



**Retirement
Fund Board** 

ANNUAL REPORT
FAKAMATALA FAKATA'U

2002/2003

Retirement Fund Board
P.O.Box 96
Nuku'alofa
KINGDOM of TONGA

Telephone: (676) 25-433
Facsimile: (676) 25-422
Email: refund@kalianet.to

Retirement Fund Board

Ha'apai Branch
Tel/Fax : (676) 60-495

Vava'u Branch
Tel/Fax: (676) 70-434

Reference: RFB/A1/328

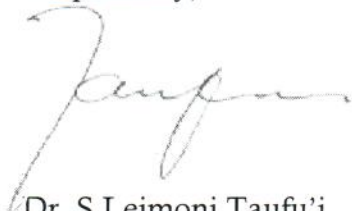
Date: 13th October 2003

Honourable Siosiu 'Utoikamanu,
Minister of Finance,
Ministry of Finance,
NUKU'ALOFA.

Honourable Minister,

In accordance with Section 10(1) of the Retirement Fund Act 1998, I have the honour to submit to you on behalf of the Board the Fourth Annual Report of the Retirement Fund Board together with the Audited Accounts for the Financial Year ended 30th June 2003.

Respectfully,



Dr. S Leimoni Taufu'i
Chief Executive Officer and Secretary to the Board

FINANCIAL HIGHLIGHTS

2002/2003
\$

Contributions

Total Contributions	3,175,925.71
Voluntary Contributions	68,781.27

Total Investment Returns

Interest on Investment	2,471,492.74
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Retirement Benefit Payments

Total Benefit Payments	1,843,083.43
Number of Retirees	100

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STAFF OF THE RETIREMENT FUND BOARD

BOARD MEMBERS



HRH Prince 'Ulukalala-Lavaka-Ata
Prime Minister
Chairman



Honourable Siosuia 'Utoikamanu
Minister of Finance
Employer Representative



Honourable 'Aisea Taumoepeau
Minister of Justice and Attorney General
Employer Representative



Folau Lokotui
Members' Representative



Manu 'Akau'ola
Members' Representative



Dr. S. Leimoni Taufu'i
Chief Executive Officer /
Secretary to the Board



Siasoi Sovaleni
Alternate Members' Representative



Pulupaki Moala
Alternate Members' Representative

STAFF OF THE RETIREMENT FUND BOARD

SENIOR EXECUTIVES

Chief Executive Officer
Dr. S. Leimoni Taufu'i

Deputy Chief Executive Officer
Vacant

Finance Manager
Vacant

ACCOUNTS & OPERATION DIVISION

Senior Accountant
Mr. Saia Havili (*B.B.S. Acct (NZ)*)

Accountant
Vacant

Payroll Officer Grade I
Vacant

Payroll Officer Grade II
Mr. Tevita Seluini Tu'itupou
Mrs. 'Iunisi Liu (*Dip. Acct. (Tonga)*)
Mr. Tevita Vao
Mr. Waller Fifita (Officer-in-charge, Vava'u)
Mr. Sione Taufu (Officer-in-charge, Ha'apai)

Driver/Messenger
Mr. 'Afa Makahununiu

INVESTMENT DIVISION

Senior Investment Analyst
Mr. Michael A. Bloomfield (*B.B.S. Acct (NZ)*)

Investment Officer Grade II
Mr. 'Anitoni Mo'ungaloa

MIS DIVISION

System Administrator
Mr. 'Ikapote Tavalea (*B.C.M.S. Comp. & Maths (NZ)*)

Assistant System Administrator
Vacant

Systems Operator
Mrs. Melesia Palu (*B.Sc. Maths (NZ)*)

Computer Operator Grade I
Mrs. Veisia Lo'amanu (*Dip. Comp. (Aust)*)

Computer Operator Grade III
Mrs. 'Ofaloto Vaipulu (*Cert. Acct. (Tonga)*)
Ms. Lavinia Halafihi

THE CHIEF EXECUTIVE OFFICER'S STATEMENT



The 2002/2003 financial year ended 30th June 2003 had been another successful year for the Retirement Fund Board. The contribution revenue continue to increase by 5 percent (%); the total term investment increased by 49 percent (%), and the voluntary contribution increased by 3 percent (%) as compared to last year's performance. The interim Crediting rate was increased by 1 percent (%).

