



# **Government of the Kingdom of Tonga**

## **Financial Statements for the year ended 30 June 2010**

Ministry of Finance & National Planning  
Nuku'alofa  
April 2014



## Government of the Kingdom of Tonga

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# Government of the Kingdom of Tonga

## STATEMENT OF RESPONSIBILITY

The financial statements of the Government of the Kingdom of Tonga for the year ended 30<sup>th</sup> June 2010 have been prepared under the Public Finance Management Act 2002 and in accordance with International Public Sector Accounting Standards (IPSAS).

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

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

Therefore, in my opinion, the financial statement except for limitations as mentioned above, present a true and fair view of the financial position of the Government of Tonga as at 30<sup>th</sup> June 2010, and its financial performance for the year ended on that date.

Aisake Valu Eke

*Minister for Finance and National Planning*





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

## Government of the Kingdom of Tonga

### STATEMENT OF RESPONSIBILITY

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

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

  
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Tatafu Moeaki

*Chief Executive Officer for Finance and National Planning*

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



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

**Audit Duty**

I have audited the accompanying Financial Statements of the Government of Tonga, as set out on pages 6 to 35 which comprise the statement of assets and liabilities as at 30<sup>th</sup> June 2010, and the statement of Income and Expenditure, Receipts and Payments, and statement of changes in Fund Balances for the year then ended, and a summary of significant accounting policies and other explanatory statements and information.

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

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

**Auditor's Responsibility**

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

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

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

**Basis for Qualified Opinion**

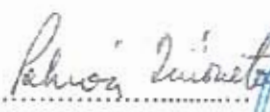
**i) Modification to the cash basis of accounting**

As reported by the Hon. Minister in his statement of responsibility (page 1) that as in previous years, and in trying to comply with the terms of the Public Finance Management Act 2002 he had modified the cash basis of accounting that had been used in the old mandate, in order to bring into the body of the statement of assets and liabilities the investments, public debts, and physical assets. He also asserted that although that this exercise is yet to be completed, the position of assets and liabilities disclosed in the financial statements as at 30<sup>th</sup> June, 2010 is a more realistic disclosure of assets and liabilities than if he still prepares the financial statements under the cash basis of accounting.

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

#### **Qualified Audit Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects the financial position of the Government of Tonga at 30<sup>th</sup> June, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Dr Pohiva Tu'i'onetoa  
AUDITOR GENERAL



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

# Government of the Kingdom of Tonga

## STATEMENT OF RECEIPTS AND PAYMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2009-10		2008-09	
		Receipts/Payments by :		Receipts/Payments by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
<b>OPERATING RECEIPTS</b>	<b>2</b>				
Income Tax		28,118,228		30,276,280	
Trade Taxes		14,914,998		16,042,295	
Domestic fees and Licensing		184,994		300,702	
Taxes on Goods and Services		42,908,955		57,175,096	
Excise Tax		25,207,291		23,965,187	
Entrepreneurial and Property Income		15,574,284		34,788,801	
Administrative Fees & Charges		15,855,677		11,258,374	
Miscellaneous Revenue		1,745,222		1,397,144	
Transfers and Bond Receipts		15,087,582		14,352,919	
<b>Total Operating Receipts</b>		<b>159,597,231</b>		<b>189,556,797</b>	
<b>OPERATING PAYMENTS</b>	<b>3</b>				
Established Staff		84,387,325		75,468,581	
Unestablished Staff		3,180,266		3,733,499	
Travel and Communication		8,629,727		8,706,386	
Maintenance and Operations		6,820,257		11,393,718	
Purchase of Goods and Services		23,599,765		32,155,630	
Operational Grants and Transfers		19,070,312		15,470,716	
Public Debt		26,400,967		16,098,990	
Capital Transfer		-		-	
Defence		7,170		1,671,444	
Capital Expenditure		3,050,623		10,035,933	
Equity Payment		1,173,356		31,528,258	
Privy Purse		1,314,378		308,525	
<b>Total Operating Payments</b>		<b>177,634,346</b>		<b>206,571,680</b>	
<b>Excess Payment over Receipt</b>		<b>(18,037,115)</b>		<b>(17,014,883)</b>	
<b>Budget Support</b>	<b>14</b>	<b>11,050,583</b>		<b>-</b>	
<b>Net Operating Surplus/ (Deficit) with Budget Support</b>		<b>(6,986,532)</b>		<b>(17,014,883)</b>	
Grants & External Concessional Loans Receipts	13	33,370,396		45,942,663	
Expenditure from Grants & External concessional Loans	13	42,383,473		22,921,025	
<b>Net Receipts/(Deficit) from Grants and External Concessional Loans</b>		<b>(9,013,077)</b>		<b>23,021,638</b>	
<b>INCREASE/(DECREASE) IN CASH FROM OPERATIONS</b>		<b>(15,999,609)</b>		<b>6,006,755</b>	
<b>CHANGES IN CASH BALANCES:</b>					
Cash at Bank and in Hand - 1 July		46,324,425		41,035,786	
Cash at Bank and in Hand - 30 June		45,918,172		46,324,425	
<b>Net Increase/(Decrease) in Cash</b>		<b>(406,253)</b>		<b>5,288,639</b>	
<i>Plus: Net changes in Advances and Trust Money Accounts</i>		<i>(15,593,356)</i>		<i>718,116</i>	
<b>INCREASE/(DECREASE) IN CASH FROM OPERATIONS</b>		<b>(15,999,609)</b>		<b>6,006,755</b>	

