

Government of the Kingdom of Tonga

FINANCIAL STATEMENTS

For the year ended 30 June 2016



Ministry of Finance and National Planning
Nuku'alofa
February 2017

Government of the Kingdom of Tonga

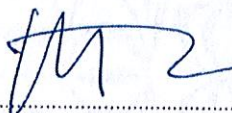
STATEMENT OF RESPONSIBILITY

The financial statements of the Government of the Kingdom of Tonga for the year ended 30th June 2016 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 equipments. 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. Although we have yet to fully comply with International Public Sector Accounting Standards (IPSAS) Cash but we are aiming for full transition in the coming financial years.

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 2016, and its financial performance for the year ended on that date.



Aisake Valu Eke

Minister for Finance and National Planning

28th February 2017

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 (PFMA) 2002 and in accordance with International Public Sector Accounting Standards (IPSAS).

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.



Balwyn Fa'otusia
Chief Executive Officer for Finance and National Planning



28th February 2017





INDEPENDENT REPORT OF THE AUDITOR GENERAL

To the Honourable Members of the Legislative Assembly

I have audited the accompanying Financial Statements of the Government of the Kingdom of Tonga for the year ended 30th June 2016, which set out on pages 2, 3, and 5 to 36 and comprised with the:

- Statements of responsibility and compliance by the Hon. Minister for Finance and National Planning (Minister) and the Chief Executive Officer (CEO), of the Ministry of Finance and National Planning;
- Statement of Receipts and Payments;
- Statement of Income and Expenditure;
- Statement of Changes in Fund Balance;
- Statement of Assets and Liabilities; and
- Notes to the Financial Statements and Additional Statements of Disclosure.

Responsibility of the Minister for the Financial Statements

The Minister is responsible under section 35 of the *Public Finance Management Act 2002* for the preparation and fair presentation of the financial statements of the Government that comply with the International Public Sector Accounting Standard, (IPSAS). The Minister is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the Minister, as well as evaluating the overall presentation of the financial statements.

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

The duties and responsibilities of the Auditor General arises from the *Public Audit Act 2007* and *Public Finance Management Act 2002*.

Basis for Qualified Opinion

The Minister, in his Statement of Responsibility (page 2), stated that he has modified the cash basis of accounting in order to enable the including of accounting and reporting of assets and liabilities of Government as at balance dates. The modification of cash accounting have been consistently applied as in previous years, and it allowed for adjustments to the cash basis value of assets and liabilities in order to report the fair values of those assets and liabilities as at the balance date. Referring to Note 16 to the financial statements, the value of the adjustments (debit) made to the valuation of receivables, payables, investments, public debts, property, plant and equipment that reported in this year's statement of assets and liabilities totaled \$65,334,853 (\$54,965,218 debit in 2015). It states that this amount represent the cumulative amount of the effect of accounting for assets and liabilities as at the balance day and the total fund balance as of 30th June, 2016 is reduced by that amount.

I fully agree with the assertion made by the Minister and fully support the continuation of this exercise. However, until all assets and liabilities of Government are completely accounted for with fair valuation as in full accrual basis of accounting, the scope of the audit is continued to be limited to the recorded and reported assets and liabilities.

Qualified Opinion

In my opinion, except for the possible 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 as at 30th June, 2016 and its financial performance and its cash flows for the year then ended in accordance with the *Public Finance Management Act 2002* including complying with the International Public Sector Accounting Standards.


Sefita Tangi, *FCPA (Aust.)*
AUDITOR GENERAL



Date: 28. 02. 2017 .

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STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2015-16		2014-15	
		Receipts/Payments by :		Receipts/Payments by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
OPERATING RECEIPTS	2				
Income Taxes		35,778,118		37,430,367	
Trade Taxes		19,483,584		17,528,230	
Taxes on Goods and Services		74,890,797		64,945,756	
Excise Tax		45,114,877		35,080,537	
Domestic fees and Licensing		23,874,969		18,457,147	
Entrepreneurial and Property Income		10,708,147		11,264,643	
Miscellaneous Revenue		1,706,934		3,809,901	
Capital and Other Transfer		19,784,407		18,650,035	
Revolving Fund		3,038,300		448,488	
Total Operating Receipts		234,380,132		207,615,104	
OPERATING PAYMENTS	3				
Established Staff		111,929,731		101,907,658	
Unestablished Staff		5,880,541		5,078,644	
Travel and Communication		8,951,259		9,623,058	
Maintenance and Operations		12,584,219		9,408,876	
Purchase of Goods and Services		29,405,542		28,061,121	
Operational Grants and Transfers		35,659,624		35,228,785	
Development Duties Expenditure		2,901,522		1,206,981	
Debt Management		22,045,165		21,364,111	
Pension and Gratuities		4,582,487		5,287,762	
Capital Expenditure		5,329,148		3,511,828	
Equity Payment		900,000		200,000	
Private Sector Development Support		5,000,000		5,000,000	
Total Operating Payments		245,169,239		225,878,825	
Operating Surplus/ (Deficit)		(10,789,107)		(18,263,721)	
Budget Support	9				
Loan		8,973,862		4,797,920	
Grant		24,114,064		14,457,533	
Total Budget Support		33,087,926		19,255,453	
Net Operating Surplus/ (Deficit) with Budget Support		22,298,819		991,732	
Development Fund Receipts (Grants and Loans)	8	30,947,042		33,125,132	
Development Fund Expenditure (Grants and Loans)		30,575,649		38,323,997	
Net Receipts/(Deficit) from Development Fund (Grants and Loans)		371,393		(5,198,864)	
INCREASE/(DECREASE) IN CASH FROM OPERATIONS		22,670,211		(4,207,133)	
CHANGES IN CASH BALANCES:					
Cash at Bank and on Hand - 1 July		46,828,708		55,991,360	
Cash at Bank and on Hand - 30 June	5	69,021,774		46,828,708	
Net Increase /(Decrease) in Cash		22,193,066		(9,162,652)	
<i>Plus: Net changes in Building Loans and Trust Money Accounts</i>		477,146		4,955,519	
INCREASE/(DECREASE) IN CASH FROM OPERATIONS		22,670,211		(4,207,133)	

The accompanying notes on pages 10 to 34 should be read in conjunction with these financial statements.

**STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2015-16		2014-15	
		Income/Expenditure by :		Income/Expenditure by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
OPERATING INCOME	2				
Income Tax		35,778,118		37,430,367	
Trade Taxes		19,483,584		17,528,230	
Taxes on Goods and Services		74,890,797		64,945,756	
Excise Tax		45,114,877		35,080,537	
Domestic fees and Licensing		23,874,969		18,457,147	
Entrepreneurial and Property Income		10,708,147		11,264,643	
Miscellaneous Revenue		1,706,934		3,809,901	
Revolving Fund		3,038,300		448,488	
<i>Total Operating Income</i>		214,595,725		188,965,069	
OPERATING EXPENDITURE	3				
Established Staff		111,929,731		101,907,658	
Unestablished Staff		5,880,541		5,078,644	
Travel and Communication		8,951,259		9,623,058	
Maintenance and Operations		12,584,219		9,408,876	
Purchase of Goods and Services		29,405,542		28,061,121	
Operational Grants and Transfers		35,659,624		35,228,785	
Development Duties Expenditure		2,901,522		1,206,981	
Public Debt Cost		7,907,668		7,273,635	
Pension and Gratuities		4,582,487		5,287,762	
Private Sector Development Support		5,000,000		5,000,000	
<i>Total Operating Expenditure</i>		224,802,593		208,076,521	
<i>Excess of Income over Expenditure</i>		(10,206,868)		(19,111,451)	
Budget Support	9	24,114,064		14,457,533	
<i>Net Excess of Income over Expenditure with Budget Support</i>		13,907,196		(4,653,918)	
Development Fund Receipts (Grants and Loans)	8	30,947,042		33,125,132	
Development Fund Expenditure (Grants and Loans)		24,749,663		38,323,997	
<i>Net excess of Income over Expenditure from Development Funds (Grants and Loans)</i>		6,197,378		(5,198,865)	
<i>Net excess of Income over Expenditure with Budget Support/Development Fund (Grants and Loans)</i>		20,104,574		(9,852,783)	

