



Report of the Administrator of Tokelau

For the period ended
30 June 2006

*Presented to the House of Representatives
Pursuant to Section 9 of the Tokelau Act 1948*

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Rt Hon Winston Peters
Minister of Foreign Affairs
WELLINGTON

Sir

I have the honour to submit this report on the administration of Tokelau for the four year period from 1 July 2002 to 30 June 2006. As I completed my term as Administrator on 30 June 2006, it will also serve as my valedictory report.

The report covers an interesting and busy phase in Tokelau's relationship with New Zealand. Significant progress was made in moving the relationship – now of 80 years' standing – from dependency to partnership. Although this transition was substantially achieved in practice, the referendum held in February 2006 failed by a handful of votes to meet the two thirds majority threshold set by Tokelau for a formal change of status. Thus for the time being, although it is now in practice exercising virtually all the powers of a self-governing state, Tokelau technically remains a dependent territory on the United Nations list of non self-governing territories.

As this report is written, Tokelau is considering whether or not to remain on the path to self-government. New Zealand has agreed to keep the draft Constitution and Treaty of Free association (on which the referendum was based) “on the table” until Tokelau decides whether it wishes to undertake a further referendum.

The period also saw fundamental changes in the way New Zealand discharges its responsibilities to Tokelau, with the signing of a formal “Joint Declaration on Principles of Partnership” and the reorganisation of support systems in Wellington under the Tokelau Unit to give a better coordinated “whole of government” service to Tokelau.

Throughout this period the United Nations has continued to support New Zealand's and Tokelau's move towards a more equal partnership, describing New Zealand's handling of its responsibilities as administering power as “exemplary”.

This report is compiled for the information of the House of Representatives. It will also be transmitted to the United Nations in accordance with Article 73e of the Charter.

As before, the report has been compiled in collaboration with the Audit Office, whose reports on the previous three financial years are included.

Yours faithfully

Neil Walter
Administrator

PART ONE: BACKGROUND

Tokelau, the smallest and last of New Zealand's dependent territories, comprises three tiny atolls separated one from the other by 60–100 km of open ocean and located some 500 km to the north of its nearest neighbour, Samoa. In these three isolated villages live some 1600 people.

Each atoll comprises an interrupted string of small, low-lying islets encircling a lagoon. There is virtually no soil: any mulch tends to be swept away by tidal surges. The total land area of Tokelau is just 12 sq. km.

The people of Tokelau are of Polynesian ethnicity. They have strong linguistic and cultural links with Samoa and Tuvalu.

With the arrival of Europeans in the 19th century Tokelau entered what might be called its colonial period. It became a British protectorate in 1877 and was formally annexed by Britain in 1889. Administrative responsibility was transferred to New Zealand in 1926. Thus formal government of Tokelau as a country has for well over a century now been based outside Tokelau.

Christianity was introduced in Tokelau in the mid-nineteenth century. Today almost all Atafu's people are Congregational Christians, while Nukunonu's people are almost entirely Roman Catholic. On Fakaofu some 80% of the people are Congregational Christians and most of the remainder Roman Catholic.

The villages are the foundations of Tokelau society. Traditionally the Village Councils follow a consensus style of decision-making. Elections are held each three years, on the basis of universal adult suffrage, for the posts of Faipule (village leader) and Pulemaku (village mayor). Delegates to the General Fono (national parliament) are also elected at three yearly intervals. The post of Ulu (titular head of Government) rotates among the three Faipule at yearly intervals.

PART TWO: ADMINISTRATION OF TOKELAU

Our administration of Tokelau has traditionally been light-handed. There has never been a New Zealand representative based in Tokelau. For the first 50 years of New Zealand's administration Tokelau effectively ran itself through each atoll's Village Council, with only occasional visits by the Administrator and minimal financial support from New Zealand.

The Tokelau Act 1948 formally placed Tokelau under New Zealand sovereignty and conferred New Zealand citizenship on all Tokelauans.

From the 1950s New Zealand began to take its support responsibilities for Tokelau more seriously. Effort was put in to improving health and education services in particular. Encouragement was also given to moves within Tokelau to develop a nationally representative body (the General Fono) to handle issues affecting all three islands.

In the early 1960s financial support was increased. New schools and hospitals were built on each atoll, and work began on seawalls to protect against tidal surges. A scholarship scheme was introduced to enable students to carry on their education in Samoa and New Zealand. At that time too increasing population pressures in Tokelau led to the assisted resettlement in New Zealand of a number of families. (There are now some 7,000 people of Tokelauan descent living in New Zealand.)

From the mid-1970s Tokelau began to develop its own governance and public service capability. Discussion also began on the question of its future political status. A first United Nations visiting mission took place in 1976. (Four more missions have since visited the territory.) Tokelau told the mission that it was comfortable with its current status but would keep the matter under review. The next three decades saw ongoing experimentation with different governance arrangements coupled with spasmodic debate over the territory's future status.

In the early 1990s Tokelau began to signal to New Zealand and the United Nations that it wished to give serious thought to the "intermediate" decolonisation option of self-government in association with New Zealand – ie the same formula as for the Cook Islands and Niue. Work began on the drafting of a Constitution. In 1994 the Administrator formally delegated all administrative powers to the General Fono. National and village rules and laws were worked up with assistance from a New Zealand expert in constitutional law.

By 1998 a comprehensive report entitled "The Modern House of Tokelau" was adopted by the General Fono. This report painted a picture of a Tokelau governed by the Village Councils – the traditional source of authority – but supplemented by national bodies (the General Fono and the Council for Ongoing Government) which would deal with issues that needed to be handled at a national level. An important feature of this was that each Village Council would assume full responsibility for running all public services on its own atoll.

In the early 2000s work proceeded apace on the development of new public service arrangements and structures reflecting this decision. Overall responsibility for the management of the public services was transferred from New Zealand to Tokelau, and oversight responsibility for village activities was devolved to the Village Councils. It was agreed to set up a Tokelau Trust Fund to provide an independent source of revenue to future generations of Tokelauans. A United Nations visiting mission in 2002 noted that considerable progress was being made towards self-determination.

At its June 2003 meeting the General Fono decided to set a target date (2004) for the formal delegation of the Administrator's powers to the three Village Councils in place of the 1994 delegation to the General Fono. This "re-empowerment of Tokelau's traditional structures and institutions to operate well in the modern context" – in the words of the Ulu o Tokelau – had been a central element in the "Modern House of Tokelau" programme.

At the same meeting the General Fono assumed responsibility for managing its entire budget. (Previously New Zealand funding support had been divided between direct budgetary support and project assistance, with the latter being administered from Wellington.) Since that time Tokelau has been squarely responsible for determining its developmental objectives and allocating its resources in accordance with agreed priorities.

At the June 2004 General Fono the Administrator formally delegated his administrative responsibilities to the three Village Councils. In turn, the Councils sub-delegated to the General Fono responsibility for specified matters (such as external relations, shipping services and fisheries policy) that had to be handled at the national level. A comprehensive review of Tokelau's public services was undertaken to ensure that the three villages had the capability to handle this devolution of responsibility .

PART THREE: TOWARDS SELF-DETERMINATION

Initial studies on a Tokelauan Constitution had been conducted in the mid-1990s and a "first glimpse" paper was published in 1997, in both Tokelauan and English. In the following years Tokelau's Special Committee on the Constitution continued to work on the draft text, with support from Tokelau's constitutional and legal adviser, Professor Tony Angelo of Victoria University of Wellington.

Work was carried out in 2002 on a draft "Joint Statement of the Principles of Partnership" which set out in writing, for the first time, the essential elements in the relationship between Tokelau and New Zealand. It was formally endorsed by the New Zealand Government and the Tokelau's General Fono in mid-2003 and formally signed in the presence of the Governor General in November of that year. The text addressed the management of the relationship, Tokelau's language and culture, New Zealand citizenship, Tokelau's right to self-determination, economic and technical assistance programmes and linkages with the Tokelauan communities in New Zealand.

In November 2003, following extensive consultations in the villages and on the advice of the Special Committee on the Constitution, the General Fono decided unanimously to "endorse self-government in free association with New Zealand as the choice now to be actively explored with the New Zealand Government". A series of consultations was initiated in all three villages about the proposed act of self-determination.

While visiting Tokelau in August 2004, the Prime Minister of New Zealand spent some time discussing Tokelau's political status and aspirations with all three Village Councils. In November 2004, at the Prime Minister's invitation, Tokelau's Council for Ongoing Government visited New Zealand for further high-level discussions about self determination and to meet with the main Tokelauan communities. The

Council made a further trip to New Zealand in November 2005, again meeting with the main Tokelauan communities to discuss the move towards self-determination.

In response to the General Fono's request in late 2003, work began in Wellington and in Tokelau on a draft treaty of free association. It was envisaged that this draft, together with the draft constitution, would form the basis for an act of self-determination. A series of meetings and workshops took place in New Zealand and Tokelau on this document. Over a two-year period a series of decisions taken by the General Fono produced a draft treaty accepted unanimously by that body as the basis for a formal act of self-determination.

At the New Zealand end the draft text was progressively cleared around all government agencies with an interest in Tokelau and submitted to Cabinet for endorsement. This was given in November 2005.

In August 2005 the General Fono reached agreement on the rules and date for an act of self-determination and approved the draft texts of the constitution and treaty of free association that were to serve as a basis for it. It decided to set the threshold for a formal change of status at two thirds of the valid votes cast. Registration of voters closed on 23 December 2005 and the referendum was duly held in the period 11 to 15 February 2006, in the presence of a United Nations monitoring team and a large contingent of media representatives.

The referendum was judged by the United Nations to have been carried out professionally and well. The turnout in all three villages reached 100% of those registered to vote. This was also the case in Apia. Overseas votes however were some thirty short of registrations.

The ballot produced 60% "yes" votes, some 35 votes short of the two thirds majority required for a formal change of status. Thus for the time being Tokelau remains a dependent territory on the United Nations' list of non self-governing territories.

Immediately after the referendum Tokelau's Council for Ongoing Government formally requested the New Zealand Government to keep the draft treaty "on the table" against the possibility that Tokelau would seek to hold another referendum. This was agreed to. At the time of writing this report, discussion was underway in the General Fono on whether Tokelau wished to stay on the path to self-government.

PART FOUR: ECONOMIC DEVELOPMENT

Tokelau has very limited scope for earning its own way. The constraints on economic growth include its smallness, its isolation, the paucity of natural resources (fisheries being the only significant revenue earner) and its vulnerability

to natural disasters such as cyclones. At the present time some 80% of its national budget is funded by New Zealand Agency for International Development (NZAID). The remainder comes mainly from handicrafts, stamps, coins and local taxes and duty. Each village imposes a community levy on salaries and wages.

During the 2003/04 year a major review was undertaken of New Zealand's economic support for Tokelau. The levels of funding assistance were increased and NZAID agreed to adopt a three-year planning cycle in order to give Tokelau a better basis for planning. This agreement, formally signed in the presence of the Prime Minister in August 2004, provided for extra-budgetary assistance to cover major infrastructural projects (for example, the power project and shipping services) that could not be met within Tokelau's operating budget. Additional assistance was also provided to enable Tokelau to resolve a long-standing cash flow problem.

Tokelau's overall funding support through NZAID now stands at just over \$9 million a year. This does not include special purpose grants (for example cyclone relief), regional assistance programmes and support for major infrastructural projects such as power supply and shipping.

In 2004 all New Zealand government agencies were instructed to be prepared to lend a hand to Tokelau, on a shared cost basis, under what came to be known as the Administrative Assistance scheme. This was aimed at ensuring that Tokelau could wire in to specialist knowledge and expertise when necessary. At the same time a small team of advisers was appointed to support Tokelau's Directors in such areas as financial management, health and education and to facilitate their access to relevant agencies in Wellington. The Ministry of Foreign Affairs and Trade's Tokelau Unit, headed by the Administrator, assumed responsibility for coordinating all New Zealand government assistance to Tokelau.

A strategic planning exercise is currently underway for Tokelau's economic and social development needs in the triennium beginning in 2007/2008. This is being undertaken jointly by Tokelau and New Zealand and will serve as a platform for the upcoming three yearly review of economic support. It is expected that the three main areas of focus will remain shipping, health and education. The review will take into account projected assistance from other donors such as the United Nations Development Programme (UNDP).

Significant progress has been made with Tokelau's International Trust Fund. At the time of its formal establishment in late 2004 the Fund stood at some \$5 million. Contributions from New Zealand, Australia, the United Kingdom and Tokelau have now brought the total to \$26 million. Assistance from other countries can be expected if Tokelau decides to become self-governing. The Trust Fund Deed stipulates that withdrawals from the Fund shall never reduce the real value of the Fund, which guarantees that it will be able to serve its primary purpose of inter-generational security.

