

**Retirement
Fund Board** 



TONGA HIGH SCHOOL

Annual Report

FAKAMATALA FAKATA'U

2004/2005

Retirement Fund Board
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KINGDOM of TONGA

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Retirement Fund Board

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Reference: RFB/A1/427

Date: 14th September 2005.

Honourable Siosuia '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 sixth Annual Report of the Retirement Fund Board together with the Audited Accounts for the Financial Year ended 30th June 2005.

Respectfully,



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

Financial Highlights 2004/2005

\$

Contributions

Total Contributions 4,305,999.36

Voluntary Contributions 96,703.30

Total Investment Returns

Interest on Investment 3,004,826.69

Retirement Benefit Payments

Total Benefit Payments 2,393,955.32

Number of Retirees 110

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Board Members



H.R.H. PRINCE 'ULUKALALA LAVAKA ATA

Chairman of the Board



HON. SIOSIUA 'UTOIKAMANU

Employers Representative
Honourable Minister of Finance



HON. SIAOSI 'AHO

Employers Representative
Attorney General &
Honourable Minister of Justice



MANU 'AKAU'OLA

Members Representative



FOLAU LOKOTUI

Members Representative



DR. S. LEIMONI TAUFU'I

Secretary to the Board;
Chief Executive Officer



SIAOSI SOVALENI

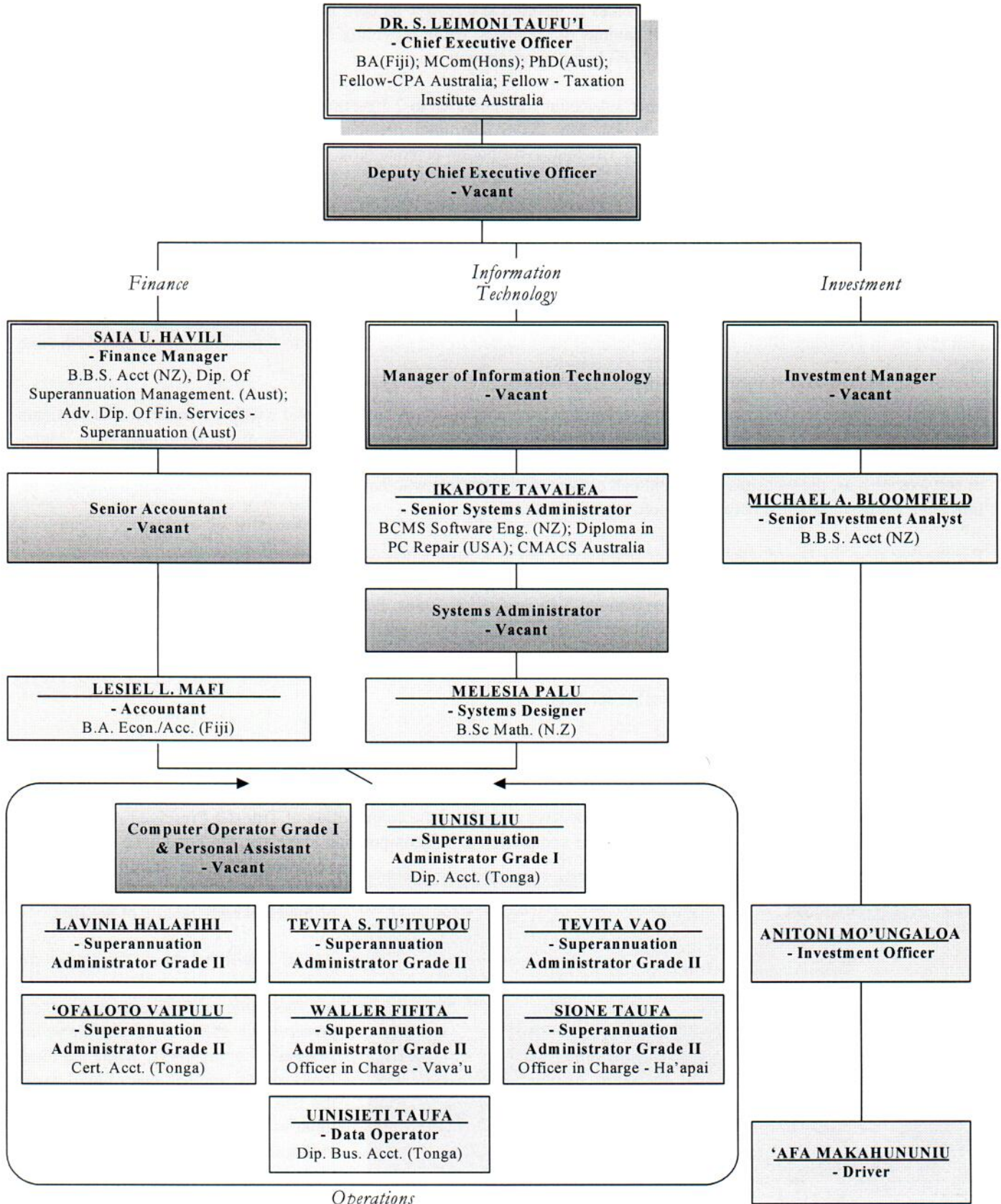
Alternate Members Representative



PULUPAKI MOALA

Alternate Members Representative

Staff of the Retirement Fund Board



Chief Executive Officer's Report



The financial year ended 30th June 2005 marked the sixth year operation of the Retirement Fund Board. During the year, the Fund continues to develop and review its core function in protecting and preserving the value of the savings of members, while providing for market returns to contribute towards the member's well-being in retirement.

