

SPREP
Secretariat of the Pacific Regional Environment Programme

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Secretariat of the Pacific Regional Environment Programme (SPREP)
Financial Statements
For the year ended 31 December 2019

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Secretariat of the Pacific Regional Environment Programme (SPREP)
Executive Management's Report
For the year ended 31 December 2019

The Executive Management present the annual report together with the financial statements of the Secretariat for the year ended 31 December 2019 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
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 2019:

- During the year the Secretariat expended US\$4.2 million dollars compared to expenditure of US\$3.6 million in 2018.
- The net deficit for the period was US\$81,977, compared to the net surplus of US\$154,273 in 2018.
- Foreign exchange exposure continues to be controlled and minimized however there was an increase in foreign exchange losses from US\$39,388 in 2018 to US\$46,144 in 2019.
- 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 2019

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 2019;
- 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 2019;
- 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 2019; 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 2019.

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

27 March 2020



Independent Auditors' 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 Regional Environment Programme ("the Secretariat"), which comprise the Statement of Financial Position as at 31 December 2019, the statements of Core Fund Comprehensive Income, Changes in Funds and Reserves and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 21.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Secretariat as at 31 December 2019, and of its financial performance, its changes in funds 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Secretariat in accordance with 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Executive Management's report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Secretariat's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Secretariat or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.



Independent Auditors' Report (continued)

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

Report on the Audit of the Financial Statements (continued)

Auditors' 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

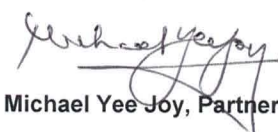
Report on Other Legal and Regulatory Requirements

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:

- 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
- 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
27th March , 2020
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 2019

	Notes	2019 \$	2018 \$
Income			
Member contributions	4	1,270,103	1,172,741
Programme management charges	19 (b)	1,281,790	1,059,865
Other donor fund income	5	1,249,147	1,315,096
Amortisation of deferred income - Property and Equipment	7	134,562	82,151
Other income	6	210,606	124,721
Total income		4,146,208	3,754,574
Expenses			
Advertisements		19,525	41,642
Consultancies		9,650	10,585
Depreciation and amortisation expense	10/12/13	308,635	238,753
Donation & Sponsorship		-	115
Electricity & Water		72,491	66,823
Freight and Postal Expenses		2,478	1,124
Insurance		80,707	64,110
Licences & Registration		19,964	36,957
Printing, Stationery and Office Supplies		67,560	74,819
Professional Services		124,154	111,187
Program Support Costs		89,985	109,822
Repairs & Maintenance		69,776	23,697
Salaries and wages		2,476,435	2,162,664
Superannuation expense		185,733	151,386
Other employee expenses		126,094	134,023
SPREP Meeting		107,611	44,399
Telephone and Internet		47,757	83,909
Travel		222,055	121,568
Workshops & Trainings		95,689	41,045
Other Expenses		49,289	41,688
Total expenses		4,175,588	3,560,316
(Deficit) / Surplus before net finance income and foreign exchange		(29,380)	194,258
Net finance income	9	(6,453)	(597)
Foreign exchange loss		(46,144)	(39,388)
Net (Deficit) / Surplus		(81,977)	154,273

