

The Intergenerational Trust Fund for the People of the Republic of Nauru

Financial Statements

For the period 6 November 2015 to 30 June 2016

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The Intergenerational Trust Fund for the People of the Republic of Nauru

Statement of Comprehensive Income

For period 6 November 2015 to 30 June 2016

		6 Nov 2015 to 30 Jun 2016 \$'000
Investment income	Notes	
Net gains on financial instruments held at fair value through profit or loss	5	415
Trust distribution		1,516
Contributions	6	33,386
Total net investment income		35,317
Expenses		
Operating expenses		-
Total operating expenses		-
Profit from ordinary activities		35,317
Profit for the period		35,317
Other comprehensive income		-
Total comprehensive income for the period		35,317

The above statement should be read in conjunction with the accompanying notes.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Statement of Financial Position

For period 6 November 2015 to 30 June 2016

	Notes	6 Nov 2015 to 30 Jun 2016 \$'000
Assets		
Cash and cash equivalents		-
Financial assets held at fair value through profit or loss	7	28,739
Contributions receivable	8	5,062
Trust distributions receivable		1,516
Total assets		35,317
Liabilities		
Other payables		-
Total liabilities		-
Net assets		35,317
Equity		
Retained Surplus		35,317
Total Equity		35,317

The above statements should be read in conjunction with the accompanying notes.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Statement of Changes in Equity

For period 6 November 2015 to 30 June 2016

	Notes	Retained Surplus \$'000	Total \$'000
Balance as at 6 November 2015		-	-
Comprehensive Income			
Profit for the period		35,317	35,317
Balance as at 30 June 2016		35,317	35,317

The above statements should be read in conjunction with the accompanying notes.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Statement of Cash Flows

For period 6 November 2015 to 30 June 2016

	Notes	6 Nov 2015 to 30 Jun 2016 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		-
Net cash flows used in operating activities	9	-
Net increase in cash and cash equivalents		-
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the year		-

The above statements should be read with the accompanying notes.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

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The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

1 General information

The Intergenerational Trust Fund for the People of the Republic of Nauru (the Fund) has been established (on 6 November 2015) to provide a source of revenue to the Government of Nauru post 2033 for investments in education, health, environment and infrastructure. The Fund will help to smooth out income streams in the medium term and replace all or part or supplement future revenue. It is governed by Memorandum of Understandings which allows governments to make annual contributions to the Fund. There is a Memorandum of Understanding (MOU) between the Government of the Republic of Nauru (GON) and the Government of Australia (GOA) entered into on 6 November 2015 to contribute to the long-term budgetary self-reliance of the Republic of Nauru. There is also a MOU between the Government of the Republic of Nauru (GON) and the Government of the Republic of China (Taiwan) entered into on 4 April 2016 to contribute on the same basis.

The Fund is exempt from currency and exchange restrictions and income tax as per the International Organisations (Privileges and Immunities—Nauru Trust Fund) Regulation 2015 (Select Legislative Instrument No. 235, 10 December 2015).

The Executive Administrator of the Fund is BDO (Qld) Pty Ltd ACN 134 242 434 (BDO).

The Investment Manager is Mercer Investments (Australia) Limited ABN 66 008 612 397 (Mercer).

The Fund has a management committee (the Committee) that operates under the Memorandum of Understandings. The Committee has a representative from Nauru, Australia and Taiwan (refer to Note 9).

The Review Consultant for the Fund is Business and Government Strategies International (BGSi).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to from date of establishment, unless otherwise stated in the following text.

2.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board in Australia and the applicable MOUs.

All amounts are presented in Australian dollars and have been rounded to the nearest thousand dollars unless otherwise indicated.

These financial statements were prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

2.1.1 New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that would be expected to have a material impact on the Fund.

2.2 Financial instruments

2.2.1 Classification

The Fund's investments are classified as at fair value through profit or loss. They are comprised of financial instruments designated at fair value through profit or loss upon initial recognition.

Financial assets designated at fair value through profit or loss, upon initial recognition are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategies.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

2.2 Financial instruments (continued)

2.2.2 Recognition / derecognition

The Fund recognises financial assets and financial liabilities on the date they become party to the contractual agreement (trade date).

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

2.2.3 Measurement

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs.