During the Fund's on-going seminars throughout the island groups, it was evident of the growing interest among Members of the need to save more for their retirement. They have realized that the employer/ government have contributed to their individual accounts and, thus, prepared to do more through voluntary contributions.

There were 100 members retired during the year giving a total benefit payments of \$1,843,083.43; and 115 preserved members with their retirement benefits being preserved until they reach retirement age. Unfortunately, 15 members died during the year and total death claims of \$99,775.50 were received from the Group Life Insurer and paid to the dependents together with their retirement benefits.

The 1st three (3) years term of the Member Representatives ended on 28th October 2002. After the election, Mr. Folau Lokotui was re-elected with Mr. Manu 'Akau'ola as new Member Representatives. Miss Pulupaki Moala and Mr. Siaosi Sovaleni were elected Alternate Members for the 2003 - 2005 term. The Board bid farewell to Mr. Sefita Tangi who opted not to run for re - election.

During the year, the Board commissioned two (2) studies to review the organisation and salary structure, and the information systems operations of the Fund. The reviews were conducted by Consultants from the Australian Superannuation Industry to design an appropriate organisation structure and salaries for the Fund and provide assessment of the information system, whether there are reasonable control over the information technology and whether the information technology is suitable for the Funds Information Technology requirements. The Reports submitted a new structure, and ascertained the Board of a well - controlled information system environment within the IT framework. They also acknowledged that the Fund has been "prudent" in making investment in its information technology.

Training has been a critical component of our human resource management. The Fund recognises the need to continue training of our staff to be equipped with the knowledge and skills required for the specialised nature of the Superannuation industry. The Fund were fortunate to receive training/attachment opportunities from FNPF in Fiji and ASFA from Australia during the year.

With the Government's commitment to start transferring the fund for the transfer preserved accounts of Ministries/Departments that have been certified by the Auditor General, the financial future of the Fund is extremely secure. As the major investable fund in the country, the Fund can play a facilitating role in the future development of Tonga, but at the same time, it must ensure that the member's funds are prudently invested.

While the computation exercises on the transfer preserved accounts of several other Ministries/Departments are still to be finalised, I wish to express the Board's appreciation and gratitude for the cooperation and assistance received from Government to compute and transferring of the transfer preserved accounts to the Fund on timely basis for payment of retirement benefits during the year.

Again I would like to take this opportunity to thank the Chairman, HRH Prince 'Ulukalala-Lavaka-Ata and the Members of the Board for the guidance and support to uphold the funds commitments to provide excellent services to its members.

Dr. S. Leimoni Taufu'i
Chief Executive Officer

OVERVIEW OF OPERATIONS

OPERATION OF THE FUND

The fund is an Accumulation Contribution Fund and operation of the Fund has been carried out in accordance with the provisions of the Retirement Fund Act 1998; Retirement Fund Board Act 1998; and the Retirement Fund (Administration) Regulations 1999.



MEMBERSHIP

The total members contributed to the Fund as at 30th June 2003 stood at 4,298. This figure includes members on special leave without pay and study leave.

CONTRIBUTION

The total contributions collected during the financial year was \$3,175,925.71. In comparison to last year, contributions have increased by \$152,046.27, or 5 percent (%). The voluntary contribution amounted to \$68,781.27, an increase of 3 percent (%).



ACCRUED MEMBER BENEFIT

While the Transfer Preserved Accounts are still to be finalised, the benefits accrued to Members for the year ended 30th June 2003 amounted to \$42,136,845.60.

FUND EARNING RATE

The Board declared an interim crediting rate of 5.5 percent (%) to be credited to Members' Accounts while the Transfer Preserved Accounts exercises are in progress.



RETIREMENT BENEFIT PAYMENTS

The total payments to retired members under various grounds during the year amounted to \$1,843,083.43, an increase of \$516,790.60.

MEMBER SERVICES

Member services remains a high priority in the operations division with the Fund's computer system plays a critical role and has enhanced its facilities to meet the members' needs at all locations. The staff continued to conduct seminars during the year to update its services and database.

The Fund Head Office remains open during lunch hours to provide services to members who wish to enquire about their retirement benefit entitlements during that time.

INVESTMENT

In accordance to Section 7(1) and 8(1) of the Retirement Fund Act 1998, the fund shall maintain Account with the National Reserve Bank of Tonga or other banks approved by the National Reserve Bank of Tonga. The funds are invested at the domestic market and recorded a total investment on term deposit of \$11,572,852.82 as at 30th June 2003.

