

National Reserve Bank of Tonga

Financial Statements

YEAR ENDED 30 JUNE 2016

INDEX

Page

42 - 44	Directors' Report
45	Statement by Directors
46 - 47	Independent Auditor's Report
48	Balance Sheet
49	Statement of Comprehensive Income
50	Statement of Distribution
51	Statement of Changes in Equity
52	Statement of Cash Flows
53 - 72	Notes to and Forming of the Financial Statements

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 2016, and the related Statements of Comprehensive Income, Distribution, 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:

Mr Steve Edwards – Chairman
 HRH Princess Salote Mafile'o Pilolevu Tuita (up to 1 February 2016)
 Mr Richard Prema
 Mrs Sinaitakala Tu'itahi
 Dr Sione Ngongo Kioa - Governor
 Mr Tatafu Moeaki
 Mr 'Uhila Liava'a (appointed on 5 February 2016)

2. PRINCIPAL ACTIVITIES

The National Reserve Bank of Tonga's (the Bank) principal objectives as a central bank, as defined in Section 4 of the National Reserve Bank of Tonga (NRBT) (Amendment) Act 2014, 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;
- 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; and
- p) carry out any other function or any ancillary activities incidental to the exercise of its functions under this Act or any other Act.

3. TRADING RESULTS

The net profit of the Bank for the year ended 30 June 2016 was \$4,135,199 (2015: \$1,260,729).

4. GENERAL RESERVES

In accordance with Section 8(1)(b) of the National Reserve Bank of Tonga (Amendment) Act, 2014, the amount of \$1,240,560 being 30% of the current year profit, is transferred to the General Reserve at year end.

5. PAYABLE TO GOVERNMENT

In accordance with Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act, 2014, the amount of \$2,894,639 (2015: \$882,510) is payable to the Government of the Kingdom of Tonga.

6. 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.

7. PROVISIONS

There were no material movements in provisions during the year apart from the normal amounts set aside for such items as employee entitlements.

8. 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.

9. DIRECTORS BENEFIT

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 other than what is disclosed in the financial statements.

10. EVENTS SUBSEQUENT TO BALANCE DATE

On 26 July 2016 the NRBT revoked the licence of the Pacific International Commercial Bank (PICB) to conduct banking business in Tonga. The PICB challenged the NRBT's decision to revoke their licence and filed a court injunction with the Supreme Court.

At the injunction hearing on 5 August 2016, PICB withdrew its submission for an injunction and has requested a trial by jury claiming damages against the NRBT in the sum of TOP10 million for general damages and TOP5 million for punitive and aggravated damages.

The Supreme Court has in the interim ordered PICB to cover the legal costs incurred by NRBT in its preparation for the injunction hearing. The NRBT has also filed an Application to Strike Out the PICB's claim with the Supreme Court on 30 August 2016 and a date for hearing of the application is yet to be set.

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.

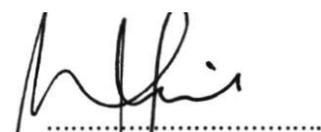
13. UNUSUAL TRANSACTIONS

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 .

For and on behalf of the Board of Directors in accordance with a resolution of the Directors this 28th day September , 2016 .



.....
Mr Steve Edwards
Chairperson



.....
Sione Ngongo Kioa
Governor

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 2016;
- (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 2016;
- (c) the accompanying statement of distribution is drawn up so as to give a true and fair view of the distribution of operating profit of the Bank for the year ended 30 June 2016;
- (d) 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 2016; and
- (e) 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 2016.

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 28th day of September, 2016.



.....
Mr Steve Edwards
Chairperson



.....
Sione Ngongo Kioa
Governor



Independent Auditor's Report

To the Board of Directors of National Reserve Bank of Tonga

Report on the Financial Statements

We have audited the accompanying financial statements of the National Reserve Bank of Tonga (the 'Bank'). The financial statements comprise the statement of financial position of the Bank as at 30 June 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

Directors and Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the National Reserve Bank of Tonga Act, 1988, National Reserve Bank of Tonga (Amendment) Act, 2007 and the National Reserve Bank of Tonga (Amendment) Act, 2014 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

*PricewaterhouseCoopers, Level 8 Civic Tower, 272 Victoria Parade, Suva, Fiji.
GPO Box 200, Suva, Fiji.*

T: (679)3313955 / 3315199, F: (679) 3300981 / 3300947

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



Opinion

In our opinion the accompanying financial statements of the National Reserve Bank of Tonga have been prepared, in all material respects, in accordance with the basis of preparation and the accounting policies described in Note 2 of the financial statements and in the manner required by the National Reserve Bank of Tonga Act, 1988, National Reserve Bank of Tonga (Amendment) Act 2007 and the National Reserve Bank of Tonga (Amendment) Act 2014.