Transport and communications have long been a problem for Tokelau. A review of shipping services carried out in 2005 put forward recommendations as to how best provide a regular and safe shipping service between Apia and Tokelau (there are no airlinks) and among the three atolls. The telecommunications system has also been reviewed recently, and the General Fono was to take decisions on the recommendations in May 2006. The final stage is now underway of a power generating system that will provide a 24-hour service in all three villages. The system is diesel-based but with provision for solar energy to be used increasingly in the future.

Tokelau was badly affected by a Force 5 cyclone which struck in February 2005. A rapid response from New Zealand, coupled with quick offers of help from Australia and the UNDP, helped Tokelau to recover from the damage to its infrastructure. The focus now is on rebuilding and extending protective seawalls.

PART FIVE: SOCIAL CONDITIONS

In the past three years significant progress has been towards the provision of comprehensive social services. Essentially this has been done by Tokelau's public services, with support from a small team of experienced advisers and backed by government agencies in New Zealand through the Administrative Assistance Scheme.

Tokelau's average life expectancy stands at 69 years. Each atoll has a basic hospital headed by a doctor. The past three years have seen a number of improvements in the health sector. Greater effort has gone in to the maintenance and upkeep of the three hospitals. With assistance from Capital and Coast Health, more reliable arrangements are now in place for the treatment of referred patients in New Zealand. Public health education programmes – particularly in the area of diet-related and lifestyle diseases – have been strengthened. Health Committees have been established to advise each Village Council on village health needs. An experienced pharmacist carried out a review of the systems for the supply of drugs and equipment. A senior nursing adviser has been appointed to lift professional nursing standards. A pilot cervical screening programme was recently initiated in Atafu and is about to be extended to the other two villages.

Similarly, Tokelau's schools have benefitted from the appointment of an experienced Education Adviser and the assistance provided by the Ministry of Education and New Zealand Volunteer Service Abroad (NZVSA). Under Tokelau's compulsory education system, primary NZVSA education is available to everyone on the atolls. Schooling in Tokelau currently runs to Form five level. Distance learning assistance is provided by the University of the South Pacific. Scholarships are made available for students to undertake tertiary studies elsewhere in the South Pacific. The year 2005 saw the adoption of a strategic plan for the development of Tokelau's education services in the next 3–5 years.

PART SIX: EXTERNAL RELATIONS

Recent years have seen Tokelau develop its own relationships with a range of regional and international bodies and other countries. In May 2003 it hosted an official visit by the Prime Minister of Samoa. Later that year it signed a maritime delimitation agreement with the Government of France in respect of Wallis and Futuna. (Discussions are underway with Kiribati on a similar agreement, and preliminary approaches have been made to the governments of the Cook Islands and Samoa.) Tokelau is now a full member of the Forum Fisheries Agency, the South Pacific Community, the University of the South Pacific and the South Pacific Regional Environment Programme. It has associate membership of the World Health Organisation, the South Pacific science and research agency (SOPAC) and UNESCO. In 2005 it was given formal observer status at the Pacific Island Forum. Tokelau receives substantial assistance from the UNDP in such fields as governance, energy and environmental protection. It also receives technical assistance from the governments of Australia and France.

PART SEVEN: THE UNITED NATIONS

In terms of Article 73 of the United Nations Charter, Tokelau is a territory “...whose people have not yet attained a full measure of self-government”. New Zealand has accepted its obligation under the Charter to promote the well-being of the inhabitants and to encourage their movement towards self-government.

Both New Zealand and Tokelau have traditionally participated actively in the work of the United Nations’ Special Committee on Decolonisation. New Zealand and Tokelau are frequently held up as an example of how administering powers and dependent territories should work together – and cooperate with the United Nations – towards the objectives laid down in the Charter. There have been five visiting missions to Tokelau, and the United Nations was represented at the February 2006 referendum. The UNDP provides significant assistance to Tokelau.

PART EIGHT: THE FUTURE

Immediately following the February 2006 referendum, Tokelau’s Council for Ongoing Government requested the New Zealand Government to keep the draft treaty of free association “on the table” against the possibility that Tokelau would wish to stage a further referendum on self-government. This was acceded to by the government, and debate is now underway in Tokelau on the way ahead.

REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF TOKELAU FOR THE YEAR ENDED 30 JUNE 2004

I have audited the financial statements of the Government of Tokelau (the Government) on pages 14 to 30 using the staff and resources of Audit New Zealand. The financial statements provide information about the past financial performance of the Government of Tokelau and its financial position as at 30 June 2004, pursuant to Rule 9 of the Tokelau Finance Rules 1998.

Unqualified opinion

In our opinion:

- ▲ The financial statements of the Government on pages 14 to 30:
 - Have been prepared in accordance with the accounting policies set out on pages 14 and 15; and
 - Give a true and fair view of:
 - the Government's financial position as at 30 June 2002; and
 - the results of its operations and cash flows for the year ended on that date.

- ▲ Based on our examination the Government kept proper accounting records.

The audit was completed on 26 April 2006, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Government and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, Which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- ▲ determining whether significant financial and management controls are working and
- ▲ can be relied on to produce complete and accurate data;
- ▲ verifying samples of transaction and account balances;
performing analyses to identify anomalies in the reported data;
- ▲ reviewing significant estimates and judgements made by the Government;
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate and consistently applied; and
- ▲ determining whether all financial statements disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Government and the Auditor

The Government is responsible for preparing financial statements in accordance with generally accepted accounting practice. Those financial statements must give a true and fair view of the financial position of the Government as at 30 June 2004. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Government's responsibilities arise from the Tokelau Finance Rules 1998.

It is my responsibility to express an independent opinion on the financial statements and report that opinion to you. My responsibility arises from Rule 11 and Rule 13 of the Tokelau Finance Rules 1998.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Government.

K B Brady
Auditor-General of New Zealand
Wellington
New Zealand

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of the Government of Tokelau prepared pursuant to the Tokelau Finance Rules 1998.

Measurement System

The financial statements have been prepared in accordance with generally accepted accounting practice. The measurement base adopted is that of historical cost. Modified accrual accounting is used to match expenses and revenue.

Accounting Policies

- i. All amounts are expressed in New Zealand currency. Foreign currency transactions are translated at the average of the buy/sell exchange rate at the beginning of the month. Differences arising from variation between actual and average rates are recorded in an Exchange Fluctuation Account. Any surplus or deficit in this account at balance date is transferred to the Statement of Financial Performance under Administrative Services and Supplies.
- ii. Investments in New Zealand currency are recorded at cost. Other investments are shown at foreign currency cost converted to New Zealand dollars at balance date. Exchange variances are included in the Exchange Fluctuation Account.
- iii. Stock is stated at the lower of cost and net realisable value. Inventory is recorded on a FIFO basis.
- iv. Co-operative Store Accounts are shown at historical cost.
- v. Savings Accounts and Sundry Debtors (less provision of doubtful debts) are recorded at historical cost.
- vi. Fixed Assets purchased on or before 30 June 1999 have been expensed. Fixed Assets purchased after 30 June 1999, other than infrastructure, are shown in the Statement of Financial Position at historical cost.

Fixed Assets depreciated on a Straight Line basis as follows:

Out-fittings	2 years
Computer Hardware & Software	2 years
Office Equipment	3 years
Motor Boats & Accessories	2 years

Furniture & Fittings	2 years
Plant & Equipment	3 years
Motor Vehicles	3 years

vii. Debtors are stated at their estimated realisable value.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

GOVERNMENT OF TOKELAU
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 Budget \$'000	2004 Actual \$'000	2003 Actual \$'000
REVENUE				
New Zealand Budgetary Assistance		8,600	8,874	4,750
Local Revenue	1	1,519	1,656	3,041
TOTAL REVENUE		10,119	10,530	7,791
EXPENDITURE				
Administrative Services & Supplies		1,321	1,586	1,184
Office for the Council of Faipule		1,341	1,352	1,275
Transport		1,388	1,420	1,517
Education		1,439	1,504	1,138
Health		1,302	1,573	1,060
Natural Resources & Environment		148	74	96
Public Works		428	429	370
Atafu		1,039	1,231	778
Fakaofu		962	1,040	686
Nukunonu		918	1,153	611
Doubtful Debts		0	0	131
TOTAL EXPENDITURE	2	10,286	11,362	8,846
NET OPERATING				
SURPLUS/(DEFICIT)		0	(832)	(1,055)
APPROPRIATED TO RESERVES	3	0	(100)	0
NET (DEFICIT)/SURPLUS				
TRANSFERRED TO				
ACCUMULATED FUNDS		(167)	(932)	(1,055)

GOVERNMENT OF TOKELAU
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 Actual \$'000	2003 Actual \$'000
ACCUMULATED FUNDS			
Balance as at 1 July		(2,018)	(963)
Unappropriated surplus/(deficit) for year		(932)	(1,055)
Accumulated funds/(deficit) at 30 June		<u>(2,950)</u>	<u>(2,018)</u>
Reserves and Trust Funds	3	<u>7,916</u>	<u>6,454</u>
Accumulated Funds Plus Reserves		<u>4,966</u>	<u>4,439</u>
Represented by:			
Assets			
Cash on Hand		85	75
ANZ Bank (Samoa)		12	12
New Zealand Bank Accounts		363	1,723
Atoll Imprest Accounts		37	0
Stock on Hand		362	500
Sundry Debtors		442	1,124
Co-Operative Store	7	0	0
Project Expenses to be Recovered	4	622	443
Housing Scheme Debtors		21	21
Fixed Assets	5	361	143
		<u>2,305</u>	<u>4,041</u>
Restricted Assets	3	<u>7,916</u>	<u>5,356</u>
Total Assets		<u>10,221</u>	<u>9,397</u>
Liabilities			
ANZ Bank (Samoa) – Overdrafts		228	518
Overseas Bank Accounts – Overdraft		0	17
Tele Tok		313	274
New Zealand Bank Accounts		38	0
Remittances in Transit	6	77	284
Co-Operative Store	7	395	501
Unexpended Project Funds	4	766	1,618
Revenue in Advance		1,000	0
Sundry Creditors		716	684
Atoll Imprest Accounts		0	10
Liability to depositors for savings accounts held	8	1,722	1,052
Total Liabilities		<u>5,255</u>	<u>4,958</u>
NET ASSETS		<u>4,966</u>	<u>4,439</u>

A Shaw
Acting Director of Finance

Date: 25 April 2006

G O'Brien
Minister of Finance

Date: 25 April 2006

GOVERNMENT OF TOKELAU
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 Actual \$'000	2003 Actual \$'000
Cash Flows – Operating Activities			
Cash was provided from:			
NZ Budgetary Assistance		8,874	4,750
Other Income		2,299	3,024
		11,173	7,774
Cash was applied to:			
Payment to Suppliers		6,270	3,699
Payment to Employees		5,320	4,652
		11,590	8,351
Net Cash Flows From Operating Activities	9	(417)	(577)
Cash Flows – Investing Activities			
Cash was provided from:			
Reserve Income		2,462	1,066
Net movement in savings investments		670	575
Projects		566	2,105
Advance		0	0
		3,698	3,746
Cash was applied to:			
Movement in Restricted Asset Investments		2,560	1,265
Projects		1,596	1,383
Sports Reserve		0	0
Capital Works		309	167
		4,465	2,815
Net Cash Flows from Investing Activities		(767)	931
Net Increase/(Decrease) in Cash Held		(1,184)	354
Add Effect of Exchange Movement		150	279
Add Opening Cash		1,265	632
Closing Cash		231	1,265
Represented by:			
ANZ Bank (Samoa)		(216)	(506)
Overseas Bank Accounts		0	(17)
NZ Bank Accounts		325	1,723
Atoll Imprest Accounts		37	(10)
Cash on Hand		85	75
		231	1,265

GOVERNMENT OF TOKELAU

**STATEMENT OF CONTINGENT LIABILITIES &
COMMITMENTS FOR THE YEAR ENDED 30 JUNE 2004**

There were no outstanding contingent liabilities or commitments at balance date (2003: nil).

**STATEMENT OF UNAPPROPRIATED
EXPENDITURE OR EXPENSES OR LIABILITIES
FOR THE YEAR ENDED 30 JUNE 2004**

There were no unappropriated expenditure or expenses or liabilities outstanding at balance date (2003: nil).

**STATEMENT OF EMERGENCY EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2004**

There were no emergency expenditure or expenses or liabilities outstanding at balance date (2003 nil).

**STATEMENT OF TRUST MONEY HELD
FOR THE YEAR ENDED 30 JUNE 2004**

There was no trust money held by the Tokelau Administration at balance date (2003: nil).

