



**Government of the Kingdom of Tonga**

**Financial Statements  
for the year ended 30 June 2012**

Ministry of Finance & National Planning  
Nuku'alofa  
April 2014

## Government of the Kingdom of Tonga

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**STATEMENT OF RESPONSIBILITY**

The financial statements of the Government of the Kingdom of Tonga for the year ended 30<sup>th</sup> June 2012 have been prepared under the Public Finance Management Act 2002 and in accordance with International Public Sector Accounting Standards (IPSAS).

I accept responsibility for the integrity of these financial statements, their contents and their compliance with the above mentioned mandates.

In recent years the Ministry of Finance and National Planning has undertaken a major task to convert the basis of financial reporting from the traditional cash basis to cash modified approach to enable us to include accounting for assets and liabilities. Work towards this end continues as it remains to fully account for all receivables and payables and to complete the full valuation of government properties, plants and equipment. However, much progress has been made and the revised format of the financial statements for the year is an improvement towards the reform of financial management.

Therefore, in my opinion, the financial statement except for limitations as mentioned above, present a true and fair view of the financial position of the Government of Tonga as at 30<sup>th</sup> June 2012, and its financial performance for the year ended on that date.



'Aisake Valu Eke



*Minister for Finance and National Planning*

26<sup>th</sup> April, 2014

**STATEMENT OF RESPONSIBILITY**

These financial statements have been prepared by the Ministry of Finance and National Planning in accordance with the provisions of the Public Finance Management Act 2002. The financial statements comply with generally accepted accounting practice.

The Ministry of Finance and National Planning is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the transactions recorded are within the statutory authority and properly record the use of all public financial resources by the Government. The Ministry continues to review and improve on this system year by year. To the best of my knowledge, this system of internal control has operated adequately throughout the reporting period.



.....  
Tatafu Moeaki

*Chief Executive Officer for Finance and National Planning*

26<sup>th</sup> April, 2014

**AUDITOR GENERAL'S INDEPENDENT REPORT  
TO THE HONOURABLE MEMEBERS OF THE LEGISLATIVE ASSEMBLY ON THE  
FINANCIAL STATEMENTS OF GOVERNMENT OF THE KINGDOM OF TONGA**

**Audit Duty**

I have audited the accompanying Financial Statements of the Government of Tonga, as set out on pages 6 to 36 which comprise the statement of assets and liabilities as at 30<sup>th</sup> June 2012, and the statement of Income and Expenditure, Receipts and Payments, and statement of changes in Fund Balances for the year then ended, and a summary of significant accounting policies and other explanatory statements and information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institution (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

**Basis for Qualified Opinion**

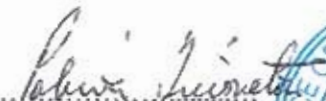
**i) Modification to the cash basis of accounting**

As reported by the Hon. Minister in his statement of responsibility (page 1) that as in previous years, and in trying to comply with the terms of the Public Finance Management Act 2002 he had modified the cash basis of accounting that had been used in the old mandate, in order to bring into the body of the statement of assets and liabilities the investments, public debts, and physical assets. He also asserted that although that this exercise is yet to be completed, the position of assets and liabilities disclosed in the financial statements as at 30<sup>th</sup> June, 2012 is a more realistic disclosure of assets and liabilities than if he still prepares the financial statements under the cash basis of accounting.

As auditor, I fully agree with the assertion made by the Hon. Minister, and fully support the continuation of this exercise until we reach a situation where the financial statements of governments are reported on a full accrual basis of accounting.

### Qualified Audit Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects the financial position of the Government of Tonga at 30<sup>th</sup> June, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Dr Pohiva Tu'i'onetoa  
AUDITOR GENERAL



Nuku'alofa  
TONGA  
16<sup>th</sup> June, 2014

# Government of the Kingdom of Tonga

## STATEMENT OF RECEIPTS AND PAYMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2011-12		2010-11	
		Receipts/Payments by :		Receipts/Payments by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
<b>OPERATING RECEIPTS</b>	2				
Income Taxes		25,292,835		38,344,742	
Trade Taxes		13,584,685		12,635,635	
Domestic fees and Licensing		15,594,460		-	
Taxes on Goods and Services		54,734,034		49,600,697	
Excise Tax		28,979,019		28,740,206	
Entrepreneurial and Property Income		5,678,888		4,611,886	
Administrative Fees & Charges		-		17,793,239	
Miscellaneous Revenue		554,207		965,026	
Transfers and Bond Receipts		3,678,991.24		10,391,844	
<b>Total Operating Receipts</b>		<b>148,097,119</b>		<b>163,083,274</b>	
<b>OPERATING PAYMENTS</b>	3				
Established Staff		82,568,066		87,144,063	
Unestablished Staff		2,592,783		2,531,815	
Travel and Communication		8,656,841		7,031,556	
Maintenance and Operations		8,530,432		9,598,161	
Purchase of Goods and Services		23,658,203		20,437,554	
Operational Grants and Transfers		14,932,754		23,015,187	
Development Duties Expenditure		195,253		-	
Debt Management		15,919,344		22,801,034	
Pension and Gratuities		5,844,061		-	
Capital Expenditure		2,650,284		2,165,923	
Equity Payment		520,429		1,676,979	
Privy Purse		-		944,702	
<b>Total Operating Payments</b>		<b>166,068,450</b>		<b>177,346,974</b>	
<b>Operating Surplus/ (Deficit)</b>		<b>(17,971,331)</b>		<b>(14,263,700)</b>	
<b>Budget Support</b>	13	<b>37,081,755</b>		<b>23,576,138</b>	
<b>Net Operating Surplus/ (Deficit) with Budget Support</b>		<b>19,110,424</b>		<b>9,312,438</b>	
Grants & External Concessional Loans Receipts	12	43,428,314		29,678,627	
Expenditure from Grants & External concessional Loans	12	41,356,143		32,853,101	
<b>Net Receipts/(Deficit) from Grants and External Concessional Loans</b>		<b>2,072,171</b>		<b>(3,174,474)</b>	
<b>INCREASE/(DECREASE) IN CASH FROM OPERATIONS</b>		<b>21,182,595</b>		<b>6,137,963</b>	
<b>CHANGES IN CASH BALANCES:</b>					
Cash at Bank and in Hand - 1 July		41,121,000		45,918,172	
Cash at Bank and in Hand - 30 June	5	59,949,384		41,121,000	
<b>Net Increase /(Decrease) in Cash</b>		<b>18,828,384</b>		<b>(4,797,173)</b>	
<i>Plus:</i> Net changes in Advances and Trust Money Accounts		2,354,212		10,935,136	
<b>INCREASE/(DECREASE) IN CASH FROM OPERATIONS</b>		<b>21,182,595</b>		<b>6,137,963</b>	

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.

# Government of the Kingdom of Tonga

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2011-2012		2010-11	
		Income/Expenditure by :		Income/Expenditure by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
<b>OPERATING INCOME</b>	2				
Income Tax		25,292,835		38,344,742	
Trade Taxes		13,584,685		12,635,635	
Domestic fees and Licensing		15,594,460		-	
Taxes on Goods and Services		54,734,034		49,600,697	
Excise Tax		28,979,019		28,740,206	
Entrepreneurial and Property Income		5,678,888		2,939,813	
Administrative Fees & Charges		-		17,793,239	
Miscellaneous Revenue		554,207		784,761	
Capital and Other Transfer		-		1,006,203	
<b>Total Operating Income</b>		<b>144,418,127</b>		<b>151,845,295</b>	
<b>OPERATING EXPENDITURE</b>	3				
Established Staff		82,568,066		87,234,529	
Unestablished Staff		2,592,783		2,600,514	
Travel and Communication		8,656,841		7,034,950	
Maintenance and Operations		8,530,432		9,621,926	
Purchase of Goods and Services		23,658,203		20,494,388	
Operational Grants and Transfers		14,932,754		23,015,187	
Development Duties Expenditure		195,253		-	
Public Debt Cost		7,241,776		6,463,950	
Pension and Gratuities		5,844,061		-	
Privy Purse		-		944,702	
<b>Total Operating Expenditure</b>		<b>154,220,168</b>		<b>157,410,146</b>	
<b>Excess of Income over Expenditure</b>		<b>(9,802,041)</b>		<b>(5,564,851)</b>	
<b>Budget Support</b>	13	<b>37,081,755</b>		<b>23,576,138</b>	
<b>Net Excess of Income Over Expenditure with Budget Support</b>		<b>27,279,714</b>		<b>18,011,287</b>	

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.



