

TUVALU WHOLE OF GOVERNMENT



FINANCIAL STATEMENTS

for the Year Ended 31 December 2009

STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Financial Statements of the Government of Tuvalu for the Year Ended 31 December 2009


We hereby declare that:

- We have been responsible for the preparation of these Financial Statements and the judgments made in them.
- We are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In our opinion these Financial Statements fairly reflect the financial position and operations of the Government of Tuvalu for the Year Ended 31 December 2009

The Financial Statements were authorised for issue by the Minister of Finance.



Hon. Lotoala Metia
Minister of Finance & Economic
Development



Mr Minute Taupo
Secretary for Finance and Economic
Development

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31/12/2009

The accompanying notes form part of these financial statements.

	Notes	<u>2009</u> <u>Actual</u>	<u>2009</u> <u>Budget</u>	<u>2008</u> <u>Actual</u>
<u>RECURRENT INCOME</u>				
Taxation	9	5,102,265	6,641,443	6,016,398
Interest, Dividends and Rent	10	1,534,189	983,230	568,920
Fisheries Licenses		9,123,906	5,360,300	8,400,036
.TV		2,327,650	2,200,000	2,229,700
External Assistance and Grants	11	10,404,555	10,372,000	7,502,675
Other Income	12	2,386,263	3,344,039	2,660,772
TOTAL RECURRENT INCOME		30,878,828	28,901,013	27,378,501
<u>RECURRENT EXPENDITURE</u>				
Wages, Salaries, and Allowances		10,386,368	10,741,891	9,722,901
Contributions to Tuvalu National Provident Fund		894,888	956,974	839,064
Travel		1,374,318	924,305	1,146,891
Fuel, Electricity and Communications		1,678,795	2,048,244	1,833,279
Maintenance		1,297,480	1,197,579	1,243,988
Loan Repayments & Bank Fees		618,677	504,000	597,854
Grants and Subsidies (incl. Scholarships Support)	13	6,079,537	6,481,459	5,741,485
Tuvalu Medical Treatment Scheme		1,862,929	1,005,000	2,268,541
Other Expenses	14	4,287,640	6,263,259	6,219,542
Special Development Expenditures		2,174,678	2,470,681	1,323,340
TOTAL RECURRENT EXPENDITURE		30,655,310	32,593,392	30,936,885
RECURRENT SURPLUS / (DEFICIT)		223,518	(3,692,380)	(3,558,384)
<u>OTHER REVENUE AND EXPENDITURE</u>				
Unrealised Gain (Loss) on Trust Fund Investment	4	366,339		0
Unrealised Gain (Loss) on Investment in Corporations	5	2,068,808		0
Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	7	1,502,751		0
Call on Government Guarantee Expense		(604,295)		0
Doubtful Debts Expense	6	(817,039)		0
TOTAL OTHER REVENUE AND EXPENDITURE		2,516,564		0
TOTAL SURPLUS / (DEFICIT)		2,740,082		(3,558,384)

STATEMENT OF ASSETS AND LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(i)

For the Year Ended 31/12/2009

The accompanying notes form part of these financial statements.

		Notes	<u>2009</u>	<u>2008</u>
<u>GOVERNMENT EQUITY</u>				
	Surplus / (Deficit)		2,740,081	2,441,616
	Audit Adjustments		0	(8,944,554)
	Retained Earnings		56,600,872	56,750,812
	TOTAL GOVERNMENT EQUITY		59,340,952	50,247,874
REPRESENTED BY:				
<u>ASSETS</u>				
Current Assets				
	Cash & Cash Equivalents	1	(435,128)	1,588,539
	Special Funds	2	1,983,378	1,852,943
	Cash Investments	3	15,349,892	16,061,359
	Prepayments		0	164,473
	Debtors	6	1,904,351	1,024,322
	Total current assets		18,802,493	20,691,636
Non-Current Assets				
	Tuvalu Trust Fund	3 & 4	42,450,446	42,084,107
	Tuvalu Development Fund	3	1,375,782	1,180,959
	Investments in Corporations	3 & 5	10,592,458	6,922,411
	Total Non-Current Assets		54,418,686	50,187,477
105700	Standing and Working Imprest Control Account		0.00	4,844.59
	Total Clearing account balances		0	4,845
	TOTAL ASSETS		73,221,180	70,883,957
<u>LIABILITIES</u>				
Less Current Liabilities				
	Accounts Payable		159,360	149,543
	Accounts Payable - Tuvalu Provident Fund		46,786	0
	Accounts Payable - Payroll Clearance		63,867	220
	Tuvalu Police Fund		600	0
	Total current liabilities		270,613	149,763
Non-Current Liabilities				
	Offshore Loans	7	9,409,044	10,628,314
	Domestic Loans	7	4,200,571	5,023,004
	Total non-current liabilities		13,609,615	15,651,318
112833	Accrued Revenue		0.00	1,592,831.00
301700	Accrued Expenses		0.00	310,623.00
301110	Revenue in Advance		0.00	1,209,972.00
112602	Unrealised Market Losses		0.00	82,131.00
112603	Unrealised Currency Losses		0.00	-841,320.00
	TOTAL LIABILITIES		13,880,227	18,155,318
	TOTAL NET ASSETS		59,340,952	52,728,638

STATEMENT OF CHANGES IN EQUITY**For the Year Ended 31/12/2009***The accompanying notes form part of these financial statements.*

	Notes	<u>2009</u>	<u>2008</u>
Retained Earnings as at 1 January		59,192,428	47,081,802
Movements reflected on Income Statement			
Net Surplus/(Deficit) for the period		223,518	2,441,616
Other Unrealised Gain (Loss) for the period		2,516,564	0
Movements not reflected on Income Statement			
Reduction in Offshore Debt - Principal Repaid		373,332	
Increase (Decrease) in Tuvalu Development Fund Holding		(665,950)	
Call on Government Guarantee (Air Fiji)		(652,699)	
Introduction of TMTI & NAFICOT Investment on GOT accounts		1,601,239	
Other non-Income Statement Movements		(3,247,481)	9,669,010.38
Accumulated Funds as at 31 December		59,340,951	59,192,428