The Transfer Preserved Account was recorded at \$24,660,435.18, however, the computation exercises are almost completed.

DEATH BENEFITS

The total benefit payments under death claims from the Group Life Insurer was \$99,775.50, an increase of \$33,368.80



STAFF TRAINING AND DEVELOPMENT

The Fund has been fortunate to be again granted training/attachment opportunities on IT, Investment and Superannuation policy from Singapore, Association of Superannuation of Australia (ASFA) and FNPF of Fiji

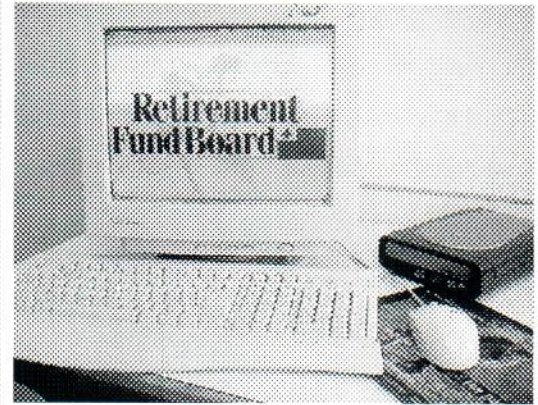
Training programmes have been designed and customised to meet the requirements of the Fund.



INFORMATION TECHNOLOGY

Information technology remains the essential tool for the implementation of the Fund's operation. The Management Information System has designed an information management strategic objective for the IT to improve the Fund's operation.

This Division looks after the information operation of the Fund. Information are processed to Computer terminals at the Head Office and Branch Offices, enabling staff to do daily work and serve our members promptly.



OUTSTANDING EXERCISES

The computation exercises on the Transfer Preserved Accounts are almost completed. The Government has already transferred the funds for the transfer preserved accounts together with interest for the members of the Palace Office, Governor's Offices in Vava'u and Ha'apai and the Crown Law. The Ministry of Finance and the Audit Department are working on the final update for the next transfer of fund.

NON-MEMBER CONTRIBUTIONS

The Fund continues to receive the contributions for civil servants who opted to remain with the Civil Service Pension Scheme.



FINANCIAL STATEMENTS

For the year ended 30th June 2003

Auditor-General: Dr Pohiva Tu'i'onetoa FCA(NZ), CMA(Aust.), AIIA(USA)
Deputy Auditor-General: Tiofilusi Tineti CA(NZ)



AUDITOR'S REPORT TO THE MEMBERS OF THE RETIREMENT FUND BOARD


I have audited the accompanying Statement of Financial Position of the Retirement Fund Board (the "Board") as of 30th June 2003, and the related Statements of Operations, and Cash Flows for the year then ended. These Financial Statements are the responsibility of the Board's Management. My responsibility is to express an opinion on these Financial Statements based on my audit.

My audit has been planned and performed in accordance with International Standards on Auditing to obtain reasonable assurance as to whether the Financial Statements are free of material misstatement. My procedures included examinations, on a test basis, of evidence supporting the amounts and other disclosures in the Financial Statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with the International Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Board and the economic entity's financial position and the results of their operations and its cash flows. I believe that my audit provides a reasonable basis for my opinion.

The Board recorded the Transfer Preserved Accounts of \$24,660,435.18 at balance date. As stated in note 2(b) to the accounts I have not been able to confirm about \$9,686,107.71 (39%), nor the completeness and accuracy, of such amount, that required to be calculated by the Ministry of Finance, and its related interests and accounts at balance date. And there were no satisfactory audit procedures that I could adopt to confirm independently that Transferred Preserved Accounts and its related interests and accounts were properly and completely recorded.

The control over the contributions revenue prior to being recorded is limited due to the unavailability of related contributions information from the Employer to the Fund, and there are no practical audit procedures to determine the effect of this limited control.

In my opinion, except for the adjustments that might have been found to be necessary had we been able to obtain sufficient appropriate evidence concerning Transferred Preserved Accounts and Contributions revenue, the Financial Statements referred to above as set out on pages 1 to 10, present fairly, in all material respects, the financial position of the Board as at 30th June 2003, and the results of its operations and Cash Flows for the year then ended in conformity with the International Accounting Standards and in accordance with Section 10 of the Retirement Fund Act 1998.