Investments in unlisted unit trusts are recorded at the exit price as reported by the managers of the trusts.

2.3 Cash and cash equivalents

For the purpose of presentation in the statement of financial position and the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activities.

2.4 Receivables

Contributions are accrued when there is reasonable assurance that the Fund will comply with any conditions under the MOU and that the monies will be received.

Trust distributions are accrued when the right to receive payment is established.

2.5 Investment income

Interest income is recognised in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gain on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2.2.

Trust distributions are recognised when the right to receive payment is established.

Contributions are recognised when there is reasonable assurance that the Fund will comply with any conditions under the MOU and that the monies will be received. As per AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, the total contribution is recognised as income through profit and loss in the current period as the contributions relate directly to the financial instruments held with no related costs in future years.

2.6 Income tax

The Fund is exempt from income tax as per the International Organisations (Privileges and Immunities—Nauru Trust Fund) Regulation 2015.

2.7 Use of estimates

For the Fund's financial investments, quoted market prices are readily available.

The Fund individually holds investments in unlisted trusts and the investment managers of these funds may use estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

2.8 New and revised accounting standards

Certain new or amended accounting standards have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Fund. The Committee's assessment of the impact of these new or amended standards (to the extent they are relevant to the Fund) is set out below:

2.8.1 AASB 9 Financial Instruments and applicable amendments (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Committee does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

The Fund has not yet decided when to adopt AASB 9.

2.8.2 AASB 15 Revenue from Contracts with Customers (effective from 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, Government contributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Committee does not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

2.9 Comparatives

The reporting period is from the establishment of the Fund, being 6 November 2015 to 30 June 2016. As a result there are no comparatives.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

This note presents information about the Fund's exposure to each of the above risks, as well as the Fund's objectives, policies and processes for measuring and managing the risk.

The disclosures are prepared on the basis of the Fund's direct investments and not on a look-through basis to the underlying investments of the unlisted unit trusts that the Fund primarily holds.

(a) Risk management framework

The Fund maintains positions in an unlisted unit trust managed by Mercer in accordance with the Fund's investment strategy.

The Fund's overall risk management program focuses on ensuring compliance with the MOU and seeks to maximise the returns derived for prudent levels of risk. The primary method of mitigating or controlling risks to the Fund's investment portfolio is diversification.

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives and employs a disciplined approach to the management of risk. The Fund's portfolio is constructed utilising investments that provide exposure to different assets classes, the returns from which have low correlation, so as to strengthen diversification and consequently reduce the overall effect on asset specific risk.

The Fund's investment portfolio and the performance of the investments are monitored by the Committee and the Review Consultant on a quarterly basis. In instances where the portfolio diverges from the DAA ranges, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established ranges, within prescribed time limits.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

3 Financial risk management (continued)

(b) Market risk

(i) Price Risk

The Fund is exposed to securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain, in particular the investments in unlisted unit trusts. Investments are classified in the statement of financial position as at fair value through profit or loss. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As outlined earlier, the Fund's investment manager mitigates price risk through diversification and a careful selection of investments.

The following table summarises the impact on the Fund's net assets of an increase/decrease in the value of the Fund's investment in unlisted unit trusts. The analysis is based on the assumptions that the unlisted unit trusts' net asset values increased by 10% and decreased by 10% with all other variables held constant.

	6 Nov 2015 to 30 Jun 2016 \$'000
Impact on operating profit / net assets attributable to unitholders	
Fair value of investments in unlisted unit trusts increased by 10%	3
Fair value of investments in unlisted unit trusts decreased by 10%	(3)

The sensitivity analysis presented is based upon the portfolio composition as at 30 June. The composition of the Fund's investment portfolio may change over time. The sensitivity analysis prepared as at 30 June is not necessarily indicative of the effect on the Fund's net assets of future movements in the value of the investments in unlisted unit trusts.

The 10% change in unlisted unit trust net asset values has been determined based on management's best estimate. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of economies, markets and securities in which the Fund has exposure. As a result, historic variations in risk variables should not be used to predict future variations in risk variables.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

When the investment manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the investment manager factors that into its portfolio allocation decisions.