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 2019

	Notes	2019 \$	2018 \$
ASSETS			
Non current assets			
Property and Equipment	12	10,582,071	2,853,289
Right of Use Asset	10	73,511	
Intangible Assets	13	-	93,772
		<u>10,655,582</u>	<u>2,947,061</u>
Current assets			
Cash and cash equivalents	14	14,767,207	8,503,117
Receivables and prepayments	15	495,273	87,108
		<u>15,262,480</u>	<u>8,590,225</u>
TOTAL ASSETS		<u><u>25,918,062</u></u>	<u><u>11,537,286</u></u>
RESERVES AND LIABILITIES			
Reserves			
Core Funds		57,763	139,740
Specific Fund	16	-	-
Total reserves		<u>57,763</u>	<u>139,740</u>
Non Current Liabilities			
Employee benefits	17	405,050	347,164
Deferrred income - Property and Equipment	7	10,159,482	2,585,190
Lease liability	10	45,301	
Total non current liabilities		<u>10,609,833</u>	<u>2,932,354</u>
Current Liabilities			
Programme/Donor funds	19(b)	11,973,632	6,049,956
Payables and accruals	18	908,834	351,623
Employee entitlements	17	714,229	535,462
Deferrred income - Property and Equipment	7	239,474	82,151
Income received in advance	8	1,383,884	1,446,000
Lease liability	10	30,413	-
Total current liabilities		<u>15,250,466</u>	<u>8,465,192</u>
TOTAL RESERVES AND LIABILITIES		<u><u>25,918,062</u></u>	<u><u>11,537,286</u></u>

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 2019

	Notes	Core Fund \$	General Reserve \$	Specific Reserve \$	Total \$
Balance at 1st 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 31st December 2018		139,740	-	-	139,740
Balance at 1st January 2019		139,740	-	-	139,740
Net Surplus for the year		(81,977)	-	-	(81,977)
Balance at 31 December 2019		57,763	-	-	57,763

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

Secretariat of the Pacific Regional Environment Programme (SPREP)
Statement of Cash Flows
For the year ended 31 December 2019

		2019	2018
	Notes	\$	\$
Cash flows from operating activities			
Member contributions		998,028	1,172,741
Interest received		1,543	5,483
Non programme donor funds received	5	1,249,147	1,315,096
Other receipts		86,979	99,498
Personnel costs - Corporate Services		(2,550,964)	(2,543,352)
Corporate Services costs		(389,947)	(449,143)
Lease payments	10	(40,978)	-
Programme Income/(Expenditure)		<u>7,014,833</u>	<u>2,085,336</u>
Net cash flows from operating activities		<u>6,368,641</u>	<u>1,685,659</u>
Cash flows from investing activities			
Purchase of property and equipment		<u>(40,655)</u>	<u>(61,738)</u>
Net cashflows for investing activities		<u>(40,655)</u>	<u>(61,738)</u>
Net change in cash held		6,327,986	1,623,921
Cash at beginning of the year		8,526,599	6,942,066
Effects of foreign exchange		<u>(46,144)</u>	<u>(39,388)</u>
Cash balance at the end of the year	14	<u><u>14,808,441</u></u>	<u><u>8,526,599</u></u>

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

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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 27th, 2020.

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 2019

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

A. IFRS 16 Leases

The Secretariat initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards, amendments to standards and interpretations are also effective from 1 January 2019 but they do not have a material effect on the Secretariat's financial statements.

The Secretariat applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information for 2018 is not restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policy are discussed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i. Definition of a lease

Previously, the Secretariat determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Secretariat assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(n).

On transition to IFRS 16, the Secretariat elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

b. Basis of accounting (cont'd)

New standards, interpretations and amendments effective from 1 January 2019

A. IFRS 16 Leases (cont'd)

ii. As a lessee

As a lessee, the Secretariat previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Secretariat recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Secretariat decided to apply recognition exemptions to short-term leases of space (see Note 2(p)(i)). For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

2. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Secretariat's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Secretariat did not apply this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Secretariat applied this approach to all leases.

The Secretariat used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii. Impact on financial statements

On transition to IFRS 16, the Secretariat recognized an additional \$111,085 of right of use assets and \$111,085 of lease liabilities.

When measuring lease liabilities, the Secretariat discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 6.12%.

