

# **Government of the Kingdom of Tonga**



## **FINANCIAL STATEMENTS**

For the year ended 30 June 2017

Ministry of Finance and National Planning  
Nuku'alofa





## STATEMENT OF RESPONSIBILITY

The financial statements of the Government of the Kingdom of Tonga for the year ended 30<sup>th</sup> June 2017 have been prepared under the Public Finance Management Act 2002 and in accordance with International Public Sector Accounting Standards.

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. Although we have yet to fully comply with International Public Sector Accounting Standards - Cash but we are aiming for full transition in the coming financial years.

Therefore, in my opinion, the financial statements except for limitations as mentioned above, present a true and fair view of the financial position of the Government of Tonga as at 30<sup>th</sup> June 2017, and its financial performance for the year ended on that date.



Hon. Pohiva Tu'i'onetoa  
*Minister for Finance and National Planning*



14<sup>th</sup> March, 2018



## 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 and in accordance with International Public Sector Accounting Standards.

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.



Pilimilose B Fa'otusia

*Chief Executive Officer for Finance and National Planning*

14 March, 2018





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## 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 30<sup>th</sup> June 2017, which set out on pages 6 - 40 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 Comparison of Actual and Budget
- 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*.

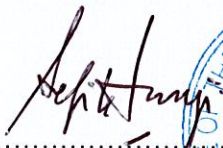
### ***Basis for Qualified Opinion***

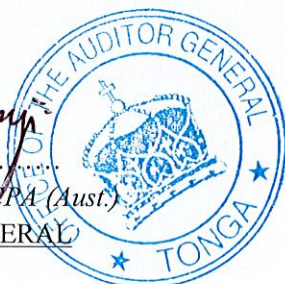
The Minister, in his Statement of Responsibility (page 1), stated that he has modified the cash basis of accounting in order to enable the including of accounting and reporting of assets and liabilities of Government as at balance dates. The modification of cash accounting have been consistently applied 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 TOP\$74,614,075 (TOP\$65,334,853 debit in 2016). 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 30<sup>th</sup> June, 2017 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 30<sup>th</sup> June, 2017 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: 15<sup>th</sup> March, 2018





## Table of Contents

Schedules	Pages
1. Statement of Receipts and Payments for the year ended 30 June 2017.....	6
2. Consolidated Statement of Comparison of Actual and Budget.....	7
3. Statement of Income and Expenditure for the year ended 30 June 2017.....	8
4. Statement of Changes in Fund Balances for the year ended 30 June 2017.....	9
5. Statement of Assets and Liabilities as at 30 June 2017.....	10
6. Notes to the Financial Statements.....	11-38
7. Additional Statements of Disclosure	
Operating Receipts for the preceding Five (5) financial years: 2012/2013.....	39
Operating Payments for the preceding Five (5) financial years: 2012/2013.....	40

**STATEMENT OF RECEIPTS AND PAYMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2016-17 Receipts/Payments by :		2015-16 Receipts/Payments by :	
		Government \$	Third Parties \$	Government \$	Third Parties \$
<b>OPERATING RECEIPTS</b>	2				
Income Taxes		46,107,332		35,778,118	
Trade Taxes		19,882,782		19,483,584	
Taxes on Goods and Services		83,380,473		74,890,797	
Excise Tax		57,254,907		45,114,877	
Domestic fees and Licensing		21,777,426		23,874,969	
Entrepreneurial and Property Income		11,380,589		10,708,147	
Miscellaneous Revenue		3,654,826		1,706,934	
Capital and Other Transfer		11,320,364		19,784,407	
Revolving Fund		28,500		3,038,300	
<b>Total Operating Receipts</b>		<b>254,787,199</b>		<b>234,380,132</b>	
<b>OPERATING PAYMENTS</b>	3				
Established Staff		119,031,186		111,929,731	
Unestablished Staff		5,898,410		5,880,541	
Travel and Communication		10,063,249		8,951,259	
Maintenance and Operations		16,590,510		12,584,219	
Purchase of Goods and Services		33,356,994		29,405,542	
Operational Grants and Transfers		30,765,197		35,659,624	
Development Duties Expenditure		4,737,771		2,901,522	
Debt Management		23,292,279		22,045,165	
Contingency Fund		-			
Pension and Gratuities		4,707,988		4,582,487	
Capital Expenditure		7,348,797		5,329,148	
Equity Payment		200,000		900,000	
Private Sector Development Support		6,740,853		5,000,000	
<b>Total Operating Payments</b>		<b>262,733,234</b>		<b>245,169,239</b>	
<b>Operating Surplus/ (Deficit)</b>		<b>(7,946,035)</b>		<b>(10,789,107)</b>	
<b>Budget Support</b>	9				
Loan		13,677,420		8,973,862	
Grant		24,167,346		24,114,064	
<b>Total Budget Support</b>		<b>37,844,766</b>		<b>33,087,926</b>	
<b>Net Operating Surplus/ (Deficit) with Budget Support</b>		<b>29,898,730</b>		<b>22,298,819</b>	
Development Fund Receipts (Grants and Loans)	8	45,850,493		30,947,042	
Development Fund Expenditure (Grants and Loans)		35,641,470		30,575,649	
<b>Net Receipts/(Deficit) from Development Fund (Grants and Loans)</b>		<b>10,209,024</b>		<b>371,393</b>	
<b>INCREASE/(DECREASE) IN CASH FROM OPERATIONS</b>		<b>40,107,754</b>		<b>22,670,211</b>	
<b>CHANGES IN CASH BALANCES:</b>					
Cash at Bank and on Hand - 1 July		69,021,774		46,828,708	
Cash at Bank and on Hand - 30 June	5	109,411,624		69,021,774	
<b>Net Increase /(Decrease) in Cash</b>		<b>40,389,850</b>		<b>22,193,066</b>	
Plus: Net changes in Building Loans and Trust Money Accounts		(282,097)		477,146	
<b>INCREASE/(DECREASE) IN CASH FROM OPERATIONS</b>		<b>40,107,754</b>		<b>22,670,211</b>	

The accompanying notes on pages 11-38 should be read in conjunction with these financial statements.

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# **CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2016-17			
		Original Estimates	Final/Revised Estimates	Actual	Final Budget/Actual
		\$	\$	\$	\$
<b>OPERATING RECEIPTS</b>	2				
Income Taxes		34,202,200	34,202,200	46,107,332	135%
Trade Taxes		22,218,200	22,218,200	19,882,782	89%
Taxes on Goods and Services		76,422,900	76,422,900	83,380,473	109%
Excise Tax		47,741,400	47,741,400	57,254,907	120%
Domestic fees and Licensing		28,857,600	28,857,600	21,777,426	75%
Entrepreneurial and Property Income		20,850,200	20,850,200	11,380,589	55%
Miscellaneous Revenue		1,728,900	1,728,900	3,654,826	211%
Capital and Other Transfer		14,900,000	14,900,000	11,320,364	76%
Revolving Fund		3,300,000	3,300,000	28,500	1%
<b>Total Operating Receipts</b>		<b>250,221,400</b>	<b>250,221,400</b>	<b>254,787,199</b>	<b>102%</b>
<b>OPERATING PAYMENTS</b>	3				
Established Staff		130,912,800	123,307,156	119,031,186	97%
Unestablished Staff		5,328,000	6,451,760	5,898,410	91%
Travel and Communication		9,710,600	11,231,489	10,063,249	90%
Maintenance and Operations		17,334,200	21,472,238	16,590,510	77%
Purchase of Goods and Services		34,242,300	36,243,677	33,356,994	92%
Operational Grants and Transfers		41,292,800	33,422,497	30,765,197	92%
Development Duties Expenditure		1,970,000	4,774,435	4,737,771	99%
Debt Management		24,128,000	23,329,245	23,292,279	100%
Contingency Fund		1,500,000	-	-	0%
Pension and Gratuities		5,000,000	4,709,820	4,707,988	100%
Capital Expenditure		8,642,100	10,318,483	7,348,797	71%
Equity Payment		400,000	200,000	200,000	100%
Private Sector Development Support		5,000,000	10,000,000	6,740,853	67%
<b>Total Operating Payments</b>		<b>285,460,800</b>	<b>285,460,800</b>	<b>262,733,234</b>	<b>92%</b>

The accompanying notes on pages 11-38 should be read in conjunction with these financial statements.



# STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2016-17		2015-16	
		Income/Expenditure by :		Income/Expenditure by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
<b>OPERATING INCOME</b>	2				
Income Tax		46,107,332		35,778,118	
Trade Taxes		19,882,782		19,483,584	
Taxes on Goods and Services		83,380,473		74,890,797	
Excise Tax		57,254,907		45,114,877	
Domestic fees and Licensing		21,777,426		23,874,969	
Entrepreneurial and Property Income		11,380,589		10,708,147	
Miscellaneous Revenue		3,654,826		1,706,934	
Revolving Fund		6,682		3,038,300	
<b>Total Operating Income</b>		<b>243,445,017</b>		<b>214,595,725</b>	
<b>OPERATING EXPENDITURE</b>	3				
Established Staff		119,031,186		111,929,731	
Unestablished Staff		5,898,410		5,880,541	
Travel and Communication		10,063,249		8,951,259	
Maintenance and Operations		16,590,510		12,584,219	
Purchase of Goods and Services		33,356,994		29,405,542	
Operational Grants and Transfers		26,655,165		35,659,624	
Development Duties Expenditure		4,737,771		2,901,522	
Public Debt Cost		8,269,231		7,907,668	
Pension and Gratuities		4,707,988		4,582,487	
Private Sector Development Support		6,740,853		5,000,000	
<b>Total Operating Expenditure</b>		<b>236,051,357</b>		<b>224,802,593</b>	
<b>Excess of Income over Expenditure</b>		<b>7,393,660</b>		<b>(10,206,868)</b>	
<b>Budget Support</b>	9	<b>24,167,346</b>		<b>24,114,064</b>	
<b>Net Excess of Income over Expenditure with Budget Support</b>		<b>31,561,006</b>		<b>13,907,196</b>	
Development Fund Receipts (Grants and Loans)		45,850,493		30,947,042	
Development Fund Expenditure (Grants and Loans)		25,024,414		24,749,663	
<b>Net excess of Income over Expenditure from Development Funds (Grants and Loans)</b>		<b>20,826,080</b>		<b>6,197,378</b>	
<b>Net excess of Income over Expenditure with Budget Support/Development Fund (Grants and Loans)</b>		<b>52,387,086</b>		<b>20,104,575</b>	

