



Government of the Kingdom of Tonga

Financial Statements for the year ended 30 June 2011

Ministry of Finance & National Planning
Nuku'alofa
April 2014

Government of the Kingdom of Tonga

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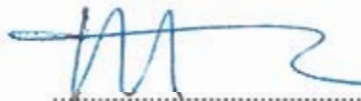
STATEMENT OF RESPONSIBILITY

The financial statements of the Government of the Kingdom of Tonga for the year ended 30th June 2011 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 30th June 2011, and its financial performance for the year ended on that date.



'Aisake Valu Eke



Minister for Finance and National Planning

26th April, 2014

Government of the Kingdom of Tonga

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

26th 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 30th June 2011, 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 30th June, 2011 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.

ii) Payment to TONGASAT

As noted in Note 10 to the financial statements: *Trust Money Accounts*, pages 27, that during the financial year, TOP\$43,333,900.90 (USD25,450,000) was received from the People's Republic of China, and the Minister directed that the fund was to be held in Trust for TONGASAT and further authorized to be paid out on behalf of TONGASAT.

This fund was a grant aid from the People's Republic of China in order to express their friendly sentiments towards the Government and people of the Kingdom of Tonga, and to assist the Kingdom of Tonga in its economic and social development.

Audit is of the opinion that the unilateral decision of the Minister for this fund to be held on trust for Tongasat and to be paid out on its behalf without the approval of Cabinet, was unlawful and contravened section 15 of Government Act and sections 2 "public money" and "trust money", 16 and 22 of the Public Finance Management Act 2002.

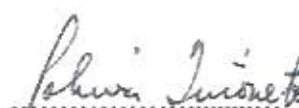
iii) Tuition Fees for the spouse of Tonga High Commissioner to London

Audit also noted that there was a payment of TOP48,000 for the tuition fees of the spouse of the Tonga High Commissioner to London, directed by the former Prime Minister and Minister of Foreign Affairs. This payment was an one off payment, very material in amount, unusual, made without approved budget item, and without the approval of Cabinet. The beneficiary was not a civil servant nor a government sponsored student. She had completed her course of study but she is not working for government.

Audit is of the opinion that this payment was unlawful and contravened section 9(1) of Public Finance Management Act 2002 and section 15 of Government Act.

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 30th June, 2011, 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
16th June, 2014

Government of the Kingdom of Tonga

STATEMENT OF RECEIPTS AND PAYMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2010-11		2009-10	
		Receipts/Payments by :		Receipts/Payments by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
OPERATING RECEIPTS	2				
Income Tax		38,344,742		28,118,228	
Trade Taxes		12,635,635		14,914,998	
Domestic fees and Licensing		-		184,994	
Taxes on Goods and Services		49,600,697		42,908,955	
Excise Tax		28,740,206		25,207,291	
Entrepreneurial and Property Income		4,611,886		15,574,284	
Administrative Fees & Charges		17,793,239		15,855,677	
Miscellaneous Revenue		965,026		1,745,222	
Transfers and Bond Receipts		10,391,844		15,087,582	
<i>Total Operating Receipts</i>		<u>163,083,274</u>		<u>159,597,231</u>	
OPERATING PAYMENTS	3				
Established Staff		87,144,063		84,387,325	
Unestablished Staff		2,531,815		3,180,266	
Travel and Communication		7,031,556		8,629,727	
Maintenance and Operations		9,598,161		6,820,257	
Purchase of Goods and Services		20,437,554		23,599,765	
Operational Grants and Transfers		23,015,187		19,070,312	
Public Debt		22,801,034		26,400,967	
Defence		-		7,370	
Capital Expenditure		2,165,923		3,050,623	
Equity Payment		1,676,979		1,173,356	
Privy Purse		944,702		1,314,378	
<i>Total Operating Payments</i>		<u>177,346,974</u>		<u>177,634,345</u>	
Operating Surplus/ (Deficit)		(14,263,700)		(18,037,115)	
Budget Support	13	<u>23,576,138</u>		<u>11,050,583</u>	
Net Operating Surplus/ (Deficit) with Budget Support		<u>9,312,438</u>		<u>(6,986,532)</u>	
Grants & External Concessional Loans Receipts	12	<u>29,678,627</u>		<u>33,370,396</u>	
Expenditure from Grants & External concessional Loans	12	<u>32,853,101</u>		<u>42,383,473</u>	
Net Receipts/(Deficit) from Grants and External Concessional Loans		<u>(3,174,474)</u>		<u>(9,013,077)</u>	
INCREASE/(DECREASE) IN CASH FROM OPERATIONS		<u>6,137,963</u>		<u>(15,999,609)</u>	
CHANGES IN CASH BALANCES:					
Cash at Bank and in Hand - 1 July		45,918,172		46,324,425	
Cash at Bank and in Hand - 30 June	5	41,121,000		45,918,172	
Net Increase /(Decrease) in Cash		(4,797,173)		(406,253)	
Plus: Net changes in Advances and Trust Money Accounts		<u>10,935,136</u>		<u>(15,593,356)</u>	
INCREASE/(DECREASE) IN CASH FROM OPERATIONS		<u>6,137,963</u>		<u>(15,999,609)</u>	

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

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STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2010-11		2009-10	
		Income/Expenditure by :		Income/Expenditure by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
OPERATING INCOME	2				
Income Tax		38,344,742		28,118,228	
Trade Taxes		12,635,635		14,914,998	
Domestic fees and Licensing		-		184,994	
Taxes on Goods and Services		49,600,697		42,908,955	
Excise Tax		28,740,206		25,207,291	
Entrepreneurial and Property Income		2,939,813		14,134,758	
Administrative Fees & Charges		17,793,239		15,855,677	
Miscellaneous Revenue		784,761		940,679	
Transfers		1,006,203		484,582	
<i>Total Operating Income</i>		151,845,295		142,750,161	
OPERATING EXPENDITURE	3				
Established Staff		87,234,529		84,387,325	
Unestablished Staff		2,600,514		3,180,266	
Travel and Communication		7,034,950		8,629,727	
Maintenance and Operations		9,621,926		6,820,257	
Purchase of Goods and Services		20,494,388		23,599,765	
Operational Grants and Transfers		23,015,187		19,070,312	
Public Debt Costs		6,463,950		5,550,634	
Defence		-		7,370	
Privy Purse		944,702		1,314,378	
<i>Total Operating Expenditure</i>		157,410,146		152,560,034	
Excess of Income over Expenditure		(5,564,851)		(9,809,872)	
Budget Support	13	23,576,138		11,050,583	
Net Excess of Income over Expenditure with Budget Support		18,011,287		1,240,710	

