135,541)
Closing balance	495,468	410,311
Total provision for employee entitlement	**882,626**	**789,823**
Current	535,462	566,213
Non-current	347,164	223,610
	882,626	**789,823**

19. Payables and accruals

Payables and accruals are specified as follows:

	2018 $	2017 $
Payables	328,946	492,617
Accrued salaries and others	22,677	233,167
	351,623	**725,784**

20. Donor and Programme Fund income, expenditure and liability **

a. Programme/donor fund surplus/(deficit)

Income		
Programme/donor fund income	9,981,875	12,452,289
Expenses		
Climate Change Resilience	4,587,664	4,258,199
Island & Ocean Ecosystems	2,333,275	3,122,991
Waste Management & Pollution Control	1,366,121	3,711,166
Environment Monitoring & Governance	1,694,815	1,359,933
Net Surplus	-	-

b. Movement summary schedule

Opening balance	4,857,807	7,296,887
Funds received during the year	13,519,017	12,491,520
Total Funds available	**18,376,824**	**19,788,407**
Less Programme Expenditure during the year	(9,981,875)	(12,452,289)
Less Other Donor Expenditure during the year	(1,285,128)	(1,250,856)
Less Programme Management charge	(1,059,865)	(1,227,455)
Closing balance	**6,049,956**	**4,857,807**

** A detailed movement schedule of donor income, expenditure and liability by project is contained in the Supplementary Information on page 31. A breakdown of actual expenditure by function compared to budget is contained in the Supplementary Information on page 32.

21. Contingent liabilities and capital commitments

Contingent liabilities as at 31 December 2018 are nil (31 December 2017: US$197,000).

The Secretariat is not aware of any capital commitments at balance date.

22. Events after reporting period

There were no significant events after the reporting period.

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Disclaimer

The additional financial data presented on pages 31-32 is in accordance with the books and records of the Secretariat which have not been subjected to the auditing procedures applied in our audit of the Secretariat of the Pacific Environment Programme for the year ended 31 December 2018. It should be appreciated that our audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on this financial data and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than the management of the Secretariat) in respect of this data, including any errors or omissions therein, arising through negligence or otherwise however caused.

27 March, 2019
Suva, Fiji

KPMG

KPMG
Chartered Accountants

Donor and programme fund liability - Detailed movement schedule

Detailed Movement Schedule							
DONOR/PROGRAMME	**Balance 1/01/2018**	**Actual Funds Received**	**Total Funds Available**	**Prog. Support**	**Total Expenses**	**Other Adjs**	**Balance 31/12/18**
Adaptation Fund	$ 1,248,471		$ 1,248,471	(17,146)	(201,712)		$ 1,029,613
Asian Development Bank	$ -		$ -				$ -
Australian Bureau of Metrology	$ 179,730	$ 525,461	$ 705,191	(77,051)	(606,843)		$ 21,297
Govt. of Aust. Extra Budget	$ 242,118	$ 2,838,373	$ 3,080,491	(292,097)	(2,257,259)	(21,920)	$ 509,215
Govt. of Aust. Extra Extra Budget	$ 79,976		$ 79,976				$ 79,976
British High Commission	$ 3,233		$ 3,233				$ 3,233
Climate Analytics	$ (9,009)	$ 120,824	$ 111,815	(26,845)	(117,313)		$ (32,343)
Commonwealth Secretariat	$ 11,175		$ 11,175				$ 11,175
Commonwealth Scientific and Industrial Research Organisation	$ 64,037	$ 92,090	$ 156,127	(13,931)	(111,889)		$ 30,307
Conservation International	$ (6,139)		$ (6,139)				$ (6,139)
Deutsche Gesellschart fur Internationale Zusammenarbelt (GIZ) GmbH	$ (3,905)	$ 114,715	$ 110,810	(3,144)	(62,506)		$ 45,160
European Union	$ 551,981	$ 1,531,132	$ 2,083,113	(48,473)	(642,465)		$ 1,392,175
Food and Agriculture Organisation	$ (58,904)	$ 77,550	$ 18,646				$ 18,646
Global Climate Fund	$ (9,362)	$ 1,557,308	$ 1,547,946	(84,191)	(967,395)		$ 496,360
Government of Canada	$ 9,932		$ 9,932				$ 9,932
Government of Finland	$ 51,704		$ 51,704		(4,600)		$ 47,104
Government of France	$ 8,685	$ 109,820	$ 118,505	(2,909)	(53,105)		$ 62,491
Government of Germany	$ 187,944	$ 1,026,957	$ 1,214,901	(109,636)	(1,026,903)		$ 78,362
Government of Japan	$ 77,213		$ 77,213				$ 77,213
Government of Sweden	$ -		$ -				$ -
Government of Switzerland	$ 500		$ 500				$ 500
Government of Wallis and Futuna	$ 17,802		$ 17,802				$ 17,802
Institute of Global Environment Strategies	$ (4,336)		$ (4,336)				$ (4,336)
International Fund for Agriculture Development	$ 2,641		$ 2,641				$ 2,641
International Maritime Organisation	$ (18,203)	$ 17,763	$ (440)		(240)	680	$ 0
International Unit of conservation on nature	$ 64,048	$ 202,026	$ 266,074	(13,603)	(205,620)		$ 46,851
Irish Aid - Department of Foreign Affairs & Trade	$ -	$ 129,626	$ 129,626	(12,399)	(103,222)		$ 14,005
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	$ 136,705	$ 1,049,081	$ 1,185,786	(99,337)	(756,326)	(85,838)	$ 244,285
NZAid Extra Extra Budget	$ 656,730	$ 101,885	$ 758,615	(36,450)	(347,601)	37,566	$ 412,130
PACMAS	$ 6,258		$ 6,258		(1,861)		$ 4,397
Pacific Islands Development Cooperation Fund	$ 24,818		$ 24,818				$ 24,818
Pacific Islands Forum Secretariat	$ (1,171)		$ (1,171)	(980)	(8,504)		$ (10,655)
Parkard Foundation	$ 3,337		$ 3,337				$ 3,337
People's Republic of China	$ 333,915	$ 200,000	$ 533,915		(213,527)		$ 320,388
PEW	$ 124,230	$ 212,922	$ 337,152	(28,002)	(222,182)		$ 86,968
Other Funds	$ (284,908)	$ 767,388	$ 482,480	(14,147)	(733,006)	(5,167)	$ (269,840)
Ramsar Secretariat	$ (84,765)		$ (84,765)				$ (84,765)
Secretariat of the Pacific Community	$ 34,478		$ 34,478	(3,934)	(45,981)		$ (15,437)
The Christensen Foundation	$ 1,146		$ 1,146				$ 1,146
United Kingdom Meteorology Office	$ 164,737	$ 191,946	$ 356,683	(13,612)	(136,121)		$ 206,950
United Nations Development Program	$ 20,659	$ 220,200	$ 240,859	(22,974)	(160,110)		$ 57,775
United Nations Environment Program	$ 1,008,068	$ 2,348,609	$ 3,356,677	(132,385)	(2,108,048)	(3,626)	$ 1,112,618
United Nations Institute for Training & Research	$ 2,566		$ 2,566			20	$ 2,586
UN Edicuational, Scientific & Cultural Organisation (UNESCO)	$ 738		$ 738		(78)		$ 660
UN Economics & 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 Fish & Wildlife	$ 889		$ 889		520	(889)	$ 520
US Dept. of State	$ (20,895)		$ (20,895)				$ (20,895)
USAID	$ 9,122	$ 27,500	$ 36,622	(5,040)	(80)	(680)	$ 30,822
US National Oceanic Atmospheric Administration	$ (43,242)	$ 24,993	$ (18,249)	(2,064)	(15,180)		$ (35,493)
US Western Pacific Regional Fisheries Management Council	$ (164)		$ (164)				$ (164)
World Meteorological Organisation	$ 55,579	$ 30,848	$ 86,427	485	(77,992)		$ 8,920
	4,857,807	**13,519,017**	**$ 18,376,824**	**(1,059,865)**	**(11,187,148)**	**(79,854)**	**6,049,956**