The accompanying notes on pages 11-38 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 2017**

	Notes	Revenue Fund Balance \$	Development Fund Balance \$	Total \$
<b><u>FINANCIAL YEAR 2015/2016</u></b>				
Revenue Fund Balance as at 1 July 2015		60,373,012	18,176,604	78,549,616
Net Excess of Income over Expenditure with Budget Support for the year ended 2016		13,907,196	6,197,378	20,104,574
Adjustments for 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		(65,334,853)	-	(65,334,853)
<b>Total Fund Balance as at 30 June 2016</b>		<b>8,213,101</b>	<b>24,373,982</b>	<b>32,587,084</b>
<b><u>FINANCIAL YEAR 2016/2017</u></b>				
Net Excess of Income over Expenditure with Budget Support/ Development Fund (Grants and Loans) for the year ended 2017		31,561,006	20,826,080	52,387,086
Adjustments to Prior Years processed in 2017		(281,389)	-	(281,389)
Revenue Fund Balance as at 30 June 2017		104,827,571	45,200,062	150,027,632
Effect of Accounting for Assets & Liabilities	16	(74,614,075)	-	(74,614,075)
<b>TOTAL FUND BALANCE AS AT 30 JUNE 2017</b>		<b>30,213,496</b>	<b>45,200,062</b>	<b>75,413,557</b>

*The accompanying notes on pages 11-38 should be read in conjunction with these financial statements.*

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 30 JUNE 2017**

		2016-17		2015-16	
	Notes	\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash at Bank and in Hand	5	109,411,624		69,021,774	
Inventories		-		-	
Receivable	11	1,909,647		1,069,701	
Charges to Individuals	10	83,039		87,580	
<i>Total Current Assets</i>			<b>111,404,310</b>		<b>70,179,055</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	11	50,639,107		52,123,201	
Investments	6	159,450,439		171,304,353	
Property, Plant & Equipment	15	217,804,225		199,816,092	
<i>Total Non-Current Assets</i>			<b>427,893,771</b>		<b>423,243,646</b>
<b>TOTAL ASSETS</b>			<b>539,298,081</b>		<b>493,422,702</b>
<b>CURRENT LIABILITIES</b>					
Trust Money Accounts	7	12,190,755		11,123,750	
Public Debts	12	20,287,402		15,582,000	
<i>Total Current Liabilities</i>			<b>32,478,157</b>		<b>26,705,750</b>
<b>NON-CURRENT LIABILITIES</b>					
Public Debts	12	430,380,368		428,993,838	
Transfer Value	13	1,026,000		5,136,032	
<i>Total Non-Current Liabilities</i>			<b>431,406,368</b>		<b>434,129,869</b>
<b>TOTAL LIABILITIES</b>			<b>463,884,525</b>		<b>460,835,620</b>
<b>NET ASSETS</b>			<b>75,413,556</b>		<b>32,587,083</b>
<b>FUNDS</b>					
Revenue Fund Balance		104,827,571		73,547,954	
Development Fund Balance		45,200,062		24,373,982	
Effect of Accounting for Assets & Liabilities	16	(74,614,075)		(65,334,853)	
<b>TOTAL FUND BALANCE</b>			<b>75,413,556</b>		<b>32,587,083</b>

The accompanying notes on pages 11-38 should be read in conjunction with these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

**(i) Statement of Compliance**

Except for the Statement of Assets and Liabilities; the Government of the Kingdom of Tonga have prepared these statements using the guiding financial reporting principles/standards of the International Public Sector Accounting Standards (IPSAS) and in accordance with the Tonga Public Finance Management Act (PFMA) 2002. Other information on revenue and expenses, assets and liabilities, has been reported as encouraged by IPSAS-cash.

**(ii) Basis of Preparation**

The preparation of the financial statements was in accordance with the Public Finance Management Act (PFMA) 2002, and any applicable regulations. It also aims to comply with feasible aspects of International Public Sector Accounting Standard (IPSAS) Financial Reporting under the Cash Basis of Accounting. This means that as a general accounting principle in financial reporting, transactions are recognised when cash is received or paid other than the exceptions noted in the Accounting Policies such as assets acquired from previous years.

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 of public enterprises 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 constructions 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 transactions should be separately identified in the Statements of Receipts and Payments, however, Treasury during the reporting period, has not been formally advised by third parties or recipients whether any payment has been made or has otherwise verified any payment. The ambiguity in attaining accurate and thorough details of the movement of the cash between third parties for the benefit of the Government and stakeholders incurs compelling limitations in the

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## Government of the Kingdom of Tonga

accounts' disclosures. 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, call deposits and trust monies kept and disbursed by Treasury. In its financial progress from previous years; the Government no longer commits to bank overdrafts which use to be an essential component of the Government's cash items. There is an existing bank guarantee but is repayable on demand and is incorporated in the movement of actual cash in the Statement of Receipts and Payments.

Restricted Cash is also a component of cash and cash equivalents and are disclosed for transparency purposes of the financial reports. The total cash balance of restricted cash at balance date is \$10,449,240 and is a collective total of a national emergency fund, revenue collected in foreign exchange levy and a Sinking fund bank account set up for emergency source of funds, future sports development and infrastructure and investment returns from idle cash respectively.

### **(ix) Property, Plant & Equipment**

Property, Plant and Equipment are disclosed at historical costs. As in previous year's accounts, depreciation charges had not been recognised because of the uncertainties of the historical value of a significant portion of Government assets.

For the appropriate application of depreciation and revaluation on Government assets; there needs to be infallible accuracy in identifying historical costs, even for assets near disposal conditions. However, this uncertainty is the most compelling and ongoing limitation in the financial reporting of the Government's assets.

### **(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 stakeholders.

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 Debt**

Loans are credited to the Development Fund and Budget Support accounts 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 reported only when the contingency is probable and Treasury has authentic approximations from a regulatory body to guide a rigorous estimate. Where the contingency for the liability meets the aforementioned reporting standards; 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 investments of the Government in public enterprises are detailed in note 6. This details the cost of the investments and an estimate of the fair value of the enterprises in accordance with accounting policy; loans receivable from public enterprises are stated at principle amount plus accrued interest.

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

The Government financial statements 2016-17 is being prepared in a format which ensures compliance with the requirements of the Public Finance Management Act 2002 and in its most adjoining application of generally accepted accounting practice. The major impacts of this change are again evident in the preparation of the Statement of Assets and Liabilities in particular, Investments, Tangible Assets and Public Debts.

## **(xix) Comparative Figures**

The comparative figures in all statements were constructed to provide information on 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.

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## 2. OPERATING RECEIPTS

### RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Estimates \$	Actual 2016-17 \$	(Less) More than Estimate \$	Actual 2015-16 \$
<b>REVENUE</b>					
<b>Income Tax</b>					
PAYE Tax - Government (Small Business)	a	9,722,200	10,442,789	720,589	8,946,140
PAYE Tax - Non-Government (Large / Small Business)	b	8,300,000	9,821,776	1,521,776	8,658,604
Corporate Tax - Small Business	c	1,450,000	794,314	(655,686)	835,092
Corporate Tax - Large Business	d	9,130,000	16,731,917	7,601,917	14,865,842
Withholding Tax (Residents)	e	600,000	419,237	(180,763)	2,472,440
Withholding Tax (Non-residents)	f	4,000,000	5,457,498	1,457,498	-
Tax Debts Recovered (Corporate)		1,000,000	2,439,801	1,439,801	-
<b>Total Income Tax</b>		<b>34,202,200</b>	<b>46,107,332</b>	<b>11,905,132</b>	<b>35,778,118</b>
<b>Trade Taxes</b>					
Business Import Duties	g	22,117,200	19,706,051	(2,411,149)	19,248,350
Government Import Duties		101,000	176,731	75,731	235,234
<b>Total Trade Taxes</b>		<b>22,218,200</b>	<b>19,882,782</b>	<b>(2,335,418)</b>	<b>19,483,584</b>
<b>Taxes on Goods and Services</b>					
Consumption Tax - Import	h	66,422,900	66,512,212	89,312	62,110,902
Consumption Tax - Domestic		8,500,000	15,718,998	7,218,998	10,655,041
Government Consumption Tax		500,000	712,716	212,716	916,591
Tax Debts Recovered (CT)	i	1,000,000	436,548	(563,452)	1,208,262
<b>Total Taxes on Goods and Services</b>		<b>76,422,900</b>	<b>83,380,473</b>	<b>6,957,573</b>	<b>74,890,796</b>
<b>Excise Tax</b>					
Excise Tax	j	44,717,600	53,142,071	8,424,471	44,995,231
Excise Tax - Government		23,800	20	(23,780)	31
Stamp Duty		-	-	-	-
PG Forex Levy	k	3,000,000	4,112,817	1,112,817	119,615
<b>Total Excise Tax</b>		<b>47,741,400</b>	<b>57,254,907</b>	<b>9,513,507</b>	<b>45,114,877</b>



RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Notes	Estimates \$	Actual 2016-17 \$	(Less) More than Estimate \$	Actual 2015-16 \$
<b>Domestic fees and Licensing</b>					
Passport Fees		2,000,000	2,096,103	96,103	1,972,790
School Fees		1,712,400	1,640,606	(71,794)	2,348,216
Motor Licences & Registration		1,510,900	1,934,163	423,263	1,533,312
Annual Motor Vehicle Examination		1,427,500	1,205,807	(221,693)	1,165,488
Other Fees and Licences	<i>l</i>	22,206,800	14,900,748	(7,306,052)	16,855,163
<b>Total Domestic fees and Licensing</b>		<b>28,857,600</b>	<b>21,777,426</b>	<b>(7,080,174)</b>	<b>23,874,969</b>
<b>Entrepreneurial and Property Income</b>					
Interests	<i>m</i>	5,982,900	1,191,992	(4,790,908)	1,034,440
Dividends	<i>n</i>	12,406,000	8,058,538	(4,347,462)	8,171,068
Government Land Rental & Other Incomes		2,461,300	2,130,058	(331,242)	1,502,639
<b>Total Entrepreneurial and Property Income</b>		<b>20,850,200</b>	<b>11,380,589</b>	<b>(9,469,611)</b>	<b>10,708,147</b>
<b>Miscellaneous Revenue</b>					
Sale of Government Assets		10,000	101,725	91,725	131,229
Sundry Revenue	<i>o</i>	1,718,900	3,553,101	1,834,201	1,575,705
<b>Total Miscellaneous Revenue</b>		<b>1,728,900</b>	<b>3,654,826</b>	<b>1,925,926</b>	<b>1,706,934</b>
<b>Total Operating Receipts</b>		<b>232,021,400</b>	<b>243,438,335</b>	<b>11,416,935</b>	<b>211,557,425</b>
Principal repayments from On-lent to PE's	<i>p</i>	2,900,000	634,374	(2,265,626)	721,407
Bond Receipts	<i>q</i>	12,000,000	10,678,000	(1,322,000)	19,055,000
Repayments loan on Agriculture Marketing & Fisheries Export Fund		-	7,989	7,989	8,000
<b>Total Recurrent Receipts</b>		<b>246,921,400</b>	<b>254,758,698</b>	<b>7,837,298</b>	<b>231,341,832</b>
Budget Support	<i>9</i>	30,350,000	37,844,766	7,494,766	33,087,926
Revolving Fund	<i>r</i>	3,300,000	28,500	(3,293,574)	3,038,300
Development Fund Receipts	<i>8</i>	42,425,800	45,850,493	3,424,693	30,947,042
<b>TOTAL RECEIPTS</b>		<b>322,997,200</b>	<b>338,482,458</b>	<b>15,463,183</b>	<b>298,415,100</b>

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# 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 in staff recruitment in Government Ministries, lead to an over collection of PAYE tax revenue.	720,589
b	The growth in employment in the private sector is the most significant contributing factor to the increase in collected non-government PAYE.	1,521,776
c	A portion of Small businesses were transferred to Large sector due to Small business exceeding sales of \$100,000. Therefore, majority of Small businesses could not make up the estimated revenue.	(655,686)
d	A significant growth in the sales of Small businesses who were transferred to the Large business sector caused the over collection of more than 80% of the budgeted returns.	7,601,917
e	Withholding taxes for non-residents were successfully implemented during the year.	1,457,498
f	The estimate was based on Legal Entities which had outstanding debt, however Government was able to collect more than what has been anticipated.	1,439,801
g	The under-collection was due to exemptions on construction materials, sport equipment and gifted materials to schools, as well as the growing momentum to promote healthy living has influenced the tariffs on healthy food e.g. fruits.	(2,411,149)
h	Due to reason in (c) above, its replicating effect is another significant increase in CT collection.	7,218,998
i	Tax Debt were slightly more difficult to monitor as some entities were mixed within the changes in tax systems from more goods being exempted from consumption tax but were taxed as excise. The negotiables caused the under collection.	(563,452)
j	Excise was significantly over collected due to the Government's initiatives to promote healthier lifestyles and as a consequence, tax on unhealthy consumable goods such as confectioneries and addictive goods were raised.	8,424,471
k	The over collection from the Foreign Exchange Levy were due to significant remittances received from overseas.	1,112,817
l	The Pacific Games 2019 was an influence in the proposed Passenger Levy which was administered by Government Public Enterprise- Tonga Airports Limited (TAL). The estimate in its' entirety was under collected as the Passenger Levy did not come into effect during the financial year.	(7,306,052)
m	Interest on deposits were under collected due to the maturity of one Government Long Term Deposit held by Tonga Development Bank. In addition, the Government secured Sinking Fund kept as a Term Deposit and replicates with adding interests in rollover. It should also be noted that the main Government Account was monitored and maintained at least a balance of \$10,000,000 returning significant interests to Government from commercial bank, Bank of South Pacific.	(4,790,908)
n	Estimates for Dividend from other investments were overstated. In addition a number of returns expected by the Government were not returned in Cash but in other means causing the expected cash collection to be under collected.	(4,347,462)
o	During the financial year, the Government received a lump sum profit cheque from the National Reserve Bank of Tonga of more than \$2,000,000. This was the unforeseen receipt causing the over collection in Sundry Revenues.	1,834,201
p	The estimate was the anticipation of Government to collect outstanding principle on-lend loans, however, the target was not reached and will accumulate in the next financial year.	(2,265,626)
q	The under-collection of bond receipts were due to limited subscription to bond issued.	(1,322,000)
r	The anticipation for collection of revolving fund was overstated.	(3,293,574)

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**Government of the Kingdom of Tonga**  
**RECEIPTS BY MINISTRY FOR THE YEAR ENDED 30 JUNE 2017**

	Estimates	Actual 2016-2017	(Less) More than Estimate	Development Fund	Actual 2015-16
	\$	\$	\$	\$	\$
Palace Office	-	-	-	-	-
Audit Office	200,000	94,500	(105,500)	-	74,005
Ministry of Foreign Affairs & Trade	3,022,000	3,178,126	156,126	-	2,981,885
Prime Minister's Office	106,200	67,237	(38,963)	54,919	93,833
Ministry of Finance & National Planning	32,885,600	20,807,136	(12,100,538)	632,748	25,985,618
Ministry of Revenue & Customs	180,002,500	203,860,862	23,858,362	-	176,596,882
Ministry of Public Enterprises	8,759,000	8,058,538	(700,462)	8,820,541	8,157,692
Ministry of Commerce, Tourism and Labour	882,500	747,186	(135,314)	-	713,793
Ministry of Justice	1,050,000	1,057,356	7,356	627,779	1,117,618
Attorney General's Office	-	-	-	191,900	-
Ministry of Police, Prisons & Fire Services	1,387,600	811,394	(576,206)	3,871,156	887,651
Ministry of Health	1,339,000	1,150,744	(188,256)	5,085,869	1,041,391
Ministry of Education & Training	2,417,000	2,235,368	(181,632)	2,082,044	2,348,019
Ministry of Internal Affairs	32,200	40,308	8,108	3,815,702	28,500
Ministry of Agriculture, Food, Forests	1,520,000	1,799,914	279,914	304,033	3,196,857
Ministry of Infrastructure	8,375,800	6,659,334	(1,716,466)	494,212	8,989,363
Ministry of Lands, Survey & Natural Resources	5,135,000	985,719	(4,149,281)	13,179	1,254,460
Public Service Commission	-	-	-	-	-
Bureau of Statistics	-	-	-	30,000	-
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	1,401,000	507,289	(893,711)	19,407,055	912,565
Ministry of Fisheries	1,706,000	2,726,187	1,020,187	419,357	-
<b>Total Recurrent Receipts</b>	<b>250,221,400</b>	<b>254,787,199</b>	<b>4,543,724</b>	<b>45,850,493</b>	<b>234,380,132</b>
Budget Support	30,350,000	37,844,766	7,494,766	-	33,087,926
Development Fund Receipts	42,425,800	45,850,493	3,424,693	-	30,947,042
<b>TOTAL RECEIPTS</b>	<b>322,997,200</b>	<b>338,482,458</b>	<b>15,463,183</b>	-	<b>298,415,100</b>

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## 3. OPERATING PAYMENTS

## PAYMENTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Original Estimates \$	Contingency Fund \$	Other Transfers \$	Revised Estimates \$	Actual 2016-17 \$	(Less) More than Revised Estimate \$	Actual 2015-16 \$
Established Staff		130,912,800	(3,562,904)	(7,605,644)	123,307,156	119,031,186	(4,275,970)	111,929,731
Unestablished Staff		5,328,000	(53,523)	1,123,760	6,451,760	5,898,410	(553,349)	5,880,541
Travel and Communication		9,710,600	433,435	1,520,889	11,231,489	10,063,249	(1,168,241)	8,951,259
Maintenance and Operations		17,334,200	3,410,389	4,138,038	21,472,238	16,590,510	(4,881,728)	12,584,219
Purchase of Goods and Services		34,242,300	3,739,554	2,001,377	36,243,677	33,356,994	(2,886,683)	29,405,542
Operational Grants and Transfers		41,292,800	(6,523,741)	(7,870,303)	33,422,497	30,765,197	(2,657,300)	35,659,624
Development Duties Expenditure		1,970,000	-	2,804,435	4,774,435	4,737,771	(36,664)	2,901,522
Debt Management		8,546,000	-	(239,805)	8,306,195	8,269,231	(36,964)	7,907,668
Contingency Fund		1,500,000	(1,500,000)	(1,500,000)	-	-	-	-
Pension & Gratuities		5,000,000	-	(290,180)	4,709,820	4,707,988	(1,832)	4,582,487
Private Sector Development Support		5,000,000	5,000,000	5,000,000	10,000,000	6,740,853	(3,259,147)	5,000,000
<b>Total Operating Payments</b>		<b>260,836,700</b>	<b>943,209</b>	<b>(917,433)</b>	<b>259,919,267</b>	<b>240,161,389</b>	<b>(19,757,878)</b>	<b>224,802,593</b>
Repayments of Public Debt		15,582,000	-	(558,950)	15,023,050	15,023,048	(2)	14,137,498
Asset		8,642,100	(943,209)	1,676,383	10,318,483	7,348,797	(2,969,686)	5,328,148
Equity Payments		400,000	-	(200,000)	200,000	200,000	-	900,000
<b>Total Recurrent Payments</b>		<b>285,460,800</b>	<b>-</b>	<b>-</b>	<b>285,460,800</b>	<b>262,733,234</b>	<b>(22,727,566)</b>	<b>245,168,239</b>
Grant expenditure from external donors	8	35,663,749	-	-	35,663,749	35,641,470	22,280	30,575,649
<b>TOTAL PAYMENTS</b>		<b>321,124,549</b>	<b>-</b>	<b>-</b>	<b>321,124,549</b>	<b>298,374,704</b>	<b>(22,705,286)</b>	<b>275,743,888</b>

