

GOVERNMENT OF NIUE

**CONSOLIDATED
FINANCIAL STATEMENTS**

for the five years ended 30 June 2021



STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Consolidated Financial Statements of the Government of Niue and its subsidiaries for the five year's ended 30 June 2021.

We hereby declare that:


- We have been responsible for the preparation of these Financial Statements and the judgments made in them.
- We are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- We confirm that all statutory requirements in relation to the Financial Statements, as outlined in Note 2.2, have been complied with, unless stated otherwise in these Financial Statements.
- In our opinion, and in the opinion of Cabinet, these Financial Statements fairly reflect the financial position and operations of the Government of Niue and its subsidiaries for the five year period ended 30 June 2021.

The Consolidated Financial Statements were authorised for issue by the Minister of Finance on 2 March 2023.

On behalf of the Government of Niue:



Hon. Crossley Tatui
Minister of Finance



Doreen Siataga
Financial Secretary

FIVE YEAR SUMMARY INFORMATION
For the five years ended 30 June 2021

	GROUP (Actual unless stated otherwise)				
	2017 - 2021	2016	2015	2014	2013
	Annual	Annual	Annual	Annual	Annual
	\$	\$	\$	\$	\$
Appropriation of Expenditure (Budget)	236,994,310	38,747,000	37,609,700	38,626,000	44,052,000
Actual Expenditure (Cash Basis)	<u>180,974,603</u>	<u>32,259,754</u>	<u>31,986,591</u>	<u>34,713,274</u>	<u>30,483,876</u>
Under-/(Over-) Expenditure	<u>56,019,707</u>	<u>6,487,246</u>	<u>5,623,109</u>	<u>3,912,726</u>	<u>13,568,124</u>
<i>Cash basis - refer to Statement of Appropriation for details.</i>					
Unauthorised Expenditure	9,285,318	1,618,593	1,476,711	874,317	608,874
Permitted Excess (1.5% of Budget)	<u>3,554,915</u>	<u>581,205</u>	<u>564,146</u>	<u>579,390</u>	<u>660,780</u>
Excess/(Surplus) Unauthorised Expenditure	<u>5,730,403</u>	<u>1,037,388</u>	<u>912,565</u>	<u>294,927</u>	<u>(51,906)</u>
<i>Cash basis - refer to Statement of Unauthorised Expenditure for details.</i>					
Recurrent Income	164,871,254	27,754,380	26,511,435	25,472,603	24,373,220
Recurrent Expenditure	<u>(180,138,453)</u>	<u>(30,802,869)</u>	<u>(29,082,137)</u>	<u>(27,737,402)</u>	<u>(25,294,525)</u>
RECURRENT SURPLUS/(DEFICIT)	<u>(15,267,199)</u>	<u>(3,048,489)</u>	<u>(2,570,702)</u>	<u>(2,264,799)</u>	<u>(921,305)</u>
Income from Donors and Projects	87,230,750	14,211,768	6,180,255	8,503,921	11,714,750
Expenditure re Donors and Projects	<u>(69,149,096)</u>	<u>(5,889,829)</u>	<u>(6,364,812)</u>	<u>(8,914,255)</u>	<u>(7,705,224)</u>
Capitalised Expenditure	<u>31,483,831</u>	<u>900,181</u>	<u>1,153,450</u>	<u>3,271,039</u>	<u>1,958,125</u>
DONORS & PROJECTS - NET	<u>49,565,485</u>	<u>9,222,120</u>	<u>968,893</u>	<u>2,860,705</u>	<u>5,967,651</u>
MINORITY INTEREST IN GROUP SURPLUS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET SURPLUS/DEFICIT	<u>34,298,286</u>	<u>6,173,631</u>	<u>(1,601,809)</u>	<u>595,906</u>	<u>5,046,346</u>
<i>Accrual basis - refer to Income Statement.</i>					
Bond Store	800,186	347,255	472,268	(14,618)	(37,168)
Telecom Niue Limited	<u>(3,098,752)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Telecom Niue Department (to 2016)	0	(416,194)	(215,662)	(168,608)	(112,233)
Niue Power Department	<u>(2,830,167)</u>	<u>(1,084,087)</u>	<u>(1,115,529)</u>	<u>(734,392)</u>	<u>(649,055)</u>
Bulk Fuel Department	<u>(1,101,611)</u>	<u>826,820</u>	<u>983,896</u>	<u>354,462</u>	<u>496,851</u>
Government Residences (to 2013)	0	0	0	0	(30,068)
Quarry (to 2013)	0	0	0	0	(80,257)
Outside Services	<u>(297,684)</u>	<u>(375,021)</u>	<u>(301,582)</u>	<u>(372,978)</u>	<u>(229,831)</u>
Niue Development Bank	956,465	232,816	450,484	536,543	342,449
Niue Commercial Enterprises Ltd	52,601	(3,688)	(3,093)	20,922	80,780
Matawai Resort Limited	0	0	0	(6)	(3,612)
Niue Philatelic and Numismatic Co. Ltd.	<u>(390,931)</u>	<u>100,098</u>	<u>(218,964)</u>	<u>307,427</u>	<u>231,707</u>
Broadcasting Corporation of Niue	<u>(597,760)</u>	<u>0</u>	<u>(42,334)</u>	<u>0</u>	<u>0</u>
TOTAL TRADING SURPLUS/(DEFICIT)	<u>(6,507,653)</u>	<u>(372,001)</u>	<u>9,484</u>	<u>(71,248)</u>	<u>9,563</u>
<i>This total is different from the trading surplus/(deficit) shown above, because of inter-company eliminations and classification differences.</i>					
Gross Carrying Amount (Cost)	122,132,675	83,195,067	74,202,010	72,322,883	68,182,302
Accumulated Depreciation/Amortisation	<u>(49,176,793)</u>	<u>(38,077,563)</u>	<u>(34,945,831)</u>	<u>(32,237,206)</u>	<u>(30,158,063)</u>
Net Book Value of PPE and Software	<u>72,955,882</u>	<u>45,117,504</u>	<u>39,256,179</u>	<u>40,085,677</u>	<u>38,024,239</u>
Depreciation/Amortisation Charge for the period	<u>19,020,260</u>	<u>3,293,538</u>	<u>3,030,874</u>	<u>2,597,059</u>	<u>2,418,421</u>
<i>Refer to Notes 13 and 14.</i>					

STATEMENT OF APPROPRIATION
For the five years ended 30 June 2021

	Notes	GROUP		
		2017 - 2021	2017 - 2021	2016
		Actual \$	Appropriated \$	Annual Actual \$
RECURRENT EXPENDITURE				
Central Agencies				
Premier's Department		12,632,566	9,223,000	2,322,610
Crown Law		1,921,706	1,997,000	418,010
NPSC and Secretariat		6,049,582	10,067,000	917,464
Finance and Planning		8,823,416	11,781,000	2,040,734
Project Management Coordination Unit		1,202,371	1,606,650	62,662
Police		2,756,730	3,327,700	557,305
Total Central Agencies		33,386,371	38,002,350	6,318,785
Ministry of Social Services				
Education Department		14,233,464	14,341,600	2,654,070
Health Department		12,747,155	12,274,000	1,947,727
Justice Department (Including Community Affairs)		20,859,788	21,951,860	3,625,609
Taoqa Niue		1,212,144	1,574,500	157,219
Total Ministry of Social Services		49,052,551	50,141,960	8,384,625
Ministry of Natural Resources				
DAFF		4,084,767	4,733,500	748,637
Environment Department		1,643,287	1,703,000	280,560
Meteorological Office		982,086	1,107,000	210,809
Total Ministry of Natural Resources		6,710,140	7,543,500	1,240,006
Ministry of Infrastructure				
Utilities		9,881,915	6,857,500	2,799,567
Transport		6,779,102	7,602,000	1,112,057
Telecom Niue		0	0	1,497,751
Total Ministry of Infrastructure		16,661,017	14,459,500	5,409,375
Commercial and Trading				
Niue Tourism Authority		1,777,625	2,039,000	370,195
Bulk Fuel		25,375,191	24,554,000	4,173,292
Broadcasting Corporation of Niue		1,020,108	0	0
Total Commercial and Trading		28,172,924	26,593,000	4,543,487
TOTAL RECURRENT EXPENDITURE (PARENT)		133,983,003	136,740,310	25,896,278
OTHER EXPENDITURE				
Capital Expenditure (Excluding Projects)		536,883	0	46,629
Project Expenditure		46,454,717	100,254,000	6,316,847
TOTAL OTHER EXPENDITURE		46,991,600	100,254,000	6,363,476
TOTAL EXPENDITURE	4	180,974,603	236,994,310	32,259,754

The accompanying notes form part of these financial statements.

INCOME STATEMENT
For the five years ended 30 June 2021

	Notes	GROUP		PARENT		
		2021 Actual \$	2016 Annual Actual \$	2021 Actual \$	2021 Appropriated \$	2016 Annual Actual \$
RECURRENT INCOME AND EXPENDITURE						
Income						
Taxes, Duties & Fines	22	53,273,505	8,402,837	53,641,755	48,318,000	8,556,512
Sale of Goods & Services	22	54,500,016	10,010,444	36,250,243	35,427,000	7,577,658
Donors (Recurrent)		37,638,406	7,500,000	37,500,000	37,500,000	7,500,000
Interest		4,086,162	510,001	654,606	1,500,000	66,059
Dividends		0	0	0	1,800,000	0
Other Income		15,373,165	1,331,098	8,273,216	9,333,000	436,729
Total Recurrent Income		164,871,254	27,754,380	136,319,820	133,878,000	24,136,958
Expenditure						
Cost of Sales		31,064,161	4,775,207	22,897,921	22,522,000	3,925,009
Personnel Expenses		69,877,822	12,143,669	62,124,736	63,679,000	10,821,892
Subsidies & Welfare Payments		17,005,735	3,478,649	19,949,389	24,813,010	3,695,687
Depreciation and Amortisation	13, 14	19,020,260	3,293,538	12,497,063	0	3,019,472
Maintenance & Materials		11,162,792	2,076,763	7,907,403	8,557,100	1,783,400
Travel & Transport		8,915,436	1,756,794	6,888,006	6,458,300	1,481,417
Other Expenses	5	23,092,247	3,278,249	21,233,833	10,705,900	2,575,237
Total Recurrent Expenditure		180,138,453	30,802,869	153,498,351	136,735,310	27,302,114
RECURRENT SURPLUS/(DEFICIT)	A1	(15,267,199)	(3,048,489)	(17,178,531)	(2,857,310)	(3,165,156)
DONORS & PROJECTS						
Income from Donors and Projects		87,230,750	14,211,768	88,099,874	96,208,000	13,966,258
Expenditure Re Donors and Projects	6.1	(69,149,096)	(5,889,829)	(68,728,794)	(100,254,000)	(6,039,829)
Capitalised Expenditure		31,483,831	900,181	31,483,831	0	648,409
DONORS & PROJECTS - NET	6.1	49,565,485	9,222,120	50,854,911	(4,046,000)	8,574,838
MINORITY INTEREST IN GROUP SURPLUS		0	0	0	0	0
NET SURPLUS/(DEFICIT)	A1	34,298,286	6,173,631	33,676,380	(6,903,310)	5,409,682

The accompanying notes form part of these financial statements.