The accompanying notes on pages 10 to 34 should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Revenue Fund Balance \$	Development Fund Balance \$	Total \$
<u>FINANCIAL YEAR 2014/2015</u>				
Revenue Fund Balance as at 1 July 2014		61,464,395	23,375,470	84,839,865
Net Excess of Income over Expenditure with Budget Support for the year ended 2015		(4,653,918)	(5,198,865)	(9,852,783)
Adjustments for Prior Years processed in 2015		3,562,535	-	3,562,535
Revenue Fund Balance as at 30 June 2015		60,373,012	18,176,604	78,549,616
Effect of Accounting for Assets & Liabilities		(54,965,218)	-	(54,965,218)
Total Fund Balance as at 30 June 2015		5,407,793	18,176,604	23,584,399
<u>FINANCIAL YEAR 2015/2016</u>				
Net Excess of Income over Expenditure with Budget Support/ Development Fund (Grants and Loans) for the year ended 2016		13,907,196	6,197,378	20,104,574
Adjustments to Prior Years processed in 2016		(732,254)	-	(732,254)
Revenue Fund Balance as at 30 June 2016		73,547,954	24,373,982	97,921,936
Effect of Accounting for Assets & Liabilities	16	(65,334,853)	-	(65,334,853)
TOTAL FUND BALANCE AS AT 30 JUNE 2016		8,213,101	24,373,982	32,587,083

The accompanying notes on pages 10 to 34 should be read in conjunction with these financial statements.

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2016

		2015-16		2014-15	
	Notes	\$	\$	\$	\$
CURRENT ASSETS					
Cash at Bank and in Hand	5	69,021,774		46,828,708	
Inventories		-		-	
Receivable	11	1,069,701		522,035	
Charges to Individuals	10	87,580		87,580	
<i>Total Current Assets</i>			70,179,055		47,438,323
NON-CURRENT ASSETS					
Receivables	11	52,123,201		51,841,588	
Investments	6	171,304,353		170,203,573	
Property, Plant & Equipment	15	199,816,092		188,660,958	
<i>Total Non-Current Assets</i>			423,243,646		410,706,119
TOTAL ASSETS			493,422,702	458,144,443	
CURRENT LIABILITIES					
Trust Money Accounts	7	11,123,750		10,759,911	
Public Debts	12	15,582,000		14,090,476	
<i>Total Current Liabilities</i>			26,705,750		24,850,387
NON-CURRENT LIABILITIES					
Public Debts	12	428,993,838		409,709,658	
Transfer Value	13	5,136,032			
<i>Total Non-Current Liabilities</i>			434,129,869		409,709,658
TOTAL LIABILITIES			460,835,620	434,560,045	
NET ASSETS			32,587,083	23,584,399	
FUNDS					
Revenue Fund Balance		73,547,954		60,373,012	
Development Fund Balance	8	24,373,982		18,176,604	
Effect of Accounting for Assets & Liabilities	16	(65,334,853)		(54,965,218)	
TOTAL FUND BALANCE			32,587,083	23,584,399	

The accompanying notes on pages 10 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 (PFMA) 2002.

(ii) Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act 2002, and any applicable regulations. It is also in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) under the Cash Basis of Accounting. This means that transactions are recognised when cash is received or payments are made. Except for where 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 a 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 verified.

(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) Property, Plant & Equipment

Property, Plant & Equipment are disclosed at historical costs. As in previous year's accounts, depreciation charges had not yet been recognised because of the uncertainties and historical 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.

(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 2015-16 is being prepared 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 shown 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

RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Estimates \$	Actual 2015-16 \$	Less (More) than Estimate \$	Actual 2014-15 \$
REVENUE					
Income Tax					
PAYE Tax - Government (Small Business)	a	7,500,000	8,946,140	(1,446,140)	7,897,609
PAYE Tax - Non-Government (Large/Small Business)	b	7,745,300	8,658,604	(913,304)	8,063,574
Corporate Tax - Small Business	c	1,100,000	835,092	264,908	1,076,483
Corporate Tax - Large Business	d	13,078,500	14,865,842	(1,787,342)	12,959,726
Tax Debts Recovered (Corporate)		7,350,900	2,472,440	4,878,460	7,432,975
Total Income Tax		36,774,700	35,778,118	996,582	37,430,367
Trade Taxes					
Business Import Duties	e	18,030,000	19,248,350	(1,218,350)	17,391,864
Government Import Duties		101,000	235,234	(134,234)	136,366
Total Trade Taxes		18,131,000	19,483,584	(1,352,584)	17,528,230
Taxes on Goods and Services					
Consumption Tax - Import	f	59,097,500	62,110,902	(3,013,402)	56,995,571
Consumption Tax - Domestic	g	8,048,300	10,655,041	(2,606,741)	6,825,754
Government Consumption Tax	h	404,000	916,591	(512,591)	622,849
Tax Debts Recovered (CT)		1,600,000	1,208,262	391,738	501,582
Total Taxes on Goods and Services		69,149,800	74,890,797	(5,740,997)	64,945,736
Excise Tax					
Excise Tax	i	36,830,300	44,995,231	(8,164,931)	35,080,511
Excise Tax - Government		10,000	31	9,969	12
Stamp Duty		-	-	-	14
PG Forex Levy	j	2,000,000	119,614	1,880,386	-
Total Excise Tax		38,840,300	45,114,877	(6,274,577)	35,080,537

RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

	Notes	Estimates \$	Actual 2015-16 \$	Less (More) than Estimate \$	Actual 2014-15 \$
Domestic fees and Licensing					
Passport Fees		1,500,000	1,972,790	(472,790)	1,710,051
School Fees		2,634,200	2,348,216	285,984	2,329,613
Motor Licences & Registration	<i>k</i>	2,461,300	1,533,312	927,988	1,412,748
Annual Motor Vehicle Examination		1,370,000	1,165,488	204,512	998,672
Other Fees and Licences	<i>l</i>	27,533,100	16,855,163	10,677,937	12,006,062
Total Domestic fees and Licensing		35,498,600	23,874,969	11,623,631	18,457,147
Entrepreneurial and Property Income					
Interests	<i>m</i>	2,525,500	1,034,440	1,491,060	475,176
Dividends	<i>n</i>	11,095,000	8,171,068	2,923,932	8,732,723
Government Land Rental & Other Incomes	<i>o</i>	675,300	1,502,639	(827,339)	2,056,744
Total Entrepreneurial and Property Income		14,295,800	10,708,147	3,587,653	11,264,643
Miscellaneous Revenue					
Sale of Government Assets		10,000	131,229	(121,229)	38,720
Sundry Revenue	<i>p</i>	105,000	1,575,705	(1,470,705)	3,771,181
Total Miscellaneous Revenue		115,000	1,706,934	(1,591,934)	3,809,901
Total Operating Receipts		212,805,200	211,557,426	1,247,774	188,516,581
Principal repayments from Onlent to PE's		546,500	721,407	(174,907)	486,735
Bond Receipts	<i>q</i>	21,360,000	19,055,000	2,305,000	18,128,000
Repayments loan on Agriculture Marketing & Fisheries Export Fund	<i>r</i>	3,000,000	8,000	2,992,000	35,300
Total Recurrent Receipts		237,711,700	231,341,832	6,369,868	207,166,616
Budget Support	<i>s</i>	28,443,600	33,087,926	(4,644,326)	19,255,453
Revolving Fund		3,520,000	3,038,300	481,700	448,488
Development Fund Receipts		66,009,200	30,947,042	35,062,158	33,125,132
TOTAL RECEIPTS		335,684,500	298,415,100	37,269,400	259,995,689