# Government of the Kingdom of Tonga

## STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Revenue Fund Balance \$	Development Fund Balance \$	Total \$
<b><u>Financial Year 2010/2011</u></b>				
Revenue Fund Balance as at 1 July 2010		(2,458,438)	30,457,881	27,999,443
Net Excess of Income over Expenditure with Budget Support for the year ended 2011		18,011,287	(3,174,475)	14,836,812
Adjustments for Prior Years processed in 2011		276,411	-	276,411
Revenue Fund Balance as at 30 June 2011		15,829,260	27,283,407	43,112,666
Effect of Accounting for Assets & Liabilities		13,553,404	-	13,553,404
<b>Total Fund Balance as at 30 June 2011</b>		<b>29,382,664</b>	<b>27,283,407</b>	<b>56,666,070</b>
<b><u>Financial Year 2011/2012</u></b>				
Net Excess of Income over Expenditure with Budget Support for the year ended 2012		27,279,714	2,075,624	29,355,338
Adjustments to Prior Years processed in 2012		(2,001,176)	(3,453)	(2,004,629)
Revenue Fund Balance as at 30 June 2012		41,107,798	29,355,577	70,463,375
Effect of Accounting for Assets & Liabilities	16	(15,946,733)	-	(15,946,733)
<b>Total Fund Balance as at 30 June 2012</b>		<b>25,161,065</b>	<b>29,355,577</b>	<b>54,516,643</b>

*The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.*

# Government of the Kingdom of Tonga

## STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2012

	Notes	2011-12		2010-11	
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash at Bank and in Hand	5	59,949,383		41,121,000	
Inventories		-		-	
Receivable	8	678,991		697,714	
Charges to Individuals	6	87,580		87,730	
<i>Total Current Assets</i>			60,715,955		41,906,444
<b>NON-CURRENT ASSETS</b>					
Receivables	8	63,191,374		40,042,129	
Investments	7	117,363,467		116,158,941	
Property, Plant & Equipment	9	177,274,197		175,532,718	
<i>Total Non-Current Assets</i>			357,829,039		331,733,787
<b>TOTAL ASSETS</b>			<b>418,544,994</b>		<b>373,640,230</b>
<b>CURRENT LIABILITIES</b>					
Trust Money Accounts	10	11,935,715		12,654,190	
Public Debts	11	8,677,569		16,337,084	
<i>Total Current Liabilities</i>			20,613,284		28,991,274
<b>NON-CURRENT LIABILITIES</b>					
Public Debts	11	343,415,067		287,982,887	
<i>Total Non-Current Liabilities</i>			343,415,067		287,982,887
<b>TOTAL LIABILITIES</b>			<b>364,028,351</b>		<b>316,974,161</b>
<b>NET ASSETS</b>			<b>54,516,643</b>		<b>56,666,070</b>
<b>FUNDS</b>					
Revenue Fund Balance		41,107,798		15,829,261	
Development Fund Balance	12	29,355,577		27,283,406	
Effect of Accounting for Assets & Liabilities	16	(15,946,733)		13,553,404	
<b>TOTAL FUND BALANCE</b>			<b>54,516,643</b>		<b>56,666,070</b>

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.

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**STATEMENT OF DEVELOPMENT FUNDS FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	2011-12 \$	2010-11 \$
<b>Development Fund Balance at 1 July</b>	12	<b>27,283,407</b>	<b>30,457,881</b>
<i>Add: Development Fund Receipts</i>			
Grants & Loans Received		43,428,314	29,678,627
<b>Total Development Fund Receipts</b>		<b>43,428,314</b>	<b>29,678,627</b>
<b>Total Development Funds Available</b>		<b>70,711,721</b>	<b>60,136,508</b>
<i>Less: Development Fund Payments</i>			
Payments from Grants & Loans		41,356,143	32,853,101
<b>Total Development Fund Payments</b>		<b>41,356,143</b>	<b>32,853,101</b>
<b>Development Fund Balance at 30 June</b>		<b>29,355,577</b>	<b>27,283,407</b>

*The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.*

## Government of the Kingdom of Tonga

### STATEMENT OF GOVERNMENT INVESTMENTS AS AT 30 JUNE 2012

	Notes	2011-2012 \$	2010-2011 \$
Treasury Investments	7	2,602,578	2,547,439
Shares - minority holdings (at cost)		1,107,916	1,108,873
Investment in other companies		813,434	813,434
Public enterprises :			
Shares (at cost)		112,839,539	111,689,195
<b>TOTAL INVESTMENT</b>		<b>117,363,467</b>	<b>116,158,941</b>

*The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.*

# Government of the Kingdom of Tonga

## STATEMENT OF PUBLIC DEBTS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2011-12 S	2011-12 S	2010-11 S
<b>Loans Owing at 1 July</b>	11			
Foreign		274,868,970		228,807,496
Domestic		<u>29,451,000</u>		<u>29,451,000</u>
			304,319,970	258,258,496
<i>Add: New Borrowing</i>				
Foreign		47,523,734		67,955,124
Domestic		<u>3,000,000</u>		<u>10,360,000</u>
			50,523,734	78,315,124
<b>Total Loan Payable</b>			<b>354,843,704</b>	<b>336,573,620</b>
<i>Less: Repayments</i>				
Foreign		5,677,569		5,977,084
Domestic		<u>3,000,000</u>		<u>10,360,000</u>
			8,677,569	16,337,084
			<b>346,166,135</b>	<b>320,236,536</b>
<b>Revaluation of Debt in Foreign Currency</b>			5,926,501	(15,916,566)
<b>BALANCE PUBLIC DEBT 30 JUNE</b>			<b>352,092,636</b>	<b>304,319,970</b>
<b><i>Balance Details:</i></b>				
<b>Loans Owing at 30 June</b>				
Foreign			322,641,636	274,868,970
Domestic			<u>29,451,000</u>	<u>29,451,000</u>
			<b>352,092,636</b>	<b>304,319,970</b>

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.

## Government of the Kingdom of Tonga

### STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE, 2012

	Notes	2011-12 \$	2010-11 \$
<b>Guarantees and Indemnities</b>	15		
Foreign Loans Debt Guarantee		-	-
Domestic Loans Debt Guarantee		7,827,737	12,054,174
<b>Legal Proceedings and Disputes</b>		-	-
<b>TOTAL CONTINGENT LIABILITIES</b>		<u>7,827,737</u>	<u>12,054,174</u>

*The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.*

**STATEMENT OF APPROPRIATIONS – RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2012**

REVENUE	Notes	Estimates \$	Actual 2011 - 12 \$	Less (More) than Estimate \$	Actual 2010 - 11 \$
<b>Income Tax</b>					
PAYE Tax - Government (Small Business)		4,300,000	5,774,745	(1,474,745)	5,238,160
PAYE Tax - Non-Government (Large /Small Business)		5,100,000	6,655,566	(1,555,566)	6,491,690
Corporate Tax - Small Business		210,000	802,411	(592,411)	358,409
Corporate Tax - Large Business		8,200,000	11,187,167	(2,987,167)	11,496,738
Tax Debts Recovered (Corporate)		3,400,000	872,946	2,527,054	14,759,745
<b>Total Income Tax</b>		<b>21,210,000</b>	<b>25,292,835</b>	<b>(4,082,835)</b>	<b>38,344,742</b>
<b>Trade Taxes</b>					
Business Import Duties		12,400,000	13,447,154	(1,047,154)	12,555,887
Government Import Duties		120,000	137,530	(17,530)	79,748
<b>Total Trade Taxes</b>		<b>12,520,000</b>	<b>13,584,685</b>	<b>(1,064,685)</b>	<b>12,635,635</b>
<b>Taxes on Goods and Services</b>					
Consumption Tax - Import		43,500,000	46,164,116	(2,664,116)	44,944,733
Consumption Tax - Domestic		5,000,000	5,580,487	(580,487)	4,347,951
Government Consumption Tax		325,000	2,360,604	(2,035,604)	308,013
Tax Debts Recovered (CT)		600,000	628,826	(28,826)	-
<b>Total Taxes on Goods and Services</b>		<b>49,425,000</b>	<b>54,734,034</b>	<b>(5,309,034)</b>	<b>49,600,697</b>
<b>Excise Tax</b>					
Excise Tax		26,500,000	28,970,787	(2,470,787)	95,742
Excise Tax - Government		10,000	8,043	1,957	28,603,236
Stamp Duty		-	189	(189)	41,228
<b>Total Excise Tax</b>		<b>26,510,000</b>	<b>28,979,019</b>	<b>(2,469,019)</b>	<b>28,740,206</b>
<b>Domestic fees and Licensing</b>					
Passport Fees		1,853,465	1,752,243	101,222	-
Telecommunications settlement fees		3,604,950	72,086	3,532,864	-
School Fees		1,691,200	1,803,807	(112,607)	-
Motor Licences & Registration		1,500,000	1,758,824	(258,824)	-
Annual Motor Vehicle Examination		1,110,000	775,096	334,904	-
Other Fees and Licences		10,729,033	9,432,404	1,296,629	-
<b>Total Domestic fees and Licensing</b>		<b>20,488,648</b>	<b>15,594,460</b>	<b>4,894,188</b>	<b>-</b>