BALANCE SHEET
As at 30 June 2021

	Notes	GROUP		PARENT	
		2021 Actual \$	2016 Annual Actual \$	2021 Actual \$	2016 Annual Actual \$
GOVERNMENT EQUITY					
Capital		0	0	0	0
Accumulated Funds		75,409,303	50,351,496	71,864,644	47,985,770
Donor Trust Funds	6.2	15,788,110	5,484,282	15,176,278	5,378,772
Other Funds & Reserves		1,853,764	2,928,695	0	0
Minority Interest in Group Equity		0	0	0	0
TOTAL GOVERNMENT EQUITY		93,051,177	58,764,473	87,040,922	53,364,542
REPRESENTED BY:					
ASSETS					
Current Assets					
Cash & Cash Equivalents	7, 12	12,043,847	7,127,852	7,540,192	2,942,163
Inventories	8	2,613,324	1,253,883	790,239	496,740
Current portion of Term Loans	10, 12	1,201,124	1,516,491	0	287,609
Debtors	9	1,948,811	3,218,408	5,361,890	3,417,378
Total Current Assets		17,807,106	13,116,634	13,692,321	7,143,890
Non Current Assets					
Loans	10, 12	10,237,356	5,344,246	3,790,400	0
Other Investments	11	0	0	5,959,768	7,330,048
Property, Plant & Equipment	13	72,786,490	44,924,027	70,569,784	42,327,593
Software	14	169,392	193,477	99,041	152,764
Total Non Current Assets		83,193,238	50,461,750	80,418,993	49,810,405
TOTAL ASSETS		101,000,344	63,578,384	94,111,314	56,954,295
LIABILITIES					
Less Current Liabilities					
Trade and Other Creditors	15	5,274,005	3,145,326	4,645,396	2,026,270
Employee Entitlements	16	1,407,838	613,743	1,251,038	553,499
Revenue in Advance		388,615	331,802	349,224	331,320
Current portion of Term Loans	17	0	0	0	0
Total Current Liabilities		7,070,458	4,090,871	6,245,658	2,911,089
Non Current Liabilities					
Term Loans	17	0	0	0	0
Employee Entitlements	16	878,709	723,040	824,734	678,664
Total Non Current Liabilities		878,709	723,040	824,734	678,664
TOTAL LIABILITIES		7,949,167	4,813,911	7,070,392	3,589,753
TOTAL NET ASSETS		93,051,177	58,764,473	87,040,922	53,364,542

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the five years ended 30 June 2021

	GROUP		PARENT	
	2021 Actual \$	2016 Annual Actual \$	2021 Actual \$	2016 Annual Actual \$
Capital as at 1 July	0	0	0	0
Movements in Ownership Interests	0	0	0	0
Capital as at 30 June	0	0	0	0
Accumulated Funds as at 1 July	50,351,496	44,970,019	47,985,770	43,199,079
Transfer of net assets to Telecom Niue Limited	0	0	0	0
Restatement of Broadcasting Corporation Niue Accumulated Funds	(11,582)	0	0	0
Net Surplus	34,298,286	6,173,631	33,676,380	5,409,682
Dividends and Equity Transfers	0	0	0	0
Transfers from/(to) Donor Trust Funds	(10,303,828)	(728,501)	(9,797,506)	(622,991)
Transfers from/(to) Other Funds and Reserves	1,074,931	(63,653)	0	0
Transfers from/(to) related entities	0	0	0	0
Accumulated Funds as at 30 June	75,409,303	50,351,496	71,864,644	47,985,770
Donor Trust Funds as at 1 July	5,484,282	4,755,781	5,378,772	4,755,781
Transfers from/(to) Accumulated Funds	10,303,828	728,501	9,797,506	622,991
Donor Trust Funds as at 30 June	15,788,110	5,484,282	15,176,278	5,378,772
Other Funds as at 1 July	2,928,695	2,865,042	0	0
Other Transfers from/(to) Accumulated Funds	(1,074,931)	63,653	0	0
Other Funds as at 30 June	1,853,764	2,928,695	0	0
Minority Interest as at 1 July	0	0	0	0
Movements in Minority Interest	0	0	0	0
Minority Interest in Group Equity as at 30 June	0	0	0	0
TOTAL EQUITY AS AT 30 JUNE	93,051,177	58,764,473	87,040,922	53,364,542

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the five years ended 30 June 2021

Notes	GROUP		PARENT	
	2021 Actual \$	2016 Annual Actual \$	2021 Actual \$	2016 Annual Actual \$
Cash Flows from/(used in) operating activities				
Receipts from Taxpayers	54,114,830	8,864,708	52,365,707	8,951,648
Receipts from Donors (Recurrent)	37,638,406	7,500,000	37,500,000	7,500,000
Receipts from Donors (Projects)	85,364,285	7,315,319	84,857,964	7,209,809
Receipts from Customers	68,145,176	10,718,693	44,926,156	7,830,240
Interest Receipts	7,434,833	144,367	654,606	66,059
Payments to Employees	(68,939,641)	(12,205,311)	(61,281,127)	(10,864,619)
Payments to Suppliers	(111,660,536)	(16,665,625)	(94,884,087)	(15,496,254)
Subsidies & Welfare Payments	(16,805,472)	(3,478,649)	(19,949,389)	(3,695,687)
Net Cash Flows from/(used in) operating activities	55,291,881	2,193,502	44,189,830	1,501,196
Cash Flows from/(used in) investing activities				
Proceeds from Sales of Property, Plant & Equipment	0	0	0	0
Purchases of Property, Plant & Equipment	(45,817,946)	(2,258,701)	(36,342,387)	(1,414,797)
Investments in Subsidiaries and Affiliates	0	0	253,377	(626,444)
Loan Repayments Received from Customers	14,237,821	2,044,497	0	47,029
Loans to Customers	(18,795,761)	(1,705,498)	(3,502,791)	0
Receipts of Dividends	0	0	0	0
Net Cash Flows from/(used in) investing activities	(50,375,886)	(1,919,702)	(39,591,801)	(1,994,212)
Cash Flows from/(used in) financing activities				
New Loans Drawn Down	0	0	0	0
Repayments of Loans	0	0	0	0
Net Cash Flows from/(used in) financing activities	0	0	0	0
NET INCREASE/(DECREASE) IN CASH & CASH EQ.	4,915,995	273,800	4,598,029	(493,016)
Cash & cash equivalents as at 1 July	7,127,852	6,854,052	2,942,163	3,435,179
CASH & CASH EQUIVALENTS AS AT 30 JUNE	12,043,847	7,127,852	7,540,192	2,942,163

RECONCILIATION FROM NET SURPLUS TO NET CASH FLOWS FROM OPERATIONS

	GROUP		PARENT	
	2021 Actual \$	2016 Annual Actual \$	2021 Actual \$	2016 Annual Actual \$
Net surplus	34,298,286	6,173,631	33,676,380	5,409,682
Adjustments for non cash and non operating items				
Depreciation and Amortisation	19,020,260	3,293,538	12,497,063	3,019,472
(Gains)/Losses on Disposals of Assets	625,510	287	15,672	224
Donated Assets	(1,666,202)	(6,896,449)	(3,241,910)	(6,756,449)
Change in Provision for Doubtful Debts	(1,030,438)	23,380	(1,003,908)	43,544
Opening retained earnings adjustment	(11,582)	0	0	0
Total adjustments for non cash and non op. items	16,937,548	(3,579,244)	8,266,918	(3,693,209)
Movements in assets and liabilities				
(Increase)/Decrease in Debtors	2,280,232	(535,401)	(940,607)	127,655
(Increase)/Decrease in Inventories	(1,359,441)	(59,892)	(293,499)	168,716
Increase/(Decrease) in Revenue in Advance	56,813	(36,933)	17,904	(37,219)
Increase/(Decrease) in Other Liabilities	3,078,443	231,341	3,462,735	(474,429)
Total movements in assets and liabilities	4,056,047	(400,885)	2,246,533	(215,277)
Net Cash Flows from/(used in) operating activities	55,291,881	2,193,502	44,189,830	1,501,196

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the five years ended 30 June 2021

1 REPORTING ENTITY

The Consolidated Financial Statements of the Government of Niue include the Financial Statements of the Government of Niue ("Parent"), corporations that operate under statute, subsidiaries and joint ventures ("Group"). During the current and the previous comparative financial year, the Group consisted of the following reporting entities:

- The Government of Niue (the Parent)
- Telecom Niue Limited, which is wholly owned by the Government of Niue
- The Niue Development Bank, which is wholly owned by the Government of Niue and which operates under the Niue Development Bank Act 1993.
- Niue Commercial Enterprises Limited, which is wholly owned by the Government of Niue, acts as an agent for Kiwibank to provide over-the-counter banking services in Niue.
- Reef Air (Niue) Limited, of which the Government of Niue owns 51% of the shares, is currently not operating.
- The Broadcasting Corporation of Niue, which is wholly owned by the Government of Niue and which operates under the Broadcasting Act 1989 and the Broadcasting Amendment Act 1997.
- The Niue Philatelic and Numismatic Corporation, which is wholly owned by the Government of Niue and which operates under the Niue Philatelic and Numismatic Act 1996 and the Niue Philatelic and Numismatic Amendment Act 2011.
- The Niue Bond Liquor Company Limited, which is wholly owned by the Government of Niue, was established on 24 November 2011 and assumed the Bond Store's sales of alcoholic beverages from 1 July 2012.
- The Niue Bank, which is wholly owned by the Government of Niue and which operates under the Niue Bank Act 1994 and the Niue Bank Amendment Act 2013.

Reef Group Limited and the Government of Niue shared joint control over the two joint ventures Niue Fish Processors Limited and Niue Noni Joint Venture Limited. Reef Group Limited was responsible for the day-to-day operations of the joint ventures.

Niue Fish Processors Limited ceased operating in 2008. Following the receivership of most of the Reef Group in 2012, and under agreements with the receivers, the Niue Philatelic and Numismatic Corporation assumed ownership and management of the noni farm operations.

In 2004, the Government of New Zealand established a Trust Fund to contribute to the long term financial stability and viability of Niue by enabling it to meet financial commitments from the proceeds of investments. On 25 October 2006 a Trust Deed was executed to establish the Niue International Trust Fund. The Trust Fund operates under the Niue Trust Fund Act 2004. The Trustees represent the Governments of Niue, New Zealand and Australia, which are the main contributors to the Trust Fund.

The Government of Niue does not control the Trust Fund, and the Financial Statements of the Trust Fund are therefore not included in the Consolidated Financial Statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Consolidated Financial Statements and the Financial Statements of the individual reporting entities that are the basis for consolidation have been prepared on a going concern basis where applicable, and the accounting policies have been applied consistently throughout the period.

The Consolidated Financial Statements and the Financial Statements of the individual reporting entities that are the basis for consolidation are prepared on a historical cost basis, except for financial instruments which are recorded at fair value.

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

The Income Statement, the Balance Sheet and the Statement of Changes in Equity are prepared on an accrual basis. Non-cash transactions (such as depreciation, accruals and provisions) are not appropriated.

Except for the Statement of Appropriation, the Financial Statements of all Group entities except the joint ventures are consolidated on a line by line basis. Material transactions and balances between Group entities are eliminated; these relate mostly to supplies that are not available from other suppliers, and include: the delivery of fuel for the generation of electricity, the supply of electricity to Group entities, and the supply of communication services to Group entities. Most other transactions between group entities are small stand-alone transactions performed on an arms' length basis, and are not eliminated.

The Government of Niue occupies a significant proportion of economic life in Niue; the country's private sector is small by comparison to other countries. Consequently, many routine transactions that otherwise would be with external parties, are conducted between Government departments and/or trading entities. These transactions are conducted on the same terms as transactions concerning the same goods or services with external parties. Therefore the Government does not consider it beneficial to the readability of these Financial Statements to disclose transactions and balances between related parties.

