

SPREP
Secretariat of the Pacific Regional Environment Programme

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

SPREP
Financial Statements
For the year ended 31 December 2012
CONTENTS

	Page
Executive Management's Report	1
Independent Audit Report	3
Statement of Financial Performance	4
Statement of Financial Position	5
Statement of Movement in Reserves	6
Statement of Cash Flows	7
Notes to Accounts	8

SPREP
Executive Management's Report
For the year ended 31 December 2012

We are pleased to present the Secretariat's financial statements and the independent auditors report thereon for the financial year ended 31 December 2012.

During the year we expended US\$13.8 million dollars compared to budgeted expenditure of US\$14.3 million dollars while our total cash holdings at year end amounted to US\$5.1 million dollars. The Secretariat has generated a negative operating result as per the income statement relative to a balanced budget for the same period.

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 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.

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 2012;
- 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 2012;
- 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 2012; 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 2012.


David Sheppard
Director General


Kosi Latu
Deputy Director General


Alofa S Tuuau
Finance Administration Adviser

April 25th, 2013

**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, 2012, 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 is 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, 2012 and of its statements of financial performance, changes in reserves, and its cash flows for the year ended on that date;
 - b. provide 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.



Audit Report Cont'd**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 year end of 31st of December, 2012 have been prepared in accordance with International Financial Reporting Standards.
- b) There are no specific matters affecting the completeness and accuracy of the accounts as all matters are reflected in the financial statements.
- 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

25th April, 2013

SPREP
Statement of Financial Performance
For the year ended 31 December 2012

	Notes	2012	2011
Income		\$	\$
Members contributions	5	880,734	880,258
Programme management charges	19	846,214	755,601
Programme/donor fund income	19	10,844,229	8,797,378
Other donor fund income	6	625,570	254,450
Amortisation of deferred income	8	87,575	108,234
Other income	7	147,874	96,416
Total income		13,432,196	10,892,337
Expenses			
Executive management & corporate Support		2,843,869	2,637,884
Climate change	19	5,741,736	5,334,872
Biodiversity	19	3,200,767	1,595,847
Waste management	19	1,009,673	827,207
Environment monitoring	19	892,053	1,039,452
Depreciation expense	11	134,093	155,818
Total expenses		13,822,191	11,591,080
Net finance income	9	166,771	109,380
Gain on sale of vehicles and equipment		4,924	-
Foreign exchange (loss)		(7,417)	(214,559)
Net deficit		(225,717)	(803,922)

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

SPREP
Statement of Financial Position
As at 31 December 2012

	Notes	2012 \$	2011 \$
Assets			
Non current assets			
Property and equipment	11	3,407,479	3,401,330
Total non-current assets		<u>3,407,479</u>	<u>3,401,330</u>
Current assets			
Cash at bank and on hand	12	923,740	992,283
Term deposits	13	4,185,768	3,459,273
Receivables and prepayments	14	173,694	132,023
Total current assets		<u>5,283,202</u>	<u>4,583,579</u>
Total assets		<u>8,690,681</u>	<u>7,984,909</u>
Reserves and liabilities			
Reserves			
Core funds		28,326	254,043
General		501,425	501,425
Specific fund	15	129,217	140,000
Total reserves		<u>658,968</u>	<u>895,468</u>
Non current liabilities			
Deferred income	8	3,119,690	3,186,606
Finance lease liability	19	44,483	-
Total non current liabilities		<u>3,164,173</u>	<u>3,186,606</u>
Current liabilities			
Programme/donor funds	20	3,494,195	2,928,539
Payables and accruals	17	245,839	219,133
Finance lease liability	19	22,295	-
Insurance payables	18	213,189	-
Provision for employee entitlements	16	804,447	646,930
Current portion of deferred income	8	87,575	108,234
Total current liabilities		<u>4,867,540</u>	<u>3,902,836</u>
Total reserves and liabilities		<u>8,690,681</u>	<u>7,984,910</u>

Signed on behalf of the SPREP Members


Director General

25th April 2013


Deputy Director General

25th April 2013

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

SPREP
Statement of Movement of Reserves
For the year ended 31 December 2012

	Notes	Core Fund \$	General Reserve \$	Specific Reserve \$	Total \$
Balance at 1st January 2011		754,267	501,425	443,698	1,699,390
Internal transfers of reserves		303,698	-	(303,698)	-
Net loss for the year		(803,922)	-	-	(803,922)
Balance at 31 December 2011 as restated		254,043	501,425	140,000	895,468
Net loss for the year		(225,717)	-	-	(225,717)
Reserves used during the year	15			(10,783)	(10,783)
Balance at 31st December 2012		28,326	501,425	129,217	658,968