The Government contribution to the Member's Account was increased to 7.5 percent (%) while the Member's contribution remains at 5 percent (%) with effect on 1st July 2004. The total members' accrued benefits have increased to \$48,594,708.51, an increase of 6 percent (%). The total contribution revenue have increased to \$4,305,999.36, an increase of 36 percent (%). The voluntary contributions have increased by 24 percent (%) as compared to 13 percent (%) last year. The interest received on term investment have increased to \$1,317,679.14, an increase of 34 percent (%) and the Board declared an interim crediting rate of 6.1 percent (%) to be credited to the Members' Accounts.

The investment performance during the year was affected by the falling interest rates in the domestic market. The interest rate for the 3 years deposit was recorded at 8 percent (%) pa as at 1st July 2004. The impact of the high liquidity position became imminent in November 2004 when the interest rates dropped to 7.0 percent (%) pa and to a record low of 6.0 percent (%) pa in February 2005. In April, the interest rates started to increase again up to 8 percent (%) pa as at 30th June 2005.

The Fund continues to maintain its extensive seminar programs aimed at both new and existing members. The seminars were held at workplaces and induction courses to provide members with an understanding of the Fund operations. Members were also provided with information through the half year and annual benefit statements. The Fund also used a range of services such as, the websites to re-establish contact with members who have left the civil service where up-to-date details have not been provided before they left, especially overseas.

For the first time the Board went on a fact-finding mission to Australia that was organised by the Association of Superannuation Fund of Australia (ASFA) on 29th March – 1st April 2005. The Board met with Members of Board of Trustees and Chief Executive Officers of the Local Government Superannuation Funds; Public Sector Super/Commonwealth Fund; Industry Fund; State Super and First State Super Fund; Westpac Investment Management and ANZ Investment Services. The presentations were focused on investment objectives & strategies; board governance; fund administration and member services. The Board also visited the Fiji National Provident Fund on 8th April 2005 and discussed the Fiji National Provident Fund's investment strategies and member services.

During the year the Board welcomed the new Honourable Attorney General & Minister of Justice, Siaso Taimani 'Aho and bid farewell to 'Aisea Taumoepeau who laid down the burden of office in retirement.

I am delighted to report that the Ministry of Finance have completed the computation of Transfer Preserved Accounts and submitted for auditing on 30th June 2005. With the completion of the computation exercises, the Fund have made the arrangements for the drafting of the appropriate legislation on the investment of fund and early release of benefits.



arrangements for the drafting of the appropriate legislation on the investment of fund and early release of benefits.

Again, I wish to thank the Board for their guidance and vigilantly undertaking their role as trustee to protect and preserve the value of the Fund and the savings of its members. While the Fund looks toward another year of hard work, the Board is confident that it will continue to uphold its commitment to providing financial security and quality services to its members.

Overview of Operations

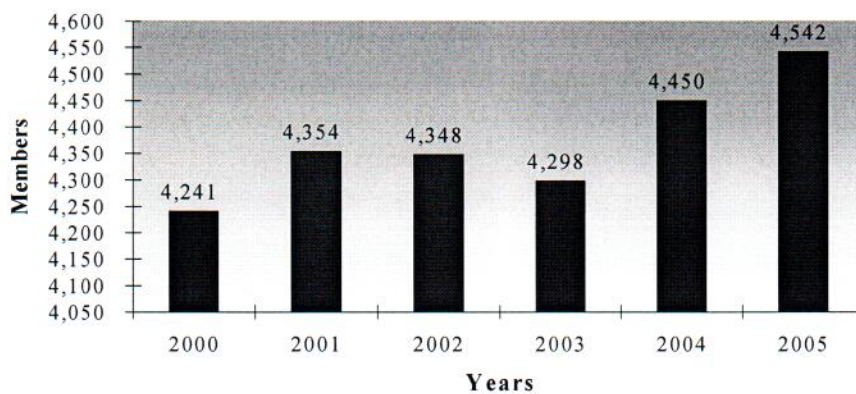


The Fund is an Accumulation Contribution Fund and the operation of the Fund has been carried out in accordance with the provisions of the Retirement Fund Act 1998; Retirement Fund Board Act 1998; and the Retirement Fund (Administration) Regulations 1999.

Membership

The total number of members that contributed to the Fund as at 30th June 2005 stood at 4,542. This figure includes members on special leave and study leave without pay.