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements.

# Government of the Kingdom of Tonga

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2009-10		2008-09	
		Income/Expenditure by :		Income/Expenditure by :	
		Government	Third Parties	Government	Third Parties
		\$	\$	\$	\$
<b>OPERATING INCOME</b>	2				
Income Tax		28,118,228		30,276,280	
Trade Taxes		14,914,998		16,042,295	
Domestic fees and Licensing		184,994		300,702	
Taxes on Goods and Services		42,908,955		57,175,096	
Excise Tax		25,207,291		23,965,187	
Entrepreneurial and Property Income		14,134,758		33,929,512	
Administrative Fees & Charges		15,855,677		11,258,374	
Miscellaneous Revenue		940,679		1,397,144	
Transfers		484,582		5,574,957	
<b>Total Operating Income</b>		<b>142,750,161</b>		<b>179,919,546</b>	
<b>OPERATING EXPENDITURE</b>	3				
Established Staff		84,387,325		75,468,581	
Unestablished Staff		3,180,266		3,733,499	
Travel and Communication		8,629,727		8,706,386	
Maintenance and Operations		6,820,257		11,393,718	
Purchase of Goods and Services		23,599,765		32,155,630	
Operational Grants and Transfers		19,070,312		15,470,716	
Public Debt Costs		5,550,634		3,886,457	
Capital Transfer		-		1,638,862	
Defence		7,370		32,582	
Capital Expenditure		-		-	
Equity Payment		-		-	
Privy Purse		1,314,378		308,525	
<b>Total Operating Expenditure</b>		<b>152,560,034</b>		<b>152,794,956</b>	
<b>Excess of Income over Expenditure</b>		<b>(9,809,872)</b>		<b>27,124,590</b>	
<b>Budget Support</b>	14	<b>11,050,583</b>		-	
<b>Net Excess of Income over Expenditure with Budget Support</b>		<b>1,240,710</b>		<b>27,124,590</b>	

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements.



# Government of the Kingdom of Tonga

## STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Revenue Fund Balance \$	Development Fund Balance \$	Total \$
<b><u>Financial Year 2008/2009</u></b>				
Revenue Fund Balance as at 1 July 2008		11,222,574	16,449,320	27,671,894
Net Operating Surplus/ (Deficit) with Budget Support for the Year ended 30 June 2009		(17,014,883)	23,021,638	6,006,755
Adjustments for Prior Years		1,006,024	-	1,006,024
Revenue Fund Balance as at 30 June 2009		(4,786,285)	39,470,958	34,684,673
Effect of Accounts for Assets/Liabilities		28,704,870	-	28,704,870
<b>Total Fund Balance as at 30 June 2009</b>		<b>23,918,585</b>	<b>39,470,958</b>	<b>63,389,543</b>
<b><u>Financial Year 2009/2010</u></b>				
Net Excess of Income over Expenditure with Budget Support for the Year ended 30 June 2010		1,240,710	(9,013,077)	(7,772,367)
Adjustments for Prior Years		1,087,137	-	1,087,137
Revenue Fund Balance as at 30 June 2010		(2,458,437)	30,457,881	27,999,443
Effect of Accounting for Assets/ Liabilities	17	34,765,808	-	34,765,808
<b>Total Fund Balance as at 30 June 2010</b>		<b>32,307,370</b>	<b>30,457,881</b>	<b>62,765,251</b>

