



**FFA**

# **Pacific Islands Forum Fisheries Agency**

**Financial statements for the year  
ended 30 June 2017**

**Financial statements for the year ended 30 June 2017**

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## Director General's report

The Director General of Pacific Islands Forum Fisheries Agency (FFA) is pleased to present the report on the financial statements of the FFA Secretariat which comprises the General Fund, Trust Fund, Housing Fund and Vessel Register Fund for the financial year ended 30 June 2017. In compliance with the provisions of the Secretariat's Financial Regulations, the Director General reports as follows:

## Review of operations and changes in state of affairs

The Forum Fisheries Agency (FFA) was established in August 1979 by an international convention. The FFA's current membership comprises of the governments of sixteen countries and one territory member government, a total of seventeen members. The FFA was established to help member countries maximize benefits from sustainable use of the fisheries resources within their 200 miles exclusive economic zone.

As stipulated in the Secretariat Convention, the functions and responsibilities of the Secretariat are to:

- collect, analyse, evaluate and disseminate to Parties relevant statistical and biological information with respect to the living marine resources of the region and in particular the highly migratory species;
- collect and disseminate to Parties relevant information concerning management procedures, legislation and agreements adopted by other countries both within and beyond the region;
- collect and disseminate to Parties relevant information on prices, shipping, processing and marketing of fish and fish products;
- provide, on request, to any Party technical advice and information; assistance in the development of fisheries policies and negotiations, and assistance in the issue of licences, the collection of fees or in matters pertaining to surveillance and enforcement;
- seek to establish working arrangements with relevant regional and international organisations, particularly the South Pacific Commission; and
- undertake such other functions as the Committee may decide.

The core functions of the Secretariat remained unchanged during the financial year under review.

During the financial year there was no significant change in the principal activities or state of affairs of the Secretariat other than that referred to in the financial statements or notes thereto. The Secretariat reported a net surplus of US\$327,524 (2016: US\$649,687 deficit).

## Independent audit report

The financial statements have been audited by Ernst & Young and should be read in conjunction with the independent audit report on page 3. Audit fees and non-audit fees are disclosed at Note 8.

## Other information

Pacific Islands Forum Fisheries Agency's registered office and its principal place of business are as follows:

1 FFA Road  
PO Box 629  
Honiara  
Solomon Islands  
Tel: (677) 21124  
Fax: (677) 23995/20092  
Website: <http://www.ffa.int>

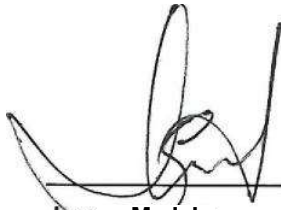
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**Director General's report — continued**

**Director General's declaration**

The Director General declares that:

- (a) the financial statements fairly present the financial position of Pacific Islands Forum Fisheries Agency ('the Secretariat') and its financial performance and cash flows as at the end of the 2017 financial year;
- (b) the financial statements of the Secretariat have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates;
- (c) all relevant financial reporting and accounting standards have been followed; and
- (d) in the conduct of its work, the Secretariat has complied with the requirements of the Financial Regulations.



**James M. Dick**  
**Director General**

Honiara, 27<sup>th</sup> September 2017.

## INDEPENDENT AUDITOR'S REPORT

To the members of the Pacific Islands Forum Fisheries Agency

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Pacific Islands Forum Fisheries Agency "the Secretariat", which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Secretariat as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards ("IPSAS").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Secretariat in accordance with the ethical requirements that are relevant to our audit of the financial statements in Fiji and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Director General and Management for the Financial Statements

The Director General and management are responsible for the preparation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the Director General and management determine 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, the Director General and management are 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 the Director General and management either intend to liquidate the Secretariat or to cease operations, or have no realistic alternative but to do so.

The Director General and management are responsible for overseeing the Secretariat's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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 the financial statements.



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## INDEPENDENT AUDITOR'S REPORT *continued*

### Auditor's Responsibilities for the Audit of the Financial Statements *continued*

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the Director General and management.

Conclude on the appropriateness of the Director General's and 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 material uncertainty exists, we are required to draw attention in our **auditor's** report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Secretariat to cease to continue as a going concern.

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

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

We also provide the Director General and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related

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Ernst & Young  
Chartered Accountants  
safeguards.



Sikeli Tuinamuana  
Partner  
Suva, Fiji  
27th September 2017

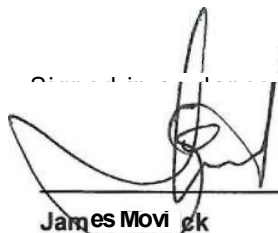
**Statement of financial performance  
for the year ended 30 June 2017**

	Note	2017 US\$	2016 US\$
<b>Income</b>			
Member country contributions	5	1,735,874	1,686,959
Donor funds	6	12,132,571	10,529,173
Vessel registration fees		3,904,862	3,567,671
Housing rental receipts		230,538	37,513
Interest received		41,261	26,499
Program support and cost recovery		189,192	120,498
Australia's project development fund donation		286,815	156,250
US Treaty levy		315,000	314,075
Vessel levy		84,073	143,707
Benefit from property, plant and equipment		345,598	333,479
Other income		255,195	92,160
<b>Total income</b>		<b>19,520,979</b>	<b>17,007,984</b>
<b>Expenditures</b>			
Output 1: High Level Advice	7	4,464,816	3,285,343
Output 2: Fisheries Management	7	3,376,790	1,871,607
Output 3: Fisheries Development	7	2,264,042	2,888,948
Output 4: Fisheries Operations	7	4,646,619	4,338,286
Output 5: Corporate Services	7	4,441,188	5,273,487
<b>Total expenditures</b>		<b>19,193,455</b>	<b>17,657,671</b>
<b>Surplus/(deficit) for the year</b>		<b>327,524</b>	<b>(649,687)</b>

The above statement of financial performance should be read in conjunction with the notes to the financial statements.

Statement of financial position  
as at 30 June 2017

		2017	2016 US\$
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	21	14,119,316	10,072,717
Receivables from exchange transactions	10	461,219	836,845
Receivables from non-exchange transactions	11	340,754	624,475
Prepayments	12	174,488	189,346
<b>Total current assets</b>		<b>15,095,777</b>	<b>11,723,383</b>
<i>Non-current assets</i>			
Property, plant and equipment	13	7,155,782	5,609,172
Prepayments	12	83,840	78,359
<b>Total non-current assets</b>		<b>7,239,622</b>	<b>5,687,531</b>
<b>Total assets</b>		<b>22,335,399</b>	<b>17,410,914</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Payables and accruals from exchange transactions	14	3,347,420	3,282,368
Payables and accruals from non-exchange transactions	15	9,308,041	6,299,624
Employee benefits	16	745,965	860,356
Deferred income liability	17	340,349	333,479
<b>Total current liabilities</b>		<b>13,741,775</b>	<b>10,775,827</b>
<i>Non-current liabilities</i>			
Employee benefits	16	158,105	142,074
Deferred income liability	17	6,730,150	5,115,168
<b>Total non-current liabilities</b>		<b>6,888,255</b>	<b>5,257,242</b>
<b>Total liabilities</b>		<b>20,630,030</b>	<b>16,033,069</b>
<b>Net assets</b>		<b>1,705,369</b>	<b>1,377,845</b>
<b>Equity</b>			
Accumulated surpluses		1,705,369	1,377,845
<b>Total equity</b>		<b>1,705,369</b>	<b>1,377,845</b>

  
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 James Movi  
 Director General

with the Financial Regulation of Pacific Islands Forum Fisheries Agency:

Honiara, 27<sup>th</sup> September 2017.

The above statement of financial position should be read in conjunction with the notes to the financial



## PACIFIC ISLANDS FORUM FISHERIES AGENCY

### Statement of changes in equity for the year ended 30 June 2017

	Accumulated funds
	US\$
Balance at 1 July 2015	2,027,532
Deficit for the year	(649,687)
Balance at 30 June 2016	1,377,845
Surplus for the year	327,524
Balance at 30 June 2017	1,705,369

The above statement of changes in equity should be read in conjunction with the notes to the financial statements

## PACIFIC ISLANDS FORUM FISHERIES AGENCY

### Statement of cash flows for the year ended 30 June 2017

	Notes	2017 US\$	2016 US\$
<b>Cash flows from Operating Activities</b>			
Receipts from member countries contribution	5	1,704,098	1,667,516
Donor funding	6	14,617,877	12,089,398
Receipts from vessel registration		3,869,021	3,382,828
Rental receipts		236,497	32,695
Receipts from program support		189,192	133,466
Other receipts		2,401,542	721,782
<i>Inflows from receipts</i>		<u>23,018,227</u>	<u>18,027,685</u>
Payments for staff costs		(7,070,261)	(6,650,237)
Payments for project costs		(8,540,061)	(8,970,681)
Payments for housing fund costs		(1,423,341)	(1,380,229)
<i>Outflows from payments</i>		<u>(17,033,663)</u>	<u>(17,001,147)</u>
<b>Net cash generated by Operating Activities</b>	21(b)	<b><u>5,984,564</u></b>	<b><u>1,026,538</u></b>
<b>Cash flows from Investing Activities</b>			
Interest received		40,233	34,061
Payments for property, plant and equipment		(141,692)	(186,544)
Proceeds from disposal of assets		891,259	77,302
Increase on revaluation of land and building		(2,727,765)	
<b>Net cash used in Investing Activities</b>		<b><u>(1,937,965)</u></b>	<b><u>(75,181)</u></b>
Net increase in cash and cash equivalents		4,046,599	951,357
Cash and cash equivalents at the beginning of the year		10,072,717	9,121,360
Cash and cash equivalents at the end of the year	21(a)	<b><u>14,119,316</u></b>	<b><u>10,072,717</u></b>

The above statement of cash flows should be read in conjunction with the notes to the financial statements.