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

Expenditure by function and comparison to budget

A comparison of actual expenditures versus budgeted expenditure is for 2018 is as follows:

	2018		2017	
	Actual	**Budget**	**Actual**	**Budget**
Climate Change				
Personnel Costs	1,643,141	1,162,511	1,036,422	1,098,160
Operating Costs	2,920,897	10,839,423	3,187,444	1,605,659
Capital Costs	23,626	-	34,332	3,000
	4,587,664	12,001,934	4,258,198	2,706,819
Programme Support Costs	473,252	1,139,225	490,365	287,926
	5,060,916	13,141,159	4,748,563	2,994,745
Biodiversity & Ecosystem Management				
Personnel Costs	940,651	1,672,211	1,453,010	1,171,732
Operating Costs	1,390,595	5,326,366	1,665,579	1,412,325
Capital Costs	2,029	4,032	4,402	6,678
	2,333,275	7,002,609	3,122,991	2,590,735
Programme Support Costs	228,550	306,061	297,992	300,875
	2,561,825	7,308,670	3,420,983	2,891,610
Waste Management & Pollution Control				
Personnel Costs	546,344	513,820	606,822	869,766
Operating Costs	813,012	2,143,638	3,104,344	3,162,901
Capital Costs	6,766	7,000	-	4,500
	1,366,122	2,664,458	3,711,166	4,037,167
Programme Support Costs	99,758	164,652	247,260	323,213
	1,465,880	2,829,110	3,958,426	4,360,380
Environment Monitoring & Governance				
Personnel Costs	792,621	1,065,040	663,307	697,134
Operating Costs	880,960	586,737	688,721	288,801
Capital Costs	21,234	16,625	7,905	1,600
	1,694,815	1,668,402	1,359,933	987,535
Programme Support Costs	148,483	39,817	120,045	104,697
	1,843,298	1,708,219	1,479,978	1,092,232
Executive Management & Corporate Services				
Personnel Costs	2,448,073	2,503,532	2,540,794	2,393,654
Operating Costs	762,627	1,495,592	858,194	1,384,383
Capital Costs	4,865	7,000	1,129	99,700
	3,215,565	4,006,124	3,400,117	3,877,737
Programme Support Costs	109,822	4,760	71,795	58,765
	3,325,387	4,010,884	3,471,912	3,936,502
Total costs (excluding Programme Support)	13,197,441	27,343,528	15,852,406	14,199,993
Total Programme Support	1,059,864	1,654,515	1,227,455	1,075,476
Grand Total	**14,257,306**	**28,998,043**	**17,079,861**	**15,275,469**