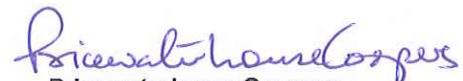
Emphasis of Matter

We draw attention to Note 2 (a) and (b) to the financial statements which refer to the reporting framework and the policy on the treatment of exchange gains and losses and its variance with IAS 21 "Effect of changes in Foreign Exchange Rates". Our opinion is not qualified in respect of this matter.

Restriction on Distribution or Use

This report is made solely to the Board of Directors of the Bank. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

28 September 2016
Suva, Fiji


PricewaterhouseCoopers
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2016

	Notes	2016	2015
		\$	\$
ASSETS			
Foreign Currency Assets			
Short Term Investments and Current Accounts	8	327,817,394	263,691,758
Accrued Interest		11,338,185	8,803,874
International Monetary Fund (IMF)	9		
- Reserve Tranche Position		10,558,012	5,050,555
- Special Drawing Rights		16,487,060	20,923,187
Local Currency Assets			
Cash on Hand	18	55,924	418,132
Accrued Interest		39,917	23,078
Other Assets	10	12,472,735	10,714,682
International Monetary Fund - Currency Subscription	9	32,447,402	14,467,901
Property, Plant and Equipment	11	9,267,684	9,388,370
Total Assets		420,484,313	333,481,537
LIABILITIES			
Foreign Currency Liabilities			
Accrued Interest		364	349
Demand Deposits	12(a)	33,927,546	10,921,827
IMF Special Drawing Rights Allocation	9	20,217,499	19,418,101
Local Currency Liabilities			
Payable to Government	13	2,894,639	882,510
Demand Deposits	12(b)	197,641,101	185,789,222
Accrued Interest		19,867	8,490
Other Liabilities	16	1,037,121	1,187,133
Currency in Circulation	14	67,344,536	55,961,459
Statutory Reserve Deposits	15	21,526,000	18,112,000
International Monetary Fund - Currency Subscription	9	32,447,402	14,467,901
Employee Provisions	17	101,147	80,853
Total Liabilities		377,157,222	306,829,845
NET ASSETS		43,327,091	26,651,692
CAPITAL AND RESERVES			
Authorised Capital		5,000,000	5,000,000
Paid up Capital		5,000,000	5,000,000
General Reserves	2(n)	11,618,779	10,378,219
Revaluation Reserve Account		26,708,312	11,273,473
TOTAL CAPITAL AND RESERVES		43,327,091	\$26,651,692

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

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 30 JUNE 2016

	Notes	2016	2015
Income		\$	\$
Interest Income	4	7,872,406	4,993,252
Other Income	5	4,271,844	2,381,397
Total Operating Income		12,144,250	7,374,649
Expenses			
Interest expense	6	49,024	89,886
Administration and other expenses	7	7,960,027	6,024,034
Total Operating Expenses		8,009,051	6,113,920
Net profit for the period		4,135,199	1,260,729
Other comprehensive income			
Net gains/(losses) arising from the translation of foreign currency balances to local currency	2(b)	15,434,839	3,300,010
Total other comprehensive income for the period		15,434,839	3,300,010
Total comprehensive income for the period		19,570,038	\$4,560,739

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

STATEMENT OF DISTRIBUTION YEAR ENDED 30 JUNE 2016

	Notes	2016	2015
		\$	\$
Net profit available for distribution		\$ 4,135,199	\$ 1,260,729
Distribution as follows:			
Transfer to General Reserves as required under Section 8(1)(b) of the National Reserve Bank of Tonga (Amendment) Act, 2014	2(n)	1,240,560	375,219
Balance Payable to Government of Tonga as required under Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act, 2014	13	2,894,639	882,510
		\$ 4,135,199	\$ 1,260,729

The above statement of distribution should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2016