STATEMENT OF REVENUE AND EXPENDITURE BY HEADS
Prepared in accordance with Public Finance Act s31(1)(ii)
For the Year Ended 31/12/2009

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head</u>	<u>Head of Expenditure / Government Function</u>	<u>2009</u> <u>Actual</u>	<u>2009</u> <u>Original</u> <u>Budget</u>	<u>Variance</u> <u>(Bud - Act)</u>
RECURRENT REVENUE				
A	Office of the Governer General	0	0	0
B	Office of the Prime Minister	189,446	1,101,050	911,604
C	Legal Services	43,945	57,500	13,555
D	Parliament	0	0	0
E	Office of the Auditor General	62,857	22,520	(40,337)
F	Finance and Economic Development	16,843,195	16,770,903	(72,292)
G	Public Utilities	159,713	703,870	544,157
H	Health	12,343	36,600	24,257
I	Natural Resources	9,164,141	5,664,400	(3,499,741)
J	Home Affairs	94,391	26,000	(68,391)
K	Police and Prison Services	72,143	28,070	(44,073)
L	Transport and Communications	4,151,771	4,373,630	221,859
M	Education, Youth and Sports	60,923	84,300	23,377
N	Judiciary	11,851	5,850	(6,001)
O	Foreign Affairs, Trade, Tourism, Environment & Labour	12,110	26,320	14,210
TOTAL RECURRENT REVENUE		30,878,828	28,901,013	(1,977,815)
RECURRENT EXPENDITURE				
A	Office of the Governer General	100,114	109,372	9,258
B	Office of the Prime Minister	2,116,319	2,345,631	229,312
C	Legal Services	187,177	240,137	52,960
D	Parliament	389,611	355,170	(34,442)
E	Office of the Auditor General	134,566	178,296	43,730
F	Finance and Economic Development	2,679,135	4,816,984	2,137,850
G	Public Utilities	1,894,288	1,897,518	3,230
H	Health	4,220,762	3,465,321	(755,441)
I	Natural Resources	1,651,620	1,798,894	147,273
J	Home Affairs	3,493,131	3,693,437	200,307
K	Police and Prison Services	894,404	941,659	47,255
L	Transport and Communications	4,881,264	4,518,205	(363,059)
M	Education, Youth and Sports	6,392,870	6,503,237	110,367
N	Judiciary	131,811	149,914	18,104
O	Foreign Affairs, Trade, Tourism, Environment & Labour	1,488,240	1,579,618	91,378
TOTAL RECURRENT EXPENDITURE		30,655,310	32,593,392	1,938,082
RECURRENT SURPLUS / (DEFICIT)		223,518	(3,692,380)	(3,915,898)
OTHER REVENUE AND EXPENDITURE				
	Unrealised Gain (Loss) on Trust Fund Investment	366,339		
	Unrealised Gain (Loss) on Investment in Corporations	2,068,808		
	Unrealised Gain (Loss) on Currency Movement (Offshore Loans)	1,502,751		
	Call on Government Guarantee Expense	(604,295)		
	Doubtful Debts Expense	(817,039)		
TOTAL OTHER REVENUE AND EXPENDITURE		2,516,564		
TOTAL SURPLUS / (DEFECIT)		2,740,082		

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT REVENUE by 'SUB HEAD'

Prepared in accordance with Public Finance Act s 31 (1)(iii)

For the Year Ended 31/12/2009

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head of Revenue / Government Function</u>	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>Variance (Bud - Act)</u>
RECURRENT REVENUE			
Office of the Governor General			
Office of the Prime Minister			
B01 Corporate Services - Office of the Prime Minister	1,993	800,850	798,858
B04 Personnel and Training	149,599	133,900	(15,699)
B08 Tuvalu Media Department	37,854	101,300	63,445
B11 Immigration	0	65,000	65,000
Legal Services			
C01 Office of the Attorney General	43,937	57,000	13,063
C02 People's Lawyer	8	500	492
Parliament			
Office of the Auditor General			
E01 Office of the Auditor General	62,857	22,520	(40,337)
Finance and Economic Development			
F01 Corporate Services - Finance	11,736,561	10,256,240	(1,480,321)
F02 Planning and Budget	150	750	600
F03 Central Statistics Division	0	300	300
F04 Customs	2,801,823	3,471,500	669,678
F05 Postal	2,644	36,570	33,926
F06 Treasury	2	0	(2)
F07 Inland Revenue	2,296,416	3,005,543	709,128
F09 Industries	5,600	0	(5,600)
Public Utilities			
G01 Corporate Services - Public Utilities	0	500,000	500,000
G02 Energy	3,900	10,670	6,770
G03 Public Works Department	155,813	193,200	37,387
Health			
H01 Corporate Service - Health	0	500	500
H02 Health Administration	4,020	0	(4,020)
H03 Curative	6,735	29,000	22,265
H04 Preventative Primary and Preventative Health Services	1,588	7,100	5,512
Natural Resources			
I02 Agriculture	9,368	28,850	19,483
I03 Fisheries	9,127,358	5,592,000	(3,535,357)
I04 Lands and Surveys	27,416	43,550	16,134
Home Affairs			
J01 Corporate Services - Home Affairs	13,797	26,000	12,203
J06 Immigration	80,594	0	(80,594)
Police and Prison Services			
K01 Police and Prison Services	72,143	28,070	(44,073)
Transport and Communications			
L01 Corporate Services - Communications and Transport	2,327,650	2,200,000	(127,650)
L02 Marine	1,561,335	1,656,600	95,265
L03 Aviation	245,856	504,120	258,264
L04 Information, Communication and Technology	16,698	11,000	(5,698)
L07 Meteorological Office	232	1,910	1,678
Education, Youth and Sports			
M04 EFA Secondary School	59,662	82,500	22,838
M05 Library	1,261	1,800	539
Judiciary			
N01 Judiciary	11,851	5,850	(6,001)
Foreign Affairs, Trade, Tourism, Environment & Labour			
O02 Labour	2,000	10,000	8,000
O03 Suva Mission	10,110	16,220	6,110
O04 Permanent Mission of Tuvalu to the UN	0	100	100
TOTAL RECURRENT REVENUE	30,878,828	28,901,013	(1,977,815)