Corporations that operate under statute are considered fully owned and controlled by the Government, and are fully consolidated. Subsidiary companies are also fully consolidated, minority interests in Equity and Surplus/Deficit are shown separately.

Joint ventures are included in the consolidation if the Government has control or joint control. Their Financial Statements are not included in the consolidation on a line by line basis, but the Government's interest in joint ventures is initially recorded at cost, and the carrying amount is increased or decreased to recognise the Government's share of the profit or loss of the joint ventures (equity method).

The Consolidated Financial Statements are based on consistent accounting policies for the Financial Statements of all included Group entities. Adjustments are made for any material differences that arise from different accounting policies used in the Group entities' own Financial Statements. All Group entities have a balance date of 30 June.

2.2 Statement of Compliance

The Consolidated Financial Statements and the Financial Statements of the individual reporting entities are prepared, in all material respects, in accordance with the accounting policies described in note 2. The Consolidated Financial Statements also comply with specific requirements in the Constitution of Niue and with applicable statutes:

- Article 58(1) of the Constitution requires all expenditure of public money to be appropriated by the Assembly. The latest approved version of the budget is shown in the Financial Statements.
- Article 59(4) of the Constitution allows for expenditure in excess of appropriated expenditure of up to 1.5% of total appropriated expenditure as set out in that article. Article 59(6) requires inclusion of a Statement of Unauthorised Expenditure in the annual accounts. During the period, there has been a breach of articles 58 and 59 as a result of expenditure being made in excess of amounts appropriated.
- Article 60 of the Constitution appoints the Office of the Auditor General of New Zealand as the auditor of the Government's Financial Statements.
- The Public Revenues Act 1959 (as amended by the Public Revenues (Financial Reporting and Audit Special Provisions) Amendment Act 2022, in particular:
 - Section 25A, which requires the Financial Secretary to submit to Cabinet as soon as practicable accounts relating to the multi-year period that comply with section 25C of the Act.
 - Section 25A (3), which defines the multi-year period:
 - for the Government, the period beginning on 1 July 2016 and ending at the close of 30 June 2021
 - for the Broadcasting Corporation of Niue, the period beginning on 1 July 2018 and ending at the close of 30 June 2021
 - for the Niue Bond Liquor Company Limited, the period beginning on 1 July 2018 and ending at the close of 30 June 2021
 - for the Niue Philatelic and Numismatic Corporation, the period beginning on 1 July 2018 and ending at the close of 30 June 2021
 - for Telecom Niue Limited, the period beginning on 1 July 2016 and ending at the close of 30 June 2021
 - for any other specified entity, the multi-year period specified for the entity in regulations.
 - Section 25D, which requires the multi-year accounts to (i) include a statement of financial performance and a statement of financial position, and be prepared in accordance with the Government's accounting policies, and be audited.

Separate legal requirements exist for some of the Group's subsidiaries' Financial Statements. These requirements do not apply to the Consolidated Financial Statements. The above Statement of Compliance refers to financial reporting requirements only. In addition, the Government is subject to significant constitutional requirements that restrict expenditure.

2.3 Translation of Foreign Currency Transactions

Both the functional and presentation currencies of the Government of Niue and the Group are the New Zealand dollar. Transactions in foreign currencies are initially recorded in the New Zealand dollar at the exchange rates ruling at the dates of the transactions. At balance date, monetary assets and liabilities are translated at the exchange rates ruling at the balance date. Resulting exchange differences are recognised in the Income Statement.

2.4 Impairment of Assets

Current assets are reviewed regularly for impairment. Impairment factors may include: obsolescence, default risk, and other factors.

Where an indication of impairment exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

Where indications exist that a previously recognised impairment loss may have reversed, the recoverable amount will be re-estimated, and the resulting reversal is included in the Income Statement.

Non-current assets are not regularly reviewed for impairment, but impairment adjustments are made if indications of impairment exist.

2.5 Cash & Cash Equivalents

Cash & Cash Equivalents comprise of primarily cash at bank and call and short term deposits (deposits with an original maturity of one year or less).

2.6 Inventories

Inventories are measured at the lower of cost and net realisable value, calculated on a first in first out basis. Costs include all expenses incurred in bringing inventory items to their present location and condition, including freight and import duties.

2.7 Debtors

Debtors are measured at their expected realisable value, which is generally the original amount less a provision for uncollectible amounts. Bad debts are written off when approved by Cabinet and Assembly or the Board of a subsidiary.

2.8 Loans

Loans are valued at the lower of cost and realisable value. The current portion of non current loans is classified under Current Assets.

2.9 Other Investments

Other Investments include investments in subsidiaries, other associated parties and investments in shares in non controlled entities. Investments are measured at the lower of cost and impaired value.

At each reporting date, an impairment assessment of investment in subsidiaries is performed. Impairments and adjustments are made if indications of impairment exist.

2.10 Property, Plant & Equipment

Land and Buildings were first recognised in the Financial Statements in the year ended 30 June 1998. The valuation was performed by Darroch Limited, Registered Valuers, on 30 March 1998. This valuation is considered an appropriate estimate of deemed costs as at 1 July 1997. Subsequent additions are initially measured at cost.

Property, Plant & Equipment is stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives and resulting depreciation rates of currently held assets can be summarised as follows:

- Land	indefinite	none
- Infrastructural assets:		
- Roads	5-25 years	4 - 20%
- Sea tracks and other parks	5 years	20%
- Cabling and pipes	30 years	3.3%
- Airport runway	60 years	1.7%
- Water tanks and equipment	10 years	10%
- Buildings:		
- Substantial concrete buildings	50 years	2%
- General concrete buildings	40 years	2.5%
- Light construction, metal clad or timber buildings	30 years	3.3%
- Miscellaneous structures and Fitouts	4-25 years	4 - 25%
- Plant & Equipment:		
- Electronic equipment including computers	2-10 years	10 - 50%
- Mechanical plant and equipment	3-20 years	5 - 33.3%
- Furniture and fittings	2-20 years	5 - 50%
- Bulk fuel tanks	5-20 years	5 - 20%
- Airport electrical equipment	10 years	10%
- Vehicles (including vessels)	3-10 years	10 - 33.3%

(These estimated useful lives and resulting depreciation rates result from application of the Group's accounting policies, but are themselves not part of these accounting policies.)

Internally developed assets, whether funded from recurrent funds or by donors, are initially measured at cost. Cost includes the cost of labour where this can be measured reliably. Expenditure is capitalised when incurred; assets that are still under development at the balance date are included in Work in Progress at the cost incurred to that date.

Assets donated by aid partners are recognised upon completion, which is deemed to be when the rights and responsibilities associated with the use of the assets are vested in the Group and the assets are available for their intended use.

2.11 Software

Computer software includes separately acquired software and the directly attributable cost of developing and implementing comprehensive computer-based information systems. The cost of hardware on which computer software runs, is carried under Property, Plant and Equipment.

Software is stated at cost less accumulated amortisation and accumulated impairment losses (if any). Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. Useful lives of software are estimated between 3 and 10 years, with resulting amortisation rates of 10 to 33.3%.

2.12 Creditors

Subject to more detailed policies described below, creditors are recognised for benefits that were received by balance date but had not been paid for. They are measured at the expected amounts to be paid after balance date.

2.13 Employee Entitlements

The monetary value of benefits earned but not yet enjoyed by employees is recognised as a liability if employees are entitled to monetary compensation upon resigning or retiring, or if they are certain to enjoy the benefits after a minimum length of service. Employee entitlements comprise mainly accrued salaries, annual leave, and accrued long service leave and retiring leave.

Accrued salaries comprise the portion of salaries that is earned prior to balance date but is paid after balance date. Annual leave is the value of leave days granted at the beginning of each leave year but not yet taken at balance date, valued using the salaries at balance date.

The provisions for long service leave and retiring leave are measured by first calculating the expected future value of these entitlements at the time that employees are expected to become entitled to them. This future value of these entitlements is increased by estimated average salary increases over time, and decreased by an estimated average resignation rate and by a discount rate reflecting the passage of time. Only the portion of the expected future value that reflects past service at balance date is recognised as a liability, calculated pro rata over the period during which the benefits are expected to be earned.

Benefits that have been earned and are due within one year from balance date, are recognised as current liabilities; the likelihood of these benefits being enjoyed by employees is deemed high enough, and the measurement of them accurate enough, to consider the accrued value to be a liability. The non current portion of long service leave and retiring leave entitlements is recognised as a non current provision.

2.14 Equity

Government Equity consists of Accumulated Funds, Donor Trust Funds and Other Funds & Reserves. Donor Trust Funds represent cash received from donors for specified projects (see Note 2.15, below) that has not yet been spent. Other Funds & Reserves include legal reserves that some of the Government's subsidiaries are required to recognise under the Acts under which they operate.

Equity recognised by entities over which the Government exerts significant control may include Capital, which represents the Government's investment in these subsidiaries. This Capital takes the form of Share Capital for those subsidiaries that are companies under the Companies Act 2006. Subsidiaries' Capital is eliminated against the Parent's investment in these subsidiaries upon consolidation. A minority share in investments is recognised when the Government does not own the subsidiary in full. See Note 2.1 above, for the Government's basis of preparation and consolidation of Financial Statements.



2.15 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will be received and can be reliably measured.

Revenue from the provision of goods and services is recognised when the goods or services have been delivered.

Revenue earned by the Parent entity from taxes, duties and other levies is recognised as follows:

- Revenue from income tax and Niue Consumption Tax is recognised when it can be measured with reasonable certainty. This is usually when a return has been received or an assessment has been issued. A provision is recognised for the expected amount of individual income tax refunds for the fiscal year (which ends on 31 March).
- Import duties are payable when imported goods pass into the country, and revenue from import duties is recognised at that moment.
- Revenue from fishing rights is recognised in the period that it relates to, or, when this cannot be reliably established, in the period that it is received.
- Revenue from other levies is recognised when it is received or invoiced.

Revenue from donors is recognised as follows:

- Financial support for ongoing activities such as budget support and administrative assistance is recognised in the period to which the grants relate.
- Funding for investment and development projects is recognised as income upon receipt. At balance date the unspent portion of these receipts is recognised under Donor Trust Funds as a part of Equity through a transfer from (increase in Donor Trust Funds) or to (decrease in Donor Trust Funds) Accumulated Funds.
- Donated assets are usually measured at the cost incurred by the donor, and the associated revenue is recognised in the Income Statement in the period that the assets are completed and made available to the Government of Niue.
- Donated services are recognised as income, and are usually measured at the cost incurred by the donor. This cost is also deemed to be the fair value of the related expense, which is recognised as donor/project related expenditure in the Income Statement.

2.16 Niue Consumption Tax (NCT)

Debtors and Trade and other creditors are measured inclusive of NCT (where applicable). Other transactions are measured net of NCT to the extent that the NCT is payable (for revenue) or recoverable (for purchases).

The Parent entity recognises the net amount of NCT payable to or recoverable from the Tax Office as an increase or decrease (respectively) of Tax Revenue in the period that it relates to. The other reporting entities recognise a corresponding liability or debtor until payment is made to or received from the Tax Office.

Cash flows are included in the Statement of Cash Flows exclusive of NCT. The NCT component of cash flows is recognised under operating cash flows (to the extent that the NCT is payable or recoverable).

Commitments and contingencies are disclosed net of NCT.

2.17 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively, and comparatives are restated. The effect of these changes, if any, is disclosed in Note 3.1, below.