	Paid up Capital	General Reserves	Revaluation Reserve Account	Total
	\$	\$	\$	\$
Balance 30 June 2014	5,000,000	10,000,000	\$7,973,463	\$22,973,463
<i>Other comprehensive income</i>				
Net gains arising from the translation of foreign currency balances to Tongan currency	-	-	3,300,010	3,300,010
Transfer to General Reserves (as provided for under Section 8(1)(b) of the National Reserve Bank of Tonga (Amendment) Act 2014, and approved by the Minister of Finance	-	378,219	-	378,219
Balance 30 June 2015	\$5,000,000	\$10,378,219	\$11,273,473	\$26,651,692
Net gains arising from the translation of foreign currency balances to Tongan currency	-	-	15,434,839	15,434,839
Transfer to General Reserves (as provided for under Section 8(1)(b) of the National Reserve Bank of Tonga (Amendment) Act 2014, and approved by the Minister of Finance	-	1,240,560	-	1,240,560
Balance 30 June 2016	\$5,000,000	\$11,618,779	\$26,708,312	\$43,327,091

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

STATEMENT OF CASH FLOWS YEAR ENDED 30 JUNE 2016

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$
Interest received		5,321,256	5,659,592
Rental income		784,068	778,981
Numismatic sales		352,180	261,053
Other income		3,135,595	1,341,363
Purchase of currency		(3,178,087)	(7,315,020)
Interest paid		(37,632)	(103,719)
Payments to suppliers and employees		(5,396,305)	(4,386,538)
Net cash (outflow)/ inflow from operating activities		981,075	(3,764,288)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(498,935)	(316,894)
Net movement in IMF accounts		(1,071,330)	(1,653,599)
Net movement in staff loans		(393,111)	(899,748)
Net cash used in investing activities		(1,963,376)	(2,870,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in currency in circulation		11,383,077	7,029,654
Increase in demand deposits		34,857,598	10,584,903
Increase in statutory deposits		3,414,000	1,311,000
Net movement in Government of Tonga account		(882,511)	(3,552,247)
Net movement in funds held for clearance		(260,672)	(496,819)
Net movement in IMF SDR Allocation		799,398	1,234,093
Net cash inflow from financing activities		49,310,890	16,110,584
Net increase in cash and cash equivalents		48,328,589	9,476,055
Cash and cash equivalents at the beginning of the financial year		\$ 264,109,890	\$ 251,333,825
Net effect of change in exchange rates	2 (b)	15,434,839	3,300,010
Cash and cash equivalents at the end of the financial year	18	\$ 327,873,318	\$ 264,109,890

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

1. GENERAL INFORMATION

The National Reserve Bank of Tonga's ("Bank") principal objectives as a central bank, as defined in Section 4 of the NRBT (Amendment) Act 2014, shall be, to:

- 1) The principal objectives of the Bank shall be to 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;
- 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; and
- p) 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 28 September 2016.

2. SUMMARY OF SIGNIFICANT 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 Act, 1988, the National Reserve Bank of Tonga (Amendment) Act, 2007, and the National Reserve Bank of Tonga (Amendment) Act, 2014. The Bank's accounting policies are based on International Financial Reporting Standards ("IFRS") except where the Act requires a different treatment, as noted in Note 2 (b), in which the Act takes precedence.

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.

New standards, amendments and interpretations issued but not yet effective and not early adopted

A number of new standards and amendments to standards and interpretations are effective for accounting periods beginning on or after 1 July 2016. None of these is expected to be relevant to the Bank, except the following set out below:

Standard / Interpretation	Content	Applicable for financial years beginning on/ after
IFRS 9, 'Financial instruments'	IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Bank is in the process of evaluating the potential effect of this standard.	Annual periods beginning on or after 1 January 2018
IFRS 16: Leases	IFRS 16, 'Leases', replaces the current guidance in IAS 17. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with IFRS 15, 'Revenue from Contracts with Customers'. The Bank is in the process of evaluating the potential effect of this standard	Effective date: periods beginning on or after 1 January 2019
IFRS 15: Revenue from contracts with customers	IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Bank is in the process of evaluating the potential effect of this standard.	Effective date: periods beginning on or after 1 January 2018

b) Foreign currencies

Foreign currencies 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 National Reserve Bank of Tonga Act, 1988, the NRBT (Amendment) Act, 2007, the Miscellaneous Amendments (Privy Council) Act 2010 and NRBT (Amendment) Act 2014, and are not included in the computation of annual profits and losses of the Bank as required under International Accounting Standard 21, "The effects of changes in foreign exchange rates" (IAS 21). The impact of this in the statement of comprehensive income would be an increase in net profit by \$15,434,839 (2015: \$3,300,010).