Government of the Kingdom of Tonga

Material differences in comparison of original budget receipts and actual receipts, less/ (more) than five hundred thousand (\$500,000);

Notes	Descriptions	Amount (\$) Less/(More)
a	An increase of staff recruitments in Government Ministries as well as an increase of 6% COLA leads to an over-collection of PAYE Tax revenue.	(1,446,140)
b	Due to an increase of recruitments in non-Government Agencies which boost up the collection of PAYE Tax for non-Government (large/small business).	(913,304)
c	The over-collection of revenues was due to an increase in the number of registration of large businesses during the financial year.	(1,787,342)
d	The over-state of budget allocation for tax debt arrears was based on the outturn of 2014/15. Only one major company that had an arrear and small companies still owing to Government.	4,878,460
e	An impact of new tariff policies being implemented lead to an increase in collection of import duties (ie. healthy damage goods, vehicles, cigarettes, fuel, soft drinks and others).	(1,218,350)
f	Due to an increase in numbers of compliances with Customs and Trade Policy in comparison to past years.	(3,013,402)
g	Due to an increase in numbers of registrations of large businesses.	(2,606,741)
h	The over-collection of Government consumption tax was due to an increase in Government contribution of consumption tax payments in favour of Communities and Donor Funded Projects.	(512,591)
i	The over-collection of excise taxes due to an increase in excise tax rate for locally manufactured beers, locally manufactured and imported spirits, cigarettes, petroleum, oils, instant noodles and turkey tails. Also reduction of excise tax rates for used vehicles age 10 years which leads to an increase the number of imported vehicles during the year.	(8,164,931)
j	The under-collection of the Forex Levy was due to the delayed implementation of the Levy Act 2016.	1,880,386
k	Ministry of Infrastructure had over-estimated their budget allocation for the motor licences & registration revenue.	927,988
l	The other fees and licences was due to an under-collection of sales of curriculum materials of 3.35%, export and post harvest processing fees of 14.59%, architectural consultation fees of 1.60% as well as 7.72% of seabed mineral exploration licences fees being collected during the financial year.	10,677,937
m	An estimation was based on Nuku'alofa CBD Reconstruction on-lent loan repayments however Molisi City Assets and Taumoepeau failed to make any repayment hence the under-collection.	1,491,060
n	The estimation was based on National Reserve Bank of Tonga profit 2014-15 and arrears of dividends from other Public Enterprises. However, dividend only received from Fiji Airways, Tonga Power Limited and Tonga Water Board.	2,923,932
o	An over-collection of revenue was due to an increase of Forum Fisheries Agency (FFA) Treaty. Also an advance payment was made to the Government of Tonga to allow US Vessels to conduct exploratory fishing.	(827,339)
p	The estimated figures were based on the historical data for unanticipated revenue items. However bigger amounts were received during the financial year due to salary overpayments and reimbursements received for prior years.	(1,470,705)
q	Under-collection of bond receipts resulted from redemption made during the financial year and bonds being under subscribed.	2,305,000
r	Loan repayments were under-collected on Agriculture Marketing & Fisheries Export Fund due to non-compliance as per repayment schedule projected for the financial year.	2,992,000
s	Budgeted figures were indicative during budget preparation. Also conditions listed on the Joint Policy Reform Matrix (JPRM) must be met before Budget Support is disbursed.	(4,644,326)

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RECEIPTS BY MINISTRY FOR THE YEAR ENDED 30 JUNE 2016

	Estimates	Actual 2015-16	Less (More) than Estimate	Development Fund	Actual 2014-15
	\$	\$	\$	\$	\$
Audit Office	200,000	74,005	125,995	-	54,300
Ministry of Foreign Affairs & Trade	2,500,000	2,981,885	(481,885)	-	2,566,985
Prime Minister's Office	100,000	93,833	6,167	-	59,952
Ministry of Finance & National Planning	42,102,100	25,985,618	16,116,482	692,367	26,476,555
Ministry of Revenue & Customs	162,223,200	176,596,882	(14,373,682)	-	155,772,877
Ministry of Public Enterprises	7,595,000	8,157,692	(562,692)	5,791,120	5,180,476
Ministry of Commerce, Tourism and Labour	700,000	713,793	(13,793)	485,908	579,936
Ministry of Justice	900,000	1,117,618	(217,618)	685,269	988,128
Attorney General's Office	-	-	-	169,407	-
Ministry of Police, Prisons & Fire Services	725,000	887,651	(162,651)	3,835,806	833,860
Ministry of Health	1,800,000	1,041,391	758,609	5,716,551	1,062,393
Ministry of Education & Training	2,600,000	2,348,019	251,981	4,788,158	2,326,587
Ministry of Internal Affairs	29,000	28,500	500	671,966	14,400
Ministry of Agriculture, Food, Forests & Fisheries	3,000,000	3,196,857	(196,857)	246,972	3,691,037
Ministry of Infrastructure	11,500,000	8,989,363	2,510,637	75,880	5,775,326
Ministry of Lands, Survey & Natural Resources	4,631,400	1,254,460	3,376,940	981,685	1,804,227
Public Service Commission	-	-	-	251,541	-
Bureau of Statistics	-	-	-	63,733	-
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	626,000	912,565	(286,565)	6,490,678	428,064
Total Recurrent Receipts	241,231,700	234,380,132	6,851,568	30,947,042	207,615,104
Budget Support	28,443,600	33,087,926	(4,644,326)		19,255,453
Development Fund Receipts	66,009,200	30,947,042	35,062,158		33,125,132
TOTAL RECEIPTS	335,684,500	298,415,100	37,269,400		259,995,689

3. OPERATING PAYMENTS

PAYMENTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Original Estimates \$	Contingency Fund \$	Other Transfers \$	Revised Estimates \$	Actual 2015-16 \$	Less (More) than Estimate \$	Actual 2014-15 \$
Established Staff		120,800,200	(771,000)	(3,032,225)	116,996,975	111,929,731	8,870,469	101,907,658
Unestablished Staff		4,476,000	342,700	1,113,103	5,931,803	5,880,541	(1,404,541)	5,078,644
Travel and Communication		9,075,600	(236,400)	425,347	9,264,547	8,951,259	124,341	9,623,058
Maintenance and Operations		16,689,700	338,250	804,198	17,832,148	12,584,219	4,105,481	9,408,876
Purchase of Goods and Services		33,087,300	2,190,350	(443,863)	34,833,787	29,405,542	3,681,758	28,061,121
Operational Grants and Transfers		39,601,400	(1,100,000)	(555,708)	37,945,692	35,659,624	3,941,776	35,228,785
Development Duties Expenditure		1,177,300	-	1,980,000	3,157,300	2,901,522	(1,724,222)	1,206,981
Debt Management		8,395,100	-	-	8,395,100	7,907,668	487,432	7,273,635
Contingency Fund		1,500,000	(1,500,000)	-	-	-	1,500,000	-
Pension & Gratuities		4,525,000	-	(21,594)	4,503,406	4,582,487	(57,487)	5,287,762
Private Sector Development Support		8,000,000	-	(1,700,000)	6,300,000	5,000,000	3,000,000	5,000,000
Total Operating Payments		247,327,600	(736,100)	(1,430,741)	245,160,759	224,802,593	22,525,007	208,076,521
Repayments of Public Debt		14,260,000	-	-	14,260,000	14,137,498	122,502	14,090,476
Asset		2,012,900	736,100	1,130,741	3,879,741	5,329,148	(3,316,248)	3,511,828
Equity Payments		100,000	-	300,000	400,000	900,000	(800,000)	200,000
Total Recurrent Payments		263,700,500	-	-	263,700,500	245,169,239	18,531,261	225,878,825
Grant expenditure from external donors	8	66,009,200	-	-	66,009,200	30,575,649	35,433,551	38,323,997
TOTAL PAYMENTS		329,709,700	-	-	329,709,700	275,744,888	53,964,812	264,202,822