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

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STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Revenue Fund Balance \$	Development Fund Balance \$	Total \$
Financial Year 2009/2010				
Revenue Fund Balance as at 1 July 2009		(4,786,285)	39,470,958	34,684,673
Net Excess of Income over Expenditure with Budget Support for the year ended June 2010		1,240,710	(9,013,077)	(7,772,367)
Adjustments for Prior Years processed in 2010		1,087,137	-	1,087,137
Revenue Fund Balance as at 30 June 2010		(2,458,438)	30,457,881	27,999,443
Effect of Accounting for Assets & Liabilities		34,765,808	-	34,765,808
Total Fund Balance as at 30 June 2010		32,307,370	30,457,881	62,765,251
Financial Year 2010/2011				
Net Excess of Income over Expenditure with Budget Support for the year ended June 2011		18,011,287	(3,174,475)	14,836,812
Adjustments to Prior Years processed in 2011		276,411	-	276,411
Revenue Fund Balance as at 30 June 2011		15,829,261	27,283,406	43,112,666
Effect of Accounting for Assets & Liabilities	16	13,553,404	-	13,553,404
Total Fund Balance as at 30 June 2011		29,382,664	27,283,406	56,666,070

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

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STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2011

		2010 - 11		2009 - 10	
	Notes	\$	\$	\$	\$
CURRENT ASSETS					
Cash at Bank and in Hand	5	41,121,000		45,918,172	
Inventories		-		-	
Receivable	8	697,714		1,439,526	
Charges to Individuals	6	87,730		88,780	
<i>Total Current Assets</i>			41,906,444		47,446,478
NON-CURRENT ASSETS					
Receivables	8	40,042,129		21,563,819	
Investments	7	116,158,941		126,557,439	
Property, Plant & Equipment	9	175,532,718		149,751,074	
<i>Total Non-Current Assets</i>			331,733,787		297,872,332
TOTAL ASSETS			373,640,231		345,318,810
CURRENT LIABILITIES					
Trust Money Accounts	10	12,654,190		23,440,813	
Public Debts	11	16,337,084		11,463,223	
<i>Total Current Liabilities</i>			28,991,274		34,904,036
NON-CURRENT LIABILITIES					
Trust Money Accounts		-		854,250	
Public Debts	11	287,982,887		246,795,273	
<i>Total Non-Current Liabilities</i>			287,982,887		247,649,523
TOTAL LIABILITIES			316,974,161		282,553,559
NET ASSETS			56,666,070		62,765,251
FUNDS					
Revenue Fund Balance		15,829,261		(2,458,437)	
Development Fund Balance	12	27,283,406		30,457,881	
Effect of Accounting for Assets & Liabilities	16	13,553,404		34,765,808	
TOTAL FUND BALANCE			56,666,070		62,765,251

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 2011

	Notes	2010-11 \$	2009-10 \$
Development Fund Balance at 1 July	12	30,457,881	39,470,958
<i>Add: Development Fund Receipts</i>			
Grants & Loans Received		29,678,627	33,370,396
Total Development Fund Receipts		29,678,627	33,370,396
Total Development Funds Available		60,136,508	72,841,354
<i>Less: Development Fund Payments</i>			
Payments from Grants & Loans		32,853,101	42,383,473
Total Development Fund Payments		32,853,101	42,383,473
Development Fund Balance at 30 June		27,283,406	30,457,881

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

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STATEMENT OF GOVERNMENT INVESTMENTS AS AT 30 JUNE 2011

	Notes	2010-2011 \$	2009-2010 \$
Treasury Investments	7	2,547,439	2,541,885
Shares - minority holdings (at cost)		1,108,873	1,193,892
Investment in other companies		813,434	1,122,467
Public enterprises :			
Shares (at cost)		111,689,195	121,699,195
Total Investment		<u>116,158,941</u>	<u>126,557,439</u>

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

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STATEMENT OF PUBLIC DEBTS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2010-11 S	2010-11 S	2009-10 S
Loans Owing at 1 July	11			
Foreign		228,807,496		202,410,220
Domestic		<u>29,451,000</u>		<u>22,454,240</u>
			258,258,496	224,864,460
<i>Add: New Borrowing</i>				
Foreign		67,955,124		42,987,414
Domestic		<u>10,360,000</u>		<u>14,603,000</u>
			78,315,124	57,590,414
Total Loan Payable			336,573,620	282,454,874
<i>Less: Repayments</i>				
Foreign		5,977,084		4,569,728
Domestic		<u>10,360,000</u>		<u>6,893,495</u>
			16,337,084	11,463,223
			320,236,536	270,991,651
Revaluation of Debt in Foreign Currency			(15,916,566)	(12,733,155)
BALANCE PUBLIC DEBT 30 JUNE			304,319,970	258,258,496
<u>Balance Details:</u>				
Loans Owing at 30 June				
Foreign			274,868,970	228,807,496
Domestic			<u>29,451,000</u>	<u>29,451,000</u>
			304,319,970	258,258,496

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

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STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE, 2011.

	Notes	2010-11 \$	2009-10 \$
Guarantees and Indemnities	15		
Foreign Loans Debt Guarantee		-	4,001,190
Domestic Loans Debt Guarantee		12,054,174	10,799,210
Legal Proceedings and Disputes		-	-
Total Contingent Liabilities		<u>12,054,174</u>	<u>14,800,400</u>

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 STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2011