Dr Pohiva Tu'i'onetoa FCA, CMA
AUDITOR-GENERAL



Audit Department, Nuku'alofa
Date: 13th October, 2003.

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2003

\$		Notes	\$
Assets			
Investments			
7,701,544.95	Term Deposits	2a	11,572,852.81
26,311,427.17	Transfer Preserved Accounts	2b	24,660,435.18
34,012,972.12			36,233,287.99
Other Assets			
179,477.31	Cash at Bank	19a	154,684.26
7,082.48	Contribution Receivable	3	4,403.89
4,980,268.38	Other Receivable	4	6,389,882.00
97,600.04	Fixed Assets	5	82,139.79
5,264,428.21			6,631,109.94
39,277,400.33	Total Assets		42,864,397.93
(74,199.44)	<i>Less:</i> Liabilities	6	(78,158.34)
(35,876.55)	Deferred Income	7	(27,500.79)
(110,075.99)			(105,659.13)
\$ 39,167,324.34	Net Assets Available to Pay Benefits		\$ 42,758,738.80

Represented by:

38,729,100.49	Liability for Accrued Benefits	8	42,136,845.60
438,223.85	Reserves	9b	621,893.20
\$ 39,167,324.34	Total Members Fund		\$ 42,758,738.80

Signed in accordance with a resolution of the Board.



HRH Prince 'Ulukalala-Lavaka-Ata
Chairman



Dr. S. Leimoni Taufu'i *F CPA, FTIA*
Chief Executive Officer

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 12 to 18

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 30TH JUNE 2003

\$		Notes	\$
	Contributions Revenue		
1,430,640.36	Member Basic Account	10	1,506,435.25
66,301.93	Members Voluntary Account	10	68,781.27
1,429,267.24	Members Employer Account	10	1,521,182.10
97,669.91	Non-Members Basic Account	11	79,527.09
3,023,879.44			3,175,925.71
	Investment Revenue		
399,167.28	Interest on Investment - Domestic	12	666,308.51
1,035.45	Interest on Cheque Account		1,281.03
1,809,081.10	Interest on Transfer Preserved Account	2b	1,803,903.20
2,209,283.83			2,471,492.74
	Other Revenue		
976,250.30	Transfer Preserved Account	18	1,325,156.35
66,406.70	Members Life Insurance Benefits	13	99,775.50
70,500.00	Board Appropriation	14	112,500.00
9,336.83	Other Income	15	5,839.17
-	Surcharge		-
1,122,493.83			1,543,271.02
\$ 6,655,657.10	Total Revenue		\$ 7,190,689.47
	Less Operational Expenses		
(266,003.68)	Management & Administration Expenses	16	(306,710.92)
(84,999.96)	Members Life Insurance Premium	17	(87,640.83)
(1,095,156.03)	Retirement Benefits Payment	18	(1,503,690.24)
(57,740.99)	Board Appropriation Expenses	14	(80,796.85)
(9,336.85)	Other Expenses	15	(5,839.17)
(1,513,237.51)	Total Operational Expenses		(1,984,678.01)
\$ 4,842,419.59	Operating result		\$ 5,206,011.46
(139,117.50)	<i>less</i> Transfer to Reserves	9a	(187,365.23)
\$ 4,703,302.09	Benefits accrued as a result of Operations		\$ 5,018,646.23