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**STATEMENT OF APPROPRIATION – RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)**

	Notes	Estimates \$	Actual 2011 - 12 \$	Less (More) than Estimate \$	Actual 2010 - 11 \$
<b>Entrepreneurial and Property Income</b>					
Interests		1,379,318	603,737	775,581	394,692
Dividends		6,515,000	3,723,109	2,791,891	2,449,343
Government Land Rental & Other Incomes		716,000	1,352,041	(636,041)	95,778
<b>Total Entrepreneurial and Property Income</b>		<b>8,610,318</b>	<b>5,678,888</b>	<b>2,931,430</b>	<b>2,939,813</b>
<b>Administrative Fees &amp; Charges</b>		-	-	-	17,793,239
<b>Miscellaneous Revenue</b>		<b>505,000</b>	<b>554,207</b>	<b>(49,207)</b>	<b>784,761</b>
<b>Capital and Other Transfers</b>					
Receipt from Treasury Bills		-	-	-	31,844
Other Principal repayments		1	-	1	974,359
<b>Total Capital and Other Transfer</b>		<b>1</b>	<b>-</b>	<b>1</b>	<b>1,006,203</b>
<b>Total Operating Receipts</b>		<b>139,268,967</b>	<b>144,418,127</b>	<b>(5,149,160)</b>	<b>151,845,295</b>
Principal repayments from Onlent to PEs		697,681	678,991	18,690	697,714
Bond Receipts		3,000,000	3,000,000	-	10,360,000
Miscellaneous Revenue		-	-	-	180,265
<b>Total Recurrent Receipts</b>		<b>142,966,648</b>	<b>148,097,119</b>	<b>(5,149,160)</b>	<b>163,083,274</b>
Other Revenue (Budget Support)	13	27,925,000	37,081,755	(9,156,755)	23,576,138
Development Fund Receipts	12	67,449,663	43,428,314	24,021,349	29,678,626
<b>TOTAL RECEIPTS</b>		<b>238,341,311</b>	<b>228,607,187</b>	<b>9,715,434</b>	<b>216,338,039</b>

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements



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**STATEMENT OF APPROPRIATIONS – RECEIPTS BY MINISTRY FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Estimates	Actual 2011 - 12	Less (More) than Estimate	Development Fund	Actual 2010 - 11
		\$	\$	\$	\$	\$
Palace Office		-	-	-	-	-
Legislative Assembly		-	-	-	109,524	-
Audit Office		75,000	40,300	34,700	-	83,475
Commissioner of Public Relations		-	-	-	-	-
Ministry of Foreign Affairs		2,500,000	2,882,985	(382,985)	-	2,167,855
Tonga Defence Services		-	-	-	2,500,864	-
Prime Minister's Office		60,000	68,536	(8,536)	33,508	83,264
Ministry of Finance & National Planning		6,109,000	6,948,859	(839,859)	10,577,935	7,891,801
Ministry of Revenue Services		110,670,000	123,682,801	(13,012,801)	197,596	130,487,518
Ministry of Public Enterprise		6,000,000	1,611,596	4,388,404	26,000	4,394,868
Ministry of Communication & Information		4,800,000	527,031	4,272,969	35,518	2,028,755
Ministry of Justice		700,000	803,132	(103,132)	340,277	760,556
Crown Law Department		-	-	-	12,419	3,282
Ministry of Police, Prisons & Fire Services		565,000	617,175	(52,175)	2,743,233	667,914
Ministry of Health		950,000	951,021	(1,021)	3,847,136	2,591,262
Ministry of Education, Women's Affairs & Culture		2,116,200	1,832,667	283,533	9,114,356	5,656,679
Ministry of Training, Employment, Youth & Sports		200,000	138,165	61,835	4,937,891	185,400
Ministry of Tourism		76,000	29,070	46,930	1,946,685	25,412
Ministry of Labour, Commerce and Industries		645,443	754,129	(108,686)	695	656,181
Ministry of Agriculture, Food, Forests & Fisheries		2,500,000	2,689,282	(189,282)	114,659	1,533,917
Ministry of Works		500,000	474,042	25,958	2,930,891	613,658
Ministry of Transport		4,000,005	3,514,416	485,589	130,247	2,684,188
Ministry of Lands, Survey and Natural Resources		500,000	531,912	(31,912)	789,216	567,290
Ministry of Environment and Climate Change		-	-	-	3,039,663	-
<b>Total Recurrent Receipts</b>		<b>142,966,648</b>	<b>148,097,119</b>	<b>(5,130,471)</b>	<b>43,428,314</b>	<b>186,659,413</b>
Budget Support	13	27,925,000	37,081,755			23,576,138
Development Fund Receipts	12	67,449,663	43,428,314			29,678,626
<b>TOTAL RECEIPTS</b>		<b>238,341,311</b>	<b>228,607,187</b>			<b>216,338,039</b>

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.

Government of the Kingdom of Tonga

**STATEMENT OF APPROPRIATIONS AND CONTINGENCY FUND – PAYMENTS BY STANDARD GROUP FOR THE YEAR  
ENDED 30 JUNE 2012**

Notes	Original Estimates \$	Contingency Fund \$	Revised Estimates \$	Actual 2011-12 \$	Less (More) than Estimate \$	Actual 2010-11 \$
Established Staff	90,331,009	5,893	83,083,585	82,568,066	515,520	87,234,529
Unestablished Staff	2,158,732	17,900	2,451,078	2,592,783	(141,705)	2,600,514
Travel and Communication	5,838,996	269,177	8,275,941	8,656,841	(380,900)	7,034,950
Maintenance and Operations	5,445,048	1,041,594	8,470,993	8,530,432	(59,440)	9,621,926
Purchase of Goods and Services	20,895,255	751,035	24,248,943	23,658,203	590,740	20,494,388
Operational Grants and Transfers	12,863,671	307,000	16,600,641	14,932,754	1,667,887	23,015,187
Development Duties Expenditure	474,400	-	470,693	195,253	275,440	-
Debt Management	11,579,000	-	8,519,000	7,241,776	1,277,224	6,463,950
Contingency Fund	3,200,000	(2,925,129)	274,871	-	274,871	-
Pension & Gratuities	5,117,021	540,000	5,658,821	5,844,061	(185,240)	-
Privy Purse	-	-	-	-	-	944,702
<b>Total Operating Payments</b>	<b>157,903,132</b>	<b>7,470</b>	<b>158,054,566</b>	<b>154,220,168</b>	<b>3,834,398</b>	<b>157,410,146</b>
Repayments of Public Debt	9,348,000	-	9,825,375	8,677,569	1,147,806	16,337,084
Asset	3,140,513	(7,470)	2,466,703	2,650,284	(183,581)	2,165,923
Equity Payments	500,000	-	545,000	520,429	24,571	1,433,821
<b>Total Recurrent Payments</b>	<b>170,891,646</b>	<b>-</b>	<b>170,891,646</b>	<b>166,068,450</b>	<b>4,823,195</b>	<b>177,346,974</b>
Grant expenditure from external donors	12	-	67,449,663	41,356,143	26,093,520	32,853,101
<b>TOTAL PAYMENTS</b>	<b>238,341,309</b>	<b>-</b>	<b>238,341,309</b>	<b>207,424,593</b>	<b>30,916,715</b>	<b>210,200,076</b>

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.