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



# Government of the Kingdom of Tonga

## PAYMENTS BY MINISTRY GROUP FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Original Estimates \$	Contingency Fund \$	Revised Estimates \$	Actual 2016-17 \$	Notes	(Less) More than Revised Estimate \$	Development Fund \$	Actual 2015-16 \$
Palace Office		4,368,500	-	4,368,500	3,647,661	s	(720,839)	-	3,735,639
Legislative Assembly	i	6,841,200	115,360	6,956,560	6,975,761	t	19,201	-	3,978,807
Audit Office	ii	1,850,000	-	1,850,000	1,764,486		(85,514)	-	1,699,377
Commissioner of Public Relations	iii	1,700,000	-	1,700,000	1,319,833		(380,167)	-	860,130
Ministry of Foreign Affairs & Trade	iv	10,400,000	-	10,400,000	9,762,747	u	(637,253)	39,993	8,965,792
His Majesty's Armed Forces	v	8,830,000	326,200	9,156,200	9,070,839		(85,361)	-	8,488,680
Prime Minister's Office	vi	2,205,200	140,000	2,345,200	2,285,764		(59,436)	-	2,089,575
Ministry of Finance & National Planning	vii	80,924,500	(8,910,896)	72,013,604	67,339,984	v	(4,673,620)	445,560	73,983,411
Ministry of Revenue & Customs	viii	11,500,000	(1,800,000)	9,700,000	6,777,589	w	(2,922,411)	-	5,933,767
Ministry of Public Enterprises	ix	1,379,000	-	1,379,000	1,250,599		(128,401)	8,920,494	1,143,502
Ministry of Commerce, Tourism and Labour		4,526,000	60,000	4,586,000	4,075,644		(510,356)	18,610	5,717,377
Ministry of Justice		5,770,000	-	5,770,000	5,061,622	x	(708,378)	654,733	4,596,735
Attorney General's Office		2,800,000	-	2,800,000	1,984,466	y	(815,534)	175,074	1,999,596
Ministry of Police, Prisons & Fire Services		15,256,000	420,000	15,676,000	15,038,699	z	(637,301)	3,737,761	13,422,178
Ministry of Health	x	32,596,200	3,279,000	35,875,200	35,817,602	aa	(57,598)	5,056,342	32,852,267
Ministry of Education & Training	xi	45,877,400	2,596,000	48,473,400	45,173,121		(3,300,279)	2,463,027	41,250,104
Ministry of Internal Affairs	xii	7,949,000	570,000	8,519,000	7,664,205		(854,795)	1,592,795	6,867,438
Ministry of Agriculture, Food, Forests	xiii	7,337,000	681,400	8,018,400	7,456,855		(561,545)	192,157	8,697,845
Ministry of Infrastructure	xiv	15,223,000	2,000,000	17,223,000	12,856,956	bb	(4,366,044)	954,120	8,493,897
Ministry of Lands, Survey & Natural Resources	xv	4,270,000	-	4,270,000	4,031,509		(238,491)	16,703	2,855,625
Public Service Commission		1,600,000	-	1,600,000	1,500,512		(99,488)	70,295	1,241,995
Bureau of Statistics	xvi	3,118,000	63,336	3,181,336	2,876,752		(304,584)	4,440	1,532,054
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	xvii	6,331,800	241,000	6,572,800	6,156,108		(416,692)	10,917,285	1,763,449
Ministry of Fisheries	xviii	2,808,000	218,600	3,026,600	2,843,920		(182,680)	382,080	-
Development Fund Payments		285,460,800	-	285,460,800	262,733,234		(22,727,566)	35,641,470	242,169,240
TOTAL PAYMENTS		35,663,749		35,663,749	35,641,470		22,280		38,323,997
		321,124,549		321,124,549	298,374,704		(22,705,286)		280,493,237

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



# Government of the Kingdom of Tonga

*Material differences in comparison of revised budget payments and actual payments, less than five hundred thousand (\$500,000) underspend and all overspend:*

Notes	Descriptions	Amount (\$) Less/(More)
s	The underspent was due to budgeted vacant posts that were not filled during the financial year and also the renovation of the 'Eua Palace was planned but was not executed.	(720,839)
t	An overspent of \$19,201 by the Agency was due to system failure which lead to overlooking of manual cheque being accounted for in the Government accounting system.	19,201
u	The reported savings were from pending cases such as unfilled vacant posts awaiting recruitment processes, cancellation of passport order to supplier & recalls and appointments of diplomatic staff.	(637,253)
v	The Ministry made significant savings due mainly to delayed projects and the salary review that was expected to be completed in the financial year but was delayed to the forthcoming financial year.	(4,673,620)
w	Revenue and Customs made savings like most Ministries in it's unfilled vacant positions. In addition, budget were made for the Custom's new building but it was unutilised due to delay in signing of contract.	(2,922,411)
x	Underspend of the Ministry was due mainly to three reasons, which includes unique plans for its established staff, however there were delays in job sizing, the forecasted maintenance and operation were pending at several stages of the Procurement process and the actual hours claimed by the Lord Chancellor and Court of Appeal's judges were lower than the anticipated planned hours under the 'purchase of goods and services'.	(708,378)
y	Less cases were settled than planned and similar to most Ministries, there were unfilled positions.	(815,534)
z	The urgent nature and capacity of the Ministry caused overspending mainly due to several fluctuations in it's spending, especially in funding overtime costs, utilising the financial year's budget to cater for foregoing costs' from prior financial year, budget for unestablished staff was insufficient to cater for the daily paid at Vaioala as well as Outer Island and also emergency stock top-ups due to delays in shipment.	(57,598)
aa	The Ministry budgeted to increase staff capacity to facilitate the high demands of the schools however, majority of it's vacant posts' were not filled due to job sizing pending in the new banding system.	(3,300,279)
bb	The cancellation of the anticipated Pacific Games 2019 saw the forecasted costs of construction activities, office supplies and probable vacancies foregone for was primarily the reason for the Ministry's savings in it's estimated spending. Moreover, delays in the procurement of the maintenance of the Government quarters contributed to the underspending of the Ministries.	(4,366,044)

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## 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 under certain programs within their appropriation, transfers to the contingency fund during the year. Ministries that requests 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 Statement of Appropriations details the movements on the contingency fund to reconcile original appropriations to actual expenditure. The balance of approved contingency fund lapses at the end of the financial year.

The reasons for respective application to the contingency fund are as follows:

Notes	Descriptions	Amount (\$)
i	To cater for Legislative Assembly overseas travel (Office of the Speaker & Members of the Parliament) and other operational expenses.	115,360
ii	To fund the purchase of a new vehicle and computer for the Tonga Office of the Auditor General.	160,000
iii	To facilitate purchase of a new vehicle for the Office of the Ombudsman.	80,000
iv	To cater for His Majesty's birthday, agricultural show preparation, purchase of a new water pump for Taliai Camp and other operational expenses.	326,200
v	To fund purchase of a new vehicle and assist with payments of other operational expenses for the Prime Minister's Office.	140,000
vi	To cater for three (3) new vehicles for Ministry of Finance and National Planning.	80,000
vii	To facilitate purchasing of three (3) new vehicles for the Ministry of Revenue & Customs.	216,000
viii	To cater for payment of a new vehicle for the Ministry of Public Enterprise.	70,000
ix	To assist with payments of operational expenses for Ministry of Commerce, Consumer, Trade, Innovation and Labour.	60,000
x	To cater for purchasing of two (2) new vehicles for Ministry of Police, Prison and Fire Services and to construct a Mental Health Facility at Huatolitoli and other operational expenses.	460,000
xi	To cater for operational expenses of the Ministry of Health.	5,556,144
xii	To cater for purchase of new vehicle for Ministry of Education and Training, also to cater for School Subsidies and other operational expense.	5,122,597
xiii	To facilitate purchase of two (2) vehicles for the Niua's Government Representatives, one (1) vehicle for Ma'a Fafine mo Famili, renovation of Alonga administration office and other operational expenses for Ministry of Internal Affairs.	720,666
xiv	To cater for expense in relation to preparation agricultural show and other operational expenses of Ministry of Agriculture, Food and Forestry.	681,400
xv	To cater for two (2) new vehicles for Tourism and top up for road maintenance for the Ministry of Infrastructure.	2,143,000
xvi	To facilitate payments in relation to survey to support the assessments of the impacts of taxation policy related to consumption behaviours and prices of tobacco, alcohol and food beverage.	63,336
xvii	To cater for Tonga National Dialogue on Green Growth, Blue Economy Energy, Transport Ministers Conference and other operational expenses of Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change.	241,000
xviii	To assist with purchase of three (3) new Ministry of Fisheries vehicles for the agricultural show.	218,600



**5. CASH**

				2016-17 \$	2015-16 \$
<b>Trust Fund Cash Balance</b>				<b>8,279,007</b>	<b>7,211,526</b>
<b>Development Cash Balance</b>				<b>28,856,250</b>	<b>18,476,224</b>
				<b>37,135,257</b>	<b>25,687,750</b>
<b><u>Operating Cash Balance</u></b>				<b>72,276,367</b>	<b>43,334,024</b>
<i>Operating Cash on Hand</i>				2,340,430	686,211
<i>Operating Cash at Bank</i>				68,700,888	41,422,532
<i>Short Term Deposits</i>				1,235,049	1,225,281
<b>Tonga Development Bank</b>	<b>Term No.</b>	<b>Rate</b>	<b>Maturity Date</b>		
3 month Term Deposit	7348	0.75%	16/07/2017	1,160,478	1,151,820
1 month Term Deposit	5227	1.50%	12/07/2017	74,571	73,462
<b><i>TOTAL CASH BALANCE</i></b>				<b>109,411,624</b>	<b>69,021,774</b>

The Total Operating Cash balance for Financial Year 2016/17 was **\$109,411,624** which includes the above Cash Balance of **\$72,276,367** and Treasury Investment Balance of **\$10,590,268** as detailed in Note 6.

The operating cash on hand includes cash for development projects which are balances of funds that was transferred to the outer-islands for project implementation.

A surprise cash count on balance date found a cash shortage at the Sub Treasury in Vava'u. The shortage was a total of **\$71,500.42**. A special audit by the Auditor General and a criminal investigation by the Ministry of Police was lodged promptly. Due to weaknesses in the internal control systems in safeguarding the cash held on premises, the shortage occurred and was dealt with by the aforementioned Government bodies.