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

2.18 Changes in Accounting Estimates

Material effects of changes in accounting estimates are recognised in the Income Statement in the current period to the extent that they have an effect on the current period or previous period. They are disclosed in Note 3.2, below.

2.19 Material Prior Year Errors

If errors are detected that have a material impact on prior years, then these are applied retrospectively, and comparatives are restated. The effect of such errors, if any, is disclosed in Note 3.3, below.

3 EVENTS AND DECISIONS WITH SIGNIFICANT ACCOUNTING IMPACTS

3.1 Changes in Accounting Policies and Treatments

There have been no changes in accounting policies and treatments during the five years ended 30 June 2021.

3.2 Changes in Accounting Estimates

There have been no changes in accounting estimates during the five years ended 30 June 2021.

3.3 Prior Year Errors

No prior year errors were found for the year ended 30 June 2016.

3.4 Impact of COVID-19

The emergence of COVID-19 has had a significant impact on the island of Niue, resulting in border closures, additional fundings support required from donors, Government funded support initiatives being required including wage subsidies, food security, rent relief and rent holidays. Other challenges faced by the Government is managing cashflow and staff capacity constraints due to health and safety regulations. This has had an overall impact on day to day operations, including ongoing operations and the completion of the multi-year period.

3.5 Delay in Issue of Financial Statements

There has been a significant delay in the reporting of the financial information for the Government of Niue. The Assembly enacted the Public Revenues (Financial Reporting and Audit Special Provisions) Amendment Act 2022 as a special legislation providing for the completion and audit of the Government for the 5 year period 1 July 2016 to 30 June 2021.

3.6 Major Events

3.6.1 Transfer of Niue Power & Civil & Quarry

On the 1 July 2016, Niue Philatelic and Numismatic Corporation assumed the assets and activities of Niue Power & Civil & Quarry. As part of the transfer certain assets were transferred from the Government of Niue to the Corporation as at transfer date, leading to an increase in share capital issued to the Corporation for the following assets:

	\$
Fixed assets	7,670,599
Power debtors	<u>510,148</u>
Total assets transferred and share capital issued	8,180,747

On the 31 May 2020, Niue Philatelic and Numismatic Corporation transferred back to Treasury, the assets and activities of Niue Power & Civil & Quarry. As part of the transfer certain assets were transferred from the Corporation to Government of Niue as at transfer date, leading to a decrease in share capital issued to the Corporation for the following assets:

	\$
Cash and cash equivalents	253,377
Fixed assets	<u>6,476,895</u>
Total assets transferred and share capital cancelled	6,730,272

3.6.2 Transfer of Noni Operations

The effective date of transfer of the Noni operations to Niue Philatelic and Numismatic Corporation is 1 July 2016. There was no financial impact on the date of transfer given no formal assets of any value were transferred to the Corporation given the previous liquidation settlement. All ongoing costs and income associated with the Noni operations are recognised within the Corporation. This transfer forms part of the reef settlement which following a settlement of \$50k paid by the Government of Niue to Reef liquidators which brought to close years of uncertainty following the liquidation of Reef Group in 2013.

3.6.3 Granting of Land

On the 7th February 2017, the Government granted land to the Niue Philatelic and Numismatic Corporation, which in turn was leased out to Swanson Limited under a 10 year lease agreement. The value assigned to the land as at date of transfer is \$377k being the discounted value of the known future lease payments.

3.6.4 Transfer of Telecom Niue

On the 1 July 2016, Telecom Niue Limited assumed the assets and activities of Telecom Niue department held within the Government. Telecom Niue Limited is a entity fully controlled by the Government. As part of the transfer, all assets and liabilities were transferred from the Government of Niue to the Company as at the transfer date, leading to an increase in share capital issued to Telecom Niue Limited totalling \$2.539m.

3.7 Subsequent Events

There were no material events subsequent to balance date.

4 RECONCILIATION OF STATEMENT OF APPROPRIATION TO INCOME STATEMENT

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Expenditure According to Statement of Appropriation	180,974,603	32,259,754	180,974,603	32,259,754
Add: Movements in accruals	(80,169)	70,576	(80,169)	70,576
Add: Depreciation	12,497,068	3,019,472	12,497,063	3,019,472
Add: Disposals and impairments	112,790	224	112,790	224
Add: (Increase)/Decrease in Inventories	368,905	168,716	368,905	168,716
Add: (Increase)/Decrease in Provision for Doubtful Debts	3,128,409	43,544	6,447,659	43,544
Add: Payments Made to Other Entities	0	0	0	0
Add: Fair Value of Donated Expenses	22,967,068	0	22,443,179	0
Deduct: Internal Transactions	(17,196,430)	(2,173,714)	0	(2,173,714)
Deduct: Capital Expenditure	(536,885)	(46,629)	(536,885)	(46,629)
Add: Subsidiaries without Appropriation	47,052,190	3,350,755	0	0
EXPENDITURE ACCORDING TO INCOME	249,287,549	36,692,698	222,227,145	33,341,943
Recurrent Expenditure (Income Statement)	180,138,453	30,802,869	153,498,351	27,302,114
Project Expenditure (Note 6, below)	69,149,096	5,889,829	68,728,794	6,039,829
EXPENDITURE ACCORDING TO INCOME	249,287,549	36,692,698	222,227,145	33,341,943

5 AUDIT FEES

Other Departmental Expenses include the cost of auditing the Group's Financial Statements, as follows.

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Agreed Audit Fees	989,000	193,500	602,524	139,200
Disbursements	100,331	60,000	100,331	60,000
Fees paid by Government for Niue Bank	6,750	1,350	6,750	1,350
TOTAL AUDIT FEES	1,096,081	254,850	709,605	200,550

6 DONORS AND PROJECTS

6.1 Donors and Projects

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Project Funding Received	85,364,285	7,315,319	84,857,964	7,209,809
Donated Assets (paid by donors)	1,666,202	6,896,449	3,241,910	6,756,449
Other Donations	0	0	0	0
Donated Services (paid by donors)	200,263	0	0	0
Income from Donors and Projects	87,230,750	14,211,768	88,099,874	13,966,258
Project Expenditure	(69,149,096)	(5,889,829)	(68,728,794)	(6,039,829)
Fair Value of Donated Services (paid by donors)	0	0	0	0
Expenditure relating to Donors and Projects	(69,149,096)	(5,889,829)	(68,728,794)	(6,039,829)
Capitalised Expenditure	31,483,831	900,181	31,483,831	648,409
DONORS AND PROJECTS - NET	49,565,485	9,222,120	50,854,911	8,574,838

Project Funding Received relates to funding received by the Government for specific development projects (including, but not limited to the development of assets) that are controlled by the Government and/or its subsidiaries. The spending of this funding is recognised under Project Expenditure. Unused funds are recognised under Donor Trust Funds as a part of Equity.

Donated Assets consist of assets that are purchased or developed by donors and under their control, and transferred to the Government of Niue upon completion, at which time they usually become available for use.

Donated Services represent the fair value of services performed or acquired by donors and under their control, for the benefit of the Government and/or its subsidiaries.

6.2 Movements in Donor Trust Funds

Project funds that have been received but not yet spent, are recognised under Donor Trust Funds as a part of Equity. Movements in Donor Trust Funds were as follows.

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Opening balance as at 1 July	5,484,282	4,755,781	5,378,772	4,755,781
Project funding received during the period	85,364,285	7,315,319	84,857,964	7,209,809
Deduct: internal funding	(784,583)	0	(784,584)	0
Project funds spent during the period	(68,728,794)	(6,169,710)	(68,728,794)	(6,169,710)
Assets purchased from project funds	(8,862,620)	(1,222,409)	(8,862,620)	(1,222,409)
Deduct: internally funded expenditure	3,315,540	805,301	3,315,540	805,301
TOTAL DONOR TRUST FUNDS	15,788,110	5,484,282	15,176,278	5,378,772

6.3 Summary of Donor Trust Funds

The Donor Trust Funds as balance date can be summarised as follows.

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
NZAID: asset management*	(1,724,752)	48,253	(1,724,752)	48,253
NZAID: tourism development	1,316,112	707,134	1,316,112	707,134
NZAID: technical assistance	(409,012)	3,150,926	(409,012)	3,150,926
NZAID: education/scholarships	1,082,138	436,856	1,082,138	436,856
NZAID: health support	1,023,780	697,402	1,023,780	697,402
NZAID: COVID Support	10,724,542	0	10,724,542	0
FFA: Project Development Funds	134,650	254,053	134,650	254,053
European Union: EDF10*	(13,513)	109,123	(13,513)	109,123
UNESCO: education	107,888	10,120	107,888	10,120
AUSAID: Regional fund*	(7,002)	0	(7,002)	0
AUSAID: Funds 18/19	2,565,239	0	2,565,239	0
Ridge to Reef	2,409,923	0	2,409,923	0
PEC: solar power plant*	(1,394)	(1,394)	(1,394)	(1,394)
Other donors*	(1,420,489)	71,809	(2,032,321)	(33,701)
TOTAL DONOR TRUST FUNDS	15,788,110	5,484,282	15,176,278	5,378,772

* Negative Donor Trust Funds represent negative equity arising from more project funding being spent during the period than project funding received during the same period.

6.4 Movements per Category of Donor Trust Funds

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Opening balance as at 1 July	48,253	1,596,972	48,253	1,596,972
Project funding received during the period	4,600,000	1,002,200	4,600,000	1,002,200
Project funds spent during the period	(6,373,005)	(2,250,919)	(6,373,005)	(2,250,919)
Transfers from/(to) other projects	0	(300,000)	0	(300,000)
NZAID: asset management	(1,724,752)	48,253	(1,724,752)	48,253
Opening balance as at 1 July	707,134	468,852	707,134	468,852
Project funding received during the period	5,295,126	900,000	5,295,126	900,000
Project funds spent during the period	(4,685,648)	(661,718)	(4,685,648)	(661,718)
Transfers from/(to) other projects	(500)	0	(500)	0
NZAID: tourism development	1,316,112	707,134	1,316,112	707,134
Opening balance as at 1 July	3,150,926	1,892,840	3,150,926	1,892,840
Project funding received during the period	33,881,845	2,871,000	33,881,845	2,871,000
Project funds spent during the period	(37,229,734)	(1,912,914)	(37,229,734)	(1,912,914)
Transfers from/(to) other projects	(212,049)	300,000	(212,049)	300,000
NZAID: technical assistance	(409,012)	3,150,926	(409,012)	3,150,926
Opening balance as at 1 July	436,856	664,422	436,856	664,422
Project funding received during the period	2,136,000	200,000	2,136,000	200,000
Project funds spent during the period	(1,490,718)	(427,566)	(1,490,718)	(427,566)
Transfers from/(to) other projects	0	0	0	0
NZAID: education/scholarships	1,082,138	436,856	1,082,138	436,856
Opening balance as at 1 July	697,402	621,358	697,402	621,358
Project funding received during the period	2,440,000	360,000	2,440,000	360,000
Project funds spent during the period	(2,113,622)	(283,956)	(2,113,622)	(283,956)
Transfers from/(to) other projects	0	0	0	0
NZAID: health support	1,023,780	697,402	1,023,780	697,402