Government of the Kingdom of Tonga

**STATEMENT OF APPROPRIATIONS AND CONTINGENCY FUND – PAYMENTS BY MINISTRY FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Original Estimates	Contingency Fund	Revised Estimates	Actual 2011-12	Less (More) than Estimate	Development Fund	Actual 2010-11
		\$	\$	\$	\$	\$	\$	\$
Palace Office		5,335,000	(114,000)	5,221,000	5,210,992	10,008	103,432	5,211,216
Legislative Assembly	i	3,709,600	85,600	3,795,200	3,691,255	103,945	132,985	3,844,078
Audit Office		1,122,629	(100,000)	1,022,629	961,966	60,663	-	833,322
Commissioner of Public Relations	ii	127,100	100,000	227,100	225,966	1,134	-	116,674
Ministry of Foreign Affairs		8,450,000	-	8,450,000	8,389,367	60,633	82,961	11,052,536
Tonga Defence Services	iii	6,589,000	813,000	7,402,000	7,363,794	38,206	2,721,588	7,244,287
Prime Minister's Office		5,540,000	(413,085)	5,126,915	4,999,480	127,436	188,807	8,008,989
Ministry of Finance & National Planning		49,597,526	(3,520,369)	46,077,157	42,861,506	3,215,651	6,098,444	47,288,596
Ministry of Revenue Services		4,010,300	(200,000)	3,810,300	3,680,753	129,547	160,668	3,518,227
Ministry of Public Enterprise		670,000	(100,000)	570,000	521,488	48,512	-	406,291
Ministry of Communication & Information	iv	558,999	212,584	771,583	719,536	52,047	18,133	836,935
Ministry of Justice	v	2,699,000	651,472	3,350,472	3,189,615	160,857	125,103	2,901,996
Crown Law Department		1,285,000	-	1,285,000	1,245,771	39,229	12,419	1,100,805
Ministry of Police, Prisons & Fire Services	vi	9,960,001	475,000	10,435,001	10,364,848	70,153	1,778,241	9,139,692
Ministry of Health	vii	22,596,000	44,000	22,640,000	22,414,502	225,498	4,867,214	22,430,177
Ministry of Education, Women's Affairs & Culture	viii	27,799,999	650,000	28,449,999	28,437,195	12,804	14,026,118	31,475,371
Ministry of Training, Employment, Youth & Sports	ix	2,936,999	74,000	3,010,999	2,929,148	81,851	2,276,079	2,413,888
Ministry of Tourism		1,845,000	(70,000)	1,775,000	1,709,514	65,486	2,317,708	1,238,906
Ministry of Labour, Commerce and Industries		2,393,152	-	2,393,152	2,315,795	77,357	566	1,954,062
Ministry of Agriculture, Food, Forests & Fisheries	x	5,969,919	370,000	6,339,919	6,264,852	75,067	62,267	5,785,599
Ministry of Works	xi	2,662,000	376,390	3,038,390	3,039,579	(1,189)	2,924,489	2,836,930
Ministry of Transport	xii	2,547,420	717,408	3,264,828	3,203,793	61,035	116,474	5,211,318
Ministry of Lands, Survey and Natural Resources	xiii	1,682,837	28,000	1,710,837	1,650,380	60,457	785,818	1,911,171
Ministry of Environment and Climate Change		804,163	(80,000)	724,163	677,356	46,807	2,556,628	585,909
Development Fund Payments	12	170,891,646	-	170,891,646	166,068,450	4,776,387	41,356,143	177,346,974
<b>TOTAL EXPENDITURES</b>		<b>238,341,309</b>		<b>238,341,309</b>	<b>207,424,593</b>			<b>210,200,076</b>

The accompanying notes on pages 19 to 34 should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### (i) Statement of Compliance

The financial statements of the Government of the Kingdom of Tonga have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Tonga Public Finance Management Act 2002.

### (ii) Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act 2002, and any applicable regulations. And also in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) Financial Reporting Under the Cash Basis of Accounting. This means that transactions are recognised when cash is received or payments are made. Except specifically stated, no allowance has been made for amounts owing to government but not yet received nor for amounts owed by government but not yet paid.

The accounting policies have been applied consistently throughout the period.

### (iii) Reporting Entity

The financial statements are for the Government of the Kingdom of Tonga. This comprises the central government ministries, departments and agencies that are directly funded through the annual Appropriation Act but excludes the public enterprises under the control of the Government

At this stage, it has not been possible to prepare consolidated financial statements incorporating the public enterprises. Instead, information on the public enterprises and their financial results are included in notes. Transactions with public enterprises for subsidies and loans (advances, interest and repayment) are reported in the Statement of Receipts and Payments.

### (iv) Reporting Currency

The reporting currency is the Tongan Pa'anga.

### (v) Going Concern

The financial statements are prepared on going concern basis.

### (vi) Payments by External Third Parties

The Government of the Kingdom of Tonga benefits from goods and services or investments and asset construction paid for on its behalf by third parties by way of loans or contributions. These Payments do not constitute cash receipts or payments by the government, but do benefit the government. These were supposed to be separately identified in the Statements of Receipts and Payments. However, the Treasury during the reporting period, has not been formally advised by a third party or the recipient whether any payment has been made or has otherwise verified any payment. These payments will be incorporated into the government financial statements of subsequent years upon formal advice or being verified.

## Government of the Kingdom of Tonga

### **(vii) Accounting for Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rate used to purchase the currency at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance sheet date. Gains/Losses on foreign bank balances are accounted for in the Revenue Balance.

### **(viii) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Government of the Kingdom of Tonga's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### **(ix) Physical Assets**

Physical Assets are disclosed at an estimated value. As in previous year's accounts, depreciation charges had not yet been recognised because of the uncertainties and estimated value of assets. Once the value of assets is accurately determined, appropriate depreciation charges will be recognised in the accounts.

### **(x) Revenues**

Revenue is recognised when cash is received.

### **(xi) Investments**

Investments comprise deposits of cash other than at call deposit accounts. Treasury Investments are shown at principal amount with banks and other organisations.

Investments in other companies are valued at cost or net current value.

### **(xii) Receivables**

Loan receivables are recognised after the funds have been disbursed, and are shown at the current outstanding principal plus accrued interest.

### **(xiii) Public Debts**

Loans are credited to the Development Fund only to the extent that they are received in cash; where loans are paid directly to third parties for capital expenditure, no accounting entry has yet to be taken up in the books of accounts. However, the amounts for public debts are shown at the outstanding principal amount as part of Statement of Assets & Liabilities.

### **(xiv) Contingent Liabilities**

Contingent liabilities are recorded as liabilities when the potential for a liability to arise is considered to be likely. Where the potential for the liability to arise is considered unlikely details are provided as a note to the financial statements. Contingent assets are not disclosed.

### **(xv) Expenses**

Expenses are recognised when payments are made.

## Government of the Kingdom of Tonga

### **(xvi) Development Funds**

Development Funds are recognised when funds are received.

### **(xvii) Consolidation**

The consolidation of the results of fully owned public enterprises is not considered prudent at this time. This is a departure from IPSAS 6. Reform of public enterprises in Tonga is ongoing. At a future time the availability of relevant financial information will permit the consolidation of these enterprises into the public financial statements in a meaningful way.

Currently, the Government of the Kingdom of Tonga investment in public enterprises is detailed in note 7. This details the cost of the investment and an estimate of the fair value of the enterprises in accordance with accounting policy, loans receivable from public enterprise are stated at principle amount plus accrued interest.

### **(xviii) Format of the Public Accounts**

The Government financial statements 2011-12 is being in a format which ensures compliance with the requirements of the Public Finance Management Act 2002 and in accordance with the generally accepted accounting practice. The major impacts of this change are show once again in the Statement of Assets and Liabilities in particular, Investments, Physical Assets and Public Debts.

### **(xix) Comparative Figures**

The comparative figures in all Statements were constructed to provide information on existing balances of the previous year. The comparative figures for the Statement of Assets and Liabilities are still disclosed at the balances in the previous year's signed accounts.

### **(xx) Reclassification**

Prior year balances have been reclassified to correspond to current year presentation where considered necessary.

## 2. OPERATING RECEIPTS

Details of Receipts by Standard Group and by Ministry are shown in the Statement of Appropriations - Receipts.

## 3. OPERATING PAYMENTS

Transfers of funds between programs are permitted under section 10 (1) and 12 (2) and (3) of the Public Finance Management Act 2002.

Details of Payments by Standard Group and by Ministry are shown in the Statement of Appropriations and Contingency Fund - Payments.

## 4. CONTINGENCY FUND

The use of the contingency fund is governed by the Public Finance Management Act 2002. This provides for a contingency within the appropriation of the Ministry of Finance and National Planning for specific, approved unforeseen expenditure.

Ministries that do not perform certain programs within their appropriation transfer to the contingency fund during the year. Ministries that request additional program activity and expenditure or emergency expenditure can apply to the contingency fund, under strict procedures and, if approved, be allocated an additional estimate.

The balance of approved contingency fund lapses at the end of the financial year.