Net losses arising from such changes 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 is applied first, on behalf of the Government, to the redemption of any non-negotiable market interest bearing notes previously transferred to the Bank by the Government to cover losses. According to the National Reserve Bank of Tonga (Amendment) Act 2014, any balance remaining in the Revaluation Reserves Account shall be carried forward to the next financial year.

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) – Provisions for impairment of financial assets

Note 2 (i) – Depreciation

Note 2 (j) – Provisions for employee entitlements

d) Financial Assets and Liabilities

i. Financial Assets

The Bank classifies its financial assets in the following categories: Held to maturity investments and loans and receivables.

- **Held to Maturity Investments**

Held to Maturity Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention to hold to maturity.

Held-to-maturity investments are carried at amortised cost. Any premium or discount on purchase is capitalised and amortised over the term of the investment on a constant yield to maturity basis.

All purchases and sale of investment securities are recognised at settlement date, which is the date that the asset is transferred to the Bank.

- **Loans and Receivables (Staff Loans)**

Are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans are carried in the balance sheet at historical cost net of impairment provisions.

Impairment of Financial Assets

For financial assets that are not classified as fair value through profit or loss, the Bank assesses as at each balance date whether there is objective evidence of impairment. This would include observable data that comes to the attention of the Bank such as significant financial difficulty of the issuer or counterparty; the disappearance of an active market for financial asset because of financial difficulties or a market downgrade in credit rating of the counterparty.

For loans and receivables an appraisal is carried out at the end of the financial year by management. The amounts of potential losses that have been identified are either written off against provisions in the year in which they are recognised or recognised as an expense in the income statement.

ii. Financial Liabilities

Financial liabilities are recognised at fair value plus transaction costs. They are recognised when an obligation arises and derecognised only when the obligation is discharged, cancelled or expired.

Financial liabilities are recorded at trade date, the date on which the Bank commits to borrow or repay the relevant funds.

- **Demand Deposits**

Demand Deposits represent funds placed with the Bank by financial institutions and other organisations brought to account on a cost basis. These deposits are at call. Interest is paid on demand deposits of commercial banks held with the Bank.

e) Currency and Numismatics Inventory

Currency and numismatics on hand are recognised in the statement of financial position at cost. Cost includes the cost of bringing currency to the Bank's premises. Currency issuances are determined on a first-in-first-out basis. When currency is issued the value is reduced and amortisation expense is recognised in the income statement.

f) Currency in Circulation

The face value of notes and coins on issue is taken up as a liability in the accounts. Where notes and coins on issue are no longer considered to be in circulation, either through their age or their numismatic value, they are written back to income.

g) Coins sold as numismatic items

The Bank sells, or receives royalties on, coins which are specially minted or packaged as numismatic items. These coins have not been accounted for as currency issued for circulation as they are not issued for monetary purposes. In terms of Section 53(2) of the National Reserve Bank of Tonga Act, 1988 and the Miscellaneous Amendments (Privy Council) Act 2010, Cabinet has specified by notice in the Gazette that the Bank shall not be required to include in its financial statements the face value of these coins in circulation.

h) Income tax

The Bank is exempted from all Government taxes in accordance with Section 55 of the National Reserve Bank of Tonga Act, 1988.

i) Depreciation

Fixed assets are depreciated on a straight line basis so as to write off the cost of each fixed asset over its estimated useful life. The principal annual rates in use are:

Leasehold and buildings	1.01% - 2%
Furniture and fittings, computer and office equipment	6.67% - 25%
Motor vehicles	25%

j) Employee Entitlements

The Bank has its own Staff Provident Fund and only certain staff contribute to this scheme. The bank and staff contributions are based on the years of service. Other staffs contribute to the National Provident Fund Scheme.