*The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements.*

# Government of the Kingdom of Tonga

## STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2010

		2009-10		2008-09	
	Notes	\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash at Bank and in Hand	5	45,918,172		46,324,425	
Inventories		-		-	
Receivables	8	1,439,526		149,200	
Charges to Individuals	6	88,780		94,914	
<i>Total Current Assets</i>			47,446,478		46,568,539
<b>NON-CURRENT ASSETS</b>					
Investments	7	126,557,439		130,114,403	
Receivables	8	21,563,819		22,153,502	
Property, Plant & Equipment	9	149,751,074		100,985,729	
<i>Total Non-Current Assets</i>			297,872,332		253,253,634
<b>TOTAL ASSETS</b>			<b>345,318,810</b>		<b>299,822,173</b>
<b>CURRENT LIABILITIES</b>					
Bank Agency Accounts	10	-		249,732	
Trust Money Accounts	11	23,440,813		11,318,437	
Public Debts	12	11,463,223		11,707,431	
<i>Total Current Liabilities</i>			34,904,035		23,275,600
<b>NON-CURRENT LIABILITIES</b>					
Trust Money Accounts	11	854,250			
Public Debts	12	246,795,273		213,157,029	
<i>Total Non-Current Liabilities</i>			247,649,524		213,157,029
<b>TOTAL LIABILITIES</b>			<b>282,553,559</b>		<b>236,432,629</b>
<b>NET ASSETS</b>			<b>62,765,251</b>		<b>63,389,543</b>
<b>FUNDS</b>					
Revenue Fund Balance		(2,458,437)		(4,786,285)	
Development Fund Balance	13	30,457,881		39,470,958	
Effect of Accounting for Assets & Liabilities	17	34,765,808		28,704,870	
<b>TOTAL FUND BALANCE</b>			<b>62,765,251</b>		<b>63,389,543</b>

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements

# Government of the Kingdom of Tonga

## STATEMENT OF DEVELOPMENT FUNDS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2009-10 \$	2008-09 \$
Development Fund Balance at 1 July	13	39,470,958	16,449,320
<i>Add: Development Fund Receipts</i>			
Grants & Loans Received		33,370,396	45,942,663
Total Development Fund Receipts		33,370,396	45,942,663
Total Development Funds Available		72,841,354	62,391,983
<i>Less: Development Fund Payments</i>			
Payments from Grants & Loans		42,383,473	22,921,025
Total Development Fund Payments		42,383,473	22,921,025
Development Fund Balance at 30 June		30,457,881	39,470,958

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements.

# Government of the Kingdom of Tonga

## STATEMENT OF GOVERNMENT INVESTMENTS AS AT 30 JUNE 2010

	Notes	2009-2010 \$	2008-2009 \$
Treasury Investments	7	2,541,885	5,169,336
Shares - minority holdings (at cost)		1,193,892	1,232,472
Investment in other companies		1,122,467	2,013,400
Public enterprises :			
Shares (at cost)		121,699,195	121,699,195
<b>Total Investments</b>		<b>126,557,439</b>	<b>130,114,403</b>

*The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements*

# Government of the Kingdom of Tonga

## STATEMENT OF PUBLIC DEBTS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2009-10 \$	2009-10 \$	2008-09 \$
<b>Loans Owing at 1 July</b>	12			
Foreign		202,410,220		157,935,933
Domestic		<u>22,454,240</u>		<u>22,454,340</u>
			224,864,460	180,390,273
<i>Add: New Borrowing</i>				
Foreign		42,987,414		42,851,646
Domestic		<u>14,603,000</u>		<u>7,000,000</u>
			57,590,414	49,851,646
<b>Total Loan Payable</b>			<b>282,454,874</b>	<b>230,241,919</b>
<i>Less: Repayments</i>				
Foreign		4,569,728		4,707,432
Domestic		<u>6,893,495</u>		<u>7,000,000</u>
			11,463,223	11,707,432
			270,991,651	218,534,487
<b>Revaluation of Debt in Foreign Currency</b>			(12,733,155)	6,329,973
<b>BALANCE PUBLIC DEBT 30 JUNE</b>			<b>258,258,496</b>	<b>224,864,460</b>
<b><u>Balance Details :</u></b>				
<b>Loans Owing at 30 June</b>				
Foreign			228,807,496	202,410,220
Domestic			<u>29,451,000</u>	<u>22,454,240</u>
			<b>258,258,496</b>	<b>224,864,460</b>