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

PAYMENTS BY MINISTRY GROUP FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Original Estimates \$	Contingency Fund \$	Revised Estimates \$	Actual 2015-16 \$	Notes	Less (More) than Estimate \$	Development Fund \$	Actual 2014-15 \$
Palace Office		5,172,200	(400,000)	4,772,200	3,735,639	a	1,436,562	-	4,891,538
Legislative Assembly	i	4,068,300	125,500	4,193,800	3,978,807		89,493	1,899	4,023,442
Audit Office	ii	1,833,600	66,000	1,899,600	1,699,377		134,223	-	1,882,992
Commissioner of Public Relations	iii	1,419,900	(300,000)	1,119,900	860,130	b	559,770	-	598,131
Ministry of Foreign Affairs & Trade	iv	9,213,200	989,000	10,202,200	8,965,792		247,408	-	8,761,524
His Majesty's Armed Forces	v	8,634,300	-	8,634,300	8,488,680		145,620	-	8,198,437
Prime Minister's Office		2,160,300	-	2,160,300	2,089,575		70,725	-	1,907,132
Ministry of Finance & National Planning	vi	82,424,300	(3,581,500)	78,842,800	73,983,411	c	8,440,389	1,011,849	67,846,199
Ministry of Revenue & Customs		7,113,700	(300,000)	6,813,700	5,933,767	d	1,179,933	-	4,084,426
Ministry of Public Enterprises	vii	1,144,700	-	1,144,700	1,143,502		1,198	5,640,628	947,130
Ministry of Commerce, Tourism and Labour	viii	6,264,100	44,000	6,308,100	5,717,377	e	546,723	434,030	6,003,278
Ministry of Justice	ix	5,574,700	(200,000)	5,374,700	4,596,735	f	977,966	646,695	4,361,105
Attorney General's Office	x	2,103,700	100,000	2,203,700	1,999,596		104,104	191,761	1,452,127
Ministry of Police, Prisons & Fire Services	xi	13,425,400	150,000	13,575,400	13,422,178		3,222	3,557,092	12,047,590
Ministry of Health	xii	30,197,500	2,751,000	32,948,500	32,852,267	g	(2,654,767)	4,923,259	28,066,893
Ministry of Education & Training	xiii	44,181,600	-	44,181,600	41,250,104	h	3,131,496	7,747,794	41,701,683
Ministry of Internal Affairs	xiv	6,513,500	556,000	7,069,500	6,867,438		(353,938)	562,420	5,727,655
Ministry of Agriculture, Food, Forests & Fisheries	xv	8,743,300	-	8,743,300	8,697,845		45,455	187,956	8,549,121
Ministry of Infrastructure	xvi	12,369,500	-	12,369,500	8,493,897	i	3,875,603	365,694	7,273,407
Ministry of Lands, Survey & Natural Resources	xvii	3,033,900	-	3,033,900	2,855,625		178,275	756,247	2,520,156
Public Service Commission	xviii	1,355,100	-	1,355,100	1,241,995		113,105	-	1,138,259
Bureau of Statistics		1,687,300	-	1,687,300	1,532,054		155,246	42,683	797,340
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change		4,866,400	-	4,866,400	4,763,449		102,951	4,505,643	3,099,251
Development Fund Payments		263,700,500	-	263,700,500	245,169,239		18,531,261	30,575,649	225,878,825
TOTAL PAYMENTS		66,009,200		66,009,200	30,575,649		35,433,551		38,323,997
		329,709,700		329,709,700	275,744,888		53,964,812		264,202,822

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

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Material differences in comparison of original budget payments and actual payments, less/ (more) than five hundred thousand (\$500,000):

Notes	Descriptions	Amount (\$) Less/(More)
a	28% underspent in overseas travel, national event and salary item due to death and special leave without pay.	1,436,562
b	39% Underspent in salary due to staff resigning from public service.	559,770
c	10% Underspent in salaries due to death, special leave without pay, resignation, redeployed, retired from work, staff transferred to other	8,440,889
d	Mainly due to maintenance of building & compound and salary vote which resulted from resignation, retirement and staff transferred to	1,179,933
e	Underspent of 9% mainly due to unutilised Grants and staff being terminated from work as a result of death, staff transferred to other	546,723
f	Underspent of 18% due to staff transferred to other line ministries, special leave without pay, retired and also resignation.	977,966
g	Overspent of 9% due to overtime and salary vote which results from secondment of staff, resignation from work as well as special leave	(2,654,767)
h	Staff being transferred to other line ministries, special leave without pay, retirement and resigning from work lead to an underspent of	3,131,496
i	Underspent of 31% due to staff dismissal, death, special leave	3,875,603

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:

Notes	Descriptions	Amount (\$)
i	To cater for the 47th Presiding Officers & Clerk Conference (POCC) and other operational expenses of Legislative Assembly.	125,500
ii	To cater for two (2) new vehicles of Tonga Audit Office.	126,000
iii	To cater for a new vehicle for Commissioner of Public Relations.	65,000
iv	To cater for top-up operations for overseas missions, purchase a new vehicle for Immigration and upgrade Immigration System (TIMS) in Vava'u-Lupepau'u Airport for international flights purposes of Ministry of Foreign Affairs & Trade.	989,000
v	To fund for purchasing of new vehicle for His Majesty's Armed Forces.	60,000
vi	To cater for two (2) new vehicles for Ministry of Finance & National Planning. However, purchasing of two (2) new vehicles were unsuccessful.	140,000
vii	To cater for a new vehicle for Public Enterprises.	25,000
viii	To cater for operations and new posts of Tourism.	244,000
ix	To cater for a new vehicle of Ministry of Justice.	60,000
x	To fund payments of office space rental fees for Attorney General's Office.	100,000
xi	To cater for a new vehicle (3 tonne truck) and other operational expenses for Prison Department.	150,000
xii	To fund payments of 'Eua Hospital fence, Overseas Medical Treatment, Medical Supplies, Security Services, Wages, extension of Tonga Health Building, new vehicle for Hihifo Centre and operations of Ministry of Health.	2,751,000
xiii	To cater for purchasing of two (2) new vehicles and other operational expenses for Ministry of Education and Training.	153,000
xiv	To fund payment of allowances for Tonga Rugby Union players on Pacific Nation Cup and Rugby World Cup 2015 of Ministry of Internal Affairs.	556,000
xv	To cater for a new vehicle for Ministry of Agriculture, Food, Forest and Fisheries.	24,000
xvi	To cater for new Machinery for Ministry of Infrastructure.	300,000
xvii	To cater for a new vehicle for Ministry of Lands and Natural Resources.	60,000
xviii	To cater for a new vehicle for Public Service Commission.	60,000

5. CASH

		2015-16 \$	2014-15 \$
Trust Fund Cash Balance		7,211,526	6,779,761
Development Cash Balance		18,476,224	18,176,604
		25,687,749	24,956,365
<u>Operating Cash Balance</u>		43,334,024	21,872,343
Operating Cash on Hand		686,211	716,489
Operating Cash at Bank		41,422,532	19,940,282
Short Term Deposits		1,225,281	1,215,572
Tonga Development Bank			
3 month Term Deposit	0.75% 7/16/2016	1,151,820	1,143,205
1 month Term Deposit	1.50% 7/12/2016	73,462	72,367
TOTAL CASH BALANCE		69,021,774	46,828,708

The Total Operating Cash balance for Financial Year 2015/16 was \$53,438,511 which includes the above Cash Balance of \$43,334,024 and Treasury Investment Balance of \$10,104,487 as detailed in Note 6.