The total shortage was credited from the Vava'u float balance on balance date and increased operating expenditures.

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## 6. INVESTMENT

	2016-17 \$	2015-16 \$
Treasury Investments	10,590,268	10,104,487
Shares - minority holdings (at cost)	77,222	79,010
Investment in other companies	630,761	1,125,133
Public Enterprises :		
Shares (at cost)	148,152,187	159,995,722
<b>TOTAL INVESTMENT</b>	<b>159,450,439</b>	<b>171,304,353</b>

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# Government of the Kingdom of Tonga

*Details of Investment are as follows:*

					2016-17 \$	2015-16 \$
<b>Tonga Development Bank</b>	<b>Term No.</b>	<b>Acceptance Date</b>	<b>Interest Rate</b>	<b>Maturity Date</b>		
15 month Term Deposit	7517	30/08/2015	2.50%	29/08/2017	548,369	548,369
15 month Term Deposit	7949	20/02/2017	2.25%	19/05/2018	552,532	535,744
15 month Term Deposit	7963	28/02/2017	2.25%	27/05/2017	581,986	564,303
15 month Term Deposit	7957	23/02/2017	2.25%	22/05/2018	590,787	572,836
15 month Term Deposit	8045	25/05/2017	2.25%	24/08/2018	570,050	554,509
24 month Term Deposit	7828	28/09/2016	2.50%	28/09/2018	1,578,882	1,532,764
24 month Term Deposit	7830	29/09/2016	2.50%	29/09/2018	160,769	156,073
24 month Term Deposit	7759	6/08/2016	2.50%	6/08/2018	5,367,004	5,000,000
					<b>9,950,378</b>	<b>9,464,598</b>
<b>ANZ Bank</b>						
24 month Term Deposit		9/08/2015	2.50%	9/08/2017	639,890	639,890
					<b>639,890</b>	<b>639,890</b>
<b>Total Treasury Deposit Investments</b>					<b>10,590,268</b>	<b>10,104,487</b>
	<b>No. Of Shares</b>		<b>Price per Share</b>	<b>Percentage Holding</b>	<b>Notes</b>	<b>2016-17 \$</b>
Air Pacific Limited	70,400		1.10	0.27%		77,222
Hawaiian Airlines				nominal	xix	-
<b>Shares - minority holdings (at cost)</b>						<b>77,222</b>
Ocean Royal Shipping Company Limited					xx	630,761
(USD575,040 at 6% interest)						<b>630,761</b>
<b>Investment in other companies</b>						<b>1,125,133</b>
	<b>No. Of Shares</b>		<b>Price per Share</b>	<b>Percentage Holding</b>		<b>2016-17 \$</b>
<b>Public Enterprises</b>						<b>2015-16 \$</b>
Tonga Development Bank	1,400,000		10.00	100%		14,000,000
Tonga Communications Corporation	14,243,639		1.00	100%		14,243,639
Tonga Forest Products Limited	-		-	0%	xxi	-
Tonga Market Corporation Limited	1,600,000		1.00	100%		1,600,000
Tonga Airports Limited	36,543,226		1.00	100%		36,543,226
Waste Authority Limited	900,000		1.00	100%		900,000
Tonga Power Limited	1,031		32,768	100%		33,783,595
Tonga Post Limited	1,807,915		1.00	100%		1,807,915
Tong Export Quality Management Limited	100,000		1.00	100%	xxii	100,000
Tonga Asset Managers & Associates Limited	1,761,707		1.00	100%		1,761,707
Tonga Cable Ltd	29,556,887		1.00	67%	xxiii	29,556,887
Friendly Islands Shipping Agency	400,000		1.00	100%		400,000
<b>Statutory Board</b>						
Ports Authority Tonga				100%		10,949,097
Tonga Broadcasting Commission				100%	xxiv	441,081
Tonga Water Board				100%		2,065,040
<b>Total Investment in Public Enterprises</b>						<b>148,152,187</b>
<b>TOTAL INVESTMENTS</b>						<b>159,450,439</b>
						<b>171,304,353</b>

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## Government of the Kingdom of Tonga

The following notes are disclosures of the material changes to Government Public Enterprises:

Notes	Descriptions
xix	The shares were administered under the Department of Civil Aviation in the previous years. A letter dated 7 November 2013 from Hawaiian Airlines notified the Government that the shares have been cancelled and turned over to the State of Delaware as abandoned property. There is no evidence that the Government applied for a claim to retrieve the shares back.
xx	An interest receipt was received on 2 February 2010 of USD94,166.48 however, the latest principal repayment was on 17 February 2010 of USD424,960.00 reducing the initial principal of USD1,000,000 to the remaining USD575,040.00.
xxi	Ministry of Public Enterprises awaits settlement of tax obligation of Tonga Forest Production Ltd as the acquisition was made to an off-shore company and it is now no longer a Public Enterprise.
xxii	Tonga Export Quality Management awaits a cash settlement of all its payables before being deregistered as a Company. The settlement is expected to come from the Government via the Ministry of Public Enterprises. At balance date, the settlement was not made and the Company is still legally a Public Enterprise.
xxiii	On balance date, Digicel Tonga Ltd - a privately owned company, acquired 20% of Government shares held in Tonga Cable Ltd (TCL) totalling \$7,350,535. The Government now holds 66.8% shares with Tonga Communication Corporation and Digicel Tonga Ltd owning 16.6% equivalent shares.
xxiv	The Tonga Broadcasting Commission received a \$200,000 cash injection from Government on 23 January 2017 increasing their capital shares.

## 7. TRUST MONEY ACCOUNTS

This is the total monies held by Government pending completion of a transaction or dispute. Government holds in trust for purposes prior approved by the Minister. This includes unclaimed money due to or belonging to any person; or collection by Government on behalf of a person or under an agreement.

*Details of Trust Money Accounts are as follows:*

	2016-17 \$	2015-16 \$
Balance as at 1 July 2016	11,123,750	10,759,911
<b>Add:</b> Receipts	2,597,338	2,049,367
<b>Less:</b> Payments	1,530,333	1,685,528
<b>Balance as at 30 June 2017</b>	<b>12,190,755</b>	<b>11,123,750</b>
<b>Represented by:</b>		
Distraints - Legal Settlements	122,583	79,572
Unclaimed Salaries, Wages & Expenses	208,402	197,816
National Emergency Fund	3,324,473	3,324,473
PSRF Trust Account	5,566,259	5,057,754
Niutoputapu Tsunami Trust	200,947	530,935
Other Trust Accounts	2,768,090	1,933,200
<b>TOTAL TRUST MONEY ACCOUNTS</b>	<b>12,190,755</b>	<b>11,123,750</b>



**8. DEVELOPMENT FUND**

	2016-17 \$	2015-16 \$
<b>Development Fund Balance at 1 July 2016</b>	<b>18,547,996</b>	<b>18,176,604</b>
<i>Add: Development Fund Receipts</i>		
Grants & Loans Received	45,850,493	30,947,042
<b>Total Development Fund Receipts</b>	<b>45,850,493</b>	<b>30,947,042</b>
<b>Total Development Funds Available</b>	<b>64,398,489</b>	<b>49,123,646</b>
<i>Less: Development Fund Payments</i>		
Payments from Grants & Loans	35,641,470	30,575,649
<b>Total Development Fund Payments</b>	<b>35,641,470</b>	<b>30,575,649</b>
<b>DEVELOPMENT FUND BALANCE AT 30 JUNE 2017</b>	<b>28,757,019</b>	<b>18,547,996</b>

Monies held in the development fund accounts 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 2017 is **\$28,757,019**.

Details of Development Receipts by Donor and Development Funds Payments by Ministry are shown below:



# Government of the Kingdom of Tonga

## Development Fund Receipts by Donor for the year ended 30 June 2017

Donor	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Australia Bilateral Assistance	12,051,700	6,608,865		5,442,835
Australian - Other	40,000	4,550		35,450
Germany	-	236,770	236,770	
Japan - Other	500,000	13,179		486,821
Pooled Funds - Australia & NZ	3,240,000	3,361,803	121,803	
New Zealand Bilateral	11,840,500	13,176,685	1,336,185	
New Zealand Non-Government	-	22,800	22,800	
People's Republic of China	-	(6,600)		6,600
India Fund	390,000	-		390,000
Korean Fund	300,000	-		300,000
Asian Development Bank (ADB)	1,547,000	12,178,005	10,631,005	
World Bank/International Development Agency (IDA)	850,000	1,471,544	621,544	
UNESCO	-	28,713	28,713	
European Union	3,790,000	431,564		3,358,436
Pacific Islands Forum Secretariat (PIFS)	440,500	3,705,286	3,264,786	
Secretariat of the Pacific Community (SPC)	1,656,500	218,744		1,437,756
South Pacific Regional Environmental Program (SPRE)	117,600	9,798		107,802
United National Development Program (UNDP)	3,743,600	859,220		2,884,380
UN Family Planning Association (UNFPA)	500,000	101,570		398,430
UN International Children's Fund	-	157,247	157,247	
World Health Organisation (WHO)	60,000	933,373	873,373	
United Nations Environment Program	98,800	190,021	91,221	
Forum Fisheries Agencies (FFA)	343,100	250,644		92,456
International Union for Conservation (IUCN)	206,500	-		206,500
ASTAE Grant	-	2,616	2,616	
UN Women	-	116,350	116,350	
Gesellschaft fur Internationale Zusammenarbeit Gmb	-	202,973	202,973	
Tonga Health Promotion Foundation	-	729,864	729,864	
Green Climate Fund	-	284,313	284,313	
UN Economic & Social Commission for Asia & Pacific	-	54,919	54,919	
Local Level Contributions	-	54,540	54,540	
Other Donor	-	60,340	60,340	
Unidentified Donor	710,000	390,800		319,200
<b>TOTAL</b>	<b>42,425,800</b>	<b>45,850,493</b>	<b>18,891,360</b>	<b>15,466,667</b>



