



National Retirement Benefits Fund, Vaha'akolo Road, P.O Box 864, Nuku'alofa, KINGDOM OF TONGA.

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Reference: NRBF/A4/3246

Date: 15th November 2017

Honourable Tevita Lavemaau,
Minister of Finance and National Planning,
Ministry of Finance and National Planning,
NUKU'ALOFA.

Pursuant to Section 17(3) of the National Retirement Benefits Scheme Act 2010, I have the honour to submit the report of the National Retirement Benefits Fund on its operations for the Financial Year ended 30th June 2017, together with the audited Accounts for the same period.

Respectfully,

Dr. S. Leimoni Taufu'i

CHIEF EXECUTIVE OFFICER



About Us



Our Vision

Securing for your retirement

Our Mission

- To secure members' funds for their retirement;
- To provide members with reliable information on a timely basis;
- To provide members with reasonable interests on their retirement accounts; and
- To eliminate poverty at old age.

Our Purpose

To provide benefits in respect of the retirement, permanent total disablement, early release, or death of a member as specified in the Act and Regulations.

Background

The National Retirement Benefits Fund was established on 1st July 2012 and has been in operation for five years. It is an accumulation contribution Fund and its operational activities have been carried out in accordance with the provisions of the National Retirement Benefits Scheme Act 2010; National Retirement Benefits Scheme (Amendment) Act 2014; National Retirement Benefits Scheme (Administration) Regulations 2012; and the National Retirement Benefits Scheme (Appointment of Directors) Regulations 2015.

The members of the Fund are the registered employees of all businesses and organizations that employ one or more employees and received wages/salaries for their services.

In September 2012, the Government granted the administration and management of the operations of the Government Social Welfare Scheme to the Fund.



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2016 / 2017 HIGHLIGHTS

Financial Highlights

Financial	2015/2016	2016/2017
Contributions Revenue	\$ 7,396,861.91	\$ 7,715,944.18
Total Investment	\$ 25,170,991.67	\$ 31,667,580.71
Investment Income	\$ 906,645.12	\$ 1,169,224.82
Total Benefits Paid to Members	\$ 1,014,324.73	\$ 1,459,465.06
Fund Earning Rate	4.15%	4.17%
Total Net Assets	\$ 26,041,375.78	\$ 33,085,929.44

Operational Highlights

Membership	2015/2016	2016/2017
Employers	574	698
Members	9,596	11,300
Withdraw	236	423





Board Members



Rev'dDr. Tevita Havea
Chairman and
Churches' Nomination



Lord Matoto 'o Tu'anekevile
Churches' Nomination



Mr. Ross Chapman
Private Businesses' Nomination



Mrs. Tunamailangi Likiliki
Private Businesses' Nomination



Mr. Pita Ha'angana
Public Enterprises and Statutory
Boards' Nomination



Mrs. Leta Kami
Public Enterprises and Statutory
Boards' Nomination



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



Mrs. 'Alisi Taumoepeau
Chairman's Nomination



CHIEF EXECUTIVE OFFICER'S REPORT

It is with great pleasure that I present the performance of the National Retirement Benefits Fund (NRBF - The Fund) together with the audited financial statements for the year ended 30th June 2017. It is indeed reassuring to report that the Fund had another year of remarkable achievements and continuing a consistent growth trajectory for the last five years. This year also marked the 1st Five Years journey of the Fund which began in 2012.



Undoubtedly, the results of the year clearly indicate that the establishment has built a sound platform to improve operational efficiencies and has successfully placed the Fund on solid financial and governance foundation for the future generations of Tonga. The financial and operational results demonstrate the commitment of our employees at all levels to implement key strategies to ensure we continue to protect the long-term interests of our members.

Interestingly, we are witnessing increased accumulation of member balances to provide for retirement, which is one of the core objectives of the establishment of the Fund. However, this growth has its own new challenges on investment and also the need to share the benefits of this success on a more equitable basis. The net surplus for the year grew by 1.67 percent (%) to TOP\$6.77million.

Table 1: Fund performance for the last 5 years by sector.

Sector	Number of Employers	Number of Employees	Total Assets
Churches	16	1,848	6,456,244.58
Public Enterprises	21	1,334	10,843,811.87
Private Businesses	661	8,118	20,012,497.76
Total	698	11,300	37,312,554.21

For the fifth consecutive year, the Fund has increased the interest rates credited to members. Interest declared was 4.17 percent (%), which resulted in the distribution of TOP\$1.17 million to member accounts. We are indeed proud to report that in the last five years, the Fund has credited over TOP\$2.99 millions as interest to our members.

It is our projection that we expect the economy to continue in its growth path for the next three years. This growth is expected to be led by the private sector and will have significant positive impact in generating new employment, as well as opportunities for an overall increase in salaries and wages. This, coupled with our preservation policy, will further accelerate the accumulation of member balances.

The challenge for the Board now is to ensure that members' savings are invested to generate consistent growth and better returns. Returns from term investments are being constrained, so we need to look for new opportunities that will increase our investment returns. The Fund has now taken a more active investment approach and increased its exposure into growth assets in the telecommunication, infrastructure, equity, and property development.



The Fund is also addressing the social security issue as per His Majesty's Opening address of Parliament in 2016. The Fund will therefore explore opportunities to provide health insurance scheme for our members. In doing so, we will also align our investment strategies to areas that will support the social security needs of all Tongans.

