



**NATIONAL RESERVE BANK OF TONGA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024**

National Reserve Bank of Tonga  
Private Bag No. 25  
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NRBT Building  
Salote Road  
Nuku'alofa  
Kingdom of Tonga, SOUTH PACIFIC

**NATIONAL RESERVE BANK OF TONGA**

**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024**

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**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****DIRECTORS' REPORT**

In accordance with a resolution of the Board of Directors, the directors herewith submit the Balance Sheet of the National Reserve Bank of Tonga (the "Bank") as at 30 June 2024<sup>1</sup>, and the related Statement of Comprehensive Income, Changes in Equity and Cash Flows for the year ended on that date and report as follows:

**1. DIRECTORS**

The following were directors of the Bank at any time during the financial year and up to the date of this report:

- Lord Sevele 'o Vailahi – Chairman
- Mr. Richard Prema (term completed 5<sup>th</sup> July 2024)
- Mrs. Joyce Mafi
- Mrs. Kilisitina Tuamei'api
- Mr. John Paul Chapman
- Mrs. Vika Fusimalohi
- Mr. Tatafu Moeaki – Governor

**2. STATE OF AFFAIRS**

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Bank during the financial year under review not otherwise disclosed in this report or the financial statements; and
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Bank as at 30 June 2024 and the accompanying statement of comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Bank for the year then ended.

**3. PRINCIPAL ACTIVITIES**

The National Reserve Bank of Tonga's (the Bank) principal objectives as a central bank, as defined in Section 4 & 4A of the National Reserve Bank of Tonga (NRBT) (Amendment) Act, shall be, to:

- 1) maintain internal and external monetary stability;
- 2) without prejudice to its principal objective, the Bank shall –
  - a) promote financial stability; and
  - b) promote a sound and efficient financial system.
- 3) Subject to subsections (1) and (2), the Bank shall conduct its activities in a manner that supports macroeconomic stability and economic growth.

The principal functions of the Bank shall be, to:

- a) issue currency;
- b) formulate and implement monetary policy;
- c) prescribe the regime for the determination of the external value of the Tongan currency in consultation with the Minister;
- d) determine the foreign exchange rate and implement foreign exchange policy;

<sup>1</sup> Reported in Tonga Pa'anga and financial values are rounded to the nearest Pa'anga.

**NATIONAL RESERVE BANK OF TONGA****3. PRINCIPAL ACTIVITIES – continued**

The principal functions of the Bank shall be, to:

- e) determine and implement financial stability policy, and oversee the maintenance of the stability of the financial system as a whole;
- f) regulate as required the supply, availability and international exchange of money;
- g) exclusively hold and manage the external reserves of the Kingdom;
- h) provide advisory services to the Minister on banking and monetary matters;
- i) be the principal banker, fiscal agent and depository of the Government;
- j) undertake banking business in Tonga or elsewhere, subject to the provisions of this Act;
- k) regulate and supervise financial institutions, including non-bank financial institutions;
- l) oversee and promote the efficient, sound and safe functioning of the payment system;
- m) collect and produce statistics;
- n) cooperate with and participate in international councils and organisations, including public international financial institutions, and cooperate with domestic and foreign public entities, concerning matters related to its objectives and functions;
- o) regulate and supervise capital markets in Tonga;
- p) to manage and promote financial inclusion initiatives and related activities; and
- q) carry out any other function or any ancillary activities incidental to the exercise of its functions under this Act or any other Act.

**4. OPERATING RESULTS**

The net profit of the Bank for the year ended 30 June 2024 was \$35,778,967 (2023: \$20,387,379).

**5. GENERAL RESERVES**

In accordance with Section 8(1)(b) of the National Reserve Bank of Tonga (Amendment) Act, 2014, the amount of \$10,733,690 (2023: \$6,116,214) being 30% of the net profit for the year ended 30 June 2024, is transferred to the General Reserve at year end.

**6. PAYABLE TO GOVERNMENT**

In accordance with Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act, 2014, the amount of \$25,045,277 (2023: \$14,271,165) is payable to the Government of the Kingdom of Tonga.

**7. BAD AND DOUBTFUL DEBTS**

The directors took reasonable steps before the Bank's financial statements were made out to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

**8. PROVISIONS**

In relation to allowance for impairment of losses, an additional provision of \$0.01m was recorded during the financial year.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****9. ASSETS**

The directors took reasonable steps before the Bank's financial statements were made out to ascertain that the assets of the Bank were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

**10. DIRECTORS BENEFIT**

Other than the director's remuneration and benefits as disclosed in the financial statements, no director of the Bank has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of contract made by the Bank with the director or with a firm of which the director is a member, or with a company in which the director has substantial financial interest.

**11. BASIS OF ACCOUNTING**

The directors believe the basis of the preparation of financial statements is appropriate and the Bank will be able to continue in operation for at least 12 months from the date of this statement. Accordingly, the directors believe the classification and carrying amounts of assets and liabilities as stated in these financial statements to be appropriate.

**12. OTHER CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render any amounts stated in the financial statements misleading.

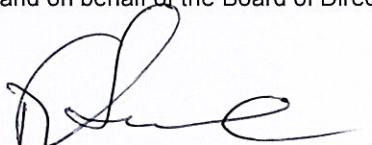
**13. UNUSUAL TRANSACTIONS**

The results of the Bank's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

**14. EVENT SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report, any transactions or events of a material and unusual nature likely, in the opinion of the Board members, to affect significantly the operations of the Bank, the results of those operations or the state of affairs of the Bank.

For and on behalf of the Board of Directors in accordance with a resolution of the Directors:



**Lord Sevele 'o Vailahi**  
Chairman

12 Sept 2024  
Date



**Mr. Tatafu Moeaki**  
Governor

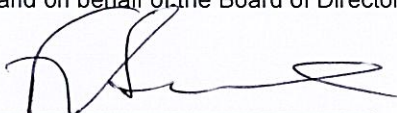
12/9/2024  
Date

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****STATEMENT BY DIRECTORS**

In the opinion of the Directors:

- a) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 30 June 2024;
- b) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the Bank for the year ended 30 June 2024;
- c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the movement in equity for the year ended 30 June 2024;
- d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Bank for the year ended 30 June 2024.
- e) at the date of this statement, there are reasonable grounds to believe the Bank will be able to pay its debts as and when they fall due;
- f) all related party transactions have been adequately recorded in the books of the Bank; and
- g) the financial statements of the Bank have been prepared in accordance with the National Reserve Bank of Tonga Acts and legislated amendments to date.

For and on behalf of the Board of Directors by authority of a resolution of the Directors:

  
\_\_\_\_\_  
**Lord Sevele 'o Vailahi**  
**Chairman**

12 Sept 2024  
Date

  
\_\_\_\_\_  
**Mr. Tatafu Moeaki**  
**Governor**

12/9/2024  
Date

# Independent Auditor's Report

To the Board of Directors of National Reserve Bank of Tonga

## Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of National Reserve Bank of Tonga ("the Bank"), which comprise the statement of financial position as at 30 June 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information set out in notes 1 to 25.