6. INVESTMENT

	2015-16 \$	2014-15 \$
Treasury Investments	10,104,487	9,995,756
Shares - minority holdings (at cost)	79,010	76,281
Investment in other companies	1,125,133	1,120,572
Public enterprises :		
Shares (at cost)	159,995,722	159,010,964
TOTAL INVESTMENT	171,304,353	170,203,573

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Details of Investment are as follows:

			2015-16	2014-15
			\$	\$
Tonga Development Bank	Interest Rate	Maturity Date		
15 month Term Deposit	2.50%	8/30/2016	548,369	536,334
15 month Term Deposit	2.50%	2/19/2017	535,744	516,349
15 month Term Deposit	2.50%	2/28/2017	564,303	552,099
15 month Term Deposit	2.50%	2/22/2017	572,836	550,517
15 month Term Deposit	2.25%	5/25/2017	554,509	539,285
24 month Term Deposit	2.00%	9/28/2016	1,532,764	1,532,764
24 month Term Deposit	2.00%	9/29/2016	156,073	156,073
24 month Term Deposit	3.00%	8/6/2016	5,000,000	5,000,000
			9,464,598	9,383,421
ANZ Bank				
24 month Term Deposit	2.50%	8/9/2017	639,890	612,334
			639,890	612,334
Total Treasury Deposit Investments			10,104,487	9,995,756
	Percentage Holding			
Air Pacific Limited	0.27%		76,525	74,877
Hawaiian Airlines	nominal		2,485	1,404
Shares - minority holdings (at cost)			79,010	76,281
Ocean Royal Shipping Company Limited (USD \$480,923.52 at 6% interest)			1,125,133	1,120,572
Investment in other companies			1,125,133	1,120,572
	Percentage Holding			
Public Enterprises				
Tonga Development Bank	100%		14,000,000	14,000,000
Tonga Communications Corporation	100%		14,243,639	14,243,639
Tonga Forest Products Limited	100%		4,693,000	3,793,000
Tonga Market Corporation Limited	100%		1,600,000	1,600,000
Tonga Airports Limited	100%		36,543,226	36,543,226
Waste Authority Limited	100%		900,000	900,000
Tonga Power Limited	100%		33,783,595	33,783,595
Tonga Post Limited	100%		1,807,915	1,807,915
Tong Export Quality Management Limited	100%		100,000	100,000
Tonga Asset Managers & Associates Limited	100%		1,761,707	1,676,949
Tonga Cable Ltd	83%		36,907,422	36,907,422
Friendly Islands Shipping Agency	100%		400,000	400,000
Ports Authority Tonga	100%		10,949,097	10,949,097
Tonga Broadcasting Commission	100%		241,081	241,081
Tonga Water Board	100%		2,065,040	2,065,040
Total Investment in Public Enterprises			159,995,722	159,010,964
TOTAL INVESTMENTS			171,304,353	170,203,573

7. 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.

Details of Trust Money Accounts are as follows:

	2015-16 \$	2014-15 \$
Balance as at 1 July 2015	10,759,911	12,563,572
<i>Add;</i> Receipts	2,049,367	1,951,445
<i>Less;</i> Payments	1,685,528	3,755,106
Balance as at 30 June 2016	11,123,750	10,759,911
<i>Represented by:</i>		
Distraints - Legal Settlements	79,572	87,437
Unclaimed Salaries, Wages & Expenses	197,816	211,229
National Emergency Fund	3,324,473	3,288,303
PSRF Trust Account	5,057,754	4,611,610
Niutoputapu Tsunami Trust	530,935	531,110
Other Trust Accounts	1,933,200	2,030,221
TOTAL TRUST MONEY ACCOUNTS	11,123,750	10,759,911

8. DEVELOPMENT FUND

	2015-16 \$	2014-15 \$
Development Fund Balance at 1 July 2015	18,176,604	23,375,470
<i>Add: Development Fund Receipts</i>		
Grants & Loans Received	30,947,042	33,125,132
Total Development Fund Receipts	30,947,042	33,125,132
Total Development Funds Available	49,123,645	56,500,602
<i>Less: Development Fund Payments</i>		
Payments from Grants & Loans	30,575,649	38,323,997
Total Development Fund Payments	30,575,649	38,323,997
DEVELOPMENT FUND BALANCE AT 30 JUNE 2016	18,547,996	18,176,604

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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 / loan. The balance as at 30 June 2016 is **\$18,547,996**. Development Receipts by Donor and Development Funds by Ministry are shown below.

Development Fund Receipts by Donor for the year ended 30 June 2016

Donor	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Australia Bilateral Assistance	3,512,000	4,729,581	1,217,581	
Australian - Others	60,000			60,000
France		40,654	40,654	
Japan - JICA	100,000			100,000
Japan Non-Govt	500,000			500,000
Pooled Funds - Australia & New Zealand	9,511,900	7,641,709		1,870,191
New Zealand Bilateral Assistance	13,393,200	8,156,063		5,237,137
New Zealand Non-Government		9,927	9,927	
People's Republic of China	1,092,000	98,300		993,700
India Fund	200,000	408,173	208,173	
Korean Fund	860,000	219,089		640,911
Asian Development Bank (ADB)	2,000,000	1,935,842		64,158
World Bank/International Development Agency (IDA)	24,169,600	2,261,453		21,908,147
Commonwealth Fund Technical Cooperation (CFTC)	60,000			60,000
UNESCO		15,903	15,903	
European Union (EU)	2,800,000	212,645		2,587,355
Pacific Islands Forum Secretariat (PIFS)	500,000			500,000
Secretariat of the Pacific Community (SPC)	355,000	452,079	97,079	
Sth Pac Regnl Envrnmnt Pgm (SPREP)		262,154	262,154	
UN Development Prgm (UNDP)	3,907,500	1,575,629		2,331,871
UN Family Planning Assoc (UNFPA)	400,000	472,238	72,238	
UN Intl Children's Fund (UNICEF)		319,570	319,570	
International Labour Organisation (ILO)	7,000			7,000
World Health Org (WHO)	60,000	1,111,026	1,051,026	
UN Envrnmnt Prgm (UNEP)	100,000	149,622	49,622	
Forum Fishing Agencies (FFA)	180,000	22,444		157,556
Asia Sustainable and Alternative Energy Program (ASTAE)		7,864	7,864	
United Nation Convention on the Law of the Sea		238,110	238,110	
Gesellschaft fur Internationale Zusammenarbeit Gmb		33,634	33,634	
Tonga Health Promotion Foundation		387,954	387,954	
Local Level Contributions		46,900	46,900	
Other Donor	5,000			5,000
Unidentified Donor	2,236,000	138,477		2,097,523
TOTAL DEVELOPMENT RECEIPTS	66,009,200	30,947,042	4,058,390	39,120,548