Despite the challenges faced in both the local and global economies, the Fund continued to grow in strength and for this year, 2017, the interest declared to members was increased to 4.17 percent (%). The interim interest rate maintained at 4.15 percent (%)

The successful establishment and implementations of all related designed policies during the year is also a testament of the resilience of the Fund team, and it is only appropriate that we acknowledge their contributions.

The sound financial performance also provided us the opportunity to review our commitment to our members to improve their financial health and well-being. This means ensuring their Fund contributions are paid and credited to their accounts and are prudently invested to provide adequate returns for them. Our total focus has been to ensure that our members are provided with the service they deserve.

Contributions collected totalled to TOP\$7.72 million compared with TOP\$ 7.40 million last year, an increase of 4.31 percent (%). Surpassing the average of TOP\$0.6 million mark in contribution every month is a huge milestone on the establishment stages of the Fund. This increase is attributed to improved compliance, the outreach program and regular visits and seminars and increased economic activity. Increased contributions also led to 27.05% growth in the total member funds to TOP\$33.09 million compared with \$26.04 million in 2016.

The Fund is now in a much stronger position to transform and face the challenges of the future, especially the increasing expectations from all our stakeholders. Our members are now becoming to be fully aware of the functions and purpose of setting up the Fund.

The Fund is committed to transform our people and use systems to allow the Fund to thrive given the challenges and the expectations of our stakeholders. The key focus of this transformation is the Fund staff. Getting the staff ready and embedding them with the right culture is fundamental. The further reviews of the Act, Regulations and operational policies will also cater for some priority areas like data integrity, analytic and project management that will be part of our focus.

We are indeed privileged to have the constant support of our Chairman and directors throughout the year. I would like to thank all our employees for their demonstrated professionalism, dedicated commitments and endurance throughout the year. Finally, to our members and employers, we thank you for your understanding and continued support.

Malo 'aupito,

Dr. S. Leimoni Taufu'i

CHIEF EXECUTIVE OFFICE



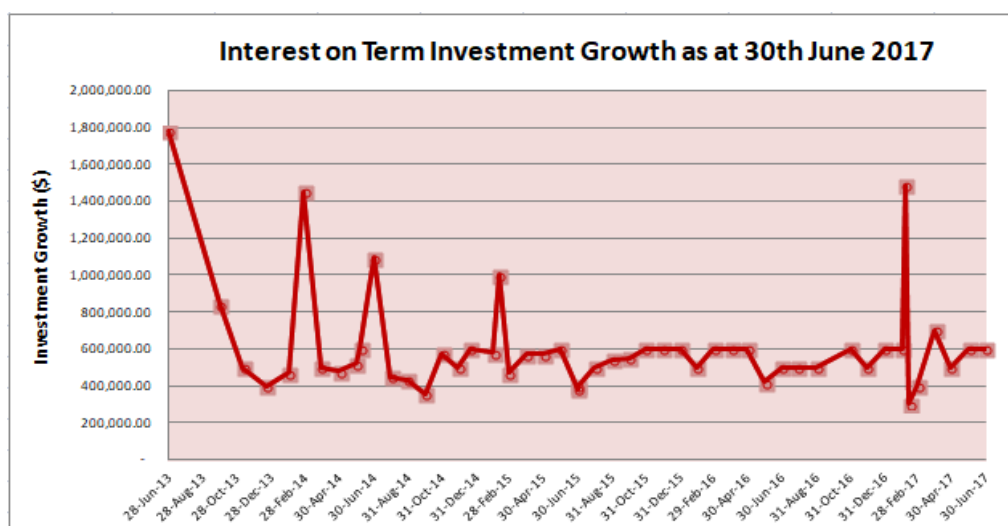
OVERVIEW

CONTRIBUTION REVENUE

The Fund collected a total contribution of \$7,715,944.18 in its fifth year of operation. This is an increase of 4.31 percent (%) from the previous year's collection of \$7,396,861.19. The voluntary contribution collected from both employers and employees was \$426,858.16

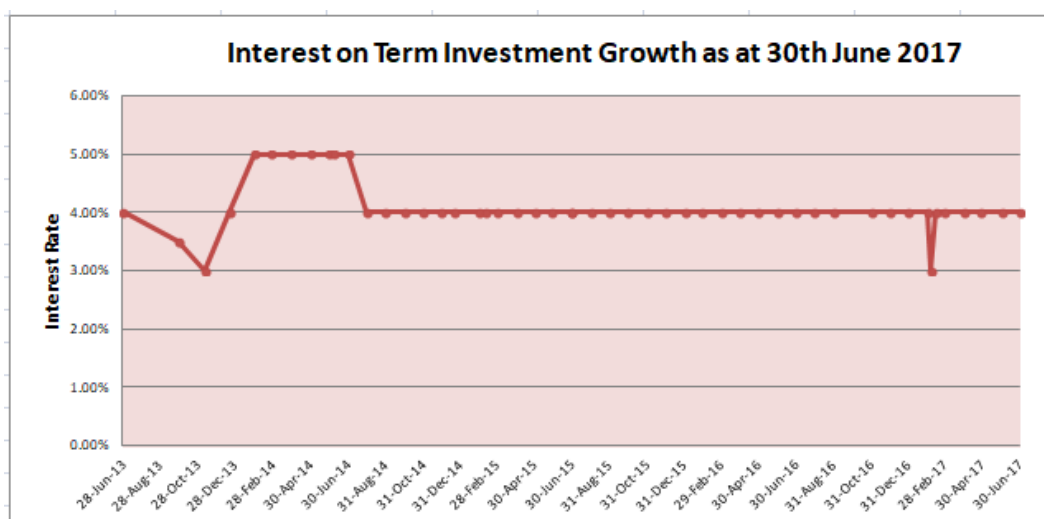
INVESTMENT

The Fund's investment portfolio grew from \$25,170,991.67 to \$31,667,580.71 at the end of June 2017, increasing by 25.8 percent (%) from the previous year. This is due to the growth of members and their contribution collected during the year. All available funds were invested locally in term deposits and government bonds.