Standards, amendments and interpretations issued but not yet effective

In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying AASB 16 Leases. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. The adoption of this clarification may increase ROUA and lease liabilities in the Statement of Financial Position as well as an increase in depreciation and interest expense in the Statement of Comprehensive Income.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

b. Basis of accounting (cont'd)

New standards, interpretations and amendments effective from 1 January 2019 (cont'd)

A. IFRS 16 Leases (cont'd)

Standards, amendments and interpretations issued but not yet effective (cont'd)

As at 31 December 2019, the Secretariat has not adopted this IFRIC Agenda Decision. The impact of the change is not reasonably estimable as the Secretariat has yet to complete its assessment of the impact of the IFRIC Agenda Decision. The Secretariat expects to adopt this Agenda Decision in its annual financial statements ending on 31 December 2020.

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
• 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 recognized 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.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

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

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

Financial assets: Business model assessment

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 recognize 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

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.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

g. Financial instruments (cont'd)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (cont'd)

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: Subsequent measurement and gains and losses

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 recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVPTL. A financial liability is classified as at FVPTL if it's classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPTL are measured at fair value and net gains or losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognized in profit and loss. Any gain or loss on derecognition is also derecognized in profit or loss.

Derecognition

Financial assets

The Secretariat derecognized a financial asset when its contractual rights to the cash flow from financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of financial assets are transferred or in which the Secretariat neither transfers nor returns substantively all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Secretariat enters into transactions whereby it transfers assets recognized 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 recognized.

Financial liabilities

The Secretariat derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Secretariat also derecognizes 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 recognized 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 recognized in profit or loss.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

g. Financial instruments (cont'd)

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.

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Secretariat currently has legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h. Impairment

Financial instruments and contract assets

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:

- Secretariat 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.

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.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

h. Impairment (cont'd)

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 Secretariatruptcy 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.

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.

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.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

j. 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 as member contributions are voluntary.

Donor-funded assets

Donor funds whose primary condition is that the Secretariat should purchase, construct or otherwise acquire non-current assets are recognized 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 recognized on an accrual basis in the period to which the management services relate.

Interest revenue

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

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

Liabilities for annual leave are accrued and recognized in the balance sheet. Annual leave is recorded at present value to the extent that an employee is not expected to utilise 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.

l. Net finance income

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

m. 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.

n. Leases

The Secretariat has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2(b).

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

n. Leases (cont'd)

Policy applicable from 1 January 2019

At inception of a contract, the Secretariat assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Secretariat assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Secretariat has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Secretariat has the right to direct the use of the asset. The Secretariat has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Secretariat has the right to direct the use of the asset if either:
 - the Secretariat has the right to operate the asset; or
 - the Secretariat designed the asset in a way that predetermines how and for what purpose it will be used

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Secretariat allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Secretariat determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

Under IFRS 16 - from 1 January 2019

The Secretariat recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

n. Leases (cont'd)

i. As a lessee (cont'd)

Under IFRS 16 - from 1 January 2019 (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Secretariat's incremental borrowing rate. Generally, the Secretariat uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Secretariat is reasonably certain to exercise, lease payments in an optional renewal period if the Secretariat is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Secretariat is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Secretariat's estimate of the amount expected to be payable under a residual value guarantee, or if the Secretariat changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Secretariat presents right-of-use assets and lease liabilities as separate line items in the statement of financial position.

Short-term leases and leases of low-value assets

The Secretariat has elected not to recognise right-of-use assets and lease liabilities for short-term leases of space that have a lease term of 12 months or less and leases of low-value assets. The Secretariat recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

3. Financial risk management

The Secretariat's objective is to generate positive reserves to ensure the organization'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 Secretariat 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:

	2019			2018		
	AUD	NZD	WST	AUD	NZD	WST
Cash and cash equivalents	46,674	13,203	117,512	46,122	14,161	134,638
Receivables			8,337			23,292
Payables	6,239	8,443	46,806	3,990	3,264	57,150
Net statement of financial position exposure	52,913	21,646	172,655	50,112	17,425	215,080

The following significant exchange rates applied at the reporting date:

	2019	2018
	\$	\$
AUD	0.5444	0.5409
NZD	0.5678	0.5696
WST	0.3810	0.3820

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

3. Financial risk management (cont'd)

Sensitivity analysis

A 10 percent strengthening/weakening of the foreign currency against the \$US dollar at 31 December 2019 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	
	2019	2018
	\$	\$
AUD – Income and Core Fund reserve +10%	3,703	3,539
AUD – Income and Core Fund reserve -10%	(3,703)	(3,539)
NZD – Income and Core Fund reserve +10%	1,453	1,169
NZD – Income and Core Fund reserve -10%	(1,453)	(1,169)
WST – Income and Core Fund reserve +10%	6,579	8,216
WST – Income and Core Fund reserve -10%	(6,579)	(8,216)

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 Secretariat and Secretariat term deposits.