Development Fund Payments by Ministry for the year ended 30 June 2016

Ministry	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Palace Office	500,000	-		500,000
Legislative Assembly	102,500	1,899		100,601
Ministry of Foreign Affairs and Trade	196,000	-		196,000
Prime Minister's Office	60,000	-		60,000
Ministry of Finance and National Planning	2,600,000	1,011,849		1,588,151
Ministry of Revenue & Customs	380,000	-		380,000
Ministry of Public Enterprises	200,000	5,640,628	5,440,628	
Ministry of Commerce, Tourism and Labour	5,036,500	434,030		4,602,470
Ministry of Justice	670,000	646,695		23,305
Attorney General's Office	150,000	191,761	41,761	
Ministry of Police, Prisons and Fire Services	3,169,000	3,557,092	388,092	
Ministry of Health	2,915,000	4,923,259	2,008,259	
Ministry of Education and Training	9,832,900	7,747,794		2,085,106
Ministry of Internal Affairs	792,000	562,420		229,580
Ministry of Agriculture, Food, Forests and Fisheries	310,000	187,956		122,044
Ministry of Infrastructure	1,133,700	365,694		768,006
Ministry of Lands, Survey & Natural Resources	150,000	756,247	606,247	
Public Service Commission	200,000	-		200,000
Bureau of Statistics	600,000	42,683		557,317
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	37,011,600	4,505,643		32,505,957
	66,009,200	30,575,649	8,484,986	43,918,537

9. 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 **\$33,087,926** to the Government of Tonga. Further, the Budget Support received from World Bank and Asian Development Bank were 50 percent grant and 50 percent credit respectively.

Budget Support Received are as follows:

Australia (DFAT)	6,416,426
World Bank (WB)	4,934,070
Asian Development Bank (ADB)	13,018,656
European Union (EU)	8,718,773
TOTAL	33,087,926

10. BUILDING LOAN

This amount represents the total charges by Government to Government employees that are not yet paid. The amounts are repayable by the Government employees.

	2015-16	2014-15
	\$	\$
Balance as at 1 July 2015	87,580	87,580
Receipts	-	-
Payments	-	-
<i>Balance as at 30 June 2016</i>	87,580	87,580

11. RECEIVABLES

	Purpose	Year	Principal TOP (\$)	Interest %	Term Years	As at 30/06/2015 TOP (\$)	Previous Year Adjustment TOP (\$)	Notes	New Loans TOP (\$)	Interest added to DOD TOP (\$)	Repayments TOP (\$)	Exchange Rate Differences Gain/(loss) TOP (\$)	As at 30/06/2016 TOP (\$)
Tonga Development Bank - ADB 624	Development Lending	1983	1,108,197	3.00	40	373,288					46,661		326,627
Tonga Development Bank - IDA 1813	Development Lending	1987	2,604,051	3.00	36	851,324					100,156		751,168
Tonga Development Bank - IFAD 327	Development Lending	1993	4,104,162	3.00	27	953,591					190,718		762,873
Sea Star Fishing - ADB 1030	Capital	1993	3,645,900	3.36	15	3,645,900					-		3,645,900
Ports Authority Tonga - ADB 1303	Development Lending	2002	2,388,911	5.00	16	449,311					19,722		300,111
Tongatapu Market Limited - ADB 927	Development Lending	2010	3,296,874	2.00	18	1,923,131					38,834	(79,056)	1,817,514
Royco Animalgated Co. Ltd. - EXIM China	Reconstruction	2010	2,210,932	5.00	20	2,197,718					109,886		2,147,679
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	2012	6,761,247	5.00	20	6,761,247					-		6,761,247
Tungi Colonade - EXIM China	Reconstruction	2012	16,574,480	5.00	20	16,574,480					-		16,574,480
Tonga Assets Management Associations (TAMA)	Small Industries	2015	1,395,082	1.00	13	-	1,417,692	a			14,956	(58,126)	1,475,818
Young Farmers Federation (Koloti Soluni)	Agricultural Management Fund	2012	40,000	1.00	0.25	40,000					-		40,000
Hammah Consulting (Daniel Hamala)	Agricultural Management Fund	2012	34,750	1.00	0.25	24,750					-		24,750
Look Sharp Tonga (Tevira Tukimaka)	Agricultural Management Fund	2013	17,890	1.00	0.25	17,890					-		17,890
E21 World Cargo (Mosese Uele)	Agricultural Management Fund	2013	66,374	1.00	0.25	66,374					-		66,374
JERE Auto Dealer (Tu'ineau Naufahu)	Agricultural Management Fund	2013	14,000	1.00	0.25	14,000					-		14,000
Tou'anga Moala	Agricultural Management Fund	2014	25,000	1.00	0.25	25,000					-		25,000
New Millennium Phase 2	Agricultural Management Fund	2014	468,250	1.00	0.25	468,250					-		468,250
Mark Shipping (Ma'ake Fak'osilou)	Agricultural Management Fund	2014	130,000	1.00	0.25	130,000					-		130,000
New Millennium Phase 3	Agricultural Management Fund	2014	90,000	1.00	0.25	90,000					-		90,000
Lalakele Phase (Mosese Tupou)	Agricultural Management Fund	2014	50,000	1.00	0.25	50,000					-		50,000
Luke Construction (Semisi Hopoi)	Agricultural Management Fund	2014	10,000	1.00	0.25	10,000					-		10,000
Fuko Fing Co. Ltd (Teesina Fuko)	Fisheries Export Development Fund	2014	45,000	1.00	0.5	45,000				810	-		43,000
FV Albacore (Sua Finau)	Fisheries Export Development Fund	2014	27,000	1.00	0.5	27,000				-	2,000		27,810
Pacific Fish Co. Ltd (Anisi Bloomfield)	Fisheries Export Development Fund	2014	35,000	1.00	0.5	35,000				-	-		35,000
Denisida Co. Ltd (Pulu Anau)	Fisheries Export Development Fund	2014	35,000	1.00	0.5	35,000				1,050	-		36,050
FV Avaloni (Feleti Uluapano)	Fisheries Export Development Fund	2014	35,000	1.00	0.5	35,000				-	-		35,000
FV Amalele (Akelel Nehoa)	Fisheries Export Development Fund	2014	21,279	1.00	0.5	21,279				638	-		21,918
FV Langahingheng (Aisake Falase)	Fisheries Export Development Fund	2014	30,001	1.00	0.5	30,001				900	-		30,902
FV Tekina Moana (Taani Fe'ao)	Fisheries Export Development Fund	2014	13,764	1.00	0.5	13,764				413	-		14,177
FV 064 (Ulaasi Vaisima)	Fisheries Export Development Fund	2014	8,218	1.00	0.5	8,218				-	1,000		7,218
Tanielia Koli	Fisheries Export Development Fund	2014	13,238	1.00	0.5	13,238				-	-		13,238
FV Alina (Vili Olive)	Fisheries Export Development Fund	2014	18,129	1.00	0.5	18,129				-	5,000		13,129
Valkele Ffita	Fisheries Export Development Fund	2014	6,000	1.00	0.5	6,000				-	-		6,000
			52,363,623			52,363,623	1,417,692		-	3,811	729,407	(137,133)	53,192,902
			Current			Current	522,035		-				1,069,711
			Non-current			Non-current	51,841,588		-				52,123,211
							52,363,623		-				53,192,902