**PACIFIC ISLANDS FORUM FISHERIES AGENCY**

**Statement of comparison of budget and actual amounts for the year ended 30 June 2017**

	BUDGET				ACTUALS		VARIANCE	
	Approved	Revised	Approved	Revised	2017	2016	Revised Budget less Actual Amounts	
	2017	2017	2016	2016			2017	2016
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Income</b>								
Member country contributions	1,735,877	1,735,877	1,686,955	1,686,955	1,735,874	1,686,959	4	(4)
Donor funds	12,841,614	16,752,369	13,488,145	13,101,792	12,132,571	10,529,173	4,619,798	2,572,619
Vessel registration fees	3,936,922	3,936,922	4,273,332	3,925,329	3,904,862	3,567,671	32,060	357,658
Housing rental receipts	1,403,284	1,403,284	1,234,075	1,296,939	230,538	37,513	1,172,746	1,259,426
Interest received	27,041	27,041	79,440	30,857	41,261	26,499	(14,220)	4,358
Program support and cost recovery	1,723,520	2,039,091	1,965,404	1,967,206	189,192	120,498	1,849,899	1,846,708
Australia's project development fund donation	156,250	156,250	223,750	223,750	286,815	156,250	(130,565)	67,500
US Treaty levy	315,000	315,000	315,000	315,000	315,000	314,075	-	925
Vessel levy	261,700	261,700	255,700	261,700	84,073	143,707	177,627	117,993
Benefit derived from property, plant and equipment	191,379	191,379		351,483	345,598	333,479	(154,219)	18,004
Other income	206,420	206,420	809,738	811,121	255,195	92,160	(48,774)	718,961
<b>Total income</b>	<b>22,799,007</b>	<b>27,025,333</b>	<b>24,331,539</b>	<b>23,972,132</b>	<b>19,520,979</b>	<b>17,007,984</b>	<b>7,504,354</b>	<b>6,964,148</b>
<b>Expenditures</b>								
Output 1: High Level Advice	4,668,710	5,781,726	4,889,609	4,560,745	4,464,816	3,285,343	1,316,910	1,275,402
Output 2: Fisheries Management	4,423,900	4,952,995	3,362,235	3,231,650	3,376,790	1,871,607	1,576,205	1,360,043
Output 3: Fisheries Development	2,326,723	3,666,000	4,441,637	4,250,706	2,264,042	2,888,948	1,401,957	1,361,758
Output 4: Fisheries Operations	6,423,182	7,123,982	6,255,255	6,398,292	4,646,619	4,338,286	2,477,364	2,060,006
Output 5: Corporate Services	4,956,492	5,500,630	5,382,803	5,530,739	4,441,188	5,273,487	1,059,441	257,252
<b>Total expenditures</b>	<b>22,799,007</b>	<b>27,025,333</b>	<b>24,331,539</b>	<b>23,972,132</b>	<b>19,193,455</b>	<b>17,657,671</b>	<b>7,831,878</b>	<b>6,314,461</b>
<b>Surplus/(Deficit)</b>					<b>327,524</b>	<b>(649,687)</b>	<b>(327,524)</b>	<b>649,687</b>

The above statement of comparison of budget and actual amounts should be read in conjunction with the notes to the financial statements.

**Notes to the financial statements  
for the year ended 30 June 2017**

**1. General information**

The Pacific Islands Forum Fisheries Agency was established in August 1979 to support and enable members to achieve sustainable fisheries and the highest levels of social and economic benefit in harmony with the broader environment.

The FFA Secretariat's headquarter is located in Honiara, Solomon Islands. There are seventeen members comprising of Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tokelau, Tuvalu, and Vanuatu.

The addresses of its registered office and principal place of business are disclosed in the Director General's report.

The financial statements were authorised for issue by the Director General on 27<sup>th</sup> September 2017.

**2. Significant accounting policies**

*2.1 Statement of compliance and basis of preparation*

The financial statements of the Secretariat have been prepared on accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS) using the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

The functional and reporting currency of the Secretariat is expressed in United States of America Dollar (USD). Amounts in the financial statements are rounded to the nearest dollars unless otherwise stated.

*2.2 Foreign currencies*

Transactions in currencies other than the Secretariat's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in surplus or deficit in the year in which they arise. 2.3

*Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**2. Significant accounting policies - continued**

**2.4 Financial assets**

The Secretariat initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Secretariat becomes a party to the contractual provisions of the instruments.

Financial assets are classified into the following specified categories: financial assets 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments

Term deposits with fixed maturity dates that the Secretariat has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprises of cash on hand and cash at bank and short term deposits with a maturity of three months or less.

Derecognition of financial assets

The Secretariat derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Secretariat neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Secretariat recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Secretariat retains substantially all the risks and rewards of ownership of a transferred financial asset, the Secretariat continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**2.5 Financial liabilities**

Other financial liabilities

The Secretariat recognises all other financial liabilities on trade date at which the Secretariat becomes a party to the contractual provision of the instrument.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Other financial liabilities comprise trade and other payables.

Derecognition of financial liabilities

The Secretariat derecognises financial liabilities when, and only when, the Secretariat's obligations are discharged, cancelled or they expire.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**2. Significant accounting policies - continued**

**2.6 Property, plant and equipment**

Initial recognition and subsequent expenditure

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Secretariat, and if the item's cost or fair value can be measured reliably.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Measurement subsequent to initial recognition

Subsequent to initial recognition, property, plant and equipment are measured using either the cost model or the revaluation model, as described below:

Land and buildings are measured at fair value, less accumulated depreciation on leasehold land and buildings and any impairment losses recognised after the date of the revaluation. The fair value of land and buildings is their market value as determined by a registered valuer.

Revaluation is performed on a class-by-class basis. If an item of property, plant and equipment is revalued, the entire class to which the asset belongs is revalued. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The valuation cycle for revalued asset classes is normally three to five years.

A revaluation surplus or deficit is recorded in deferred income liability for all donated assets. A revaluation surplus is recorded in other comprehensive revenue and expense and credited to the asset revaluation reserve in net assets/equity for all assets other than donated assets. However, to the extent that it reverses a revaluation deficit of the same class of asset previously recognised in surplus or deficit, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognized in the asset revaluation reserve.

Plant and equipment are measured at cost, net of accumulated depreciation and impairment losses, if any.

Depreciation

Depreciation is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

- Leasehold land 50 years
- Building 40 years
- Plant, equipment and furniture 3-5 years
- Motor vehicles 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

For revalued assets, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**2. Significant accounting policies - continued**

**2.6 Property, plant and equipment - continued**

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in surplus or deficit. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to accumulated comprehensive revenue and expense.

**2.7 Employee benefits**

Wages, salaries and annual leave

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are recognised in surplus or deficit during the year in which the employee rendered the related services, and are generally expected to be settled within twelve months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled.

Retention

Employees of the Secretariat become eligible for retention after completion of their contract. The liability for retention is recognised and measured as at year end in respect of services provided by employees up to the reporting date depending on their signed contract. Contracted employees are entitled to 7% retention per year of service to the Secretariat. Gains and losses on the retention are fully accounted for in the statement of financial performance.

**2.8 Equity**

Equity is the member countries' interest in the Secretariat, measured as the difference between total assets and total liabilities.

Equity is made up of accumulated comprehensive revenue and expense. Accumulated comprehensive revenue and expense is the Secretariat's accumulated surplus or deficit since the formation of the Secretariat.

**2.9 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential **will** flow to the Secretariat and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions:

*Member country contribution*

Member country contribution revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Secretariat and the amount of revenue can be measured reliably) and by reference to assessed computations approved at annual Pacific Islands Forum Fisheries Committee (FFC) meeting. Contributions from member countries are recognised on an accrual basis.

Contributions from member countries received in advance for the next financial year are treated as advance funds.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**2. Significant accounting policies - continued**

**2.9 Revenue - continued**

Revenue from non-exchange transactions: - continued

*Donor funds*

Donor funds are assistance by the governments or organisations in the form of transfers of resources to the Secretariat in return for past or future compliance with certain conditions relating to the operating activities of the Secretariat. Donor funds are used only for the purposes specified by the donors and shall be accepted only if the purposes of such contributions from member governments, private organizations or other donors are consistent with the policies of the Secretariat.