The Secretariat places its cash and Secretariat 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 its financial liabilities that are settled by cash or another financial asset.

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

The Secretariat places its cash and Secretariat 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.

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. Financial risk management (cont'd)

c. 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 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 recognized 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 recognized 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 recognize market observable inputs and data as far as possible. Inputs used in determining fair value measurements are recognized into different levels based on how observable the inputs used in the valuation technique recognized 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 recognized in the period they occur.

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

4. Member contributions

Details of member contributions are specified as follows:

	2019	2018
	\$	\$
American Samoa	10,184	10,184
Australia	222,127	222,127
Cook Islands	10,184	10,189
Federated State of Micronesia	10,184	10,177
Fiji	22,396	20,360
France	140,883	140,973
French Polynesia	22,396	22,396
Guam	-	20,360
Kiribati	20,351	-
Marshall Islands	10,184	10,184
Nauru	10,483	11,723
New Caledonia	27,140	29,485
New Zealand	161,043	140,912
Niue	10,217	10,716
Northern Marianas	10,184	10,184
Palau	10,184	45,433
Papua New Guinea	105,606	-
Samoa	24,432	24,700
Solomon Islands	22,440	20,341
Tokelau	10,184	10,184
Tonga	10,251	10,152
Tuvalu	12,227	12,222
United Kingdom	134,201	134,195
United States of America	194,670	194,663
Vanuatu	20,360	20,360
Wallis & Futuna Islands	17,232	10,161
Samoa Host Country Contribution	20,360	20,360
Total	1,270,103	1,172,741

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

5. 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 2019 funds received were from Australia's Department of Foreign Affairs and Trade (DFAT), China, NZAid, PACMAS, UNEP and other partnership agreements. The total other income from donor funds for 2019 is \$1,249,147 (2018 \$1,315,096).

6. Other income

Details of other income are specified as follows:

	2019	2018
	\$	\$
Income from rental of office spaces	75,426	49,667
Travel and other recoveries	94,664	16,934
Miscellaneous	40,516	58,120
Total other income	210,606	124,721

7. 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 new Pacific Centre for Climate Change building funded by JICA was completed in September 2019. 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
Pacific Climate Change Centre (PCCC) by JICA	7,866,177	-
Total cost of assets	12,369,241	4,503,064

Accumulated amortization

Opening accumulated amortization	1,835,723	1,753,572
Amortisation for current year	134,562	82,151
Closing accumulated amortization	1,970,285	1,835,723

Unamortised amount

	10,398,956	2,667,341
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Represented by:

Current	239,474	82,151
Non-current	10,159,482	2,585,190
Unamortised amount	10,398,956	2,667,341

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

8. Income received in advance

Income received in advance of \$1,383,884 (2018: \$1,446,000) is made up of \$1,363,884 which relates to the advanced tranche for 2020 received from Australia's Department of Foreign Affairs and Trade (DFAT) and \$20,000 advance received from the Republic of Marshall Islands for the SPREP North Pacific Office.