Graph 1: Total Members as at 30th June

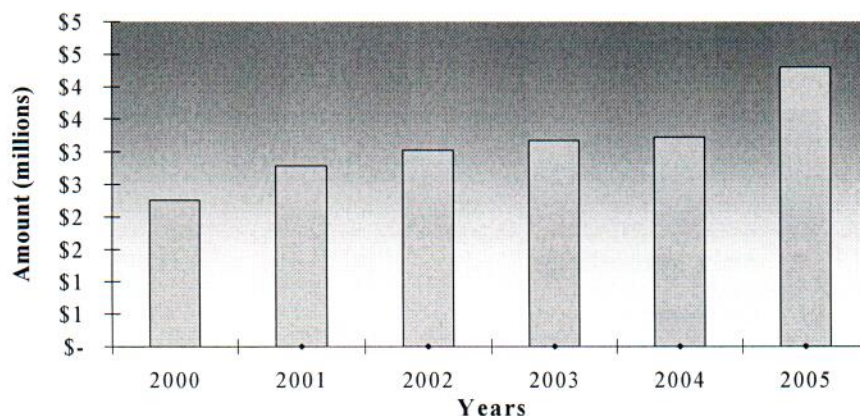


Contributions

The total contributions collected during the financial year was \$4,305,999.36. In comparison to last year, contributions have increased by \$1,145,537.13 or 36 percent (%).

The voluntary contribution amounted to \$96,703.30 an increase of 24 percent (%).

Graph 2: Total Contributions Revenue as at 30th June



Members Accrued Benefit

While the payment of the Transfer Preserved Accounts to the Fund are yet to be completed, the benefits accrued to Members for the year ended 30th June 2005 amounted to \$48,594,708.51

Fund Earning Rate

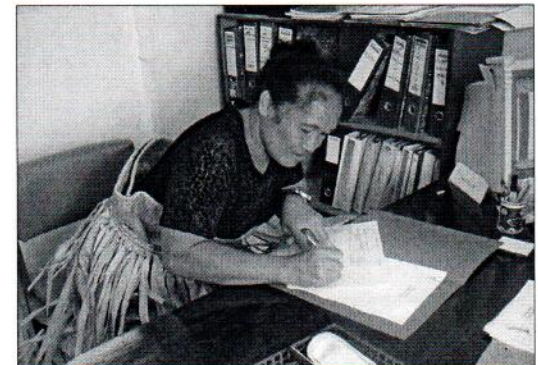
The Board declared an interim crediting rate of 6.1 percent (%) to be credited to Members' Accounts as at review date.

Retirement Benefit Payments

The total payments to retired members under various grounds during the year amounted to \$2,393,955.32 , an increase of \$310,504.13, or 15 percent (%)



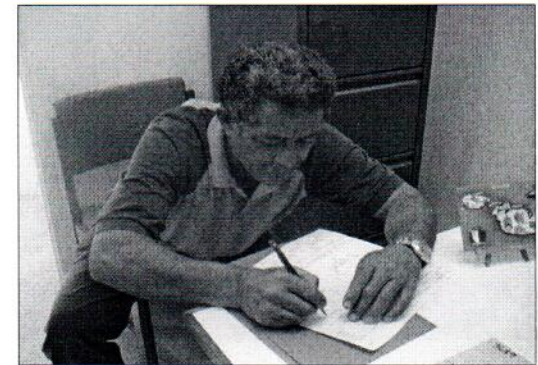
Table 1: Number of Members retired as at 30th June					
	2001	2002	2003	2004	2005
Attain retirement age	35	58	59	67	63
Disablement	7	7	23	40	29
Death	8	9	18	16	9
Redundancy	0	0	0	0	9
subtotal	50	74	100	123	110
Civil Pension Scheme	9	6	3	5	14
Total	59	80	103	128	124



Death Benefits

The total benefit payments under death claims from the Group Life Insurer was \$102,982.45, a decrease of \$25,149.55 or 20 percent (%).

The Members group life insurance arrangement was again put to tender and the Colonial (Fiji) Life Ltd won the contract for the fourth term. With the high claim rate of 93 percent (%), the premium has increased by 20 percent (%). Given the significant increase in insurance cover, arrangements have been made to review the process for a self-managed group life policy.



Member Services

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

Table 2: Total benefit payments	
Grounds	Amount
Attain retirement age	1,572,094.30
Disablement	450,761.35
Death claims/ benefits	197,863.39
Redundancy	79,863.30
Resignation/(Voluntary contribution)	16,184.91
subtotal	\$2,316,767.25
Civil Pension Scheme	77,188.07
Total	\$2,393,955.32

...Overview of Operations



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

Investment

In accordance with Section 7(1) and 8(1) of the Retirement Fund Act 1998, the fund is to 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 total term investment of \$20,150,041.25 as at 30th June 2005.

The Transfer Preserved Account was recorded at \$20,456,117.02.

Staff Training and Development

The Fund has been fortunate to be granted training/attachment opportunities in IT, Investment, Banking & Finance and Superannuation Policy. During the year, MIS staff attended short term training courses at the ACE Training Centre in Auckland, New Zealand with the Senior Systems Administrator receiving training in the programming of a SQL Server and IP Network Application while the Systems Designer attended an advanced course in Frontpage for website design and implementation.

The Fund's Accountant, Ms. Lesieli Mafi had the opportunity to represent Tonga at the Annual Conference for Banking & Finance in Small States that was held in Malta.