Donor funds are not recognised until there is reasonable assurance that the Secretariat will comply with the conditions attaching to them and the funds will be received. Donor funds are recognised on a cash basis.

Donor funds whose primary condition is that the Secretariat should purchase or acquire long-term assets are recognised as deferred revenue in the statement of financial position and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Donor funds are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Donor funds that are receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income of the period in which it becomes receivable.

Donor funds received during the financial year that are not spent by the end of that financial year are treated as deferred income and carried forward to the next financial year.

*Donations*

Donations are funds donated to the Secretariat by member countries. Such donations do not have specific conditions and as such the donations are recorded as revenue in the statement of financial performance.

*Vessel levy*

Vessel levy are charges imposed on vessels by the Secretariat to assist with its operations and the levy received are recorded as revenue in the statement of financial performance.

*Observer levy*

Observer levy are charges imposed on vessels by the Secretariat to assist with its placement and training of observers on vessels and the levy received are recorded as revenue in the statement of financial performance. Observer levy received during the financial year that are not spent by the end of that financial year are treated as deferred income and carried forward to the next financial year.

Revenue from exchange transactions:

*Vessel registration fees*

Vessel registration fees are often paid in advance and revenue is recognised when the license or the registration period falls within the financial year.

Vessel registration fees received prior to the start of the registration period it relates to are treated as advanced funds.



**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**2. Significant accounting policies - continued**

**2.9 Revenue - continued**

Revenue from exchange transactions: - continued

*Housing rental income*

Housing rental income is recognised on a monthly basis over the term of the tenancy agreement. Rental income is accrued for properties rented out to external parties, especially to other related parties such as US Treaty and employees of **FFA**. Rental income also includes rental income received to pay landlords on behalf of the employees for the other related parties.

*Interest revenue*

Interest revenue is recognised when it is probable that the economic benefits will flow to the Secretariat and the amount of revenue can be measured reliably. Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in the statement of financial performance.

*Program support and cost recovery*

Revenue from program support is recognised based on agreement documented in Memorandum of Agreements (MOUs) between donors and the Secretariat for which a management fee is charged on funds received. The management fee is a percentage applied on funds received and varies from donor to donor. Revenue is recognised on accrual basis.

Cost recovery revenue is recognised by reference to assessed computations approved at annual conference. The approved cost recovery is calculated 66% of total staff costs and it is recognised on an accrual basis.

*Other income*

Other income includes fees from hire of conference centre, office rental, foreign exchange gains or losses, realised gains and losses on the sale of PP&E held at cost, reimbursement of medical fees from insurance provider, refuse and tea money received from employees.

**2.10 Retirement benefit costs**

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**2.11 Income tax and other taxes**

The Secretariat is exempt from corporate income tax, goods tax, duty tax and sales tax obligations under Section 11 of the Solomon Islands Diplomatic Privileges and Immunities Act. The Secretariat is only liable for pay-as-you-earn (PAYE) tax on local employees and withholding taxes under Solomon Islands Income Tax Act.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**2. Significant accounting policies - continued**

*2.12 Impairment of tangible asset*

At the end of each reporting period, the Secretariat reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Secretariat estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

*2.13 Comparatives*

Where necessary comparatives have been changed to conform to the presentation in the current financial year.

*2.14 Budget information*

The budget figures presented in these financial statements are those included in the Secretariat's 2016/2017 Annual Work Program and Budget (AWPB). The Annual Work Program and Budget figures are approved by the Pacific Islands Forum Fisheries Committee (FFC) immediately prior to the beginning of each financial year following a period of consultation with the members as part of the AWPB processes. The budget figures do include any additional expenditure subsequently approved by the FFC as part of the approved Revised Budget. The AWPB figures have been prepared in accordance with FFA's Financial Regulation and are consistent with the above accounting policies adopted by the FFC for the preparation of these financial statements. Explanation of major variances between actual results and budgeted figures is provided in Note 24.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**3. Significant accounting judgements, estimates and assumptions**

In the application of the Secretariat's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, carrying amounts of assets and liabilities that are not readily apparent from other sources, and the accompanying disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**3.1 Judgements in applying accounting policies**

The following are the judgements, apart from those involving estimations (see 3.2 below), that the management has made in the process of applying the Secretariat's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Revenue recognition — refer note 2.9.
- Property, plant and equipment — refer to note 2.6.

**3.2 Estimates and assumptions**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Secretariat based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Secretariat. Such changes are reflected in the assumptions when they occur.

*Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 2.4 and 2.5 for further disclosures.

*Revaluation of leasehold land and buildings*

The Secretariat measures land and buildings at revalued amounts with changes in fair value being recognised in deferred income liability. The Secretariat engaged an independent valuation specialist to assess fair value as at 14 November 2016 for revalued land and buildings. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of these non-financial assets and sensitivity analyses are provided in Note 13.

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**3. Significant accounting judgements, estimates and assumptions**

**3.2 Estimates and assumptions - continued**

*Impairment of non-financial assets — non-cash-generating assets*

The Secretariat reviews and tests the carrying value of non-cash-generating assets (other than property, plant and equipment measured using the revaluation model) when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the Secretariat undertakes impairment tests, which require the determination of the asset's fair value less cost to sell and its recoverable service amount. The asset's fair value less costs to sell is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of observable market evidence, fair value is measured using depreciated replacement cost (DRC). The value in use of the asset is calculated using DRC. DRC is determined by reference to the estimated cost of reproducing the asset or replacing the asset's service potential. The estimation of these inputs into the calculation relies on the use of estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

*Useful lives and residual values*

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Secretariat
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Secretariat are listed in Note 2.6.

**4. Capital management**

For the purpose of the Secretariat's capital management, the Secretariat's capital is its equity, including accumulated comprehensive revenue and expenses and all equity reserves attributable to the Secretariat. Equity is represented by net assets.

The Secretariat manages capital largely as a by-product of managing its revenue, expenses, assets, liabilities and general financial dealings.

The FFA Regulation requires the Secretariat to manage its financial resources effectively, efficiently and economically against high standards of accountability, fairness and transparency.

In order to achieve this overall objective, the Secretariat has to ensure that the expenditure needs identified in the Secretariat's Strategic Plan, Divisional Work Plans, Statement of Intent and Annual Work Program and Budget are met in the manner set out in these plans. The FFC requires the Secretariat to make adequate and effective provision to meet the expenditure needs identified in those plans. The factors that the Secretariat is required to consider when determining the most appropriate sources of funding for each of its activities are set out in the Financial Regulations and may also be reflected in various revenue and funding agreements. The Secretariat monitors actual expenditure incurred against the Strategic Plan, Statement of Intent and Annual Work Plan including through weekly and monthly reporting to the Senior Executive.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2016 and 2017.

# PACIFIC ISLANDS FORUM FISHERIES AGENCY

## Notes to the financial statements for the year ended 30 June 2017 - continued

### 5. Member country contribution reconciliation

	2017 US\$	2016 US\$
<b>Member country:</b>		
Contributions received	1,704,098	1,667,516
<b>Less:</b>		
Contribution arrears as at 1 July	3,213	32,897
Contributions received in advance (prepayment)	36,529	-
	<b>39,742</b>	<b>32,897</b>
<b>Add:</b>		
Contributions received in advance in prior year	-	49,127
Contribution arrears as at 30 June	71,518	3,213
	<b>71,518</b>	<b>52,340</b>
<b>Assessed contributions</b>	<b>1,735,874</b>	<b>1,686,959</b>

Member countries	Contributions received in advance 30 June 2016	Contributions in arrears - 30 June 2016	Assessed contributions for 2017	Contributions received in 2017	Contributions received for 2018	Contributions in arrears - 30 June 2017
	US\$	US\$		US\$	US\$	US\$
Australia			634,782	634,782		
Cook Islands			20,165	14,972		5,193
FSM		43,590		38,918		4,672
Fiji		3,213	43,590	46,967	163	
Kiribati			31,854	31,854		
Marshall Islands			31,854	31,854		
Nauru			31,854	31,854		
New Zealand			634,782	634,782		
Niue			20,165			20,165
Palau			31,854	68,220	36,366	
Papua New Guinea			43,590	43,590		
Samoa			20,165	20,165		
Solomon Islands			43,590	43,590		
Tokelau			20,165	20,165		
Tonga			31,854	31,854		
Tuvalu			20,165	10,531		9,634
Vanuatu			31,854			31,854
<b>Total - 2017</b>		<b>3,213</b>	<b>1,735,873</b>	<b>1,704,098</b>	<b>36,529</b>	<b>71,518</b>
<b>Total - 2016</b>	<b>49,127</b>	<b>32,897</b>	<b>1,686,959</b>	<b>1,667,516</b>		<b>3,213</b>