	Estimates	Actual 2010 - 11	Less (More) than Estimate	Actual 2009 -10
	\$	\$	\$	\$
Income Tax				
Government PAYE	4,500,000	5,238,160	(738,160)	5,179,666
PAYE Tax	4,100,000	6,491,690	(2,391,690)	4,928,784
Income Tax from Small Business	194,000	358,409	(164,409)	117,172
Income Tax from Large Business	8,000,000	11,496,738	(3,496,738)	9,105,027
Tax Debts Recovery	7,500,000	14,759,745	(7,259,745)	8,787,579
Total Income Tax	24,294,000	38,344,742	(14,050,742)	28,118,228
Trade Taxes				
Business Import Duties	14,443,000	12,555,887	1,887,113	14,907,038
Government Import Duties	68,000	79,748	(11,748)	7,960
Total Trade Taxes	14,511,000	12,635,635	1,875,365	14,914,998
Domestic fees and Licensing				
Company & Trade Mark Fees	-	-	-	2,969
Trading Licences	-	-	-	181,875
Export Licences	-	-	-	150
Business Port & Services Tax	-	-	-	-
Total Domestic fees and Licensing	-	-	-	184,994
Taxes on Goods and Services				
Consumption Tax - Import	42,680,000	44,944,733	(2,264,733)	41,515,886
Consumption Tax - Domestic	3,500,000	4,347,951	(847,951)	1,085,978
Government Consumption Tax	325,000	308,013	16,987	307,091
Tax Debts Recovered	-	-	-	-
Total Taxes on Goods and Services	46,505,000	49,600,697	(3,095,697)	42,908,955
Excise Tax				
Passport Fees	384,000	95,742	288,258	738,293
Excise Tax	23,425,000	28,603,236	(5,178,236)	24,464,049
Excise Duty - Government	10,000	41,228	(31,228)	4,948
Total Excise Tax	23,819,000	28,740,206	(4,921,206)	25,207,291

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STATEMENT OF APPROPRIATION – RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Notes	Estimates	Actual 2010 - 11	Less (More) than Estimate	Actual 2009 - 10
		\$	\$	\$	\$
Entrepreneurial and Property Income					
Interests		353,000	394,692	(41,692)	793,248
Dividends		4,000,000	2,449,343	1,550,657	13,029,578
Other Income		300,000	95,778	204,222	311,931
Total Entrepreneurial and Property Income		4,653,000	2,939,813	1,713,187	14,134,757
Administrative Fees & Charges		17,848,444	17,793,239	55,205	15,855,677
Miscellaneous Revenue		-	784,761	(784,761)	940,679
Transfer and Bond Receipts					
Transfer from NRB		1,000,000	974,359	25,641	-
Receipt from Revolving Fund		-	31,844	(31,844)	484,582
Total Transfer and Bond Receipts		1,000,000	1,006,203	(6,203)	484,582
Total Operating Receipts		132,630,444	151,845,295	(19,214,851)	142,750,161
Receipts from Loan Repayments		1,706,400	697,714	1,008,686	1,439,527
Receipt from Bond		3,360,000	10,360,000	(7,000,000)	14,603,000
Miscellaneous Revenue		-	180,265	-	804,544
Total Recurrent Receipts		137,696,844	163,083,274	(25,206,165)	159,597,231
Other Revenue (Budget Support)	13	32,900,000	23,576,138	9,323,862	11,050,583
Development Fund Receipts	12	84,364,744	29,678,627	54,686,116	33,370,396
TOTAL RECEIPTS		254,961,588	216,338,040	38,803,813	204,018,210

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 2011

	Notes	Estimates	Actual 2010 - 11	Less (More) than Estimate	Development Fund	Actual 2009 - 10
		\$	\$	\$	\$	\$
Palace Office		-	-	-	800,000	-
Legislative Assembly		-	-	-	120,552	-
Audit Office		100,000	83,475	16,525	-	29,169
Commissioner of Public Relations		-	-	-	-	-
Ministry of Foreign Affairs		2,500,000	2,167,855	332,145	26,390	1,700,541
Tonga Defence Services		-	-	-	820,618	-
Prime Minister's Office		40,000	83,264	(43,264)	1,923,348	97,595
Ministry of Finance & National Planning		6,484,400	7,891,801	(1,407,401)	2,292,242	18,720,282
Ministry of Revenue Services		109,800,000	130,487,518	(20,687,518)	324,170	111,480,409
Ministry of Public Enterprise		4,000,001	4,394,868	(394,867)	114,990	11,179,379
Ministry of Communication & Information		5,000,000	2,028,755	2,971,245	-	4,693,663
Ministry of Justice		831,000	760,556	70,444	-	698,997
Crown Law Department		-	3,282	(3,282)	21,945	-
Ministry of Police, Prisons & Fire Services		400,000	667,914	(267,914)	2,289,372	411,082
Ministry of Health		1,000,000	2,591,262	(1,591,262)	2,825,747	1,521,703
Ministry of Education, Women's Affairs & Culture		1,500,000	5,656,679	(4,156,679)	6,903,345	2,908,218
Ministry of Training, Employment, Youth & Sports		250,000	185,400	64,600	330,658	276,767
Ministry of Tourism		76,000	25,412	50,588	2,162,515	53,740
Ministry of Labour, Commerce and Industries		645,443	656,181	(10,738)	14,658	560,910
Ministry of Agriculture, Food, Forests & Fisheries		1,000,000	1,533,917	(533,917)	4,339,276	1,848,635
Ministry of Works		470,000	613,658	(143,658)	1,104,086	520,392
Ministry of Transport		2,900,000	2,684,188	215,812	632,888	1,836,352
Ministry of Lands, Survey and Natural Resources		700,000	567,290	132,710	1,146,694	1,059,400
Ministry of Environment and Climate Change		-	-	-	1,485,132	-
Total Recurrent Receipts		137,696,844	163,083,274	(25,386,430)	29,678,627	159,597,231
Budget Support	13	32,900,000	23,576,138			11,050,583
Development Fund Receipts	12	84,364,744	29,678,627			33,370,396
TOTAL RECEIPTS		254,961,588	216,338,040			204,018,210