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT EXPENDITURE by 'SUB HEAD'

Prepared in accordance with Public Finance Act s 31 (1)(iv)

For the Year Ended 31/12/2009

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

<u>Head of Expenditure / Government Function</u>	<u>2009 Actual</u>	<u>2009 Original Budget</u>	<u>Variance</u> (Bud - Act)
RECURRENT EXPENDITURE			
Office of the Governor General			
A01 Office of the Governor General	100,114	109,372	9,258
Office of the Prime Minister			
B01 Corporate Services - Office of the Prime Minister	930,540	913,555	(16,984)
B04 Personnel and Training	952,502	1,076,004	123,502
B08 Tuvalu Media Department	233,277	231,718	(1,559)
B10 Department of Women	0	68,848	68,848
B11 Immigration	0	55,505	55,505
Legal Services			
C01 Office of the Attorney General	136,562	182,227	45,665
C02 People's Lawyer	50,614	57,910	7,296
Parliament			
D01 Office of the Parliament	389,611	355,170	(34,442)
Office of the Auditor General			
E01 Office of the Auditor General	134,566	178,296	43,730
Finance and Economic Development			
F01 Corporate Services - Finance	1,301,579	4,009,861	2,708,282
F02 Planning and Budget	140,954	175,664	34,709
F03 Central Statistics Division	50,065	53,399	3,333
F04 Customs	162,813	154,577	(8,236)
F05 Postal	75,502	88,754	13,253
F06 Treasury	466,936	264,716	(202,220)
F07 Inland Revenue	74,760	70,014	(4,746)
F09 Industries	406,525	0	(406,525)
Public Utilities			
G01 Corporate Services - Public Utilities	855,185	845,764	(9,421)
G02 Energy	56,362	52,090	(4,272)
G03 Public Works Department	982,741	999,663	16,923
Health			
H01 Corporate Service - Health	2,177,405	1,281,070	(896,335)
H02 Health Administration	196,139	206,183	10,043
H03 Curative	1,359,467	1,404,879	45,412
H04 Preventative Primary and Preventative Health Services	487,751	573,189	85,438
Natural Resources			
I01 MNRE Headquarters	189,505	136,224	(53,281)
I02 Agriculture	350,634	367,702	17,068
I03 Fisheries	290,897	399,464	108,568
I04 Lands and Surveys	820,585	895,503	74,918
Home Affairs			
J01 Corporate Services - Home Affairs	649,329	750,303	100,975
J02 Department of Rural Development	2,499,993	2,876,614	376,621
J03 Community Affairs	25,544	46,011	20,467
J04 Women Development	58,362	0	(58,362)
J05 Culture	19,854	20,509	655
J06 Immigration	43,035	0	(43,035)
J08 Solid Waste Agency of Tuvalu (SWAT)	197,014	0	(197,014)

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Head of Expenditure / Government Function

		<u>2009</u> <u>Actual</u>	<u>2009</u> <u>Original</u> <u>Budget</u>	<u>Variance</u> <u>between</u> <u>Actual and</u> <u>Budget</u>
Police and Prison Services				
K01	Police and Prison Services	894,404	941,659	47,255
Transport and Communications				
L01	Corporate Services - Communications and Transport	233,885	229,680	(4,204)
L02	Marine	3,465,454	3,206,222	(259,232)
L03	Aviation	801,085	673,730	(127,355)
L04	Information, Communication and Technology	201,409	229,492	28,083
L07	Meteorological Office	179,432	179,081	(350)
Education, Youth and Sports				
M01	Corporate Services - Educations, Youth and Sports	823,639	918,402	94,763
M02	Education Department	249,342	292,399	43,057
M03	Primary Education	1,601,250	1,567,573	(33,677)
M04	EFA Secondary School	1,612,959	1,536,183	(76,776)
M05	Library	46,881	47,459	578
M06	Sports	26,117	26,679	561
M07	Pre-service Scholarships	1,968,643	2,114,543	145,900
M08	Youth	29,052	0	(29,052)
M09	Early Childhood Care and Education	34,987	0	(34,987)
Judiciary				
N01	Judiciary	131,811	149,914	18,104
Foreign Affairs, Trade, Tourism, Environment & Labour				
O01	MFAETLT Headquarter	(106)	53,712	53,817
O02	Labour	326,171	324,135	(2,035)
O03	Suva Mission	349,527	280,450	(69,077)
O04	Permanent Mission of Tuvalu to the UN	391,997	430,124	38,127
O05	Brussels Mission	313,158	314,473	1,315
O06	Environment	73,862	87,687	13,825
O07	Tuvalu Consulate in Auckland	505	0	(505)
O08	Trade Office	0	16,535	16,535
O09	Tourism	33,125	42,066	8,940
O10	Labour	0	30,436	30,436
TOTAL RECURRENT EXPENDITURE		<u>30,655,310</u>	<u>32,593,392</u>	<u>1,938,082</u>

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

1 REPORTING ENTITY

1.0 GOVERNMENT OF TUVALU

The Financial Statements of the Government of Tuvalu represent the financial activities undertaken by Government Departments including entities which operate on the outer islands and in Foreign diplomatic posts.

Tuvalu Public Enterprises, including the Tuvalu Electricity Corporation, Vaiaku Lagi Hotel, National Bank of Tuvalu, Development Bank of Tuvalu, National Fisheries Corporation of Tuvalu (NAFICOT), Tuvalu Philatelic Bureau, Tuvalu Maritime Training Institute (TMTI) and Tuvalu Telecommunications Corporation are not consolidated into the Government of Tuvalu Accounts. The Government's investment in these enterprises is included on the Statement of Assets and Liabilities.