6.4 Movements per Category of Donor Trust Funds (Cont.)

	GROUP		PARENT	
	2021	2016	2021	2016
	\$	Annual \$	\$	Annual \$
Opening balance as at 1 July	0	0	0	0
Project funding received during the period	16,750,000	0	16,750,000	0
Project funds spent during the period	(6,237,890)	0	(6,237,890)	0
Transfers from/(to) other projects	212,432	0	212,432	0
NZAIID: COVID Support	<u>10,724,542</u>	<u>0</u>	<u>10,724,542</u>	<u>0</u>
Opening balance as at 1 July	254,053	4,844	254,053	4,844
Project funding received during the period	0	275,298	0	275,298
Project funds spent during the period	(119,403)	(26,089)	(119,403)	(26,089)
Transfers from/(to) other projects	0	0	0	0
FFA: Project Development Funds	<u>134,650</u>	<u>254,053</u>	<u>134,650</u>	<u>254,053</u>
Opening balance as at 1 July	109,123	260,983	109,123	260,983
Project funding received during the period	579,670	208,358	579,670	208,358
Project funds spent during the period	(702,306)	(360,218)	(702,306)	(360,218)
Transfers from/(to) other projects	0	0	0	0
European Union: EDF10	<u>(13,513)</u>	<u>109,123</u>	<u>(13,513)</u>	<u>109,123</u>
Opening balance as at 1 July	10,120	150,183	10,120	150,183
Project funding received during the period	381,066	(15,053)	381,066	(15,053)
Project funds spent during the period	(283,298)	(125,010)	(283,298)	(125,010)
Transfers from/(to) other projects	0	0	0	0
UNESCO: education	<u>107,888</u>	<u>10,120</u>	<u>107,888</u>	<u>10,120</u>
Opening balance as at 1 July	0	0	0	0
Project funding received during the period	150,000	0	150,000	0
Project funds spent during the period	(157,002)	0	(157,002)	0
Transfers from/(to) other projects	0	0	0	0
AUSAID: Regional fund	<u>(7,002)</u>	<u>0</u>	<u>(7,002)</u>	<u>0</u>
Opening balance as at 1 July	0	0	0	0
Project funding received during the period	3,750,000	0	3,750,000	0
Project funds spent during the period	(1,130,743)	0	(1,130,743)	0
Transfers from/(to) other projects	(54,018)	0	(54,018)	0
AUSAID: Funds 18/19	<u>2,565,239</u>	<u>0</u>	<u>2,565,239</u>	<u>0</u>
Opening balance as at 1 July	0	0	0	0
Project funding received during the period	4,010,886	0	4,010,886	0
Project funds spent during the period	(2,175,660)	0	(2,175,660)	0
Transfers from/(to) other projects	574,697	0	574,697	0
Ridge to Reef	<u>2,409,923</u>	<u>0</u>	<u>2,409,923</u>	<u>0</u>
Opening balance as at 1 July	(1,394)	(1,394)	(1,394)	(1,394)
Project funding received during the period	0	0	0	0
Project funds spent during the period	0	0	0	0
Transfers from/(to) other projects	0	0	0	0
PEC: solar power plant	<u>(1,394)</u>	<u>(1,394)</u>	<u>(1,394)</u>	<u>(1,394)</u>
Opening balance as at 1 July	71,809	(903,279)	(33,701)	(903,279)
Project funding received during the period	10,605,109	1,513,516	10,098,787	1,408,006
Project funds spent during the period	(11,576,845)	(538,428)	(11,576,845)	(538,428)
Transfers from/(to) other projects	(520,562)	0	(520,562)	0
Other donors	<u>(1,420,489)</u>	<u>71,809</u>	<u>(2,032,321)</u>	<u>(33,701)</u>
TOTAL DONOR TRUST FUNDS	<u>15,788,110</u>	<u>5,484,282</u>	<u>15,176,278</u>	<u>5,378,772</u>

7 CASH & CASH EQUIVALENTS

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Cash and bank balances	2,707,128	1,832,613	122,417	225,243
Call and short term deposits	3,108,137	2,263,429	1,292,028	650
Recurrent funds	<u>5,815,265</u>	<u>4,096,042</u>	<u>1,414,445</u>	<u>225,893</u>
Cash and bank balances	1,370,239	453,444	1,267,404	137,904
Call and short term deposits	4,858,343	2,578,366	4,858,343	2,578,366
Donor and trust funds	<u>6,228,582</u>	<u>3,031,810</u>	<u>6,125,747</u>	<u>2,716,270</u>
TOTAL CASH & CASH EQUIVALENTS	<u>12,043,847</u>	<u>7,127,852</u>	<u>7,540,192</u>	<u>2,942,163</u>

The cash required to complete current projects is \$15,788,110 (refer Note 6, above) which is \$9,559,528 more than what is held in the donor and trust funds bank accounts of \$6,228,582.

8 INVENTORIES

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Fuel (wholesale)	790,239	408,759	790,239	408,759
Bond Store (retail and wholesale)	1,540,836	720,407	0	0
Other inventories for resale	282,249	48,232	0	14,042
Inventories for resale	<u>2,613,324</u>	<u>1,177,398</u>	<u>790,239</u>	<u>422,801</u>
Other inventories (fuel and spare parts for internal use)	0	76,485	0	73,939
TOTAL INVENTORIES	<u>2,613,324</u>	<u>1,253,883</u>	<u>790,239</u>	<u>496,740</u>

9 DEBTORS

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Trade debtors	1,421,994	3,101,481	2,403,203	2,790,470
Taxes receivable	558,619	1,142,275	2,939,214	1,476,812
Other receivables	347,757	236,872	264,002	266,280
Accrued income	15,942	11,192	15,942	11,192
Prepaid Expenses	5,000	137,724	0	136,999
Current portion of long term loans	0	0	0	0
Carrying amount of Debtors	<u>2,349,312</u>	<u>4,629,544</u>	<u>5,622,360</u>	<u>4,681,753</u>
Deduct: Provision for doubtful debts	<u>(400,501)</u>	<u>(1,411,136)</u>	<u>(260,470)</u>	<u>(1,264,375)</u>
NET VALUE OF ACCOUNTS RECEIVABLE	<u>1,948,811</u>	<u>3,218,408</u>	<u>5,361,890</u>	<u>3,417,378</u>

10 LOANS

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Rent-to-buy and other housing loans	0	673,239	0	287,609
Other loans	1,226,124	858,827	0	0
Gross carrying amount of long term loans	1,226,124	1,532,066	0	287,609
Deduct: Provision for doubtful debts	(25,000)	(15,575)	0	0
Net value of Long Term Loans - Current Portion	1,201,124	1,516,491	0	287,609
Rent-to-buy and other housing loans	3,322,999	2,713,372	0	0
Other loans	7,027,438	2,788,758	3,790,400	0
Gross carrying amount of long term loans	10,350,437	5,502,130	3,790,400	0
Deduct: Provision for doubtful debts	(113,081)	(157,884)	0	0
Net value of Long Term Loans - Non Current Portion	10,237,356	5,344,246	3,790,400	0
NET VALUE OF LONG TERM LOANS	11,438,480	6,860,737	3,790,400	287,609

11 OTHER INVESTMENTS

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Investment in Niue Development Bank	0	0	5,149,970	5,149,970
Investment in Broadcasting Corporation Niue	0	0	0	344,552
Investment in Niue Philatelic & Numismatic Corporation	0	0	0	1,017,727
Investment in Niue Bond and Liquor Company Limited	0	0	459,798	467,799
Investment in Niue Commercial Enterprises Limited	0	0	350,000	350,000
Investment in Telecom Niue Limited	0	0	0	0
TOTAL OTHER INVESTMENTS	0	0	5,959,768	7,330,048

Movements in the value of the Government's investments in its subsidiaries and in non-controlled entities can be summarised as follows.

	PARENT	
	2021	2016 Annual
	\$	\$
Carrying amount as at 1 July	7,330,048	6,703,604
Transfer of Swanson Land to Niue Philatelic & Numismatic Corporation	377,475	0
Transfer of prepaid metres to Niue Philatelic & Numismatic Corporation	15,086	0
Transfer of property, plant & equipment to Niue Philatelic & Numismatic Corporation	362,268	526,349
Transfer of Civil and Quarry and Niue Power assets to Niue Philatelic and Numismatic Corporation as at 1 July 2017	8,254,686	0
Transfer of Civil and Quarry and Niue Power assets from Niue Philatelic & Numismatic Corporation to Treasury as at 31 May 2020	(6,476,894)	0
Transfer of Telecom Niue department net assets to Telecom Niue Limited as at	2,152,561	0
Transfer of vehicle to Telecom Niue Limited	15,483	0
Transfer of net assets from Bond Store Limited	(8,001)	0
Impairment of investments in subsidiaries	(6,062,944)	100,095
CARRYING AMOUNT AS AT 30 JUNE	5,959,768	7,330,048

12 STATEMENT OF INVESTMENTS

Section 40 of the Public Revenues Act 1959 requires disclosure in the annual accounts of details of public securities, being securities representing the investment of any public money, as set out in section 2 of that Act.

In these accounts, cash and cash equivalents (specifically short term deposits), loans and investments in subsidiaries are treated as public securities within the meaning of section 40. The same approach has been applied in these multi-year accounts.

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Investments in recurrent cash & cash equivalents (see Note 7, above)	3,108,137	2,263,429	1,292,028	650
Investments in donor cash & cash equivalents (see Note 7, above)	4,858,343	2,578,366	4,858,343	2,578,366
Investments in subsidiaries (see Note 11, above)	0	0	5,959,768	0
Loans (see Note 10, above)	1,226,124	7,034,196	3,790,400	287,609
TOTAL INVESTMENTS	9,192,604	11,875,991	15,900,539	2,866,625

13 PROPERTY, PLANT & EQUIPMENT

13.1 Movements in Property, Plant & Equipment

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Gross carrying amount as at 1 July	82,656,795	73,708,083	75,456,234	67,446,398
Additions	47,249,060	9,110,805	44,016,819	8,171,246
Transfer of asset from related entities	0	0	10,195,147	0
Disposals	(8,546,540)	(162,093)	(23,078,754)	(161,410)
Impairments	0	0	0	0
Gross carrying amount as at 30 June	121,359,315	82,656,795	106,589,446	75,456,234
Accumulated depreciation as at 1 July	37,732,768	34,653,490	33,128,641	30,315,844
Depreciation charge for the year	18,761,087	3,241,084	12,350,408	2,973,983
Transfer of depreciation from related entities	0	0	3,718,251	0
Disposals	(7,921,030)	(161,806)	(13,177,639)	(161,186)
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	48,572,825	37,732,768	36,019,662	33,128,641
NET BOOK VALUE - PROPERTY, PLANT AND EQUIPMENT	72,786,490	44,924,027	70,569,784	42,327,593

13.2 Asset Classes

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Land	5,141,142	5,141,142	4,926,642	5,005,642
Infrastructural assets	26,710,763	11,159,628	25,319,050	11,159,628
Buildings and site improvements	25,885,073	18,320,759	25,005,932	17,389,252
Machinery	8,899,835	7,851,083	5,501,185	6,718,928
Vehicles	4,019,717	1,172,882	3,745,830	1,100,160
Electronic equipment	1,826,937	973,549	5,898,741	703,307
Furniture and Fittings	303,023	304,984	172,404	250,676
NET BOOK VALUE - PROPERTY, PLANT AND EQUIPMENT	72,786,490	44,924,027	70,569,784	42,327,593

13.2 Asset Classes (Cont.)

The Government does not own all the land which its buildings occupy. However, because the Government effectively controls the land and receives the benefits from its use through either direct ownership or long term lease contracts, all land that the Government uses has been recognised as assets.