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements



## Government of the Kingdom of Tonga

### STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2010

	Notes	2009-10 \$	2008-09 \$
<b>Guarantees and Indemnities</b>	16		
Foreign Loans Debt Guarantee		4,001,190	85,095
Domestic Loans Debt Guarantee		10,799,210	9,434,944
<b>Legal Proceedings and Disputes</b>		-	-
<b>Total Contingent Liabilities</b>		<b>14,800,400</b>	<b>9,520,039</b>

*The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements*

# Government of the Kingdom of Tonga

## STATEMENT OF APPROPRIATIONS – RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Estimates \$	Actual 2009 -10 \$	Less (More) than Estimate \$	Actual 2008 -09 \$
<b>Income Tax</b>					
Government PAYE		4,300,000	5,179,666	(879,666)	3,045,371
PAYE Tax		5,000,000	4,928,784	71,216	4,229,356
Income Tax from Small Business		185,000	117,172	67,828	350,594
Income Tax from Large Business		14,500,000	9,105,027	5,394,973	22,650,959
Tax Debts Recovery		8,000,000	8,787,579	(787,579)	-
<b>Total Income Tax</b>		<b>31,985,000</b>	<b>28,118,228</b>	<b>3,866,772</b>	<b>30,276,230</b>
<b>Trade Taxes</b>					
Business Import Duties		21,200,000	14,907,038	6,292,962	16,032,256
Government Import Duties		300,000	7,960	292,040	10,039
<b>Total Trade Taxes</b>		<b>21,500,000</b>	<b>14,914,998</b>	<b>6,585,002</b>	<b>16,042,295</b>
<b>Domestic fees and Licensing</b>					
Company & Trade Mark Fees		-	2,969	(2,969)	112,119
Trading Licences		396,801	181,875	214,926	188,577
Export Licences		-	150	(150)	-
Business Port & Services Tax		-	-	-	-
<b>Total Domestic fees and Licensing</b>		<b>396,801</b>	<b>184,994</b>	<b>211,807</b>	<b>300,702</b>
<b>Taxes on Goods and Services</b>					
Consumption Tax - Import		51,650,000	41,515,886	10,134,114	43,136,282
Consumption Tax - Domestic		8,500,000	1,085,978	7,414,022	2,836,429
Government Consumption Tax		1,000,000	307,091	692,909	1,220,101
Tax Debts Recovered		-	-	-	9,982,284
<b>Total Taxes on Goods and Services</b>		<b>61,150,000</b>	<b>42,908,955</b>	<b>18,241,045</b>	<b>57,175,096</b>
<b>Excise Tax</b>					
Stamp Duty		2,057,319	738,293	1,319,026	1,445,699
Excise Tax		25,408,000	24,464,049	943,951	22,285,436
Excise Duty - Government		300,000	4,948	295,052	234,052
<b>Total Excise Tax</b>		<b>27,765,319</b>	<b>25,207,291</b>	<b>2,558,028</b>	<b>23,965,187</b>

# Government of the Kingdom of Tonga

## STATEMENT OF APPROPRIATION – RECEIPTS BY STANDARD GROUP FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

	Notes	Estimates	Actual	Less (More) than Estimate	Actual 2008-09
		\$	\$	\$	\$
<b>Entrepreneurial and Property Income</b>					
Interests		1,613,420	793,248	820,172	2,807,166
Dividends		4,220,560	13,029,578	(8,809,018)	5,639,528
Other Income		300,000	311,931	(11,931)	25,482,818
<b>Total Entrepreneurial and Property Income</b>		<b>6,133,980</b>	<b>14,134,757</b>	<b>(8,000,777)</b>	<b>33,929,512</b>
<b>Administrative Fees &amp; Charges</b>		<b>20,652,782</b>	<b>15,855,677</b>	<b>4,797,105</b>	<b>11,258,374</b>
<b>Miscellaneous Revenue</b>		<b>655,459</b>	<b>940,679</b>	<b>(285,220)</b>	<b>1,397,144</b>
<b>Transfer and Bond Receipts</b>					
Transfer from NRBT		600,000	-	600,000	2,841,754
Receipt from Revolving Fund		1,377,967	484,582	893,385	2,733,203
<b>Total Transfer and Bond Receipts</b>		<b>1,977,967</b>	<b>484,582</b>	<b>1,493,385</b>	<b>5,574,957</b>
<b>Total Operating Receipts</b>		<b>172,217,308</b>	<b>142,750,161</b>	<b>29,467,148</b>	<b>179,919,546</b>
<b>Receipts Loan Repayments</b>					
Receipt from Bond		3,379,261	1,439,527	1,939,734	859,289
Miscellaneous Revenue		7,000,000	14,603,000	-	8,777,962
<b>Total Recurrent Receipts</b>		<b>182,596,569</b>	<b>159,597,231</b>	<b>31,406,882</b>	<b>189,556,797</b>
<b>Other Revenue (Budget Support)</b>	14		11,050,583	(11,050,583)	-
<b>Development Fund Receipts</b>	13	47,883,311	33,370,396	14,512,915	45,942,663
<b>TOTAL RECEIPTS</b>		<b>230,479,880</b>	<b>204,018,210</b>	<b>34,869,214</b>	<b>235,499,460</b>