**STATEMENT OF BORROWINGS
FOR THE YEAR ENDED 30 JUNE 2004**

During the year the Tokelau Administration utilised an OD facility of WS\$200,000 with the ANZ Bank (Samoa) Ltd at the end of each month.

Security for above was term deposits with the same bank to the value of WS\$280,000: (2003: \$288,000).

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: LOCAL REVENUE

	2004	2003
	\$'000	\$'000
EEZ Fees	289	1,900
Interest	85	133
Duty	372	274
Commemorative Coins and Stamps	54	0
Community Service Levy	441	330
Boatfares & Freight	335	311
Other Revenue	80	93
	<u>1,656</u>	<u>3,041</u>

Income does not include funds received from international agencies sponsoring specific projects. Similarly, expenditure incurred in respect of such projects is not included in the expenditure statement. Expenditure incurred is offset against revenue received. At balance date, expenditure in excess of funds received (which is to be recovered) is recorded in the Statement of Financial Position as an asset. Funds received in excess of expenditure is recorded as a liability.

NOTE 2: OPERATING EXPENDITURE

Included with expenditure are the following costs:

	2004	2003
	\$'000	\$'000
Personnel	5,320	4,652
Depreciation	91	67
Audit Fees	30	30
Debt write-off	0	0
Communications	402	540
Repairs and Maintenance	309	374
Foreign Exchange Losses/(Gains)	(150)	(279)
	<u>6,002</u>	<u>5,384</u>

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 – *continued*

NOTE 3: RESERVES & TRUST FUNDS (\$'000)

Name	Opening Balance	Transferred to Projects	Applied to Performance	Income	Interest Income	Spent	Closing Balance
Accident Compensation Res	19	0	0	0	1	0	20
South Pacific Games Res.	13	0	0	0	1	0	14
Disaster Relief Project Res.	14	0	0	0	0	0	14
Sports Reserve	13	0	3	0	0	0	10
Agri. & Fisheries Store Res.	18	0	0	0	5	0	23
Insurance Fund	93	0	0	0	6	0	99
Educational Culture Tour Trust	46	0	0	0	3	0	49
Future Trust Fund	6,241	0	0	1,100	346	0	7,687
	<u>6,457</u>	<u>0</u>	<u>3</u>	<u>1,100</u>	<u>362</u>	<u>0</u>	<u>7,916</u>

These are Represented by the following Investments:

	2004 \$'000	2003 \$'000
ANZ (Samoa) Term Deposits	81	76
Insurance Fund	99	92
Educational Culture Trust – BNZ	49	47
Future Trust Fund	7,687	5,141
	<u>7,916</u>	<u>5,356</u>

Through agreement between NZAID and Tokelau, an element of future funding involved the joint establishment of a trust Fund to secure future income streams for recurrent Government expenditure. While the Trust has not been legally formed as at 30 June, further funding has been allocated in the future financial year.

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 – *continued*

NOTE 4: INTERNATIONAL AID PROJECTS (\$'000)

A Summary of income and expenditure for international aid projects is set out below:

Project Name	Sponsor	Opening Balance	Funds Received	Expenditure	Closing Balance
Constitution	UNDP	(19)	0	19	0
Partnership in Development	UNDP	(13)	0	0	(13)
Training	UNDP	(6)	0	0	(6)
Power Project UNDP share	UNDP	(18)	0	0	(18)
Data Collection	FFA	(7)	0	1	(6)
Boat Building (Phase II)	FFA	(32)	0	0	(32)
Boat Building Phase (I)	FFA	(2)	0	0	(2)
Water Supply	FFA	(3)	0	7	4
FADS	FFA	(24)	0	2	(22)
FFA Fisheries	FFA	(10)	0	10	0
Livestock training	FFA	0	0	6	6
Quarantine Workshop	SPC	(2)	0	0	(2)
Constitution & Relocation	ODA	(37)	0	0	(37)
Other Education Projects	USP	(14)	(4)	5	(13)
Tokelau Electricity	ODA	16	0	1	17
Fatupaepae Bakery	SPC	(5)	0	0	(5)
Environment	SPREP	(4)	0	0	(4)
Aids, STD & Family Planning Management Workshop	Various WHO	(20) 0	0 0	0 0	(20) 0
Aust. Cultural Trust & W/Shop		(20)	0	0	(20)
Ika Tokelau	FFA/Natre	76	0	26	102
Sanitation (Bulk Supplies)	ODA	173	0	3	176
Teachers Training Prog.	ODA	15	(15)	0	0
Community Workshop NCD	WHO	(4)	(8)	1	(11)
Health Trainees '99	ODA	71	(71)	0	0
Health Equipment	ODA	(75)	0	0	(75)
Waste Management	ODA	0	(136)	85	(51)
Constitutional Development	UNDP	21	0	253	274
Gender Development	UNDP	0	(25)	40	15
Deferred Maintenance	ODA	(426)	0	259	(167)
Transport Charters	ODA	(300)	0	301	1
Education Resources	ODA	(150)	0	150	0
Modern House of Tokelau	ODA	(412)	0	412	0
Tokelau Teacher Aid	ODA	(15)	0	15	0
Water Supply	FFA	0	(231)	0	(231)
USP Extension Centre	USP	72	(76)	0	(4)
Net Project Funding Held		(1,174)	(566)	1,596	(144)
Expenditure to be Recovered		444			622
		<u>1,618</u>			<u>766</u>

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 – *continued*

NOTE 5: FIXED ASSETS*30 June 2004*

Category	Cost	Accumulated Depreciation	Net Book Value
Out-fittings	8	8	0
Computer Hardware & Software	86	47	39
Office Equipment	37	27	10
Motor Boats & Accessories	221	52	169
Furniture & Fittings	55	12	43
Plant & Equipment	49	6	43
Motor Vehicles	146	89	57
	<u>602</u>	<u>241</u>	<u>361</u>

30 June 2003

Category	Cost	Accumulated Depreciation	Net Book Value
Work-In-Progress	50	0	50
Out-fittings	8	5	3
Computer Hardware & Software	47	27	20
Office Equipment	25	12	13
Motor Boats & Accessories	44	32	12
Furniture & Fittings	0	0	0
Plant & Equipment	6	3	3
Motor Vehicles	113	71	42
	<u>293</u>	<u>150</u>	<u>143</u>

NOTE 6: REMITTANCES

Remittances in Transit represent money held by the Office for Tokelau Affairs on behalf of Tokelauans transferring money between New Zealand, Apia and the Atolls.

NOTE 7: CO-OPERATIVE STORES

The Government purchases commodities and arranges shipping of commodities for resale by the Tokelau co-operative stores at Atafu, Fakaofu and Nukunonu. The liability of \$400,000 (2003: \$501,000) represents the amount owed by the administration to the co-operatives.

GOVERNMENT OF TOKELAU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004 – *continued*

NOTE 8: TOKELAU SAVING SCHEME

In the absence of banking facilities on the atolls, the Government operates a passbook savings scheme and held total deposits of \$2,343,000 for safe keeping as at 30 June 2004 (2003: \$1,626,000). Interest is paid to depositors every six months at an interest rate of 3.5% per annum.

As at 30 June 2004 current savings account balances exceed specific funds held by the Government by the amount of \$1,719,000 (2003: \$1,083,000).

	2004	2003
	\$'000	\$'000
Savings Account Balances	2,343	1,595
Specific Funds Held	621	543
	<u>1,722</u>	<u>1,052</u>

NOTE 9: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2004	2003
	\$'000	\$'000
Net Operating Surplus/(Deficit)		
as per Statement of Financial Performance	(832)	(1,055)
Add back Non Cash Items	(59)	232
	<u> </u>	<u> </u>
Plus/(Minus) Movements in Working Capital:		
Appropriation of funds to Trust Funds	(100)	0
(Increase)/Decrease in Stock on Hand	138	(60)
(Increase)/Decrease TeleTok	39	19
(Increase)/Decrease in Sundry Debtors	(318)	(84)
Increase/(Decrease) in Remittances	(207)	171
Increase/(Decrease) in Co-Op Stores	(106)	547
Increase/(Decrease) in Sundry Creditors	28	(347)
(Increase)/(Decrease) in Trust Fund Debtor	1,000	0
	<u>474</u>	<u>246</u>
Net Cash flow from Operating Activities	<u>(417)</u>	<u>(577)</u>

NOTE 10: TOKELAU TRANSPORT CORPORATION (TRANSTOK)

The Tokelau Transport Corporation Rules 1997 came into force on 1 February 1997. The primary function of Transtok is to be the legal owner and operator of its ship the MV Tokelau. As the operations of Transtok continue to be administered by a Government department, under continuing arrangements, these rules have not been specifically complied with. Full financial results of the shipping operations are, however, disclosed by way of being included within these overall financial statements of the Government of Tokelau.

FINANCIAL STATEMENTS OF "TELETOK"
TELECOMMUNICATIONS TOKELAU CORPORATION
FOR THE YEAR ENDED 30 JUNE 2004

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004	2003
Revenue			
Sales	1	722,172	747,603
Less Cost of sales	2	82,071	84,721
Gross Profit		<u>640,101</u>	<u>662,882</u>
Other Revenue	3	25,534	4,555
		<u>663,635</u>	<u>667,437</u>
Less Expenditure	4	662,758	649,184
NET SURPLUS/(DEFICIT)		<u>877</u>	<u>17,652</u>

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004	2003
Equity at beginning of the year		2,197,999	2,197,485
Net surplus/(deficit)		877	17,652
Total recognised revenues and expenses for the year		<u>877</u>	<u>17,652</u>
Equity at end of the year		<u>2,198,876</u>	<u>2,197,999</u>

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Notes	2004	2003
Accumulated funds		<u>2,198,876</u>	<u>2,197,999</u>
Represented by:			
Current assets			
Cash and bank	5	831,161	926,137
Receivables and prepayments	6	632,398	308,773
Total current assets		<u>1,463,559</u>	<u>1,234,870</u>
Current liabilities			
Payables	7	198,434	133,410
Net working capital		<u>1,265,125</u>	<u>1,101,460</u>
Fixed assets	8	933,751	1,096,539
Net assets		<u>2,198,876</u>	<u>2,197,999</u>

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004	2003
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		431,670	901,181
Interest received		2,534	4,555
		<u>434,852</u>	<u>905,736</u>
Cash was disbursed to:			
Payments to suppliers		354,503	(412,938)
Payments to employees		128,068	(81,807)
		<u>482,571</u>	<u>(494,745)</u>
Net cash inflow/(outflow) from operating activities	9	<u>(47,719)</u>	<u>410,991</u>
Cashflows from investing activities			
Cash was applied to:			
Purchase of fixed assets		(50,204)	(48,387)
Net cash inflow/(outflow) from investing activities		<u>(50,204)</u>	<u>(48,387)</u>
Cashflows from financing activities			
Cash was received from:			
		–	–
Net cash inflow/(outflow) from financing activities		<u>–</u>	<u>–</u>
Net (decrease)/increase in cash held		(97,923)	362,604
Add opening cash		926,137	563,533
Add effect of exchange rate on foreign currency balances		2,947	
Closing cash balance		<u>831,161</u>	<u>926,137</u>
Made up of:			
Cash and bank		831,161	926,137
Closing cash balance		<u>831,161</u>	<u>926,137</u>

**STATEMENT OF COMMITMENTS
AS AT 30 JUNE 2004**

There are no commitments for Teletok as at 30 June 2004 (2003: nil).

**STATEMENT OF CONTINGENT LIABILITIES
AS AT 30 JUNE 2004**

There are no contingent liabilities for Teletok as at 30 June 2004 (2003: nil).

**STATEMENT OF CONTINGENT ASSETS
AS AT 30 JUNE 2004**

As revenue arising from international sales is received only when the originating carrier has made payment to Teletok's carrier Telecom NZ Ltd. – there is an unquantifiable receivable for such traffic during the reporting period. This was also the case in 2003.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2004

Reporting entity

The Telecommunications Tokelau Corporation (Teletok) is a wholly owned company of the Government of Tokelau. Teletok was incorporated on 4 November 1996.

These are the financial statements of Teletok prepared pursuant to section 17 of the Tokelau Telecommunications Rules.

Measurement system

The financial statements have been prepared in accordance with generally accepted accounting principles. The measurement basis is that of historical cost. Accrual accounting is used to match expenses and revenue.

Accounting policies

Foreign currency

All amounts are expressed in New Zealand currency. Foreign currency transactions are recorded at the rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at appropriate closing exchange rates and gains or losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

Investments

Investments in New Zealand currency are recorded at cost. Other investments are shown at foreign currency costs converted to New Zealand dollars at balance date. Exchange variances are reflected in the Statement of Financial Performance.

Revenue

Teletok derives revenue through the provision of telecommunication services to third parties and interest on its deposits. Telecommunication revenue is recognised when earned and is reported in the financial period to which it relates.