In our opinion, the accompanying financial statements of the Bank as at and for the year ended 30 June 2024, are prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the financial statements and the requirements of National Reserve Bank of Tonga Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the National Reserve Bank of Tonga Act, and the ethical requirements that are relevant to our audit of the financial statements in Tonga and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### Emphasis of Matter – Basis of Preparation and Restriction on Use

We draw attention to Notes 2(a) and 2(b) to the financial statements which describe the basis of preparation.

The financial statements have been prepared to assist the Directors of the Bank in complying with the financial reporting requirements of National Reserve Bank of Tonga Act.

As a result, the financial statements and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of the Bank and should not be used by parties other than the Directors of the Bank. We disclaim any assumption of responsibility for any reliance on this report, or on the financial statements to which it relates, to any person other than the Directors of the Bank or for any other purpose than that for which it was prepared.

## Other information

Other information is financial and non-financial in National Reserve Bank of Tonga's annual report and directors' report which is provided in addition to the Financial Report and the Auditor's Report. Those charged with governance are responsible for Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' report. The Chairman's Report, Foreword by the Governor, Highlights of the Year Report and Financial Performance Report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and, based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report. Based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report in relation to the directors' report.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements in accordance with the basis of preparation described in Notes 2(a) and 2(b) to the financial statements and the requirements of National Reserve Bank of Tonga Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## Auditors' responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.




Steve Nutley  
*Partner*

Suva, Fiji  
12 September, 2024


**NATIONAL RESERVE BANK OF TONGA****BALANCE SHEET**

<b>ASSETS</b>	<b>Notes</b>	<b>2024</b>	<b>2023</b>
		<b>\$</b>	<b>\$</b>
<b>Foreign Currency Assets</b>			
Short/Long Term Investments and Current Accounts	8	854,872,306	851,157,990
Accrued Interest		28,401,393	19,610,321
International Monetary Fund (IMF)	9		
- Reserve Tranche Position	9 (b)	10,706,022	10,889,205
- Special Drawing Rights	9 (a) (iii)	58,691,963	59,340,539
<b>Local Currency Assets</b>			
Cash on Hand	20	11,366	10,666
Accrued Interest		57,307	52,586
Currency inventory	10	6,446,160	4,178,502
Other Assets	11	9,661,452	7,443,353
Property, Plant and Equipment	12	11,045,558	10,443,414
<b>Total Assets</b>		<b>979,893,527</b>	<b>963,126,576</b>
<b>LIABILITIES</b>			
<b>Foreign Currency Liabilities</b>			
Accrued Interest		70,125	57,689
Demand Deposits	13 (a)	40,784,308	77,275,079
IMF Special Drawing Rights Allocation	9 (a) (iii)	61,705,530	62,761,330
<b>Local Currency Liabilities</b>			
Payable to Government	14	25,045,277	14,271,165
Demand Deposits	13 (b)	541,744,553	504,158,153
Accrued Interest		35,410	167,528
Other Liabilities	18	4,582,479	5,102,780
Currency in Circulation	15	128,042,734	118,026,586
Statutory Reserve Deposits	16	134,912,000	123,395,000
Debt Securities Issued	17	-	25,000,000
Employee Provisions	19	171,232	96,789
<b>Total Liabilities</b>		<b>937,093,648</b>	<b>930,312,099</b>
<b>NET ASSETS</b>		<b>42,799,879</b>	<b>32,814,477</b>
<b>CAPITAL AND RESERVES</b>			
Paid up Capital		5,000,000	5,000,000
General Reserves		33,481,758	22,748,068
Revaluation Reserve Account		4,318,121	5,066,409
<b>TOTAL CAPITAL AND RESERVES</b>		<b>42,799,879</b>	<b>32,814,477</b>

The above balance sheet should be read in conjunction with the accompanying notes.

  
Lord Sevele 'o Vailahi  
Chairman

  
Date

  
Mr. Tatafu Moeaki  
Governor

  
Date

**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024**

**NATIONAL RESERVE BANK OF TONGA**

**STATEMENT OF COMPREHENSIVE INCOME**

<b>Income</b>	<b>Notes</b>	<b><u>2024</u></b>	<b><u>2023</u></b>
		<b>\$</b>	<b>\$</b>
Interest Income	4	45,231,784	26,810,437
Other Income	5	4,695,025	3,581,734
<b>Total Operating Income</b>		<b>49,926,809</b>	<b>30,392,171</b>
<b>Expenses</b>			
Interest expense	6	3,194,391	1,889,625
Administration and other expenses	7	10,945,361	8,096,542
Impairment expenses on financial instruments		8,090	18,625
<b>Total Operating Expenses</b>		<b>14,147,842</b>	<b>10,004,792</b>
<b>Net profit available for distribution</b>		<b>35,778,967</b>	<b>20,387,379</b>
Net losses arising from the translation of foreign currency balances to local currency	2 (b)	(748,288)	(3,228,047)
<b>Other comprehensive losses for the period</b>		<b>(748,288)</b>	<b>(3,228,047)</b>
<b>Total comprehensive income</b>		<b>35,030,679</b>	<b>17,159,332</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****STATEMENT OF CHANGES IN EQUITY**

	<b>Paid up Capital \$</b>	<b>General Reserves \$</b>	<b>Revaluation Reserve Account \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance 30 June 2022</b>	<b>\$5,000,000</b>	<b>\$16,631,854</b>	<b>\$8,294,456</b>	-	<b>\$29,926,310</b>
Net Profit	-	-	-	20,387,379	20,387,379
Net losses arising from the translation of foreign currency balances to Tongan currency	-	-	(3,228,047)	-	(3,228,047)
Transfer to General Reserves (as provided for under Section 8(1)(c) of the National Reserve Bank of Tonga (Amendment) Act 2014, and approved by the Minister of Finance	-	6,116,214	-	(6,116,214)	-
Balance Payable to Government of Tonga as required under Section 8(3) of the National Reserve of Tonga (Amendment) Act, 2014	-	-	-	(14,271,165)	(14,271,165)
<b>Balance 30 June 2023</b>	<b>\$5,000,000</b>	<b>\$22,748,068</b>	<b>\$5,066,409</b>	-	<b>\$32,814,477</b>
Net Profit	-	-	-	35,778,967	35,778,967
Net losses arising from the translation of foreign currency balances to Tongan currency	-	-	(748,288)	-	(748,288)
Transfer to General Reserves (as provided for under Section 8(1)(c) of the National Reserve Bank of Tonga (Amendment) Act 2014, and approved by the Minister of Finance	-	10,733,690	-	(10,733,690)	-
Balance Payable to Government of Tonga as required under Section 8(3) of the National Reserve of Tonga (Amendment) Act, 2014	-	-	-	(25,045,277)	(25,045,277)
<b>Balance 30 June 2024</b>	<b>\$5,000,000</b>	<b>\$33,481,758</b>	<b>\$4,318,121</b>	-	<b>\$42,799,879</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024**