Information Technology

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

Outstanding Exercises

The Ministry of Finance has completed the computation exercises on the transfer preserved accounts based on the available information and submitted to the Audit Department on 30th June 2005. At the closing of the Final Year Accounts, the Audit Department has completed the final lot of around 110 Member files and again return to the Ministry of Finance for finalisation.

Non—Member Contributions

The Fund continues to receive the contributions for civil servants who opted to remain with the Civil Service Pension Scheme. The Ministry of Finance has formalised the arrangement for the management of the Non-Members contributions to the Fund.



Tonga Audit Department

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Auditor-General: Dr Pohiva Tu'i'onetoa FCA(NZ), CMA(Aust.), AIIA(USA)
Deputy Auditor-General: Tiofilusi Tiueti CA(NZ), Luseane S. 'Aho AT(NZ), Viliami Sefesi 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 2005, and the related Statements of Operations, Cash Flows and Movements in Equity 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, cash flows and its movement in equity. I believe that my audit provides a reasonable basis for my opinion.

The audit opinion expressed in this report has been formed on the above basis.

Unqualified Audit Opinion

In my opinion, the Financial Statements referred to above as set out on pages 9 to 19, present fairly, in all material respects, the financial position of the Board as at 30th June 2005, and the results of its Operations, Cash Flows and Movements in Equity for the year then ended in conformity with the International Accounting Standards and in accordance with Section 10 of the Retirement Fund Act 1998.

Tiofilusi Tiueti

Tiofilusi Tiueti
ACTING AUDITOR-GENERAL



Audit Department, Nuku'alofa
Date: 15th September, 2005.



Retirement Fund Board⁺

FINANCIAL STATEMENTS

For the year ended 30th June 2005

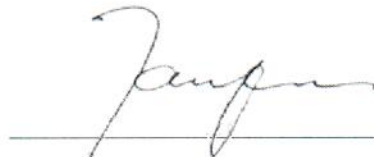
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2005

		June 2005	June 2004
		\$	\$
Assets			
Investments			
Term Deposits	2a	20,150,041.25	15,502,315.06
Transfer Preserved Accounts	2b	20,456,117.02	23,174,655.93
		40,606,158.27	38,676,970.99
Other Assets			
Cash at Bank		45,936.02	2,843.69
Contribution Receivable	3	0	1,440.57
Interest Receivable	4	8,727,674.52	7,763,380.31
Other Receivable	5	5,121.33	8,528.21
Fixed Assets	6	76,442.07	79,692.27
		8,855,173.94	7,885,885.05
Total Assets		49,461,332.21	46,532,856.04
Less: Liabilities			
Deferred Income	7 8	(21,873.20) (12,134.28)	(28,951.41) (23,182.61)
		(34,007.48)	(52,134.02)
Net Assets		\$49,427,324.73	\$ 46,480,722.02
Represented by:			
Members Accrued Benefits	9	48,594,708.51	45,754,976.97
Reserves	10b	832,616.22	725,745.05
Total Members Fund		\$49,427,324.73	\$ 46,480,722.02

Signed in accordance with a resolution of the Board.



HRH Prince 'Ulukalala-Lavaka-Ata
Chairman



Dr. S. Leimoni Taufu'i FCPA, FTIA
Chief Executive Officer

The financial statements should be read in conjunction with the accounting policies and notes to and forming part of the financial statements set out in pages 13 to 19.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 30TH JUNE 2005

	Notes	June 2005 \$	June 2004 \$
Contributions Revenue			
Member Basic Account		1,684,795.75	1,542,313.66
Member Voluntary Account		96,703.30	77,951.36
Employer Account		2,524,500.31	1,540,197.21
		4,305,999.36	3,160,462.23
Investment Revenue			
Interest on Investment - Term Deposits		1,317,679.14	984,650.98
Interest on Cheque Account		744.97	1,001.99
Interest on Transfer Preserved Account	2b	1,686,402.58	1,792,895.37
		3,004,826.69	2,778,548.34
Other Revenue			
Transfer Preserved Revenue Account		1,149,610.99	1,242,750.20
Non-Member Account		62,527.65	63,274.59
Members Insurance Claims	11	102,982.45	128,132.00
Board Appropriation Revenue	12	171,777.74	78,750.00
Other Income	13	10,298.34	4,318.18
Sundries		88.45	25.00
		1,497,285.62	1,517,249.97
Total Revenue		\$ 8,808,111.67	\$ 7,456,260.54
Less Operational Expenses			
Management & Administration Expenses	14	(445,746.44)	(382,532.57)
Members Insurance Premium		(122,196.25)	(92,072.52)
Retirement Benefits Payment	15	(1,481,431.84)	(1,448,413.28)
Board Appropriation Expenses	12	(171,777.74)	(63,983.26)
Other Expenses	13	(10,298.34)	(4,318.18)
		(2,231,450.61)	(1,991,319.81)
Operating result		6,576,661.06	\$ 5,464,940.73
<i>less</i> Transfer to Reserves	10a	(150,168.74)	(163,547.65)
Benefits accrued as a result of Operations		6,426,492.32	\$ 5,301,393.08