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

12. PUBLIC DEBTS

	2015-16 \$	2015-16 \$	2014-15 \$
Loans Owing at 1 July 2015			
Foreign	382,824,134		336,464,359
Domestic	40,976,000		29,451,000
		423,800,134	365,915,359
<i>Add: New Borrowing</i>			
Foreign	17,552,380		4,797,920
Domestic	19,055,000		18,128,000
		36,607,380	22,925,920
Total Loan Payable		460,407,514	388,841,279
<i>Less: Repayments</i>			
Foreign	7,961,472		7,487,476
Domestic	6,360,000		6,603,000
		14,321,472	14,090,476
		446,086,042	374,750,803
Revaluation of Debt in Foreign Currency		1,510,204	(49,049,331)
BALANCE PUBLIC DEBT 30 JUNE 2016		444,575,838	423,800,134
<u>Balance Details:</u>			
Loans Owing at 30 June 2016			
Foreign		390,904,838	382,824,134
Domestic		53,671,000	40,976,000
		444,575,838	423,800,134

The Government of Tonga benefits from Budget Support (loan portion 50%) from international lenders. The total Budget Support drawn borrowing facilities at 30 June 2016 amounted to \$8,973,864 Tongan Pa'anga as follows:

	2015-16 \$
Lender	
World Bank (IDA)	2,467,037
ADB	6,506,827
Total	8,973,864

The terms of loan agreements varies. 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.

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Effective exchange rates in force are:

Currency	Rate as at 30-Jun-16	Rate as at 30-Jun-15
Euro (EUR)	2.4555	2.3685
Special Drawing Rights (SDR)	3.0874	2.9658
US Dollars (USD)	2.2071	2.1088
Yuan Renminbi (CNY)	0.3326	0.3396
Australia Dollars (AUD)	-	1.6274

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Loan details are as follows:

	Year	Purpose	Currency	Principal TOP (\$)	Interest %	Term Years	As at 30/06/2015 TOP (\$)	Previous Year Adjustment	Notes	Drawdown TOP (\$)	Interest TOP (\$)	Repayments TOP (\$)	Exchange Differences Gain/(Loss) TOP (\$)	As at 30-Jun-16 TOP (\$)
ADB - 335 TON	1977	Small Industri	SDR	84,234	1.00	40	68,611				130	29,461	(3,253)	42,402
ADB - 376 TON	1978	Developmen	SDR	538,702	1.00	40	530,589				4,893	162,890	(25,957)	393,651
ADB - 435 TON	1979	Developmen	SDR	577,418	1.00	40	670,325				4,447	156,998	(29,494)	542,821
ADB - 540 TON	1981	Developmen	SDR	367,111	1.00	40	524,092				4,199	85,092	(22,603)	461,603
ADB - 624 TON	1983	Developmen	SDR	1,077,992	1.00	40	1,187,872				9,637	156,372	(50,706)	1,082,206
ADB - 782 TON	1986	Developmen	SDR	1,890,954	1.00	40	3,366,045				31,477	344,826	(149,397)	3,170,616
ADB - 927 TON	1988	Developmen	SDR	1,764,257	1.00	40	3,203,246				30,759	265,005	(140,086)	3,078,327
ADB - 990 TON	1990	Developmen	SDR	2,610,078	1.00	40	4,830,100				46,898	358,874	(209,880)	4,681,114
ADB - 1030 TON	1990	Fisheries	SDR	1,550,500	1.00	40	3,451,136				31,854	235,292	(145,237)	3,361,080
ADB - 1079 TON	1991	Power Devel	SDR	4,509,142	1.00	40	9,755,234				107,850	672,249	(417,074)	9,500,059
ADB - 1303 TON	1995	Transport Inf	SDR	6,264,820	1.00	40	15,777,356	(1,566,743)	a		156,118	798,969	(602,972)	14,014,616
ADB - 1412 TON	1996	Outer Island	SDR	2,310,705	1.00	40	5,454,184				59,340	215,694	(229,068)	5,467,558
ADB - 1904 TON	2002	Developmen	SDR	8,020,000	1/1.5	24	13,741,356			6,506,827	203,537	1,317,694	(580,668)	13,004,330
ADB - 3393 TON	2016	Building Mac	SDR	2,125,000	1.50	24	-						(53,898)	6,560,725
EIB 8 0050	1979	Telecom Net	EUR	331,898	1.00	40	119,016				1,509	32,427	(6,400)	92,989
EIB 7 0792	1989	Equity	EUR	168,043	2.00	25	183,974	(183,974)	b					-
IDA 1813	1987	Tonga Devel	SDR	1,579,173	0.75	40	3,091,198				22,513	148,181	(128,659)	3,071,677
IDA 2084	1990	Tonga Devel	SDR	1,592,623	0.75	40	2,602,737				18,159	199,514	(252,025)	2,655,248
IDA 3647	2002	Developmen	SDR	4,259,223	0.75	40	11,874,084				96,750	269,312	(493,160)	12,097,932
IDA 38140	2003	Health proje	SDR	8,000,000	0.75	40	22,852,353				164,372	493,760	(940,224)	23,298,815
IDA 40810	2005	Education pr	SDR	639,889	0.75	40	1,897,784				14,829	40,528	(78,827)	1,836,083
IDA 5316	2013	First Econom	SDR	1,700,000	0.75	40	5,041,860				39,240	-	(206,720)	5,248,580
IDA 5477	2014	Cyclone Ian f	SDR	6,093,952	0.75	40	-			6,967,413	6,358	-	15,079	6,952,334
IDA 5554	2014	Second Econ	SDR	1,700,000	0.75	40	5,041,860			1,611,103	46,105	-	(206,720)	5,248,580
IDA 5689	2015	Pacific Resili	SDR	6,000,000	0.75	40	-				1,709	-	(6,680)	1,617,791
IDA 5730	2016	Tonga Transf	SDR	1,500,000	0.75	40	-				-	-	-	-
IDA 5770	2016	Tonga Aviat	SDR	4,900,000	0.75	40	-				-	-	-	-
IDA 5771	2016	1st Inclusive	SDR	800,000	0.75	40	-			2,467,037	-	-	(1,145)	2,468,182
IFAD 129	1983	Developmen	SDR	950,000	1.00	50	1,303,098				13,580	73,827	(53,929)	1,283,201
IFAD 220	1988	Agricultural I	SDR	1,687,125	1.50	50	2,877,120				29,931	131,110	(118,854)	2,864,863
IFAD 327	1993	Agricultural I	SDR	2,200,000	1.50	50	4,567,319				47,238	169,844	(187,300)	4,584,776
China Development Bank	1998	Ha'apai High	CNY	25,000,000	0.00	20	8,490,000				45,214	1,419,579	175,000	8,315,000
Export-Import Bank of China	2007	Dateline Hot	CNY	38,000,000	2.50	9	2,073,986				3,115,996	-	(22,672)	677,079
Export-Import Bank of China	2007	CBD Reconst	CNY	440,000,000	2.00	20	149,424,000				2,060,807	-	3,080,000	146,344,000
Export-Import Bank of China	2010	Road project	CNY	291,000,000	2.00	20	98,823,600				-	-	2,037,000	96,786,600
Total Government of Tonga Foreign Debt								(1,750,717)	c	17,552,380	6,416,552	7,777,498	(56,539)	390,904,838
														390,904,838

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These amounts listed in notes (a) and (b) represent the adjustments for ADB 1303 and EIB 70792 respectively due to error in calculation of foreign exchange June 2015 and loan being paid off during 2014-15 but yet to recorded at the end of the financial year 2014-15. The total amount of ₹17,552,380 in note (c) includes credit portion budget support of ₹8,97m and project loans of ₹8.58m. Note (d) refers to ₹1,275 was paid to NRBt for GOT Bond Series No. 3 2015/2020 which received no subscription. This fee is normally presented as part of bank interest expense.