The joint ventures in commercial fishing operations entered into by NAFICOT on behalf of the Government of Tuvalu are not included in these accounts.

1.1 TUVALU TRUST FUND

In 1987 under the Tuvalu Trust Fund (Finance and Information) Act, the Government of Tuvalu established the Tuvalu Trust Fund (TTF) to contribute to the long term financial stability and viability of Tuvalu by enabling it to meet financial commitments from the proceeds of investments. The Trustees represent the Governments of Tuvalu, New Zealand and Australia, which are the main contributors to the Trust Fund.

Despite being the sole beneficiary of the TTF, the Government of Tuvalu does not control the TTF. The complete Financial Statements of the TTF are not consolidated in these Financial Statements of Government. The market value of the Government of Tuvalu's contribution to the TTF is included in these Financial Statements on the Statement of Assets and Liabilities, and the remaining balance of the TTF is contained in the notes to these Financial Statements as a contingent asset.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

2 BASIS OF PREPARATION

The Statement of Income and Expenditure and the Statement of Assets and Liabilities are prepared on an accrual basis, and include non-cash items such as accruals and provisions.

The Financial Statements are presented in Australian dollars, and all monetary values are rounded to whole dollars, unless mentioned otherwise.

2.1 STATEMENT OF COMPLIANCE

These Financial Statements are prepared pursuant to the Public Finance Act and are consistent with prior financial years. The Statements are in accordance with generally accepted accounting practice in Tuvalu (Tuvalu GAAP) as determined by the Government of Tuvalu. Where necessary Tuvalu GAAP looks to the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) to guide general accounting policy.

2.2 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Both the functional and presentation currencies of the Government of Tuvalu are the Australian dollar. Transactions in foreign currencies are initially recorded in the Australian dollar at the exchange rates provided by the National Bank of Tuvalu on the dates of the transactions. At balance date, monetary assets and liabilities held in Foreign Currency are translated at the exchange rates ruling at the balance date. Resulting exchange differences are recognised in the Income Statement.

2.3 BUDGET AMOUNTS

The Financial Statements show as comparatives the amounts appropriated by the original annual Appropriation Act that relates to the current financial year. Appropriations are on a cash basis.

2.4 CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies are applied retrospectively, and comparatives are restated. The effect of these changes, if any, is disclosed in item 4.1, below.

New accounting policies may be adopted for types of transactions that have become material to the Financial Statements for the first time. These are not considered changes in accounting policies. Likewise, some accounting policies may be reworded to better reflect the treatment of transactions; such rewording is also not considered a change in accounting policies.

2.5 MATERIAL PRIOR YEAR ERRORS

If errors are detected that have a material impact on prior years, then these are applied retrospectively, and comparatives are restated. There were no material prior year errors identified in the preparation of these accounts.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

3 ACCOUNTING POLICIES

3.0 BASIS OF PREPERATION

The Statement of Income and Expenditure and the Statement of Assets and Liabilities are prepared on an accrual basis, and include non-cash items such as accruals and provisions.

3.1 REVENUE

Revenue is recognised when earned or becomes receivable. Revenue is measured at the fair value of consideration received or receivable.

Accrued Revenue

Accrued revenue is recorded for items where revenue is earned or becomes receivable prior to the creation of an invoice.

Tuvalu Trust Fund (TTF) Disbursement Revenue

Disbursement revenue from the TTF is recognised at the time of receipt into the Government's Consolidated Investment Fund account. Transfers from the Consolidated Investment Fund Account to the Government General Account are recorded as a transfer of funds and are not treated as Government Revenue.

Taxation Revenue

Taxation Revenue is recognised at the earlier of receipt, invoice or filing of return, and includes: Income Tax – a tax on salaries and wages of workers in the economy as outlined in the Income Tax Act.

Company Tax – Taxes on the profits of large businesses. (Note: Small companies are subject to Presumptive Tax classified under “Other Taxes”).

Tuvalu Consumption Tax – A tax on goods and services set at a rate of 4% of the value of the good or service.

Import Duties – Taxes, normally at percentage of the cost of the imported good based on cost plus insurance plus freight, placed on imports to Tuvalu and levied at the port of entry.

Excise Duties – Special taxes on imported goods that the Government may wish to discourage consumption of such as alcohol, and cigarettes.

Other Taxes - Include Hotel Room Tax, Departure Tax, Presumptive Tax.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

Interest, Dividends, and Rent

Revenue related to interest on Government accounts, dividends received from profits of companies in which the Government holds a share, and rental revenue from Government houses and buildings is recorded in the period it relates to.

Fishing Licenses

Revenue related to the granting of Fishing Licenses to foreign fishing vessels fishing in Tuvalu's Exclusive Economic Zone is recorded in the period it relates to.

.TV Revenue

Revenue related to the license agreement with Verisign for the marketing of Tuvalu's top level internet domain ".tv" is recorded in the period it relates to.

Other Income

Other revenue related to vessel registrations, operation of maritime services (Nivaga II & Manu Folau), stevedoring and wharfage, and other operational activities is recorded in the period it relates to.

3.2 AID ACCOUNTING

External Assistance and Grants

Direct budget support grant funding from donors is recognised at the time of receipt. Aid funding received from donor agencies for projects in the Tuvalu Development Fund is recognised as revenue within the Tuvalu Development Fund account, distinctly separate to the Government Consolidated Fund at time of receipt.

Grants in Kind

Tuvalu often receives grants in kind. These are often in the form of technical assistance, office equipment, investments in major infrastructure projects and property plant and equipment which are beyond the financial resources of the Government of Tuvalu.

These grants in kind are not recognised within these accounts, however where value is known, these amounts are recorded in the Government of Tuvalu's annual Budget documentation as external budgetary assistance.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

3.3 EXPENDITURE

Expenditure is recognised when incurred. This is generally upon receipt of goods or receipt of invoice.