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

SPREP
Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Members contributions	5	880,734	880,258
Interest received		136,280	125,956
Program/donor funds	19	12,256,099	10,647,044
Non programme donor funds received	6	625,570	254,450
Other receipts		455,353	65,155
Personnel costs - corporate services		(1,577,288)	(1,678,556)
Personnel costs - programmes		(3,257,995)	(2,840,319)
Corporate services costs		(1,348,884)	(959,462)
Programme management charges		(7,367,877)	(6,304,970)
Net cash flows from operating activities		801,992	189,556
Cash flows from investing activities			
Proceeds from sale of property & equipment		13,518	-
Purchase of property and equipment	11	(150,141)	(37,826)
Net cash flows for investing activities		(136,623)	(37,826)
Net change in cash held		665,369	151,730
Cash at beginning of the year		4,451,556	4,514,385
Effects of foreign exchange		(7,417)	(214,559)
Ending cash balances	12	5,109,508	4,451,556

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

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 25th April, 2013.

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.

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:

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

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

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

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

f. Financial assets

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

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

g. Receivables

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

h. Payables

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

i. Cash and cash equivalents

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

j. Reserves

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

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

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

k. Income

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

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

2. Statement of significant accounting policies (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 or Programme Funds

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

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

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

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.

I. Employee benefits

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

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

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

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

m. Net finance income

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

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

n. Impairment

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

o. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Financial leases

Assets held under financial leases are initially recognised as assets of "SPREP" at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss, unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with "SPREP's" general policy on borrowing costs.

p. 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.

3. Financial risk management

a. Financial risk factors

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

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

Foreign currency risk

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

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

3. Financial risk management (cont'd)

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

Carrying Amounts		
	2012	2011
	\$	\$
AUD	825,332	804,774
NZD	508,423	500,180
WST	7,352,067	6,040,087

The following significant exchange rates applied at the reporting date:

Reporting date rate		
	2012	2011
	\$	\$
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 2012 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		
	2012	2011
	\$	\$
AUD – Income and Core Fund reserve +10%	85,332	81,025
AUD – Income and Core Fund reserve -10%	(85,332)	(81,025)
NZD – Income and Core Fund reserve +10%	41,434	38,309
NZD – Income and Core Fund reserve -10%	(41,434)	(38,309)
WST – Income and Core Fund reserve +10%	322,829	256,945
WST – Income and Core Fund reserve -10%	(322,829)	(256,945)

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

Credit risk

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

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

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

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

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

3. Financial risk management (cont'd)
b. Fair value estimation

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

4. Critical accounting estimates and judgments

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

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

5. Member contributions

Details of member contributions are specified as follows:

	2012 \$	2011 \$
American Samoa	8,456	10,184
Australia	185,106	185,106
Cook Islands	10,214	10,154
Federated States of Micronesia	10,184	10,184
Fiji	20,360	20,360
France	134,177	134,202
French Polynesia	20,360	20,360
Guam	-	-
Kiribati	10,179	10,159
Marshall Islands	-	12,492
Nauru	10,184	10,159
New Caledonia	10,178	24,936
New Zealand	134,202	134,202
Niue	10,184	12,492
Northern Marianas	-	-
Palau	-	-
Papua New Guinea	40,720	-
Samoa	20,360	20,360
Solomon Islands	-	20,360
Tokelau	10,184	10,184
Tonga	25,371	-
Tuvalu	10,131	21,421
United States of America	200,000	200,000
Vanuatu	-	-
Wallis & Futuna Islands	10,184	12,943
Total	880,734	880,258

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 2012 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 2012 is \$625,570 (2011: \$254,450).