## PACIFIC ISLANDS FORUM FISHERIES AGENCY

### Notes to the financial statements for the year ended 30 June 2017 - continued

#### 6. Donor funds income reconciliation

	2017 US\$	2016 US\$
Total donor funds received	14,617,877	12,089,398
Add: donor funds receivable	224,909	242,908
Total funds received and receivable	14,842,786	12,332,306
Add: Opening advance fund	6,299,624	4,496,491
Total funds available	21,142,410	16,828,797
Less: Advance funds carried forward	(9,009,839)	(6,299,624)
<b>Total Trust Fund income</b>	<b>12,132,571</b>	<b>10,529,173</b>

Funds received/ Donors 2017 US\$	receivable	Funds carried forward 2016 US\$	Total income 2017 US\$	Funds carried forward to ' 2017 US\$	Net income 2017 US\$
Australia Department of Foreign Affairs and Trade (DFAT) - Program funding Australia	2,640,359	1,439,935	4,080,294	1,157,573	2,922,721
Department of Agriculture and Water Resources (DAWR) - Niue Treaty Information System (NTIS)	73,748	20,654	94,402		94,402
DFAT - FFA/PNA Corporation	76,263	46,508	122,771		122,771
DFAT - Catch Documentation System/Scheme (CDS)		38,855	38,855	33,121	5,734
New Zealand Ministry of Foreign Affairs and Trade (NZMFAT) - Program funding	1,935,886	31,895	1,967,781	558,810	1,408,971
NZMFAT - Tuna Investment and Export Facilitation	-	506,743	506,743	-	506,743
NZMFAT- Pacific Fisheries Training	529,685	889,386	1,419,070	640,378	778,693
NZMFAT- Infrastructure Investment	-	143,708	143,708	-	143,708
NZMFAT - Fisheries Information Management Systems	660,856	613,093	1,273,949	593,108	680,841
NZMFAT - Te Vaka Moana	125,506	502,401	627,907	322,043	305,864
NZMFAT- Input into Leaders' Report	-	219,490	219,490	67,353	152,137
NZMFAT- Increasing Employment and Economic Benefits from Tuna Fisheries	1,044,090	-	1,044,090	874,550	169,540
NZMFAT - Improving South Pacific Tuna Longline Policy and Management	1,255,640	-	1,255,640	1,245,568	10,072
NZMFAT - Pacific Islands Port State Measures	495,448	-	495,448	495,448	-
Japan Promotion Fund (JPF)	869,179	1,073,65	1,942,831	1,084,61	858,221
Oceanic Fisheries Management Project Two (OFMP2) - UNDP/GEF	1,034,099	2	1,141,943	0 -	1,141,943
OFMP2 - FAO/GEF	1,006,010	107,844 -	1,006,010	130,618	875,392
European Union (EU)/DevFish2	1,705		1,705		1,705
National Marine Fisheries Service (NMFS)		8,594	8,594	8,594	-

Notes to the financial statements  
for the year ended 30 June 2017 - continued

6. Donor funds income reconciliation - continued

Donors	Funds received/ receivable 2017 US\$	Funds carried forward 2016 US\$	Total income 2017 US\$	Funds carried forward to 2017 US\$	Net income 2017 US\$
Australian Centre for International Agricultural Research (ACIAR)	(12,264)	12,264	-	-	-
SciCOFish	-	9,419	9,419	9,419	72,589
Food & Agriculture Organisation (FAO) World Bank - IDA PROP	160,277	224,083	160,277	87,688	707,83
World Bank-GEF PROP World Bank - GEF OPP Environmental Defense Fund (EDF)	587,674	99,997	811,757	103,918	9-
Wide World Fund - New Zealand	50,015	199,997	150,012	150,012	9,271
Korea Institute of Ocean Science & Technology (KIOST)	- 34,987	41,823	199,997	190,726	41,823
Swedish Fund	259,907	-	41,823	-	-
The Pew Charitable Trusts (Pew)	1,085,857	-	34,987	34,987	102,983
Western and Central Pacific Fisheries Commission (WCPFC)	104,991	-	259,907	156,924	562,683
Observer Cost Recovery Fund	267,268	-	1,085,857	523,174	85,391
Other	523,659	-	104,991	19,600	92,178
	31,941	69,283	267,268	175,090	255,215
			523,659	268,444	23,141
			101,224	78,083	
<b>Total - 2017</b>	<b>14,842,786</b>	<b>6,299,624</b>	<b>21,142,410</b>	<b>9,009,839</b>	<b>12,132,571</b>
<b>Total - 2016</b>	<b>12,332,306</b>	<b>4,496,491</b>	<b>16,828,797</b>	<b>6,299,624</b>	<b>10,529,173</b>

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**7. Expenditures by outputs**

	<b>2017</b>	<b>2016</b>
	US\$	US\$
<b>Output 1: High level advice</b>		
Staff costs and benefits	2,332,910	2,409,868
Project expenditures	2,131,906	875,475
	<b>4,464,816</b>	<b>3,285,343</b>
<b>Output 2: Fisheries management</b>		
Staff costs and benefits	883,136	709,540
Project expenditures	2,493,654	1,162,067
	<b>3,376,790</b>	<b>1,871,607</b>
<b>Output 3: Fisheries development</b>		
Staff costs and benefits	991,942	1,037,812
Project expenditures	1,272,100	1,851,136
	<b>2,264,042</b>	<b>2,888,948</b>
<b>Output 4: Fisheries operations</b>		
Staff costs and benefits	1,310,448	1,231,736
Project expenditures	3,336,171	3,106,550
	<b>4,646,619</b>	<b>4,338,286</b>
<b>Output 5: Corporate services</b>		
Staff costs and benefits	1,563,861	1,416,675
Operating expenditures	2,275,156	3,360,547
Capital expenditures	154,439	40,439
Depreciation	447,732	455,826
	<b>4,441,188</b>	<b>5,273,487</b>
<b>Total expenditures</b>	<b>19,193,455</b>	<b>17,657,671</b>

**8. Audit fees and non-audit fees**

Audit fees	8,500	8,000
Other charges relating to the audit	11,500	15,000
	<b>20,000</b>	<b>23,000</b>

**9. Commitments for expenditure**

The Secretariat is not aware of any capital commitments as at the end of the financial year (2016: Nil).



**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**10. Receivables from exchange transactions**

	<b>2017</b>	<b>2016</b>
	US\$	US\$
Rental receivable	7,078	13,037
Interest receivable	3,728	2,701
<b>Inter-entity</b> receivables	87,647	393,410
Sundry recoverable	436,156	475,360
Total receivables	534,609	884,508
Provision for doubtful debts	(73,390)	(47,663)
<b>Net receivables</b>	<b>461,219</b>	<b>836,845</b>

Receivables from exchange transactions are non-interest bearing and are generally on terms of 30 days to 2 years. As at 30 June, the ageing analysis of receivables from exchange transactions is as follows:

<u>Ageing of past due but not impaired</u>		
Less than 30 days	363,984	276,999
30 - 60 days	65,101	34,622
60 - 90 days	471	2,874
90 days and over	105,053	570,013
Total	<b>534,609</b>	<b>884,508</b>

**11. Receivables from non-exchange transactions**

Membership contribution receivable	71,518	3,213
Donor fees receivable	269,236	621,262
	<b>340,754</b>	<b>624,475</b>

Receivables from non-exchange transactions are non-interest bearing and are generally on terms of 30 days to 1 year. As at 30 June, the ageing analysis of receivables from non-exchange transactions is as follows:

<u>Ageing of past due but not impaired</u>		
Less than 30 days	269,236	617,828
30-60 days		3,213
90 days and over	71,518	3,434
Total	<b>340,754</b>	<b>624,475</b>

**12. Prepayments**

Prepayments	174,488	189,346
Rental bonds receivable	83,840	78,359
	<b>258,328</b>	<b>267,705</b>
Current	174,488	189,346
Non-current	83,840	78,359
	<b>258,328</b>	<b>267,705</b>