9. Net finance income

Net finance costs are specified as follows:

	2019	2018
	\$	\$
Interest income on Secretariat deposits	14,005	5,483
<i>less finance costs relating to:</i>		
Secretariat charges	(2,707)	(2,254)
Impairment expense applicable for IFRS 9	(17,751)	(3,826)
Net finance income	<u>(6,453)</u>	<u>(597)</u>

10. Leases

	2019	2018
	\$	\$
Right of use assets	73,511	-

The Secretariat leases land and buildings. Information about leases for which the Secretariat is a lessee is presented below:

	Land and buildings	Total
Balance at 1 January 2019		
Additions	111,085	111,085
Remeasurements	-	-
Depreciation charge for the year	37,574	37,574
Balance at 31 December 2019	<u>73,511</u>	<u>73,511</u>

	2019	2018
	\$	\$
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	30,413	-
One to five years	45,301	-
More than five years	-	-
Total undiscounted lease liabilities as at 31 December 2019	<u>75,714</u>	<u>-</u>

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

10. Leases (cont'd)

	2019	201
	\$	\$
Lease liabilities included in the statement of financial position at 31 December 2019:		
Current	30,413	-
Non-current	45,301	-
	75,714	-

Amounts recognized in profit or loss:

Interest on lease liabilities	5,608	-
Variable lease payments not included in the measurement of lease liabilities	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets excluding short-term leases	-	-

Amounts recognized in the statement of cash flows

Total cash outflow for leases	40,978	-
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Real estate leases

The Secretariat leases land and buildings for its office premises respectively. The leases of these premises run for a period of three to four years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in the consumer price indices. Some also require the Secretariat to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

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**
- 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 Counsel
- Ms Simeamativa Vaai – Director, Human Resource
- Ms Petra Chan Tung – Director, Finance and Administration

Secretariat of the Pacific Regional Environment Programme (SPREP)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

11. Related parties (cont'd)

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

	2019	2018
	\$	\$
Salaries and short term employment benefits	1,633,055	1,414,906

12. Property and equipment

Property and equipment is specified as follows:

	Buildings	Computer equipment	Equipment & furniture	Motor vehicles	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Cost at 1st January 2018	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
Additions	7,871,760	9,470	25,602	-	7,906,832
Disposals	-	(348,785)	(295,166)	-	(643,951)
Balance at 31st December 2019	12,089,087	158,601	603,686	103,002	12,954,376
Accumulated depreciation					
Balance at 1st January 2018	(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)
Depreciation charge for the year	(136,774)	(15,217)	(24,360)	(938)	(177,289)
Disposals	-	348,785	294,405	-	643,190
Balance at 31st December 2019	(1,584,593)	(134,661)	(550,049)	(103,002)	(2,372,305)
Net book value					
As at 1st January 2018	2,799,917	47,499	74,649	14,463	2,936,529
As at 31st December 2018	2,769,508	29,687	53,156	938	2,853,289
As at 31st December 2019	10,504,494	23,940	53,637	-	10,582,071

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 2019.

	2019	2018
	\$	\$
Computer Software	93,772	187,547
Less Amortisation	(93,772)	(93,775)
Net book value	-	93,772

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

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:

	2019	2018
	\$	\$
Cash on hand	201	201
Cash at Secretariat	14,808,240	8,526,398
	14,808,441	8,526,599
Provision for impairment through application of IFRS 9	(41,234)	(23,482)
Cash and cash equivalents for purpose of cash flow statement	14,767,207	8,503,117

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

SAT denominated cash balances in \$US currency	117,512	134,639
AUD denominated cash balances in \$US currency	46,674	46,122
NZD denominated cash balances in \$US currency	13,203	14,161
USD denominated cash balances in \$US currency	14,631,052	8,331,677
	14,808,441	8,526,599

15. Receivables and prepayments

Receivables and prepayments are specified as follows:

Receivables	291,813	37,958
Prepayments	203,460	49,150
	495,273	87,108

16. 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
Less reserves used during the year	-	(187,763)
Closing balance	-	-

17. Employee benefits

Employee benefits are specified as follows:

Leave Entitlement

Opening balance	387,158	379,512
Entitlements accrued during the year	161,926	40,716
Entitlements used during the year	(34,084)	(33,070)
Closing balance	515,000	387,158

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17. Employee benefits (cont'd)