Debtors and receivables

Receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

Fixed assets

Fixed assets are recorded at cost less depreciation and less write-down for permanent impairment in values. Depreciation is provided on a straight-line basis on all fixed assets so as to write-off the cost of assets, less any estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Buildings	5%
Office furniture and fittings	20%
Transport	10%
Operating Equipment	10%

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and deposits with the bank.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

NOTE 1 SALES	2004	2003
Tolls inter-atoll	40,033	42,487
International incoming	41,935	201,150
International outgoing	496,707	549,306
Inter-Office Calls	(63,129)	(93,699)
Rentals	35,429	40,727
Fax Bureau services	6,687	8,084
Audio text revenue	157,258	0
Miscellaneous income	7,252	2,248
	<u>722,172</u>	<u>747,603</u>
NOTE 2 COST OF SALES	2004	2003
Half DAMA* charges	82,071	84,721
	<u>82,071</u>	<u>82,721</u>
NOTE 3 OTHER REVENUE	2004	2003
Interest	2,534	4,555
Assets Donated	21,000	0
	<u>23,534</u>	<u>4,555</u>
NOTE 4 EXPENDITURE	2004	2003
Board costs	55,008	21,000
Travel & Entertainment	28,264	15,895
Office Expenses	118,866	53,556
Employee Expenses	155,813	81,807
Professional Fees	23,160	11,232
Teletok Systems	29,382	66,962
Audit Fee	7,500	7,500
Depreciation	233,992	254,596
Doubtful Debts Expense	0	62,833
Foreign Exchange Loss/(gain)	(2,947)	60,184
Miscellaneous	1,272	14,220
	<u>650,310</u>	<u>649,785</u>
NOTE 5 CASH AND BANK	2004	2003
BNZ US dollar account	0	45,815
ANZ Business call account	2,736	110,855
ANZ US dollar account	261,374	151,519
ANZ Capital Replacement account	34,260	91,164
TALO Remittances in Transit	78,442	237,094
Tokelau (F) account	27,038	75,203
Tokelau (N) account	234,680	42,208
Tokelau (A) account	192,632	172,279
	<u>831,162</u>	<u>926,137</u>

*Demand Assigned Multiple Access (DAMA) – charges paid to Intelsat for satellite usage.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 – *continued***

NOTE 6 RECEIVABLES AND PREPAYMENTS	2004	2003
Accounts receivable	407,637	154,371
Tokelau Government	71,047	0
Project funds receivable	242,865	242,865
Travel advances	0	648
Less provision for doubtful debts	(89,151)	(89,151)
	<u>632,398</u>	<u>308,733</u>

NOTE 7 PAYABLES	2004	2003
Tokelau Government	0	12,419
Telstra DAMA	27,161	43,735
Community Services Levy	0	0
Provision for Audit Fee	45,000	37,500
Other Creditors and Accruals	126,273	39,756
	<u>198,434</u>	<u>133,410</u>

NOTE 8 FIXED ASSETS

30 June 2004	At cost/ valuation	Accumulated depreciation	Net book value
Buildings	282,257	98,428	183,829
Office Furniture & Fittings	85,980	82,293	3,687
Transport	33,250	16,862	16,388
Operating Equipment	2,107,776	1,377,929	729,847
Total	<u>2,509,263</u>	<u>1,575,512</u>	<u>933,751</u>

30 June 2003	At cost/ valuation	Accumulated depreciation	Net book value
Buildings	282,257	84,316	197,941
Office Furniture & Fittings	85,980	65,097	20,883
Transport	19,345	13,537	5,808
Operating Equipment	2,050,475	1,178,568	871,907
Total	<u>2,438,057</u>	<u>1,341,518</u>	<u>1,096,539</u>

**NOTE 9 RECONCILIATION OF NET SURPLUS/(DEFICIT)
TO NET CASHFLOW FROM OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2004**

	2004	2003
Net surplus/(deficit)	877	17,652
Add/(less) non-cash items		
Depreciation	233,992	254,596
Asset Write-offs	0	0
Foreign exchange gain	(2,947)	60,130
Add/(less) Movements in working capital items		
(Increase)/decrease in debtors	(323,665)	120,364
Increase/(decrease) in creditors	65,024	18,379
Net cashflow from operating activities	<u>(47,719)</u>	<u>410,991</u>

REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

TO THE READERS OF GOVERNMENT OF TOKELAU'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

I have audited the financial statements of the Government of Tokelau (the Government) on pages 34 to 51 using the staff and resources of Audit New Zealand. The financial statements provide information about the past financial performance of the Government of Tokelau and its financial position as at 30 June 2003, pursuant to Rule 9 of the Tokelau Finance Rules 1998.

Unqualified opinion

In our opinion:

- ▲ The financial statements of the Government on pages 34 to 51:
 - Have been prepared in accordance with the accounting policies set out on pages 34 and 35; and
 - Give a true and fair view of:
 - the Government's financial position as at 30 June 2002; and
 - the results of its operations and cash flows for the year ended on that date.

- ▲ Based on our examination the Government kept proper accounting records.

The audit was completed on 29 June 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Government and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- ▲ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▲ verifying samples of transaction and account balances;
- ▲ performing analyses to identify anomalies in the reported data;
- ▲ reviewing significant estimates and judgements made by the Government;
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate and consistently applied; and
- ▲ determining whether all financial statements disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Government and the Auditor

The Government is responsible for preparing financial statements in accordance with generally accepted accounting practice. Those financial statements must give a true and fair view of the financial position of the Government as at 30 June 2002. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Government's responsibilities arise from the Tokelau Finance Rules 1998.

It is my responsibility to express an independent opinion on the financial statements and report that opinion to you. My responsibility arises from Rule 11 and Rule 13 of the Tokelau Finance Rules 1998.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Government.

K B Brady
Controller and Auditor-General
Wellington
New Zealand

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of the Government of Tokelau prepared pursuant to the Tokelau Finance Rules 1998.

MEASUREMENT SYSTEM

The financial statements have been prepared in accordance with generally accepted accounting practice. The measurement base adopted is that of historical cost. Modified accrual accounting is used to match expenses and revenue.

Accounting Policies

- i. All amounts are expressed in New Zealand currency. Foreign currency transactions are translated at the average of the buy/sell exchange rate at the beginning of the month. Differences arising from variation between actual and average rates are recorded in an Exchange Fluctuation Account. Any surplus or deficit in this account at balance date is transferred to the Statement of Financial Performance under Administrative Services and Supplies.
- ii. Investments in New Zealand currency are recorded at cost. Other investments are shown at foreign currency cost converted to New Zealand dollars at balance date. Exchange variances are included in the Exchange Fluctuation Account.
- iii. Stock is stated at the lower of cost and net realisable value. Inventory is recorded on a FIFO basis.
- iv. Co-operative Store Accounts are shown at historical cost.
- v. Savings Accounts and Sundry Debtors (less provision of doubtful debts) are recorded at historical cost.
- vi. Fixed Assets purchased on or before 30 June 1999 have been expensed. Fixed Assets purchased after 30 June 1999, other than infrastructure, are shown in the Statement of Financial Position at historical cost.

Fixed Assets depreciated on a Straight Line basis as follows:

Out-fittings	2 years
Computer Hardware & Software	2 years
Office Equipment	3 years
Motor Boats & Accessories	2 years

Furniture & Fittings	2 years
Plant & Equipment	3 years
Motor Vehicles	3 years

vii. Debtors are stated at their estimated realisable value.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

GOVERNMENT OF TOKELAU
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 Budget \$'000	2003 Actual \$'000	2002 Actual \$'000
REVENUE				
New Zealand Budgetary Assistance		4,750,000	4,750,000	4,750,000
Local Revenue	1	3,069,304	3,040,542	2,776,662
TOTAL REVENUE		<u>7,819,304</u>	<u>7,790,542</u>	<u>7,526,662</u>
EXPENDITURE				
Administrative Services & Supplies		1,192,274	1,183,566	1,243,245
Office for the Council of Faipule		1,185,979	1,275,210	1,035,268
Transport		1,001,595	1,516,828	1,516,608
Education		991,919	1,138,325	896,837
Health		851,773	1,059,913	776,390
Natural Resources & Environment		68,610	95,845	69,913
Public Works		338,717	370,252	304,706
Atafu		803,138	777,813	562,406
Fakaofu		722,621	685,509	559,077
Nukunonu		662,678	611,385	519,494
Doubtful Debts		0	131,028	0
TOTAL EXPENDITURE	2	<u>7,819,304</u>	<u>8,845,674</u>	<u>7,483,944</u>
NET OPERATING				
SURPLUS/(DEFICIT)		<u>0</u>	<u>(1,055,132)</u>	<u>42,718</u>
APPROPRIATED TO RESERVES	3	<u>0</u>	<u>0</u>	<u>0</u>
NET (DEFICIT)/SURPLUS				
TRANSFERRED TO				
ACCUMULATED FUNDS		<u>0</u>	<u>(1,055,132)</u>	<u>42,718</u>

GOVERNMENT OF TOKELAU
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	2003	2002
	Actual	Actual
Note	\$'000	\$'000
ACCUMULATED FUNDS		
Balance as at 1 July	(963,101)	(1,005,819)
Unappropriated surplus/(deficit) for year	(1,055,132)	42,718
Accumulated funds/(deficit) at 30 June	(2,018,233)	(963,101)
Reserves and Trust Funds	3 6,456,996	4,415,881
Accumulated Funds Plus Reserves	<u>4,438,763</u>	<u>3,452,780</u>
Represented by:		
Assets		
Cash on Hand	75,128	133,969
ANZ Bank (Samoa)	12,052	278,591
New Zealand Bank Accounts	1,723,135	375,787
Atoll Imprest Accounts	0	119,097
Stock on Hand	499,645	439,460
Sundry Debtors	1,123,899	238,575
Co-Operative Store	7 0	45,246
Project Expenses to be Recovered	4 443,493	432,802
Housing Scheme Debtors	20,567	20,567
Fixed Assets	5 143,334	42,595
	<u>4,041,254</u>	<u>2,126,689</u>
Restricted Assets	3 5,356,431	4,090,738
Total Assets	<u>9,397,685</u>	<u>6,217,427</u>
Liabilities		
ANZ Bank (Samoa) – Overdrafts	518,327	193,178
Overseas Bank Accounts – Overdraft	17,345	(31,684)
Tele Tok	274,063	254,598
New Zealand Bank Accounts	0	113,746
Remittances in Transit	6 283,629	112,642
Co-Operative Store	7 501,445	0
Unexpended Project Funds	4 1,618,513	885,398
Sundry Creditors	683,454	759,317
Atoll Imprest Accounts	9,880	0
	0	(1,369)
Liability to depositors for savings accounts held	8 1,052,266	477,452
Total Liabilities	<u>4,958,922</u>	<u>2,764,647</u>
NET ASSETS	<u>4,438,763</u>	<u>3,452,780</u>

A Shaw
Acting Director of Finance

Date: 25 February 2005

G O'Brien
Minister of Finance

Date: 25 February 2005

GOVERNMENT OF TOKELAU
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 Actual \$'000	2002 Actual \$'000
	Note	
Cash Flows – Operating Activities		
Cash was provided from:		
NZ Budgetary Assistance	4,750,000	4,750,000
Other Income	3,024,190	2,767,747
	<u>7,774,190</u>	<u>7,517,747</u>
Cash was applied to:		
Payment to Suppliers	3,699,330	4,399,626
Payment to Employees	4,652,077	3,395,415
	8,351,407	7,795,041
Net Cash Flows From Operating Activities	9 (577,217)	<u>277,294</u>
Cash Flows – Investing Activities		
Cash was provided from:		
Reserve Income	1,066,579	2,811,487
Net movement in savings investments	574,814	11,189
Projects	2,105,222	1,617,595
	<u>3,746,615</u>	<u>4,440,271</u>
Cash was applied to:		
Movement in Restricted Asset Investments	1,265,693	2,488,016
Projects	1,382,799	1,630,581
Sports Reserve	0	0
Capital Works	167,000	26,629
	<u>2,815,492</u>	<u>4,145,226</u>
Net Cash Flows from Investing Activities	<u>931,123</u>	<u>295,045</u>
Net Increase/(Decrease) in Cash Held	353,906	17,751
Add Effect of Exchange Movement	278,653	62,984
Add Opening Cash	632,204	551,469
Closing Cash	<u>1,264,763</u>	<u>632,204</u>
Represented by:		
ANZ Bank (Samoa)	(506,275)	85,413
Overseas Bank Accounts	(17,345)	31,684
NZ Bank Accounts	1,723,135	262,041
Atoll Imprest Accounts	(9,880)	119,097
Cash on Hand	75,128	133,969
	<u>1,264,763</u>	<u>632,204</u>

GOVERNMENT OF TOKELAU

**STATEMENT OF CONTINGENT LIABILITIES &
COMMITMENTS FOR THE YEAR ENDED 30 JUNE 2003**

There were no outstanding contingent liabilities or commitments at balance date (2002: nil).