## PACIFIC ISLANDS FORUM FISHERIES AGENCY

### Notes to the financial statements for the year ended 30 June 2017 - continued

#### 13. Property, plant and equipment

	Leasehold Land at fair value	Buildings at fair value	Plant, equipment and furniture at cost	Motor vehicles at cost	Total
	US\$	US\$	US\$	US\$	US\$
<b>Cost or valuation</b>					
<b>Balance at 30 June 2015</b>	<b>2,250,600</b>	<b>4,140,935</b>	<b>810,921</b>	<b>211,884</b>	<b>7,414,340</b>
Additions		13,189	151,748	21,606	186,543
Disposals		(40,865)	(41,121)	(34,147)	(116,133)
<b>Balance at 30 June 2016</b>	<b>2,250,600</b>	<b>4,113,259</b>	<b>921,548</b>	<b>199,343</b>	<b>7,484,750</b>
Additions			108,534	33,159	141,693
Disposals	(730,762)	(145,601)	(13,410)	(28,333)	(918,106)
Revaluation	1,009,762	535,188			1,544,950
<b>Balance at 30 June 2017</b>	<b>2,529,600</b>	<b>4,502,846</b>	<b>1,016,672</b>	<b>204,169</b>	<b>8,253,287</b>
<b>Accumulated depreciation</b>					
<b>Balance at 30 June 2015</b>	<b>(490,570)</b>	<b>(369,403)</b>	<b>(478,742)</b>	<b>(151,547)</b>	<b>(1,490,262)</b>
Disposal		3,497	32,866	34,147	70,510
Depreciation expense	(122,643)	(103,505)	(208,913)	(20,765)	(455,826)
<b>Balance at 30 June 2016</b>	<b>(613,213)</b>	<b>(469,411)</b>	<b>(654,789)</b>	<b>(138,165)</b>	<b>(1,875,578)</b>
Disposal		1,309	13,348	28,333	42,990
Depreciation expense	(145,962)	(109,846)	(167,308)	(24,616)	(447,732)
Revaluation - write back	674,485	508,330			1,182,815
<b>Balance at 30 June 2017</b>	<b>(84,690)</b>	<b>(69,618)</b>	<b>(808,749)</b>	<b>(134,448)</b>	<b>(1,097,505)</b>
<b>Net book value</b>					
<b>Balance as at 30 June 2017</b>	<b>2,444,910</b>	<b>4,433,228</b>	<b>207,923</b>	<b>69,721</b>	<b>7,155,782</b>
<b>Balance as at 30 June 2016</b>	<b>1,637,387</b>	<b>3,643,848</b>	<b>266,759</b>	<b>61,178</b>	<b>5,609,172</b>

#### 13.1 Leasehold land and buildings carried at valuation

The leasehold land was donated by Solomon Islands and the buildings were donated by various donors to Pacific Islands Forum Fisheries Agency. These had previously not been recorded. On transition to IFRS, and now IPSAS, the leasehold land and buildings and the related deferred income were brought to account.

An independent valuation of the Secretariat's leasehold land and buildings was performed by Value Solutions Appraisal Ltd to determine the fair value of the buildings. The valuation, which conforms to International Valuation Standards, was determined by reference to discounted cash flows using a discount rate of 10%. The effective date of the valuation is 14 November 2016.

#### 13.2 Disposal of buildings

In December 2016, one of FFA's residential properties, FFA House number 1 at Tandai, Honiara, Solomon Islands, was burnt down. The revaluation value, accumulated depreciation and deferred income liability were recognised in the financial performance with a nil impact. FFA received \$105,423 as insurance claim on the burnt-down house and recognised the insurance claim income as deferred revenue because the house is a donor funded property.

## PACIFIC ISLANDS FORUM FISHERIES AGENCY

### Notes to the financial statements for the year ended 30 June 2017 - continued

	2017	2016
	US\$	US\$
<b>14. Payables and accruals from exchange transactions</b>		
Other creditors and accruals	1,247,104	1,070,593
Advance vessel registration fees	2,018,434	2,054,275
Inter-entity payables	2,681	
Others	79,201	157,500
	<b>3,347,420</b>	<b>3,282,368</b>

Terms and conditions of the above financial liabilities:

- Other creditors and accruals are non-interest bearing and are normally settled on 30-day terms;
- Advance vessel registration fees reflect fees received from vessel owners during the year towards the fiscal year for 2017/2018 registration fees;
- Inter-entity payables relate to US Treaty Funds and were subsequently paid; and
- Others comprise payables for employee costs especially taxes to Solomon Islands Government, superannuation contributions, credit union contributions and fees to Honiara City Council.

The Secretariat has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms or within 30 days of receiving the invoice.

#### 15. Payables and accruals from non-exchange transactions

Advance member countries contributions	36,529	
Advance receipt of Australia's PDF donation	156,250	
Deferred revenue for Housing Fund	105,423	
	<b>298,202</b>	
<b>Advance donor funds</b>		
DFAT - Program funding	1,157,573	1,439,935
DAWR - NTIS		59,509
ADFAT - FFA/PNA Corporation		46,508
ADFAT - CDS	33,121	
NZMFAT - Program funding	558,810	31,895
NZMFAT - Pacific Fisheries Training	640,378	889,386
NZMFAT - Tuna Investment and Export Facilitation	111,761	506,743
NZMFAT - Fisheries Information Management Systems	593,108	613,093
NZMFAT - Infrastructure Investment		143,708
NZMFAT - Te Vaka Moana	322,043	502,401
NZMFAT - Leaders' Report	67,353	219,490
NZMFAT- IEEBTF	762,789	
NZMFAT - SP Tuna Longline	1,245,568	
NZMFAT- Port State Measures	495,448	
Japan Promotion Fund/OFCE	1,084,610	1,073,651
OFMP2 - UNDP/GEF		107,844
OFMP2 - FAOIGEF	130,618	
ACIAR		12,264
NMFS	8,594	8,594
SciCOFish	9,419	9,419
Food & Agriculture Organisation (FAO)	87,688	

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**15. Payables and accruals from non-exchange transactions - continued**

	2017	2016
	US\$	US\$
World Bank - GEF PROP	150,012	99,997
World Bank - IDA PROP	103,918	224,083
World Bank - GEF OPP	190,726	199,997
Environmental Defense Funds		41,823
Wide World Fund — New Zealand	34,987	
Korea Institute of Ocean Science & Technology (KIOST)	156,924	
Swedish Fund	523,174	
The Pew Charitable Trusts (Pew)	19,600	
Western and Central Pacific Fisheries Commission (WCPFC)	175,090	
Observer Cost Recovery Fund	268,444	
Others	78,083	69,284
<b>Total donor funds</b>	<b>9,009,839</b>	<b>6,299,624</b>
<b>Grand total</b>	<b>9,308,041</b>	<b>6,299,624</b>

Advanced member country contribution

Advanced member country contributions of \$36,529 were received for financial year 2017/2018 and relates to Fiji and Palau.

Advanced receipt of Australia's PDF donation

The Secretariat received in advanced Australia's PDF share of \$156,250 from US Treaty for financial year 2017/2018.

Deferred revenue for Housing Fund

The deferred revenue from Housing Fund relates to insurance payment received for one of the Secretariat's houses that go burnt down in December 2016. The carrying amount of the deferred revenue will be reduced and an amount of deferred liability equal to that reduction is recognized when constructing the new house.

Advance donor funds

Advance donor funds relates to donor funds received from various donors for specific projects. The total donor funds received in 2017 was \$14,617,877 (2016: \$12,089,398) — refer note 6.

The Secretariat recognises as a liability conditions attached to donor funds. Conditions may be imposed by donors on the use of contributions, and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognised as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As the Secretariat satisfies the conditions on the donations through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**16. Employee benefits**

	<b>2017</b>	<b>2016</b>
	US\$	US\$
Annual leave	578,048	635,872
Retention	326,022	366,558
	<b>904,070</b>	<b>1,002,430</b>
Current	745,965	860,356
Non-current	158,105	142,074
	<b>904,070</b>	<b>1,002,430</b>

**17. Deferred income liability**

***Current***

Arising from fixed asset		
- General Fund	133,495	102,078
- Trust Fund	92,198	107,331
- Housing Fund	114,656	124,070
	<b>340,349</b>	<b>333,479</b>

***Non-current***

Arising from fixed asset (i)		
General Fund	3,613,070	2,489,433
Trust Fund	100,162	60,082
Housing Fund	3,016,918	2,565,653
	<b>6,730,150</b>	<b>5,115,168</b>
	<b>7,070,499</b>	<b>5,448,647</b>

(i) An amount of US\$345,598 was released from the deferred revenue which represents the depreciation charge for the year on the related property, plant and equipment (2016: US\$333,479).

**18. Retirement benefit plans**

The local employees of the Secretariat are members of a state-managed retirement benefit plan operated by the government of Solomon Islands. Other employees of the Secretariat voluntarily become members of the state-managed retirement benefit plan. The Secretariat is required by Solomon Islands National Provident Fund Act (SINPF) to contribute a fixed percentage of 7.5% as an employer contribution to the retirement benefit scheme to fund the benefits. The only obligation of the Secretariat with respect to the retirement benefit plan is to ensure compliance with the SINPF Act regarding the employer's contributions.

The total expense of US\$348,856 (2016: US\$365,345) is recognised in the statement of financial performance represents contributions paid to these plans by the Secretariat at rates specified in the rules of the plans. As at 30 June 2017, contributions of US\$10,617 (2016: US\$11,366) due in respect of the reporting period had not been paid over to the plans. The amount was paid subsequent to the end of the reporting period.

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**19. Financial risk management objectives and policies**

The Secretariat's principal financial liabilities, other than derivatives, comprise of loans and trade and other payables. The main purpose of these financial liabilities is to finance and provide guaranteed support for the Secretariat's operations and commitments. The Secretariat's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Secretariat is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk. The Secretariat's senior management oversees the management of these risks. The Secretariat's senior management is supported by a finance team that advises on financial risks and the appropriate financial risk governance framework for the Secretariat. The Secretariat's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with the Secretariat's policies and risk objectives. It is the Secretariat's policy that no trading in derivatives for speculative purposes may be undertaken. The Secretariat's Executive reviews and agrees policies for managing each of these risks, which are summarised below.