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 2011

Notes	Original Estimates \$	Contingency Fund \$	Revised Estimates \$	Actual 2010 -11 \$	Less (More) than Estimate \$	Actual 2009 - 10 \$
Established Staff	88,918,322	6,168,981	89,620,915	87,234,529	2,386,386	84,387,325
Unestablished Staff	1,976,750	160,479	2,642,081	2,600,514	41,567	3,180,266
Travel and Communication	4,954,167	809,371	7,326,824	7,034,950	291,875	8,629,727
Maintenance and Operations	6,922,047	2,691,110	10,174,915	9,621,926	552,989	6,820,257
Purchase of Goods and Services	19,078,315	1,113,180	21,747,111	20,494,388	1,252,723	23,599,765
Operational Grants and Transfers	19,565,956	708,834	23,676,619	23,015,187	661,432	19,070,312
Public Debt	7,049,517	(650,000)	6,456,268	6,463,950	(7,683)	5,550,634
Capital Transfer	6,700,000	(3,640,046)	4,256	-	4,256	-
Defence	-	-	6,500	-	6,500	7,370
Privy Purse	1,000,000	-	944,702	944,702	-	1,314,378
Total Operating Payments	156,165,073	7,361,908	162,600,191	157,410,146	5,190,045	152,560,034
Repayments of Public Debt	14,890,483	(6,994,908)	9,396,433	16,337,084	(6,940,651)	20,850,333
Capital Expenditure	4,408,530	(977,000)	2,290,207	2,165,923	124,285	3,050,623
Equity Payments	500,000	610,000	1,677,254	1,433,821	243,433	1,173,356
Total Recurrent Payments	175,964,086	-	175,964,086	177,346,974	(1,382,889)	177,634,345
Grant Expenditure from External Donors	84,364,744	-	84,364,744	32,853,101	51,511,643	42,383,473
TOTAL PAYMENTS	260,328,830	-	260,328,830	210,200,076	50,128,754	220,017,818

The difference between the Original Estimates for Development Fund Receipts and Development Fund Payments is \$10m from ADB which was yet to be earmarked in the expenditure program.

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 2011

Notes	Original Estimates \$	Contingency Fund \$	Revised Estimates \$	Actual 2010 - 11 \$	Less (More) than Estimate \$	Development Fund \$	Actual 2009 - 10 \$
Palace Office	5,255,000	-	5,255,000	5,211,216	43,784	190,544	6,217,424
Legislative Assembly	3,500,000	352,000	3,852,000	3,844,078	7,921	89,921	4,144,342
Audit Office	839,001	-	839,001	833,322	5,679	-	867,652
Commissioner of Public Relations	150,000	-	150,000	116,674	33,326	-	113,163
Ministry of Foreign Affairs	8,000,000	3,350,000	11,350,000	11,052,536	297,464	322,044	10,851,250
Tonga Defence Services	6,589,000	912,000	7,501,000	7,244,287	256,713	760,023	8,141,516
Prime Minister's Office	8,483,000	(288,862)	8,194,138	8,008,989	185,150	1,344,760	8,344,844
Ministry of Finance & National Planning	53,194,000	(12,021,954)	41,172,046	47,288,596	(6,116,550)	4,271,891	48,858,744
Ministry of Revenue Services	3,956,000	42,262	3,998,262	3,518,227	480,035	840,524	3,560,269
Ministry of Public Enterprise	500,000	-	500,000	406,291	93,709	100,725	427,874
Ministry of Communication & Information	599,000	247,000	846,000	836,935	9,065	4,812	703,703
Ministry of Justice	2,290,000	740,000	3,030,000	2,901,996	128,004	36,719	2,580,533
Crown Law Department	1,297,000	-	1,297,000	1,100,805	196,195	31,804	1,482,034
Ministry of Police, Prisons & Fire Services	8,990,550	383,000	9,373,550	9,139,692	233,859	2,255,643	10,139,998
Ministry of Health	24,130,250	(278,000)	23,852,250	22,430,177	1,422,073	2,685,574	22,500,834
Ministry of Education, Women's Affairs & Culture	30,568,251	1,656,262	32,224,513	31,475,371	749,143	7,862,432	26,938,478
Ministry of Training, Employment, Youth & Sports	2,443,000	-	2,444,444	2,413,888	30,556	1,913,026	2,786,768
Ministry of Tourism	1,334,000	(554)	1,333,446	1,238,906	94,540	349,662	1,617,897
Ministry of Labour, Commerce and Industries	1,959,000	-	1,959,000	1,954,062	4,938	118,436	2,805,382
Ministry of Agriculture, Food, Forests & Fisheries	4,312,000	1,679,954	5,991,954	5,785,599	206,355	5,357,411	5,540,339
Ministry of Works	2,672,000	221,168	2,893,168	2,836,930	56,238	1,166,458	3,420,632
Ministry of Transport	2,561,000	2,768,361	5,329,361	5,211,318	118,043	918,544	3,060,668
Ministry of Lands, Survey and Natural Resources	1,748,034	187,363	1,935,397	1,911,171	24,226	1,515,716	2,529,800
Ministry of Environment and Climate Change	594,000	50,000	644,000	585,909	58,091	716,430	-
Total Recurrent Payments	175,964,086	-	175,964,086	177,346,974	(1,382,889)	32,853,101	177,634,345
Development Fund Payments	84,364,744	-	84,364,744	32,853,101	-	-	42,383,473
TOTAL PAYMENTS	260,328,830	-	260,328,830	210,200,076	-	-	220,017,818

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 advised 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.

(xvi) Development Funds

Development Funds are recognised when funds are received.

Government of the Kingdom of Tonga

(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 2010-11 is presented in a slightly different format then that used in the past six (6) years. The new format 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.

Government of the Kingdom of Tonga

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 sections 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 Renovation, opening of the Parliament and other operational requirements
- ii To fund salaries and operational expenses incurred during the year at the Head Office and Overseas Missions
- iii To fund salaries of 80 new recruits
- iv To fund part payment of Tongatapu Airport lease
- v To Fund line Ministries Salaries and operational expenses incurred during the year
- vi To fund salaries of contract staff that will assist with clearing the Small Business Division's taxpayer's backlog.
- vii To fund salaries, wages and operation arrears
- viii To fund salaries for the new Chief Judge and other operational requirements
- ix To fund salaries, operation requirements and operation shortages
- x To fund part payment of Tongatapu Airport lease
- xi To fund the salaries and contribution to Retirement Fund
- xii To fund part payment of Tongatapu Airport lease
- xiii To fund salaries, contribution to Retirement Fund, Overtime arrears, rental and payment of subscription
- xiv To fund road maintenance
- xv To counterpart fund for Japanese Aid and also fund part payment of Airport lease
- xvi To fund salaries and other operational requirements
- xvii To fund salaries and wages