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2003

\$	Note	\$
Cash flows from Operating activities:		
1,432,531.41	Member Basic Contribution	1,576,041.26
62,714.26	Member Voluntary Contribution	65,847.31
1,439,715.12	Employer Contribution	1,524,610.66
98,298.28	Non-Member Basic Account	79,527.08
1,059,006.82	Transfer Preserved Account	1,732,647.11
70,500.00	Board Appropriation	112,505.00
127.40	Sundries	-
66,406.70	Member Insurance Benefits	80,718.00
4,229,299.99		5,171,896.42
<i>Cash was disbursed to:</i>		
(31,474.85)	Payment to Board Basic/Allowance	(40,793.94)
(152,916.67)	Payment to Employee	(184,020.82)
(92,083.29)	Members Insurance Premium	(80,557.50)
(149,292.24)	General Expenses	(167,830.32)
(1,326,292.83)	Retirement Benefits	(1,843,083.43)
(1,752,059.88)		(2,316,286.01)
2,477,240.11	Net cash provided by operating activities	2,855,610.41
	19b	
Cash flows from Investing activities:		
<i>Cash was provided from:</i>		
0.00	Investment	4,158,306.39
1,038.10	Interest on Cheque Account	1,437.20
260,891.40	Interest on Transfer Preserved Account	404,206.02
365,054.94	Interest on Investment	595,771.14
626,984.44		5,159,720.75
<i>Cash was disbursed to:</i>		
(35,415.67)	Purchase of Fixed Asset	(10,510.00)
(3,081,212.75)	Investment	(8,029,614.25)
(3,116,628.42)		(8,040,124.25)
-2,489,643.98	Net Cash Used in Investing activities	-2,880,403.50
-12,403.87	Net Increase/(Decrease) in cash held	-24,793.09
191,881.17	Cash at the beginning of financial year, 1 July 2002	179,477.30
0.00	Cash on hand, 30 June 2003	-
179,477.30	Cash at the end of the financial year, 30 June 2003	\$ 154,684.21
	19a	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2003.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) BASIS OF PREPARATION

The financial statements of the Fund have been drawn up in accordance with the provisions of the Retirement Fund Act and the accounting standards and disclosure requirements of the Australian Accounting Standard except for surcharge income and contribution income where the cash basis of accounting has been adopted. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values. Except where stated, the accounting policies have been consistently applied.

(b) INVESTMENT

Investment representing the Transfer Preserved Accounts maintain at Treasury and are stated at cost and does not reflect the fair market value of the portfolio.

Term deposits are brought to account on a cost basis.

(c) FIXED ASSETS AND DEPRECIATION

Fixed Assets are recorded at cost and depreciated on a Declining Method at rates, consistent with the Income Tax Act 1976, to recognize the loss of future economic benefits of the fixed assets. This is a departure from AAS 25, however, fixed asset are reviewed to establish whether written down values exceed estimated recoverable amounts.

(d) REVENUE RECOGNITION

Revenue from Member and Employer contributions are recognized when received.

The Board contribution period is 1 July to 30 June

Other funding is recognized as revenue when received.

(e) GRANTS AND APPROPRIATION

The Board received funding for the implementation of the Project (Retirement Fund Board) from:

- ◆ Government of Australia through AusAID Technical Assistance
- ◆ Board Appropriation (Section 7(3) Retirement Fund Act 1998)

(f) TAXATION

The Fund is exempted from income tax under Section 9(1) of the Retirement Fund Act 1998.

(g) RETIREMENT BENEFIT PAYMENT RECOGNITION

Retirement Benefit Payments to Members and Non-Members are recognised at the time of payment.

30th JUNE 2003 (Cont'd)

2. INVESTMENT
(a) TERM DEPOSITS

Bank	Certificate	Principal	Interest Rate	Deposit Date	Periods (Months)	Maturity Date
	Number					
ANZ Bank	MM20024000290	418,618.57	7.00%	07/06/2002	24 Months	07/06/2004
	MM20022000117	228,491.72	7.00%	30/06/2002	24 Months	30/06/2004
	MM20022000148	109,309.28	7.00%	18/07/2002	24 Months	18/07/2004
	20022000355	400,000.00	7.65%	31/10/2002	24 Months	31/10/2004
	133063-0	400,000.00	7.65%	11/11/2002	24 Months	11/11/2004
	134837-7	200,000.00	7.25%	24/02/2003	24 Months	24/02/2005
	135507-7	300,000.00	7.00%	01/04/2003	36 Months	01/04/2006
	Sub-Total	2,056,419.57				
Westpac Bank of Tonga	2000044426	280,000.00	7.10%	09/08/2002	24 Months	09/08/2004
	2000148375	572,629.00	7.75%	07/05/2003	36 Months	07/05/2006
	2000164687	350,000.00	7.85%	20/06/2003	36 Months	20/06/2006
	2000168209	550,000.00	7.85%	30/06/2003	36 Months	30/06/2006
	Sub-Total	1,752,629.00				
Tonga Development Bank	206	406,657.54	7.00%	21/06/2002	730 Days	19/06/2004
	225	356,509.59	7.00%	12/07/2002	730 Days	10/07/2004
	253	206,509.59	7.15%	12/08/2002	730 Days	10/08/2004
	271	215,000.00	7.55%	02/09/2002	730 Days	01/09/2004
	301	586,909.59	7.55%	27/09/2002	730 Days	26/09/2004
	335	700,000.00	7.60%	24/10/2002	2 Years	22/10/2004
	403	1,000,000.00	7.70%	02/12/2002	2 Years	02/12/2004
	429	873,736.82	7.65%	23/12/2002	2 Years	22/12/2004
	469	1,150,000.00	7.50%	03/02/2003	3 Years	02/02/2006
	509	900,000.00	7.70%	11/03/2003	3 Years	11/03/2006
	547	550,000.00	7.75%	15/04/2003	3 Years	14/04/2006
	593	450,000.00	7.80%	16/05/2003	3 Years	15/05/2006
	602	368,481.12	7.80%	26/05/2003	3 Years	25/05/2006
	Sub-Total	7,763,804.25				
	TOTAL	\$11,572,852.82				