**STATEMENT OF UNAPPROPRIATED
EXPENDITURE OR EXPENSES OR LIABILITIES
FOR THE YEAR ENDED 30 JUNE 2003**

There were no unappropriated expenditure or expenses or liabilities outstanding at balance date (2002: nil).

**STATEMENT OF EMERGENCY EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2003**

There were no emergency expenditure or expenses or liabilities outstanding at balance date (2002: nil).

**STATEMENT OF TRUST MONEY HELD
FOR THE YEAR ENDED 30 JUNE 2003**

There was no trust money held by the Tokelau Administration at balance date (2002: nil).

**STATEMENT OF BORROWINGS
FOR THE YEAR ENDED 30 JUNE 2003**

During the year the Tokelau Administration utilised an OD facility of WS\$110,000 with the ANZ Bank (Samoa) Ltd at the end of each month.

Security for above was term deposits with the same bank to the value of WS\$288,496: (2002: \$270,883)

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 1: LOCAL REVENUE

	2003	2002
	\$'000	\$'000
EEZ Fees	1,900,436	1,545,437
Interest	132,803	112,219
Duty	274,293	378,409
Commemorative Coins and Stamps	0	11,933
Community Service Levy	330,337	288,986
Boatfares & Freight	311,180	286,613
Other Revenue	91,493	153,065
	<u>3,040,542</u>	<u>2,776,662</u>

Income does not include funds received from international agencies sponsoring specific projects. Similarly, expenditure incurred in respect of such projects is not included in the expenditure statement. Expenditure incurred is off set against revenue received. At balance date, expenditure in excess of funds received (which is to be recovered) is recorded in the Statement of Financial Position as an asset. Funds received in excess of expenditure is recorded as a liability.

NOTE 2: OPERATING EXPENDITURE

Included with expenditure are the following costs:

	2003	2002
	\$'000	\$'000
Personnel	4,652,077	3,395,415
Depreciation	66,801	26,851
Audit Fees	30,000	30,000
Debt write-off	0	0
Communications	540,114	283,910
Repairs and Maintenance	374,307	165,026
Foreign Exchange Losses	(278,653)	(62,984)
	<u>5,384,646</u>	<u>3,838,218</u>

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 – *continued*

NOTE 3: RESERVES & TRUST FUNDS (\$'000)

Name	Opening Balance	Transferred to Projects	Applied to Performance	Income	Interest Income	Spent	Closing Balance
Accident Compensation Res	19,375	0	2,677	0	1,913	0	18,611
South Pacific Games Res.	13,830	0	1,911	0	1,366	0	13,285
Disaster Relief Project Res.	14,272	0	1,911	0	1,366	0	13,727
Sports Reserve	13,796	0	1,425	0	390	0	12,761
Agri. & Fisheries Store Res.	20,783	0	3,366	0	1,114	0	18,531
Insurance Fund	102,569	0	14,174	0	4,164	0	92,559
Educational Culture							
Tour Trust	42,541	0	0	0	4,070	0	46,611
Future Trust Fund	4,188,715	0	0	1,800,000	252,196	0	6,240,911
	<u>4,415,881</u>	<u>0</u>	<u>25,464</u>	<u>1,800,000</u>	<u>266,579</u>	<u>0</u>	<u>6,456,996</u>

These are Represented by the following Investments:

	2003	2002
	\$'000	\$'000
ANZ (Samoa) Term Deposits	76,467	81,609
Insurance Fund	92,442	102,452
Educational Culture Trust – BNZ	46,611	42,541
Future Trust Fund	5,140,911	3,864,136
	<u>5,356,431</u>	<u>4,090,738</u>

Through agreement between NZAID and Tokelau, an element of future funding involved the joint establishment of a Trust Fund to secure future income streams for recurrent Government expenditure. While the Trust has not yet been legally formed, further funding has been allocated for this in the current financial year. Of the total allocated, \$1.1m was received in July 2003.

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 – *continued*

NOTE 4: INTERNATIONAL AID PROJECTS

A Summary of income and expenditure for international aid projects is set out below:

Project Name	Sponsor	Opening Balance	Funds Received	Expenditure	Closing Balance
Development Training	UNDP	(878)	0	878	0
Add-on Funds	UNDP	(2,752)	0	2,752	0
Meteorological Services (II)	UNDP	(5,082)	0	5,082	0
Water Supply Project	UNDP	(89,259)	0	89,259	0
Reconstruction, Seawalls etc	UNDP	(22,342)	0	22,342	0
Human Resources	UNDP	(1,114)	0	1,114	0
Integrated Atoll Development	UNDP	28,863	(28,863)	0	0
NGO Projects	UNDP	3,031	(3,031)	0	(0)
Constitution	UNDP	(19,021)	0	0	(19,021)
UN Doctor	UNDP	5,394	(5,394)	0	0
Energy 87/002	UNDP	302	(302)	0	0
Partnership in Development	UNDP	(12,643)	0	0	(12,643)
Training (USD\$5,000)	UNDP	(6,123)	0	0	(6,123)
Power Project UNDP Share	UNDP	(18,779)	0	289	(18,490)
Data Collection	FFA	(19,850)	0	12,518	(7,332)
Basket Weaving	AUSAID	(1,243)	0	1,243	0
Boat Building (Phase II)	FFA	(32,222)	0	595	(31,627)
Boat Building (Phase I)	FFA	(1,638)	0	0	(1,638)
Water Supply	FFA	(29,499)	0	26,814	(2,685)
FADS	FFA	(63,801)	0	40,197	(23,604)
FFA Fisheries	FFA	(11,700)	0	1,898	(9,802)
Livestock Training	FFA	(18,656)	0	18,656	(0)
Quarantine Workshop	SPC	(1,616)	0	0	(1,616)
Constitution & Relocation	FFA	(37,423)	0	0	(37,423)
Health Equipment	WHO	(20,444)	0	20,444	0
Stores	ODA	(101)	0	101	0
CBA Accounting System	ODA	2,246	(2,246)	0	0
Peacestat	ODA	8,459	(8,495)	0	0
Met Service	ODA	(16,755)	0	16,755	0
Other Education Projects	USP	(14,312)	0	350	(13,962)
Womens Community	ODA	1,911	(1,911)	0	0
Inter-Atoll Vessel	ODA	(4,140)	0	4,140	0
Tokelau Electricity	ODA	9,146	0	6,974	16,120
SMT Training	ODA	54	(54)	0	0
Health Educators	SPC	5,222	(5,222)	0	0
Nursing	SPC	(2,565)	0	2,565	0
Fatupaepae Bakery	SPC	(5,403)	0	0	(5,403)
ARI & CDD Health	SPC	(3,945)	0	3,945	0

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 – *continued***

NOTE 4: INTERNATIONAL AID PROJECTS – *continued*

Project Name	Sponsor	Opening Balance	Funds Received	Expenditure	Closing Balance
Finance Project	ODA	(380)	0	380	0
Screen Printing	SPC	1,664	(1,664)	0	0
Poultry Farming	SPC	(5,000)	0	5,000	0
Environment	SPREP	(4,232)	0	0	(4,232)
Pale Module	UNESCO	(3,113)	0	3,113	0
1991 Census	UNFPA	(2,885)	0	2,885	0
Pre-School Workshop	UNICEF	790	(790)	0	0
Breastfeeding	UNICEF	(7,203)	0	7,203	0
Other Health Projects	Various	(7,186)	0	7,186	(0)
Youth Projects	Various	(721)	0	721	0
Aids, STD & Family Planning	Various	(20,490)	0	0	(20,490)
Community Leaders	WHO	(8,265)	0	8,265	0
Management Workshop	WHO	3,620	(3,620)	0	0
Women's Leadership Mgmt	SPC	(1)	(0)	1	(0)
Aust. Cultural Trust & W/Shop		(19,659)	0	0	(19,659)
Tokelau Conservation	USP	(507)	0	507	0
Marine Education Workshop	USP	726	(726)	0	0
Ika Tokelau	FFA/Natre	35,594	0	40,619	76,213
Sanitation (Bulk Supplies)	ODA	129,420	0	44,079	173,499
OCOF Office Equipments	ODA	(1,215)	0	1,215	0
Teacher's Training Prog.	ODA	14,781	0	141	14,922
TPS Review Project	ODA	4,502	(4,502)	0	(0)
Health Trainees 99	ODA	65,216	(85,000)	90,417	70,633
Health Equipment	ODA	0	(75,000)	126	(74,874)
Project KOI	OD	71,007	(71,007)	0	(0)
Finance Information System	ODA	1,387	(1,387)	0	0
Gender Development	ODA	(221)	0	221	(0)
Community Workshop NCD	WHO	0	(4,260)	0	(4,260)
Govt. House Maintenance	ODA	1,513	(430,000)	2,402	426,085
Transport Charters	ODA	0	(300,000)	0	(300,000)
Education Resources	ODA	0	(150,000)	0	(150,000)
Modern House of Tokelau	ODA	(317,118)	(917,784)	822,552	(412,350)
Tokelau Teacher Aid	ODA	(15,190)	0	0	(15,190)
Tokelau Teacher USP Enrol 200	ODA	(8,704)	0	8,704	0
Constitutional development	UNDP	0	0	20,560	20,560
USP Extension Centre	USP	37,954	(4,000)	37,591	71,545
Net Project Funding Held		(452,596)	(2,105,222)	1,382,799	(1,175,019)

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 – *continued*

NOTE 5: FIXED ASSETS*30 June 2002*

Category	Cost	Accumulated Depreciation	Net Book Value
Out-fittings	2,400	2,400	0
Computer Hardware & Software	33,230	13,035	20,195
Office Equipment	6,957	6,162	795
Motor Boats & Accessories	26,596	26,595	1
Furniture & Fittings	0	0	0
Plant & Equipment	5,879	980	4,899
Motor Vehicles	50,115	33,410	16,705
	<u>125,177</u>	<u>82,582</u>	<u>42,595</u>

30 June 2003

Category	Cost	Accumulated Depreciation	Net Book Value
Work-In progress	50,000	0	50,000
Out-fittings	7,776	4,640	3,136
Computer Hardware & Software	47,393	27,450	19,943
Office Equipment	25,467	12,099	13,368
Motor Boats & Accessories	43,571	31,336	12,235
Furniture & Fittings	0	0	0
Plant & Equipment	5,879	2,940	2,939
Motor Vehicles	112,628	70,919	41,709
	<u>292,714</u>	<u>149,384</u>	<u>143,330</u>

NOTE 6: REMITTANCES

Remittances in Transit represent money held by the Office for Tokelau Affairs on behalf of Tokelauans transferring money between New Zealand, Apia and the Atolls.

NOTE 7: CO-OPERATIVE STORES

The Government purchases commodities and arranges shipping of commodities for resale by the Tokelau co-operative stores at Atafu, Fakaofu, and Nukunonu. The liability of \$501,445 (2002: asset \$45,246) represents the amount owed by the administration to the co-operatives.

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 – *continued*

NOTE 8: TOKELAU SAVING SCHEME

In the absence of banking facilities on the atolls, the Government operates a passbook savings scheme and held total deposits of \$1,595,944 for safe keeping as at June 2003 (2002: \$1,202,087). Interest is paid to depositors at 3.5% per annum.

As at 30 June 2003 current savings account balances exceed specific funds held by the Government to the amount of \$1,052,266 (2002: \$477,452).

	2003	2002
	\$'000	\$'000
Savings Account Balances	1,595,944	1,202,087
Specific Funds Held	543,678	724,635
	<u>1,052,266</u>	<u>477,452</u>

NOTE 9: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2003	2002
	\$'000	\$'000
Net Operating Surplus/(Deficit)		
as per Statement of Financial Performance	(1,055,132)	42,718
Add back Non Cash Items	<u>232,028</u>	<u>(36,132)</u>
Plus/(Minus) Movements in Working Capital:		
(Increase)/Decrease in Stock on Hand	(60,185)	15,470
(Increase)/Decrease TeleTok	19,465	(54,730)
(Increase)/Decrease in Sundry Debtors	(83,648)	(8,915)
Increase/(Decrease) in Remittances	170,987	31,817
Increase/(Decrease) in Co-Op Stores	546,691	(130,667)
Increase/(Decrease) in Sundry Creditors	(347,423)	(138,224)
Increase/(Decrease) in MFAT Creditor	0	1,369
	<u>245,887</u>	<u>(283,880)</u>
Net Cash flow from Operating Activities	<u>(577,217)</u>	<u>(277,294)</u>

The movement in sundry debtors excludes the balance relating to Trust Fund contributions which do not impact on the Statement of Financial Performance.