**NATIONAL RESERVE BANK OF TONGA**

**STATEMENT OF CASH FLOWS**

	Notes	2024 \$	2023 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		36,435,991	14,180,943
Rental income		1,230,938	1,762,652
Numismatic sales		509,642	37,654
Other income		2,791,170	2,684,798
Purchase of currency		(6,012,449)	(3,266,467)
Interest paid		(3,314,073)	(1,684,006)
Payments to suppliers and employees		(8,547,945)	(5,336,140)
Net cash inflow from operating activities		<u>23,093,274</u>	<u>8,379,434</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(1,370,447)	(860,603)
Net decrease/(increase) in IMF accounts		831,759	(1,044,504)
Net movement in staff loans		(388,195)	263,111
Net movement in investible reserves		4,288,222	(50,044,821)
Net cash generated from/(used in) investing activities		<u>3,361,339</u>	<u>(51,686,817)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in currency in circulation		10,016,148	(19,992,137)
Net movement in demand deposits		9,990,475	(50,684,062)
Net movement in statutory deposits		11,517,000	41,576,000
Net movement in Government of Tonga account		(8,894,846)	49,382,004
Net movement in IMF SDR Allocation		(1,055,800)	804,885
Profit repatriation to Government		(14,271,166)	(370,674)
Debt securities (redeemed)/issued by the Bank		(25,000,000)	25,000,000
Net cash (used in)/from financing activities		<u>(17,698,189)</u>	<u>45,716,016</u>
<b>NET INCREASE IN CASH</b>		<b>8,756,424</b>	<b>2,408,633</b>
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF FINANCIAL YEAR</b>		<b>12,437,131</b>	<b>13,256,545</b>
NET EFFECT OF CHANGE IN EXCHANGE RATE	2 (b)	<b>(748,288)</b>	<b>(3,228,047)</b>
<b>CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR</b>	<b>20</b>	<b><u>20,445,267</u></b>	<b><u>12,437,131</u></b>

The above statement of cash flows is to be read in conjunction with the accompanying notes.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The National Reserve Bank of Tonga's ("Bank") principal objectives as a central bank, as defined in Section 4 & 4A of the NRBT (Amendment) Act 2014, shall be, to maintain internal and external monetary stability:

- 1) Without prejudice to its principal objective, the Bank shall-
  - a) promote financial stability; and
  - b) promote a sound and efficient financial system.
- 2) Subject to subsections (1) and (2), the Bank shall conduct its activities in a manner that supports macroeconomic stability and economic growth.

The principal functions of the Bank shall be, to:

- a) issue currency;
- b) formulate and implement monetary policy;
- c) prescribe the regime for the determination of the external value of the Tongan currency in consultation with the Minister;
- d) determine the foreign exchange rate and implement foreign exchange policy;
- e) determine and implement financial stability policy, and oversee the maintenance of the stability of the financial system as a whole;
- f) regulate as required the supply, availability and international exchange of money;
- g) exclusively hold and manage the external reserves of the Kingdom;
- h) provide advisory services to the Minister on banking and monetary matters;
- i) be the principal banker, fiscal agent and depository of the Government;
- j) undertake banking business, in Tonga or elsewhere, subject to the provisions of this Act;
- k) regulate and supervise financial institutions, including non-bank financial institutions;
- l) oversee and promote the efficient, sound and safe functioning of the payment system;
- m) collect and produce statistics;
- n) cooperate with and participate in international councils and organisations, including public international financial institutions, and cooperate with domestic and foreign public entities, concerning matters related to its objectives and functions;
- o) regulate and supervise capital markets in Tonga;
- p) to manage and promote financial inclusion initiatives and related activities; and
- q) carry out any other function or any ancillary activities incidental to the exercise of its functions under this Act or any other Act.

These financial statements have been approved for issue by the Board of Directors on 12<sup>th</sup> day of September 2024.

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS****a) Basis of accounting**

The financial statements of the Bank have been prepared in accordance with the National Reserve Bank of Tonga Acts and legislated amendments to date.

The financial statements are prepared on the basis of the historical cost convention, which has no regard to changes in the levels of prices. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Bank has adopted the following amendments to standards, with date of initial application of 1 July 2023:

- Amendment to IAS 1 Presentation of Financial Statements: Entities to disclose their material accounting policy information rather than their significant accounting policies.

***Standards, amendments and interpretations issued but not yet effective***

A number of new standards, amendments to standards and interpretations have been issued, however not yet effective, hence have not been applied in preparing these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2. SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS – continued****a) Basis of accounting - continued**

<b>New standards or amendments</b>	<b>Effective date</b>
Amendments to IAS 1: Classification of liabilities as Current or Non-Current and Non-Current liabilities with Covenants	1 July 2024
IFRS S1: General requirements for disclosure of sustainability-related financial information	1 July 2024
IFRS S2: Climate-related disclosures	1 July 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 July 2024
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 July 2024
Amendments to IAS 21: Lack of Exchangeability	1 July 2024

The Bank does not intend to apply these standards and amendments until their effective dates.

**b) Foreign currencies**

Monetary assets and liabilities have been translated to Tonga currency at rates of exchange ruling at year end. Exchange gains and losses arising during the year from changes in the valuation of foreign currencies are taken to the Revaluation Reserve Account in accordance with the provisions of Section 33 of the Act and are not included in the computation of annual profits or losses of the Bank as required under International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates" (IAS 21) which requires that foreign exchange gains or losses be recorded in profit or loss.

In accordance with the Act, net losses arising from exchange rate fluctuations are set off against any credit balance in the Revaluation Reserve Account; if such balance is insufficient to cover such losses, Cabinet shall cause to be transferred to the ownership of the Bank non-negotiable market interest bearing securities issued by the Government to the extent of the deficiency.

Any credit balance in the Revaluation Reserve Account at the end of each year may be used by the Reserve Bank for the costs of implementing the monetary policy subject to the approval by the Board or be paid to the Government upon the request of the Minister in writing to the Reserve Bank subject to the market conditions and approval by the Board provided that the Revaluation Reserve Account maintains a minimum balance of \$10,000,000 and any balance remaining in the Revaluation Reserves Account shall be carried forward to the next financial year.

In the opinion of the Directors, the accounting treatment adopted is appropriate in view of the requirement of Section 33 of the Act. Had the Bank adopted IAS 21, there would have been a decrease in net profit of \$748,288 (2023: \$3,228,047) for the year ended 30 June 2024.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS – continued****c) Critical accounting estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are categorised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts categorised in the financial statements are included in the following notes:

- Note 2 (d) (vi) – Impairment
- Note 2 (i) – Depreciation rates
- Note 2 (j) – Provisions for employee entitlements

**d) Financial Assets and Liabilities****Financial instruments****(i) Recognition and initial measurement**

Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**ii) Classification and subsequent measurement****Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS – continued****d) Financial Assets and Liabilities - continued****ii) Classification and subsequent measurement - continued**

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

During the year and at year end there were no financial instruments that were classified by the Bank as FVOCI and/or FVTPL. Short and long term debt securities investments, current accounts and IMF assets are classified as amortized costs.

**Financial assets: Business model assessment**

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued

## 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS - continued

d) Financial Assets and Liabilities - continued

## ii) Classification and subsequent measurement – continued

**Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – continued**

In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Bank’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

**Financial assets: Subsequent measurement and gains and losses***Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognized in profit or loss while the foreign exchange gains are recognized in the revaluation reserves as other comprehensive income.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS – continued****(d) Financial Assets and Liabilities – continued****(iii) Derecognition***Financial assets*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(iv) Modifications of financial assets**

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

**(v) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS - Continued****(d) Financial Assets and Liabilities – continued****(vi) Impairment***Financial instruments*

The Bank recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

- the counter-party is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be A grade or higher as per the rating by Standard & Poors.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- ECLs are discounted at the effective interest rate of the financial asset.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS - continued****(d) Financial Assets and Liabilities – continued****(vi) Impairment – continued***Credit-impaired financial assets*

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a receivable by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts.