Government of the Kingdom of Tonga

5. CASH

			2010-11	2009-10
			\$	\$
<i>Cash at Bank & Cash on Hand</i>			<u>37,410,080</u>	<u>34,773,897</u>
Westpac Bank of Tonga				
6 month term deposit	3.00%	04-10-11	584,495	4,035,910
3 month term deposit	2.90%	19-07-11	121,487	2,000,000
3 month term deposit	2.90%	27-09-11	1,957,194	-
3 month term deposit	2.90%	18-07-11	924,222	-
			<u>3,587,398</u>	<u>6,035,910</u>
ANZ Bank				
3 month deposit promissory note	3.00%	13-07-10	-	2,019,726
1 month deposit promissory note	2.25%	20-07-11	56,504	2,433,191
1 month deposit promissory note	2.50%	25-07-10	-	591,212
			<u>56,504</u>	<u>5,044,129</u>
Tonga Development Bank				
1 month deposit bond issue	2.45%	12-06-11	67,019	64,236
			<u>67,019</u>	<u>64,236</u>
<i>Total Short Term Deposit</i>			<u>3,710,920</u>	<u>11,144,275</u>
TOTAL CASH			<u>41,121,000</u>	<u>45,918,172</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 \$27,283,466 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.

	2010-11	2009-10
	\$	\$
Balance as at 1 July 2010	88,780	94,914
Receipts	80,252	-
Payments	(81,302)	(6,134)
Balance as at 30 June 2011	<u>87,730</u>	<u>88,780</u>

Government of the Kingdom of Tonga

7. INVESTMENT

			2010-11	2009-10
			\$	\$
Tonga Development Bank	Interest Rate	Maturity Date		
24 month deposit promissory note	4.50%	29-11-11	516,558	516,558
15 month deposit promissory note	3.10%	19-02-12	508,507	508,507
15 month deposit promissory note	3.10%	22-02-12	508,507	508,507
15 month deposit promissory note	3.10%	27-02-12	508,322	508,322
15 month deposit promissory note	3.00%	24-05-12	505,545	500,000
Total Treasury Deposit Investments			2,547,439	2,541,885
	Percentage Holding			
Air Pacific Limited	5.00%		71,357	71,618
Hawaiian Airlines	nominal		1,126	1,299
Pacific Forum Line	6.10%		1,036,390	1,120,975
Shares - minority holdings (at cost)			1,108,873	1,193,892
Ocean Royal Shipping Company Limited (USD \$480,923.52 at 6% interest)			813,434	1,122,467
Investment in other companies			813,434	1,122,467
	Percentage Holding	Estimated Value		
		30 June 2011		
International Dateline Hotel	100%	11,195,000	5,999,999	5,999,999
Sea Star Fishing Co. Ltd	70%	3,646,000	2,300,000	2,100,000
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	3,592,999	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	47,053,226
Waste Authority Limited	100%	3,801,785	1,000	1,000
Tonga Power Limited	100%	60,635,372	33,783,600	32,783,600
Tonga Print Limited	100%	1,449,738	1,276,527	1,276,527
Tongatapu Machinery Pool Limited	100%	-	-	700,000
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	-	-
Total Investment in Public Enterprises		286,529,498	111,689,195	121,699,195
TOTAL INVESTMENTS			116,158,941	126,557,439

During the year, Ocean Royal Shipping Company Limited made a partial refund of the deposit made by the Government of Tonga as Government decided not to proceed with its planned investment in the company

Government of the Kingdom of Tonga

9. PROPERTY, PLANT & EQUIPMENT

	Property under construction \$	Land and Buildings \$	Other Asset \$	Total \$
Cost				
At 1 July 2010	45,714,722	-	104,036,352	149,751,074
Additions	43,223,178	68,638,991	2,165,923	114,028,093
Disposals / Transfers	(88,246,449)	-	-	(88,246,449)
<i>At 30 June 2011</i>	691,452	68,638,991	106,202,275	175,532,718
Depreciation				
At 1 July 2010	-	-	-	-
Charge for the year	-	-	-	-
Disposals / Transfers	-	-	-	-
<i>At 30 June 2011</i>	-	-	-	-
Book value				
At 30 June 2010	45,714,722	-	104,036,352	149,751,074
<i>At 30 June 2011</i>	691,452	68,638,991	106,202,275	175,532,718

The balance of \$175,532,718 is again 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 Government Property, Land and Buildings (\$68,638,991) while the balance of \$19,607,458 was recorded as Receivables due to the On-lent nature of these projects.

The change in property, plant & equipment 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:

	2010-11 \$	2009-10 \$
Balance as at 1 July 2009	(23,440,813)	(11,318,437)
Receipts	61,198,408	27,593,411
Payments	(49,991,357)	(39,715,787)
Balance as at 30 June 2010	(12,233,762)	(23,440,813)
<i>Represented by:</i>		
Distraints - Legal Settlements	(36,929)	(84,824)
Unclaimed Salaries, Wages & Expenses	(168,139)	(578,919)
National Emergency Fund	(2,764,735)	(11,560,031)
PSRF Trust Account	(6,517,118)	(9,070,622)
Niutoputapu Tsunami Trust	(924,222)	(917,728)
AusAid-Business Recovery Trust	(481,925)	(580,925)
Other Trust Accounts	(1,340,694)	(647,764)
TOTAL TRUST MONEY ACCOUNTS	(12,233,762)	(23,440,813)

Tongatapu Market Limited Revolving Fund Balance of \$420,429 was treated as current liabilities as at 30 June 2011.

During this Financial Year, \$43,333,900.90 (USD25,450,000) was received from the People's Republic of China was held in trust in the system for Friendly Island Satellite Company Limited (TONGASAT). Further, a transfer authorised by the Minister was made whereby \$11,559,683 (USD6,789,001.83) was transferred to Government's Operating Account as tax arrears owed by TONGASAT to Government, while the remaining balance was transferred to TONGASAT's bank account.

11. PUBLIC DEBTS

The Government of Tonga benefits from lending and borrowing assistance from international lenders. The total undrawn borrowing facilities at 30 June 2011 amounted to \$52,883,720 Tongan Pa'anga (SDR 22,111) and CNY (201,848,934) as follows:

	2010 - 11 TOP (\$)
China Exim Bank	30,148,877
Loan IDA 4081	59,854
China Exim Bank	22,674,989
	52,883,720

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.