(b) TRANSFER PRESERVED ACCOUNTS (GOVERNMENT OF TONGA)

This represent the Members' benefit entitlements transferred from the Civil Service Pension Scheme as at 30th June 1999. These Accounts are still to be funded by the Government and, therefore, accumulated with interest of 6 percent (%) per annum (*Section 2 of the Retirement Fund (Administration) Regulations 1999*)

Code	Ministry	Transfer Preserved	
		Amount \$	Accrued Interest \$
01	Palace Office	Nil	Nil
03	Prime Minister's Office	652,233.38	39,134.00
04	Ministry of Foreign Affairs	196,660.31	11,799.62
05	Governor Office, Ha'apai	Nil	Nil
06	Governor Office, Vava'u	Nil	Nil
07	Ministry of Land, Survey and Natural Resources	1,151,723.17	69,103.39
09	Printing Department	500,264.20	30,015.85
10	Ministry of Justice	339,043.84	20,342.63
11	Ministry of Police	2,329,782.63	139,786.96
12	Crown Law	Nil	Nil
14	Ministry of Finance	2,156,145.66	129,368.74
18	Audit Department	233,009.00	13,980.54
19	Ministry of Education	11,536,309.26	692,178.56
20	Ministry of Health	4,404,533.07	264,271.98
22	Ministry of Prisons	330,969.88	19,858.19
23	Ministry of Agriculture & Forestry	1,875,367.21	112,522.03
24	Ministry of Fisheries	464,043.44	27,842.61

25	Central Planning Department	219,944.06	13,196.64
26	Ministry of Labour, Commerce & Industries	580,928.05	34,855.68
27	Tonga Visitors Bureau	267,826.54	16,069.59
28	Ministry of Works	1,309,785.49	78,587.13
29	Ministry of Civil Aviation	691,070.86	41,464.25
30	Ministry of Marine & Ports	131,332.83	7,879.97
	TOTAL	29,370,972.87	1,762,258.37

Transfer Preserved as at 1 st July 2002	26,311,427.17	-
(Less) Adjustment to Opening Balance	(185,590.08)	-
(Less)/Plus Transfer Preserved Received and paid	(938,354.16)	41,644.83
(Less) Transfer Preserved Received but not yet paid	(527,047.75)	-
Transfer Preserved Account Balance as at 30th June 2003	\$24,660,435.18	\$1,803,903.20

3. CONTRIBUTION RECEIVABLE

This represents the Members' basic, voluntary and employer contributions that are still outstanding from the Ministry of Finance.

Member Basic Contribution	1,744.57
Member Voluntary Contribution	209.80
Member Employer Contribution	2,449.52
Balance as at 30th June 2003	\$4,403.89

4. OTHER RECEIVABLES

(i) Prepayment	
Life Insurance Premium	Nil
Insurance – Office Contents	857.71
(ii) Interest Accrued on Term Deposit	167,437.55
Interest on Cheque Account Accrued	Nil
(iii) Interest on Transfer Preserved Receivable	6,221,586.74
Balance as at 30th June 2003	\$6,389,882.00