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 tellers cash, current accounts and short term deposits.

l) Revenue Recognition

Interest income is brought to account on an accrual basis.

m) 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.

n) General Reserve and Distribution of Profits

- Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act 2014 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 and the authorised capital of the Bank equal 10% of the total monetary liabilities of the Bank.

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.

o) Revaluation Reserve

Unrealised exchange gains and losses arising from revaluation of foreign currencies 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.

p) Segment Reporting

The Bank presents financial assets and financial liabilities, and their associated income and expense streams, by distinguishing between foreign and local currency activities. The Bank considers that these reporting approaches provide appropriate segmental reporting of the Bank's activities.

q) Leases

Where the Bank is the lessee, the lease rentals payable on operating leases are recognised in the Income Statement over the term of the lease.

Where the Bank is the lessor, the assets leased out are retained in Property, Plant & Equipment.

r) Functional and Presentation Currency

The Bank's financial statements are expressed in Tonga Pa'anga. Amounts in the financial statements are rounded to the nearest dollar unless otherwise stated.

3. FINANCIAL RISK MANAGEMENT

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. In addition, the number of commercial banks, with whom the Bank may deal with in foreign exchange must have minimum credit ratings of A.

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 concentration of credit risk in the Bank's investment portfolio is as follows.

	2016	2015
	\$	\$
Foreign currency assets		
Short Term Commercial Paper and current accounts	327,817,394	263,691,758
Total financial investments	\$ 327,817,394	\$ 263,691,758

The Bank's end of year concentration of credit exposure, based on the country in which the counterparty is resident, is as follows:

	2016	2015
	\$	\$
Australia	223,221,822	163,736,255
New Zealand	91,804,222	86,879,388
United States of America	12,077,700	12,190,307
Switzerland	570,776	538,127
United Kingdom	120,139	297,052
Fiji	22,735	50,629
Total financial investments	\$327,817,394	\$263,691,758

The following table presents the Bank's financial assets based on Standard & Poor's credit rating of the foreign counterparties based on the country in which the counterparty is resident. N/R indicates the entity has not been rated by Standard & Poor's and includes exposure to Supernational.

	2016	2015
	\$	\$
AAA	591,267	836,837
AA+	12,176,286	12,215,013
AA	120,139	122,007
AA-	222,996,195	193,331,011
A+	-	56,598,134
A	91,339,996	-
B+	22,735	50,629
N/R	570,776	538,127
Total financial investments	\$ 327,817,394	\$ 263,691,758

(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 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.

The table below analyses the Bank's liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Maturity Analysis as at 30 June 2016

	0-3 Months	3-12 months	1-5 years	Over 5 Years	No Specific maturity	Total
Liabilities						
Foreign Currency Liabilities						
Accrued Interest	364	-	-	-	-	364
Demand Deposits	33,927,546	-	-	-	-	33,927,546
IMF Special Drawing Rights Allocation	-	-	-	-	20,217,499	20,217,499
Local Currency Liabilities						
Payable to Government	2,894,639	-	-	-	-	2,894,639
Demand Deposits	197,641,101	-	-	-	-	197,641,101
Accrued Interest	19,867	-	-	-	-	19,867
Other Liabilities	-	-	-	-	1,037,121	1,037,121
Currency in Circulation	-	-	-	-	67,344,536	67,344,536
Statutory Reserve Deposits	-	-	-	-	21,526,000	21,526,000
International Monetary Fund						
- Currency Subscription	-	-	-	-	32,447,402	32,447,402
Employee Provisions	82,377	-	9,720	9,050	-	101,147
Total Liabilities (contractual maturity dates)	234,565,894	-	9,720	9,050	142,572,558	377,157,222

Maturity Analysis as at 30 June 2015

	0-3 Months	3-12 months	1-5 years	Over 5 Years	No Specific maturity	Total
Liabilities						
Foreign Currency Liabilities						
Accrued Interest	349	-	-	-	-	349
Demand Deposits	10,921,827	-	-	-	-	10,921,827
IMF Special Drawing Rights Allocation	-	-	-	-	19,418,101	19,418,101
Local Currency Liabilities						
Payable to Government	882,510	-	-	-	-	882,510
Demand Deposits	185,789,222	-	-	-	-	185,789,222
Accrued Interest	8,490	-	-	-	-	8,490
Other Liabilities	-	-	-	-	1,187,133	1,187,133
Currency in Circulation	-	-	-	-	55,961,459	55,961,459
Statutory Reserve Deposits	-	-	-	-	18,112,000	18,112,000
International Monetary Fund						
- Currency Subscription	-	-	-	-	14,467,901	14,467,901
Employee Provisions	59,508	4,198		17,147	-	80,853
Total Liabilities (contractual maturity dates)	197,661,906	4,198		17,147	109,146,594	306,829,845

(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 36 months. The duration of the portfolio is re-balanced regularly to maintain the target duration.