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements

# Government of the Kingdom of Tonga

## STATEMENT OF APPROPRIATIONS – RECEIPTS BY MINISTRY FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Estimates		Actual 2009 - 10 \$	Less (More) than Estimate \$	Development Fund \$	Actual 2008 - 09 \$
		\$	\$				
Palace Office		-	-	-	-	-	-
Legislative Assembly		-	-	-	-	-	-
Prime Minister's Office		80,009	-	97,595	(17,586)	2,326,147	2,899,223
Commissioner of Public Relations		-	-	-	-	-	-
Audit Office		40,000	-	29,169	10,831	-	51,876
Ministry of Finance & National Planning		14,350,000	-	18,720,282	(4,370,282)	10,557,470	43,587,977
Ministry of Foreign Affairs		2,500,000	-	1,700,541	799,459	417,325	1,875,980
Tonga Defence Services		-	-	-	-	545,843	-
Ministry of Lands, Survey, Natural Resources & Environment		1,092,000	-	1,059,400	32,600	1,192,002	936,114
Ministry of Justice		573,000	-	698,997	(125,997)	23,000	512,569
Ministry of Police, Prisons & Fire Services		450,000	-	411,082	38,918	2,086,429	425,671
Ministry of Education, Women Affairs & Culture		2,286,000	-	2,908,218	(622,218)	4,597,001	1,631,460
Ministry of Health		1,000,000	-	1,521,703	(521,703)	4,351,573	586,650
Ministry of Agriculture, Food, Forests & Fisheries		1,594,000	-	1,848,635	(254,635)	2,267,349	1,942,659
Ministry of Labour, Commerce & Industries		1,023,000	-	560,910	462,090	48,825	642,103
Ministry of Tourism		80,000	-	53,740	26,260	140,492	51,327
Ministry of Works		1,007,000	-	520,392	486,608	1,300,544	1,307,019
Ministry of Transport		4,558,000	-	1,836,352	2,721,648	1,033,638	1,568,309
Ministry of Training, Employment, Youth & Sports		200,000	-	276,767	(76,767)	1,860,483	313,732
Crown Law Department		-	-	-	-	3,250	70
Public Enterprises		5,520,560	-	11,179,379	(5,658,819)	-	3,643,900
Revenue Services Department		141,323,000	-	111,480,409	29,842,591	549,472	127,580,157
Ministry of Communication & Information		4,920,000	-	4,693,663	226,337	69,553	-
<b>Total Recurrent Receipts</b>		<b>182,596,569</b>	-	<b>159,597,231</b>	<b>22,999,338</b>	<b>33,370,396</b>	<b>189,556,797</b>
Budget Support	14	-	-	11,050,583	-	-	-
Development Fund Receipts	13	47,883,311	-	33,370,396	-	-	45,942,663
<b>TOTAL RECEIPTS</b>		<b>230,479,880</b>	-	<b>204,018,210</b>	-	-	<b>235,499,460</b>