The Statement of Appropriations details the movements on the contingency fund to reconcile original appropriations to actual expenditure. The reasons for respective application to the contingency fund are as follows:

- i To fund salaries, wages for LA staff and members of the House
- ii To fund shortage of salaries and allowance for OIC
- iii To fund Pensioner's entitlement and also cover operational expenses.
- iv To fund Ministry new office rent at Sanft Building and also setting up of new Government newspaper.
- v To Fund Court of appeal salaries and duty allowance of Magistrate. Also cater for Electoral Commission expenditures
- vi To fund salaries of 30 new constables, cost of Prison appeals tribunal and also cater for their essential expenses up to the end of the fy.
- vii To fund internal medical referral, medical treatment and also cater for ration and diets of patient
- viii To fund Government TVET Grant and other operational outstanding commitment of the Ministry
- ix To fund salaries, operation requirements and operation shortages
- x To replenish 50% of the total funds being utilized on trade show and also cater for salaries shortage
- xi To fund redeployment of staff from MOW to Ministry of Transport
- xii To fund installation of navigation light at Teleki Tokelau and othe operational expenses
- xiii To fund salaries and other operational requirements

## 5. CASH

			2011-12	2010-11
			\$	\$
<i>Cash at Bank &amp; Cash on Hand</i>			<u>54,942,197</u>	<u>37,410,080</u>
<b>Westpac Bank of Tonga</b>				
6 month deposit promissory note	3.00%	4/10/2012	601,318	584,495
3 month deposit promissory note	0.85%	27/06/2012	1,986,052	121,487
6 month deposit promissory note	2.90%	21/05/2012	125,624	1,957,194
1 month deposit promissory note	3.00%	7/09/2012	147,931	924,222
			<u>2,860,926</u>	<u>3,587,398</u>
<b>ANZ Bank</b>				
3 month deposit promissory note	2.00%	13/07/2012	2,077,580	56,504
			<u>2,077,580</u>	<u>56,504</u>
<b>Tonga Development Bank</b>				
1 month deposit bond issue	2.45%	11/07/2012	68,682	67,019
			<u>68,682</u>	<u>67,019</u>
<i>Total Short Term Deposit</i>			<u>5,007,188</u>	<u>3,710,920</u>
<b>TOTAL CASH</b>			<u>59,949,384</u>	<u>41,121,000</u>

Cash balance includes short-term deposits as detailed above, plus cash at bank and in-hand. Included in the cash balance is an amount of \$33,742,105 for development fund projects from various donors.

## 6. CHARGES TO INDIVIDUALS(BUILDING LOAN)

This amount represents the total charges by Government to Individuals for expenses incurred but not yet paid. The amounts are repayable by the individuals.

	2011-12	2010-11
	\$	\$
Balance as at 1 July 2011	87,730	88,780
Receipts	-	80,252
Payments	(150)	(81,302)
<i>Balance as at 30 June 2012</i>	<u>87,580</u>	<u>87,730</u>



## 7. INVESTMENT

			2011-12	2010-11
			\$	\$
<b>Tonga Development Bank</b>	<b>Interest Rate</b>	<b>Maturity Date</b>		
24 month deposit promissory note	3.10%	27-02-13	528,276	516,558
15 month deposit promissory note	3.00%	19-05-13	512,474	508,507
15 month deposit promissory note	3.00%	22-05-13	528,238	508,507
15 month deposit promissory note	3.00%	27-05-13	528,045	508,322
15 month deposit promissory note	3.00%	24-08-13	505,545	505,545
<b>Total Treasury Deposit Investments</b>			<b>2,602,578</b>	<b>2,547,439</b>
	<b>Percentage Holding</b>			
Air Pacific Limited	5.00%		70,400	71,357
Hawaiian Airlines	nominal		1,126	1,126
Pacific Forum Line	6.10%		1,036,390	1,036,390
<b>Shares - minority holdings (at cost)</b>			<b>1,107,916</b>	<b>1,108,873</b>
Ocean Royal Shipping Company Limited (USD \$480,923.52 at 6% interest)			813,434	813,434
<b>Investment in other companies</b>			<b>813,434</b>	<b>813,434</b>
	<b>Percentage Holding</b>	<b>Estimated Value</b>		
		30-Jun-11		
International Dateline Hotel	100%	11,195,000	6,000,000	5,999,999
Sea Star Fishing Co. Ltd	70%	3,646,000	2,303,050	2,300,000
Shipping Corporation of Polynesia	100%	61,000	10,000	10,000
Tonga Development Bank	100%	56,813,802	10,530,190	10,530,190
Tonga Investment Limited	100%	1,620,200	100	100
Tonga Communications Corporation	100%	58,076,974	14,243,639	14,243,639
Tonga Timber Limited	100%	5,107,514	3,593,000	3,592,999
Tongatapu Market Limited	100%	3,306,624	1,600,000	1,600,000
Tonga Airports Limited	100%	37,191,686	36,543,226	36,543,226
Waste Authority Limited	100%	3,801,785	101,000	1,000
Tonga Power Limited	100%	60,635,372	34,830,892	33,783,600
Tonga Print Limited	100%	1,449,738	1,276,527	1,276,527
Tonga Post Limited	100%	1,835,523	1,807,915	1,807,915
Ports Authority Tonga	100%	20,111,983	-	-
Tonga Broadcasting Commission	100%	-	-	-
Tonga Water Board	100%	21,676,297	-	-
<b>Total Investment in Public Enterprises</b>			<b>112,839,539</b>	<b>111,689,195</b>
<b>TOTAL INVESTMENTS</b>			<b>117,363,467</b>	<b>116,158,941</b>

Figures for Ports Authority Tonga, Tonga Broadcasting Commission and Tonga Water Board were unavailable at the time of preparation.

## 8. RECEIVABLES

	Purpose	Year	Principal	Interest %	Term Years	As at 30-Jun-11	Drawdown	Interest	Repayments	Exchange Rate Differences	As at 30-Jun-12
						\$	\$	\$	\$	\$	\$
Tonga Development Bank - ADB 624	Development Lending	1983	1,108,197	3.00	40	599,931		16,448	46,661		513,270
Tonga Development Bank - IDA 1813	Development Lending	1987	2,604,051	3.00	36	1,251,947		36,807	100,156		1,151,791
Tonga Development Bank - IFAD 220	Development Lending	1988	2,636,109	3.00	25	263,732		6,923	131,799		131,934
Tonga Development Bank - IFAD 327	Development Lending	1993	4,104,162	3.00	27	1,716,464		50,052	190,718		1,525,745
Tonga Telecommunication Commission	Development	2005	2,590,782	6.79	12	1,295,391		81,856	209,658	24,585	1,061,149
Sea Star Fishing - ADB 1030	Capital	1993	3,645,900	6.36	15	3,645,900					3,645,900
Janfall International Daveline Hotel	Upgrading to & Expansion	2001	9,944,600	2.50	12	9,944,600				(528,200)	10,472,800
Ports Authority Tonga - ADB 1303	Development Lending	2002	2,388,911	5.00	16	699,104					699,104
Tongatapu Market Limited - ADB 927	Development Lending	2010	3,296,874	2.00	18	1,755,315				29,828	1,725,487
Royco Amalgamated Co. Ltd - EXIM China	Reconstruction	2010	2,210,932	5.00	20	2,197,718		109,886			2,197,718
M F Taumoepeau & Sons Ltd - EXIM China	Reconstruction	2010	7,162,418	5.00	20	7,162,418					7,162,418
O G Sanft & Sons Ltd - EXIM China	Reconstruction	2010	10,247,322	5.00	20	10,247,322					10,247,322
City Assets (Molisi) - EXIM China	Reconstruction	2011		5.00			6,761,247				6,761,247
Tungi Collonade - EXIM China	Reconstruction	2011		5.00			16,574,480				16,574,480
						<u>40,739,842</u>	<u>23,335,728</u>	<u>301,973</u>	<u>678,991</u>	<u>(473,787)</u>	<u>63,870,366</u>
				Current							678,991
				Non-Current							63,191,374
						<u>40,739,842</u>					<u>63,870,366</u>

These amounts represent Loans to Public Enterprises that are linked to Government borrowing from international donor (The head loans are detailed in note 12). As such the loans are designated in foreign currency and are subject to exchange rate differences.