**19.1 Foreign currency risk management**

The Secretariat undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy.

The carrying amounts of the Secretariat's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Currency of Solomon Islands	384,964	508,442	596,343	645,716
Currency of Australia	18,530	12,246	651,429	27,902
Currency of New Zealand			863,483	136,411

Foreign currency sensitivity analysis

The Secretariat is significantly exposed to the currencies of Solomon Islands, Australia and New Zealand.

The following table details the Secretariat's sensitivity to a 10% increase and decrease in the US\$ against the relevant foreign currencies. Sensitivity rate of 10% was used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in surplus and accumulated funds where the US\$ strengthens 10% against the relevant currency. For a 10% weakening of the US\$ against the relevant currency, there would be a comparable impact on the surplus and accumulated funds, and the balances below would be negative.

		<b>Total impact</b>	
		<b>2017</b>	<b>2016</b>
		<b>US\$</b>	<b>US\$</b>
Indicative foreign currency gain or loss	(i)	170,776	28,934

(i) This is mainly attributable to the exposure outstanding on SB\$, AU\$ and NZ\$ cash and cash equivalents, receivables and payables in the Secretariat at the end of the reporting period.

The Secretariat's sensitivity to foreign currency has increased during the current period mainly due to the volatility of SB\$, AU\$ and NZ\$ against US\$ during the year.

In management's opinion, the sensitivity analysis does not adequately capture the current trends in foreign exchange movements in terms of prudent budget management. The Secretariat will continue to seek advice and take action to reduce future exposure where possible to the impacts of ongoing exchange rate variations.

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**19. Financial assets and financial liabilities - continued**

**19.2 Interest rate risk management**

The Secretariat is exposed to interest rate risk because the Secretariat invests in term deposits at fixed interest rates. The risk is managed by the Secretariat by maintaining an appropriate mix between fixed rates from different banks.

The Secretariat's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The interest rate profile of the entity's interest-bearing financial instruments are as follows:

	<u>2017</u>	<u>2016</u>
<b>Fixed-rate instruments</b>	<b>US\$</b>	<b>US\$</b>
Short-term deposits	7,599,078	3,784,364
	<u><del>7,599,078</del></u>	<u><del>3,784,364</del></u>

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the entity's exposure to interest rate risk is considered not material.

**19.3 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Secretariat. The Secretariat has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Secretariat's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of member country contributions, funds receivable from donors, receivables from staff or landlords and funds from other managed funds. Ongoing credit evaluation is performed on the financial condition of accounts receivable in order to reduce any exposure to bad debts. The Secretariat does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Secretariat's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**19.4 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Director General, who has established an appropriate liquidity risk management framework for the management of the Secretariat's short-term, medium-term and long-term funding and liquidity management requirements. The Secretariat manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The entity's exposure to liquidity risk is considered not material.

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**20. Related party transactions**

The Secretariat has a related party relationship with its managed funds and its executive officers. During the year the following funds were managed by the Secretariat:

- Multilateral Fisheries Treaty with the United States of America (UST)

Details of transactions between the Secretariat and other related parties are disclosed below.

**20.1 Transactions between FFA and its related parties**

During the financial year, the following transactions occurred between the Secretariat and its related parties:

	2017 US\$	2016 US\$
Rent received from UST Funds	35,993	17,733
Housing allowance received from UST Funds	28,370	19,780
Cost recovery received from UST Administration Fund	187,527	120,498
	<b>251,890</b>	<b>158,011</b>

In addition, the net closing balances of accounts receivable and accounts payable arising from transactions between the Secretariat and its related parties are:

	2017 US\$	2016 US\$
<b>Receivables</b>		
US Treaty Administration Fund	59,775	374,722
US Treaty Project Development Fund		15,715
US Treaty Observer Placement Fund		2,351
US Treaty Observer Administration Fund	27,872	622
	<b>87,647</b>	<b>393,410</b>
<b>Payables</b>		
US Treaty Administration Funds	(1,670)	
US Treaty Project Development Fund	(1,011)	
	<b>(2,681)</b>	
	<b>84,966</b>	<b>393,410</b>

All amounts advanced to or payable to related parties are unsecured.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.



**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**20. Related party transactions - continued**

**20.1 Transactions between FFA and its related parties - continued**

**20.2 Key management personnel**

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

- James Movick - Director General
- Wez Norris - Deputy Director General
- Dr. Tim Adams - Director Fisheries Management
- Mike Batty - Director Fisheries Development
- Noan Pakop - Director Fisheries Operations
- Perry Head — Director Corporate Services
- Dr. Manu Tupou-Roosen — Legal Counsel

The aggregate compensation of the key management personnel comprises of short term benefits only and is set out below:

	<b>2017</b>	<b>2016</b>
	US\$	US\$
Short-term benefits	1,786,997	1,741,826
	<b>1,786,997</b>	<b>1,741,826</b>

The remuneration of key management personnel is determined by the human resources section and approved in the annual Forum Fisheries Committee meeting having regard to the performance of individuals and market trends.

The amounts disclosed in the table are the amounts recognised as expenses during the reporting period related to key management personnel.

The Director General is provided a vehicle and housing benefits during the year.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2016: nil).

The Secretariat did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2016: nil).

The Secretariat did not provide any loans to key management personnel or their close family members.

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**21. Cash and cash equivalents**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in term deposits with a maturity of three months or less. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2017	2016
	US\$	US\$
Petty cash	256	250
Cash at bank	6,519,982	6,288,103
Term deposits	7,599,078	3,784,364
	<b>14,119,316</b>	<b>10,072,717</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Secretariat, and earn interest at the respective short-term deposit rates.

The cash and cash equivalents balance of the Secretariat includes an amount of \$9,009,839 (2016: \$6,299,624) that relates to unspent donor funds that are subject to restrictions. The unspent funds relate to activities funded under Trust Fund. The restrictions attached to these donor funds specify that the funds must be spent for the aforementioned respective purposes, and provide a timeframe within which the agreed-upon deliverables required for achieving the purpose of the funds must be completed.

**(b) Reconciliation of surplus for the year to net cash flows from operating activities**

	2017	2016
	US\$	US\$
Surplus/(Deficit) for the year	327,524	(649,687)
Less: Interest received classified as investing activities	(40,233)	(34,061)
Add: Depreciation	447,732	455,826
Less: Gain on disposal of assets	(16,143)	(31,678)
<i>Movement in assets and liabilities:</i>		
Decrease/(increase) in receivables from exchange transactions	375,627	(11,840)
Decrease/(increase) in receivables from non-exchange transactions	283,719	(472,609)
Increase in prepayment	9,377	329,894
Increase in payables and accruals from exchange transactions	65,053	11,952
Increase in payables and accruals from non-exchange transactions	3,008,416	1,754,005
(Decrease) in employee benefits	(98,359)	(9,863)
Increase/(decrease) in deferred income liabilities	1,621,851	(315,403)
	<b>5,984,564</b>	<b>1,026,538</b>

**22. Contingent liabilities and contingent assets**

The Secretariat is not aware of any contingent liabilities as at the end of the financial year (2016: Nil).

**23. Events after the reporting period**

There are no material non-adjusting events after the reporting date (2016: Nil).

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**24. Explanation of major variances against budget**

The Secretariat's net surplus was \$327,524. The net effect of the following items contributed to this surplus the major variations of income and expenses or projects which have overspend (underspend) by more (less) than 5% are explained below:

**Income:**

The actual receipt of donor funds amounted to \$21,142,410 of which \$9,009,839 was transferred to advance funds. The advance funds comprises of advance receipts for 2017/2018 financial year and carry-forwards which were significantly planned, required or anticipated.

Vessel registration fees were lower than budgeted by \$32,060. This is due to over budgeting of fees and does not consider the discounts given to member country flagged vessels and vessels that pay in advance using the old rate.

Housing rental receipts and program support and cost recovery income were lower than budgeted due to elimination of inter-entity transactions of \$1,054,727 and \$1,655,013 respectively.

The additional PDF donation from Australia of \$130,565 relates to interest on outstanding PDF balances for the 20th to 24th LPs which were paid by US Treaty and realised as revenue in the current financial year.

FFA vessel levy is lower than budget by \$177,627 due to the late implementation of the levy, no levy for Kiribati flagged vessels, vessel paying in advance using the old rate and apportionment of levy based on licensing period.

Other income was more than budgeted by \$48,774 as a result of increase in receipts for medical reimbursements, conference hire and disposal of assets.

**Expenditures:**

Significant unspent funds were identified in each Division at the end of the 2016/2017 financial year. These will be recognised as revenue in the 2017/18 year.

Tranches of donor funds for the FY2017/18 were received in advance for Japanese promotion funds (\$446,834), DFAT (609,918) and KIOST (129,967). In part these result from lower project or activity implementation rates or delayed receipt of donor funds for the previous years.

