

TUVALU TRUST FUND
FOR THE YEAR ENDED 30 SEPTEMBER 2009
Financial Statements

TUVALU TRUST FUND

CONTENTS

FOR YEAR ENDED 30 SEPTEMBER 2009

	Page No.
Directors' Statement	1
Independent Auditor's Report	2
Statement of Financial Position	3
Movements in Fund Account	4
Statement of Financial Performance	5
Statement of Cash Flows	6
Notes to and forming part of the Financial Statements	7 - 11

TUVALU TRUST FUND
DIRECTORS' STATEMENT TO THE GOVERNMENT OF TUVALU

FOR THE YEAR ENDED 30 SEPTEMBER 2009

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 2009 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:



Place:

Funafuti, Tuvalu

Date:

5 July 2010

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 2009 as set out on pages 3 to 11. The directors of the Tuvalu Trust Fund are responsible for the financial statements and the information they contain. We have conducted an independent audit of these 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 Standards on Auditing 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 International Financial Reporting Standards set out in Note 1, 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 International Financial Reporting Standards as outlined in Note 1 and the requirements of the Trust Deed, the financial position of the Tuvalu Trust Fund as at 30 September 2009 and its performance for the year then ended.

Suva, Fiji
5 July 2010

Ernst & Young
Ernst & Young
Chartered Accountants

TUVALU TRUST FUND

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

	Note	2009 \$A'000	2008 \$A'000
ASSETS			
Cash and cash equivalents		135	150
Interest receivable		-	2
Financial assets held at fair value through profit and loss	2	<u>95,391</u>	<u>94,500</u>
TOTAL ASSETS		<u>95,526</u>	<u>94,652</u>
LIABILITIES			
Trade and other creditors		<u>45</u>	<u>77</u>
TOTAL LIABILITIES		<u>45</u>	<u>77</u>
NET ASSETS		<u>95,481</u>	<u>94,575</u>
FUND ACCOUNT		<u>95,481</u>	<u>94,575</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 2009

	Note	2009 \$A'000	2008 \$A'000
Balance of account at 1 October		<u>94,575</u>	<u>108,317</u>
Contribution received	4(a)	7,291	4,466
Net gain/(loss) for the year transferred from statement of financial performance		(1,622)	(8,684)
Drawdown of funds	4(b)	<u>(4,763)</u>	<u>(9,524)</u>
Net increase/(decrease) for the year		<u>906</u>	<u>(13,742)</u>
BALANCE OF ACCOUNT AT 30 SEPTEMBER		<u>95,481</u>	<u>94,575</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 2009

Note	2009 \$A'000	2008 \$A'000
REVENUE FROM ORDINARY ACTIVITIES		
Investment income	7,908	6,667
Net (loss)/gain from investments	(9,190)	(14,753)
Other income	148	162
	(1,134)	(7,924)
EXPENDITURE FROM ORDINARY ACTIVITIES		
Audit fees	(21)	(18)
Fund monitor's fee	(115)	(107)
Management fee	(304)	(597)
Other expenses	(49)	(38)
	(488)	(760)
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES		
TRANSFERRED TO FUND ACCOUNT	(1,622)	(8,684)

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 2009

	Note	2009 \$A'000	2008 \$A'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Investment income		8,058	5,819
Management fees and operating expenses paid		(520)	(757)
NET CASH FLOW FROM OPERATING ACTIVITIES	5(a)	7,539	5,062
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments and reinvestments		(9,962)	(34,000)
Proceeds on sale of investments		1,797	34,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(8,165)	-
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Contributions received		5,374	4,466
Drawdowns		(4,763)	(9,524)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		611	(5,058)
NET (DECREASE)/INCREASE IN CASH HELD		(15)	4
ADD opening cash brought forward		150	146
CLOSING CASH CARRIED FORWARD	5(b)	135	150

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 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report, and has been prepared in accordance with International Financial Reporting 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. The financial statements of Tuvalu Trust Fund for the year ended 30 September 2009 were authorized for issue in accordance with a resolution of the directors on 24 May 2010.

(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;
- (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.

(b) Basis of preparation

The Financial Statements have been prepared on a historical cost basis, except for the valuation of investments in financial assets, which have been measured in fair value. Both the functional and presentation currency is Australian dollars.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 September 2009 and the comparative information presented in these financial statements.

(c) Statement of Compliance

The financial report is in compliance with International Financial Reporting Standards (IFRS).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue Recognition

Income from investments is taken to account as follows:

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

(e) Expenditure and Outgoings

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

(f) 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.

(g) Investments

All financial assets have been designated at fair value through profit or loss on adoption of IFRS. These are assets held for trading or designated upon initial recognition as at fair value through profit or loss. Unrealised gains or losses on revaluation of investments are taken into account in determining the net gain for the year. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

(h) 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 (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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. These comprise cash at banks and at hand and short term deposits with an original maturity of three months or less.

(k) 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 2009 \$A'000	Market Value 2008 \$A'000
Indexed bonds	43,869	43,192
Equities	13,741	12,229
Property	3,694	5,325
International investments	34,087	33,754
	<u>95,391</u>	<u>94,500</u>

Investments are recognised at their fair value.

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.

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2009

4. FUNDS

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

(a) Contribution To Fund

	2009 \$A'000	2008 \$A'000
- Australia	2,386	2,593
- New Zealand	3,863	851
- Tuvalu	1,042	1,022
	<u>7,291</u>	<u>4,466</u>

(b) Drawdown Of Funds

Total draw downs	<u>4,763</u>	<u>9,524</u>
------------------	--------------	--------------

5. STATEMENT OF CASH FLOWS

	2009 \$A'000	2008 \$A'000
(a) Reconciliation of the net gain for the year to the net cash flows from operations.		
Net (loss)/ gain for year	(1,622)	(8,684)
Less: Unrealised loss/(gain)	9,190	14,753
Income reinvested	-	(1,008)
Other changes in assets and liabilities	(29)	1
Net cash flows from operations	<u>7,539</u>	<u>5,062</u>
(b) Reconciliation cash		
Cash balance comprises:		
Cash at bank	<u>135</u>	<u>150</u>
	<u>135</u>	<u>150</u>

Cash at bank earns interest at floating bank rates based on daily bank deposit rates. The fair value of cash at bank is \$135,000 (2008: \$150,000).

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2009

6. COMMITMENTS AND CONTINGENCIES

Capital commitments - Nil (2008 - Nil)

Operating lease commitments - Nil (2008 - Nil)

Contingent liabilities - Nil (2008 - Nil)

7. SEGMENT INFORMATION

The trust operates solely in the area of investment.

8. FINANCIAL INSTRUMENTS

The investments of the Fund (other than cash held for liquidity purposes), are managed on behalf of the Trustee by Watson Wyatt Australia and include investments placed with various fund managers including Aberdeen (formerly Credit Suisse Asset Management), Deutsche Global Properties, State Street Global Advisors, BT Financial Group Ltd, Barclays Global Investors Ltd, JF Capital Partners Ltd, Bridgewater Associates Inc and MIR Investment Management. 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.

9. TRUST DETAILS

The Tuvalu Trust Fund was incorporated under the International Organisations (Privileges and Immunities) Act 1964 which was enacted by the administrator of the Government of the Commonwealth of Australia on 16 June 1987.

Registered Office

Ministry of Finance, Economic Planning & Industries
Headquarters Division
Vaiaku
Funafuti
Tuvalu.

Number of employees - 2