Fund Earning Rate

The Fund's total investment income during its fifth year of operation was recorded at \$1,169,224.82 growing by 28.9 percent (%) compared to \$906,645.12 from the previous year. The return on investment was 4.17 percent (%) and the Board declared the whole interest received to be credited to members' accounts as at 30th June 2017.

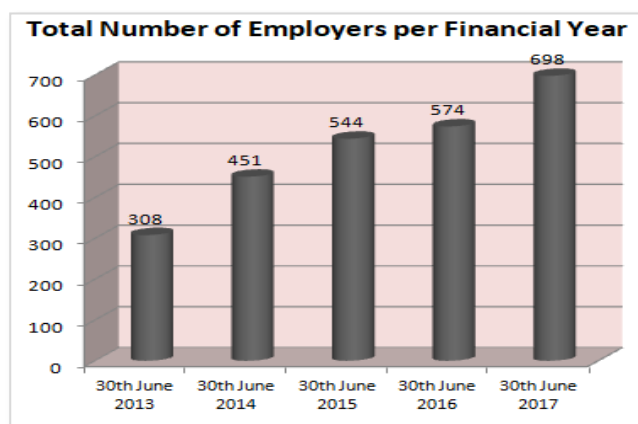
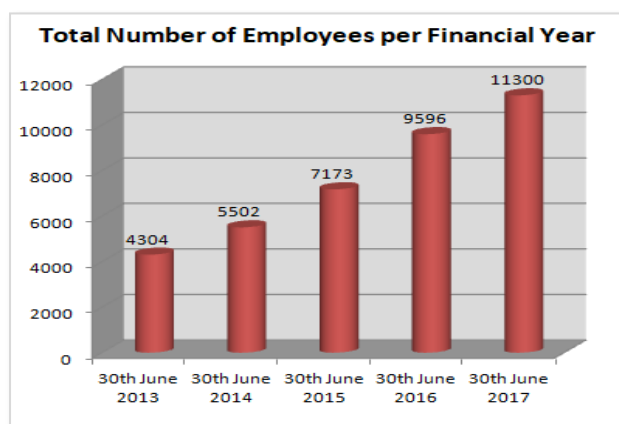




OPERATIONS

Members

The total members registered and contributed to the Fund as at 30th June 2017 were recorded at 11,300 which is an increase from last financial year's total members of only 9,596 by 17.76%.



Employers

The total employers registered with the Fund as at 30th June 2017 were 698. This is an increase from last financial year's total 574 by 21.60 percentage (%). It is estimated that less than 800 businesses are yet to be registered with around 1200 employees.

The Enforcement team continued to follow up the unregistered businesses to ensure employers are not only registered but also comply with the requirements of the Act. These are mainly small, medium businesses and sole traders.

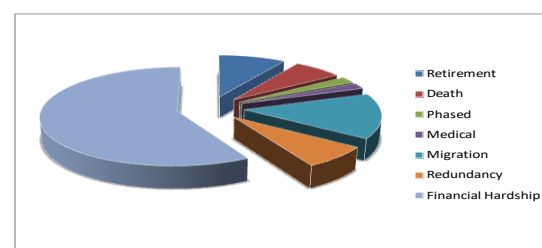
Retirement Benefits Payments

The total number of withdrawals from the Fund on the various grounds permitted by the Act, including financial hardship (unemployment assistance) were 423. The total amount of withdrawal benefits by members who have retired or withdrawn portion of their retirement benefits amounted to \$1,459,465.06, an increase of 43.8 percentage (%) from \$1,014,324.73 in 2015/16.

	No. of Members	Contributions (\$)	Insurance (\$)	Total Payments (\$)
Normal Retirement	38	263,231.68		263,231.68
Death	28	111,957.47	110,000.00	221,957.47
Phased	9	186,500.00		186,500.00
Early Release				
Medical	8	36,426.21		36,426.21
Migration	63	255,692.91		255,692.91
Redundancy	31	137,267.20		137,267.20
Financial Hardship	246	358,389.59		358,389.59
Total	423	\$1,349,465.06	\$110,000.00	\$1,459,465.06

Self-Managed Life Insurance Scheme

The life insurance is managed in-house to provide life insurance premium for all active members of the Fund, excluding the voluntary members and in accordance with the Act and the Fund Group Life Insurance Policy. The Policy requires the deduction of the premium at the end of the year from active members and the premium rate for the year was \$16.92 per member for the sum insured of \$5,000.



Retirement Benefit - Rev. Salesi Finau



The total benefits payments under death claims were \$221,957.47 for a total of 28 members including the insurance claims of \$110,000 claimed under self-managed life insurance. Members are permitted by the Act to nominate beneficiaries to claim their retirement entitlements upon death, while in service.