13. 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 2016, the Government still maintained the Transfer Preserved Accounts of **\$4,312,311.10** (2015:\$8,678,386.27) plus accumulated interest at 6% per annum of **\$823,720.42** (2015: \$5,329,884.60).

The total balance of amounts owing **\$5,136,031.52** (2015: \$14,008,270.87) plus accrued interest will be transferred as soon as possible.

	Transfer	Total	Interest - 6.0%	Total	
Ministry	Preserve Account (TV)	Accrued Interest	2015/2016	Accrued Interest	
	30-Jun-16	01-Jul-15	30-Jun-16	30-Jun-16	No.
HMAF	4,312,311.10	4,845,312.75	290,718.77	5,136,031.52	163
TOTAL	4,312,311.10	4,845,312.75	290,718.77	5,136,031.52	163

Summary:

Transfer Preserve	4,312,311.10
Interest on TV	823,720.42
	5,136,031.52

14. COMMITMENTS AND CONTINGENCIES

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

The Minister for Finance and National Planning under the authority of the Cabinet 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:

	2015-16 \$	2014-15 \$
Guarantees and Indemnities		
Domestic Loans Debt Guarantee	-	11,000
Legal Proceedings and Disputes	-	-
TOTAL CONTINGENT LIABILITIES	-	11,000

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	2015-16 \$	2014-15 \$
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:		
<i>Tonga Development Bank</i>	-	11,000
The government has guaranteed a public bond issue for financing its working capital and other development schemes in the agricultural and business sectors.		
	-	11,000

15. PROPERTY, PLANT & EQUIPMENT

	Property, Land and Buildings \$	Other Asset \$	Total \$
Cost			
At 1 July 2015	68,638,991	120,021,967	188,660,958
Additions	-	11,155,134	11,155,134
Disposals / Transfers	-	-	-
At 30 June 2016	68,638,991	131,177,101	199,816,092
Depreciation			
At 1 July 2015	-	-	-
Charge for the year	-	-	-
Disposals / Transfers	-	-	-
At 30 June 2016	-	-	-
Book value			
At 30 June 2015	68,638,991	120,021,967	188,660,958
At 30 June 2016	68,638,991	131,177,101	199,816,092

The balance of \$199,816,092 is based on historical value of property, plant & equipment at balance date. 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.

16. EFFECT OF ACCOUNTING FOR ASSETS & LIABILITIES

The amount of **(\$60,198,823)** 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 adjustment amount for 2015-16 consists of exchange differences on Public Debts **(\$56,539)**, Transfer Value of **(\$5,136,032)**, drawdown on External Debts **(\$8,578,516)**, exchange differences on Receivables **\$137,183**, exchange differences on Investment **\$7,290**, adjustment on Receivables opening balance **\$1,421,503** and prior year adjustments to Public Debts of **\$1,835,475**.

Details of the effect of the modification made in previous financial years since 2011-12 are also shown below:

	Adjustment	Cumulative Amount
Financial Year 2011-12	(29,500,137)	(15,946,733)
Financial Year 2012-13	(17,288,999)	(33,235,732)
Financial Year 2013-14	40,218,184	6,982,452
Financial Year 2014-15	(61,947,670)	(54,965,218)
Financial Year 2015-16	(10,369,635)	(65,334,853)

17. AUTHORISATION DATE

These Public financial statements for the Government of Tonga were authorised on 28th February, 2017 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: 2011/12 – 2015/16

	2015-16	2014-15	2013-14	2012-13	2011-12
	\$	\$	\$	\$	\$
Income Tax	35,778,118	37,430,367	28,752,785	30,327,394	25,292,835
Trade Taxes	19,483,584	17,528,230	15,072,150	14,742,878	13,584,685
Taxes on Goods and Services	74,890,797	64,945,756	60,740,294	54,486,046	54,734,034
Excise Tax	45,114,877	35,080,537	28,399,376	29,020,713	28,979,019
Domestic Fees and Licensing	23,874,969	18,457,147	16,373,819	16,282,447	15,594,460
Entrepreneurial and Property Income	10,708,147	11,264,643	9,831,943	6,501,538	5,678,888
Miscellaneous Revenue	1,706,934	3,809,901	268,807	802,713	554,207
Transfer and Bond Receipts	19,784,407	18,650,035	7,329,869	8,168,562	3,678,991
Revolving Fund	3,038,300	448,488	-	-	-
Budget Support	33,087,926	19,255,453	36,235,269	11,824,465	37,081,755
TOTAL RECEIPTS	267,468,058	226,870,557	203,004,312	172,156,756	185,178,874

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Operating Payments for the preceding Five (5) financial years: 2011/12 – 2015/16

	2015-16 \$	2014-15 \$	2013-14 \$	2012-13 \$	2011-12 \$
Palace Office	3,735,639	4,891,538	4,388,175	4,402,556	5,210,992
Legislative Assembly	3,978,807	4,023,442	3,858,388	4,028,053	3,691,255
Audit Office	1,699,377	1,882,992	1,207,207	1,041,383	961,966
Commissioner of Public Relations	860,130	598,131	214,094	174,660	225,966
Ministry of Foreign Affairs & Trade	8,965,792	8,761,524	7,633,244	8,129,739	8,389,367
His Majesty's Armed Forces	8,488,680	8,198,437	7,545,561	6,896,378	7,363,794
Prime Minister's Office	2,089,575	1,907,132	2,760,197	2,557,134	5,719,016
Ministry of Finance & National Planning	73,983,411	67,846,199	48,730,283	45,192,913	42,861,506
Ministry of Revenue and Customs	5,933,767	4,084,426	4,003,404	3,579,125	3,680,753
Ministry of Public Enterprises	1,143,502	947,130	870,560	659,450	521,488
Ministry of Commerce, Tourism and Labour	5,717,377	6,003,278	6,393,562	4,193,589	4,025,309
Ministry of Justice	4,596,735	4,361,105	3,401,632	3,199,228	3,189,615
Attorney General's Office	1,999,596	1,452,127	1,460,955	1,220,973	1,245,771
Ministry of Police, Prisons & Fire Services	13,422,178	12,047,590	11,957,215	10,837,808	10,364,848
Ministry of Health	32,852,267	28,065,893	25,806,446	24,432,668	22,414,502
Ministry of Education & Training	41,250,104	41,701,683	36,738,997	33,416,919	28,437,195
Ministry of Internal Affairs	6,867,438	5,727,665	5,137,580	4,838,727	2,929,148
Ministry of Agriculture, Food, Forests and Fisheries	8,697,845	8,549,121	8,417,736	6,959,052	6,264,852
Ministry of Infrastructure	8,493,897	7,273,407	7,600,598	9,365,212	6,243,372
Ministry of Lands, Survey & Natural Resources	2,855,625	2,521,156	2,970,428	2,748,756	2,327,736
Public Service Commission	1,241,995	1,138,259	938,774	743,038	-
Bureau of Statistics	1,532,054	797,340	711,911	-	-
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	4,763,449	3,099,251	-	-	-
TOTAL PAYMENTS	245,169,239	225,878,825	192,746,947	178,617,362	166,068,450