The following funding were received towards the end of previous financial year: NZMFAT-MIS (593,108), NZMFAT-SP Tuna Longline (1,245,567) and NZMFAT-Port State Measures (495,447) hence the budgeted activities relating to these funding were held off. There are also significant planned carry-forwards in some funds.

The agency will continue to monitor and manage the size of annual underspends.

Notes to the financial statements  
for the year ended 30 June 2017 — continued

25. Segment Reporting

25.1 Statement of financial performance

	General Fund US\$	Trust Fund US\$	Housing Fund US\$	VMS US\$	Elimination US\$	Grand Total US\$
<b>INCOME</b>						
Member country contributions	1,735,874	-	-	-	-	1,735,874
Donor funds	-	11,684,999	-	-	447,572	12,132,571
Vessel registration fees	-	-	-	3,904,862	-	3,904,862
Housing rental receipts	-	-	1,285,265	-	(1,054,727)	230,538
Interest received	252	32,220	95	8,694	-	41,261
Program support and cost recovery	1,844,206	-	-	-	(1,655,014)	189,192
Australia Project Development Fund donation	286,815	-	-	-	-	286,815
UST levy	315,000	-	-	-	-	315,000
Vessel levy	84,073	-	-	-	-	84,073
Benefit from property, plant and equipment	120,715	89,790	135,093	-	-	345,598
Other income	228,426	5,544	8,040	13,185	-	255,195
<b>Total income</b>	<b>4,615,361</b>	<b>11,812,553</b>	<b>1,428,493</b>	<b>3,926,741</b>	<b>(2,262,169)</b>	<b>19,520,979</b>
<b>EXPENDITURES</b>						
Output 1: High Level Advice	1,602,847	3,006,717	-	129,183	(273,931)	4,464,816
Output 2: Fisheries Management	-	3,519,940	-	-	(143,150)	3,376,790
Output 3: Fisheries Development-	-	2,406,981	-	-	(142,939)	2,264,042
Output 4: Fisheries Operations-	-	2,300,895	-	3,510,628	(1,164,904)	4,646,619
Output 5: Corporate Services	2,762,902	572,476	1,416,511	226,544	(537,245)	4,441,188
<b>Total expenditures</b>	<b>4,365,749</b>	<b>11,807,009</b>	<b>1,416,511</b>	<b>3,866,355</b>	<b>(2,262,169)</b>	<b>19,193,455</b>
<b>Surplus for the year</b>	<b>249,612</b>	<b>5,544</b>	<b>11,982</b>	<b>60,386</b>	<b>-</b>	<b>327,524</b>

PACIFIC ISLANDS FORUM FISHERIES AGENCY

Notes to the financial statements  
for the year ended 30 June 2017 — continued

25. Segment Reporting - continued

25.2 Statement of financial position

	General Fund US\$	Trust Fund US\$	Housing Fund US\$	VMS US\$	Elimination US\$	Grand Total US\$
<b>Assets</b>						
<i>Current assets</i>						
Cash and cash equivalents	961,299	10,274,943	165,926	2,717,148	-	14,119,316
Receivables from exchange transactions	734,304	578,151	124,960	165,969	(1,142,165)	461,219
Receivables from non-exchange transactions	71,518	269,236	-	-	-	340,754
Prepayments	78,420	34,482	69,977	11,100	(19,491)	174,488
<b>Total current assets</b>	<b>1,845,541</b>	<b>11,156,812</b>	<b>360,863</b>	<b>2,894,217</b>	<b>(1,161,656)</b>	<b>15,095,777</b>
<i>Non-current assets</i>						
Property, plant and equipment	3,781,785	192,360	3,157,897	23,740	-	7,155,782
Prepayments	-	-	83,840	-	-	83,840
<b>Total non-current assets</b>	<b>3,781,785</b>	<b>192,360</b>	<b>3,241,737</b>	<b>23,740</b>	<b>-</b>	<b>7,239,622</b>
<b>Total assets</b>	<b>5,627,326</b>	<b>11,349,172</b>	<b>3,602,600</b>	<b>2,917,957</b>	<b>(1,161,656)</b>	<b>22,335,399</b>

**PACIFIC ISLANDS FORUM FISHERIES AGENCY**

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**25. Segment Reporting - continued**

**25.2 Statement of financial position - continued**

	General Fund US\$	Trust Fund US\$	Housing Fund US\$	VMS US\$	Elimination US\$	Grand Total US\$
<b>Liabilities</b>						
<i><b>Current liabilities</b></i>						
Payables and accruals from exchange transactions	596,544	1,139,544	329,117	2,443,871	(1,161,656)	3,347,420
Payables and accruals from no-exchange transactions	192,780	9,009,838	105,423	-		9,308,041
Employee benefits	225,916	369,195	1,980	148,874		745,965
Deferred revenue	133,495	92,198	114,656	-		340,349
<b>Total current liabilities</b>	<b>1,148,735</b>	<b>10,610,775</b>	<b>551,176</b>	<b>2,592,745</b>	<b>(1,161,656)</b>	<b>13,741,775</b>
<i><b>Non-current liabilities</b></i>						
Employee benefits	81,144	65,974		10,987		158,105
Deferred revenue	3,613,071	100,162	3,016,917			6,730,150
<b>Total non-current liabilities</b>	<b>3,694,215</b>	<b>166,136</b>	<b>3,016,917</b>	<b>10,987</b>	<b>-</b>	<b>6,888,255</b>
<b>Total liabilities</b>	<b>4,842,950</b>	<b>10,776,911</b>	<b>3,568,093</b>	<b>2,603,732</b>	<b>(1,161,656)</b>	<b>20,630,030</b>
<b>Net assets</b>	<b>784,376</b>	<b>572,261</b>	<b>34,507</b>	<b>314,225</b>	<b>-</b>	<b>1,705,369</b>
<i>Equity</i>						
Accumulated funds	784,376	572,261	34,507	314,225	-	1,705,369
<b>Total equity</b>	<b>784,376</b>	<b>572,261</b>	<b>34,507</b>	<b>314,225</b>	<b>-</b>	<b>1,705,369</b>

**PACIFIC ISLANDS FORUM FISHERIES AGENCY**

**Notes to the financial statements  
for the year ended 30 June 2017 - continued**

**26. Summary of Trust Fund expenditures**

<b>Donors</b>	<b>2017 Budget USD</b>	<b>% of Total</b>	<b>2017 Actual USD</b>	<b>% of Total</b>	<b>2016 Actual USD</b>	<b>% of Total</b>
<b>ADFAT - Program funding</b>						
Output 1: High level advice	1,365,366		1,092,496		863,705	
Output 2: Fisheries management	444,878		435,120		407,395	
Output 3: Fisheries development	661,223		560,776		530,260	
Output 4: Fisheries operations	422,231		338,545		266,070	
Output 5: Corporate services	340,952		259,202		417,874	
	<b>3,234,649</b>	<b>19.21%</b>	<b>2,686,140</b>	<b>22.75%</b>	<b>2,485,304</b>	<b>24.06%</b>
<b>ADAWR - NTIS</b>						
Output 1: High level advice	123,746		94,403		43,494	
	<b>123,746</b>	<b>0.73%</b>	<b>94,403</b>	<b>0.80%</b>	<b>43,494</b>	<b>0.42%</b>
<b>ADFAT FFAiDNA</b>						
Output 1: High level advice	44,867		38,300			
Output 2: Fisheries management	32,799		65,094			
Output 5: Corporate services	38,836		9,091		22,068	
	<b>116,502</b>	<b>0.69%</b>	<b>112,484</b>	<b>0.95%</b>	<b>22,068</b>	<b>0.19%</b>
<b>ADFAT - CDS</b>						
Output 1: High level advice	17,500		5,733			
	<b>17,500</b>	<b>0.10%</b>	<b>5,733</b>	<b>0.05%</b>		<b>0.00%</b>
<b>NZMFAT - Program funding</b>						
Output 1: High level advice	363,860		336,623		637,457	
Output 2: Fisheries management	261,979		233,269		288,542	
Output 3: Fisheries development	624,072		529,814		609,543	
Output 4: Fisheries operations	554,061		309,266			
Output 5: Corporate services	14,144				393,077	
	<b>1,818,116</b>	<b>10.80%</b>	<b>1,408,970</b>	<b>11.93%</b>	<b>1,928,619</b>	<b>18.67%</b>
<b>NZMFAT - Investment, Export Facilitation</b>						
Output 3: Fisheries development	552,156		506,743		436,520	
	<b>552,156</b>	<b>3.28%</b>	<b>506,743</b>	<b>4.29%</b>	<b>436,520</b>	<b>4.23%</b>
<b>NZMFAT - Pacific Fisheries Training</b>						
Output 1: High level advice	889,385		778,693		406,793	
	<b>889,385</b>	<b>5.28%</b>	<b>778,693</b>	<b>6.60%</b>	<b>406,793</b>	<b>3.94%</b>
<b>NZMFAT - Information Management</b>						
Output 4: Fisheries operation	613,093		680,841		639,284	
	<b>613,093</b>	<b>3.64%</b>	<b>680,841</b>	<b>5.77%</b>	<b>639,284</b>	<b>6.19%</b>
<b>NZMFAT - Infrastructure Investment</b>						
Output 4: Fisheries operation	3,213		837		96,731	
Output 5: Corporate services	140,494		142,871		21,280	
	<b>143,707</b>	<b>0.85%</b>	<b>143,708</b>	<b>1.22%</b>	<b>118,011</b>	<b>1.14%</b>