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2005

	Note	June 2005 \$	June 2004 \$
Cash flows from Operating activities:			
Member Basic Account		1,675,923.17	1,534,720.24
Member Voluntary Account		90,534.54	72,432.02
Employer Account		2,511,964.93	1,535,722.80
Total Contribution Received		4,278,422.64	3,142,875.06
Transfer Preserved Account		1,444,933.28	1,590,510.42
Non-Member Account		62,527.65	63,274.59
Board Appropriation		105,000.54	78,750.00
Sundries		88.45	25.00
Member Insurance Claims		102,982.45	128,132.00
		5,993,955.01	5,003,567.07
<i>Cash was disbursed to:</i>			
Payment to Board Member		(89,266.40)	(40,718.00)
Payment to Employee		(268,647.01)	(238,140.90)
Members Insurance Premium		(114,523.54)	(99,745.23)
General Expenses		(207,365.66)	(149,019.50)
Retirement Benefits Payment		(2,393,955.32)	(2,083,451.19)
		(3,073,757.93)	(2,611,074.82)
Net cash provided by operating activities	16b	2,920,197.08	2,392,492.25
Cash flows from Investing activities:			
<i>Cash was provided from:</i>			
Matured/Roll-over Investment		5,327,974.87	1,053,767.83
Interest on Cheque Account		744.97	1,001.99
Interest on Transfer Preserved Account		544,273.91	457,342.96
Interest on Investment		1,257,338.56	946,030.52
		7,130,332.31	2,458,143.30
<i>Cash was disbursed to:</i>			
Purchase of Fixed Asset		(31,736.00)	(19,246.00)
Investment		(9,975,701.06)	(4,983,230.08)
		10,007,437.06	(5,002,476.08)
Net Cash Used in Investing activities		- 2,877,104.75	- 2,544,332.78
Net Increase/(Decrease) in cash held		43,092.33	- 151,840.53
Cash at the beginning of financial year, 1 July 2004		2,843.69	154,684.21
Cash on hand, 30 June 2005			-
Cash at the end of the financial year, 30 June 2005	16a	\$ 45,936.02	\$ 2,843.69

STATEMENT OF MOVEMENTS IN EQUITY
AS AT 30TH JUNE 2005

Note	June 2005 \$	June 2004 \$
Net Surplus/(Deficit) for the year	6,426,492.32	5,301,393.08
Net transfer to Reserve	106,871.17	103,851.85
Total Recognized Revenues & Expenses for the year	6,533,363.49	5,405,244.93
<i>less</i> Member Accrued Benefit paid during the year	(1,892,071.71)	(2,083,451.19)
Movement in Equity for the Year	4,641,291.78	3,321,793.74
Adjustment to the opening balance	(1,694,689.07)	400,189.48
Equity at the Beginning of the Year	46,480,722.02	42,758,738.80
EQUITY AT END OF YEAR	\$49,427,324.73	\$46,480,722.02
COMPRISING :		
Members Accrued Benefit	48,580,265.54	45,754,976.97
Allocated Pension Accrued Benefit	14,442.97	-
General Reserve	196,848.88	146,207.67
Investment Fluctuation Reserve	116,791.18	83,872.48
Board Appropriation Reserve	209,570.40	197,748.92
Non-Members Reserve	305,897.64	294,407.86
Member Insurance Reserve	3,508.12	3,508.12
EQUITY AT END OF YEAR	\$49,427,324.73	\$46,480,722.02

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The financial Statements are for the Retirement Fund Board, which was established under section 3 of Retirement Fund Board Act 1998. The Retirement Fund Board administers the Retirement Fund in accordance with the provision of Retirement Fund Act 1998 and Retirement Fund Board Act 1998 and is responsible for the management and investment of the Fund.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the provisions of the Retirement Fund Act 1998, Retirement Fund Board Act 1998 and the accounting standards and disclosure requirements of the Australian Accounting Standard (AAS).

The accounting policies that materially affect the measurement of the Operation Statement, financial position, movement in equity and cash flows are set out below.

(a) MEASUREMENT

The financial statements have been prepared on a historical cost basis and do not take into account the change in money values. All amounts are reported in Tongan Pa'anga.

(b) INVESTMENT

Investment representing the Transfer Preserved Accounts maintained 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

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation Policy

Depreciation is provided on a straight line basis on all assets as from 30th June 2005, at rates calculated to allocate their cost or revalued amount over their estimated useful life's. All assets are depreciated to a nil residual value. This is a departure from AAS 25, however fixed assets are reviewed to establish whether written down cost values exceed estimated recoverable amount.

Asset Class	Estimated Useful Life's (percentage)
Office Furniture	5 years (20%)
Office Equipment	10 years (10%)
<u>Motor Vehicles:</u>	
- Brand New Vehicles	10 years (10%)
- Used Vehicles	5 years (20%)
<u>Computer</u>	
- PC and others	3 years (33.33%)
- Computer Server	5 years (20%)

(d) REVENUE RECOGNITION

Contributions Revenue from Member and Employer are recognized when received. The Fund Board contribution period is 1 July to 30 June

Investment Revenue are brought to account on an accrual basis.