Wages and Salaries

Wage and salary expenses are recognised in the period incurred.

Contributions to Tuvalu National Provident Fund

Contributions to the Tuvalu National Provident fund are recognised for the period to which they apply.

Loan repayments, bank and interest fees

Loan Principle and Interest repayments are recognised as expenditure in the period they relate to.

Grants and Subsidies

Grant Expenses in relation to grants provided to Tuvaluans and Non-Government Organisations (NGOs) are recognised at the point that Funds are paid to the grant recipient.

The Grants provided by Government include:

General Grants and Subsidies - provided to non-Government entities to assist them in providing goods or services, to civil servants for private housing rent subsidies, and to local councils and government.

Overseas Contributions – Payments to international organizations of which the Government is a member of (e.g. United Nations, University of the South Pacific (USP), Forum Secretariat).

Scholarships and support - Expenditure incurred supporting the Government's scholarship program.

Outer Island Projects grants - Special development spending on projects for the outer islands.

Japan Fuel Grant Counterpart Fund - Payments made to the Japan Fuel Grant Counterpart Fund as a contribution to recognise Japan's assistance for fuel purchasing.

Tuvalu Medical Treatment Scheme

Expenditure incurred in the operation of the Government's overseas medical referral scheme recognised in the period incurred.

Other Expenditure

Other expenditure related to advertising, purchasing of provisions, purchasing supplies, minor equipment, social welfare payments such as the Senior Citizen Scheme, payments for land rent to traditional landowners for Government leased land, and rent of properties by the Government is recorded in the period which it relates to.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

Special Development Expenditure (Capital Expenditure)

Special Development Expenditure records a range of normally non-recurrent expenditures that include Government contributions to donor-funded projects, equipment purchases, small projects, and arrears payments.

The current policy is to expense all infrastructure assets and property, plant and equipment in the period they are acquired. These capital expenditures are classified as Special Development Expenditures (SDE) in the annual budget documentation.

3.4 ASSETS

The Government of Tuvalu currently records only Financial Assets in these accounts. Special Development Expenditure for Property Plant and Equipment purchases, and major infrastructure investment are not reflected on the Balance Sheet, and depreciation of these assets is not reflected on the Statement of Income and Expenditure.

Current Assets

An asset is deemed to be current if it is liquid or expected to be made liquid within 12 months.

Cash & Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Debtors

Debtors are measured at their expected realisable value, which is generally the original amount less a provision for amounts uncollected after 365 days. Bad debts are written off when approved by Parliament.

Non-Current Assets

Non-Current Assets are presented at their fair value.

The Tuvalu Development Fund is recognised as a Non-Current Asset, reflecting the Government's agreement with donor partners to utilise development funds in line with approved donor agreements.

Other Investments

Other Investments include investments in subsidiaries, other associated parties and investments in shares in non controlled entities.

Investments are measured at the lower of cost and impaired value.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2009

3.5 LIABILITIES

Creditors

Creditors are recognised on receipt of an approved invoice.

Accrued Expenditure

Accrued expenditure is recorded for items where expenditure is incurred prior to the receipt of an approved invoice.

Employee Entitlements

The Government does not recognise employee entitlement liabilities such as annual leave in these accounts.

Public Debt

All Public Debt is measured and presented at fair value.

4 EVENTS AND DECISIONS WITH SIGNIFICANT ACCOUNTING IMPACTS

4.1 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the Year Ended 31 December 2009, however, the summary of Accounting Policies has been introduced to reflect the treatment of transactions.

This has no effect on the transactions and balances in the Financial Statements, which have themselves been prepared on a basis consistent with previous years.

The format of the Financial Statements has been revised in order to improve readability and international comparability. Fundamental changes include:

- Introduction of a statement of income and expenditure to present the financial performance by nature of expense and revenue.
- Introduction of Notes to the Financial Statements
- Revised structure of statements to improve readability, and movement of some details to these Notes.

The revision of the format has no impact on surplus or deficit, nor on total Equity.

4.2 SUBSEQUENT EVENTS

No events have occurred since balance date which would materially affect the Government of Tuvalu's Financial Statements for the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2009

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

STATEMENT OF BALANCES ON DEPOSIT ACCOUNTS

Prepared in accordance with Public Finance Act s31(1)(ix)

For the Year Ended 31/12/2009

	Financial Year Ending	
	<u>31/12/2009</u>	<u>31/12/2008</u>
Consolidated Fund Accounts		
General Current Account	(871,589)	1,432,927
Government Call Account - 01-420002-02	57,522	56,302
Intellectual Property Account - 170955-30 - AGs	197,516	0
Miscellaneous Passbook a/c - 01-420002-34	1,519	1,467
<i>Total Consolidated Fund Cash account balances</i>	<u>(615,033)</u>	<u>1,490,696</u>
Foreign Mission Accounts		
Agency Account - UN Mission	0	10,927
Cash on Hand - UN Mission	56,042	0
Agency Account - Brussels	0	(41,962)
Cash on Hand Brussel Mission	11,686	0
Agency Account - Tuvalu Embassy, Suva FIJI	0	35,416
Cash on hand - Suva Embassy	28,019	0
Cash on Hand New Zealand Consulate Office	(13,351)	0
<i>Total Foreign Mission Cash account balances</i>	<u>82,396</u>	<u>4,382</u>
Outer Island General Accounts		
Cash on Hand Nanumaga	3,837	2,312
Cash on Hand Nanumea	9,313	8,358
Cash on Hand Niutao	11,042	15,662
Cash on Hand Nui	20,588	14,867
Cash on Hand Nukufetau	11,388	9,566
Cash on Hand Nukulaelae	3,505	261
Cash on Hand Vaitupu	37,836	42,435
<i>Total Outer Island Cash account balances</i>	<u>97,509</u>	<u>93,461</u>
Total Cash Balances as at 31/12/2009	<u>(435,128)</u>	<u>1,588,539</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2