NOTE 10: TOKELAU TRANSPORT CORPORATION (TRANSTOK)

The Tokelau Transport Corporation Rules 1997 came into force on 1 February 1997. The primary function of Transtok is to be the legal owner and operator of its ship the MV Tokelau. As the operations of Transtok continue to be administered by a government department, under transitional arrangements, these rules have not been specifically complied with. Full financial results of the shipping operations are, however, disclosed by way of being included within the overall financial statements of the Government of Tokelau.

**FINANCIAL STATEMENTS OF “TELETOK”
TELECOMMUNICATIONS TOKELAU CORPORATION
FOR THE YEAR ENDED 30 JUNE 2003**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	2003	2002
Revenue			
Sales	1	747,603	551,548
Less Cost of sales	2	84,721	81,773
Gross Profit		662,882	469,775
Other Revenue	3	4,555	62,788
		667,437	532,563
Less Expenditure	4	649,785	651,062
NET SURPLUS/(DEFICIT)		17,652	(118,499)

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	2003	2002
Equity at beginning of the year		2,180,347	2,298,846
Net surplus/(deficit)		17,652	(118,499)
Total recognised revenues and expenses for the year		17,652	(118,499)
Equity at end of the year		2,197,999	2,180,347

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003**

	Notes	2003	2002
Accumulated funds		2,197,999	2,180,347
Represented by:			
Current assets			
Cash and bank	5	926,137	563,533
Receivables and prepayments	6	308,733	429,097
Total current assets		1,234,870	992,630
Current liabilities			
Payables	7	133,410	115,031
Net working capital		1,101,460	877,599
Fixed assets	8	1,096,539	1,302,748
Net assets		2,197,999	2,180,347

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	2003	2002
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		901,181	572,246
Interest received		4,555	7,324
		<u>905,736</u>	<u>579,570</u>
Cash was disbursed to:			
Payments to suppliers		(412,938)	(270,261)
Payments to employees		(81,807)	(85,839)
		<u>(494,745)</u>	<u>(356,100)</u>
Net cash inflow/(outflow) from operating activities	9	<u>410,991</u>	<u>223,470</u>
Cashflows from investing activities			
Cash was applied to:			
Purchase of fixed assets		(48,387)	(206,778)
Net cash inflow/(outflow) from investing activities		<u>(48,387)</u>	<u>(206,778)</u>
Cashflows from financing activities			
Cash was applied to:			
Foreign exchange gain/(loss)		-	-
Net cash inflow/(outflow) from financing activities		<u>-</u>	<u>-</u>
Net increase in cash held		362,604	16,692
Add opening cash		563,533	546,841
Closing cash balance		<u>926,137</u>	<u>563,533</u>
Made up of:			
Cash and bank		926,137	563,533
Closing cash balance		<u>926,137</u>	<u>563,533</u>

**STATEMENT OF COMMITMENTS
AS AT 30 JUNE 2003**

There are no commitments for Teletok as at 30 June 2003 (2002: nil).

**STATEMENT OF CONTINGENT LIABILITIES
AS AT 30 JUNE 2003**

There are no contingent liabilities for Teletok as at 30 June 2003 (2002: nil).

**STATEMENT OF CONTINGENT ASSETS
AS AT 30 JUNE 2003**

As revenue arising from international incoming sales is received only when the originating carrier has made payment to Teletok's carrier (Telstra/Reach) there is an unquantifiable receivable for such traffic during the reporting period. In some instances, it may take up to two years for such amounts to be received. This was also the case in 2002.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2003

Reporting entity

The Telecommunications Tokelau Corporation (Teletok) is a wholly owned company of the Government of Tokelau. Teletok was incorporated on 4 November 1996.

These are the financial statements of Teletok prepared pursuant to section 17 of the Tokelau Telecommunications Rules.

Measurement system

The financial statements have been prepared in accordance with generally accepted accounting principles. The measurement basis is that of historical cost. Accrual accounting is used to match expenses and revenue.

Accounting policies

Foreign currency

All amounts are expressed in New Zealand currency. Foreign currency transactions are recorded at the rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at appropriate closing exchange rates and gains or losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

Investments

Investments in New Zealand currency are recorded at cost. Other investments are shown at foreign currency costs converted to New Zealand dollars at balance date. Exchange variances are reflected in the Statement of Financial Performance.

Revenue

Teletok derives revenue through the provision of telecommunication services to third parties and interest on its deposits. Telecommunication revenue is recognised when earned and is reported in the financial period to which it relates.

Debtors and receivables

Receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

Fixed assets

Fixed assets are recorded at cost less depreciation and less write-down for permanent impairment in values. Depreciation is provided on a straight-line basis on all fixed assets so as to write-off the cost of assets, less any estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Buildings	5%
Office furniture and fittings	20%
Transport	10%
Operating Equipment	10%

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and deposits with the bank.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

NOTE 1 SALES	2003	2002
Tolls inter-atoll	42,487	16,983
International incoming	201,150	122,781
International outgoing	549,306	398,990
Inter-Office Calls	(96,399)	(23,317)
Rentals	40,727	26,914
Fax Bureau services	8,084	1,748
Telephone Card sales	0	660
Miscellaneous income	2,248	6,789
	<u>747,603</u>	<u>551,548</u>
NOTE 2 COST OF SALES	2003	2002
Half DAMA* charges	84,721	81,773
	<u>84,721</u>	<u>81,773</u>
NOTE 3 OTHER REVENUE	2003	2002
Gross Interest	4,555	7,324
Net Foreign Exchange gain	0	1
Licensing	0	55,463
	<u>4,555</u>	<u>62,788</u>
NOTE 4 EXPENDITURE	2003	2002
Board costs	21,000	29,648
Travel & Entertainment	15,895	56,750
Office Expenses	53,556	26,061
Employee Expenses	81,807	85,839
Professional Fees	11,232	51,476
Teletok Systems	66,962	2,550
Asset Write-offs	0	110,478
Audit Fee	7,500	7,500
Depreciation	254,596	263,126
Doubtful Debts Expense	62,883	0
Foreign Exchange Loss	60,184	0
Miscellaneous	14,220	17,634
	<u>649,785</u>	<u>651,062</u>
NOTE 5 CASH AND BANK	2003	2002
BNZ US dollar account	45,815	143,665
ANZ Business call account	110,855	135,716
ANZ US dollar account	151,519	40,777
ANZ Capital Replacement account	91,164	89,550
TALO Remittances in Transit	237,094	0
Tokelau (F) account	75,203	43,660
Tokelau (N) account	42,208	62,234
Tokelau (A) account	172,279	47,931
	<u>926,137</u>	<u>563,533</u>

*Demand Assigned Multiple Access (DAMA) – charges paid to Telstra for satellite usage and for transmitting calls via Australia.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003 – *continued***

NOTE 6 RECEIVABLES AND PREPAYMENTS	2003	2002
Accounts receivable	154,371	212,550
Project funds receivable	242,865	242,865
Travel advances	648	0
Less provision for doubtful debts	(89,151)	(26,318)
	<u>308,733</u>	<u>429,097</u>

NOTE 7 PAYABLES	2003	2002
Tokelau Government	12,419	12,419
Telstra DAMA	43,735	59,605
Community Services Levy	0	1,007
Provision for Audit Fee	37,500	30,000
Other Creditors and Accruals	39,756	12,000
	<u>133,410</u>	<u>115,031</u>

NOTE 8 FIXED ASSETS

30 June 2003	At cost/ valuation	Accumulated depreciation	Net book value
Buildings	282,257	84,316	197,941
Office Furniture & Fittings	85,980	65,097	20,883
Transport	19,345	13,537	5,808
Operating Equipment	2,050,475	1,187,568	871,907
Total	<u>2,438,057</u>	<u>1,341,518</u>	<u>1,096,539</u>
30 June 2002	At cost/ valuation	Accumulated depreciation	Net book value
Buildings	282,257	70,204	212,053
Office Furniture & Fittings	64,811	62,816	1,995
Transport	19,345	9,668	9,677
Operating Equipment	2,023,258	944,235	1,079,026
Total	<u>2,389,671</u>	<u>1,086,923</u>	<u>1,302,748</u>

**NOTE 9 RECONCILIATION OF NET SURPLUS/(DEFICIT)
TO NET CASHFLOW FROM OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2003**

	2003	2002
Net surplus/(deficit)	17,652	(118,499)
Add/(less) non-cash items		
Depreciation	254,596	263,126
Asset Write-offs	0	110,478
Add/(less) Movements in working capital items		
(Increase)/decrease in debtors	120,364	(16,878)
Increase/ (decrease) in creditors	18,379	(14,756)
Net cashflow from operating activities	<u>410,991</u>	<u>223,470</u>

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

TO THE READERS OF GOVERNMENT OF TOKELAU'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

I have audited the financial statements of the government of Tokelau (the Government) on pages 55 to 72 using the staff and resources of Audit New Zealand. The financial statements provide information about the past financial performance of the Government and its financial position as at 30 June 2002, pursuant to Rule 9 of the Tokelau Finance Rules 1998.

Unqualified opinion

In our opinion:

- ▲ The financial statements of the Government on pages 55 to 72:
 - Have been prepared in accordance with the accounting policies set out on pages 55 and 56; and
 - Give a true and fair view of:
 - the Government's financial position as at 30 June 2002, and
 - the results of its operations and cash flows for the year ended on that date.

- ▲ Based on our examination the Government kept proper accounting records.

The audit was completed on 29 June 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Government and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- ▲ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▲ verifying samples of transactions and account balances;
performing analyses to identify anomalies in the reported data;
- ▲ reviewing significant estimates and judgements made by the Government;
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate and consistently applied; and
- ▲ determining whether all financial statements disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the Financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Government and the Auditor

The Government is responsible for preparing financial statements in accordance with generally accepted accounting practice. Those financial statements must give a true and fair view of the financial position of the Government as at 30 June 2002. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The government's responsibilities arise from the Tokelau Finance Rules 1998.

It is my responsibility to express an independent opinion on the financial statements and report that opinion to you. My responsibility arises from Rule 11 and Rule 13 of the Tokelau Finance Rules 1998.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Government.

K B Brady
Controller and Auditor-General
Wellington
New Zealand

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of the Government of Tokelau prepared pursuant to the Tokelau Finance Rules 1998.

Measurement System

The financial statements have been prepared in accordance with generally accepted accounting practice. The measurement base adopted is that of historical cost. Modified accrual accounting is used to match expenses and revenue.

Accounting Policies

- i. All amounts are expressed in New Zealand currency. Foreign currency transactions are translated at the average of the buy/sell exchange rate at the beginning of the month. Differences arising from variation between actual and average rates are recorded in an Exchange Fluctuation Account. Any surplus or deficit in this account at balance date is transferred to the Statement of Financial Performance under Administrative Services and Supplies.
- ii. Investments in New Zealand currency are recorded at cost. Other investments are shown at foreign currency cost converted to New Zealand dollars at balance date. Exchange variances are included in the Exchange Fluctuation Account.
- iii. Stock is stated at the lower of cost and net realisable value. Inventory is recorded on a FIFO basis.
- iv. Co-operative Store Accounts are shown at historical cost.
- v. Savings Accounts and Sundry Debtors (less provision of doubtful debts) are recorded at historical cost.
- vi. Fixed Assets purchased on or before 30 June 1999 have been expensed. Fixed Assets purchased after 30 June 1999, other than infrastructure, are shown in the Statement of Financial Position at historical cost.