Member Services

The Fund continued to conduct wider consultations with businesses, churches and statutory authorities throughout the country. Various programs and announcements were broadcasted on television and radio as well with the aim of building awareness and updating members on the development of the Fund.

The Fund continued to distribute both employers' and members' statements to contributed employers on a yearly basis as part of its ongoing reconciliation during the financial year. Over the counter services are also available during working hours only to welcome members and address concerns brought by members.



INFORMATION COMMUNICATION TECHNOLOGY (ICT) & ADMINISTRATION

Fund Information Systems and Technologies

ICT continued to focus on recovery plans and security as it was the main focus from the previous year. ICT also tried to be more prepared to face any natural disaster. A draft Disaster Recovery Plan (DRP) was prepared to ensure that risks such as down times associated with the Fund's Information System and Infrastructure are minimized. Due to the introduction of the new fibre optic cables, ICT is now open for more options in regards to backups and recovery plans therefore cloud storage will be further developed. ICT also upgraded equipments to meet the new softwares and new developments.

The ICT team continued to train staff to enhance their working skills in order to cater for the needs of the Fund's members. The ICT successfully designed an Investment system that helped the new Investment Division to track and forecast investment returns.

Staff Administration

The Fund had 26 staff compared with 25 of the previous year. There were 21 established staff, 1 agency and 3 casual workers. 'Alameini Latu was promoted to the post of ICT Manager to replace Ikapote Tavalea who migrated to New Zealand. Lesieli Paletu'a replaced Visiesio Sakopo at the Ha'apai Branch.

The Board recognizes that employees are crucial to the success of the Fund. Therefore the Fund has continued to seek for international training and conferences to ensure its staffs are not far behind on any new development. In this respect, Mrs. Sesilia Halaholo successfully completed her Master of Commerce with merit in December 2016 from the Australian National University in Canberra.



MRS. Sesilia Halaholo at Graduation



COMPLYING SCHEMES

The Fund granted exemption to 15 employers as complying schemes during the first year of operations. At the end of the fifth year, a total of 8 employers remained as complying schemes and the Fund will continue to assess them as required by the act.



Tonga Power Limited workers

CONTRIBUTION TO ECONOMIC DEVELOPMENT

The Fund has continued its facilitative role of creating new investments and exploring new opportunities for future development. Growth and opportunities remained the theme for the Fund.





Independent Auditor's Report

National Retirement Benefits Fund Financial Statements For the year ended 30 June 2017

We have audited the financial statements of the National Retirement Benefits Fund (the organisation) on pages 1 to 10, that comprise the statement of net assets available for benefits as at 30 June 2017, the statement of changes in net assets available for benefits, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies.

Opinion on the financial statements

In our opinion the financial statements of the organisation on pages 1 to 10:

- comply with generally accepted accounting practice in Tonga as represented by the International Financial Reporting Standards; and
- comply with the National Retirement Benefits Scheme Act 2010 as amended in 2014; and
- give a true and fair view of the organisation's:
 - Statement of Net Assets Available For Benefits as at 30 June 2017; and
 - Changes in Net Assets Available For Benefits and Cash Flows for the year ended 30 June 2017.
- based on our examination the organisation kept proper accounting records.

Our audit was completed on 15th November 2017. This is the date at which our opinion is expressed.

Basis of opinion

We carried out our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

We confirm that we have no other relationship with the organisation other than the audit of the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors and management as well as evaluating the overall presentation of the financial report.

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

JKCA
JERU KONG CHIAI



Responsibilities of the Board of Directors and Management

The Board of Directors and Management are responsible for preparing financial statements that:

- comply with generally accepted accounting practice as represented by International Financial Reporting Standards ; and
- comply with the National Retirement Benefits Scheme Act 2010, National Retirement Benefits Scheme (Amendment) Act 2014, National Retirement Benefits Scheme (Administration) Regulations 2012 and the Fund's Financial Policies; and
- give a true and fair view of the organisation's net assets available for benefits, changes in net assets available for benefits and cash flows.

The Management is also responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting an applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors' responsibilities arise from the National Retirement Benefits Scheme Act 2010 and National Retirement Benefits Scheme (Amendment) Act 2014.

Responsibilities of the Auditor

Our responsibility is to express an independent opinion on the financial statements to the Minister of Finance and National Planning of the Government of Tonga in accordance with section 17 of the National Retirement Benefits Scheme Act 2010.

Kisione Tupou
JK Chartered Accountants
Nuku'alofa, Tonga

JKCA
Jointly Owned by the Government of Tonga and the National Retirement Benefits Fund



STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

For the year ended 30th June 2016

Assets	Notes	Jun-17 \$	Jun-16 \$
Investments			
Term Deposits	2	31,667,580.71	25,170,991.67
Total Investments		31,667,580.71	25,170,991.67
Receivables			
Contribution Receivables	3	554,084.16	467,783.03
Accrued Revenue - Others		0.00	0.00
Accrued Interest		316,401.71	243,458.74
Total Receivables		870,485.87	711,241.77
Prepayment Expenses and Other Assets			
Prepaid Expenses		775.80	763.11
Property, Plant and Equipments	4	287,457.47	387,133.49
Total Prepayment Expenses and Other Assets		288,233.27	387,896.60
Cash			
Operating Account - BSP		229,793.47	(12,287.36)
Contribution Account - BSP		29,662.89	5,724.14
Corporate Card Account - BSP		8,650.96	8,650.96
Contribution Account - TDB		198,734.63	132,297.20
Contribution Cheque Account - TDB		(19,457.72)	(85,871.16)
Insurance Fund Account - TDB	5	59,423.83	81,154.84
Capacity Building Account - TDB		47,710.87	59,297.18
Insurance Cheque Account - TDB	5	27.91	0.00
Patron's Fund Account - TDB		15,834.88	0.00
Total Cash		570,381.72	188,965.80
Total Assets		33,396,681.57	26,459,095.84
Less Liabilities:			
Accrued Expenses	6	10,312.83	9,200.00
Deferred Income	7	300,439.30	408,520.06
Total Liabilities		310,752.13	417,720.06
Net Assets Available for Benefits		\$33,085,929.44	\$26,041,375.78
Represented by:			
Members Accrued Benefit	8	25,916,789.42	19,240,176.87
Current Earnings		6,772,154.05	6,661,024.99
Insurance Fund	5	59,451.74	81,154.84
Investment Reserve Account	14	2,975.00	3,785.15
Patron Fund Account		15,834.88	7,645.00
General Reserves		318,724.35	47,588.93
Total Members Fund		\$33,085,929.44	\$26,041,375.78

Signed in accordance with a resolution of the Board

Rev. Dr. Tevita Koloa'ia Havea
Chairman

Dr. Sione Leimoni Taufu'i FCPA, FASFA
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 18 – 24



STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at 30th June 2016

	Notes	Jun-17 \$	Jun-16 \$
Operation Revenue			
Donor Grant - Government of Tonga		0.00	0.00
		0.00	0.00
Contribution Revenue	12		
Member Contribution Account		3,412,198.32	3,250,712.76
Employers Contribution Account		3,555,943.94	3,497,026.77
Members Voluntary Contribution Account		142,949.87	172,168.63
Employers Voluntary Contribution Account		265,118.29	252,423.51
Transfer Contribution Account		320,943.76	197,044.59
Voluntary Contributors Contribution Account		18,790.00	27,485.65
		7,715,944.18	7,396,861.91
Less Operational Expenses			
Management and Administration	9	651,660.15	610,462.06
Board Administration	10	111,889.74	106,495.29
Retirement Benefit Payments	13	1,349,465.06	929,324.73
Member Insurance Claims Payment		110,000.00	85,000.00
		2,223,014.95	1,731,282.08
Result from Operational Activities		5,492,929.23	5,665,579.83
Other Revenue			
Member Insurance Claims Income		110,000.00	85,000.00
Member ID Replacement Fees		390.00	280.00
Proceeds from disposal of property, plant & equipment		450.00	100.00
Gain on sale of assets		0.00	3,800.04
Other Income	11	96,494.44	94,222.89
		207,334.44	183,402.93
Less Other Expenses			
Other Expenses	11	96,494.44	94,222.89
		96,494.44	94,222.89
Result from Other Activities		110,840.00	89,180.04
Investment Revenue			
Interest income		1,169,224.82	906,645.12
Interest on Cheque Account		0.00	0.00
		1,169,224.82	906,645.12
Result from investment activities		1,169,224.82	906,645.12
Net Increase/Decrease		6,772,994.05	6,661,404.99
Less Transfer to Reserves		840.00	380.00
		6,772,154.05	6,661,024.99
Net Assets Available for Benefits			
Beginning of the financial year 1st July 2016		0.00	0.00
Balance at end of financial year 30th June 2017		\$6,772,154.05	\$6,661,024.99

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 18 – 24



STATEMENT OF CASH FLOWS

For the year ended 30th June 2016

Cash flows from Operating Activities	Note	Jun-17 \$	Jun-16 \$
Cash received from:			
Donor Grant - Government of Tonga		0.00	75,233.92
Total Funds Received from Government of Tonga		0.00	75,233.92
Contributions		7,740,715.87	7,457,716.89
Operational Fund		255,000.00	481,138.00
Donor Grant - Technical Assistance		0.00	0.00
Member ID Replacement Fees		415.00	280.00
Insurance Premium - Group Life, General Motors & ICT Equipments		18,568.28	49,958.87
Corporate Visa Card - BSP		0.00	8,650.96
Proceeds from disposal of property, plant, equipment		450.00	6,100.00
Transfer from SWS		315,760.00	0.00
		8,330,909.15	8,079,078.64
Cash was disbursed to:			
Donor Grant - Technical Assistance		0.00	0.00
Payment to Board Member		109,212.03	101,041.50
Payment to Employees		497,785.66	462,214.80
Members Insurance Premium		110,000.00	85,000.00
General Expenses		474,901.29	707,052.68
Retirement Benefit Payments	13	1,349,465.06	929,324.73
Purchase of Property, Plant, Equipment		9,022.40	3,735.11
		2,550,386.44	2,288,368.82
Net Cash Provided by Operating Activities		5,780,522.71	5,790,709.82
Cash flows from Investing Activities			
Cash was provided from:			
Matured Term Investments		935,850.00	0.00
Interest on Cheque Accounts (CBF Savings Account)		1,200.40	0.00
Interest on Term Investments		1,096,431.85	850,581.29
		2,033,482.25	850,581.29
Cash was disbursed to:			
Term investments		7,432,589.04	6,610,000.00
		7,432,589.04	6,610,000.00
Net Cash Used in Investing Activities		(5,399,106.79)	(5,759,418.71)
Net Increase/Decrease in cash held		381,415.92	31,291.11
Cash in Bank at the beginning of financial year, 1st July 2016		188,965.80	154,674.69
Cash on hand, 30th June 2017		0.00	0.00
Cash Balance as at 30th June 2017		\$570,381.72	\$188,965.80

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 18– 24



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

1. Statement of Significant Accounting Policies

Reporting Entity

The Financial Statements are for the National Retirement Benefits Fund established under Section 7 of National Retirement Benefits Scheme Act 2010. The National Retirement Benefits Fund administers the Retirement Benefits Fund in accordance with the provisions of National Retirement Benefits Scheme Act 2010 and National Retirement Benefits Fund Amendment 2015 and thus responsible for the management and investment of the fund.