7. Other income

Details of other income are specified as follows:

	2012	2011
	\$	\$
Income from rental of office space	97,768	72,548
Accounts payable accounts written back to income	-	6,279
Director General's travel savings	11,355	-
Travel and other recoveries	38,751	17,589
Total other income	<u>147,874</u>	<u>96,416</u>

8. Deferred income liability

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

	2012	2011
	\$	\$
Cost of donated assets		
SPREP Complex funded by donor Governments	1,822,798	1,822,798
Training and education centre project by Japan	2,374,692	2,374,692
Information and research centre by european union	350,000	350,000
Total cost of assets	<u>4,547,490</u>	<u>4,547,490</u>
Accumulated amortisation		
Opening accumulated amortisation	1,252,650	1,144,416
Amortisation for current year	87,575	108,234
Closing accumulated amortisation	<u>1,340,225</u>	<u>1,252,650</u>
Unamortised amount	<u>3,207,265</u>	<u>3,294,840</u>
Current portion of amortisation	87,575	108,234
Non-current portion of amortisation	3,119,690	3,186,606
Unamortised amount	<u>3,207,265</u>	<u>3,294,840</u>

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

9. Net finance income

Net finance costs are specified as follows:

	2012	2011
	\$	\$
Interest income on bank term deposits	172,352	120,532
<i>Less finance costs relating to:</i>		
Bank charges	(5,581)	(11,152)
Net finance income	<u>166,771</u>	<u>109,380</u>

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
Ms Netatua Pelesikoti – Director, Climate Change
Mr Stuart Chape – Director, Biodiversity & Ecosystem Management
Mr David Haynes – Director, Waste Management & Pollution Control
Mr Sefanaia Nawadra – Director, Environment Monitoring & Governance

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

	2012	2011
	\$	\$
Salaries and short-term employment benefits	972,252	687,562
<i>Employers contribution to:</i>		
National Provident Fund	69,927	96,126
	<u>1,042,179</u>	<u>783,688</u>

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 2011	4,128,408	301,585	739,574	82,261	5,251,828
Additions	6,318	21,549	9,959	-	37,826
Balance at 31st December 2011	4,134,726	323,134	749,533	82,261	5,289,654
Additions	22,403	55,625	13,795	58,318	150,141
Disposals	-	-	(15,802)	(37,577)	(53,379)
Balance at 31st December 2012	4,157,129	378,759	747,526	103,002	5,386,416
Accumulated depreciation					
Balance at 1st January 2012	(864,194)	(276,461)	(714,168)	(33,501)	(1,888,324)
Depreciation charge for the year	(83,040)	(20,916)	(19,525)	(10,612)	(134,093)
Disposals			15,802	27,678	43,480
Balance at 31st January 2012	(947,234)	(297,377)	(717,891)	(16,435)	(1,978,937)
Net book value					
As at 31st December 2011	3,270,532	46,673	35,365	48,760	3,401,330
As at 31st December 2012	3,209,895	81,382	29,635	86,567	3,407,479

Motor vehicles include the following amounts where SPREP is a lessee under a financial lease:

	2012	2011
	\$	\$
Cost - capitalised financial leases	58,318	-
Accumulated depreciation	(4,890)	-
Net book value	<u>53,428</u>	<u>-</u>

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:

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

	2012	2011
	\$	\$
Cash on hand	200	200
Cash at bank	923,540	992,083
	<u>923,740</u>	<u>992,283</u>
Bank term deposits	4,185,768	3,459,273
Cash and cash equivalents for purpose of cash flow statement	<u>5,109,508</u>	<u>4,451,556</u>

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

	2012	2011
	\$	\$
SAT denominated cash balances in \$US currency	178,691	126,290
AUD denominated cash balances in \$US currency	59,343	56,604
NZD denominated cash balances in \$US currency	129,139	120,620
USD denominated cash balances in \$US currency	556,367	688,769
	<u>923,540</u>	<u>992,283</u>

13. Bank term deposits

Bank term deposits are specified as follows:

	2012	2011
	\$	\$
Total bank term deposits	<u>4,185,768</u>	<u>3,459,273</u>

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

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

	2012	2011
	\$	\$
SAT denominated bank term deposits in \$US currency	3,107,493	2,443,163
AUD denominated bank term deposits in \$US currency	793,968	753,642
NZD denominated bank term deposits in \$US currency	284,307	262,468
Total bank term deposits	<u>4,185,768</u>	<u>3,459,273</u>

14. Receivables and prepayments

Receivables and prepayments are specified as follows:

	2012	2011
	\$	\$
Receivables	39,671	38,388
Prepayments	38,021	33,704
Accrued interest on bank term deposits	96,002	59,931
	<u>173,694</u>	<u>132,023</u>

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

15. Specific Funds Reserve

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

The Specific Funds Reserve as of 2012 represents medical evacuation funds as follows:

	2012	2011
	\$	\$
Opening balance	140,000	140,000
Less reserves used during the year	(10,783)	-
Closing balance	<u>129,217</u>	<u>140,000</u>

16. Provisions for employee entitlements

Provisions for employee entitlements are specified as follows:

	2012	2011
	\$	\$
<i>Leave entitlement</i>		
Opening balance	228,384	270,177
Entitlements accrued during the year	96,510	92,408
Entitlements used during the year	(6,866)	(134,201)
Closing balance	<u>318,028</u>	<u>228,384</u>
<i>Repatriation entitlement</i>		
Opening balance	418,546	343,363
Additions during the year	93,626	96,585
Repatriation costs paid during the year	(25,753)	(21,402)
Closing balance	<u>486,419</u>	<u>418,546</u>
Total provision for employee entitlements	<u>804,447</u>	<u>646,930</u>

17. Payables and accruals

Payables and accruals are specified as follows:

	2012	2011
	\$	\$
Payables	152,368	199,488
Accrued salaries	1,319	2,275
Other	92,152	17,370
	<u>245,839</u>	<u>219,133</u>

18. Insurance payables

For the year ended 31st December 2012, one of the employees of SPREP Mr. Lui Apela Johannes Bell demised. An insurance claim worth USD \$ 213,189 was remitted for the full settlement of the claim including the liability of interest. This amount was subsequently remitted to the survivor (widow) of the demised person.

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

19. Finance lease liability

Finance leases relate to motor vehicles with lease terms of 3 years. "SPREP" has option to purchase the motor vehicles for a nominal amount at the conclusion of the lease agreement. "SPREP's" obligations under finance leases are secured by the lessor's title to the leased assets.

i Minimum lease payments	2012	2011
	\$	\$
No later than 1 year	25,595	-
Later than 1 year and no later than 5 years	51,192	-
	<u>76,787</u>	<u>-</u>
Less future finance charges on finance leases	(10,009)	-
Present value of finance lease liabilities	<u>66,778</u>	<u>-</u>

ii The present value of finance lease liabilities is as follows

	2012	2011
	\$	\$
No later than 1 year	22,295	-
Later than 1 year and no later than 5 years	44,483	-
	<u>66,778</u>	<u>-</u>

The fair value of the financial lease liabilities is approximately equal to their carrying value.

20. Donor and Programme Fund liability

a. Movement summary schedule

	2012	2011
	\$	\$
Opening balance	2,928,538	1,834,473
Funds received during the year	12,256,099	10,647,043
Total funds available	15,184,637	12,481,517
Less Programme expenditure during the year	(10,844,229)	(8,797,378)
Less Programme management charge	(846,214)	(755,601)
Closing balance	3,494,194	2,928,538

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

b. Detailed movement schedule

DONOR/PROGRAMME	Balance 1st January 2012	Actual Funds Received	Total Funds Available	Program Support Charge	Programme Expenditure	Other	Balance 31st December 2012
AusAID Extra Budget	45,753	1,854,800	1,900,553	(188,026)	(1,660,355)	(30,522)	21,670
AusAID Extra Extra Budget	760,522	1,134,511	1,895,033	(54,501)	(558,317)	(69,265)	1,212,950
British High Commission	13,254		13,254	-	-	-	13,254
Bishop Museum	(234)	-	(234)	-	-	-	(234)
Commonwealth Secretariat	14,045	17,236	31,281	(1,916)	(19,164)	-	10,201
Conservation International	88,435	281,184	369,619	(31,586)	(31,681)		21,172
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	-	275,170	275,170	(19,788)	(211,740)	-	43,643
European Union	53,300	-	53,300	-	-	-	53,300
Finnish Institute of Meteorology	977	-	977	-	-	-	977
Food and Agriculture Organization	66,816	6,244	73,060	(8,280)	(12,801)		51,980
Government of Canada	2,180	-	2,180	-	-	-	2,180
Government of France	272,326	115,833	388,160	(18,610)	(173,878)	(12,220)	183,451
Government of Japan	7,341	22,796	30,137	(1,799)	(22,246)	-	6,092
Government of Switzerland	159	-	159	-	-	-	159
International Maritime Organization	45,244	227,070	272,314	(28,732)	(281,704)	-	(38,122)
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	11,895	1,001,197	1,013,092	(82,880)	(819,338)	(83,166)	22,707
NZAid Extra Extra Budget	79,694	126,345	206,038	(6,634)	(130,731)	-	68,674
Pacific Development & Conservation Trust	919	-	919	(84)	(836)	-	-
Parkard Foundation	(209)	-	(209)	-	-	209	-
People's Republic of China	10,298	150,000	160,298	-	(150,000)	-	10,298
Other Funds	422,633	765,915	1,188,548	(51,376)	(435,480)	182,510	884,202
Ramsar Secretariat	(10,175)	47,244	37,069	(9,973)	(99,734)	-	(72,638)
The Nature Conservancy	(11,721)	12,191	470	(822)	(8,223)	12,220	3,645
The Christensen Foundation	11,568	-	11,568	-	-	-	11,568
United Nations Development Program	538,601	4,109,420	4,648,021	(211,562)	(4,228,162)	-	208,296
United Nations Environment Program	284,906	1,610,504	1,895,409	(96,017)	(1,256,963)	-	542,430
United Nations Institute for	(16,179)	55,915	39,736	1,457	14,573	-	55,766