5. FIXED ASSETS AND DEPRECIATION SCHEDULE

Items No.	Type	Cost	Rate	Book Value	Depn	Book Value
				Jul-02	Total	30/06/2003
Other Assets						
1	Furniture	25,232.11	10%	20,586.48	1,992.60	18,593.88
2	Office Equipment	12,162.00	20%	9,080.85	1,425.44	7,655.41
3	Vehicle	27,333.59	25%	19,689.27	4,922.32	14,766.95
4	Computer	31,944.00	50%	26,407.00	12,784.13	13,622.88
	Sub-Total	\$96,671.70		75,763.60	21,124.49	54,639.12
Grants Assets						
1	Furniture	4,200.00	10%	3,146.85	314.69	2,832.16
2	Office Equipment	1,725.00	20%	1,011.80	202.30	809.44
3	Computer	20,130.00	50%	1,356.99	784.19	572.80
	AusAID	26,055.00		5,515.64	1,301.18	4,214.40
4	Furniture	20,462.00	10%	16,573.17	1,657.32	14,915.85
5	Office Equipment	2,550.45	20%	2,102.74	420.55	1,682.19
6	Vehicle	17,600.00	25%	8,456.25	2,114.06	6,342.19
7	Computer	1,661.00	50%	692.08	346.04	346.04
	Board Appropriation	42,273.45		27,824.24	4,537.97	23,286.27
	Sub-Total	68,328.45		33,339.88	5,839.25	27,500.67
	Total	165,000.15		109,103.48	26,963.70	82,139.79

6. LIABILITIES

Creditors	6,720.02
Benefit Payable	71,438.32
Balance as at 30th June 2003	\$78,158.34

7. DEFERRED INCOME

Government of Australia	4,214.30
Board Appropriation	23,286.49
Balance as at 30th June 2003	\$27,500.79

The Grants have been recognized and accounted for under the Income Approach.

8. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits represents the Fund's present obligation to pay benefits to members and beneficiaries and has been determined on the basis of the present value of expected future payments, which arise from membership of the Fund's up to the reporting date.

(a) ALLOCATIONS OF BENEFITS

Allocated to Members Account	42,136,845.60
Unallocated to Members Account	Nil
Accrued Benefits	\$42,136,845.60

(b) CHANGES IN ACCRUED BENEFITS

Liability for Accrued Benefits at Beginning of financial year	38,729,100.49
<i>(Add):</i> Adjustments of Opening Balance	232,182.31
<i>Add:</i> Benefits accrued during the year	5,018,646.23
<i>(Less):</i> Benefits paid during the year	(1,843,083.43)
Liability for Accrued benefits at end of financial year	\$42,136,845.60

9. RESERVE ACCOUNTS

(a) These reserve Accounts were transferred from the Statement of Operations:

Board Appropriation Reserve	31,703.15
General Reserve	56,603.74
Investment Fluctuations Reserve	27,893.29
Non-Members Reserve	71,165.05
Life Insurance Benefit Reserve	Nil
Total Amount transferred from Operations	\$187,365.23

(a) These reserve Accounts are established to account for fund balances transferred to the next Financial

General Reserve	92,726.85
Investment Fluctuations Reserve	48,218.62

Board Appropriation Reserve	227,531.81
Life Insurance Benefit Reserve	3,508.12
Non-Members Basic Reserve	249,907.80
Balance as at 30th June 2003	\$621,893.20

10. CONTRIBUTIONS REVENUE

A member must contribute to the Fund 5 percent (%) of the Member's annual salary, and to be matched by the employer with the same based on the Member's salary applicable at the July Review Date.

A Member may contribute additional amounts at such rate and times as the Member determines.

11. NON-MEMBERS BASIC ACCOUNT (NMBA)

This represents the 5 percent (%) employee contributions received for those Civil Servants who remain with the Civil Service Pension Scheme being accounted for, pending formal undertaking by the Ministry of Finance.

12. INVESTMENT INCOME

Investment Income on all the funds investment portfolio are brought to account on a accrual basis.

13. MEMBERS LIFE INSURANCE BENEFITS

This represents the death benefit claims received from the Insurance Company and benefit payments to beneficiaries during the Financial Year.

Life Insurance Benefit Claims	\$99,775.50
Less Life Insurance Benefit Payments:	(99,775.50)
Balance transferred to Member Life Insurance Benefit Reserve	Nil

14. BOARD APPROPRIATION RESERVE

This represents the fund balance of the Appropriation Account funded under Section 7 (3) of the Retirement Fund Act being accounted on the same purpose for the next Financial Year.

Appropriation Received	\$112,500.00
Less Appropriation Expenses:	(80,796.85)
Balance transferred to Board Appropriation Reserve	\$31,703.15

15. OTHER INCOME & EXPENSES

This represents the amount of Grants being recognized as income necessary to match with related costs, which they are intended to compensate, on a systematic basis.