# Government of the Kingdom of Tonga

## Development Fund Payments by Ministry for the year ended 30 June 17

Ministry	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Palace Office	500,000	-		500,000
Legislative Assembly	-	-		
Audit Office	-	-		
Commissioner of Public Relations	-	-		
Ministry of Foreign Affairs & Trade	-	39,993	39,993	
His Majesty's Armed Forces	-	-		
Prime Minister's Office	60,000	-		60,000
Ministry of Finance & National Planning	5,345,000	445,560		4,899,440
Ministry of Revenue Services	-	-		
Ministry of Public Enterprises	5,355,000	8,920,494	3,565,494	
Ministry of Commerce, Tourism and Labour	-	18,610	18,610	
Ministry of Justice	670,000	654,733		15,267
Attorney General's Office	150,000	175,074	25,074	
Ministry of Police, Prisons & Fire Services	3,630,000	3,737,761	107,761	
Ministry of Health	5,090,000	5,056,342		33,658
Ministry of Education & Training	7,050,000	2,463,027		4,586,973
Ministry of Internal Affairs	3,083,800	1,592,795		1,491,005
Ministry of Agriculture, Food, Forests & Fisheries	55,000	192,157	137,157	
Ministry of Infrastructure	606,700	954,120	347,420	
Ministry of Lands, Survey & Natural Resources	2,750,000	16,703		2,733,297
Public Service Commission	190,000	70,295		119,705
Bureau of Statistics	-	4,440	4,440	
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	7,187,200	10,917,285		
Ministry of Fisheries	703,100	382,080		321,020
	<b>42,425,800</b>	<b>35,641,470</b>	<b>7,976,034</b>	<b>14,760,364</b>

In way of additional disclosure, list below consists of all Government projects prior approved under the authority of the Minister for Finance and National Planning to be managed outside the Government financial system i.e. disbursement received from Donors and project payments are not recorded in the centralised financial system.

- i. Tonga Cyclone Ian Reconstruction and Climate Resilience Project
  - a. Managed under Ministry of Infrastructure
  - b. Fund by World Bank under TF 17580, IDA H9620 and IDA 54770
  - c. Closing Date: 30 June 2018
- ii. Pacific Aviation Investment Project – Tonga
  - a. Managed under Tonga Airport Limited
  - b. Fund by World Bank under TF A1644, IDA D1060, H7430 and IDA 57700
  - c. Closing Date: 31 December 2018
- iii. Pacific Regional Connectivity Program
  - a. Portion that is managed under Tonga Cable Limited
  - b. Fund by World Bank under IDA H7310 and TF 99368
  - c. Closing Date: 23 July 2018
- iv. Tonga Transport Sector Consolidation Project



## Government of the Kingdom of Tonga

- a. Managed under Ministry of Infrastructure
- b. Fund by World Bank under IDA D0920, IDA 57300, TF 99585 and IDA H4160
- c. Closing Date: 30 June 2018
- v. Tonga-Fiji Submarine Cable Project
  - a. Portion that is managed under Tonga Cable Limited
  - b. Fund by Asian Development Bank under G0256 and L3509
  - c. Closing Date: 31 December 2018
- vi. Outer Island Renewable Energy Project
  - a. Managed under Tonga Power Limited
  - b. Fund by Asian Development Bank under G0444, G0445, G0347, G0348, G0528, and L3509
  - c. Closing Date: 30 June 2020
- vii. Tonga Rural Innovation Project
  - a. Managed under MORDI Tonga
  - b. Fund by International Fund for Agricultural Development under Grant No. I-DSF-8099-TO
  - c. Closing Date: 31 December 2017

List below consists of confirmed expired projects with funds subject to be returned back to Development Partners when notice to return are received, unless otherwise agreed to with each Development Partners.

Name of Project	\$
1. Capacity for Peace and Development	631
2. Tsunami Project Manager Officer	114,881
3. Tonga Energy Road Map	68
4. Revision of the NBSAP	3,938
5. Digitising Selected Meteorological Records	3,713
6. Australian Sports Outreach Program	521
7. Demographic and Health Survey	18,952

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## 9. BUDGET SUPPORT

Budget Support is fund received from another International Organisation to assist the Government's Budget. During the year, five (5) Development Partners granted Budget Support amounting to **\$37,844,766** 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. Variance between the actual and the budget figures are because the 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.

Budget Supports Received are as follows:

	Estimates	Actual	More (Less) than	Actual
	2016-17	2016-17	Estimate	2015-16
	\$	\$	\$	\$
Australia (DFAT)	7,500,000	6,625,808	(874,192)	6,416,426
New Zealand Fund	3,500,000	2,953,130	(546,870)	-
World Bank (WB) Grant	2,000,000	3,610,792	1,610,792	2,467,035
WB Loan	2,000,000	7,522,484	5,522,484	2,467,035
Asian Development Bank (ADB)	4,675,000	4,933,129	258,129	6,511,830
ADB Loan	4,675,000	6,154,936	1,479,936	6,506,827
European Union (EU)	6,000,000	6,044,487	44,487	8,718,773
<b>TOTAL</b>	<b>30,350,000</b>	<b>37,844,766</b>	<b>7,494,766</b>	<b>33,087,926</b>

Of the actual amounts received during the financial year, **\$733,430** of funds received from New Zealand and support from the European Union were intended for financial year 2015-2016.

## 10. BUILDING LOAN

This amount represents the total charges by Government to Government employees who has outstanding building loans. The amounts are repayable by the Government employees.

	2016-17	2015-16
	\$	\$
Balance as at 1 July 2016	87,580	87,580
Receipts	(4,541)	-
Payments	-	-
<b>Balance as at 30 June 2017</b>	<b>83,039</b>	<b>87,580</b>



## 11. RECEIVABLES

	Purpose	Year	Principal	Interest %	Term Years	As at 30-Jun-16 \$	Interest \$	Repayments \$	Exchange Difference \$	As at 30-Jun-17 \$
Tonga Development Bank - ADB 624	Development Lending	1983	1,108,197	3.00	40	326,627	9,449	46,661		279,966
Tonga Development Bank - IDA 1813	Development Lending	1987	2,604,051	3.00	36	751,168	21,784	100,156		651,012
Tonga Development Bank - IFAD 327	Development Lending	1993	4,104,162	3.00	27	762,873	21,507	190,718		572,155
Sea Star Fishing - ADB 1030	Capital	1993	3,645,900	6.36	15	3,645,900	-	-		3,645,900
Ports Authority Tonga - ADB 1303	Development Lending	2002	2,388,911	5.00	16	300,111	12,211	149,200		150,911
Tongatapu Market Limited - ADB 927	Development Lending	2010	3,296,874	2.00	18	1,817,574	35,168	147,639	(50,626)	1,720,561
Royco Amalgamated Co. Ltd - EXIM China	Reconstruction	2010	2,210,932	5.00	20	2,147,659	-	-		1,720,561
M F Taumoepeau & Sons Ltd - EXIM China	Reconstruction	2010	7,162,418	5.00	20	7,162,418	-	-		2,147,659
O G Sanft & Sons Ltd - EXIM China	Reconstruction	2010	10,247,322	5.00	20	10,247,322	100,000	-		7,162,418
City Assets (Molisi) - EXIM China	Reconstruction	2012	6,761,247	5.00	20	6,761,247	-	-		10,247,322
Tungi Colonnade - EXIM China	Reconstruction	2012	16,574,480	5.00	20	16,574,480	200,000	-		6,761,247
Tonga Assets Management Associations (TAMA)	Small Industries	2015	1,395,082	1.00	13	1,475,818	14,622	-	30,593	16,574,480
Young Farmers Federation (Koloti Seluini)	Agricultural Management Fund	2012	40,000	1.00	0.25	40,000	-	-		1,445,225
Hammah Consulting (Daniel Hamala)	Agricultural Management Fund	2012	34,750	1.00	0.25	24,750	-	-		40,000
Look Sharp Tonga (Tevita Tukimaka)	Agricultural Management Fund	2013	17,890	1.00	0.25	17,890	-	-		24,750
EZI World Cargo (Mosese Uele)	Agricultural Management Fund	2013	66,374	1.00	0.25	66,374	-	-		17,890
JERE Auto Delaer (Tu'ineau Naufahu)	Agricultural Management Fund	2013	14,000	1.00	0.25	14,000	-	-		66,374
Tou'anga Moala	Agricultural Management Fund	2014	25,000	1.00	0.25	25,000	-	-		14,000
New Millennium Phase 2	Agricultural Management Fund	2014	468,250	1.00	0.25	468,250	-	-		25,000
Mark Shipping (Ma'ake Fkaosifolau)	Agricultural Management Fund	2014	130,000	1.00	0.25	130,000	-	-		468,250
New Millennium Phase 3	Agricultural Management Fund	2014	90,000	1.00	0.25	90,000	-	-		130,000
Latakofe Phase (Mosese Tupou)	Agricultural Management Fund	2014	50,000	1.00	0.25	50,000	-	-		90,000
Luke Construction (Semisi Hopoi)	Agricultural Management Fund	2014	10,000	1.00	0.25	10,000	-	-		50,000
FV Albacore (Siua Finau)	Fisheries Export Development Fund	2014	45,000	1.00	0.5	43,000	228	2,000		10,000
Pacific Fish Co. Ltd (Anisi Bloomfield)	Fisheries Export Development Fund	2014	27,000	1.00	0.5	27,810	-	10,594		41,000
Denisiola Co. Ltd (Pulu 'Anau)	Fisheries Export Development Fund	2014	35,000	1.00	0.5	35,000	-	7,600		17,216
FV Avaloni (Feleti 'Uluapano)	Fisheries Export Development Fund	2014	35,000	1.00	0.5	36,050	-	-		27,400
FV 'Amalie (Asa'ele Nehoa)	Fisheries Export Development Fund	2014	35,000	1.00	0.5	35,000	-	-		36,050
FV Langahengihengi (Aisake Falase)	Fisheries Export Development Fund	2014	21,279	1.00	0.5	21,918	75	1,044		35,000
FV Tekina I Moana (Taani Fe'ao)	Fisheries Export Development Fund	2014	30,001	1.00	0.5	30,902	106	5,894		20,874
FV 064 (Ulaiaisi Vaisima)	Fisheries Export Development Fund	2014	13,764	1.00	0.5	14,177	48	675		25,007
Taniela Koli	Fisheries Export Development Fund	2014	8,218	1.00	0.5	7,218	-	-		13,502
FV Akina (Vili 'Olive)	Fisheries Export Development Fund	2014	13,238	1.00	0.5	13,238	-	-		7,218
Vaika'e Fifita	Fisheries Export Development Fund	2014	18,129	1.00	0.5	13,129	-	2,000		13,238
		2014	6,000	1.00	0.5	6,000	-	-		11,129
			53,192,902			415,197	664,182	-	(20,033)	52,548,754
			Current			1,069,701.00			Current	1,909,646.80
			Non-current			52,123,201.05			Non-current	50,639,106.93
						53,192,902.05				52,548,753.73