**e) Currency and Numismatics Inventory**

Currency and numismatics on hand are recognised in the statement of financial position at cost. All costs incurred in respect to production, conversion and logistic costs to bring the item to the Bank's premises is capitalised. Currency issuances are determined on a first-in-first-out basis. When currency is issued the value is reduced and amortisation expense is recognized in profit or loss.

Currency inventory relates to notes and coins purchased for circulation.

**f) Currency in Circulation**

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises notes and coins issued by the Bank and represent a claim on the Bank in favour of the holder. Currency in circulation relates to the issue of notes and coins and demonetized currency that have yet to be redeemed, less notes and coins redeemed. The liability for currency in circulation is recorded at face value.

Numismatic items are not accounting for as currency in circulation as they are not issued for monetary purpose.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS – Continued****g) Revenue Recognition****Revenue from contracts with customers**

Revenue is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when its transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

<b>Products and services</b>	<b>Nature, timing of satisfaction of performance obligations and significant payment terms</b>	<b>Revenue recognition under IFRS 15</b>
Sale of numismatic coins	Sales include the selling of numismatic to the customer. Performance obligation is satisfied when the customer received the numismatic coins. Hence, revenue is recognised at a point in time basis.	Revenue and associated costs are recognised when the goods are provided - i.e. when the numismatic is issued to the customer and payment is due immediately when the goods are provided to the customers.

*Interest Income*

Interest income is recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discount estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to acquisition or issues of a financial asset or liability.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. For financial assets measured at amortised cost, the effective interest rate method is used to measure the interest income recognised in the Statement of profit or loss.

*Rental income*

Rental income is recorded over the term of the tenancy agreement on a straight-line basis.

*Other income*

Other income includes fees income and are recorded when the related services are rendered.

**h) Income tax**

The Bank is exempt from all Government taxes and duties on its profits, purchases, operations, capital, property transactions and documents in accordance with Section 55 of the National Reserve Bank of Tonga Act.

**i) Property Plant and Equipment**

Item of property, plant and equipment (PPE) is stated at cost less accumulated depreciation and impairment losses. Costs includes expenditure that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment. Subsequent expenditure is only capitalized when it is probable that the future economic benefits of the expenditure will flow to the Bank. Repairs and maintenance are expensed as incurred.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS - continued****i) Property Plant and Equipment – continued**

Items of PPE are depreciated on a straight-line basis so as to write off the cost of each asset over its estimated useful life. The principal annual rates in use in current and prior period are as follows:

Leasehold and buildings	1.01% - 2%
Furniture and fittings	20% - 25%
Computer and office equipment	6.67% - 25%
Motor vehicles	25%

**j) Employee Entitlements***Defined contribution pension plan*

The Bank has its own Staff Provident Fund and all staff contribute to this scheme. The bank and staff contributions are based on the years of service and is recorded as an expense in profit or loss. Unpaid contributions are recorded as a liability.

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Other long-term employee benefits*

Liabilities for other employee entitlements which are not expected to be paid or settled within twelve months of the reporting date are accrued in respect of all employees at the present value of future amounts expected to be paid.

**k) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, and other short term highly liquidity investments with original maturity of three months.

**l) Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

**m) General Reserve and Distribution of Profits**

Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act states that:

The net profits of the Bank for any financial year, after meeting all current expenditure for that year and after making provision for bad and doubtful debts, depreciation in assets and any other purposes deemed necessary by the Board shall be allocated as follows:

- a) where the General Reserve does not exceed 50% of the authorised capital of the Bank, 100% of the net profit be transferred to the General Reserve;
- b) where the General Reserve exceeds 50% of the authorised capital of the Bank, 30% to be transferred to the General Reserve until the sum of the General Reserve and the authorised capital of the Bank equal 10% of the total monetary liabilities of the Bank.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS - continued****m) General Reserve and Distribution of Profits – continued**

Provided that upon agreement between the Minister and the Bank the General Reserve may be increased.

- Section 8(2) states that subject to Section 8(1), the remainder of the net profits for the financial year shall be applied to the redemption of any securities issued under Section 6 held by the Bank.
- Section 8(3) states that the Board shall, with the approval of the Minister, subject to Section 8(1) and 8(2), allocate to the General Reserve and pay to Government's general revenue the remaining net profit.

**n) Revaluation Reserve**

Foreign exchange gains and losses arising from revaluation of foreign currencies on monetary assets and liabilities are transferred to the Revaluation Reserve (refer Note 2(b)) and are not included in the computation of annual profits and losses of the Bank. Section 33 (4) of the National Reserve Bank of Tonga (Amendment) Act 2017 sets out the conditions of use of the Reserve Revaluation Account provided that a minimum balance of \$10,000,000 is maintained.

**o) Leases**

*As a lessee*

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Bank does not have leases which contain the following:

- amounts expected to be payable by the lessee under residual value guarantees

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Bank's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following the amount of the initial measurement of lease liability.

Right-of-use assets are subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities. Cash payments for the interest portion are presented as cash flows from operating activities, consistent with presentation of other interest payments. Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented as cash flows from operating activities



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****2 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND STATUTORY REQUIREMENTS - Continued****o) Leases – continued**

As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

Lease income from operating leases where the Bank is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

**p) Transfer from Revaluation Reserves**

Section 33 (4) of the National Reserve Bank (Amendment) Act 2017 allows the Bank to utilize the Revaluation Reserve Account for its Monetary Policy responsibilities. In anticipation of the impact of the COVID 19 on the Bank and its statutory responsibilities, the Board approved in May 2020, to transfer \$1.595m from the Revaluation Reserve Account to fund the 2020/21 Development Budget. From the financial year 2020/2021 to 2023/2024 a total of \$1.113 million (2023: \$1.113 million) of assets were acquired while \$481,754 (2023: \$481,754) remains unused.

The Bank follows the income approach framework related to Government grant accounting to account for the assets acquired under this initiative. Assets are recorded at cost when acquired while a deferred development fund account (DFA) is set up as a liability in the Balance Sheet. This deferred liability account is reduced on a systematic basis over the useful life of the assets necessary to match with the assets' related depreciation costs.

**q) Functional and Presentation Currency**

The Bank's financial statements are presented in Tonga Pa'anga, which is the Bank's functional currency.

**r) Rounding**

Amounts in the financial statements are rounded to the nearest Tonga Pa'anga unless otherwise stated.

**s) Changes to Comparatives**

Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations.

To maintain consistency and comparability, currency inventory amounts previously included under other assets have been classified and presented separately for all periods shown.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****3. FINANCIAL RISK MANAGEMENT**

The Bank carries out a wide range of activities, from operating monetary policy to monitoring, regulating and supervising the health of the financial system, managing foreign reserves and banking system liquidity, providing payment systems and settlement services, and issuing currency, supported by a range of corporate services. These activities expose the Bank to a variety of risks. The majority of the Bank's financial risks arise from the foreign reserves management unit of the Bank's Financial Markets Department. The main financial risks to which the Bank is exposed include credit risk, liquidity risk and market risks and policies for managing these risks are outlined below.