PACIFIC ISLANDS FORUM FISHERIES AGENCY

Notes to the financial statements  
for the year ended 30 June 2017 — continued

26. Summary of Trust Fund expenditure - continued

Donors	2017 Budget USD	% of Total	Actual USD	2017 % of Total	2016 Actual USD	% of Total
<b>NZMFAT — Te Vaka Moana</b>						
Output 3: Fisheries development	491,579		232,220		227,540	
Output 4: Fisheries operations	114,820		73,644		96,892	
	<b>606,399</b>	<b>3.60%</b>	<b>305,864</b>	<b>2.59%</b>	<b>324,432</b>	<b>3.14%</b>
<b>NZMFAT - Input to Leaders Report</b>						
Output 3: Fisheries development	219,490		152,137		156,923	
	<b>219,490</b>	<b>1.30%</b>	<b>152,137</b>	<b>1.29%</b>	<b>156,923</b>	<b>1.52%</b>
<b>NZMFAT — Increase in Employment &amp; Economic Benefits</b>						
Output 3: Fisheries development	463,811		109,430		-	
	<b>463,811</b>	<b>2.75%</b>	<b>109,430</b>	<b>0.93%</b>	<b>-</b>	<b>0.00%</b>
<b>NZMFAT - SP Tuna Longline Policy &amp; Management</b>						
Output 2: Fisheries management	447,415		10,072		-	
	<b>447,415</b>	<b>2.66%</b>	<b>10,072</b>	<b>0.09%</b>	<b>-</b>	<b>0.00%</b>
<b>OFCE/JPF</b>						
Output 1: High level advice	434,588		281,656		208,312	
Output 3: Fisheries development	579,310		288,123		243,116	
Output 4: Fisheries operations	274,397		153,856		355,373	
Output 5: Corporate services	73,115		0		-	
	<b>1,361,409</b>	<b>8.08%</b>	<b>723,636</b>	<b>6.13%</b>	<b>806,801</b>	<b>7.81%</b>
<b>OFMP2 - FAO/GEF</b>						
Output 2: Fisheries management	587,113		1,141,944		-	
	<b>587,113</b>	<b>3.49%</b>	<b>1,141,944</b>	<b>9.67%</b>	<b>-</b>	<b>0.00%</b>
<b>OFMP2 - UNDP/GEF</b>						
Output 2: Fisheries management	679,861		875,392		1,104,991	
Output 4: Fisheries operations	-		-		2,112	
	<b>679,861</b>	<b>4.04%</b>	<b>875,392</b>	<b>7.41%</b>	<b>1,107,103</b>	<b>10.72%</b>
<b>EU/DEVFISH</b>						
Output 3: Fisheries development	-		-		996,764	
Output 5: Corporate services	-		1,705		97,701	
	<b>-</b>	<b>0.00%</b>	<b>1,705</b>	<b>0.01%</b>	<b>1,094,465</b>	<b>10.60%</b>
<b>ROC/Taiwan</b>						
Output 1: High level advice	-		-		492	
Output 3: Fisheries development	-		-		2,219	
Output 4: Fisheries operation	-		-		2,140	
	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>4,851</b>	<b>0.05%</b>



**PACIFIC ISLANDS FORUM FISHERIES AGENCY**

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**26. Summary of Trust Fund expenditure - continued**

<b>Donors</b>	<b>2017 Budget USD</b>	<b>% of Total</b>	<b>2017 Actual USD</b>	<b>% of Total</b>	<b>2016 Actual USD</b>	<b>% of Total</b>
<b>FAO</b>						
Output 4: Fisheries operation	126,268		66,581		200,552	
	<b>126,268</b>	<b>0.75%</b>	<b>66,581</b>	<b>0.56%</b>	<b>200,552</b>	<b>1.94%</b>
<b>WB-IDA PROP</b>						
Output 2: Fisheries management	2,439,626		717,110		175,914	
	<b>2,439,626</b>	<b>14.49%</b>	<b>717,110</b>	<b>6.07%</b>	<b>175,914</b>	<b>1.70%</b>
<b>EDF</b>						
Output 4: Fisheries operation	41,823		41,823		58,177	
	<b>41,823</b>	<b>0.25%</b>	<b>41,823</b>	<b>0.35%</b>	<b>58,177</b>	<b>0.56%</b>
<b>KIOST</b>						
Output 4: Fisheries operation	130,000		102,983		-	
	<b>130,000</b>	<b>0.77%</b>	<b>102,983</b>	<b>0.87%</b>	-	<b>0.00%</b>
<b>Swedish Funds</b>						
Output 1: High level advice	717,000		384,546			
Output 3: Fisheries development	33,000		27,738			
Output 4: Fisheries operation	250,000		141,557			
Output 5: Corporate services	100,000		8,841		-	
	<b>1,100,000</b>	<b>6.53%</b>	<b>562,683</b>	<b>4.77%</b>	-	<b>0.00%</b>
<b>PEW</b>						
Output 4: Fisheries operation	105,000		85,391		-	
	<b>105,000</b>	<b>0.62%</b>	<b>85,391</b>	<b>0.72%</b>	-	<b>0.00%</b>
<b>WCPFC</b>						
Output 4: Fisheries operation	-		92,178		-	
	-	<b>0.00%</b>	<b>92,178</b>	<b>0.78%</b>	-	<b>0.00%</b>
<b>Observer Cost Recovery Fund</b>						
Output 4: Fisheries operation	891,804		255,215		-	
	<b>891,804</b>	<b>5.30%</b>	<b>255,215</b>	<b>2.16%</b>	-	<b>0.00%</b>
<b>Other</b>						
Output 5: Corporate services	133,154		145,150		220,834	
	<b>133,154</b>	<b>0.79%</b>	<b>145,150</b>	<b>1.23%</b>	<b>220,834</b>	<b>2.14%</b>
<b>Total donor expenditures</b>	<b>16,842,028</b>	<b>100.00%</b>	<b>11,807,009</b>	<b>100.00%</b>	<b>10,328,042</b>	<b>100.00%</b>
Add: Program support paid <sup>1</sup>	0	0.00%	325,562	0.03%	201,131	0.02%
<b>Total gross up expenditures</b>	<b>16,842,028</b>	<b>100.00%</b>	<b>12,132,571</b>	<b>100.00%</b>	<b>10,529,173</b>	<b>100.00%</b>

<sup>1</sup>The program support of \$325,562 was paid and charge against revenue. On consolidation, the revenue was grossed up which resulted in donor revenue increasing to \$12,132,571 (2016: \$10,529,173) — refer note number 6 of the financial statements.

**Notes to the financial statements  
for the year ended 30 June 2017 — continued**

**27. Recognition of interest from bonds provided by Japan**

**Background**

The Pacific Islands Forum Fisheries Agency ("FFA") signed a Memorandum of Understanding ("MOU") with Overseas Fishery Co-operation Foundation ("OFCF") dated 20 June 2008 involving an income stream to the FFA for a period up to ten years. Under the Agreement, OFCF purchased Japanese Government Bonds (JGB) with a face value of Y\$8,300,000,000 at a cost of Y\$8,130,929,000, on behalf of FFA.

The loan arrangement states in particular that:

- The proceeds of the loan can only be used by Japanese Government bonds that are to be held by a custodian (Mitsubishi UFJ Securities);
- FFA is required to pledge the bonds as security for the loan and it is expected that FFA will repay the loan by surrendering the bonds;
- The interest on the bond, less commissions, remittance fees and custodian fees, can only be paid into a Promotion Fund account at the Toranomon Branch of The Bank of Tokyo-Mitsubishi UFJ, established under the MOU between FFA and OFCF;
- FFA must use this income stream for projects set out in the MOU, being projects that accord the FFA's Strategic Plan 2020 and business plan, recommended by a Joint (FFA-OFCF) Committee and approved by the Forum Fisheries Committee (FFC);
- FFA is not able to sell the bonds or use them for other purposes.

**Accounting treatment of the bond, loan and interest.**

**Bond and loan**

Due to the substance of loan arrangement, the bond and the loans do not meet the definition of an asset and liability respectively because FFA does not control the economic benefits of the bond and obligations of the loan.

**Interest**

The net interest from Japanese Government Bonds financed by the Overseas Fishery Co-operation Foundation (OFCF) and paid into an account at the Bank of Tokyo-Mitsubishi UFJ Limited is accounted for when the funding conditions are met and the interest is received.

Note: A negotiation is currently taking place for a follow-on MOU for a further ten year period. The details of a new arrangement (if agreed) will be reported in subsequent years.