	2019	2018
	\$	\$
Repatriation entitlement		
Opening balance	495,468	410,311
Additions during the year	193,137	129,349
Repatriation costs paid during the year	<u>(84,326)</u>	<u>(44,192)</u>
Closing balance	<u>604,279</u>	<u>495,468</u>
Total provision for employee entitlement	<u>1,119,279</u>	<u>882,626</u>
Current	714,229	535,462
Non-Current	<u>405,050</u>	<u>347,164</u>
	<u>1,119,279</u>	<u>882,626</u>

18. Payables and accruals

Payables and accruals are specified as follows:

Payables	891,606	328,946
Accrued salaries and others	<u>17,228</u>	<u>22,677</u>
	<u>908,834</u>	<u>351,623</u>

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

a. Programme/donor fund surplus/(deficit)

Income		
Programme/donor fund income	16,305,542	9,981,875
Expenses		
Climate Change Resilience	8,575,919	4,587,664
Island & Ocean Ecosystems	3,580,108	2,333,275
Waste Management & Pollution Control	2,424,287	1,366,121
Environment Monitoring & Governance	<u>1,725,228</u>	<u>1,694,815</u>
Net Surplus	<u>-</u>	<u>-</u>

** A detailed movement schedule of donor income, expenditure and liability by project is contained in the Supplementary Information on page 28. A breakdown of actual expenditure by function compared to budget is contained in the Supplementary Information on page 29.

Secretariat of the Pacific Regional Environment Programme (SPREP)
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

19. Donor and Programme Fund income, expenditure and liability ** (cont'd)

b. Movement summary schedule

	2019	2018
	\$	\$
Opening balance	6,049,956	4,857,807
Funds received during the year	24,670,171	13,519,017
Total Funds available	30,720,127	18,376,824
Less Programme Expenditure during the year	(16,305,542)	(9,981,875)
Less Other Donor Expenditure during the year	(1,159,163)	(1,285,128)
Less Programme Management charge	(1,281,790)	(1,059,865)
Closing balance	11,973,632	6,049,956

20. Contingent liabilities and capital commitments

Contingent liabilities as at 31 December 2019 are nil (31 December 2018: nil).

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

21. Events after reporting period

The Directors are not aware of any significant events after the reporting period except for the likely impact of COVID 19 on SPREP's operation in 2020 and beyond. Due to the uncertainty of the impact of the outbreak, it is difficult to estimate the full extent and duration of the impact on SPREP operations. Key areas likely to be significantly impacted are but not limited to the risk on staff, project implementation and donor/funding support for SPREP.



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 2019. 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.

27th March
27th March, 2020
Suva, Fiji

KPMG

KPMG
Chartered Accountants

Secretariat of the Pacific Regional Environment Programme (SPREP)
SUPPLEMENTARY INFORMATION
For the year ended 31 December 2019