While the Fund has no direct exposure to foreign exchange rate changes, the Fund may be indirectly affected for example, by the impact of foreign exchange rate changes on the investments held by the unlisted unit trusts in which the Fund primarily invests. No sensitivity analysis has been prepared, however this may not necessarily indicate the effect on the Fund's net assets of future movements in foreign exchange rates. Please refer to Note 3(b)(i) for further details pertaining to the sensitivity of the investments in unlisted unit trusts.

(iii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities, namely its holdings in cash and cash equivalents. However, as there is no direct impact on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows as a result of any change in the year end interest rates, no sensitivity analysis has been prepared.

However, the Fund may be indirectly affected for example, by the impact of interest rate changes on the investments held by the unlisted unit trust in which the Fund primarily invests. No sensitivity analysis has been prepared for this exposure, however this may not necessarily indicate the effect on the Fund's net assets of future movements in interest rates. Please refer to Note 3(b)(i) for further details pertaining to the sensitivity of the investments in unlisted unit trusts.

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investments in unlisted unit trusts. The Fund is also exposed to a counterparty credit risk on cash and cash equivalents.

(i) Unlisted unit trusts

The credit risk arising on investments in unlisted unit trusts is mitigated by investing with managers who are well recognised and have a proven track record of delivering on their stated investment objectives. Continual monitoring of the Fund's investment manager by the Committee and the Review Consultant is also carried out on an ongoing basis.

The Fund's investment manager separately carries out extensive due diligence on any proposed underlying managers to their unlisted unit trusts prior to making an investment allocation to ensure these managers are well recognised and have a proven track record of delivering on their stated investment objectives.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- (as determined by Standard and Poor's) or higher.

The Committee monitors the Fund's credit position on a monthly basis.

(iii) Other

The Fund is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or can only do so on terms that are materially disadvantageous.

Investments in unlisted unit trusts expose the Fund to the risk that the manager of those unlisted unit trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Fund.

4 Fair value measurement

The Fund measures and recognises financial assets at fair value through profit or loss (FVTPL) (see Note 5) on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

4 Fair value measurement (continued)

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

(i) Fair value in an active market

The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of substantially similar other instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Valuation techniques employed may not fully reflect all factors relevant to the position the Fund holds. Valuations may therefore be adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

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

Recognised fair value measurements

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Committee. The Committee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Fund's financial assets (by class) are all investments in unlisted unit trusts and measured at fair value according to the fair value hierarchy at 30 June 2016.

The Fund's investments in unlisted unit trusts are classified within level 2 as these markets are not considered to be active but are valued based on alternative pricing sources supported by observable inputs. The Fund does not have any relevant assets classified as level 1 or level 3.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

5 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial assets held at fair value through profit or loss.

	6 Nov 2015 to 30 Jun 2016 \$'000
Financial assets	
Unlisted unit trusts - Realised	107
Unlisted unit trusts – Unrealised	308
Net gain on financial assets held at fair value through profit or loss	415

6 Contributions

	6 Nov 2015 to 30 Jun 2016 \$'000
Government of Nauru	20,400
Government of Australia	4,928
Asian Development Bank	2,634
Government of the Republic of China (Taiwan)	5,424
	33,386

7 Financial assets held at fair value through profit or loss

	6 Nov 2015 to 30 Jun 2016 \$'000
Designated at fair value through profit or loss	
Mercer Growth Trust	28,739
Total financial assets held at fair value through profit or loss	28,739

An overview of the risk exposures of fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3.

The Intergenerational Trust Fund for the People of the Republic of Nauru

Notes to the Financial Statements

for the period 6 November 2015 to 30 June 2016

8 Contributions receivable

	6 Nov 2015 to 30 Jun 2016 \$'000
Asian Development Bank	2,634
Government of Australia	2,428
Total contributions receivable	5,062

The above contribution amounts were approved in May 2016 and paid to the Fund in September 2016.