Infrastructural assets include the Airport runway and the Alofi wharf. Other infrastructural assets, such as roads, street lights and underground cables, are also owned by the Government. These have historically been treated as operating expenditure. Most of these assets have been in use for a considerable time and would, if they had been recognised as assets and depreciated in accordance with the Government's normal depreciation rules, have been almost fully depreciated. New infrastructural assets will be recognised as assets in accordance with the Government's accounting policies.

Buildings and site improvements include: buildings, sheds, paths and lawns around buildings used by the Government, and storage containers.

Vehicles include boats.

Electronic equipment includes computer equipment and peripherals, network equipment to service the Government's internal network, medical equipment, etc.

13.3 Movements per Asset Class

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Land				
Gross carrying amount as at 1 July	5,141,142	5,141,142	5,005,642	5,005,642
Additions	0	0	8,000	0
Transfer of asset from related entities	0	0	0	0
Disposals	0	0	(87,000)	0
Net Book Value - Land	5,141,142	5,141,142	4,926,642	5,005,642
Infrastructural Assets				
Gross carrying amount as at 1 July	20,767,500	20,343,044	20,075,751	19,651,295
Additions	19,874,502	424,456	19,809,739	424,456
Transfer of asset from related entities	0	0	0	0
Disposals	(3,254,798)	0	(8,172,326)	0
Impairments	0	0	0	0
Gross carrying amount as at 30 June	37,387,204	20,767,500	31,713,164	20,075,751
Accumulated depreciation as at 1 July	9,607,872	8,941,713	8,916,123	8,249,964
Depreciation charge for the year	4,133,066	666,159	2,381,902	666,159
Disposals	(3,064,497)	0	(4,903,911)	0
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	10,676,441	9,607,872	6,394,114	8,916,123
Net Book Value - Infrastructural Assets	26,710,763	11,159,628	25,319,050	11,159,628

13.3 Movements per Asset Class (Cont.)

	GROUP		PARENT	
	2021	2016	2021	2016
	\$	Annual \$	\$	Annual \$
Buildings and Site Improvements				
Gross carrying amount as at 1 July	28,716,815	21,954,874	26,302,254	19,618,483
Additions	12,759,996	6,761,941	12,383,265	6,683,771
Transfer of asset from related entities	0	0	0	0
Disposals	(385,312)	0	(957,441)	0
Impairments	0	0	0	0
Gross carrying amount as at 30 June	41,091,499	28,716,815	37,728,078	26,302,254
Accumulated depreciation as at 1 July	10,396,056	9,541,854	8,913,002	8,158,563
Depreciation charge for the year	5,126,984	854,202	4,492,617	754,439
Disposals	(316,614)	0	(683,473)	0
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	15,206,426	10,396,056	12,722,146	8,913,002
Net Book Value - Buildings and Site	25,885,073	18,320,759	25,005,932	17,389,252
Machinery				
Gross carrying amount as at 1 July	14,230,198	13,445,347	12,591,582	12,395,694
Reclassification of property, plant and equipment	0	0	0	0
Additions	5,650,519	845,877	4,444,490	256,914
Transfer of asset from related entities	0	0	1,860,212	0
Disposals	(216,686)	(61,026)	(9,523,382)	(61,026)
Impairments	0	0	0	0
Gross carrying amount as at 30 June	19,664,031	14,230,198	9,372,902	12,591,582
Accumulated depreciation as at 1 July	6,379,115	5,405,089	5,872,654	4,965,068
Reclassification of property, plant and equipment	0	0	0	0
Transfer of depreciation from related entities	0	0	634,416	0
Depreciation charge for the year	4,598,557	1,035,052	1,183,993	968,612
Disposals	(213,476)	(61,026)	(3,819,346)	(61,026)
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	10,764,196	6,379,115	3,871,717	5,872,654
Net Book Value - Machinery	8,899,835	7,851,083	5,501,185	6,718,928

13.3 Movements per Asset Class (Cont.)

	GROUP		PARENT	
	2021	2016	2021	2016
	\$	Annual \$	\$	Annual \$
Vehicles				
Gross carrying amount as at 1 July	6,234,637	6,007,081	4,868,633	4,666,508
Additions	5,696,999	238,556	5,095,915	213,125
Transfer of asset from related entities	0	0	390,172	0
Disposals	(694,617)	(11,000)	(971,332)	(11,000)
Impairments	0	0	0	0
Gross carrying amount as at 30 June	11,237,019	6,234,637	9,383,388	4,868,633
Accumulated depreciation as at 1 July	5,061,755	4,698,365	3,768,473	3,445,491
Transfer of depreciation from related entities	0	0	222,911	0
Depreciation charge for the year	2,638,258	374,390	2,340,081	333,982
Disposals	(482,711)	(11,000)	(693,907)	(11,000)
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	7,217,302	5,061,755	5,637,558	3,768,473
Net Book Value - Vehicles	4,019,717	1,172,882	3,745,830	1,100,160
Electronic Equipment				
Gross carrying amount as at 1 July	6,740,996	6,225,816	6,022,356	5,733,060
Additions	2,930,375	604,962	2,179,226	378,395
Transfer of asset from related entities	0	0	7,938,045	0
Disposals	(3,943,693)	(89,782)	(3,299,664)	(89,099)
Impairments	0	0	0	0
Gross carrying amount as at 30 June	5,727,678	6,740,996	12,839,963	6,022,356
Accumulated depreciation as at 1 July	5,767,447	5,584,385	5,319,049	5,182,730
Transfer of depreciation from related entities	0	0	2,856,021	0
Depreciation charge for the year	1,925,592	272,557	1,775,607	225,194
Disposals	(3,792,298)	(89,495)	(3,009,455)	(88,875)
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	3,900,741	5,767,447	6,941,222	5,319,049
Net Book Value - Electronic Equipment	1,826,937	973,549	5,898,741	703,307
Furniture and Fittings				
Gross carrying amount as at 1 July	825,507	590,779	590,016	375,716
Reclassification of property, plant and equipment	0	0	0	0
Additions	336,669	235,013	96,183	214,585
Transfer of asset from related entities	0	0	6,718	0
Disposals	(51,434)	(285)	(67,609)	(285)
Impairments	0	0	0	0
Gross carrying amount as at 30 June	1,110,742	825,507	625,308	590,016
Accumulated depreciation as at 1 July	520,523	482,084	339,340	314,028
Reclassification of property, plant and equipment	0	0	0	0
Transfer of depreciation from related entities	0	0	4,903	0
Depreciation charge for the year	338,630	38,724	176,208	25,597
Disposals	(51,434)	(285)	(67,547)	(285)
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	807,719	520,523	452,904	339,340
Net Book Value - Furniture and Fittings	303,023	304,984	172,404	250,676
NET BOOK VALUE - PROPERTY, PLANT AND E	72,786,490	44,924,027	70,569,784	42,327,593

13.4 Work in progress

The total amount of assets in the course of construction included in the cost of Property, Plant and Equipment is \$0.7m (2016: \$0.1m). Depreciation on these assets had not been started by 30 June.

14 SOFTWARE

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Gross carrying amount as at 1 July	538,272	493,927	488,664	488,664
Additions	235,088	44,345	108,603	0
Transfer of asset from/to related entities	0	0	0	0
Disposals	0	0	(146,478)	0
Impairments	0	0	0	0
Gross carrying amount as at 30 June	773,360	538,272	450,789	488,664
Accumulated depreciation as at 1 July	344,795	292,341	335,900	290,411
Depreciation charge for the year	259,173	52,454	146,655	45,489
Transfer of depreciation from/to related entities	0	0	0	0
Disposals	0	0	(130,807)	0
Impairments	0	0	0	0
Accumulated depreciation as at 30 June	603,968	344,795	351,748	335,900
NET BOOK VALUE - SOFTWARE	169,392	193,477	99,041	152,764

Software includes separately acquired computer programmes and the directly attributable cost of implementing comprehensive computer-based information systems.

15 TRADE AND OTHER CREDITORS

	GROUP		PARENT	
	2021	2016 Annual	2021	2016 Annual
	\$	\$	\$	\$
Trade creditors	3,193,817	2,690,693	3,637,037	1,609,029
Tax liabilities (refunds)	521,462	263,793	537,340	350,986
Other creditors	1,558,726	190,840	471,019	66,255
TOTAL AND OTHER CREDITORS	5,274,005	3,145,326	4,645,396	2,026,270

16 EMPLOYEE ENTITLEMENTS

Accrued salaries (current)	328,432	12,367	309,503	0
Leave entitlements (see below for classification)	1,958,115	1,324,416	1,766,269	1,232,163
EMPLOYEE ENTITLEMENTS	2,286,547	1,336,783	2,075,772	1,232,163

Leave entitlements include current and non current entitlements, as follows.

Current entitlements	1,079,406	601,376	941,535	553,499
Non current entitlements	878,709	723,040	824,734	678,664
LEAVE ENTITLEMENTS	1,958,115	1,324,416	1,766,269	1,232,163

Movements in leave entitlements can be summarised as follows.

Balance as at 1 July	1,324,416	1,374,750	1,232,163	1,274,890
Transfer of Telecom Niue Annual Leave Balance	0	0	(82,902)	0
Effect of salary increases	280,914	23,439	266,490	22,878
Effect of discounting	(41,823)	(33,737)	(29,876)	(33,223)
Effect of early resignations	(44,514)	(40,129)	(37,346)	(39,821)
Net effect of additional and utilised entitlements	439,122	93	417,740	7,439
LEAVE ENTITLEMENTS AS AT 30 JUNE	1,958,115	1,324,416	1,766,269	1,232,163

17 TERM LOANS

	GROUP		PARENT	
	2021	2016	2021	2016
	\$	Annual \$	\$	Annual \$
Balance as at 1 July	0	0	0	0
New loans drawn down	0	0	0	0
Repayments	0	0	0	0
Forgiven	0	0	0	0
Gross carrying amount of Term Loans	0	0	0	0
Deduct: Current portion	0	0	0	0
NON CURRENT PORTION OF TERM LOANS	0	0	0	0

18 FINANCIAL INSTRUMENTS

18.1 Credit risk

The Government of Niue and its associated parties incur credit risk from financial institutions, loan debtors, tax debtors, trade debtors and other debtors. The Government has placed its funds as cash and interest bearing deposits with the Westpac Banking Corporation and Kiwibank in New Zealand. Loans are only advanced to borrowers that meet certain credit criteria.

18.2 Interest rate risk

The Government places surplus funds on short term interest bearing deposits that are subject to normal market fluctuations.

18.3 Currency risk

The Government has placed some donor funds in a Euro bank account; the value of these funds is subject to normal market fluctuations.

18.4 Fair value

Financial instruments are recorded at their fair value.

19 COMMITMENTS

	GROUP		PARENT	
	2021	2016	2021	2016
	\$	Annual \$	\$	Annual \$
Property, Plant & Equipment	0	0	0	0
Software	0	0	0	0
Capital Commitments	0	0	0	0
Loans approved but not yet drawn by borrowers	784,280	263,169	0	0
Not later than one year	367,567	0	0	0
Later than one year and not later than five years	104,139	0	0	0
Later than five years	83,116	0	0	0
Operating Lease Commitments	554,822	0	0	0
Not later than one year	325,856	1,189,179	322,856	1,189,179
Later than one year and not later than five years	456,789	265,258	456,789	265,258
Later than five years	0	0	0	0
Other Operating Commitments	782,645	1,454,437	779,645	1,454,437
TOTAL COMMITMENTS	2,121,747	1,717,606	779,645	1,454,437

20 CONTINGENT LIABILITIES

20.1 Coin issues

The Niue Philatelic and Numismatic Corporation issues coin for the numismatic collectors' market. These coins are legal tender only in Niue. Coins may therefore be redeemed against the Niue Philatelic and Numismatic Corporation or the Government of Niue. However, because of the nature of the coins and because they are only legal tender within Niue, it is considered unlikely that any material amount will be redeemed.