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

	2016-17 \$	2016-17 \$	2015-16 \$
<b>Loans owing at 1 July 2016</b>			
Foreign	390,904,837		382,824,134
Domestic	53,671,000		40,976,000
		444,575,837	423,800,134
<i>Add: New Borrowing</i>			
Foreign	19,404,875		17,552,380
Domestic	10,678,000		19,055,000
		30,082,875	36,607,380
<b>Total Loan Payable</b>		<b>474,658,712</b>	<b>460,407,514</b>
<i>Less: Repayments</i>			
Foreign	7,023,048		7,961,472
Domestic	8,000,000		6,360,000
		15,023,048	14,321,472
		<b>459,635,664</b>	<b>446,086,042</b>
<b>Revaluation of Debt in Foreign Currency</b>		8,967,894	1,510,204
<b>BALANCE OF PUBLIC DEBT 30 JUNE 2017</b>		<b>450,667,770</b>	<b>444,575,837</b>
<b><i>Balance Details</i></b>			
<b>Loans Owing at 30 June 2016</b>			
Foreign		394,318,770	390,904,837
Domestic		56,349,000	53,671,000
		<b>450,667,770</b>	<b>444,575,837</b>

The Government of the Kingdom of Tonga benefits from Budget Support (loan portion 50%) from International Organisations. The total drawn Budget Support borrowing facilities during the period 1 July 2016 - 30 June 2017 amounted to **\$13,677,420**. Details are as follows:

	\$
World Bank (IDA)	7,522,484
Asian Development Bank (ADB)	6,154,936
<b>Total</b>	<b>13,677,420</b>

Terms of Government Loan Agreements varies, some agreements provide for deferred repayments only and some for deferred payments of both interest and principal. Outstanding obligations are restated at the year end at the exchange rate ruling at the day.

*Effective exchange rates in force are:*

Euro (EUR)	2.5085	2.4555
Special Drawing Rights (SDR)	3.0479	3.0874
US Dollars (USD)	2.1905	2.2071
Yuan Renmimbi (CNY)	0.3228	0.3326



# Government of the Kingdom of Tonga

Loan details are as follows:

	Year	Purpose	Currency	Principal	Interest %	Term Years	As at 30/06/2016 Audited \$	Drawdown \$	Undrawn \$	Interest \$	Repayments \$	Exchange Difference \$	As at 30-Jun-17 \$
ADB - 335 TON	1977	Small Industries	SDR	84,234	1.00	40	42,402	-	-	346	28,912	281	13,209
ADB - 376 TON	1978	Development	SDR	538,702	1.00	40	393,651	-	-	2,755	159,852	1,846	231,953
ADB - 435 TON	1979	Development	SDR	577,418	1.00	40	542,821	-	-	4,983	155,097	4,853	382,872
ADB - 540 TON	1981	Development	SDR	367,111	1.00	40	461,603	-	-	5,305	83,081	5,727	372,794
ADB - 624 TON	1983	Development	SDR	1,077,992	1.00	40	1,082,206	-	-	10,377	154,479	11,762	915,965
ADB - 782 TON	1986	Development	SDR	1,890,954	1.00	40	3,170,616	-	-	25,709	336,217	33,521	2,800,879
ADB - 927 TON	1988	Development	SDR	1,764,257	1.00	40	3,078,327	-	-	26,133	258,389	33,971	2,785,967
ADB - 990 TON	1990	Development	SDR	2,610,078	1.00	40	4,681,114	-	-	40,480	349,914	42,559	4,278,640
ADB - 1030 TON	1990	Fisheries	SDR	1,550,500	1.00	40	3,361,080	-	-	34,133	229,041	42,553	3,089,486
ADB - 1079 TON	1991	Power Development	SDR	4,509,142	1.00	40	9,500,059	-	-	84,419	649,462	118,846	8,731,752
ADB - 1303 TON	1995	Transport Infrastructure	SDR	6,264,820	1.00	40	14,014,616	-	-	127,038	771,886	176,097	13,066,634
ADB - 1412 TON	1996	Outer Islands Agriculture	SDR	2,310,705	1.00	40	5,467,558	-	-	87,332	277,903	68,797	5,120,857
ADB - 1904 TON	2002	Development	SDR	8,020,000	1/1.5	24	13,004,330	-	-	202,285	1,286,556	163,615	11,554,160
ADB - 3393 TON	2016	Building Macroeconomic	SDR	2,125,000	1/1.5	24	6,560,725	-	-	36,985	-	83,938	6,476,788
ADB - 3509	2017	Outer Is Renewable	SDR	-	-	24	-	-	-	-	-	-	-
ADB - 3531	2017	Energy	SDR	2,807,255	1/1.5	24	-	-	-	-	-	-	-
EIB 8 0050	1979	BMRP - Subprogram 2	EUR	331,898	1.00	40	92,989	6,154,936	-	985	31,727	5,643	6,149,292
IDA 1813	1987	Telecom Network	SDR	1,579,173	0.75	40	3,071,677	-	-	21,796	145,885	(2,346)	63,608
IDA 2084	1990	Tonga Development Bank	SDR	1,592,623	0.75	40	2,655,248	-	-	19,030	193,592	37,805	2,887,987
IDA 3647	2002	Tonga Development Bank	SDR	4,259,223	0.75	40	12,097,932	-	-	87,332	264,013	2,427,113	11,683,518
IDA 38140	2003	Health project	SDR	8,000,000	0.75	40	23,298,815	-	-	169,384	489,953	150,400	22,516,506
IDA 40810	2005	Education project	SDR	639,889	0.75	40	1,936,083	-	-	13,711	39,162	292,356	1,872,306
IDA 5316	2013	First Economic Reform	SDR	1,700,000	0.75	40	5,248,580	-	-	38,924	-	24,615	5,181,430
IDA 5477	2014	Support Operation	SDR	6,093,952	0.75	40	6,952,334	-	-	53,252	-	67,150	10,765,326
IDA 5554	2014	Reconstruction	SDR	1,700,000	0.75	40	5,248,580	3,901,940	1,121,484	38,924	-	88,948	5,181,430
IDA 5689	2015	Second Economic Reform	SDR	6,000,000	0.75	40	1,617,791	1,385,314	15,304,992	15,693	-	67,150	2,982,408
IDA 5730	2016	Pacific Resilience	SDR	1,500,000	0.75	40	-	440,200	4,131,650	-	-	20,698	440,200
IDA 5770	2016	Tonga Transport Sector	SDR	4,900,000	0.75	40	-	-	-	-	-	0	-
IDA 5771	2016	Tonga Aviation	SDR	800,000	0.75	40	2,468,182	-	-	11,919	-	-	2,436,605
IDA 6020	2016	Investment	SDR	2,500,000	0.75	40	-	-	-	-	-	-	-
IFAD 129	1983	1st Inclusive Growth Dev.	SDR	950,000	0.75	40	1,283,201	7,522,484	-	12,669	72,797	(97,266)	7,619,750
IFAD 220	1988	2nd Inclusive Growth	SDR	1,687,125	1.00	50	2,864,863	-	-	28,232	129,282	16,008	1,194,396
IFAD 327	1993	Dev.	SDR	2,200,000	1.50	50	4,584,776	-	-	45,151	168,359	35,926	2,699,656
China Development Bank	1998	Agricultural Development	CNY	25,000,000	0.00	20	8,315,000	-	-	9,551	-	57,933	4,358,484
Export-Import Bank of China	2007	Agricultural Development	CNY	38,000,000	2.50	9	677,079	-	-	3,180,813	747,490	245,000	8,070,000
Export-Import Bank of China	2007	Ha'apai High School	CNY	440,000,000	2.00	20	146,344,000	-	-	-	-	(70,411)	-
Export-Import Bank of China	2010	Dateline Hotel	CNY	291,000,000	2.00	20	96,786,600	-	-	-	-	4,312,000	142,032,000
		CBD Reconstruction	CNY	-	-	-	-	-	-	-	-	-	-
		Road project	CNY	-	-	-	-	-	-	-	-	-	-
							390,904,838	19,404,875	20,558,126	6,501,861	7,023,048	8,967,894	394,318,770
							390,904,838	-	-	-	-	-	394,318,770
							7,777,498	-	-	-	-	-	7,777,498
							383,127,340	-	-	-	-	-	387,218,770
							390,904,838	-	-	-	-	-	394,318,770
							Total Government of Tonga Foreign Debt						
							Current						
							Non-Current						

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# Government of the Kingdom of Tonga