Other revenue is recognized, when it is received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005.

(e) CONTRIBUTION ACCOUNT AND RATE

A Member must contribute to the Fund five per cent (5%) of the Member's annual Salary applicable at the July Review Date, it's disclose in the financial statement as Member Basic Account.

The Employer must contribute to the Fund seven and a half percent (7.5%) as from 1st July 2004 up to 30th June 2009 for each Member of the Member annual Salary, applicable at the July Review Date, it's disclose in the financial statement as Employer Account.

A Member may contribute additional amounts at such rate and times as the Member determines, it's disclose in the financial statements as Members Voluntary Account.

Non-Member Account represents the five percent (5%) employee contributions for those civil servants who remain with the Civil Service Pension Scheme.

(f) RECEIVABLE

Receivables are stated at their estimated realizable value.

(g) 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)

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

(h) TAXATION

The Fund monies, including investment earning, is exempted from income tax and any other government impost under Section 9(1) of the Retirement Fund Act 1998.

(i) RETIREMENT BENEFIT PAYMENT RECOGNITION

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

(j) MEMBERS INSURANCE PREMIUM

All Members are insured on a Group Life Premium. The insured amounts are equal to the Member's Salary as at July Review Date. (Section 6(3) of Retirement Fund (Administration) Regulation 1999)

(k) FOREIGN CURRENCIES

Transaction in foreign currencies are converted at the Tongan rate of exchange on the date of transaction.

CHANGE IN ACCOUNTING POLICIES

There has been one change in the accounting policies with regard to Depreciation Policy. The Fund Board approved the adoption of the Straight Line Method to replace the Diminishing Value Method which has been used since 1999. This change in Depreciation Policy does not materially affect the Fund financial statements as at 30th June 2005.

All other policies have been applied on a basis consistent with those used in the previous year.

2. INVESTMENT

(a) TERM DEPOSITS

Bank	Certificate Number	Principal	Interest Rate	Deposit Date	Periods (Months)	Maturity Date
ANZ	135507-7	\$ 300,000.00	7.00%	01.04.2003	36 MONTHS	01.04.2006
	138732-7	\$ 200,000.00	7.50%	03.10.2003	24 MONTHS	03.10.2005
	138955-1	\$ 250,000.00	7.60%	17.10.2003	24 MONTHS	17.10.2005
	139514-5	\$ 300,000.00	7.90%	17.11.2003	36 MONTHS	17.11.2006
	M20032000356	\$ 400,000.00	7.90%	19.12.2003	3 YEARS	19.12.2006
	20042000075	\$ 200,000.00	7.95%	07.05.2004	2 YEARS	07.05.2006
	20042000085	\$ 200,000.00	7.95%	19.05.2004	2 YEARS	19.05.2006
	MM20042000115	\$ 633,230.08	7.95%	08.06.2004	24 MONTHS	08.06.2006
	1470656	\$ 350,000.00	6.00%	24.02.2005	1 YEAR	24.02.2006
	147141-3	\$ 100,000.00	6.00%	03.03.2005	12 MONTHS	03.03.2006
	147317-0	\$ 100,000.00	6.00%	14.03.2005	12 MONTHS	14.03.2006
	147561-1	\$ 150,000.00	6.25%	01.04.2005	12 MONTHS	01.04.2006
	147760-7	\$ 150,000.00	6.25%	14.04.2005	12 MONTHS	14.04.2006
	147997-7	\$ 150,000.00	6.25%	22.04.2005	12 MONTHS	22.04.2006
	148206-2	\$ 100,000.00	7.00%	06.05.2005	12 MONTHS	06.05.2006
	148434-3	\$ 200,000.00	7.50%	20.05.2005	12 MONTHS	20.05.2006
	148702-6	\$ 200,000.00	7.55%	03.06.2005	24 MONTHS	03.06.2007
148905-6	\$ 200,000.00	7.75%	17.06.2005	24 MONTHS	17.06.2007	
149112-3	\$ 600,000.00	8.00%	30.06.2005	24 MONTHS	30.06.2007	
		\$ 4,783,230.08				
Westpac Bank of Tonga	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
	2000213633	\$ 200,000.00	7.85%	01.08.2003	36 MONTHS	01.08.2006
	2000232278	\$ 200,000.00	7.50%	29.08.2003	24 MONTHS	29.08.2005
	2000278875	\$ 100,000.00	7.95%	30.12.2003	36 MONTHS	30.12.2006
	2000291779	\$ 250,000.00	8.00%	30.01.2004	36 MONTHS	30.01.2007
	2000306080	\$ 200,000.00	8.00%	05.03.2004	36 MONTHS	05.03.2007
	2000313680	\$ 300,000.00	8.00%	02.04.2004	36 MONTHS	02.04.2007
	2000327821	\$ 600,000.00	8.00%	21.06.2004	36 MONTHS	21.06.2007
	2000329652	\$ 950,000.00	8.00%	30.06.2004	36 MONTHS	30.06.2007
	2000331658	\$ 380,000.00	8.00%	12.07.2004	36 MONTHS	12.07.2007
	2000332870	\$ 110,000.00	8.00%	19.07.2004	36 MONTHS	19.07.2007
	2000335865	\$ 200,000.00	8.00%	04.08.2004	36 MONTHS	04.08.2007
	2000336913	\$ 300,000.00	8.00%	09.08.2004	36 MONTHS	09.08.2007
	2000337457	\$ 350,000.00	8.00%	11.08.2004	36 MONTHS	11.08.2007
	2000343125	\$ 400,000.00	8.00%	01.09.2004	36 MONTHS	01.09.2007
2000351458	\$ 100,000.00	7.00%	07.10.2004	24 MONTHS	07.10.2006	
2000362992	\$ 200,000.00	7.00%	18.11.2004	36 MONTHS	18.11.2007	
2000379632	\$ 200,000.00	6.00%	28.01.2005	24 MONTHS	28.01.2007	
2000383568	\$ 150,000.00	6.00%	15.02.2005	24 MONTHS	15.02.2007	
		\$ 6,662,629.00				
Tonga Development Bank	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	10.03.2006
	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
	1229	\$ 150,000.00	7.25%	15.09.2004	2 YEARS	14.09.2006
	1261	\$ 810,000.00	7.50%	27.09.2004	3 YEARS	26.09.2007
	1319	\$ 926,454.65	7.25%	25.10.2004	3 YEARS	24.10.2007
	1331	\$ 415,509.59	7.25%	01.11.2004	3 YEARS	31.10.2007
	1341	\$ 560,000.00	7.25%	11.11.2004	3 YEARS	10.11.2007
	1381	\$ 1,150,000.00	6.00%	02.12.2004	12 MONTHS	01.12.2005
	1424	\$ 1,273,736.82	6.00%	23.12.2004	1 YEAR	22.12.2005
			\$ 8,704,182.18			
	YEAR TOTAL	\$ 20,150,041.26				