Accounting Policies

The financial statements have been prepared in accordance with the provisions of the National Retirement Benefits Scheme Act 2010, and generally accepted accounting practice as represented by International Financial Reporting Standard (IFRS).

The accounting policies that materially affect the measurement of the Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits 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 changes in money values. All amounts are reported in Tongan Pa'anga.

(b) Investment

Term deposits are brought to account on a cost basis.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are measured at cost less accumulated depreciation.

Depreciation Policy

Depreciation is charged so as to allocate cost of assets less their residual values over their estimated useful lives, using the straight-line method. All assets are depreciated to zero residual value. While this is a departure from IFRS, the property, plant and equipment valuations are reviewed to establish whether written down values exceed the estimated recoverable amount. The following useful life estimates have been used for the depreciation of property, plant and equipment:

Office Furniture	-	Five (5) years
Office Equipment	-	Five (5) years
Motor Vehicles:		
• Brand New	-	Ten (10) years
• Used Vehicles	-	Five (5) years
Computer:		
• Server	-	Five (5) years
• PC & Others	-	Three (3) years
• Software	-	Ten (10) years

Items with a life expectancy of less than one year or cost less than \$500.00 are considered to be consumable items.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

(d) **Revenue Recognition**

Contributions Revenue from Members, Employers and Voluntary Contributors are recognized on accrual basis. The National Retirement Benefit Fund's contributing period is 1st July to 30th June.

Investment Revenue is accrued based on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Other revenue is recognized when it is received.

(e) **Contribution Account and Rate**

A Member must contribute to his Account five (5) percent (%) of his annual salary applicable at the July Review Date. This is stated in the financial statement as Members Contribution Account.

The Employer must contribute to the Members Account seven and a half (7.5) percent (%) of the Member's annual salary, applicable at the July Review Date. This is stated in the financial statement as Employers Contribution Account.

A Member may contribute additional amounts at such rate and amount as the Member determines. This is stated in the financial statements as Members Voluntary Contribution.

An Employer may contribute additional amounts at such rate and amount as the Employer determines. This is stated in the financial statements as Employers Voluntary Contribution.

Any individual who wish to join the National Retirement Benefits Fund may register and contribute at such rate and amount as he or she determines. This is stated in the financial statements as Voluntary Contributors Contribution.

(f) **Receivable**

Receivables are stated at fair value.

For the purposes of recognizing and reliably measuring the contributions receivable as at 30th June 2017, NRBF have recognized contributions receivables at fair value and measured this by contribution received, which relates to this financial year, subsequent to balance date.

(g) **Grants**

The Grants and funding from Donor Funding Agencies have been recognized and accounted for under the Income Approach.

(h) **Taxation**

The National Retirement Benefits Fund income, including investment earning, is exempted from income tax and any other government impost (except consumption tax) under Section 13 of the National Retirement Benefits Scheme Act 2010.

(i) **Retirement Benefit and Voluntary Contributor's Payment Recognition**

Retirement Benefits and Voluntary Contributors Payments to Members are recognized at the time of payment

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****For the year ended 30th June 2016**

(j) Members Insurance Premium

All Members' are insured on a Group Life Insurance Scheme which is self-managed by the National Retirement Benefits Fund with effect on 1st July 2012. The insured amount is fixed at \$5,000.00 per member.

(k) Foreign Currencies

Transactions in foreign currencies are converted to Tongan Pa'anga at the exchange rate on the date of transaction.

(l) Insurance Fund

The Insurance policy for self-managing the group life insurance scheme and general insurance for motor vehicles has been adopted and is to be reviewed from time to time.

Receipts and payments are processed directly from the fund, and any excess of fund assets over the liabilities are reported separately in the Statement of Net Assets Available for Benefits. Each transaction is recognized at the time of payment.

(m) Voluntary Contributors Accumulated Fund

Voluntary Contributors Accumulated Fund was established to account for members who wish to contribute to their retirement benefit account.

The contribution revenue and payments are accounted for in the Statement of Changes in Net Assets Available for Benefits as Voluntary Contributors Contribution Account and Voluntary Contributors Benefits Payments respectively. The balances are transferred to the Voluntary Contributors Accumulated Fund Account at the end of the financial year.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