## 9. PROPERTY, PLANT & EQUIPMENT

	Property under construction \$	Property, Land and Buildings \$	Other Asset \$	Total \$
<b>Cost</b>				
At 1 July 2011	691,452	68,638,991	106,202,275	175,532,718
Additions	22,426,923	-	2,650,284	25,077,207
Disposals / Transfers	(23,335,728)	-	-	(23,335,728)
<i>At 30 June 2012</i>	<u>(217,353)</u>	<u>68,638,991</u>	<u>108,852,559</u>	<u>177,274,197</u>
<b>Depreciation</b>				
At 1 July 2011	-	-	-	-
Charge for the year	-	-	-	-
Disposals / Transfers	-	-	-	-
<i>At 30 June 2012</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Book value</b>				
At 30 June 2011	<u>691,452</u>	<u>68,638,991</u>	<u>106,202,275</u>	<u>175,532,718</u>
At 30 June 2012	<u>(217,353)</u>	<u>68,638,991</u>	<u>108,852,559</u>	<u>177,274,197</u>

The balance of \$177,274,197 is an estimated value of property, plant & equipment at balance date. This balance included new properties under construction within the Nuku'aofa CBD loan where parts of it were also able to be completed during the Financial Year. The value of these completed buildings were transferred and recorded for as Receivables (\$23,335,728) due to the On-lent nature of these projects. The change in Other Asset was due to additional assets procured during the year. Any assets disposed during the year were not considered significant and therefore not reflected in the final balance. No depreciation charged against the value of assets at balance date due to the fact that such balance is just an estimated amount. However, this is a very conservative value of the government assets, which mostly related to assets acquired through loan and other related funds. The Treasury is still working with line ministries to determine the value of government physical assets and to be more complete and accurate, therefore fairly disclosed in future financial statements.

## 10. TRUST MONEY ACCOUNTS

This is the total of money held by Government pending the completion of a transaction or dispute, in trust for any purpose approved by the Minister; unclaimed money due to or belonging to any person; or collected by Government on behalf of any person under any agreement.

## Government of the Kingdom of Tonga

*Details of Trust Money Accounts are as follows:*

	<u>2011-12</u> S	<u>2010-11</u> S
Balance as at 1 July 2011	(12,233,762)	(23,440,813)
Receipts	2,445,233	61,198,408
Payments	(2,147,187)	(49,991,357)
<b>Balance as at 30 June 2012</b>	<b><u>(11,935,715)</u></b>	<b><u>(12,233,762)</u></b>
<i>Represented by:</i>		
Distraints - Legal Settlements	(39,668)	(36,929)
Unclaimed Salaries, Wages & Expenses	(188,530)	(168,139)
National Emergency Fund	(2,829,295)	(2,764,735)
PSRF Trust Account	(6,188,520)	(6,517,118)
Niuaotupu Tsunami Trust	(849,895)	(924,222)
AusAid-Business Recovery Trust	(481,925)	(481,925)
Other Trust Accounts	(1,357,882)	(1,340,694)
<b>TOTAL TRUST MONEY ACCOUNTS</b>	<b><u>(11,935,715)</u></b>	<b><u>(12,233,762)</u></b>

## 11. PUBLIC DEBTS

The Government of Tonga benefits from lending and borrowing assistance from international lenders. The total undrawn borrowing facilities at 30 June 2012 amounted to \$8,105,832.55 Tongan Pa'anga CNY (29,411,584) as follows:

<b>Lender</b>	<b>Project</b>	<u>2011-12</u> S
China Exim Bank	National Road Improvement Project	8,105,832.55
		<b><u>8,105,832.55</u></b>

The terms of loan agreements vary. Some agreements provide for deferred repayments and some for deferred payments of both interest and principal. Outstanding obligations are re-stated at the year end at the exchange rate ruling at the day.

*Effective exchange rates in force are:*

<b>Currency</b>	<u>Rate as at</u> <u>30-Jun-12</u>	<u>Rate as at</u> <u>30-Jun-11</u>
EURO (EUR)	2.1770	2.4338
Special Drawing Rights (SDR)	2.6610	2.7070
US Dollars (USD)	1.7535	1.6914
Yuan Renminbi (CNY)	0.2756	0.2617
New Zealand Dollars (NZD)	1.3944	1.4035
Australian Dollars (AUD)	1.7714	1.8127

# Government of the Kingdom of Tonga

Loan details are as follows:

	Year	Purpose	Currency	Principal	Interest	Term Years	As at 30-Jun-11 \$	Drawdown	Interest	Repayments	Exchange Difference	As at 30-Jun-12 \$
ADB-335 TON	1977	Small Industries	SDR	84,234	1.00	40	164,407		1,752	24,662	3,145	136,600
ADB-376 TON	1978	Development	SDR	538,702	1.00	40	1,040,848		11,666	138,303	16,160	886,385
ADB-435 TON	1979	Development	SDR	577,418	1.00	40	1,155,397		12,255	134,489	18,727	1,002,181
ADB-540 TON	1981	Development	SDR	367,111	1.00	40	772,880		7,107	71,498	12,014	687,368
ADB-634 TON	1983	Development	SDR	1,077,992	1.00	40	1,625,616		16,940	133,953	26,721	1,464,942
ADB-782 TON	1986	Development	SDR	1,890,954	1.00	40	4,241,743		43,062	296,487	60,981	3,882,275
ADB-927 TON	1988	Development	SDR	1,764,257	1.00	40	3,822,450		38,847	229,393	56,425	3,536,652
ADB-990 TON	1990	Development	SDR	2,610,078	1.00	40	5,625,686		57,200	310,647	84,046	5,230,992
ADB-1080 TON	1990	Fisheries	SDR	1,550,500	1.00	40	3,962,085		40,767	195,538	71,364	3,685,182
ADB-1079 TON	1991	Power Development	SDR	4,599,142	1.00	40	11,201,680		110,653	500,886	174,128	10,446,666
ADB-1316 TON	1995	Transport Infrastructure	SDR	6,264,820	1.00	40	14,678,150		146,703	345,466	239,778	14,092,906
ADB-1412 TON	1996	Outer Islands Agriculture	SDR	2,310,705	1.00	40	5,469,835		54,732	174,280	89,478	5,256,077
ADB-1904 TON	2002	Development	SDR	8,020,000	1/1.5	24	17,101,094		243,111	1,138,161	273,300	15,691,622
EB 8 0050	1979	Telecom Network	EUR	331,898	1.00	40	239,396		2,301	27,467	23,607	188,511
EB 7 0645	1987	Equity	EUR	300,000	2.00	25	50,088		943	45,004	5,084	0
EB 7 0792	1989	Equity	EUR	168,043	2.00	25	327,188		6,246	71,560	30,129	219,499
IDA 1813	1987	Tonga Development Bank	SDR	1,579,173	0.75	40	3,334,421		25,552	128,001	54,723	3,151,697
IDA 2084	1990	Tonga Development Bank	SDR	1,592,623	0.75	40	3,190,327		24,877	165,474	56,782	2,967,071
IDA 3647	2002	Development	SDR	4,259,223	0.75	40	11,529,717		86,299	-	195,924	11,333,793
IDA 38140	2003	Health project	SDR	8,000,000	0.75	40	21,503,324		159,469	-	363,406	21,137,918
IDA 40810	2005	Education project	SDR	639,889	0.75	40	1,732,181		13,095	-	29,435	1,702,746
IFAD 129	1983	Development Projects	SDR	950,000	1.00	50	1,446,553		14,223	63,543	24,237	1,358,773
IFAD 220	1988	Agricultural Development	SDR	1,687,125	1.50	50	3,082,761		30,272	112,847	51,774	2,918,140
IFAD 327	1993	Agricultural Development	SDR	2,200,000	1.50	50	4,689,866		23,200	73,672	79,200	4,536,994
Bank of China	1998	Héipai High School	CNY	25,000,000	0.00	20	6,542,500		0	-	(347,500)	6,890,000
Export-Import Bank of China	2007	Datedine Hotel	CNY	38,000,000	2.50	9	5,860,211		128,230	1,103,359	(292,534)	5,049,386
Export-Import Bank of China	2007	CB0 Reconstruction	CNY	440,000,000	2.00	20	92,473,011	23,879,355	2,169,710	-	(4,911,635)	121,264,000
Westpac NZ Ltd	2009	Tonga High Com. NZ	NZD	1,280,000	6.29	10	1,508,125		97,267	151,878	15,013	1,341,233
Export-Import Bank of China	2010	Road project	CNY	291,000,000	2.00	20	46,005,823	23,644,379	1,241,133	-	(2,443,565)	72,093,767
Westpac AUD Ltd	2009	Tonga High Com. AUD	AUD	270,000	5.81	10	489,429		-	-	11,151	478,278
<b>Total Government of Tonga Foreign Debt</b>							<b>274,863,970</b>	<b>47,523,734</b>	<b>4,807,590</b>	<b>5,677,569</b>	<b>(5,926,500)</b>	<b>322,441,636</b>