(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 tables show the currency concentration of the Bank's assets and liabilities as at 30 June 2016 and 2015 in Tonga Pa'anga equivalents.

At 30 June 2016	USD	AUD	GBP	NZD	Other	Total
ASSETS						
Short Term Investments and Current Accounts	148,584,667	52,205,581	125,008	126,879,403	22,735	327,817,394
Accrued Interest International Monetary Fund	1,201,295	849,402	-	9,286,547	-	11,337,244
- Reserve Tranche Position	-	-	-	-	10,558,012	10,588,012
- Special Drawing Rights	-	-	-	-	16,487,060	16,487,060
Total Assets	149,785,962	53,054,983	125,008	136,165,950	27,067,807	366,199,710
LIABILITIES						
Demand Deposits	33,109,757	296,961	-	359,732	161,097	33,927,547
Accrued Interest	-	-	-	-	24,918	24,918
IMF Special Drawing Rights Allocation	-	-	-	-	20,217,499	20,217,499
Total Liabilities	33,109,757	296,961	-	359,732	20,403,514	54,169,964
NET POSITION	116,676,205	52,758,022	125,008	135,806,218	6,694,293	312,029,746

At 30 June 2015	USD	AUD	GBP	NZD	Other	Total
ASSETS						
Short Term Investments and Current Accounts	107,702,565	40,038,736	302,478	115,597,349	50,630	263,691,758
Accrued Interest International Monetary Fund	533,091	3,134,665	-	5,136,118	-	8,803,874
- Reserve Tranche Position	-	-	-	-	5,050,555	5,050,555
- Special Drawing Rights	-	-	-	-	20,923,187	20,923,187
Total Assets	108,235,656	43,173,401	302,478	120,733,467	26,024,372	298,469,374
LIABILITIES						
Demand Deposits	10,239,973	293,357	-	260,190	128,307	10,921,827
Accrued Interest	-	-	-	-	349	349
IMF Special Drawing Rights Allocation	-	-	-	-	19,418,101	19,418,101
Total Liabilities	10,239,973	293,357	-	260,190	19,546,757	30,340,277
NET POSITION	97,995,683	42,880,044	302,478	120,473,277	6,477,615	268,129,097

iii. Sensitivity to Foreign Currency Risk and Interest Rate Risk

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

Impact of:	2016	2015
Change in equity due to a +/-5% appreciation / depreciation of the Tonga Pa'anga	15,601,487	13,405,561
Change in profit/loss due to a rise/drop of +/-1 percentage point in interest rate	3,120,297	2,681,112

	2016	2015
	\$	\$
4. INTEREST INCOME		
Overseas investments	7,794,343	4,960,018
Staff loans	78,063	33,234
	<u>7,872,406</u>	<u>4,993,252</u>
5. OTHER INCOME		
Numismatic coins	351,610	259,849
Rental income	784,068	778,980
Gain on sale of assets	1,836,520	-
Forex sales/ purchases	1,221,645	1,180,006
Bank user fees	77,430	161,357
Information services – publications	35	10
Miscellaneous	536	1,195
	<u>4,271,844</u>	<u>2,381,397</u>
6. INTEREST EXPENSE		
Foreign currency accounts	15,881	32,174
Domestic currency accounts	33,143	57,712
	<u>49,024</u>	<u>89,886</u>
7. ADMINISTRATION AND OTHER EXPENSES		
Administration	1,753,381	1,594,699
Retirement fund	336,714	265,001
Staff costs	2,914,331	2,312,115
Audit fees	26,133	26,288
Currency issue (refer note 10)	2,347,379	1,256,072
Depreciation	582,089	569,859
	<u>7,960,027</u>	<u>\$ 6,024,034</u>
8. SHORT TERM INVESTMENTS AND CURRENT ACCOUNTS		
Current accounts	13,481,203	13,762,613
Short term investments	314,336,191	249,929,145
	<u>\$ 327,817,394</u>	<u>\$ 263,691,758</u>

9. INTERNATIONAL MONETARY FUND

(i) The Bank was designated to serve with effect 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 2016, Tonga's membership subscription to the International Monetary Fund was SDR13,800,000 (2015: SDR6,900,000). Of this total amount, SDR3,436,633 (2015: SDR1,711,633) 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 2016, the Special Drawing Rights holdings had a balance of SDR5,366,538 (2015: SDR7,090,868).