2. Term Deposits

Certificate Number	Principal	Interest Rate	Deposit Date	Period	Maturity Date
ANZ Bank					
20132000526	500,000.00	3.00%	08/11/2013	5 years	08/11/2018
20132000582	400,000.00	4.00%	19/12/2013	5 years	19/12/2018
Total	\$900,000.00				
NRBT - Government Bonds					
10999	1,484,000.00	3.00%	06/02/2017	5 Years	06/02/2022
Total	\$1,484,000.00				
MBF Bank					
6666	500,000.00	6.50%	30/09/2016	12 Months	30/09/2017
7250	532,589.04	6.50%	25/02/2017	12 Months	25/02/2018
Total	\$1,032,589.04				
Tonga Development Bank					
6542	10,000.00	3.10%	01/09/2012	60 Months	01/09/2017
6040	20,000.00	3.10%	11/09/2012	60 Months	10/09/2017
6865	1,778,491.67	4.00%	28/06/2013	5 Years	27/06/2018
6962	840,000.00	3.50%	27/09/2013	5 Years	26/09/2018
7063	470,000.00	5.00%	28/01/2014	5 Years	27/01/2019
7082	1,450,000.00	5.00%	25/02/2014	5 Years	24/02/2019
7110	500,000.00	5.00%	28/03/2014	6 Years	27/03/2020
7132	478,500.00	5.00%	29/04/2014	6 Years	29/04/2020
7146	520,000.00	5.00%	30/05/2014	6 Years	29/05/2020
7171	600,000.00	5.00%	06/06/2014	6 Years	06/06/2020
7185	1,093,000.00	5.00%	30/06/2014	8 Years	01/07/2022
7220	450,000.00	4.00%	31/07/2014	6 Years	31/07/2020
7245	430,000.00	4.00%	29/08/2014	6 Years	29/08/2020
7263	355,000.00	4.00%	30/09/2014	6 Years	30/09/2020
7287	576,000.00	4.00%	31/10/2014	6 Years	30/10/2020
7309	500,000.00	4.00%	28/11/2014	6 Years	28/11/2020
7332	600,000.00	4.00%	19/12/2014	7 Years	19/12/2021
7355	580,000.00	4.00%	30/01/2015	6 Years	30/01/2021
7360	1,000,000.00	4.00%	10/02/2015	8 Years	09/02/2023
7388	470,000.00	4.00%	27/02/2015	8 Years	26/02/2023
7403	570,000.00	4.00%	31/03/2015	8 Years	30/03/2023
7423	570,000.00	4.00%	30/04/2015	8 Years	28/04/2023
7435	600,000.00	4.00%	29/05/2015	8 Years	28/05/2023
7456	400,000.00	4.00%	30/06/2015	8 Years	29/06/2023
7473	380,000.00	4.00%	30/06/2015	8 Years	29/06/2023
7488	500,000.00	4.00%	31/07/2015	8 Years	31/07/2023
7519	540,000.00	4.00%	31/08/2015	8 Years	30/08/2023
7546	550,000.00	4.00%	30/09/2015	8 Years	29/09/2023
7560	600,000.00	4.00%	30/10/2015	8 Years	29/10/2023
7589	600,000.00	4.00%	30/11/2015	8 Years	29/11/2023
7611	600,000.00	4.00%	31/12/2015	8 Years	30/12/2023
7624	500,000.00	4.00%	29/01/2016	8 Years	29/01/2024
7650	600,000.00	4.00%	29/02/2016	8 Years	28/02/2024
7676	600,000.00	4.00%	31/03/2016	8 Years	31/03/2024
7687	600,000.00	4.00%	29/04/2016	8 Years	29/04/2024
7702	420,000.00	4.00%	31/05/2016	10 Years	31/05/2026
7729	500,000.00	4.00%	30/06/2016	10 Years	30/06/2026
7756	500,000.00	4.00%	29/07/2016	10 Years	29/07/2026
7792	500,000.00	4.00%	31/08/2016	10 Years	31/08/2026
7838	600,000.00	4.00%	31/10/2016	10 Years	31/10/2026
7867	500,000.00	4.00%	30/11/2016	10 Years	30/11/2026
7901	600,000.00	4.00%	30/12/2016	10 Years	30/12/2026
7928	600,000.00	4.00%	31/01/2017	10 Years	30/01/2027
7936	300,000.00	4.00%	13/02/2017	10 Years	12/02/2027
7968	400,000.00	4.00%	28/02/2017	10 Years	28/02/2027
8007	700,000.00	4.00%	31/03/2017	10 Years	31/03/2027
8030	500,000.00	4.00%	28/04/2017	10 Years	28/04/2027
8049	600,000.00	4.00%	31/05/2017	10 Years	31/05/2027
8086	600,000.00	4.00%	30/06/2017	10 Years	30/06/2027
Total	\$28,250,991.67				
Grand Total	\$31,667,580.71				



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

3. Contribution Receivables

	2016/2017
Opening balance as at 1 st July 2016	467,783.03
Less receivables received during the year	(467,783.03)
Add receivables for the month of June 2017	554,084.16
Balance as at 30th June 2017	\$554,084.16