Fixed Assets depreciated on a Straight Line basis as follows:

Out-fittings	2 years
Computer Hardware & Software	2 years
Office Equipment	3 years
Motor Boats & Accessories	2 years

Furniture & Fittings	2 years
Plant & Equipment	3 years
Motor Vehicles	3 years

vii. Debtors are stated at their estimated realisable value.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

GOVERNMENT OF TOKELAU
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002 Budget \$'000	2002 Actual \$'000	2001 Actual \$'000
REVENUE				
New Zealand Budgetary Assistance		4,500,000	4,750,000	4,835,169
Local Revenue	1	2,492,600	2,776,662	2,850,207
TOTAL REVENUE		<u>6,992,600</u>	<u>7,526,662</u>	<u>7,685,376</u>
EXPENDITURE				
Administrative Services & Supplies		1,023,500	1,243,245	1,460,207
Office for the Council of Faipule		992,000	1,035,268	915,358
Transport		1,144,800	1,516,608	1,274,330
Education		970,000	896,837	984,979
Health		651,300	776,390	683,381
Natural Resources & Environment		78,000	69,913	75,494
Public Works		183,100	304,706	210,924
Atafu		561,000	562,406	579,992
Fakaofu		571,000	559,077	647,325
Nukunonu		496,000	519,494,	557,038
Doubtful Debts		0		0
TOTAL EXPENDITURE	2	<u>6,670,700</u>	<u>7,483,944</u>	<u>7,389,028</u>
NET OPERATING				
SURPLUS/(DEFICIT)		<u>321,900</u>	<u>42,718</u>	<u>296,348</u>
APPROPRIATED TO RESERVES	3		<u>0</u>	<u>(699,606)</u>
NET (DEFICIT)/SURPLUS				
TRANSFERRED TO				
ACCUMULATED FUNDS		<u>321,900</u>	<u>42,718</u>	<u>(403,258)</u>

GOVERNMENT OF TOKELAU
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	2002	2001
	Actual	Actual
Note	\$'000	\$'000
ACCUMULATED FUNDS		
Balance as at 1 July	(1,005,819)	(602,561)
Unappropriated surplus/(deficit) for year	42,718	(403,258)
Accumulated funds/(deficit) at 30 June	(963,101)	(1,005,819)
Reserves and Trust Funds	3 4,415,881	1,604,394
Accumulated Funds Plus Reserves	3,452,780	598,575
Represented by:		
Assets		
Cash on Hand	133,969	102,667
ANZ Bank (Samoa)	278,591	61,724
Overseas Bank Accounts	31,684	4,924
New Zealand Bank Accounts	375,787	527,167
Atoll Imprest Accounts	119,097	3,512
Stock on Hand	439,460	454,930
Sundry Debtors	238,575	229,660
Co-Operative Store	7 45,246	(85,421)
Project Expenses to be Recovered	4 432,802	300,776
Housing Scheme Debtors	20,567	20,567
Fixed Assets	5 42,595	42,818
	2,158,373	1,663,324
Restricted Assets	3 4,090,738	1,602,722
Total Assets	6,249,111	3,266,046
Liabilities		
ANZ Bank (Samoa) – Overdrafts	193,178	148,525
TeleTok	254,598	309,328
New Zealand Bank Accounts	113,746	0
Remittances in Transit	6 112,642	80,825
Co-Operative Store	7 0	0
Unexpended Project Funds	4 885,398	766,358
Sundry Creditors	759,317	897,541
Ministry of Foreign Affairs & Trade	0	(1,369)
Liability to depositors for savings accounts Held	8 477,452	466,263
Total Liabilities	2,796,331	2,667,471
NET ASSETS	3,452,780	598,575

A Shaw
Acting Director of Finance
Date: 25 February 2005

G O'Brien
Minister of Finance
Date: 25 February 2005

GOVERNMENT OF TOKELAU
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002

	2002 Actual Note	2001 Actual \$'000
Cash Flows – Operating Activities		
Cash was provided from:		
NZ Budgetary Assistance	4,750,000	4,835,169
Other Income	2,767,747	2,859,509
	<u>7,517,747</u>	<u>7,694,678</u>
Cash was applied to:		
Payment to Suppliers	4,399,626	3,587,752
Payment to Employees	3,395,415	3,402,503
	<u>7,795,041</u>	<u>6,990,255</u>
Net Cash Flows From Operating Activities	9 (277,294)	704,423
Cash Flows – Investing Activities		
Cash was provided from:		
Reserve Income	2,811,487	698,943
Net movement in savings investments	11,189	55,155
Projects	1,617,595	1,463,150
	<u>4,440,271</u>	<u>2,217,248</u>
Cash was applied to:		
Movement in Restricted Asset Investments	2,488,016	1,401,020
Projects	1,630,581	1,527,182
Sports Reserve	0	0
Capital Works	26,629	54,142
	<u>4,145,226</u>	<u>2,982,344</u>
Net Cash Flows from Investing Activities	295,045	(765,096)
Net Increase/(Decrease) in Cash Held	17,751	(60,673)
Add Effect of Exchange Movement	62,984	(50,164)
Add Opening Cash	551,469	662,306
Closing Cash	<u>632,204</u>	<u>551,469</u>
Represented by:		
ANZ Bank (Samoa)	85,413	(86,801)
Overseas Bank Accounts	31,684	4,924
NZ Bank Accounts	262,041	527,167
Atoll Imprest Accounts	119,097	3,512
Cash on Hand	133,969	102,667
	<u>632,204</u>	<u>551,469</u>

GOVERNMENT OF TOKELAU

STATEMENT OF CONTINGENT LIABILITIES & COMMITMENTS FOR THE YEAR ENDED 30 JUNE 2002

There were no outstanding contingent liabilities or commitments at balance date (2001: nil).

STATEMENT OF UNAPPROPRIATED EXPENDITURE OR EXPENSES OR LIABILITIES FOR THE YEAR ENDED 30 JUNE 2002

There were no unappropriated expenditure or expenses or liabilities outstanding at balance date (2001: nil).

STATEMENT OF EMERGENCY EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2002

There were no emergency expenditure or expenses or liabilities outstanding at balance date (2001: nil).

STATEMENT OF TRUST MONEY HELD FOR THE YEAR ENDED 30 JUNE 2002

There was no trust money held by the Tokelau Administration at balance date (2001: nil).

STATEMENT OF BORROWINGS FOR THE YEAR ENDED 30 JUNE 2002

During the year the Tokelau Administration utilised an OD facility of WSS\$110,000 with the ANZ Bank (Samoa) Ltd at the end of each month.

Security for above was term deposits with the same bank to the value of WSS\$270,883 (2001: \$117,511).

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

NOTE 1: LOCAL REVENUE

	2002	2001
	\$'000	\$'000
EEZ Fees	1,545,437	1,597,373
Interest	112,219	158,110
Duty	378,409	312,920
Commemorative Coins and Stamps	11,933	40,812
Community Service Levy	288,986	217,192
Boatfares & Freight	286,613	297,477
Other Revenue	153,065	226,323
	<u>2,776,662</u>	<u>2,850,207</u>

Income does not include funds received from international agencies sponsoring specific projects. Similarly, expenditure incurred in respect of such projects is not included in the expenditure statement. Expenditure incurred is offset against revenue received. At balance date, expenditure in excess of funds received (which is to be recovered) is recorded in the Statement of Financial Position as an asset. Funds received in excess of expenditure is recorded as a liability.

NOTE 2: OPERATING EXPENDITURE

Included with expenditure are the following costs:

	2002	2001
	\$'000	\$'000
Personnel	3,395,415	3,402,503
Depreciation	26,851	38,084
Audit Fees	30,000	30,000
Debt write-off	0	0
Communications	283,910	330,660
Repairs and Maintenance	165,026	143,537
Foreign Exchange Losses	(62,984)	50,164
	<u>3,838,218</u>	<u>3,994,948</u>

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002 – *continued*

NOTE 3: RESERVES & TRUST FUNDS

Name	Opening Balance	Transferred to Projects	Applied to Performance	Income	Interest Income	Spent	Closing Balance
Accident Compensation Res	19,375	0	0	0	0	0	19,375
South Pacific Games Res.	13,830	0	0	0	0	0	13,830
Disaster Relief Project Res.	13,830	0	0	0	442	0	14,272
Sports Reserve	13,796	0	0	0	0	0	13,796
Agri. & Fisheries Store Res.	20,783	0	0	0	0	0	20,783
Insurance Fund	97,637	0	0	0	4,932	0	102,569
Educational Culture Tour Trust	42,541	0	0	0	0	0	42,541
Future Trust Fund	1,382,602	0	0	2,750,000	56,113	0	4,188,715
	<u>1,604,394</u>	<u>0</u>	<u>0</u>	<u>2,750,000</u>	<u>61,487</u>	<u>0</u>	<u>4,415,881</u>

These are Represented by the following Investments:

	2002 \$'000	2001 \$'000
ANZ (Samoa) Term Deposits	81,609	79,942
Insurance Fund	102,452	97,637
Educational Culture Trust – BNZ	42,541	42,541
Future Trust Fund	3,864,136	1,382,602
	<u>4,090,738</u>	<u>1,602,722</u>

Through agreement between NZODA and Tokelau, an element of future funding involved the joint establishment of a Trust Fund to secure future income streams for recurrent Government expenditure. While the Trust has not yet been legally formed, funding has been allocated for this is the current financial year.

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002 – *continued*

NOTE 4: INTERNATIONAL AID PROJECTS

A Summary of income and expenditure for international aid projects is set out below:

Project Name	Sponsor	Opening Balance	Funds Received	Expenditure	Closing Balance
Development Training	UNDP	(878)	0	0	(878)
Add-on Funds	UNDP	(2,752)	0	0	(2,752)
Meteorological Services (II)	UNDP	(5,082)	0	0	(5,082)
Water Supply Project	UNDP	(89,259)	0	0	(89,259)
Reconstruction, Seawalls etc	UNDP	(22,342)	0	0	(22,342)
Human Resources	UNDP	(1,114)	0	0	(1,114)
Integrated Atoll Development	UNDP	28,863	0	0	28,863
NGO Projects	UNDP	3,031	0	0	3,031
Constitution	UNDP	(21,835)	0	2,814	(19,021)
UN Doctor	UNDP	5,394	0	0	5,394
Energy 87/002	UNDP	302	0	0	302
Partnership in Development	UNDP	(15,611)	(10,686)	13,655	(12,643)
Training (USD\$5,000)	UNDP	(6,123)	0	0	(6,123)
Power Project UNDP Share	UNDP	(19,659)	0	880	(18,779)
Data Collection	FFA	(19,850)	0	0	(19,850)
Basket Weaving	AUSAID	(1,243)	0	0	(1,243)
Boat Building (Phase II)	FFA	(41,693)	0	9,471	(32,222)
Boat Building (Phase I)	FFA	(1,638)	0	0	(1,638)
Water Supply	FFA	(92,843)	0	63,343	(29,499)
FADS	FFA	(64,001)	0	200	(63,801)
FFA Fisheries	FFA	(11,700)	0	0	(11,700)
Livestock Training	FFA	(30,125)	0	11,469	(18,656)
Quarantine Workshop	SPC	0	(5,700)	4,084	(1,616)
Constitution & Relocation	FFA	(37,423)	0	0	(37,423)
Health Equipment	WHO	(20,444)	0	0	(20,444)
Telecom – Tele TOK	ODA/OTA	0	0	0	0
CBA Accounting System	ODA	2,246	0	0	2,246
Peacestat	ODA	8,459	0	0	8,459
Met Service	ODA	(16,755)	0	0	(16,755)
Other Education Projects	USP	(14,312)	0	0	(14,312)
Womens Community	ODA	1,911	0	0	1,911
Inter-Atoll Vessel	ODA	(4,140)	0	0	(4,140)
Tokelau Electricity	ODA	7,218	0	1,927	9,146
SMT Training	ODA	54	0	0	54
Health Educators	SPC	5,222	0	0	5,222
Nursing	SPC	(2,565)	0	0	(2,565)
Fatupaepae Bakery	SPC	(5,403)	0	0	(5,403)
ARI & CDD Health	SPC	(3,945)	0	0	(3,945)
Finance Project	ODA	(380)	0	0	(380)
Screen Printing	SPC	1,664	0	0	1,664

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002 – *continued*

NOTE 4: INTERNATIONAL AID PROJECTS – *continued*

Project Name	Sponsor	Opening Balance	Funds Received	Expenditure	Closing Balance
Poultry Farming	SPC	(5,000)	0	0	(5,000)
Environment	SPREP	(4,232)	0	0	(4,232)
Pale Module	UNESCO	(3,113)	0	0	(3,113)
1991 Census	UNFPA	(2,885)	0	0	(2,885)
Pre-School Workshop	UNICEF	790	0	0	790
Breastfeeding	UNICEF	(7,203)	0	0	(7,203)
Other Health Projects	Various	(7,186)	0	0	(7,186)
Youth Projects	Various	(721)	0	0	(721)
Aids, STD & Family Planning	Various	(20,490)	0	0	(20,490)
Community Leaders	WHO	(8,265)	0	0	(8,265)
Management Workshop	WHO	3,620	0	0	3,620
Women's Leadership Mgmt	SPC	(0)	(0)	0	(1)
Aust. Cultural Trust & W/Shop		(19,659)	0	0	(19,659)
Tokelau Conservation	USP	(507)	0	0	(507)
Marine Education Workshop	USP	726	0	0	726
Ika Tokelau	FFA/Natre	(53,553)	0	89,147	35,594
Sanitation (Bulk Supplies)	ODA	107,100	(70,000)	92,321	129,420
OCOF Office Equipments	ODA	(1,215)	0	0	(1,215)
Teacher's Training Prog.	ODA	14,781	0	0	14,781
NZ Scholarship Funds	ODA	0	0	0	0
TPS Review Project	ODA	4,502	0	0	4,502
Health Trainees 99	ODA	36,551	(87,000)	115,666	65,216
Other Health Initiatives	ODA	0	0	0	0
Project KOI	ODA	62,552	0	8,455	71,007
Finance Information System	ODA	1,387	0	0	1,387
Economic Assistance	ODA	0	0	0	0
Good Governance	ODA	0	0	0	0
Govt. House Maintenance	ODA	101	(12,367)	13,779	1,513
Transport Incl. Tutolu Upgrade	ODA	0	0	0	0
TeleTok Advisor	ODA	0	0	0	0
Modern House of Tokelau	ODA	54,996	(1,429,898)	1,167,776	(317,118)
Tokelau Teacher Aid	ODA	(15,190)	0	0	(15,190)
Tokelau Teacher USP Enrol 200 ODA		(8,704)	0	0	(8,704)
TPS Support	ODA	0	0	0	0
USP Extension Centre	USP	4,303	(1,943)	35,594	37,954
Net Project Funding Held		(465,582)	(1,617,595)	1,630,581	(452,596)