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Purpose	Year	Principal	Interest	Term Years	As at 30-Jun-11 \$	Drawdown	Interest	Repayments	Exchange Difference	As at 30-Jun-12 \$
Gov of Tonga Bond Series No. 4	2006	1,000,000	10.00	5	1,000,000	-	100,400	1,000,000	-	-
Gov of Tonga Bond Series No. 5	2006	1,000,000	10.00	5	1,000,000	-	100,400	1,000,000	-	-
Gov of Tonga Bond Series No. 1	2008	2,488,000	10.00	5	2,488,000	-	248,800	-	-	2,488,000
Gov of Tonga Bond Series No. 3	2008	1,000,000	7.25	3	1,000,000	-	72,900	1,000,000	-	-
Gov of Tonga Bond Series No. 1	2009	5,000,000	6.65	5	5,000,000	-	332,700	-	-	5,000,000
Gov of Tonga Bond Series No. 2	2009	1,000,000	6.00	5	1,000,000	-	-	-	-	1,000,000
Gov of Tonga Bond Series No. 3	2009	1,000,000	6.00	5	1,000,000	-	60,200	-	-	1,000,000
Gov of Tonga Bond Series No. 4	2009	2,000,000	6.00	5	2,000,000	-	120,200	-	-	2,000,000
Gov of Tonga Bond Series No. 5	2009	3,603,000	6.00	5	3,603,000	-	216,380	-	-	3,603,000
Gov of Tonga Bond Series No. 6	2009	5,000,000	5.00	3	5,000,000	-	250,200	-	-	5,000,000
Gov of Tonga Bond Series No. 1	2010	3,000,000	6.00	6	3,000,000	-	180,200	-	-	3,000,000
Gov of Tonga Bond Series No. 1	2011	3,360,000	3.10	5	3,360,000	-	-	-	-	3,360,000
Gov of Tonga Bond Series No. 2	2011	2,000,000	4.00	5	-	2,000,000	515	-	-	2,000,000
Gov of Tonga Bond Series No. 3	2011	1,000,000	4.00	5	-	1,000,000	510	-	-	1,000,000
					29,451,000	3,000,000	1,683,405	3,000,000	-	29,451,000
<b>TOTAL</b>					<b>304,319,970</b>	<b>58,523,734</b>	<b>6,490,995</b>	<b>8,677,569</b>	<b>(5,926,500)</b>	<b>352,092,636</b>
<i>Current</i>					16,337,084					8,677,569
<i>Non Current</i>					287,982,887					343,415,067
					<b>304,319,970</b>					<b>352,092,636</b>
<i>Repayments of non-current debts are scheduled as follows</i>										
										8,677,569
										8,677,569
										8,677,569
										8,677,569
										317,382,361
										<b>352,092,636</b>

## 12. DEVELOPMENT FUND

Monies held in the development fund account represent unspent grants and external concessional loans and can only be used to meet expenditure within the terms and conditions of each particular grant.

The balance as at 30 June 2012 is \$29,355,577 (2011: \$27,283,406)

	2011-12 \$	2011-12 \$
Grants & External Concessional Loans Receipts	43,428,314	29,678,626
Expenditure from Grants & External Concessional Loans	41,356,143	32,853,101
<b>Net Receipts/(Deficit) from Grants and External Concessional Loans</b>	<b>2,072,171</b>	<b>(3,174,475)</b>

### Development Fund Receipts by Donor for the year ended 30 June 2012

Donor	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Aust Bilateral	8,992,000	6,359,144		2,632,856
Aust Defence-Cash	300,000	538,102	238,102	
Aust Fund (Budget Support)	3,955,158			3,955,158
France	-	-		-
Germany	700,000	-		700,000
Japan Govt/JICA	-	-		-
Japan Non-Govt	5,000	6,101	1,101	
Aust/NZ Pooled Fund	10,107,746	14,409,186	4,301,440	
NZ Bilateral	2,117,375	6,795,898	4,678,523	
NZ Non-Govt	-	-		-
NZ Fund (Budget Support)	2,500,000			2,500,000
People's Republic China	-	1,746,291	1,746,291	
UK Govt	6,449	1,980,477	1,974,028	
India Fund	41,500	-		41,500
Pacific Regional Initiatives for Basic Education (PRIDE)	91,941	-		91,941
ADB	2,306,585	3,037,462	730,877	
World Bank/IDA	11,141,925	3,503,407		7,638,518
NZAID/World Bank Trust Fund	-	-		-
World Bank (Budget Support)	8,674,532			8,674,532
EU (Budget Support)	12,795,310			12,795,310
Commonwealth Fund Tech Coop (CFTC)	24,066	79,221	55,155	
UNESCO	-	-		-
European Union	1,470,000	992,991		477,009
Pacific Islands Forum Secretariat (PIFS)	-	-		-
Turkey	-	-		-
Secretariat of the Pacific Community (SPC)	51,001	33,730		17,271
Sth Pac Regnl Envmmnt Pgm (SPREP)	100,000	424,098	324,098	

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### Development Fund Receipts by Donor for the year ended 30 June 2012 (Continue)

<u>Donor</u>	<u>Estimate</u>	<u>Actual</u>	<u>More than</u>	<u>Less than</u>
	<u>\$</u>	<u>\$</u>	<u>Estimate</u>	<u>Estimate</u>
			<u>\$</u>	<u>\$</u>
UN Development Prgm (UNDP)	103,000	165,388	62,388	
UN Family Planning Assoc (UNFPA)	10,000	183,790	173,790	
UN Intl Children's Fund	-	15,185	15,185	
Food & Agriculture Organisation (FAO)	1,394,187	-		1,394,187
World Health Org (WHO)	-	501,037	501,037	
Sth Pac Geoscience Comm (SOPAC)	32,000	409,140	377,140	
UN Envmtmnt Prgm (UNEP)	28,000	99,112	71,112	
Forum Fishing Agencies (FFA)	96,889	100,925	4,036	
Commonwealth Local Govt Fund (CLGF)	5,000	-		5,000
International Union for Conservation of Nature	-	93,848	93,848	
Tonga Trust Fund	400,000	-		400,000
Local Level Contributions	-	1,773	1,773	
Unidentified Donors (Unconfirm Budget Support)	-	-		
Unidentified Donor	-	1,952,008	1,952,008	
<b>TOTAL DEVELOPMENT RECEIPTS</b>	<b>67,449,663</b>	<b>43,428,314</b>	<b>17,301,932</b>	<b>41,323,281</b>

### Development Fund Payments by Ministry for the year ended 30 June 2012

<u>Ministry</u>	<u>Estimate</u>	<u>Actual</u>	<u>More than</u>	<u>Less than</u>
	<u>\$</u>	<u>\$</u>	<u>Estimate</u>	<u>Estimate</u>
			<u>\$</u>	<u>\$</u>
Palace Office	400,000	103,432		296,568
Legislative Assembly	1,110,000	132,985		977,015
Audit Office	-	-		-
Commissioner of Public Relations	-	-		-
Ministry of Foreign Affairs	3,447,481	82,961		3,364,520
Tonga Defence Services	1,500,000	2,721,588	1,221,588	
Prime Minister's Office	765,000	188,807		576,193
Ministry of Finance & National Planning	18,890,000	6,098,444		12,791,556
Ministry of Revenue Services	1,550,000	160,668		1,389,332
Ministry of Public Enterprise	-	-		-
Ministry of Communication & Information	-	18,133	18,133	
Ministry of Justice	-	125,103	125,103	
Crown Law Department	20,000	12,419		7,581
Ministry of Police, Prisons & Fire Services	2,956,184	1,778,241		1,177,944
Ministry of Health	8,341,158	4,867,214		5,473,947
Ministry of Education, Women's Affairs & Culture	10,454,762	14,026,118		328,877
Ministry of Training, Employment, Youth & Sports	3,600,000	2,276,079		1,323,921
Ministry of Tourism	3,261,425	2,317,708		943,717
Ministry of Labour, Commerce and Industries	600,000	566		599,434
Ministry of Agriculture, Food, Forests & Fisheries	2,146,143	62,267		2,083,876
Ministry of Works	4,501,585	2,924,489		1,577,096
Ministry of Transport	1,302,925	116,474		1,186,451
Ministry of Lands, Survey and Natural Resources	875,000	785,818		89,182
Ministry of Environment and Climate Change	1,728,000	2,556,628	828,628	
<b>TOTAL DEVELOPMENT EXPENDITURES</b>	<b>67,449,663</b>	<b>41,356,143</b>	<b>2,193,452</b>	<b>34,187,207</b>



### 13. BUDGET SUPPORT

Budget Support is fund received from another Government or International Organisation to assist the Government's Budget. During the year, three (3) Development Partners granted Budget Support amounting to \$37,081,755 to the Government of Tonga.