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

DONOR/PROGRAMME	Balance 1st January 2012	Actual Funds Received	Total Funds Available	Program Support Charge	Programme Expenditure	Other	Balance 31st December 2012
Training & Research							
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
US Fish & Wildlife	14,625		14,625				14,625
US Dept. of Land & Natural Resources	(39)		(39)	-	-	39	-
US Dept. of State	173,414	60,000	233,414	(7,059)	(70,593)	(39)	155,723
USAID		287,524	287,524	(17,457)	(290,825)	-	155,723
US National Oceanic Atmospheric Administration	17,266	70,000	87,266	(8,464)	(89,560)	-	(10,759)
US Western Pacific Regional Fisheries Management Council	(2,956)	25,000	22,044	(1,892)	(19,070)		1,082
World Health Organization	2,456	-	2,456	(223)	(2,233)		-
Totals	2,928,538	12,256,099	15,184,637	(846,214)	(10,844,229)	-	3,494,194

SPREP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

21. Expenditure by function and comparison to budget

A comparison of actual expenditures versus budgeted expenditure is for 2012 is as follows:

	2012		2011	
	\$		\$	
	Actual	Budget	Actual	Budget
Climate Change				
Personnel Costs	1,121,705	1,027,545	947,822	950,263
Operating Costs	4,602,804	5,130,069	4,376,002	3,437,415
Capital Costs	17,227	27,900	11,048	101,000
	<u>5,741,736</u>	<u>6,185,514</u>	<u>5,334,872</u>	<u>4,488,678</u>
Biodiversity & Ecosystem Management				
Personnel Costs	1,358,763	1,084,525	998,927	1,043,659
Operating Costs	1,825,998	2,342,576	592,008	1,734,991
Capital Costs	16,006	8,400	4,912	2,000
	<u>3,200,767</u>	<u>3,435,501</u>	<u>1,595,847</u>	<u>2,780,650</u>
Waste Management & Pollution Control				
Personnel Costs	425,451	343,904	315,125	313,500
Operating Costs	580,207	464,785	511,852	553,982
Capital Costs	4,015	7,850	230	10,500
	<u>1,009,673</u>	<u>816,539</u>	<u>827,207</u>	<u>877,982</u>
Environment Monitoring & Governance				
Personnel Costs	475,990	472,612	503,990	508,367
Operating Costs	392,175	417,064	533,571	359,263
Capital Costs	23,888	2,000	1,891	500
	<u>892,053</u>	<u>891,676</u>	<u>1,039,452</u>	<u>868,130</u>
Executive Management & Corporate Support				
Personnel Costs	1,609,933	1,771,702	1,786,401	1,790,821
Operating Costs	1,233,936	905,559	851,483	696,291
Capital Costs	150,142	311,100	37,826	47,500
Operating Costs	<u>2,994,011</u>	<u>2,988,361</u>	<u>2,675,710</u>	<u>2,534,612</u>
Total	<u>13,838,240</u>	<u>14,317,591</u>	<u>11,473,088</u>	<u>11,550,052</u>

22. Contingent liabilities and capital commitments

Contingent liabilities as at 31 December 2012 are nil (31 December 2011: nil).

The Secretariat is not aware of any capital commitments at balance date (2011: nil) except for capital expenditure budgeted for the next financial year per the details in note 21.

23. Events after reporting period

There were no significant events after the reporting period.