(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*)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30th JUNE 2005 (Cont'd)

Code	Ministry	Transfer Preserved	
		With Accrued Interest (01/07/2004) \$	Accrued Interest (30/06/2005) \$
01	Palace Office	13,016.55	780.99
03	Prime Minister's Office	822,791.75	49,367.51
04	Ministry of Foreign Affairs	26,418.35	1,585.10
05	Governor Office, Ha'apai	Nil	Nil
06	Governor Office, Vava'u	Nil	Nil
07	Ministry of Land, Survey and Natural Resources	1,234,297.52	74,057.85
09	Printing Department	431,518.45	25,891.11
10	Ministry of Justice	436,244.33	26,174.66
11	Ministry of Police	2,311,034.18	138,662.05
12	Crown Law	Nil	Nil
14	Ministry of Finance	2,368,807.55	142,128.45
18	Audit Department	Nil	Nil
19	Ministry of Education	8,759,081.14	525,544.87
20	Ministry of Health	5,065,444.42	303,926.67
22	Ministry of Prisons	355,814.76	21,348.89
23	Ministry of Agriculture & Forestry	1,903,636.26	114,218.18
24	Ministry of Fisheries	464,320.65	27,859.24
25	Central Planning Department	Nil	Nil
26	Ministry of Labour, Commerce & Industries	698,076.07	41,884.56
27	Tonga Visitors Bureau	301,335.53	18,080.13
28	Ministry of Works	1,493,760.99	89,625.66
29	Ministry of Civil Aviation	660,677.35	39,640.64
30	Ministry of Marine & Ports	28,623.16	1,717.39
	TOTAL	27,374,899.01	1,642,493.97
	Transfer Preserved as at 1 st July 2004	23,174,655.93	-
	(Less) Adjustment to Opening Balance	(1,429,894.25)	-
	(Less)/Plus Transfer Preserved Received and paid	(1,038,762.22)	43,908.61
	(Less) Transfer Preserved Received but not yet paid	(249,882.94)	-
	Transfer Preserved Account Balance as at 30th June 2005	\$20,456,117.02	\$1,686,402.58

There are one hundred and ten (110) members transfer preserve accounts amounting to \$958,787.79 that are in progress for audit confirmation. Further, there are fifty two (52) members preserved accounts still to be finalised by the Ministry of Finance and Public Service Commission.

3. CONTRIBUTION RECEIVABLES

This represents the outstanding Members' basic, voluntary and employer contributions as at 30th June 2005.