GOVERNMENT OF TOKELAU
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002 – *continued*

NOTE 5: FIXED ASSETS*30 June 2001*

Category	Cost	Accumulated Depreciation	Net Book Value
Out-fittings	2,400	2,100	300
Computer Hardware & Software	12,480	8,788	3,692
Office Equipment	6,957	3,843	3,114
Motor Boats & Accessories	26,596	24,296	2,300
Furniture & Fittings	0	0	0
Plant & Equipment	0	0	0
Motor Vehicles	50,115	16,703	33,412
	<u>98,548</u>	<u>55,730</u>	<u>42,818</u>

30 June 2002

Category	Cost	Accumulated Depreciation	Net Book Value
Out-fittings	2,400	2,400	0
Computer Hardware & Software	33,230	13,035	20,195
Office Equipment	6,957	6,162	795
Motor Boats & Accessories	26,596	26,595	1
Furniture & Fittings	0	0	0
Plant & Equipment	5,879	980	4,899
Motor Vehicles	50,115	33,410	16,705
	<u>125,177</u>	<u>82,582</u>	<u>42,595</u>

NOTE 6: REMITTANCES

Remittances in Transit represent money held by the Office for Tokelau Affairs on behalf of Tokelauans transferring money between New Zealand, Apia and the Atolls.

NOTE 7: CO-OPERATIVE STORES

The Government purchases commodities and arranges shipping of commodities for resale by the Tokelau co-operative stores at Atafu, Fakaofu and Nukunonu. The assets of \$45,246 (2001: liability \$85,421) represents the amount owed by the administration to the co-operatives to the administration.

GOVERNMENT OF TOKELAU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002 – *continued*

NOTE 8: TOKELAU SAVING SCHEME

In the absence of banking facilities on the atolls, the Government operates a passbook savings scheme and held total deposits of \$1,202,087 for safe keeping as at 30 June 2001 (2001: \$1,155,011). Interest is paid to depositors at 3.5% per annum.

As at 30 June 2002 current savings account balances exceed specific funds held by the Government to the amount of \$477,452 (2001: \$466,263).

	2002	2001
	\$'000	\$'000
Savings Account Balances	1,202,087	1,155,011
Specific Funds Held	724,635	688,748
	<u>477,452</u>	<u>466,263</u>

NOTE 9: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2002	2001
	\$'000	\$'000
Net Operating Surplus/(Deficit) as per Statement of Financial Performance	42,718	296,348
Add back Non Cash Items	(36,132)	88,246
Plus/(Minus) Movements in Working Capital:		
(Increase)/Decrease in Stock on Hand	15,470	(97,272)
(Increase)/Decrease TeleTok	(54,730)	288,185
(Increase)/Decrease in Sundry Debtors	(8,915)	9,302
Increase/(Decrease) in Remittances	31,817	53,766
Increase/(Decrease) in Co-Op Stores	(130,667)	22,327
Increase/(Decrease) in Sundry Creditors	(138,224)	72,033
Increase/(Decrease) in MFAT Creditor	1,369	(29,142)
	<u>(283,880)</u>	<u>319,829</u>
Net Cash flow from Operating Activities	<u>(277,294)</u>	<u>704,423</u>

NOTE 10: TOKELAU TRANSPORT CORPORATION (TRANSTOK)

The Tokelau Transport Corporation Rules 1997 came into force on 1 February 1997. The primary function of Transtok is to be the legal owner and operator of its ship the MV Tokelau. As the operations of Transtok continue to be administered by a government department, under transitional arrangements, these rules have not been specifically complied with. Full financial results of the shipping operations are, however, disclosed by way of being included within the overall financial statements of the Government of Tokelau.

FINANCIAL STATEMENTS OF "TELETOK"
TELECOMMUNICATIONS TOKELAU CORPORATION
FOR THE YEAR ENDED 30 JUNE 2002

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002	2001
Revenue			
Sales	1	551,548	681,214
Less Cost of sales	2	81,773	171,381
Gross Profit		<u>469,775</u>	<u>509,833</u>
Other Revenue	3	62,788	38,407
		<u>532,563</u>	<u>548,240</u>
Less Expenditure	4	651,062	557,881
NET SURPLUS/(DEFICIT)		<u>(118,499)</u>	<u>(9,641)</u>

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002	2001
Equity at beginning of the year		2,298,846	2,308,487
Net surplus/(deficit)		(118,499)	(9,641)
Total recognised revenues and expenses for the year		<u>(118,499)</u>	<u>(9,641)</u>
Equity at end of the year		<u>2,180,347</u>	<u>2,298,846</u>

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	Notes	2002	2001
Accumulated funds		2,180,347	2,298,846
Represented by:			
Current assets			
Cash and bank	5	563,533	546,841
Receivables and prepayments	6	429,097	412,219
Total current assets		<u>992,630</u>	<u>959,060</u>
Current liabilities			
Payables	7	115,031	129,787
Net working capital		<u>877,599</u>	<u>829,273</u>
Fixed assets	8	1,302,748	1,469,573
Net assets		<u>2,180,347</u>	<u>2,298,846</u>

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002	2001
Cashflows from operating activities			
Cash was provided from:			
Receipts from customers		572,246	597,959
Interest received		7,324	21,708
		579,570	619,667
Cash was disbursed to:			
Payments to suppliers		(270,261)	(245,013)
Payments to employees		(85,839)	(84,812)
		(356,100)	(329,825)
Net cash inflow/(outflow) from operating activities	9	223,470	289,842
Cashflows from investing activities			
Cash was applied to:			
Purchase of fixed assets		(206,778)	(211,398)
Net cash inflow/(outflow) from investing activities		(206,778)	(211,398)
Cashflows from financing activities			
Cash was applied to:			
Foreign exchange gain/(loss)		–	16,999
Net cash inflow/(outflow) from financing activities		–	16,999
Net increase in cash held		16,692	95,143
Add opening cash		546,841	451,698
Closing cash balance		563,533	546,841
Made up of:			
Cash and bank		563,533	546,841
Closing cash balance		563,533	546,841

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2002

There are no commitments for Teletok as at 30 June 2002 (2001: nil).

STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2002

There are no contingent liabilities for Teletok as at 30 June 2002 (2001: nil).

STATEMENT OF CONTINGENT ASSETS AS AT 30 JUNE 2002

As revenue arising from international incoming sales is received only when the originating carrier has made payment to Teletok's carrier (Telstra/Reach) there is an unquantifiable receivable for such traffic during the reporting period. In some instances, it may take up to two years for such amounts to be received. This was also the case in 2001.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2002

Reporting entity

The Telecommunications Tokelau Corporation (Teletok) is a wholly owned company of the Government of Tokelau. Teletok was incorporated on 4 November 1996.

These are the financial statements of Teletok prepared pursuant to section 17 of the Tokelau Telecommunications Rules.

Measurement system

The financial statements have been prepared in accordance with generally accepted accounting principles. The measurement basis is that of historical cost. Accrual accounting is used to match expenses and revenue.

Accounting policies

Foreign currency

All amounts are expressed in New Zealand currency. Foreign currency transactions are recorded at the rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at appropriate closing exchange rates and gains or losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

Investments

Investments in New Zealand currency are recorded at cost. Other investments are shown at foreign currency costs converted to New Zealand dollars at balance date. Exchange variances are reflected in the Statement of Financial Performance.

Revenue

Teletok derives revenue through the provision of telecommunication services to third parties and interest on its deposits. Telecommunication revenue is recognised when earned and is reported in the financial period to which it relates.

Debtors and receivables

Receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

Fixed assets

Fixed assets are recorded at cost less depreciation and less write-down for permanent impairment in values. Depreciation is provided on a straight-line basis on all fixed assets so as to write-off the cost of assets, less any estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Buildings	5%
Office furniture and fittings	20%
Transport	10%
Operating Equipment	10%

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and deposits with the bank.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

NOTE 1 SALES	2002	2001
Tolls inter-atoll	16,983	16,450
International incoming	122,781	215,537
International outgoing	398,990	303,356
Inter-Office Calls	(23,317)	–
Rentals	26,914	37,981
Fax Bureau services	1,748	3,627
Telephone Card sales	660	985
Miscellaneous income	6,789	103,278
	<u>551,548</u>	<u>681,214</u>
NOTE 2 COST OF SALES	2002	2001
Half DAMA* charges	81,773	71,857
Transit plus fees**	0	99,524
	<u>81,773</u>	<u>171,381</u>
NOTE 3 OTHER REVENUE	2002	2001
Gross Interest	7,324	21,708
Net Foreign Exchange gain	1	16,699
Licensing	55,463	0
	<u>62,788</u>	<u>38,407</u>
NOTE 4 EXPENDITURE	2002	2001
Board costs	29,648	58,558
Travel & Entertainment	56,750	21,925
Office Expenses	26,061	27,960
Employee Expenses	85,839	84,812
Professional Fees	51,476	27,435
Teletok Systems	2,550	23,402
Asset Write-offs	110,478	0
Audit Fee	7,500	7,500
Depreciation	263,126	259,986
Doubtful Debts Expense	0	26,318
Miscellaneous	17,634	19,985
	<u>651,062</u>	<u>557,881</u>
NOTE 5 CASH AND BANK	2002	2001
BNZ US dollar account	143,665	104,970
ANZ Business call account	135,716	91,157
ANZ US dollar account	40,777	71,930
ANZ Capital Replacement account	89,550	202,005
Tokelau (F) account	43,660	15,780
Tokelau (N) account	62,234	38,734
Tokelau (A) account	47,931	22,265
	<u>563,533</u>	<u>546,841</u>

*Demand Assigned Multiple Access (DAMA) – charges paid to Telstra for satellite usage and for transmitting calls via Australia.

**A charge paid via Telstra to the overseas telephone companies where calls from Tokelau are sent. Formerly, this was called Termination costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002 – *continued***

NOTE 6 RECEIVABLES AND PREPAYMENTS		2002	2001
Accounts receivable		212,550	127,785
Project funds receivable		242,865	292,865
Prepaid expenses		0	4,971
Travel advances		0	12,916
Less provision for doubtful debts		(26,318)	(26,318)
		<u>429,097</u>	<u>412,219</u>
NOTE 7 PAYABLES		2002	2001
Tokelau Government		12,419	12,419
Telstra DAMA		59,605	34,482
Community Services Levy		1,007	1,008
Provision for Audit Fee		30,000	22,500
Other Creditors and Accruals		12,000	59,378
		<u>115,031</u>	<u>129,787</u>
NOTE 8 FIXED ASSETS			
30 June 2002	At cost/ valuation	Accumulated depreciation	Net book value
Buildings	282,257	70,204	212,053
Office Furniture & Fittings	64,811	62,816	1,995
Transport	19,345	9,668	9,677
Operating Equipment	2,023,258	944,235	1,079,026
Total	<u>2,389,671</u>	<u>1,086,923</u>	<u>1,302,748</u>
30 June 2001	At cost/ valuation	Accumulated depreciation	Net book value
Buildings	282,257	56,091	226,166
Office Furniture & Fittings	64,811	49,853	14,958
Transport	19,345	7,734	11,611
Operating Equipment	2,132,910	916,072	1,216,838
Total	<u>2,499,323</u>	<u>1,029,750</u>	<u>1,469,573</u>
NOTE 9 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASHFLOW FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2002		2002	2001
Net surplus/(deficit)		(118,499)	(9,641)
Add/(less) non-cash items			
Depreciation		263,126	259,986
Asset Write-offs		110,478	0
Foreign exchange gain		(1)	(16,699)
Add/(less) Movements in working capital items			
(Increase)/decrease in debtors		(16,878)	16,269
Increase/(decrease) in creditors		(14,756)	39,927
Net cash flow from operating activities		<u>223,470</u>	<u>289,842</u>