Donor and programme fund liability - Detailed movement schedule

Detailed Movement Schedule	Balance	Actual Funds	Total Funds	Prog.	Total	Other	Balance
DONOR/PROGRAMME	1/01/2019	Received	Available	Support	Expenses	Adjs	31/12/19
Adaptation Fund	\$ 1,029,613		\$ 1,029,613	(38,627)	(974,905)	211	\$ 16,293
Asian Development Bank	\$ -		\$ -				\$ -
Australian Bureau of Meteorology	\$ 21,298	\$ 429,946	\$ 451,244	(54,295)	(447,786)	66	\$ (50,772)
Govt. of Aust. Extra Budget	\$ 509,215	\$ 2,792,340	\$ 3,301,555	(283,127)	(2,470,523)	(20,208)	\$ 527,697
Govt. of Aust. Extra Extra Budget	\$ 79,976	\$ 490,998	\$ 570,974	(4,315)	(46,597)		\$ 520,063
British High Commission	\$ 3,233	\$ 19,009	\$ 22,242		(13,051)		\$ 9,191
Climate Analytics	\$ (32,343)	\$ 259,189	\$ 226,846	(27,465)	(213,608)	2,143	\$ (12,084)
Commonwealth Secretariat	\$ 11,175		\$ 11,175				\$ 11,175
Commonwealth Scientific and Industrial Research Organisation	\$ 30,308	\$ 98,603	\$ 128,910	(9,803)	(57,157)	(18,953)	\$ 42,997
Conservation International	\$ (6,139)		\$ (6,139)		(905)		\$ (7,044)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	\$ 45,160	\$ 641,085	\$ 686,245	(6,161)	(56,527)		\$ 623,557
European Union	\$ 1,392,175	\$ 6,994,381	\$ 8,386,556	(154,088)	(3,729,035)	(4,832)	\$ 4,498,601
Food and Agriculture Organisation	\$ 18,647		\$ 18,647				\$ 18,647
Global Climate Fund	\$ 496,360	\$ 2,155,689	\$ 2,652,049	(89,497)	(1,938,963)		\$ 623,590
Government of Canada	\$ 9,932	\$ 32,271	\$ 42,204		(24,013)		\$ 18,190
Government of Finland	\$ 47,104		\$ 47,104		(47,104)		\$ -
Government of France	\$ 62,491	\$ 207,964	\$ 270,455		(111,256)	(15,556)	\$ 143,644
Government of Germany	\$ 78,362	\$ 964,375	\$ 1,042,737	(115,196)	(1,072,079)		\$ (144,539)
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	\$ (0)	\$ 167,178	\$ 167,178	(18,013)	(138,701)		\$ 10,464
International Unit of conservation on nature	\$ 46,853	\$ 112,011	\$ 158,863	(8,180)	(120,502)	771	\$ 30,953
Irish Aid - Department of Foreign Affairs & Trade	\$ 14,005	\$ 825,046	\$ 839,051	(108,689)	(1,886)		\$ 728,476
John D & Catherine T MacArthur Foundation	\$ 6,304		\$ 6,304				\$ 6,304
NZ Aid PIE	\$ 4,812		\$ 4,812		(2,223)	(2,591)	\$ (2)
NZ Aid Extra Budget	\$ 244,286	\$ 869,680	\$ 1,113,966	(90,654)	(841,093)	975	\$ 183,195
NZAid Extra Extra Budget	\$ 412,130	\$ 1,970,775	\$ 2,382,905	(23,509)	(823,527)	(2,188)	\$ 1,533,682
PACMAS	\$ 4,397	\$ 31,459	\$ 35,856	(2,861)	(28,614)		\$ 4,380
Pacific Islands Development Cooperation Fund	\$ 24,818		\$ 24,818				\$ 24,818
Pacific Islands Forum Secretariat	\$ (10,654)	\$ 233,000	\$ 222,346	(27,960)	(101,254)		\$ 93,131
Parkard Foundation	\$ 3,337		\$ 3,337				\$ 3,337
People's Republic of China	\$ 320,388	\$ 200,000	\$ 520,388		(103,060)		\$ 417,328
PEW	\$ 86,967	\$ 135,415	\$ 222,382	(25,696)	(205,056)		\$ (8,371)
Other Funds	\$ (269,842)	\$ 527,001	\$ 257,159	(15,193)	(353,234)	59,098	\$ (52,170)
Ramsar Secretariat	\$ (84,765)		\$ (84,765)				\$ (84,765)
Secretariat of the Pacific Community	\$ (15,438)		\$ (15,438)				\$ (15,438)
The Christensen Foundation	\$ 1,146		\$ 1,146				\$ 1,146
United Kingdom Meteorology Office	\$ 206,950	\$ 267,910	\$ 474,860	(16,795)	(138,847)		\$ 319,219
United Nations Development Program	\$ 57,775	\$ 50,000	\$ 107,775		(57,668)		\$ 50,107
United Nations Environment Program	\$ 1,112,617	\$ 3,159,501	\$ 4,272,118	(129,094)	(2,955,529)	1,062	\$ 1,188,557
United Nations Institute for Training & Research	\$ 2,586		\$ 2,586				\$ 2,586
UN Educational, Scientific & Cultural Organisation (UNESCO)	\$ 660	\$ 9,948	\$ 10,608		(9,965)		\$ 643
UN Economic & Social Commission for Asia & the Pacific (UNESCAP)	\$ 3,500		\$ 3,500				\$ 3,500
UN Office of Project Services	\$ 3,029		\$ 3,029				\$ 3,029
US Fish & Wildlife	\$ 520		\$ 520				\$ 520
US Dept. of State	\$ (20,895)		\$ (20,895)				\$ (20,895)
USAID	\$ 30,821		\$ 30,821		(80)		\$ 30,741
US National Oceanic Atmospheric Administration	\$ (35,494)		\$ (35,494)		(6,476)		\$ (41,970)
US Western Pacific Regional Fisheries Management Council	\$ (164)		\$ (164)				\$ (164)
World Meteorological Organisation	\$ 8,920	\$ 1,025,400	\$ 1,034,320	(32,572)	(373,478)		\$ 628,270
	6,049,956	24,670,171	30,720,126.22	(1,281,790)	(17,464,704)	-	11,973,632