10. OTHER ASSETS

	2016	2015
	\$	\$
Staff loans and advances	1,572,205	1,179,094
Currency and numismatics	4,950,267	4,119,559
Other assets	5,950,263	5,416,029
	12,472,735	10,714,682

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. PROPERTY, PLANT & EQUIPMENT

	Leasehold & Buildings	Computer and Office Equipment	Furniture and Fittings	Motor Vehicles	WIP	TOTAL
At 30 June 2014						
Cost	12,944,054	3,079,656	320,168	450,232	11,342	16,805,452
Accumulated Depreciation	(4,835,827)	(1,909,602)	(195,886)	(222,802)	-	(7,164,117)
Net Book Amount	8,108,227	1,170,054	124,282	227,430	11,342	9,641,335
Year Ended 30 June 2015						
Opening net book value	8,108,227	1,170,054	124,282	227,430	11,342	9,641,335
Additions	202,588	41,980	20,326	52,000	-	316,894
Transfers in/(out)	11,342	-	-	-	(11,342)	-
Depreciation	(272,909)	(218,015)	(7,287)	(71,648)	-	(569,859)
Closing net book value	8,049,248	994,019	137,321	207,782	-	9,388,370
At 30 June 2015						
Cost	13,157,984	3,121,636	340,494	502,232	-	17,122,346
Accumulated Depreciation	(5,108,736)	(2,127,617)	(203,173)	(294,450)	-	(7,733,976)
Net Book Amount	8,049,248	994,019	137,321	207,782	-	9,388,370
Year Ended 30 June 2016						
Opening net book value	8,049,248	994,019	137,321	207,782	-	9,388,370
Additions	366,561	132,374	-	-	-	498,935
Depreciation	(439,973)	(89,745)	(8,504)	(81,399)	-	(619,621)
Closing net book value	7,975,836	1,036,648	128,817	126,383	-	9,267,684
At 30 June 2016						
Cost	13,524,545	3,254,010	340,494	502,232	-	17,621,281
Accumulated Depreciation	(5,548,709)	(2,217,362)	(211,677)	(375,849)	-	(8,353,597)
Net Book Amount	7,975,836	1,036,648	128,817	126,383	-	9,267,684

	2016	2015
	\$	\$
12. (a) FOREIGN CURRENCY DEMAND DEPOSITS		
Government of Tonga	33,874,493	10,869,418
Other institutions	53,053	52,409
	\$ 33,927,546	\$ 10,921,827
(b) LOCAL CURRENCY DEMAND DEPOSITS		
International banks	131,374	27,083
Domestic banks	167,716,282	151,819,096
Government of Tonga	29,793,445	33,943,043
	\$ 197,641,101	\$ 185,789,222
13. PAYABLE TO GOVERNMENT		
Amount payable to government in accordance with Section 8(1) of the National Reserve Bank of Tonga (Amendment) Act 2014	\$ 2,894,639	\$ 882,510
14. CURRENCY IN CIRCULATION		
Notes	64,344,416	53,822,891
Coins	3,000,120	2,138,568
	\$ 67,344,536	\$ 55,961,459

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

15. STATUTORY RESERVE DEPOSITS

The deposits represent the reserves required to be maintained by each financial institution under Section 39 of the NRBT Act 1988.