STATEMENT OF SPECIAL FUND BALANCES

Prepared in accordance with Public Finance Act s31(1)(v)
For the Year Ended 31/12/2009

Special Funds	<u>Financial Year Ending</u>	
	<u>31/12/2009</u>	<u>31/12/2008</u>
Business/Passport Investment Scheme - 01-420002-31		
Opening Balance	174,017	169,781
Interest Earnings	6,196	4,235
Closing Balance	<u>180,213</u>	<u>174,017</u>
IBD - Coinage Security - 01-420002-07		
Opening Balance	179,086	133,487
Proceeds of sales of coins & royalties	82,747	45,600
Closing Balance	<u>261,834</u>	<u>179,086</u>
IBD - Housing Repurchasing - 01-420002-46		
Opening Balance	225,936	216,989
Interest Earnings	5,903	8,947
Closing Balance	<u>231,839</u>	<u>225,936</u>
IBD - Insurance Fund - 01-420002-48		
Opening Balance	356,799	342,868
Interest Earnings	10,339	13,931
Closing Balance	<u>367,138</u>	<u>356,799</u>
IBD - NBT Insurance - 01-680824-40		
Opening Balance	538,268	517,182
Interest Earnings	14,308	21,086
Closing Balance	<u>552,576</u>	<u>538,268</u>
IBD - Rehabilitation - 01-420002-45		
Opening Balance	15,901	15,278
Interest Earnings	423	623
Closing Balance	<u>16,324</u>	<u>15,901</u>
IBD -Tuvalu Parliament Building - 01-420002-42		
Opening Balance	68,432	65,755
Interest Earnings	1,985	2,677
Closing Balance	<u>70,417</u>	<u>68,432</u>
Investment in Education Office - 01-420061-44		
Opening Balance	132,624	127,442
Interest Earnings	3,843	5,182
Closing Balance	<u>136,467</u>	<u>132,624</u>
IBD-Funds for Tuvalu Development - 01-751389-40		
Opening Balance	161,881	155,556
Interest Earnings	4,691	6,325
Closing Balance	<u>166,572</u>	<u>161,881</u>
Total Special Funds balance as at 31/12/2009	<u><u>1,983,378</u></u>	<u><u>1,852,943</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3

STATEMENT OF INVESTMENTS

Prepared in accordance with Public Finance Act s31(1)(xi)

For the Year Ended 31/12/2009

	Notes	Financial Year Ending	
		<u>31/12/2009</u>	<u>31/12/2008</u>
Cash Investments			
Consolidated Investment Fund		15,308,000	16,061,359
Government Air Pacific Bank Guarantee - 01-420002-40		41,892	0
Total Cash Investments as at 31/12/2009		<u>15,349,892</u>	<u>16,061,359</u>
Non-Current Investments			
Tuvalu Trust Fund - GOT Contribution	4	42,450,446	42,084,107
Tuvalu Development Fund		1,375,782	1,180,959
Capital in Corporations (total)	5	10,592,458	6,922,411
Total Non-current Investments as at 31/12/2009		<u>54,418,686</u>	<u>50,187,477</u>
Total Investments of Government as at 31/12/2009		<u>69,768,578</u>	<u>66,248,836</u>

NOTE 4

STATEMENT OF CONTINGENT ASSETS

Prepared in accordance with Public Finance Act s31(1)(x)

For the Year Ended 31/12/2009

TUVALU TRUST FUND (TTF)

Given the nature of the TTF and the fact that Tuvalu is the sole beneficiary of the TTF, it is anticipated that in the event of any 'wind up' of the TTF, the market value of all TTF balances would be available to the Government of Tuvalu.

The market value of Government of Tuvalu contribution balance of the TTF is disclosed on the Statement of Assets and Liabilities.

The market value of contribution balances from other parties to the TTF are classified as a contingent asset of the Government. There is no existing 'wind up' provision within the TTF legislation.

Tuvalu Trust Fund Balance

\$'000	Market Value (MV) (TTF) as at 31 December	Total TTF Contribution Balance	GOT Contribution Balance	GOT % of Contributions	Disclosed as GOT Asset (% cont. x MV)	GOT Contingent Asset
2008 Closing Balance	\$ 95,026	\$ 71,996	\$ 31,885	44%	\$ 42,084	\$ 52,942
2009 Closing Balance	\$ 97,561	\$ 73,279	\$ 31,885	44%	\$ 42,450	\$ 55,111

Tuvalu Trust Fund Contribution Balances

\$'000	2008	2009
GOT	31,885	31,885
UK	8,450	8,450
Australia	18,319	19,570
NZ	12,579	12,579
Japan	695	695
South Korea	69	101
Total Contributions	71,996	73,279

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5

GOVERNMENT INVESTMENT IN CORPORATIONS For the Year Ended 31/12/2009

Tuvalu Public Enterprises are not consolidated into the Government of Tuvalu Accounts. The net asset positions of Public Enterprises listed below are included on the Statement of Assets and Liabilities as an Investment in Corporations, in addition to Government investments in non-Government corporations.

<u>Corporation</u>	2006		2007		2008		2009	
	<u>Net Assets of corporation</u>	<u>GOT portion of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOT portion of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOT share of Net Assets</u>	<u>Net Assets of corporation</u>	<u>GOT share of Net Assets</u>
Tuvalu Maritime Training Institute ⁴	641,816	641,816	642,000	642,000	1,601,239	1,601,239	1,561,649	1,561,649
National Fisheries Corporation of Tuvalu ⁵	0	0	0	0	0	0	0	0
Development Bank of Tuvalu ³	788,340	788,340	1,342,505	1,342,505	1,052,096	1,052,096	2,086,000	2,086,000
Vaiaku Lagi Hotel ³	241,798	241,798	106,204	106,204	159,333	159,333	136,000	136,000
National Bank of Tuvalu ³	4,852,245	4,852,245	4,994,748	4,994,748	4,821,375	4,821,375	6,608,000	6,608,000
Philatelic Bureau ³	-134,540	-134,540	-134,540	-134,540	-134,540	0	-137,000	0
Tuvalu Electricity Corporation ³	-506,414	-506,414	-659,403	-659,403	-659,403	0	-1,064,000	0
Tuvalu Telecommunications Corporation ³		0	2,366,906	2,366,906	420,952	420,952	-543,000	0
Air Fiji Limited ¹	4,495,933	1,938,646	4,651,590	2,005,766	4,651,590	0	0	0
Pacific Forum Lines ²		0	20,064,000	468,655	20,064,000	468,655	8,597,000	200,809
		<u>7,180,075</u>		<u>11,132,841</u>		<u>8,523,650</u>		<u>10,592,458</u>

¹The Tuvalu Government owned 44% of issued capital of AIL which in turn owned 98% of the issued capital of Air Fiji limited.