Government of the Kingdom of Tonga

Effective exchange rates in force are:

Currency (\$1.00)	Rate at 30 June 2011 (equivalent to TOP)	Rate at 30 June 2010 (equivalent to TOP)
Euro (EUR)	2.4338	2.3775
Special Drawing Rights (SDR)	2.707	2.8866
US Dollars (USD)	1.6914	1.9518
Yuan Renminbi (CNY)	0.2617	0.2872
New Zealand Dollars (NZD)	1.4035	1.3652
Australian Dollars (AUD)	1.8127	1.6738

Government of the Kingdom of Tonga

Loan details are as follows:

	Year	Purpose	Currency	Principal	Interest	Term Years	As at 30-Jun-10	Drawdown	Interest	Repayments	Exchange Difference	As at 30-Jun-11
ADB - 335 TON	1977	Small Industries	SDR	84,234	1.00	40	202,449		2,008	26,917	11,125	164,407
ADB - 376 TON	1978	Development	SDR	538,702	1.00	40	1,258,276		11,672	142,788	74,640	1,040,848
ADB - 435 TON	1979	Development	SDR	577,418	1.00	40	1,376,961		15,338	140,964	80,600	1,155,397
ADB - 540 TON	1981	Development	SDR	367,111	1.00	40	902,674		8,495	77,817	51,976	772,880
ADB - 624 TON	1983	Development	SDR	1,077,992	1.00	40	1,877,800		20,294	140,403	111,781	1,625,616
ADB - 782 TON	1986	Development	SDR	1,890,954	1.00	40	4,834,921		41,077	304,325	288,853	4,241,743
ADB - 927 TON	1988	Development	SDR	1,764,257	1.00	40	4,315,644		37,335	233,879	259,315	3,822,450
ADB - 990 TON	1990	Development	SDR	2,610,078	1.00	40	6,321,384		55,210	316,723	380,975	5,625,686
ADB - 1030 TON	1990	Fisheries	SDR	1,350,500	1.00	40	4,387,471		41,791	159,632	265,754	3,962,085
ADB - 1079 TON	1991	Power Development	SDR	4,509,142	1.00	40	12,404,130		107,803	445,729	756,721	11,201,680
ADB - 1303 TON	1995	Transport Infrastructure	SDR	6,264,820	1.00	40	16,016,283		140,130	356,664	981,469	14,678,150
ADB - 1412 TON	1996	Outer Islands Agriculture	SDR	2,310,705	1.00	40	5,963,792		52,374	128,309	365,648	5,469,835
ADB - 1904 TON	2002	Development	SDR	8,020,000	3/15	24	19,453,667		249,911	1,205,036	1,145,547	17,103,084
EIB 8 0050	1979	Telecom Network	EUR	331,898	1.00	40	262,067		2,835	29,666	(7,124)	239,586
EIB 7 0645	1987	Equity	EUR	300,000	2.00	25	96,935		2,045	49,513	(2,666)	50,088
EIB 7 0792	1989	Equity	EUR	168,043	2.00	25	399,541		8,526	84,780	(12,427)	327,188
IDA 1813	1987	Tonga Development Bank	SDR	1,579,175	0.75	40	3,692,398		29,820	133,412	224,565	3,334,421
IDA 2084	1990	Tonga Development Bank	SDR	1,592,623	0.75	40	3,385,882		25,827	182,654	212,901	3,190,327
IDA 3647	2002	Development	SDR	4,259,223	0.75	40	12,294,674		88,380	-	764,956	11,529,717
IDA 38140	2003	Health project	SDR	8,000,000	0.75	40	22,929,994		171,465	-	1,426,670	21,503,324
IDA 40810	2005	Education project	SDR	662,000	0.75	40	1,847,105		13,371	-	114,924	1,732,181
IFAD 129	1983	Development Projects	SDR	950,000	1.00	50	1,611,084		15,305	64,734	95,796	1,446,553
IFAD 220	1988	Agricultural Development	SDR	1,687,125	1.50	50	3,409,043		32,550	122,066	204,216	3,082,761
IFAD 327	1993	Agricultural Development	SDR	2,200,000	1.50	50	5,239,167		76,082	234,030	315,271	4,689,866
Bank of China	1998	Hapapai High School	CNY	25,000,000	0.00	20	7,180,000		0	-	637,500	6,542,500
Export-Import Bank of China	2007	Darlene Hotel	CNY	38,000,000	2.50	9	7,600,543	44,487,551	111,111	1,249,509	490,823	5,860,211
Export-Import Bank of China	2007	CBD Reconstruction	CNY	440,000,000	2.00	20	52,661,153		1,940,052	-	4,675,694	92,473,011
Westpac NZ Ltd	2009	Tonga High Com. NZ	NZD	1,280,000	6.29	10	1,807,901		105,058	143,594	(43,819)	1,508,125
Export-Import Bank of China	2010	Road project	CNY	291,000,000	2.00	20	25,077,560	23,159,413	1,007,716	-	2,226,150	46,005,823
Westpac AUD Ltd	2009	Tonga High Com. AUD	AUD	270,000	5.81	10	-	308,159	44,186	-	(181,270)	489,429
Total Government of Tonga Foreign Debt							228,307,496	67,955,124	4,357,784	5,977,084	15,916,565	274,868,970

\$15,916,565 reduction was due to exchange rate fluctuation.

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Loan details are as follows (Continued):