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

Secretariat of the Pacific Regional Environment Programme (SPREP)
SUPPLEMENTARY INFORMATION
For the year ended 31 December 2019

Expenditure by function and comparison to budget

A comparison of actual expenditures versus budgeted expenditure for 2019 is as follows:

	2019		2018	
	Actual \$	Budget \$	Actual \$	Budget \$
Climate Change				
Personnel Costs	1,834,674	1,051,940	1,643,141	1,162,511
Operating Costs	6,704,877	12,218,803	2,920,897	10,839,423
Capital Costs	36,368	-	23,626	-
	8,575,919	13,270,743	4,587,664	12,001,934
Programme Support Costs	632,831	1,086,717	473,252	1,139,225
	9,208,750	14,357,460	5,060,916	13,141,159
Biodiversity & Ecosystem Management				
Personnel Costs	1,379,065	1,507,509	940,651	1,672,211
Operating Costs	2,185,404	5,794,949	1,390,595	5,326,366
Capital Costs	15,639	2,600	2,029	4,032
	3,580,108	7,305,058	2,333,275	7,002,609
Programme Support Costs	262,743	464,375	228,550	306,061
	3,842,851	7,769,433	2,561,825	7,308,670
Waste Management & Pollution Control				
Personnel Costs	800,651	661,478	546,344	513,820
Operating Costs	1,590,353	3,146,933	813,012	2,143,638
Capital Costs	33,283	-	6,766	7,000
	2,424,287	3,808,411	1,366,122	2,664,458
Programme Support Costs	155,053	236,823	99,758	164,652
	2,579,340	4,045,234	1,465,880	2,829,110
Environment Monitoring & Governance				
Personnel Costs	843,208	844,712	792,621	1,065,040
Operating Costs	863,978	813,690	880,960	586,737
Capital Costs	18,042	2,000	21,234	16,625
	1,725,228	1,660,402	1,694,815	1,668,402
Programme Support Costs	141,178	72,156	148,483	39,817
	1,866,406	1,732,558	1,843,298	1,708,219
Executive Management & Corporate Services				
Personnel Costs	2,788,262	3,360,231	2,448,073	2,503,532
Operating Costs	990,439	1,883,282	762,627	1,495,592
Capital Costs	16,018	88,250	4,865	7,000
	3,794,719	5,331,763	3,215,565	4,006,124
Programme Support Costs	89,985	-	109,822	4,760
	3,884,704	5,331,763	3,325,387	4,010,884
Total costs (excluding Programme Support)	20,100,261	31,376,377	13,197,441	27,343,527
Total Programme Support	1,281,790	1,860,071	1,059,865	1,654,515
Grand Total	21,382,051	33,236,448	14,257,306	28,998,042