**(a) Credit Risk**

Credit risk relates to the risk of loss arising from the failure of counterparty to a transaction to perform according to the terms and conditions of the financial contract.

Credit risk or safety is a key criterion in the determination of the composition of the Bank's foreign currency assets. To manage this credit risk, the Bank prescribes minimum credit ratings acceptable for investment and specifies the maximum permissible credit exposure to individual banks and countries, must have minimum credit ratings of A. When external credit ratings are not published or available, the Bank monitor changes in credit risk by available press and regulatory information.

The NRBT uses Standard & Poor's credit ratings of assessing the credit risk of foreign counterparties. The credit ratings of counterparties are on "watch" all the time and are updated as new market information is available.

The Bank's maximum credit risk, excluding the value of collateral is generally reflected in the carrying value of financial assets. The Bank does not require collateral in respect of financial assets except in respect to loans to staff. The concentration of credit risk in the Bank's investment portfolio is as follows.

	<b>2024</b>	<b>2023</b>
<b>Foreign currency assets</b>		
Short/Long Term Investments and current accounts	854,936,516	851,217,303
International Monetary Fund	69,397,985	70,229,744
Accrued Interest	28,401,393	19,610,321
<b>Total Gross</b>	<b>952,735,894</b>	<b>941,057,368</b>
Less: Allowance for impairment losses	(64,210)	(59,312)
	<b>952,671,684</b>	<b>940,998,056</b>
 <b>Local currency assets</b>		
Staff loans	4,694,258	4,306,063
Accrued Interest	57,307	52,586
<b>Total Gross</b>	<b>4,751,565</b>	<b>4,358,649</b>
Less: Allowance for impairment losses	(50,953)	(47,762)
	<b>4,700,612</b>	<b>4,310,887</b>
 <b>Total financial investments</b>	 <b>\$ 957,372,296</b>	 <b>\$ 945,308,943</b>

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****3. FINANCIAL RISK MANAGEMENT – continued**

The Bank's end of year concentration of credit exposure is based on Standard & Poor's credit rating of the foreign counterparties based on the country in which the counterparty is a resident. N/R indicates the entity has not been rated by Standard & Poor's and includes exposure to Supranational.

Currency	Rating	2024 \$	2023 \$
USD	AAA	-	163,175,545
	AA+	11,541,368	8,944,725
	AA-	224,061,476	226,999,824
	AA	-	483,235
	A+	159,293,604	104,990,816
	NR	104,628,068	-
AUD	AAA	2,668,885	499,622
	AA-	162,042,467	171,529,026
	A+	21,399,711	3,199,207
	NR	18,506	-
NZD	AAA	-	135,700
	AA+	4,779,298	1,368,853
	AA-	28,639,709	117,411,432
	A+	160,226,812	71,464,969
	NR	3,649,515	-
GBP	AAA	-	5,160
	AA	-	507,334
	AA-	244,811	-
	NR	5,429	-
EURO	AAA	-	73
	NR	262	-
FJD	B+	4,898	884
TOP	N/R	4,751,565	4,358,649
SDR	N/R	69,531,075	70,340,962
		957,487,459	945,416,016
Less: Allowance for impairment losses		(115,163)	(107,073)
<b>Total Financial Investment</b>		<b>957,372,296</b>	<b>945,308,943</b>

**(b) Liquidity Risk**

Liquidity risk relates to the difficulty in raising funds at short notice to meet commitments. Liquidity is a key criterion in the determination of composition of the Bank's foreign currency assets.

To minimize liquidity risk, the Bank maintains an adequate level of reserves and taking into consideration the transaction demand on foreign exchange, ensures that an appropriate amount is maintained in current accounts at all times. The minimum balance that should be maintained in current accounts at any point in time, by currency, is as follows:

- USD – \$3,000,000
- NZD – \$300,000
- AUD – \$100,000
- GBP – \$10,000

The balances of the investible reserves are placed on term investments of up to 12 months. The composition of foreign currency assets is monitored daily. The Bank manages liquidity on a contractual maturity basis, which is consistent with the expected maturities of financial instruments.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****3. FINANCIAL RISK MANAGEMENT – continued**

The following table sets out the remaining undiscounted contractual maturities of the Bank's assets and liabilities.

**Maturity Analysis as at 30 June 2024**

	<b>0-3 months</b>	<b>3-12 months</b>	<b>1- 5 years</b>	<b>Over 5 Years</b>	<b>No Specific maturity</b>	<b>Total</b>
<b>Foreign Currency Assets</b>						
Short Term Investments and current accounts <sup>2</sup>	344,697,639	333,614,455	236,112,928	-	133,113	914,558,135
IMF - Reserve Tranche position	-	-	-	-	10,706,022	10,706,022
- Special Drawing Rights	-	-	-	-	58,691,963	58,691,963
<b>Local Currency Assets</b>						
Cash on hand	-	-	-	-	11,366	11,366
Currency inventory	-	-	-	-	6,446,160	6,446,160
Other Assets <sup>3</sup>	254,094	658,877	2,521,076	2,441,580	4,986,029	10,861,656
Property, Plant & Equipment	-	-	-	-	11,045,558	11,045,558
<b>Total Assets</b>	<b>344,951,733</b>	<b>334,273,332</b>	<b>238,634,004</b>	<b>2,441,580</b>	<b>92,020,211</b>	<b>1,012,320,860</b>
<b>Foreign Currency Liabilities</b>						
Accrued Interest	70,125	-	-	-	-	70,125
Demand Deposits	40,784,308	-	-	-	-	40,784,308
IMF Special Drawing Rights allocation	-	-	-	-	61,705,530	61,705,530
<b>Local Currency Liabilities</b>						
Payable to Government	25,045,277	-	-	-	-	25,045,277
Demand Deposits	541,744,553	-	-	-	-	541,744,553
Other Liabilities	1,822,091	-	2,760,388	-	-	4,582,479
Currency in Circulation	-	-	-	-	128,042,734	128,042,734
Statutory Reserve Deposits	-	-	-	-	134,912,000	134,912,000
Employee Provisions	-	127,444	43,788	-	-	171,232
<b>Total Liabilities</b>	<b>609,466,354</b>	<b>127,444</b>	<b>2,804,176</b>	<b>-</b>	<b>324,660,264</b>	<b>937,058,238</b>
<b>Net Assets/(Liabilities)</b>	<b>(264,514,621)</b>	<b>334,145,888</b>	<b>235,829,828</b>	<b>2,441,580</b>	<b>(232,640,053)</b>	<b>75,262,622</b>

<sup>2</sup> Includes accrued interest on the external reserves

<sup>3</sup> Includes accrued interest on staff loans

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****3. FINANCIAL RISK MANAGEMENT – continued****(b) Liquidity Risk – continued**

The following table sets out the remaining undiscounted contractual maturities of the Bank's assets and liabilities.