20.2 Air services agreement

The Government of Niue and Air New Zealand have an arrangement in place, under which Air New Zealand undertakes to deliver regular air services from NZ to Niue exclusively. In return, Air New Zealand is entitled to monetary compensation if, over the course of a calendar year, the profitability of these services fails to reach a certain minimum threshold. As at 30 June 2021 (and prior to signing of these financial statements) negotiations are ongoing and therefore a liability has not been recognised (2016: \$0.3m).

21 FINANCIAL SUSTAINABILITY

Niue is a self governing country in free association with New Zealand. Through the Niue Constitution Act 1974, New Zealand has committed itself to providing Niue with the necessary economic and administrative assistance. Niue relies on New Zealand's ongoing support, which presently includes: (a) annual budget support, (b) funding for specified development projects, (c) funding for short term and longer term technical advisors, (d) contributions to the Niue International Trust Fund, and (e) support for an air services agreement with Air New Zealand that brings a stable air service to Niue.

New Zealand continues to be committed to the Forward Aid Program of \$70 million baseline for 2017, 2018, 2019, 2020, 2021. This is considered sufficient to meet the Government of Niue's operational commitments and ensure adequate capital investment in Niue's key assets.

From 1 July 2018, New Zealand's annual budget support is paid in advance for the entire year, rather than quarterly.

Niue is committed to improving its financial sustainability by: (a) approving balanced budgets that are based on realistic estimates of revenue and expenditure, (b) implementing a new financial management information system and using this to work towards timely preparation of monthly and annual financial statements, and (c) diversifying its revenue streams through improved trading activities.

22 REVENUE WITH UNCERTAINTY RELATING TO COMPLETENESS

Necessary controls were not in place to provide the auditors with sufficient assurance around the complete recognition of all revenue from NCT, import duties and port charges which are included in Taxes, Duties and Fines. The line "Taxes, Duties & Fines" in the Income Statement can be specified as follows.

	GROUP		PARENT	
	2021	2016	2021	2016
	\$	Annual \$	\$	Annual \$
NCT, import duties and port charges	23,170,389	4,035,835	23,170,389	4,035,835
Other taxes	19,812,569	2,646,264	20,180,819	2,799,939
Fines, landing rights and other registration fees	10,290,547	1,720,738	10,290,547	1,720,738
TOTAL TAXES, DUTIES & FINES	53,273,505	8,402,837	53,641,755	8,556,512

Necessary controls were not in place to provide the auditors with sufficient assurance around the complete recognition of all revenue from Sale of Goods and Services. The line "sale of Goods and Services" in the Income Statement can be specified as follows:

Government departments excluding Telecom Niue	36,250,243	8,223,134	36,250,243	6,049,420
Telecom Niue	7,672,230	1,528,238	0	1,528,238
Niue Development Bank	324,964	75,658	0	0
Broadcasting Corporation of Niue	867,617	119,310	0	0
Niue Philatelic & Numismatic Corporation	13,757,440	891,778	0	0
Niue Bond Liquor Company Ltd	8,574,146	1,399,626	0	0
Niue Commercial Enterprises Ltd	0	64,556	0	0
Intercompany eliminations	(12,946,624)	(2,291,856)	0	0
TOTAL SALE OF GOODS & SERVICES	54,500,016	10,010,444	36,250,243	7,577,658

APPENDIX: TRADING ACTIVITIES
For the five years ended 30 June 2021

The trading activities of the Government of Niue are conducted by various Government departments, corporations and companies. The financial performance and position of the corporations and companies is disclosed in separately published Financial Statements. This Appendix summarises the financial performance of the following trading departments:

- Telecom Niue provides telephone services. On 1 July 2016, Telecom Niue was transferred to its own separate legal entity called Telecom Niue Limited. This Company, which is wholly owned by the Government, publishes its own Financial Statements, and hence the Telecom Niue trading statement has therefore been removed from this appendix.
- Niue Power is the country's only vendor of electricity. Niue Power owns and maintains the national grid, and generates and reticulates electricity. On the 1 July 2016 Niue Power was transferred to be part of Niue Philatelic and Numismatic Corporation, prior to being transferred back to the Government of Niue on 31 May 2020.
- Bulk Fuel is the country's only importer of fuel, which it sells on a wholesale basis.
- Outside Services is part of the Public Works Department. Its primary activities are: maintaining the wharf and providing port operations, and maintaining and hiring out earthmoving and agricultural machinery.

The schedules below are prepared on an accrual basis using the Government's accounting policies as summarised in Note 2. Overall, depreciation (which is not appropriated) is the most significant variance to budget.

BULK FUEL

	2021 Actual \$	2021 Appropriated \$	2016 Annual Actual \$
Sales Income	24,096,140	22,251,000	5,576,416
Cost of Sales	(21,153,019)	(17,308,000)	(4,079,680)
Gross Profit	<u>2,943,121</u>	<u>4,943,000</u>	<u>1,496,736</u>
Overhead Expenditure			
Personnel Expenses	1,529,150	1,149,000	205,314
Depreciation and Amortisation	296,696	0	94,016
Maintenance & Materials	332,108	331,000	55,637
Travel & Transport	691,255	442,000	92,900
Other Expenses	1,195,523	959,000	222,049
Total Overhead Expenditure	<u>4,044,732</u>	<u>2,881,000</u>	<u>669,916</u>
BULK FUEL - CONTRIBUTION TO/(USE OF) GOVERNMENT DEFICIT	<u>(1,101,611)</u>	<u>2,062,000</u>	<u>826,820</u>

On a pro-rata basis, sales and cost of sales for the 5 year period from 1 July 2016 to 30 June 2021 has decreased from the 2016 financial period. This is due to the elimination of intercompany sales and respective cost of sales of bulk fuel to Niue Power, as Niue Power was transferred to Niue Philatelic and Numismatic Corporation on 1 July 2016. The appropriated budget did not account for the elimination of these intercompany sales or the costs of sales.

The increase in expenditure compared to last year is mostly due to the continued increase in salaries and wages, headcount and turnover of employees. The increase in salaries and wages were factored into the appropriated budget.

APPENDIX: TRADING ACTIVITIES (Cont.)
NIUE POWER

	2021 Actual \$	2021 Appropriated \$	2016 Annual Actual \$
Income			
Sale of Electricity	2,367,656	2,200,000	1,935,862
Reticulation Services	285	0	34,881
Other Income	513,927	5,000	2,681
Total Income	<u>2,881,868</u>	<u>2,205,000</u>	<u>1,973,424</u>
Cost of Sales	(1,486,719)	(1,186,000)	(1,410,554)
Gross Profit	<u>1,395,149</u>	<u>1,019,000</u>	<u>562,870</u>
Overhead Expenditure			
Personnel Expenses	589,484	417,000	420,694
Depreciation and Amortisation	791,895	0	887,556
Maintenance & Materials	219,384	183,000	152,273
Travel & Transport	73,759	37,500	43,939
Other Expenses	2,550,794	80,500	142,495
Total Overhead Expenditure	<u>4,225,316</u>	<u>718,000</u>	<u>1,646,957</u>
NIUE POWER - CONTRIBUTION TO/(USE OF) GOVERNMENT DEFICIT	<u>(2,830,167)</u>	<u>301,000</u>	<u>(1,084,087)</u>

Niue Power has a deficit of \$2.8m primarily due to debtor write offs, impairment of net assets and depreciation and amortisation which was not factored into the appropriation budget. Electricity sales has slightly increased due to higher volumes of electricity usage with cost of sales power generation being relatively inline.

OUTSIDE SERVICES

	2021 Actual \$	2021 Appropriated \$	2016 Annual Actual \$
Income			
Port Operations	1,870,875	2,679,000	144,832
Hire of Plant & Equipment	1,116,747	877,000	187,042
Total Income	<u>2,987,622</u>	<u>3,556,000</u>	<u>331,874</u>
Overhead Expenditure			
Personnel Expenses	1,767,416	1,381,000	400,478
Depreciation and Amortisation	677,176	0	113,312
Maintenance & Materials	323,651	296,300	79,602
Travel & Transport	512,516	408,000	110,679
Other Expenses	4,547	3,700	2,824
Total Overhead Expenditure	<u>3,285,306</u>	<u>2,089,000</u>	<u>706,895</u>
OUTSIDE SERVICES - CONTRIBUTION TO/(USE OF) GOVERNMENT DEFICIT	<u>(297,684)</u>	<u>1,467,000</u>	<u>(375,021)</u>

The significant shortfall in revenue is due to shortfalls in Customs' collection of port charges.
The decrease in maintenance costs compared to the previous period resulted from significant planned maintenance in the previous period.
\$677k of depreciation was not factored into the appropriation.

APPENDIX: PERFORMANCE

A1 Accrual based performance (Parent)

Overview

The accrual-based financial performance of the Parent can be summarised as follows.

	PARENT		
	2017 - 2021	2017 - 2021	2016
	Actual	Appropriated	Annual
	\$	\$	Actual
			\$
Recurrent Surplus/(Deficit)	(17,178,531)	(2,857,310)	(3,165,156)
Donors & Projects - Net	50,854,911	(4,046,000)	8,574,838
NET SURPLUS/(DEFICIT)	33,676,380	(6,903,310)	5,409,682

The Government (Parent) incurred a surplus of \$33.7m for the five year's ended 30 June 2021, compared to an appropriated deficit of \$6.9m and a surplus of \$5.4m in the previous year.

The recurrent deficit was significantly in line with prior period when pro-rated at \$17.2m, compared to \$3.2m. The net surplus from Donors & Projects was sufficient to cover this deficit.

Further details of variances against the budget and against the previous year are discussed below.

A2 Accrual Based Performance (Parent)

Recurrent - actual to budget

Recurrent income was \$2.4m higher than budgeted. Major variances to budget include:

- Tax, Duties & Fines was \$5.3m above the budget primarily due to budgets being prepared conservatively. Individualised income tax and fishing rights revenue was \$2.5m and \$1.1m respectively were above budget.
- Telecom Niue Limited and the Niue Philatelic and Numismatic Corporation were not in a position to distribute dividends as budgeted because the entities were generating losses across the multi-year period, resulting in a negative variance of \$1.8m.

Departmental expenditure was \$16.8m higher than appropriated. However, on a consistent basis, actual department expenses (excluding depreciation) spent \$4.3m less than appropriated. Major variances to budget include:

- Decrease in personnel expenditure by \$1.6m as Niue Power and Civil & Quarry were not budgeted to be included in periods 1 July 2016 - 30 June 2020. This is primarily because Niue Power and Civil & Quarry transferred to NPNC on the 1 July 2016 and transferred back to the Government on the 31 May 2020.
- Other expenditure has increased by \$10.5m mainly due to an increase in professional related expenditure over the period due to significant projects falling into this 5 year period such as the Manatua cable project.

Recurrent - 5 year comparison from 30 June 2016

Compared to 30 June 2016, departmental income increased by \$112.2m. This increase is attributed to the transfer of the departments of Niue Power and Telecom Niue from the Parent. Major variances to last year include:

- Tax, Duties and Fines increased by \$45.1m from \$8.5m to \$53.6m for the 5 year period to 30 June 2021. Tax income has steadily increased over the 5 year period as the public is continuously being educated on tax obligations for income tax, corporate tax and Niue Consumption Tax.
- Trading income increased by \$67.1m from \$15.6m to \$82.7m for the 5 year period to 30 June 2021. Donor recurrent funding has remained consistent at \$7.5m over the 5 year period. Other income has increased by \$7.2m mainly due to contributions from the Niue International Trust Fund.