16. OTHER LIABILITIES

	2016	2015
	\$	\$
Other creditors and accruals	882,848	1,102,604
Payable to the National Reserve Bank of Tonga Staff Provident Scheme – refer note below	154,273	84,529
	\$ 1,037,121	\$ 1,187,133

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

17. PROVISION FOR EMPLOYEE ENTITLEMENTS

	2016	2015
	\$	\$
Opening balance	80,853	125,069
Entitlements during the year	195,270	163,931
Utilised/reversals	(174,976)	(208,147)
	101,147	80,853

18. CASH AND CASH EQUIVALENTS

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

	2016	2015
	\$	\$
Cash on hand	55,924	418,132
Short term investments and current accounts	327,817,394	263,691,758
	327,873,318	264,109,890

19. 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 2016 were Steve Edwards (Chairperson), HRH Princess Salote Pilolevu Tuita, Richard Prema, Sinaitakala Tu'itahi, Sione Ngongo Kioa (Governor), Tatafu Moeaki and 'Uhila Liava'a.

During the year, the following executives were identified as key management personnel of the Bank: Sione Ngongo Kioa (Governor), Jessie Cocker (Deputy Governor), Lata Tangimana (Assistant Deputy Governor-Operation), 'Ungatea Latu (Assistant Deputy Governor-Policy).

Transactions with related parties

In the normal course of operations, the Bank enters into 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 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:

	2016	2015
	\$	\$
Provident Fund payments made by the Bank	342,336	265,001
	342,336	265,001

The funds of the National Reserve bank of Tonga Staff Provident Fund are invested within the Bank at an average rate of 3.96% (2015: 3.89%) per annum. The total interest paid by the Bank for the financial year amounted to \$4,294 (2015: \$7,163). 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.

Transactions with director related entities include purchases of goods and services and receipt of rental and utilities income as follows:

	2016	2015
	\$	\$
Rent received in advance from Tonga SAT	16,801	131,469
Purchase of goods	1,020	143

The Directors are paid fees and sitting allowances for services rendered. The Directors entitlements to the retirement fund at year end amounted to \$183,653 (2015:\$234,089). The Bank also provides non-cash benefits to the Executive officers in addition to their salaries.

Total remuneration below is included in 'administrative costs'.

	2016	2015
	\$	\$
Executive officers	311,633	338,303
Director's fees and allowances	114,213	127,999
	425,846	466,302

20. COMMITMENTS

(a) Operating lease commitments

Lessee Disclosure

Operating lease expenditure and commitments contracted for are payable as follows:

Detail of the major operating lease as at year end is as follows:

- (i) On 28 July 1992 the bank entered into an agreement with His Majesty the King of Tonga to rent the property in Fasi Moe Afi for 100 years ending 27 July 2091. Under the agreement, rent is payable at \$3,000 per year.

Total commitments for future lease rentals which have not been provided for in the accounts are as follows:

	2016	2015
	\$	\$
Due not later than one year	3,000	5,000
Due later than one year but not later than five years	12,000	20,000
Due later than five years	213,370	356,000
	228,370	381,000

Lessors Disclosure

The Bank leases its building premises under operating leases to tenants for a term of 2 to 3 years. The minimum lease payments receivable at balance date are as follows:

	2016	2015
	\$	\$
Due not later than one year	613,232	637,172
Due later than one year but not later than five years	369,263	793,059
	\$ 982,495	\$ 1,430,231

(b) Capital and other commitments

	2016	2015
	\$	\$
Commitment not provided for in the financial statements are as follows:		
Capital commitment: approved and contracted	NIL	\$ 2,791,450

21. CONTINGENT LIABILITIES

Contingencies not otherwise provided for in the accounts and which existed at 30 June 2016 comprise:

- (i) Contracts for foreign exchange transactions was nil (2015: \$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.

22. 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 term investments and current accounts

The reported value of short term investments and current accounts is considered to be its fair value due to the short 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.

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.

23. EVENTS SUBSEQUENT TO BALANCE DATE

On 26 July 2016 the NRBT revoked the licence of the Pacific International Commercial Bank (PICB) to conduct banking business in Tonga. The PICB challenged the NRBT's decision to revoke their licence and filed a court injunction with the Supreme Court.

At the injunction hearing on 5 August 2016, PICB withdrew its submission for an injunction and has requested a trial by jury claiming damages against the NRBT in the sum of TOP10 million for general damages and TOP5 million for punitive and aggravated damages.

The Supreme Court has in the interim ordered PICB to cover the legal costs incurred by NRBT in its preparation for the injunction hearing. The NRBT has also filed an Application to Strike Out the PICB's claim with the Supreme Court on 30 August 2016 and a date for hearing of the application is yet to be set.