	Purpose	Year	Principal	Interest	Term Years	As at 30-Jun-10 \$	Drawdown \$	Interest \$	Repayments \$	Exchange Difference \$	As at 30-Jun-11 \$
Gov of Tonga Bond Series No. 1	Issue of Bonds	2006	2,762,000	6.75	5	2,762,000	-	186,435	2,762,000	-	-
Gov of Tonga Bond Series No. 4	Issue of Bonds	2006	1,000,000	10.00	5	1,000,000	-	100,200	-	-	1,000,000
Gov of Tonga Bond Series No. 5	Issue of Bonds	2006	1,000,000	10.00	5	1,000,000	-	100,200	-	-	1,000,000
Gov of Tonga Bond Series No. 1	Issue of Bonds	2008	2,488,000	10.00	5	2,488,000	-	249,000	-	-	2,488,000
Gov of Tonga Bond Series No. 2	Issue of Bonds	2008	598,000	9.00	3	598,000	-	54,220	598,000	-	-
Gov of Tonga Bond Series No. 3	Issue of Bonds	2008	1,000,000	7.25	3	1,000,000	-	72,700	-	-	1,000,000
Gov of Tonga Bond Series No. 1	Issue of Bonds	2009	5,000,000	6.65	5	5,000,000	-	332,700	-	-	5,000,000
Gov of Tonga Bond Series No. 2	Issue of Bonds	2009	1,000,000	6.00	5	1,000,000	-	60,200	-	-	1,000,000
Gov of Tonga Bond Series No. 3	Issue of Bonds	2009	1,000,000	6.00	5	1,000,000	-	60,200	-	-	1,000,000
Gov of Tonga Bond Series No. 4	Issue of Bonds	2009	2,000,000	6.00	5	2,000,000	-	120,200	-	-	2,000,000
Gov of Tonga Bond Series No. 5	Issue of Bonds	2009	3,603,000	6.00	5	3,603,000	-	216,380	-	-	3,603,000
Gov of Tonga Bond Series No. 6	Issue of Bonds	2009	5,000,000	5.00	3	5,000,000	-	250,200	-	-	5,000,000
Gov of Tonga Bond Series No. 1	Issue of Bonds	2010	3,000,000	6.00	6	3,000,000	-	180,200	-	-	3,000,000
Gov of Tonga Bond Series No. 1	Issue of Bonds	2011	3,360,000	3.10	5	-	3,360,000	515	-	-	3,360,000
Gov of Tonga Note Series No. 1	Issue of Notes	2011	7,000,000	3.00	3m	-	7,000,000	158,913	7,000,000	-	-
Gov of Tonga Overdraft facility	Overdraft facility	2011	3,000,000	11.75	n/a	-	-	-	-	-	-
TOTAL						29,451,000	10,360,000	2,142,263	10,360,000	-	29,451,000
						258,258,496	78,315,124	6,500,048	16,337,084	15,916,565	304,319,970
Current						11,463,223					16,337,084
Non Current						246,795,273					287,982,887
						258,258,496					304,319,970
Repayments of current and non-current debt are scheduled as follows							More than one year, less than two years				16,337,084
							More than two years, less than three years				16,337,084
							More than three years, less than four years				16,337,084
							More than four years, less than five years				16,337,084
							More than five years				238,971,635
											304,319,970

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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 2011 is \$27,283,406 (2010: \$30,457,881)

	2010-11 \$	2009-10 \$
Grants & External Concessional Loans Receipts	29,678,628	33,370,396
Expenditure from Grants & External Concessional Loans	32,853,101	42,383,473
Net Receipts/(Deficit) from Grants and External Concessional Loans	(3,174,473)	(9,013,077)

Development Fund Receipts by Donor for the year ended 30 June 2011

Donor	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Aust Bilateral	10,188,230	6,801,138		3,387,092
Aust Defence-Cash	-	403,565	403,565	
France	850,000	-		850,000
Germany	2,501,018	-		2,501,018
Japan Govt/JICA	250,000	-		250,000
Japan Non-Govt	5,000	4,326		674
Aust/NZ Pooled Fund	-	3,789,192	3,789,192	
NZ Bilateral	16,129,378	5,880,229		10,249,149
NZ Non-Govt	-	8,845	8,845	
People's Republic China	260,000	1,000		259,000
UK Govt	-	443,444	443,444	
ADB	12,921,614	1,065,756		11,855,857
World Bank/IDA	10,110,468	1,340,709		8,769,759
NZAID/World Bank Trust Fund	740,000	1,183,432	443,432	
Commonwealth Fund Tech Coop (CFTC)	6,003	58,447	52,444	
UNESCO	172,000	-		172,000
European Union	3,048,487	5,447,090	2,398,603	
Pacific Islands Forum Secretariat (PIFS)	94,401	-		94,401
Turkey	70,000	-		70,000
Secretariat of the Pacific Community (SPC)	71,766	51,072		20,694
Sth Pac Regl Envrnmnt Pgm (SPREP)	300,000	340,686	40,686	
UN Development Prgm (UNDP)	1,833,000	408,951		1,424,049
UN Family Planning Assoc (UNFPA)	100,000	108,240	8,240	
UN Intl Children's Fund	-	25,960	25,960	
World Health Org (WHO)	360,000	325,763		34,237
Sth Pac Geoscience Comm (SOPAC)	186,000	281,488	95,488	
UN Envrnmnt Prgm (UNEP)	264,000	167,119		96,881
Forum Fishing Agencies (FFA)	119,379	25,600		93,779
Commonwealth Local Govt Fund (CLGF)	14,000	11,990		2,010
International Union for Conservation of Nature	270,000	278,470	8,470	
Tonga Trust Fund	-	800,000	800,000	
Local Level Contributions	-	3,750	3,750	
Unidentified Budget Support	23,500,000	-		23,500,000
Unidentified Donor	-	422,365	422,365	
TOTAL DEVELOPMENT RECEIPTS	84,364,744	29,678,627	8,944,483	63,630,600

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Development Fund Expenditure by Ministry for the year ended 30 June 2011

Ministry	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Palace Office	-	190,544	190,544	
Legislative Assembly	261,000	89,921		171,079
Audit Office	54,000	-		54,000
Commissioner of Public Relations	51,000	-		51,000
Ministry of Foreign Affairs	1,158,000	322,044		835,956
Tonga Defence Services	805,000	760,023		44,977
Prime Minister's Office	5,151,890	1,344,760		3,807,130
Ministry of Finance & National Planning	19,557,491	4,271,891		15,285,600
Ministry of Revenue Services	1,621,848	840,524		781,324
Ministry of Public Enterprise	32,000	100,725	68,725	
Ministry of Communication & Information	38,000	4,812		33,188
Ministry of Justice	418,000	36,719		381,282
Crown Law Department	83,000	31,804		51,196
Ministry of Police, Prisons & Fire Services	4,143,000	2,255,643		1,887,357
Ministry of Health	4,228,000	2,685,574		1,542,426
Ministry of Education, Women's Affairs & Culture	13,506,841	7,862,432		5,644,409
Ministry of Training, Employment, Youth & Sports	4,307,703	1,913,026		2,394,676
Ministry of Tourism	585,000	349,662		235,338
Ministry of Labour, Commerce and Industries	1,119,401	118,436		1,000,965
Ministry of Agriculture, Food, Forests & Fisheries	1,269,745	5,357,411	4,087,667	
Ministry of Works	16,439,358	1,166,458		15,272,900
Ministry of Transport	6,856,468	918,544		5,937,924
Ministry of Lands, Survey and Natural Resources	536,000	1,515,716	979,716	
Ministry of Environment and Climate Change	2,142,000	716,430		1,425,570
TOTAL DEVELOPMENT EXPENDITURES	84,364,744	32,853,101	5,326,652	56,838,294

13. BUDGET SUPPORT

Budget Support is fund received from another Government or International Organisation to assist the Government's Budget. During the year, four (4) Development Partners granted Budget Support amounting to **\$23,576,138** to the Government of Tonga.