9 Reconciliation of cash flows from operating activities

	6 Nov 2015 to 30 Jun 2016 \$'000
Profit for the year	35,317
Net change in financial instruments held at fair value through profit or loss	(28,739)
Net change in receivables	(6,578)
Net cash outflow from operating activities	-
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	-

10 Related party transactions

Key management personnel

The following key management personnel that held positions of authority and responsibility for planning, directing and controlling the activities of the Fund during the financial year, unless otherwise stated, were Management Committee members:

Key management personnel	Position
David Adeang	Minister for Finance and Committee Chairman - GON representative appointed 18 February 2016
Richard Bontjer	Director, Public Financial Management, Department of Foreign Affairs and Trade - GOA Committee representative appointed 18 February 2016
Elliott Charng	Director General, Department of East Asian and Pacific Affairs, Taiwan - Taiwan Committee representative appointed 18 February 2016 and resigned 13 October 2016
Winston Win-Yi Chen	Director General, Department of East Asian and Pacific Affairs, Taiwan - Taiwan Committee representative appointed 13 October 2016

The Intergenerational Trust Fund for the People of the Republic of Nauru

10 Related party transactions (continued)

Key management personnel (continued)

Key management personnel	Position
Joseph Chow	Ambassador of Taiwan to the Republic of Nauru - Alternate Committee member for Taiwan representatives (appointed 18 February 2016)

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel transactions

No key management personnel had any personal unit holdings or transactions with the Fund. No compensation was directly attributable to key management personnel.

11 Events occurring after the reporting period

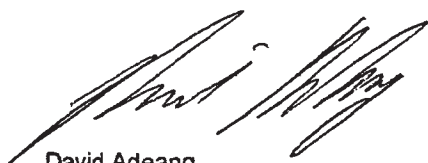
There were no significant events that have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2016 or on the results and cash flows of the Fund for the period ended on that date.

The Intergenerational Trust Fund for the People of the Republic of Nauru

The Management Committee's Declaration

In the opinion of the Management Committee:

- a) These special purpose financial statements have been prepared pursuant to the current Memorandums of Understanding between the Government of the Republic of Nauru and the Government of Australia; and the Government of the Republic of Nauru and the Government of the Republic of China (Taiwan);
- b) The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- c) The statements present fairly, in accordance with prescribed accounting standards, of the transactions of the Fund for the period ended 6 November 2015 to 30 June 2016 and of the financial position of the Fund at the end of that year.

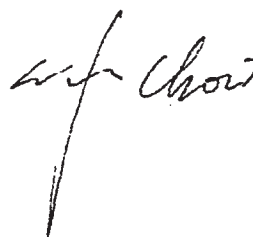


David Adeang
Minister for Finance & Sustainable Development
Republic of Nauru



Richard Bontjer
Director, Public Financial Management
Department of Foreign Affairs & Trade
Australia

Winston Wen-Yi Chen
Director General
Department of East Asian and Pacific Affairs
Ministry of Foreign Affairs
Republic of China (Taiwan)



for Winston Chen

Brisbane
~~xx November 2016~~

13 December 2016

Independent Auditor's Report to the members of the Intergenerational Trust Fund for the People of the Republic of Nauru (the Fund)

Report on the Financial Report

We have audited the accompanying financial report of the Intergenerational Trust Fund for the People of the Republic of Nauru (the "Fund"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Management Committee's declaration.

Management Committee's Responsibility for the Financial Report

The Management Committee of the Fund are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Memoranda of Understanding between the contributing governments and the Fund, and for such internal control as the Management Committee determine is necessary to enable the preparation of the financial report that presents fairly and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that presents fairly 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants.

Auditor's Opinion

In our opinion, the financial report of the Intergenerational Trust Fund for the People of the Republic of Nauru presents fairly, in all material respects, the Fund's financial position as at 30 June 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards and the Memoranda of Understanding between the contributing governments and the Fund.

HANRICK CURRAN AUDIT

Hanrick Curran Audit Pty Ltd
Authorised Audit Company: 338599


Matthew Green
Director

Brisbane, 13 December 2016

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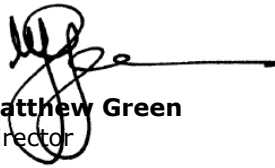
Intergenerational Trust Fund for the People of the Republic of Nauru (the Fund)

Auditor's Independence Declaration to the Management Committee of the Intergenerational Trust Fund for the People of the Republic of Nauru (the Fund)

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2016 there has been:

- (i) no contraventions of the auditor's independence requirements in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hanrick Curran Audit Pty Ltd
Authorised Audit Company: 338599



Matthew Green
Director

Brisbane, 13 December 2016

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