**Maturity Analysis as at 30 June 2023**

	<b>0-3 months</b>	<b>3-12 months</b>	<b>1- 5 years</b>	<b>Over 5 Years</b>	<b>No Specific maturity</b>	<b>Total</b>
<b>Foreign Currency Assets</b>						
Short Term Investments and current accounts <sup>4</sup>	210,964,384	514,863,126	174,926,002	-	121,880	900,875,392
IMF - Reserve Tranche position	-	-	-	-	10,889,205	10,889,205
- Special Drawing Rights	-	-	-	-	59,340,539	59,340,539
<b>Local Currency Assets</b>						
Cash on hand	10,666	-	-	-	-	10,666
Other Assets <sup>5</sup>	3,376,425	572,643	2,259,387	2,145,165	4,178,502	12,532,122
Property, Plant & Equipment	-	-	-	-	10,443,414	10,443,414
<b>Total Assets</b>	<b>214,351,475</b>	<b>515,435,769</b>	<b>177,185,389</b>	<b>2,145,165</b>	<b>84,973,540</b>	<b>994,091,338</b>
<b>Foreign Currency Liabilities</b>						
Accrued Interest	57,689	-	-	-	-	57,689
Demand Deposits	77,275,079	-	-	-	-	77,275,079
IMF Special Drawing Rights allocation	-	-	-	-	62,761,330	62,761,330
<b>Local Currency Liabilities</b>						
Payable to Government	14,271,165	-	-	-	-	14,271,165
Demand Deposits	504,158,153	-	-	-	-	504,158,153
Other Liabilities	926,060	-	4,176,720	-	-	5,102,780
Currency in Circulation	-	-	-	-	118,026,586	118,026,586
Statutory Reserve Deposits	-	-	-	-	123,395,000	123,395,000
Debt Securities Issued <sup>6</sup>	-	25,500,000	-	-	-	25,500,000
Employee Provisions	-	63,470	33,319	-	-	96,789
<b>Total Liabilities</b>	<b>596,688,146</b>	<b>25,563,470</b>	<b>4,210,039</b>	<b>-</b>	<b>304,182,916</b>	<b>930,644,571</b>
<b>Net Assets/(Liabilities)</b>	<b>(382,336,671)</b>	<b>489,872,299</b>	<b>172,975,350</b>	<b>2,145,165</b>	<b>(219,209,376)</b>	<b>63,446,767</b>

<sup>4</sup> Includes accrued interest on the external reserves

<sup>5</sup> Includes accrued interest on staff loans

<sup>6</sup> Includes accrued interest on the debt security issued by the Bank

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****3. FINANCIAL RISK MANAGEMENT – continued****(c) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. In respect of the Bank, market risk comprises interest rate risk and foreign currency risk.

**(i) Interest rate risk**

Interest rate risk refers to the risk of loss arising from changes in interest rates. The Bank limits interest rate risk by modified duration targets. The benchmark modified duration for the total portfolio is capped at 12 months. The duration of the portfolio is re-balanced regularly to maintain the target duration.

The Bank has invested in investments that yield fixed interest. Given the nature of these investments, exposure to interest rate risk is not considered significant by the Bank.

**(ii) Foreign exchange risk**

Exchange rate risk relates to the risk of loss arising from changes in the exchange rates against the Tonga Pa'anga. The Bank has adopted a currency risk management policy, which maintains the Tonga Pa'anga value of foreign reserves and minimises the fluctuations in the Revaluation Reserve Account.

The value of the Tonga Pa'anga is determined by a basket of currencies. To minimise the exchange rate risk, the weights of the currencies in the exchange rate basket is the benchmark for the composition of the Bank's foreign currency assets.

The following significant exchange rates were used at period end to convert foreign currency balances to the Tonga Pa'anga equivalent.

	<u>Reporting date spot rate</u>	
	<b>2024</b>	<b>2023</b>
USD	0.4222	0.4212
AUD	0.6351	0.6361
GBP	0.3339	0.3339
NZD	0.6938	0.6944
SDR	0.3210	0.3143

The following tables show the currency concentration of the Bank's net exposure to foreign currencies as at 30 June 2024 in Tonga Pa'anga equivalents.

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
United States Dollar	478,282,611	475,171,247
Australian Dollar	168,918,985	127,761,353
Great Britain Pound	250,240	512,495
New Zealand Dollar	194,963,515	189,995,275
Other	7,760,579	7,522,826
<b>Total Net Foreign Exchange Position</b>	<b>850,175,930</b>	<b>800,963,196</b>

**(iii) Sensitivity to Foreign Currency Risk**

The sensitivity of the Bank's financial assets and liabilities to assume across the board changes in exchange rate with all other variables held constant is shown below:

<b>Impact of:</b>	<b>2024</b>	<b>2023</b>
Change in equity due to a 5% appreciation / depreciation of the Tonga Pa'anga	42,508,796	40,048,170

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued**

		Notes	
<b>4.</b>	<b>INTEREST INCOME</b>		
		<b><u>2024</u></b>	<b><u>2023</u></b>
		<b>\$</b>	<b>\$</b>
	Overseas investments	44,999,983	26,604,855
	Staff loans	<u>231,801</u>	<u>205,582</u>
		<b>\$ 45,231,784</b>	<b>\$ 26,810,437</b>
		=====	=====
<b>5.</b>	<b>OTHER INCOME</b>		
	Numismatic coins	509,642	37,654
	Rental income	1,200,319	687,660
	Forex sales/ purchases	2,676,970	2,615,075
	Bank user fees	111,792	69,260
	Miscellaneous	<u>196,302</u>	<u>172,085</u>
		<b>\$ 4,695,025</b>	<b>\$ 3,581,734</b>
		=====	=====
<b>6.</b>	<b>INTEREST EXPENSE</b>		
	Foreign currency accounts	2,555,477	1,451,710
	Domestic currency accounts	<u>638,914</u>	<u>437,915</u>
		<b>\$ 3,194,391</b>	<b>\$ 1,889,625</b>
		=====	=====
<b>7.</b>	<b>ADMINISTRATION AND OTHER EXPENSES</b>		
	Administration	3,081,031	1,703,151
	Retirement fund (superannuation expense)	656,530	571,895
	Staff costs	4,149,311	3,400,642
	Director's fee	313,683	312,059
	Audit fees	131,518	38,333
	Currency issue	1,844,985	1,371,450
	Depreciation	12 <u>768,303</u>	<u>699,012</u>
		<b>\$ 10,945,361</b>	<b>\$ 8,096,542</b>
		=====	=====
<b>8.</b>	<b>SHORT/LONG TERM INVESTMENTS AND CURRENT ACCOUNTS</b>		
	<b><i>Current Assets</i></b>		
	Current accounts	20 20,433,901	12,426,465
	Short term investments	632,345,234	683,353,530
	<b><i>Non-Current Assets</i></b>		
	Long term investments	<u>202,157,381</u>	<u>155,437,307</u>
		854,936,516	851,217,302
	Less: Impairment allowances for financial instruments	<u>(64,210)</u>	<u>(59,312)</u>
		<b>\$ 854,872,306</b>	<b>\$ 851,157,990</b>
		=====	=====

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****9. INTERNATIONAL MONETARY FUND****(a)**

- (i) From 1 July 1989 as the fiscal agent of the Kingdom of Tonga for the purposes of the International Monetary Fund (IMF) by virtue of Section 51(1) of the National Reserve Bank of Tonga Act, 1988, and assumed the financial obligations of the membership of the Kingdom of Tonga as from that date by virtue of section 36(1)(c) of the National Reserve Bank of Tonga Act, 1988.
- (ii) As at 30 June 2024, Tonga's membership subscription to the International Monetary Fund was SDR 13,800,000 (2023: SDR 13,800,000). Of this total amount, SDR 3,436,633 (2023: SDR 3,436,633) had been paid in foreign currencies, shown in the Balance Sheet as Reserve Tranche Position, and the remaining balance representing the Currency Subscription portion was satisfied by crediting the demand deposit accounts of the International Monetary Fund with the Bank.
- (iii) Special Drawing Rights holdings is an interest bearing international reserve asset created by the IMF and is allocated to members on the basis of their quotas in the Fund. As at 30 June 2024, the Special Drawing Rights holdings had a balance of SDR 18,840,120 (2023: SDR 18,727,874) which is equivalent to TOP 58,691,963 (2023: TOP 59,340,539). On the liability side, the Special Drawing Rights allocations had a balance of SDR 19,807,506 (2023: SDR 19,807,506) which is equivalent to TOP 61,705,530 (2023: TOP 62,761,330).