Budget Support Received are as follows:

Development Partner	Amount
Australia (AusAID)	8,855,500
European Union (EU)	12,835,473
World Bank (WB)/ New Zealand (NZ AID)	15,390,782
<b>TOTAL</b>	<b>37,081,755</b>

### 14. TRANSFER PRESERVED ACCOUNTS

The Government is required under regulation 23 of the Pensions (Amendment) Regulations 1999 to transfer to the Retirement Fund Board the Transfer Preserved Accounts of those staff in the civil service at 30 June 1999 who become members of the new retirement fund scheme. At 30 June 2012, the Government still maintained the Transfer Preserved Accounts of \$7,969,126 (2011:\$8,275,496) plus accumulated interest at 6% per annum of \$9,026,626 (2011: \$8,376,428).

The total balance of amounts owing \$16,995,752 (2011: \$16,651,924) plus accrued interest will be transferred as soon as possible.

Ministry	Transfer	TV & Accrued	Interest - 6.0%	TV & Accrued	No.
	Preserve (TV)	Interest	2010/2011	Interest	
	30-Jun-12	01-Jul-11	30-Jun-12	30-Jun-12	
Agriculture & Forestry	354,664	358,989	42,819	401,808	43
Finance	668,997	677,157	80,769	757,926	121
Police	983,148	995,139	118,697	1,113,836	247
Health	2,423,601	2,453,160	292,606	2,745,766	363
Education	3,538,716	3,580,248	427,041	4,007,289	554
<b>TOTAL</b>	<b>7,969,126</b>	<b>8,064,693</b>	<b>961,933</b>	<b>9,026,626</b>	<b>1328</b>

**Summary:**

Transfer Value	7,969,126
Accrued Interest on TV	9,026,626
	16,995,752

## 15. COMMITMENTS AND CONTINGENCIES

In the normal course of operations the government makes commitments for supplies and capital purchases.

The Minister of Finance and National Planning under the authority of the Privy Council (Public Management Act 2002, section 31) provides guarantees for the financial liability of some public enterprises and institutions. A contingent liability is a fiscal obligation on the occurrence of a particular event or events

*A statement of commitments and contingencies is as follows:*

	2011-12 \$	2010-11 \$
<b>Commitments not otherwise provided for in the financial statements are as follows:</b>		
<b>Future operating lease payments:</b>		
Minimum future lease payments due under non-cancellable operating leases are as follows:		
Within one year		-
More than one year, less than five years		-
More than five years		-
<b>Contingencies:</b>		
<b><i>Janfull International Dateline Hotel</i></b>	320,883	373,071
The government has guaranteed the renovation project for the Forum meeting in 2007.		
<b><i>Tonga Power Limited</i></b>		
The government has guaranteed a USD Term Loan from WBOT	-	-
also guaranteed an Overdraft facility from WBOT	-	1,632,259
and a Term Loan facility from WBOT as part of acquisition of Shoreline's electricity business and assets.	7,356,958	9,898,948
<b><i>Tonga Development Bank</i></b>	149,896	149,896
The government has guaranteed a public bond issue for financing its working capital and other development schemes in the agricultural and business sectors.		
	<u>7,827,737</u>	<u>12,054,174</u>

## 16. EFFECT OF ACCOUNTING FOR ASSETS & LIABILITIES

The amount of (\$15,946,733) (2011: \$13,553,404) is the cumulative amount of the effect of accounting for Investments, Physical Assets and Public Debts in the Statement of Assets and Liabilities. The effect is due to the modification of the accounting treatment to account for these Assets and Liabilities account. In previous financial reports, such effect was included together in the Adjustments figures; however it is now being disclosed separately to clearly reflect the effect of the modification of accounting treatment in the Fund Balance.

## Government of the Kingdom of Tonga

*Details of the effect of the modification made in previous financial years since 2006-07 are also shown below:*

	<u>Adjustment</u>	<u>Cumulative Amount</u>
Financial Year 2006-07	9,625,392	21,004,056
Financial Year 2007-08	10,626,047	31,630,103
Financial Year 2008-09	(2,925,233)	28,704,870
Financial Year 2009-10	6,060,938	34,765,808
Financial Year 2010-11	(21,212,404)	13,553,404
Financial Year 2011-12	(29,500,137)	(15,946,733)

## 17. AUTHORISATION DATE

These Public financial statements for the Government of Tonga were authorised on 26<sup>th</sup> April, 2014 by 'Aisake Valu Eke, Minister for Finance and National Planning.

Government of the Kingdom of Tonga

ADDITIONAL STATEMENTS OF DISCLOSURE

Operating Receipts for the preceding Five (5) financial years: 2007/08 – 2011/12

	2011-12	2010-11	2009-10	2008-09	2007-08
	\$	\$	\$	\$	\$
Income Tax	25,292,835	38,344,742	28,118,228	30,276,280	26,845,560
Trade Taxes	13,584,685	12,635,635	14,914,998	16,042,295	40,533,515
Domestic Fees and Licensing	15,594,460	-	184,994	300,702	290,706
Taxes on Goods and Services	54,734,034	49,600,697	42,908,955	57,175,096	59,676,719
Excise Tax	28,979,019	28,740,206	25,207,291	23,965,187	10,835,808
Entrepreneurial and Property Income	5,678,888	4,611,886	15,574,284	34,788,801	10,001,915
Administrative Fees & Charges	-	17,793,239	15,855,677	11,258,374	8,257,258
Miscellaneous Revenue	554,207	965,026	1,745,222	1,397,144	1,016,095
Transfer and Bond Receipts	3,678,991	10,391,844	15,087,582	14,352,919	4,317,078
Budget Support	37,081,755	23,576,138	11,050,583	-	-
<b>TOTAL RECEIPTS</b>	<b>185,178,874</b>	<b>186,659,412</b>	<b>170,647,813</b>	<b>189,556,797</b>	<b>161,774,654</b>

# Government of the Kingdom of Tonga

## Operating Payments for the preceding Five (5) financial years: 2007/08 – 2011/12

	2011-12	2010-11	2009-10	2008-09	2007-08
	\$	\$	\$	\$	\$
Palace Office	5,210,992	5,211,216	6,217,424	5,054,986	5,781,769
Legislative Assembly	3,691,255	3,844,078	4,144,342	4,719,628	3,935,384
Prime Minister's Office	4,999,480	8,008,989	8,344,844	8,999,712	8,333,077
Commissioner of Public Relations	225,966	116,674	113,163	136,767	108,207
Audit Office	961,966	833,322	867,652	886,542	698,823
Ministry of Finance & National Planning	42,861,506	47,288,596	48,856,504	72,219,022	39,228,739
Ministry of Foreign Affairs	8,389,367	11,052,536	10,851,250	14,187,765	6,767,524
Tonga Defence Services	7,363,794	7,244,287	8,141,516	9,894,917	8,078,335
Ministry of Lands, Survey, Natural Resources	1,650,380	1,911,171	2,529,800	2,650,310	2,289,105
Ministry of Justice	3,189,615	2,901,996	2,580,533	1,873,514	1,760,230
Ministry of Police, Prisons & Fire Services	10,364,848	9,139,692	10,139,998	10,880,495	8,381,583
Ministry of Education, Women's Affairs & Culture	28,437,195	31,475,371	26,938,478	24,200,091	22,450,556
Ministry of Health	22,414,502	22,430,177	22,500,834	20,900,972	19,212,939
Ministry of Agriculture, Food, Forests & Fisheries	6,264,852	5,785,599	5,540,339	5,717,328	5,052,231
Ministry of Labour, Commerce & Industries	2,315,795	1,954,062	2,805,582	2,603,531	2,143,142
Ministry of Tourism	1,709,514	1,238,906	1,617,897	2,010,677	1,649,466
Ministry of Works	3,039,579	2,836,930	3,420,632	8,484,544	4,250,745
Ministry of Transport	3,203,793	5,211,318	3,060,668	3,084,597	1,936,933
Ministry of Training, Employment, Youth & Sports	2,929,148	2,413,888	2,786,768	2,673,012	2,192,994
Crown Law Department	1,245,771	1,100,805	1,482,034	1,900,780	1,192,746
Ministry of Public Enterprises	521,488	406,291	427,874	601,369	405,454
Ministry of Revenue Services	3,680,753	3,518,227	3,560,269	4,176,936	3,067,044
Ministry of Communication & Information	719,536	836,935	703,703	-	-
Ministry of Environment and Climate Change	677,356	585,909	-	-	-
<b>TOTAL PAYMENTS</b>	<b>166,068,450</b>	<b>177,346,974</b>	<b>177,632,105</b>	<b>207,857,495</b>	<b>148,917,026</b>