	Year	Currency	Principal	Interest	Term	As at 30/06/2016 Audited	Drawdown	Undrawn	Interest	Repayments	Exchange Difference	As at 30-Jun-17
				%	Years	\$	\$	\$	\$	\$	\$	\$
Gov of Tonga Bond Series No. 2	2011	TOP	2,000,000.00	4.00	5	2,000,000			80,400	2,000,000		-
Gov of Tonga Bond Series No. 3	2011	TOP	1,000,000.00	4.00	5	1,000,000			40,400	1,000,000		-
Gov of Tonga Bond Series No. 1	2012	TOP	5,000,000.00	3.20	5	5,000,000			160,200	-		5,000,000
Gov of Tonga Bond Series No. 1	2013	TOP	2,488,000.00	4.00	6	2,488,000			99,720	-		2,488,000
Gov of Tonga Bond Series No. 1	2014	TOP	5,000,000.00	3.50	6	5,000,000			175,200	-		5,000,000
Gov of Tonga Bond Series No. 2	2014	TOP	1,000,000.00	3.40	6	1,000,000			34,000	-		1,000,000
Gov of Tonga Bond Series No. 3	2014	TOP	5,000,000.00	3.00	5	5,000,000			150,200	-		5,000,000
Gov of Tonga Bond Series No. 4	2014	TOP	2,960,000.00	3.00	6	2,960,000			89,000	-		2,960,000
Gov of Tonga Bond Series No. 5	2014	TOP	168,000.00	3.00	6	168,000			5,240	-		168,000
Gov of Tonga Bond Series No. 1	2015	TOP	5,000,000.00	3.30	2	5,000,000			165,400	5,000,000		-
Gov of Tonga Bond Series No. 2	2015	TOP	5,000,000.00	3.00	4	5,000,000			150,200	-		5,000,000
Gov of Tonga Bond Series No 1	2016	TOP	7,665,000.00	3.00	3	7,665,000			230,150	-		7,665,000
Gov of Tonga Bond Series No 2	2016	TOP	8,000,000.00	3.50	2	8,000,000			280,200	-		8,000,000
Gov of Tonga Bond Series No 3	2016	TOP	3,390,000.00	3.00	5	3,390,000			101,700	-		3,390,000
Gov of Tonga Bond Series No 4	2016	TOP	4,000,000.00	3.00	5	-	4,000,000		1,275	-		4,000,000
Gov of Tonga Bond Series No 5	2016	TOP	966,000.00	2.50	5	-	966,000		1,280	-		966,000
Gov of Tonga Bond Series No 6	2016	TOP	712,000.00	2.50	5	-	712,000		1,405	-		712,000
Gov of Tonga Bond Series No 1	2017	TOP	5,000,000.00	3.00	5	-	5,000,000		1,400	-		5,000,000
						<b>53,671,000</b>	<b>10,678,000</b>		<b>1,767,370</b>	<b>8,000,000</b>	<b>-</b>	<b>56,349,000</b>
						<b>444,575,838</b>	<b>30,082,875</b>		<b>8,269,231</b>	<b>15,023,048</b>	<b>8,967,894</b>	<b>450,667,770</b>
						<b>15,582,000</b>				<b>Current</b>		<b>13,000,000</b>
						<b>38,089,000</b>				<b>Non-Current</b>		<b>43,349,000</b>
						<b>53,671,000</b>						<b>56,349,000</b>

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### 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 2017, the Government saw a decrease in the Transfer Preserved Accounts of **\$719,449** (2016: \$4,312,311) plus accumulated interest at 6% per annum of **\$306,551** (2016: \$823,720).

The total balance of amounts owing **\$1,026,000** (2016: \$5,136,032) plus accrued interest will be transferred as soon as possible.

#### TRANSFER PRESERVED ACCOUNTS WITH ACCRUED INTEREST AS AT 30TH JUNE 2017

	Transfer	Total	Interest - 6.0%	Total	
Ministry	Preserve Account (TV)	Accrued Interest	2015/2016	Accrued Interest	
	30-Jun-17	1-Jul-16	30-Jun-17	30-Jun-17	No.
Agriculture & Forestry	1,378.89	3,713.04	222.78	3,935.82	1
Police	5,421.11	14,597.82	875.87	15,473.69	1
Health	3,938.66	10,605.92	636.35	11,242.27	1
Education	63,207.33	170,202.98	10,212.18	180,415.16	58
HMAF	645,503.20	768,804.64	46,128.28	814,932.92	35
<b>TOTAL</b>	<b>\$719,449.19</b>	<b>\$967,924.40</b>	<b>\$58,075.46</b>	<b>\$1,025,999.86</b>	<b>35</b>

#### Summary:

Transfer Preserve	719,449.19
Interest on TV	306,550.67
	<b>\$1,025,999.86</b>



## 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:*

	2016-17	2015-16
	\$	\$
<b>Guarantees and Indemnities</b>		
Domestic Loans Debt Guarantee	5,019,400	-
<b>Legal Proceedings and Disputes</b>	-	-
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>5,019,400</b>	<b>-</b>

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## 15. PROPERTY, PLANT & EQUIPMENT

	Property, Land and Buildings \$	Other Asset \$	Total \$
<b>Cost</b>			
At 1 July 2016	68,638,991	131,177,101	199,816,092
Additions	-	17,988,133	17,988,133
Disposals / Transfers	-	-	-
<b>At 30 June 2017</b>	<b>68,638,991</b>	<b>149,165,234</b>	<b>217,804,225</b>
<b>Depreciation</b>			
At 1 July 2016	-	-	-
Charge for the year	-	-	-
Disposals / Transfers	-	-	-

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## Government of the Kingdom of Tonga

At 30 June 2017

Book value

At 30 June 2016

At 30 June 2017

	-	-	-
	68,638,991	131,177,101	199,816,092
	68,638,991	149,165,234	217,804,225

The balance of **\$217,804,225** 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 Ministry is still working with Ministries, Department and Agencies to determine the value of Government physical assets and to be more complete and accurate, therefore fairly disclosing in future financial statements.

## 16. EFFECT OF ACCOUNTING FOR ASSETS & LIABILITIES

The amount of **(\$74,614,075)** 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 2016-17 consists of exchange differences on Public Debts **\$4,274,894**, drawdown on Public Debts **(\$7,846,695)**, exchange differences on Receivables **(\$20,033)** and the adjustments on investments **(\$5,727,455)**.

*Details of the effect of the modification made in previous financial years since 2012-13 are also shown below:*

	Adjustment	Cumulative Amount
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)
Financial Year 2016-17	(9,279,222)	(74,614,075)

## 17. EXCHANGE DIFFERENCES

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## Government of the Kingdom of Tonga

This amount represents the movement of our cash balances due to fluctuating foreign exchange rates throughout the year giving rise to gain and losses during the financial year. These amounts are accounted for on a quarterly basis.

	<b>2016-17</b>
	<b>\$</b>
<i>Gain in Foreign Currency</i>	1,004,482
<i>Loss in Foreign Currency</i>	1,302,513
<b>Total Exchange Differences as at 30 June</b>	<b>2,306,995</b>

## 18. AUTHORISATION DATE

These Public financial statements for the Government of Tonga were authorised on 14<sup>th</sup> March, 2018 by Pohiva Tu'i'onetoa, Honourable Minister for Finance and National Planning.

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ADDITIONAL STATEMENTS OF DISCLOSURE

Operating Receipts for the preceding Five (5) financial years: 2012/13 – 2016/17

	2016-17	2015-16	2014-15	2013-14	2012-13
	\$	\$	\$	\$	\$
Income Tax	46,107,332	35,778,118	37,430,367	28,752,785	30,327,394
Trade Taxes	19,882,782	19,483,584	17,528,230	15,072,150	14,742,878
Taxes on Goods and Services	83,380,473	74,890,797	64,945,756	60,740,294	54,486,046
Excise Tax	57,254,907	45,114,877	35,080,537	28,399,376	29,020,713
Domestic Fees and Licensing	21,777,426	23,874,969	18,457,147	16,373,819	16,282,447
Entrepreneurial and Property Income	11,380,589	10,708,147	11,264,643	9,831,943	6,501,538
Miscellaneous Revenue	3,654,826	1,706,934	3,809,901	268,807	802,713
Transfer and Bond Receipts	11,320,364	19,784,407	18,650,035	7,329,869	8,168,562
Revolving Fund	28,500	3,038,300	448,488	-	-
Budget Support	37,844,766	33,087,926	19,255,453	36,235,269	11,824,465
<b>TOTAL RECEIPTS</b>	<b>292,631,964</b>	<b>267,468,058</b>	<b>226,870,557</b>	<b>203,004,312</b>	<b>172,156,756</b>

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# Government of the Kingdom of Tonga

## Operating Payments for the preceding Five (5) financial years: 2012/13 – 2016-17

	2016-17 \$	2015-16 \$	2014-15 \$	2013-14 \$	2012-13 \$
Palace Office	3,647,661	3,735,639	4,891,538	4,388,175	4,402,556
Legislative Assembly	6,975,761	3,978,807	4,023,442	3,858,388	4,028,053
Audit Office	1,764,486	1,699,377	1,882,992	1,207,207	1,041,383
Commissioner of Public Relations	1,319,833	860,130	598,131	214,094	174,660
Ministry of Foreign Affairs & Trade	9,762,747	8,965,792	8,761,524	7,633,244	8,129,739
His Majesty's Armed Forces	9,070,839	8,488,680	8,198,437	7,545,561	6,896,378
Prime Minister's Office	2,285,764	2,089,575	1,907,132	2,760,197	2,557,134
Ministry of Finance & National Planning	67,339,984	73,983,411	67,846,199	48,730,283	45,192,913
Ministry of Revenue and Customs	6,777,589	5,933,767	4,084,426	4,003,404	3,579,125
Ministry of Public Enterprises	1,250,599	1,143,502	947,130	870,560	659,450
Ministry of Commerce, Tourism and Labour	4,075,644	5,717,377	6,003,278	6,393,562	4,193,589
Ministry of Justice	5,061,622	4,596,735	4,361,105	3,401,632	3,199,228
Attorney General's Office	1,984,466	1,999,596	1,452,127	1,460,955	1,220,973
Ministry of Police, Prisons & Fire Services	15,038,699	13,422,178	12,047,590	11,957,215	10,837,808
Ministry of Health	35,817,602	32,852,267	28,066,893	25,806,446	24,432,668
Ministry of Education & Training	45,173,121	41,250,104	41,701,683	36,738,997	33,416,919
Ministry of Internal Affairs	7,664,205	6,867,438	5,727,665	5,137,580	4,838,727
Ministry of Agriculture, Food, Forests	7,456,855	8,697,845	8,549,121	8,417,736	6,959,052
Ministry of Infrastructure	12,856,956	8,493,897	7,273,407	7,600,598	9,365,212
Ministry of Lands, Survey & Natural Resources	4,031,509	2,855,625	2,520,156	2,970,428	2,748,756
Public Service Commission	1,500,512	1,241,995	1,138,259	938,774	743,038
Bureau of Statistics	2,876,752	1,532,054	797,340	711,911	-
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Communications and Climate Change	6,156,108	4,763,449	3,099,251	-	-
Ministry of Fisheries	2,843,920	-	-	-	-
<b>TOTAL PAYMENTS</b>	<b>262,733,234</b>	<b>245,169,239</b>	<b>225,878,825</b>	<b>192,746,947</b>	<b>178,617,361</b>

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