**(b)****Reserve Tranche Position**

As mentioned in note 9 (a) (ii) Tonga's membership subscription to the international monetary fund (IMF) was SDR 13,800,000 of which SDR 3,436,633 has been paid in foreign currencies (shown under balance sheet as Reserve Tranche Position) and the remaining balance representing the currency subscription. The details of the IMF member's quota subscription is disclosed in the table below.

	<u>2024</u>	<u>2023</u>
	\$	\$
<b><i>Current Assets - NIL</i></b>		
<b><i>Non-Current Assets</i></b>		
Member's Quota Subscriptions	43,288,895	43,860,697
(Less) IMF Holdings in Member's designated depositing agency	<u>(32,582,873)</u>	<u>(32,971,492)</u>
Reserve Tranche Position	<u>\$10,706,022</u>	<u>\$10,889,205</u>



**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****10. CURRENCY INVENTORY**

	<b><u>2024</u></b>	<b><u>2023</u></b>
	\$	\$
<b><i>Movement of currency inventory</i></b>		
Opening balance	4,178,502	5,201,384
Consignments received	4,072,540	291,751
Currency issued	<u>(1,804,882)<sup>7</sup></u>	<u>(1,314,633)</u>
Closing balance	<u>\$6,446,160</u>	<u>\$4,178,502</u>

The amount charged to the statement of comprehensive income for currency expense is based on the total cost of notes and coins issued for circulation.

**11. OTHER ASSETS AND RECEIVABLES**

	<b><u>2024</u></b>	<b><u>2023</u></b>
	\$	\$
<b><i>Current Asset</i></b>		
Accounts Receivable	32,118	62,737
<b><i>Non-Current Assets</i></b>		
Staff loans	4,694,258	4,306,063
Prepayments	<u>4,986,029</u>	<u>3,122,315</u>
	\$9,712,405	\$7,491,115
Less Impairment allowance for staff loans	<u>(50,953)</u>	<u>(47,762)</u>
	<u>\$9,661,452</u>	<u>\$7,443,353</u>

<sup>7</sup> Currency issuance expense in note 7 also includes other costs such as public awareness of new polymer notes that are not relevant in bringing inventory to its present location and condition hence not included in inventory cost but expensed.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****12. PROPERTY, PLANT & EQUIPMENT**

	<b>Leasehold &amp; Buildings</b>	<b>Computer and Office Equipment</b>	<b>Furniture and Fittings</b>	<b>Motor Vehicles</b>	<b>WIP</b>	<b>TOTAL</b>
<b>At 30 June 2022</b>						
Cost	11,842,617	2,938,166	362,410	364,249	825,608	16,333,050
Accumulated Depreciation	(3,604,367)	(1,781,936)	(300,676)	(364,249)	-	(6,051,228)
Net Book Amount	8,238,250	1,156,230	61,734	-	825,608	10,281,822
<b>Year Ended 30 June 2023</b>						
Opening net book value	8,238,250	1,156,230	61,734	-	825,608	10,281,822
Additions	110,653	286,141	31,291	-	432,519	860,604
Transfer in/out	10,420	319,281	2,327	-	(332,028)	-
Depreciation	(298,279)	(355,003)	(45,730)	-	-	(699,012)
Closing net book value	8,061,044	1,406,649	49,622	-	926,099	10,443,414
<b>At 30 June 2023</b>						
Cost	11,963,689	3,543,588	396,028	364,249	926,099	17,193,654
Accumulated Depreciation	(3,902,645)	(2,136,939)	(346,406)	(364,249)	-	(6,750,240)
Net Book Amount	8,061,044	1,406,649	49,622	-	926,099	10,443,414
<b>Year Ended 30 June 2024</b>						
Opening net book value	8,061,044	1,406,649	49,622	-	926,099	10,443,414
Additions	3,319	477,258	16,564	427,672	445,634	1,370,447
Transfer in/out	3,319	115,246	-	-	(118,565)	-
Depreciation	(307,517)	(419,467)	(19,375)	(21,944)	-	(768,303)
Closing net book value	7,760,165	1,579,686	46,811	405,728	1,253,168	11,045,558
<b>At 30 June 2024</b>						
Cost	11,970,327	4,136,093	412,592	791,921	1,253,168	18,564,101
Accumulated Depreciation	(4,210,162)	(2,556,407)	(365,781)	(386,193)	-	(7,518,543)
Net Book Amount	7,760,165	1,579,686	46,811	405,728	1,253,168	11,045,558

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****13. DEMAND DEPOSITS****(a) FOREIGN CURRENCY**

	<u>2024</u>	<u>2023</u>
	\$	\$
Government of Tonga	40,733,310	77,224,161
Other institutions	<u>50,998</u>	<u>50,918</u>
	<u>\$ 40,784,308</u>	<u>\$ 77,275,079</u>

**(b) LOCAL CURRENCY**

International banks	429,741	63,757
Domestic banks	368,787,602	359,163,191
Government of Tonga	<u>172,527,210</u>	<u>144,931,205</u>
	<u>\$ 541,744,553</u>	<u>\$ 504,158,153</u>

**14. PAYABLE TO GOVERNMENT**

Amount payable to government in accordance with Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act 2014

<u>\$ 25,045,277</u>	<u>\$ 14,271,165</u>
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**15. CURRENCY IN CIRCULATION**

Notes	122,025,121	112,361,354
Coins	<u>6,017,613</u>	<u>5,665,232</u>
	<u>\$ 128,042,734</u>	<u>\$ 118,026,586</u>

The exclusive rights of national currency issue are vested with the Bank. Currency in circulation comprises bank notes and coins issued by the Bank, and repayable on demand.

**16. STATUTORY RESERVE DEPOSITS**

The deposits represent the reserves required to be maintained by each financial institution under Section 39 of the NRBT Act 1988. As at 30 June 2024, the statutory reserve deposits had a balance of \$134,912,000.