4. Property, Plant and Equipment's Depreciation Schedule

Items	Type	Useful Life	Rate	Cost	Accumulated Depreciation 30/6/16	Book Value 30/6/16	Additional/ Disposal	Depreciation 30/06/17	Book Value 30/06/17
NRBF FUNDED ASSETS									
No.									
1	Server	5	20%						-
2	PC & Oths	3	33%	25,045.86	20,228.81	4,817.05	-	2,565.78	2,251.27
3	Computer Software	10	10%						-
4	Office Furniture	5	20%	12,176.95	6,601.98	5,574.97	3,336.00	2,689.24	6,221.73
5	Office Building	10	10%	29,977.76	9,678.38	20,299.38	-	2,129.43	18,169.95
6	Motor Vehicle	5	20%						-
7	Office Equipment	5	20%	18,149.34	8,812.53	9,336.81	5,686.40	4,819.53	10,203.68
Sub-Total				85,349.91	45,321.70	40,028.21	9,022.40	12,203.98	36,846.64
DONOR FUNDED ASSETS									
1	Server	5	20%	24,000.00	19,200.00	4,800.00	-	4,800.00	-
2	PC & Oths	3	33%	40,749.00	40,749.00	-	-	-	-
3	Computer Software	10	10%	131,246.30	52,193.82	79,052.48		13,124.60	65,927.88
4	Office Furniture	5	20%	10,451.00	8,360.80	2,090.20		2,090.20	-
5	Office Building	10	10%	369,398.93	147,759.57	221,639.36		37,808.27	183,831.09
6	Motor Vehicle	5	20%	118,000.00	94,399.99	23,600.01	-	23,600.01	-
7	Office Equipment	5	20%	75,356.72	59,433.50	15,923.22	-	15,071.36	851.86
Sub-Total				769,201.95	422,096.68	347,105.27	-	96,494.44	250,610.83
Total				\$854,551.86	\$467,418.38	\$387,133.48	\$9,022.40	\$108,698.42	\$287,457.47

5. Insurance Fund

The Insurance Fund Account was established to account for the management of the Self-Managed Life Insurance Scheme.

	2016/2017
Balance 1 st July 2016	81,154.84
Add: Receipts	
Premiums – Group Life Insurance	110,000.00
Premiums – General Insurance (Motor Vehicles)	13,568.28
Interest on Bank Account	245.18
(Less): Payments	
Insurance Claims	(110,000.00)
Bank Charges	(146.86)
General Motors - Maintenance & Fuel	(21,369.70)
Transfer to Investment Fluctuation Reserve	(14,000.00)
Balance as at 30th June 2017	\$59,451.74

6. Accrued Expenses

	2016/2017
Acting Allowances & Leave Entitlements	2,312.83
Audit Fees (Financial Year 2016-2017)	8,000.00
Balance as at 30th June 2017	\$10,312.83



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

7. Deferred Income

This represents the amount of Grants and project funded from the European Union and Government of Tonga being recognized as income necessary to match with related costs, which they are intended to compensate, on a systematic basis.

	2016/2017
Capacity Building ^a	59,297.18
Capacity Building Expenses	(11,586.31)
Grant Assets	349,222.87
Depreciation on Grant Assets	(96,494.44)
Balance as at 30th June 2017	\$300,439.30

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

- a. Capacity Building Fund represents Fund for training and development of the Fund staff capacity.

8. Members Accrued Benefits

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

Members Accrued Benefit

	2016/2017
Balance as at 01/07/2016	19,240,176.87
Plus Current Earnings 30/06/2016	6,661,024.99
Plus Adjustment	15,587.56
Members Accrued Benefits as at 30th June 2017	\$25,916,789.42

9. Management and Administration

This represents the administration expenses on the operations of the Fund for 2015/2016.

	2016/2017		2016/2017
Salaries	432,378.02	Water	473.36
Overtime & Allowance	50,474.50	Insurance	18,210.59
Wages	5,739.98	Subscriptions	(1,297.67)
Domestic & Overseas Travel	15,251.18	Bank Charges	529.39
Telephone/Telecommunications	4,227.96	Office Sundries	2,403.70
Fuel	1,236.71	Staff Uniform	1,041.98
Maintenance & Services of Assets	11,661.28	Staff Employer Contribution	43,733.84
Office & Computer Supplies	17,259.40	Audit Fees	8,000.00
Publicity & Member Services	1,150.00	Depreciation	12,203.98
Freight	834.85	Hospitality	234.00
Electricity	10,696.75	Outreach Program	15,216.35
		Balance as at 30th June 2017	\$651,660.15



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

10. Board Administration

This represents the board administration expenses of the Fund for 2015/2016.

	2016/2017
Board Basics & Allowances	107,168.75
Domestic & Overseas Travel	0.00
Sundries	4,720.99
Balance as at 30th June 2017	\$111,889.74

11. Other Income and Expenses

This represents the amount of Grants and project funded from the European Union and the Government of Tonga being recognized as income necessary to match with related costs, which they are intended to compensate, on a systematic basis.

	2016/2017
Depreciation on Grant Assets	96,494.44
Balance as at 30th June 2017	\$96,494.44

12. Contribution

	2016/2017
Members' Contribution	3,412,198.32
Employers' Contribution	3,555,943.94
Members' Voluntary Contribution	142,949.87
Employers' Voluntary Contribution	265,118.29
Transfer Contribution	320,943.76
Voluntary Contributors' Contribution	18,790.00
Balance as at 30th June 2017	\$7,715,944.18

13. Retirement Benefit Payments

	2016/2017
Contribution	1,333,256.73
Interest	16,208.33
Balance as at 30th June 2017	\$1,349,465.06

14. Principal Activities

The Principal activities of the National Retirement Benefits Fund during the year includes the collection and accounting of members' contributions and information processing, providing of the member's benefits under the relevant provision of the National Retirement Benefits Scheme Act 2010, National Retirement Benefits Scheme (Amendment) Act 2014; Regulations 2012, (Appointment of Directors) Regulations 2015 and procedures, and investment of members' net contribution fund (available cash) held by the Benefits Fund. It also includes the administration of Members' Life Insurance Fund and Voluntary Contributors Accumulated Fund Accounts.