Air Fiji ceased operations in 2009 and all assets of the company were liquidated. The value of Air Fiji holdings was written down to \$0 in the 2008 Financial Statements.

²Tuvalu Government owns a shareholding of 488,405 shares in PFL dating back to 1993. This represents 2.3358% of the total issued capital of the shipping line.

³2011 Net Asset Values for Tuvalu Public Enterprises have been sourced from 2009 audited Financial Statements.

⁴The Tuvalu Maritime Training Institute has not prepared accounts since 2009.

⁵The National Fisheries Corporation of Tuvalu has not prepared a set of accounts since 1999, Government recognises the debt of NAFICOT as a liability.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6

DEBTORS

For the Year Ended 31/12/2009

	<u>2009</u>	<u>2008</u>
Classification		
Claimed Debts Control Account	358,467	289,880
Other Debtors Control Account	2,057,499	497,406
Other Debtors NBT	18,784	18,784
Personal Loan Control Account	2,679	9,448
Special Imprest Control Account	53,666	54,317
Accounts Receivable Clearing Account (Imprest Matching)	367,526	291,717.59
DEBTORS	<u>2,858,621</u>	<u>1,161,553</u>
Less Allowance for Doubtful Debts		
Provision for Doubtful Debts	(954,270)	(137,231)
TOTAL DEBTORS	<u>1,904,351</u>	<u>1,024,322</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7

STATEMENT OF PUBLIC DEBT

Prepared in accordance with Public Finance Act s31(1)(xiii)

For the Year Ended 31/12/2009

	<u>Agency</u>	<u>Original debt</u>	<u>2007 Debt Balance</u>	<u>2008 Debt Balance</u>	<u>2009 Debt Balance</u>	<u>Start</u>	<u>Term</u>	<u>Grace period</u>	<u>Interest Rate</u>	<u>Principle repayments</u>
Government Offshore Loans										
Falekaupule Trust Fund	Asian Dev. Bank - LN1693	US\$3.972m	4,535,627	5,034,568	3,874,715	Nov-99	24yrs, 16 yrs repayment	8 yrs - start Feb 2008	1% in grace, then 1.5%	USD124,115 semi annual
	<i>Interest Payment</i>				76,539					
	<i>Principle Repayment</i>				359,611					
	<i>Unrealised Gain (Loss) on Currency Movement</i>				800,243					
TMTI Original Loan	Asian Dev. Bank - LN1921	SDR1.394m	2,552,052	2,522,824	2,120,079	Nov-02	32yrs, 24 yrs repayment	8 yrs - start Feb 2011	1% in grace, then 1.5%	SDR29,041 Semi annual
	<i>Interest Payment</i>									
	<i>Principle Repayment</i>									
	<i>Unrealised Gain (Loss) on Currency Movement</i>				402,745					
TMTI Supplementary Loan	Asian Dev. Bank - LN2088	SDR1.353m	2,476,993	2,448,624	2,280,858	Aug-04	32yrs, 24 yrs repayment	8 yrs - start Feb 2012	1% in grace, then 1.5%	SDR28,186 Semi annual
	<i>Interest Payment</i>									
	<i>Principle Repayment</i>									
	<i>Unrealised Gain (Loss) on Currency Movement</i>				167,765					
DBT Equity Injection	European Invest. Bank	EUR0.3m	503,609	612,690	480,692	Jan-03	15 yrs	1 repayment 2018	2%	Eur0.3m in 2018
	<i>Unrealised Gain (Loss) on Currency Movement</i>				131,998					
Air Fiji O/D Guaranteed by Govt	Bank of Baroda			0	361,841					In 2010 \$361,841 paid to Mauror & Co for legal proceedings. Following sale of Air Fiji Assets, \$134,041 was returned to GOT
	<i>Principle Repayment</i>				361,841					
Air Fiji O/D Guaranteed by Govt	Fiji Dev. Bank			0	290,858					Full payment of debt July 2010
	<i>Principle Repayment</i>				290,858					
	<i>Call on Government Guarantee Expense</i>									
	<i>Call on Government Guarantee Expense</i>									
	TOTAL GOVERNMENT OFFSHORE DEBT		10,068,281	10,618,706	9,409,044					
Government Domestic Debt										
Air Fiji O/D Guaranteed by Govt	National Bank of Tuvalu			604,295	690,984					No payments made
	<i>Call on Government Guarantee Expense</i>			604,295						
	<i>Interest Expense</i>				86,689					
NAFICOT Loan Guaranteed by Government	National Bank of Tuvalu	AUD1.308m	1,308,100	1,308,100	1,308,100	Nov-03	129 months from Aug 07		8% from 1st repayment	No payments made
Outer Island Suspense Account	National Bank of Tuvalu	AUD4.923m	4,923,734	3,584,787	2,071,370	Aug-07			No interest	Unscheduled
TMC - Tuvalu Media Corporation Loan absorbed by Government	National Bank of Tuvalu	AUD0.127m	126,919	130,117	130,117	Dec-07			No interest	No payments made
	TOTAL GOVERNMENT DOMESTIC DEBT		6,418,478	5,627,299	4,200,571					
	TOTAL PUBLIC DEBT		16,486,759	16,246,005	13,609,615					