**17. DEBTS SECURITIES ISSUED**

	<u>2024</u>	<u>2023</u>
	\$	\$
Non-bank financial institutions	-	25,000,000
	<u>=====</u>	<u>=====</u>

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****18. OTHER LIABILITIES**

	<u>2024</u>	<u>2023</u>
	\$	\$
<b><i>Current Liabilities</i></b>		
Creditors	1,817,371	700,843
Accrued expenses	4,720	225,217
<b><i>Non-Current Liabilities</i></b>		
Other creditors and accruals	743,460	1,377,922
Development budget fund (a)	481,754	481,754
Deferred development fund (b)	658,278	852,172
Payable to the National Reserve Bank of Tonga		
Staff Provident Scheme (c)	<u>876,896</u>	<u>1,464,872</u>
	<u>\$4,582,479</u>	<u>\$5,102,780</u>

- (a) This relates to the remaining balance of the amounts transferred from the Revaluation Account which was approved by the Board specifically to support the Bank's 2020/21 Development budget. The movement for the year is as follows:

Opening Balance	481,754	628,316
Transfer from Asset Revaluation Reserve	-	-
Amount utilised – transfer to Deferred Development Fund. Refer (b) below.	<u>-</u>	<u>(146,562)</u>
Closing Balance	<u>\$481,754</u>	<u>\$481,754</u>

The amounts utilised represents capital expenditure incurred during the year and the treatment of these transactions is in accordance with note 2 (p) of the banks accounting policy.

- (b) The balance relates to the Deferred Development Fund transferred from the Bank's 2020/21 Development budget account in (a) above.

Opening Balance	852,172	877,232
Transfer from Development budget fund		146,562
Amount amortised	<u>(193,894)</u>	<u>(171,622)</u>
Closing Balance	<u>\$658,278</u>	<u>\$852,172</u>

The amounts amortised are offset against the depreciation expense on related assets and the treatment of these transactions is in accordance with note 2 (q) of the banks accounting policy.

- (c) Funds belonging to the National Reserve Bank of Tonga Staff Provident Scheme are held with the Bank in this account.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****19. PROVISION FOR EMPLOYEE ENTITLEMENTS**

	<u>2024</u>	<u>2023</u>
	\$	\$
Opening balance	96,789	147,063
Entitlements during the year	163,789	151,720
Utilised/reversals	<u>(89,346)</u>	<u>(201,994)</u>
	\$ 171,232	\$ 96,789
	=====	=====

**20. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following items in the balance sheet:

	<u>2024</u>	<u>2023</u>
	\$	\$
Cash on hand	11,366	10,666
Current accounts	<u>20,433,901</u>	<u>12,426,465</u>
	\$ 20,445,267	\$ 12,437,131
	=====	=====

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****21. RELATED PARTIES*****Identity of related parties***

The Bank's ultimate parent entity is the Government of the Kingdom of Tonga.

The Board of Directors during the financial year ended 30 June 2024 were Lord Sevele 'o Vailahi (Chairperson), Richard Prema (term completed 5<sup>th</sup> July 2024), Joyce Mafi, Kilisitina Tuamei'api, John Paul Chapman, Vika Fusimalohi, and Tatafu Moeaki (Governor).

During the year, the following executives were identified as key management personnel of the Bank: Tatafu Moeaki (Governor), Jessie Cocker (Deputy Governor – until August 2023) 'Ungatea Latu (Deputy Governor – start in September 2023), Lata Tangimana (Assistant Governor Operation), Daniel Taumoepeau (Assistant Governor Policy – start in March 2024).

***Transactions with related parties***

In the normal course of operations, the Bank enters transactions with related parties identified above. The transactions with the Government of the Kingdom of Tonga include banking services, foreign exchange transactions and registry transactions. The total interest paid to Government on Deposits held amounted to \$231,957 (2023: \$258,246). Deposits by the Government and dividend payables are in disclosed in note 13 and note 14.

The Bank contributes to the National Reserve Bank of Tonga Staff Provident Fund in accordance with the Provident Scheme Rules. The contributions in the current financial year were as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Provident Fund payments made by the Bank	656,530	571,895
	\$ 656,530	\$ 571,895
	=====	=====

The funds of the National Reserve bank of Tonga Staff Provident Fund are invested within the Bank at an average rate of 3.03% (2023: 3.04%) per annum. The total interest paid by the Bank for the financial year amounted to \$40,551 (2023: \$26,720). The Trustees of the Staff Provident Fund are indemnified by the Bank against all losses, damages or other costs which may be sustained or suffered by or made against a trustee as a result of any act or omission committed by the Trustee or Trustees which is not a breach of trust on the part of the Trustee.

The Directors are paid fees and sitting allowances for services rendered. The Directors entitlements to the retirement fund at year end amounted to \$195,460 (2023: \$193,456). These entitlements are disclosed as Other Liabilities in note 18.

The Bank also provides non-cash benefits to the Executive officers in addition to their salaries.

Total remuneration below is included in 'administrative costs'.

	<u>2024</u>	<u>2023</u>
	\$	\$
Executive staff	538,507	493,104
Director's fees and allowances	146,000 <sup>8</sup>	149,990
	\$ 684,507	\$ 643,094
	=====	=====

<sup>8</sup> \$146,000 only relates to Director's annual fee and meeting fees, while Note 7 including other costs incurred in respect to the meeting such as meal and travel expenses.

**NATIONAL RESERVE BANK OF TONGA****FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2024****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****22. COMMITMENTS****Capital and other commitments**

	<u>2024</u>	<u>2023</u>
	\$	\$
Commitment not provided for in the financial statements are as follows:		
Capital commitment: approved and contracted	\$ 1,253,168	\$ 933,319

**Lease Receivable**

The Bank leases out certain floors of the Reserve Bank building. The operating lease rentals receivable are as follow:

	<u>2024</u>	<u>2023</u>
	\$	\$
Receivable not later than one year	1,200,319	687,660
Receivable later than one year but not later than five years	4,429,963	4,141,240
	<u><u>\$5,630,282</u></u>	<u><u>\$4,828,900</u></u>

**23. CONTINGENT LIABILITIES**

Contingencies not otherwise provided for in the accounts and which existed at 30 June 2024 comprise:

- (i) Contracts for foreign exchange transactions was nil (2023: \$nil)
- (ii) In accordance with the accounting policy in Note 2(e), numismatic coins are not brought to account in the determination of the Bank's liabilities but a liability may arise if such coins are en-cashed for their face value. The Bank is of the opinion that in the unlikely event of encashment as legal tender, no significant loss is expected to arise.
- (iii) The Bank is defending an action in the court of law brought by a financial institution in Tonga. The liability is not admitted. If the defense against the action is unsuccessful, we have not disclosed the estimated financial impact of potential fines, damages, and legal costs either because it is not practical to do so or because such disclosure may prejudice seriously the interest of the Bank.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS – continued****24. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm length transaction.

Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

**Financial Assets and Liabilities**

The valuation of the Bank's financial assets and liabilities are discussed below:

***Short/Long term investments and current accounts***

The reported value of short/long term investments and current accounts is considered to be its fair value due to the short/long term nature of the financial assets.

***Statutory Reserve Deposits***

The carrying value of statutory reserve deposits are considered to approximate their fair value as they are denominated in cash and given no specific maturity are considered to be on demand.

***Demand Deposits***

The carrying value of deposits are considered to approximate their fair value as they are payable on demand.

***Currency in Circulation***

The carrying value of Currency in Circulation is considered to be its fair value as reported in the accounts.

***Other Financial Assets and Liabilities***

The reported values of other financial assets and liabilities are considered to be its fair value.

**25. EVENTS SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report, any transactions or events of a material and unusual nature likely, in the opinion of the Board members, to affect significantly the operations of the Bank, the results of those operations or the state of affairs of the Bank.