Depreciation on Grants Assets	\$5,839.17
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16. MANAGEMENT AND ADMINISTRATION EXPENSES

This represents the administration expenses on the operations of the fund.

Salaries	168,113.12
Overtime/Allowance	10,270.37
Employer Contribution	8,002.84
Domestic & Overseas Travel	22,374.06
Telephone/Telecommunication	9,065.53
Publicity & Members Services	2,537.09
Fuel	4,145.59
Maintenance & Services of Assets	3,440.60
Electricity	4,374.97
Office & Computer Supplies	14,026.62
Subscription	3,856.87
Rental	36,869.22
Insurance	1,761.78
Training	6,488.44
Bank Fees	340.20
Office Sundries	533.72
Depreciation	21,124.49
Forfeit Benefits	(10,614.59)
Total Administration Expenses as at 30th June 2003	<u>\$306,710.92</u>

17. MEMBERS LIFE INSURANCE PREMIUM

Members ages 60 years or less are insured on a Group Life Premium. The insured amounts are equal to the Member's Salary as at July Review date.

18. RETIREMENT BENEFITS PAYMENT

This represents the retirement benefit payments to Members and Non-Members who have retired from the Civil Service as at 30th June 2002.

Transfer Preserved Account	1,325,156.89
Contribution Account	33,526.43
Interest Payment Account	36,869.38
Non-Member Contribution	8,362.04
Insurance Benefit Payments	99,775.50
Balance as at 30th June 2003	<u>\$1,503,690.24</u>

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at Bank	\$154,684.26
Cash on hand	Nil
Cash Balance as at 30th June 2003	<u>\$154,684.26</u>

(b) RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO BENEFITS ACCRUED FROM OPERATION

	£
Benefit Accrued during the year	5,018,646.23
<i>less</i> Benefit paid	(1,843,083.43)
<i>less</i> Increase in Other Receivable	(1,310,818.56)
<i>less</i> Net RFB Staff Contribution	(10,541.84)
<i>less</i> Interest on Investment Revenue	(946,508.39)
<i>less</i> Decrease in Account Payable	(7,001.04)
<i>plus</i> Increase in Benefit Payable	11,102.02
<i>plus</i> Transfer Preserved Account Received	1,732,647.11
<i>plus</i> Decrease in Contribution Receivable	2,678.59
<i>plus</i> Net Transfer to Reserves	187,365.23
<i>plus</i> Depreciation	21,124.49
Net Cash Provided by Operating Activities	<u>2,855,610.41</u>

20. PRINCIPAL ACTIVITIES

The principal activities of the Fund during the Financial Year were the provision of Superannuation service to it's members.

Retirement Fund Board
P.O.Box 96
Nuku'alofa
KINGDOM of TONGA

Telephone: (676) 25-433
Facsimile: (676) 25-422
Email: refund@kalianet.to

Retirement Fund Board

Ha'apai Branch
Tel/Fax : (676) 60-495

Vava'u Branch
Tel/Fax: (676) 70-434

Reference: RFB/A1/328

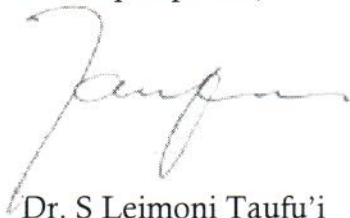
Date: 13 'Okatopa 2003

Siosiu 'Utoikamanu,
'Eiki Minista Pa'anga,
Potungaue Pa'anga,
NUKU'ALOFA.

'Eiki Minista,

Fakatatau ki he Kupu 10(1) 'o e Lao ki he Sino'i Pa'anga Malōlō mei he Ngaue 1998, 'oku ou ongo'i langilangi'ia keu fakfongia'atu 'a e Poate 'a hono fakahoko atu 'a e Fakamatala Fakata'u 'a e Poate 'a e Sino'i Pa'anga Malōlō mei he Ngaue fakataha mo e Fakamatala Pa'anga kuo 'osi 'Atita'i ki he ta'u 'o ngata 'i he 'aho 30 'o Sune 2003.

Faka'apa'apa atu,



Dr. S Leimoni Taufu'i
'Ofisa Pule Fakahoko Ngaue mo Sekelitali ki he Poate