Compared to 30 June 2016, departmental expenditure increased by \$126.2m. Major variances to the 30 June 2016 period include:

- Cost of sales has increased by \$19m as a result of the transfer of Niue Power's bulk fuel cost to Niue Philatelic and Numismatic Corporation.
- Personnel expenses has increased by \$51.3m due to the hiring of new employees, salary increases over the 5 year period and a higher rate of attrition for government staff during the COVID-19 period resulting in an increase in expenditure due to redundancy and final pay on termination.
- Subsidy and welfare costs increased by \$16.3m from \$3.7m to \$20m primarily due to covid-19; food security, wage subsidy, infrastructure, business and private sector support.
- Depreciation decreased by \$9.5m primarily due to the transfer of Niue Power and Telecom Niue departments assets at the beginning of 1 July 2016.
- Other expenses increased by \$18.7m primarily driven by the increased costs of the professional fees as mentioned above in the actual to budget analysis.

A2 Accrual Based Performance (Parent) (Cont.)

Trading Activities - actual to budget

Trading activities (including Bulk Fuel, Power & Outside Services) was \$8m behind budget. All trading activities are operating at a deficit for the 5 year period and the significant contributing factors are:

- Bulk Fuel appropriation did not factor the elimination of intercompany sales and cost of sales between the Bulk fuel department and Niue Power. Additionally, personnel costs has steadily increased due to headcount, salary increases and turnover. These factors have impacted Bulk fuel's gross margin and bottom line resulting in being \$3.2m behind budget.
- Niue Power did not factor debtor write offs, impairment of net assets and depreciation and amortisation into the appropriation budget. These factors have impacted Niue Power's bottom line resulting in being \$3.1m behind budget.
- Outside Services' deficit amounted to \$0.3m, compared to a budgeted surplus of \$1.5m. Apart from depreciation, the loss resulted mainly from revenue shortfalls caused by lesser ships utilising Niue's wharf over the COVID-19 period whilst operating expenditure remained equal.

Donors and Projects - actual to budget

Project expenditure for donor-funded projects was budgeted at \$100.3m whereas project receipts were budgeted at \$96.2m. The net budgeted deficit was \$4m. However, actual project receipts (including internally funded projects) exceeded project expenditure by \$50.9m. This is due to cost savings from donor projects such as the Manatua cable, new Fale fono, wharf upgrade and fiber network.

Remaining unspent project receipts are recognised under Donor Trust Funds as a restricted part of Equity to ensure that they are spent according to the agreed projects' outcomes; Note 6, provides details of project funds and movements. Project expenditure amounting to \$31.5m was capitalised.

Donors and Projects - compared to last year

Compared to 30 June 2016, projects' contribution to net surplus increased by \$42.3m from \$8.6m to \$50.9m.

Note 6, shows details of project receipts and expenditure.

Budget Approval

The Assembly passed the budgets for the five financial years on the following dates:

- 2017 Appropriation on 17 August 2016, appropriating expenditure to a limit of \$23,740,000 recurrent plus \$9,423,000 donor/project funded; total appropriated expenditure for the Government amounted to \$33,163,000. Estimated revenue amounted to \$33,163,000 resulting in a budgeted surplus of \$0.
- 2018 Appropriation on 31 August 2017, appropriating expenditure to a limit of \$28,414,000 recurrent plus \$10,582,000 donor/project funded; total appropriated expenditure for the Government amounted to \$38,996,000. Estimated revenue amounted to \$37,827,000 resulting in a budgeted deficit of \$1,169,000.
- 2019 Appropriation on 23 August 2018, appropriating expenditure to a limit of \$25,326,000 recurrent plus \$19,062,000 donor/project funded; total appropriated expenditure for the Government amounted to \$44,388,000. Estimated revenue amounted to \$44,388,000 resulting in a budgeted surplus of \$0.
- 2020 Appropriation on 5 August 2019, appropriating expenditure to a limit of \$28,173,000 recurrent plus \$21,157,000 donor/project funded; total appropriated expenditure for the Government amounted to \$49,330,000. Estimated revenue amounted to \$49,330,000 resulting in a budgeted surplus of \$0.
- 2020 Supplementary Appropriation (COVID-19) on 8 April 2020, appropriating expenditure to a limit of \$28,173,000 recurrent plus \$28,157,000 donor/project funded; total appropriated expenditure for the Government amounted to \$56,330,000. Estimated revenue amounted to \$56,330,000 resulting in a budgeted surplus of \$0.
- 2021 Appropriation on 1 July 2021, appropriating expenditure to a limit of \$31,082,000 recurrent plus \$25,030,000 donor/project funded; total appropriated expenditure for the Government amounted to \$56,112,000. Estimated revenue amounted to \$50,378,000 resulting in a budgeted deficit of \$5,734,000.

The Appropriation Acts apply to the Parent only. Most subsidiaries prepare a budget that is tabled in the Assembly, but these budgets do not have the legal status of appropriations. Therefore, the comparatives in the Income Statement show only the budget for the Parent.

Furthermore, appropriated expenditure includes capital items and items between Government departments and entities that are eliminated from the accrual-based Income Statement. Budgeted surplus or deficit as shown in an Appropriation Act therefore differs from budgeted surplus or deficit as shown in the Appropriation column in the Income Statement.

The budgeted surplus according to the Supplementary Appropriation Act can be reconciled to the accrual-based Income Statement as follows.

	PARENT 2017 - 2021 Appropriated \$
Budgeted Revenue - Appropriation Act	230,086,000
Eliminate: Sales between Departments	0
Eliminate: Dividend received from Telecom	0
Budgeted Revenue - Income Statement	<u>230,086,000</u>
Budgeted Expenditure - Appropriation Act	236,989,310
Eliminate: Sales between Departments	0
Eliminate: Dividend received from Telecom	0
Deduct: Capital Expenditure	0
Deduct: Capital Expenditure	0
Budgeted Expenditure - Income Statement	<u>236,989,310</u>
BUDGETED SURPLUS/(DEFICIT) - APPROPRIATION ACT	(6,903,310)
Add back: Capital Expenditure	0
BUDGETED SURPLUS/(DEFICIT) - INCOME STATEMENT	<u>(6,903,310)</u>

No adjustments are made for accrual-based expense items that are not appropriated. Examples include capitalised project expenditure, depreciation and impairment losses and reversals.

A3 Accrual Based Performance (Group)

The consolidated surplus of the Group can be summarised as follows.

	GROUP	
	2017 - 2021	2016
	Annual	
	\$	\$
Parent	33,676,380	5,409,682
Niue Development Bank	956,465	232,816
Broadcasting Corporation of Niue	(597,760)	0
Niue Philatelic and Numismatic Corporation	(390,931)	187,563
Niue Bond Liquor Company Limited	800,186	100,098
Niue Commercial Enterprises Limited	52,601	347,255
Telecom Niue Limited	(3,098,752)	(3,688)
Intergroup Eliminations with an effect on Group Surplus	2,900,097	(100,095)
Minority Interest in Group Surplus	0	0
GROUP SURPLUS	34,298,286	6,173,631

(Some of these figures may differ from those disclosed in the subsidiaries' own Financial Statements, if adjustments were required to align their accounting treatments with those of the Group.)

The financial performance of the Niue Philatelic and Numismatic Corporation deteriorated by \$0.6m in the 5 year period. This was mostly the result of additional depreciation, personnel and bulk fuel expenses that have been incurred with the transfer of Niue Power into Niue Philatelic and Numismatic Corporation. In addition, when Niue Power and Civil and Quarry transferred back to Parent, there was a loss on the disposal of assets. Subsequently any additional revenue earned from Niue Power department in 171 - 201 has not been able to offset the additional expenditure and costs incurred.

The financial performance of Broadcasting Corporation of Niue has deteriorated by \$0.6m which was mostly the result of the loss incurred due to the fire at BCN leading to destruction of assets. This meant that BCNs books and records following the fire were limited for a period. There is higher general expenses incurred by the company subsequently following the fire.

Telecom Niue Limited became operational on 1 July 2016 and incurred a loss of \$3.1m across the 5 year period. A significant expense for Telecom is its personnel costs of \$3.3m across the 5 years. In addition there has been \$2m non-cash expenses in relation to depreciation and loss on disposals of assets. Investment in infrastructure and property, plant and equipment has been a focus, however revenue and returns on the infrastructure have not been able to generate a profit.

Niue Bond Liquor Company Limited has continued to have positive financial performance in the past five years, however like all, has been impacted by COVID-19 from March 2020 onwards. Sales reduced with no tours on island for 1.5 of the 5 year period, though the company remained profitable.

The financial performance of Treasury has been discussed in Appendix A1.

APPENDIX: OTHER COMMENTARY

A4 Major Asset Maintenance

A4.1 Airport Runway Maintenance

The runway of Hanan International Airport is the country's single most expensive asset. Its foundations are expected to have a useful life of many more decades. However, the runway surface needs to be renewed every 15-25 years. The last surface renewal was completed in 1995. In April 2015, Beca Consultancy Ltd reported on the condition of the runway, and advised that, if some intermediate measures were taken (which was completed in 2017), major resurfacing can be delayed to 2019 or shortly thereafter. A new scoping project was completed in 2019; a project to resurface the runway, upgrade/repair the perimeter fence and upgrade the airfield lighting is expected to cost approximately \$34m. Exact timing of the project is yet to be determined.

A4.2 Airport Terminal Building

A refurbishment of the terminal building in order to increase capacity to 220 passengers has been proposed, with an estimated cost of \$8m.

A4.3 Alofi Wharf Repair/Rebuild

In 2014, a cavern was found underneath the Alofi Wharf. Temporary repairs were undertaken, however, subsequent surveys have revealed that the Wharf is in urgent need of repairs, including the replace of the front wall, at a cost of approximately \$1m. Also, an extension at the working face has been recommended, which will cost between \$8m and \$15m.

In October 2019 the Asian Development Bank prepared a prefeasibility study on options for the future of wharf, which noted costs of up to \$40m could be required.

In January 2020 following Tropical Cyclone Tino the wharf was damaged with a collapse of part of the north side of the wharf. A temporary plan was put in place to allow for continued offloading of cargo vessels, however this latest event has increased the need for repair/rebuild of the wharf to be done. Currently a project of further consultation and assessment is being done with work expected to be done in 2023.

A4.4 Road Maintenance

Sub-standard foundation work, lack of regular maintenance and cutting through road surfaces by cable layers have resulted in a significant deterioration of Niue's main roads. The Government has submitted a proposal to the Government of China to rebuild all major roads and some smaller roads. The proposal was costed at \$30m. The Government of China has indicated that approximately USD \$11m is available, which would be sufficient for the southern half of the country. A technical review of the proposal is underway, which may result in changes to the cost estimate. Actual work is envisaged to start in late 2023.

A4.5 Matavai Resort

In 2011, ownership of the Matavai Resort passed to the Niue Tourism Property Trust. The Trust was settled by the Government of New Zealand to facilitate the refurbishment and expansion of the Resort. The Trust deed stipulated that the Trust will vest its assets in the Government of Niue no later than in 2021. This date has since passed and an extension of the vesting date has been agreed with the Government of New Zealand for 5 more years to 31 March 2026.