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8

STATEMENT OF CONTINGENT LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(x)

For the Year Ended 31/12/2009

Loans guaranteed by the Government of Tuvalu, whereby commitment is made by government to repay unpaid amounts upon n
Refer Government Borrowing and Guarantee Act

<u>Name</u>	<u>Agency</u>	<u>Original Guarantee</u>	<u>2007 Guarantee</u>	<u>2008 Guarantee</u>	<u>2009 Guarantee</u>
TCS Guarantee	TCS Suppliers	AUD0.5m			
Air Pacific Guarantee (NBT Guarantee on Travel Office operations)	National Bank of Tuvalu	AUD40,000		40,000	40,000
DBT Global Loan 1 - Guarantee	European Invst. Bank	EUR0.5m	839,348	871,649	0
DBT Global Loan 2 - Guarantee	European Invst. Bank	EUR0.7m	1,175,088	1,220,309	1,118,794
International Monetary Fund (IMF) - Promissory Note	IMF - World Bank	AUD2.1m			
			2,014,436	2,131,959	1,158,794

Exchange Rates applied to Public Debt Balances at year end (Reserve Bank of Australia Website)

<u>CURRENCY</u>	<u>2008</u>	<u>2009</u>
\$AUD - \$EU	0.4896	0.6241
\$AUD - \$USD	0.6903	0.8969
\$AUD - Special Drawing Rights		0.5742

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9

TAXATION

	<u>2009</u> Actual	<u>2009</u> Budget	<u>2008</u> Actual
Income Tax	2,042,350	1,817,693	2,144,459
Company Tax	251,249	954,350	583,438
Sales Tax	170,249	200,000	406,493
Tuvalu Consumption Tax	(29)	180,000	0
Import Duty	2,113,921	2,750,000	2,642,592
Import Levy & Excise	428,449	455,500	134,013
Other Taxes	96,076	283,900	105,404
	5,102,265	6,641,443	6,016,398

NOTE 10

INTEREST, DIVIDENDS & RENT

	<u>2009</u> Actual	<u>2009</u> Budget	<u>2008</u> Actual
Interest and Dividends	1,241,461	689,140	285,000
Lease, rent and hire	292,728	294,090	283,920
	1,534,189	983,230	568,920

NOTE 11

EXTERNAL ASSISTANCE & GRANTS

	<u>2009</u> Actual	<u>2009</u> Budget	<u>2008</u> Actual
European Union (EU)	0	0	769,240
Republic of China (Taiwan)	7,851,415	6,200,000	5,105,632
AusAID (CIF)	900,000	1,250,000	100,000
New Zealand (CIF)	163,404	0	0
World Bank, IMF, ADB	1,489,736	2,200,000	0
Project Development Fund (PDF)	0	222,000	0
Other Donors	0	500,000	0
Donor funds received unallocated	0	0	1,527,803
	10,404,555	10,372,000	7,502,675

NOTE 12

OTHER INCOME

	<u>2009</u> Actual	<u>2009</u> Budget	<u>2008</u> Actual
Vessel Registrations	626,677	600,000	736,596
Marine Services (Nivaga II & Manu Folau)	619,910	633,000	598,095
Stevedoring and Wharfage	310,342	323,600	329,938
Provision of Goods and Services	596,561	917,120	732,805
Other Charges	232,772	870,320	263,338
	2,386,263	3,344,039	2,660,772

NOTE 13

GRANTS AND SUBSIDIES (incl. Scholarship Support)

	<u>2009</u> Actual	<u>2009</u> Budget	<u>2008</u> Actual
Grants and Subsidies	2,469,209	2,325,912	2,111,240
Outer Island Projects (SDE)	366	0	0
Scholarships and Support	2,751,473	3,061,837	2,784,808
Contribution to Japan Grant Counterpart Fund	381,629	381,629	0
Overseas Contributions	476,860	712,081	845,437
	6,079,537	6,481,459	5,741,485

NOTE 14

OTHER EXPENDITURE

	<u>2009</u> Actual	<u>2009</u> Budget	<u>2008</u> Actual
Advertising and Provisions	918,796	843,264	810,063
Supplies and Equipment	2,353,661	4,359,183	4,535,833
Senior Citizen Scheme / Pension	229,556	230,006	181,411
Land & Property Rent	785,626	830,806	692,235
	4,287,640	6,263,259	6,219,542

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15

Requirements of the Public Finance Act with no balance

Statement of Other Leger Balances

Statement of Balances on Advances Accounts from Deposits

Statement of Outstanding Loans made from the Consolidated Revenue Fund

Tabulated summaries of unallocated stores and manufacturing accounts

Statement of balances on remittance account

NOTE 16

Events & Decisions with Significant Accounting Impacts

Changes in accounting policies

This has no effect on the transactions and balances in the Financial Statements, which have themselves been prepared on a basis consistent with previous years, except for the following and except for changes in accounting estimates and adjustments of prior year errors.

The format of the Financial Statements has been revised in order to improve readability and international comparability. Fundamental changes include:

- Introduction of a statement of income and expenditure to present the financial performance by nature of expense and revenue.
- Introduction of Notes to the Financial Statements
- Revised structure of statements to improve readability, and movement of some details to these Notes.

The revision of the format has no impact on surplus or deficit, nor on total Equity.

Recognition of Unrealised Gains and Losses

Prior to the 2009 accounts, Unrealised Gains and Losses were included only on the Balance sheet. Through the 2009 and 2010 accounts, Unrealised gains are now reflected as 'Other Income/Expenditure' on the Income Statement.

This primarily applies to:

- Unrealised Market Gains in Tuvalu's Contributions into the Tuvalu Trust Fund;
 - Unrealised Gains/Losses in the Net Asset Values and Government Share of Investments in Corporations;
- and
- Unrealised Currency Gains/Losses in relation to Offshore Loans