Budget Support Received is as follows:

Development Partners	Amount
World Bank	\$9,511,467
Asian Development Bank	\$8,497,621
Australia (AusAID)	\$3,651,700
New Zealand (NZAID)	\$1,915,350

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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 2011, the Government still maintained the Transfer Preserved Accounts of \$8,275,496 (2010:\$8,833,296) plus accumulated interest at 6% per annum of \$8,376,428 (2010: \$7,934,937).

The total balance of amounts owing \$16,651,924 (2010: \$16,768,232) plus accrued interest will be transferred as soon as possible.

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:

	2010-11 \$	2009-10 \$
Commitments not otherwise provided for in the financial statements are as follows:		
Future operating lease payments:		
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		-
Contingencies:		
Janfull International Dateline Hotel	373,071	422,295
The government has guaranteed the renovation project for the Forum meeting in 2007.		
Tonga Power Limited		
The government has guaranteed a USD Term Loan from WBOT	-	4,001,190
also guaranteed an Overdraft facility from WBOT	1,632,259	786,798
and a Term Loan facility from WBOT as part of acquisition of Shoreline's electricity business and assets.	9,898,948	9,590,117
Tonga Development Bank	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>12,054,174</u>	<u>14,800,400</u>

The guaranteed attached to WBOT was settled by Tonga Power.

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16. EFFECT OF ACCOUNTING FOR ASSETS & LIABILITIES

The amount of \$13,553,404 (2010: \$34,765,808) 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. The related comparative figure for 2009-10 has also been adjusted accordingly. Details of the effect of the modification made in previous financial years since 2005-06 are also shown below.

	Adjustment	Cumulative Amount
Financial Year 2005-06	(5,776,327)	11,378,664
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

17. AUTHORISATION DATE

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

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ADDITIONAL STATEMENTS OF DISCLOSURE

Operating Receipts for the preceding Five (5) financial years: 2006/07 – 2010/11

	2010-11	2009-10	2008-09	2007-08	2006-07
	\$	\$	\$	\$	\$
Income Tax	38,344,742	28,118,228	30,276,280	26,845,560	26,430,442
Trade Taxes	12,635,635	14,914,998	16,042,295	40,533,515	47,535,367
Domestic Fees and Licensing	-	184,994	300,702	290,706	429,783
Taxes on Goods and Services	49,600,697	42,908,955	57,175,096	59,676,719	49,232,783
Excise Tax	28,740,206	25,207,291	23,965,187	10,835,808	1,183,419
Entrepreneurial and Property Income	4,611,886	15,574,284	34,788,801	10,001,915	7,760,761
Administrative Fees & Charges	17,793,239	15,855,677	11,258,374	8,257,258	11,016,843
Miscellaneous Revenue	965,026	1,745,222	1,397,144	1,016,095	1,918,203
Transfer and Bond Receipts	10,391,844	15,087,582	14,352,919	4,317,078	6,000,000
Budget Support	23,576,138	11,050,583	-	-	-
TOTAL RECEIPTS	186,659,412	170,647,813	189,556,797	161,774,654	151,507,602

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Operating Payments for the preceding Five (5) financial years: 2006/07 – 2010/11

	2010-11	2009-10	2008-09	2007-08	2006-07
	\$	\$	\$	\$	\$
Palace Office	5,211,216	6,217,424	5,054,986	5,781,769	2,537,130
Legislative Assembly	3,844,078	4,144,342	4,719,628	3,935,384	2,884,976
Prime Minister's Office	8,008,989	8,344,844	8,999,712	8,333,077	4,898,922
Commissioner of Public Relations	116,674	113,163	136,767	108,207	113,787
Audit Office	833,322	867,652	886,542	698,823	629,004
Ministry of Finance & National Planning	47,288,596	48,858,744	72,219,022	39,228,739	54,063,478
Ministry of Foreign Affairs	11,052,536	10,851,250	14,187,765	6,767,524	6,674,593
Tonga Defence Services	7,244,287	8,141,516	9,894,917	8,078,335	7,102,982
Ministry of Lands, Survey, Natural Resources & Environment	1,911,171	2,529,800	2,650,310	2,289,105	2,005,759
Ministry of Justice	2,901,996	2,580,533	1,873,514	1,760,230	1,904,623
Ministry of Police, Prisons & Fire Services	9,139,692	10,139,998	10,880,495	8,381,583	8,113,004
Ministry of Education, Women's Affairs & Culture	31,475,371	26,938,478	24,200,091	22,450,556	22,662,184
Ministry of Health	22,430,177	22,500,834	20,900,972	19,212,939	20,002,773
Ministry of Agriculture, Food, Forests & Fisheries	5,785,599	5,540,339	5,717,328	5,052,231	5,320,153
Ministry of Labour, Commerce & Industries	1,954,062	2,805,582	2,603,531	2,143,142	1,891,867
Ministry of Tourism	1,238,906	1,617,897	2,010,677	1,649,466	1,125,230
Ministry of Works	2,836,930	3,420,632	8,484,544	4,250,745	3,245,433
Ministry of Transport	5,211,318	3,060,668	3,084,597	1,936,933	4,916,917
Ministry of Training, Employment, Youth & Sports	2,413,888	2,786,768	2,673,012	2,192,994	1,860,924
Crown Law Department	1,100,805	1,482,034	1,900,780	1,192,746	1,019,326
Ministry of Public Enterprises	406,291	427,874	601,369	405,454	379,489
Revenue Services Department	3,518,227	3,560,269	4,176,936	3,067,044	-
Ministry of Communication & Information	836,935	703,703	-	-	-
Ministry of Environment and Climate Change	585,909	-	-	-	-
TOTAL PAYMENTS	177,346,974	177,634,346	207,857,495	148,917,026	153,352,555