

TUVALU TRUST FUND

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2004

TUVALU TRUST FUND

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YEAR ENDED 30 SEPTEMBER 2004

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TUVALU TRUST FUND

DIRECTORS' STATEMENT TO THE GOVERNMENT OF TUVALU

In the opinion of the Directors, the accompanying Balance Sheet, Statement of Financial Performance, Statement of Cash Flows and Movements in Fund Account, which have been prepared in accordance with the Trust Agreement, are properly drawn up so as to give a true and fair view of the state of affairs of the Fund as at 30 September 2004 and of the transactions and results for the year ended on that date. The Fund has been conducted in accordance with its constituent trust agreement.

Signed in accordance with a resolution of Directors of the Tuvalu Trust Fund Board.

Director:



BRIAN A BELL

Place:

Wellington

Date:

13/10/05.

INDEPENDENT AUDITOR'S REPORT

To the Government of Tuvalu and Directors of the Tuvalu Trust Fund Board.

Scope

We have audited the financial statements of the Tuvalu Trust Fund for the year ended 30 September 2004 as set out on pages 3 to 11. The directors of the Tuvalu Trust Fund are responsible for the financial statements in order to express an opinion on them to the Government of Tuvalu and Directors of the Tuvalu Trust Fund Board.

Our audit has been conducted in accordance with International Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, 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 accounting policies set out in Note 2, other mandatory reporting requirements and the requirements of the Trust Deed so as to present a view which is consistent with our understanding of the Tuvalu Trust Fund's financial position and performance as represented by the results of its operations and cash flows.

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

Audit Opinion

In our opinion, the financial statements present fairly in accordance with accounting policies outlined in Note 2 and the requirements of the Trust Deed, the financial position of the Tuvalu Trust Fund as at 30 September 2004 and its performance for the year then ended.

Suva, Fiji

13 October 2005

Ernst & Young
Ernst & Young
Chartered Accountants

TUVALU TRUST FUND

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2004

	Note	2004 \$A'000	2003 \$A'000
ASSETS			
Cash		272	10
Investments – at Market Value	2	<u>85,401</u>	<u>75,839</u>
TOTAL ASSETS		<u>85,673</u>	<u>75,849</u>
LIABILITIES			
Accrued charges		<u>268</u>	<u>40</u>
TOTAL LIABILITIES		<u>268</u>	<u>40</u>
NET ASSETS		<u>85,405</u>	<u>75,809</u>
FUND ACCOUNT		<u>85,405</u>	<u>75,809</u>

This Statement of Financial Position should be read in conjunction with the accompanying notes.

TUVALU TRUST FUND

MOVEMENTS IN FUND ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 \$A'000	2003 \$A'000
Balance of account at 1 October		<u>75,809</u>	<u>70,573</u>
Contribution received	4(a)	729	1,296
Other		204	-
Net gain/(loss) for the year transferred from statement of gains and losses		<u>8,663</u>	<u>3,940</u>
		9,596	5,236
Drawdown of funds	4(b)	<u>-</u>	<u>-</u>
Net increase for the year		<u>9,596</u>	<u>5,236</u>
BALANCE OF ACCOUNT AT 30 SEPTEMBER		<u>85,405</u>	<u>75,809</u>

The Movements in Fund Account should be read in conjunction with the accompanying notes.

TUVALU TRUST FUND

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2004

Note	2004 \$A'000	2003 \$A'000
REVENUE FROM ORDINARY ACTIVITIES		
Investment income received	4,465	4,887
Unrealised gain/(loss) on revaluation of investments	3,195	-
Net gain/(loss) from foreign investments	965	27
Realised gain/(loss) on sale of investments	-	(603)
Other income	285	100
	<u>8,913</u>	<u>4,411</u>
EXPENDITURE FROM ORDINARY ACTIVITIES		
Bank charges	-	(2)
Audit fees	(12)	(20)
Fund Monitor's fee	(106)	(103)
Management fee	(108)	(345)
Other expenses	(24)	(1)
	<u>(250)</u>	<u>(471)</u>
PROFIT FROM ORDINARY ACTIVITIES		
TRANSFERRED TO FUND ACCOUNT	<u>8,663</u>	<u>3,940</u>

The Statements of Gains and Losses should be read in conjunction with the accompanying notes.

TUVALU TRUST FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 \$A'000	2003 \$A'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Investment income received		477	4,987
Management fees and operating expenses paid		(214)	(423)
NET CASH FLOW FROM OPERATING ACTIVITIES	5(a)	263	4,564
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investments		(4,886)	(104,012)
Proceeds on sale of investments		373	87,783
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(4,513)	(16,229)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Contributions received		729	1,296
Drawdowns		-	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		729	1,296
NET INCREASE IN CASH HELD		(3,521)	(10,369)
ADD opening cash brought forward		3,793	14,162
CLOSING CASH CARRIED FORWARD	5(b)	272	3,793

The Statements of Cash Flows should be read in conjunction with the accompanying notes.