	2004/2005
Member Basic Account	Nil
Member Voluntary Account	Nil
Employer Account	Nil
Balance as at 30th June 2005	Nil

4. INTEREST RECEIVABLES

	2004/2005
Interest on Term Deposit Receivable	266,398.59
Interest on Transfer Preserved Account Receivable	8,461,275.93
Balance as at 30th June 2005	\$8,727,674.52

5. OTHER RECEIVABLES

	2004/2005
Member Insurance Premium Prepayment	Nil
Prepayment	5,121.33
Balance as at 30th June 2005	\$5,121.33

6. FIXED ASSETS AND DEPRECIATION SCHEDULE

Asset Class	Original Cost \$	Addition/Dispose \$	Depreciation \$	Accumulated Depreciation - \$	Book Value - \$ June 2005
Office Furniture	48,199.11	(4,200), 1,315.00	9,608.62	25,126.02	23,073.09
Office Equipment	40,392.45	15,080.00	3,597.25	13,096.40	27,296.05
Motor Vehicles	44,933.59		8,986.72	38,088.40	6,845.19
Computer	62,572.00	(8,310), 17,816.00	11,715.13	43,344.26	19,227.74
Total	196,097.15	21,701.00	33,907.72	119,655.08	76,442.07

7. LIABILITIES

	2004/2005
Account Payable and Expenses Accrued	6,740.43
Benefit Payable	15,132.77
Balance as at 30th June 2005	\$21,873.20

8. DEFERRED INCOME

	2004/2005
Government of Australia	474.98
Board Appropriation	11,659.30
Balance as at 30th June 2005	\$12,134.28

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

9. MEMBERS ACCRUED BENEFITS

The members 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

	2004/2005
Allocated to Members Account	48,594,708.51
Unallocated to Members Account	Nil
Members Accrued Benefits as at 30th June 2005	\$48,594,708.51

(b) MOVEMENT IN MEMBERS ACCRUED BENEFITS

	2004/2005
Members Accrued Benefits at Beginning of financial year	45,754,976.97
<i>less:</i> Adjustments of Opening Balance	(1,694,689.07)
<i>Add:</i> Benefits accrued during the year	6,426,492.32
<i>(Less):</i> Member Accrued Benefits paid during the year	(1,892,071.71)
Members Accrued Benefits as at 30th June 2005	\$48,594,708.51

10. RESERVE ACCOUNTS

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

	2004/2005
General Reserve	50,641.21
Investment Fluctuations Reserve	32,918.70
Board Appropriation Reserve	Nil
Member Insurance Reserve	Nil
Non-Members Reserve	66,608.83
Total Amount transferred from Operations	\$150,168.74

(b) These reserve Accounts were established to account for fund balances transferred to the next financial year .

	2004/2005
General Reserve	196,848.88
Investment Fluctuations Reserve	116,791.18
Board Appropriation Reserve	209,570.40
Member Insurance Reserve	3,508.12
Non-Members Reserve	305,897.64
Balance as at 30th June 2005	\$832,616.22

11. MEMBERS INSURANCE CLAIMS & PAYMENTS

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

	2004/2005
Member Insurance Claims	102,982.45
Less Insurance Benefit Payments (Note 15)	(102,982.45)
Balance transferred to Member Insurance Reserve (Note 10(a))	Nil

12. BOARD APPROPRIATION REVENUE & EXPENSES

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.

	2004/2005
Board Appropriation Revenue	171,777.74
Less Board Appropriation Expenses	(171,777.74)
Balance transferred to Board Appropriation Reserve (Note 10(a))	Nil

13. 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.

	2004/2005
Depreciation on Grants Assets	10,298.34

14. MANAGEMENT AND ADMINISTRATION EXPENSES

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

	2004/2005
Salaries	232,327.93
Overtime/Allowance	11,833.87
Employer Contribution	17,197.42
Domestic & Overseas Travel	44,641.98
Telephone/Telecommunication	7,918.73
Publicity & Members Services	4,771.24
Fuel	5,838.85
Maintenance & Services of Assets	3,068.74

	<i>cont...</i>	2004/2005
Electricity		7,670.46
Office & Computer Supplies		14,697.85
Subscription		4,822.14
Rental		53,226.00
Insurance		5,127.60
Training		12,084.78
Bank Fees		477.90
Office Sundries		275.50
Depreciation		25,201.00
Forfeit Benefits		(5,435.55)
Balance as at 30th June 2005		\$445,746.44

15. RETIREMENT BENEFITS PAYMENT

This represents the retirement benefit payments to Members and Non-Members as at 30th June 2005.

	2004/2005
Transfer Preserved Account	1,265,830.75
Contribution Account	47,908.63
Interest Payment Account	56,246.24
Non-Member Account	8,463.77
Insurance Benefit Payments	102,982.45
Balance as at 30th June 2005	\$1,481,431.84

16. 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:

	2004/2005
Cash at Bank	45,936.02
Cash on hand	Nil
Cash Balance as at 30th June 2005	\$45,936.02

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

	2004/2005
Benefit Accrued during the year	6,426,492.32
<i>less</i> Benefit paid	(2,393,955.32)
<i>less</i> Increase in Other Receivable	(945,558.03)
<i>less</i> Net RFB Staff Contribution	(16,820.83)
<i>less</i> Increase in Allocated Pension	(14,442.97)
<i>less</i> Interest on Investment Revenue	(1,750,183.47)
<i>less</i> Decrease in Liabilities	(7,078.21)
<i>plus</i> Transfer Preserved Account Received	1,444,933.28
<i>plus</i> Decrease in Contribution Receivable	1,440.57
<i>plus</i> Net Transfer to Reserves	150,168.74
<i>plus</i> Depreciation	25,201.00
Net Cash Provided by Operating Activities	\$2,920,197.08

17. PRINCIPAL ACTIVITIES

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