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report, and has been prepared in accordance with International Accounting Standards. A summary of significant accounting policies adopted by the Fund is set out in this note. Unless stated otherwise the accounting policies are consistent with those applied in the previous financial year.

(a) *Operation Of The Fund*

The Fund was established on 21 August 1987 as an international organization by Treaty among the Governments of Tuvalu, Australia, New Zealand and the United Kingdom and has the legal capacity to enter into contracts.

The stated objectives of the Tuvalu Trust Fund are:

- (i) to assist the Government of Tuvalu to achieve greater financial autonomy in the management of its affairs;
- (ii) to enable the Government to maintain, and if possible, improve, existing levels of social infrastructure and services;
- (iii) to enhance the capacity of the Government to receive and effectively utilize costs of social and economic infrastructure and services, and;
- (iv) to ensure that revenue is available to cover long term maintenance and operating costs of social and economic infrastructure and services, and;
- (v) to permit the Government to participate directly in the development of the economy.

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) ***Basis Of Preparation***

The Financial Statements have been prepared on an accrual basis.

(c) ***Basis Of Recording Income***

Income from investments is taken to account as follows:

- (i) Fixed interest and property income – on the date due and receivable.
- (ii) Dividend income – on the date the dividends are declared.

(d) ***Expenditure And Outgoings***

Expenditure and outgoings are taken to account on an accruals basis.

(e) ***Foreign Currency***

Investments are denominated in Australian currency or equivalent and likewise these financial statements are expressed in Australian currency (\$A). Where necessary foreign currency amounts have been converted to Australian currency at the rate ruling at the date of the transaction.

(f) ***Investment – Cost And Valuation***

Investments are valued at market value at balance sheet date. Unrealised gain or loss on revaluation of investments is taken into account in determining the net gain for the year. Net gain or loss on sale of investments is calculated by reference to original cost.

(g) ***Comparative Figures***

The corresponding amounts for the preceding year have, where necessary, been reclassified to facilitate comparison.

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) *Fund Account*

The fund account consists of initial and subsequent contribution made, plus subsequent net earning, less any withdrawals including transfers made between the Tuvalu Trust Fund and the Consolidated Investment Fund account.

(i) *Cash*

For the purposes of the Statement of Cash Flows, cash includes cash at banks and liquid assets, both in the secretariat account as well as in the investment fund.

(j) *Goods and Services Tax (GST)*

Where applicable, GST incurred by the Fund, that is not recoverable from the Australian Taxation Office, has been recognized as part of the expense to which it applies.

2. INVESTMENTS

	Market Value 2004 \$A'000	Market Value 2003 \$A'000
Indexed bonds	24,565	8,017
Equities	18,227	14,985
Property	6,789	5,265
International investments	35,820	43,789
Liquids	-	3,783
	<u>85,401</u>	<u>75,839</u>

Investments are recognised at their fair value.

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

3. INCOME TAX

The Fund has been granted exemption from all taxation on its investment in the participating countries: Tuvalu, Australia, New Zealand and the United Kingdom.

4. FUNDS

In accordance with the objectives of the Trust the following amounts were paid to the Government of Tuvalu:

(a) *Contribution To Fund*

	2004 \$A'000	2003 \$A'000
- Australia	594	586
- New Zealand	135	710
	<u>729</u>	<u>1,296</u>

(b) *Drawdown Of Funds*

Total Drawdowns	<u>-</u>	<u>-</u>
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5. STATEMENT OF CASH FLOWS

	2004 \$A'000	2003 \$A'000
(a) Reconciliation of the net gain for the year to the net cash flows from operations		
Net gain/(loss) for year	8,662	3,940
Less: Unrealised (gain)/loss	(3,198)	-
Income reinvested	(5,430)	-
Realised (gain)/loss	-	603
Other changes in assets and liabilities	229	21
Net cash flows from operations	<u>263</u>	<u>4,564</u>
(b) Reconciliation cash		
Cash balance comprises:		
Cast at bank	272	10
Liquid assets	-	3,783
	<u>272</u>	<u>3,793</u>

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

6. SEGMENT INFORMATION

The trust operates solely in the area of investment.

7. FINANCIAL INSTRUMENTS

The investments of the Fund (other than cash held for liquidity purposes), are managed on behalf of the Trustee by Citigroup Asset Management Australia Limited, Credit Suisse Asset Management Australia Limited, Wellington International Management Company Pte Limited, BT Financial Group Ltd and Barclays Global Investors Ltd. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate.

The Trustee has determined that appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Trustee obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.