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements

# Government of the Kingdom of Tonga

## STATEMENT OF APPROPRIATIONS AND CONTINGENCY FUND – PAYMENTS BY STANDARD GROUP FOR THE YEAR

ENDED 30 JUNE 2010

Notes	Original Estimates	Contingency Fund	Revised Estimates	Budget Support	with Budget Support	Actual 2009 - 10	Less (More) than Estimate	Actual 2008 - 09
	\$	\$	\$	\$	\$	\$	\$	\$
Established Staff	82,068,283	436,881	81,482,353	8,951,206	90,433,559	84,387,325	6,046,234	75,468,581
Unestablished Staff	1,823,361	6,600	3,675,931	-	3,675,931	3,180,266	495,665	3,733,499
Travel and Communication	6,027,883	268,802	9,080,552	11,553	9,091,906	8,629,727	462,178	8,706,386
Maintenance and Operations	10,178,498	436,398	8,185,211	146,702	8,331,913	6,820,257	1,511,657	11,393,718
Purchase of Goods and Services	25,865,519	338,090	25,957,608	568,235	26,525,843	23,599,765	2,926,078	32,155,630
Operational Grants and Transfers	20,335,168	553,000	20,628,123	3,487,684	24,115,806	19,070,312	5,045,494	15,470,716
Public Debt	5,716,080	-	5,716,080	-	5,716,080	5,550,634	165,446	3,886,457
Capital Transfer	8,750,001	(3,262,471)	5,487,530	(4,579,922)	907,608	-	907,608	1,638,862
Defence	76,900	-	11,900	-	11,900	7,370	4,530	32,582
Privy Purse	339,378	725,000	1,314,378	-	1,314,378	1,314,378	-	308,525
<b>Total Operating Payments</b>	<b>161,181,071</b>	<b>(497,700)</b>	<b>161,539,665</b>	<b>8,585,258</b>	<b>170,124,923</b>	<b>152,560,034</b>	<b>17,564,889</b>	<b>152,794,956</b>
Repayments of Public Debt	21,155,839	-	20,349,240	-	20,349,240	20,850,333	(501,093)	12,212,533
Capital Expenditure	3,186,899	497,700	3,634,904	181,820	3,816,724	3,050,623	766,101	10,035,933
Equity Payments	2,000,000	-	2,000,000	-	2,000,000	1,173,356	826,644	31,528,258
<b>Total Recurrent Payments</b>	<b>187,523,809</b>	<b>-</b>	<b>187,523,809</b>	<b>8,767,078</b>	<b>196,290,887</b>	<b>177,634,346</b>	<b>18,656,541</b>	<b>206,571,680</b>
Development Fund Expenditures	13	37,883,312	37,883,312	-	37,883,312	42,383,473	(4,500,161)	22,921,025
<b>TOTAL PAYMENTS</b>	<b>225,407,121</b>	<b>-</b>	<b>225,407,121</b>	<b>8,767,078</b>	<b>234,174,199</b>	<b>220,017,819</b>	<b>14,156,380</b>	<b>229,492,705</b>

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

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements



# Government of the Kingdom of Tonga

## STATEMENT OF APPROPRIATIONS AND CONTINGENCY FUND – PAYMENTS BY MINISTRY FOR THE YEAR ENDED 30

JUNE 2010

Notes	Original Estimates	Contingency Fund	Revised Estimates	Budget Support	Revised Estimate with Budget Support	Actual 2009 - 10	Less (More) than Estimate	Development Fund	Actual 2008 - 09
	\$	\$	\$	\$	\$	\$	\$	\$	\$
i	5,255,000	725,000	5,980,000	308,672	6,288,672	6,217,424	71,249	-	5,054,986
Legislative Assembly	4,086,000	-	4,086,000	240,006	4,326,006	4,144,342	181,664	-	4,719,628
ii	7,999,330	60,000	8,059,331	469,869	8,529,200	8,344,844	184,356	2,769,129	8,999,712
Prime Minister's Office	378,000	-	378,000	22,202	400,202	113,163	287,040	2,000	136,767
Commissioner of Public Relations	1,020,000	-	1,020,000	99,913	1,079,913	867,652	212,262	-	886,542
Audit Office	59,930,116	(2,979,471)	56,952,054	(1,059,710)	55,892,344	48,858,744	7,033,601	26,303,804	70,933,208
Ministry of Finance & National Planning	9,620,000	100,000	9,720,000	1,300,176	11,020,176	10,851,250	168,926	109,519	14,187,765
Ministry of Foreign Affairs	8,353,000	200,000	8,553,000	490,643	9,043,643	8,141,516	902,128	342,345	9,894,917
Tonga Defence Services	2,500,000	200,000	2,700,000	146,847	2,846,847	2,529,800	317,047	1,050,623	2,650,310
Ministry of Lands, Survey, Natural Resources & Environment	2,109,000	395,071	2,504,071	123,880	2,628,351	2,580,533	47,818	52,804	1,873,514
Ministry of Justice	10,999,000	-	10,999,000	646,066	11,645,066	10,135,998	1,509,068	1,834,267	10,800,495
Ministry of Police, Prisons & Fire Services	26,400,000	-	26,400,000	2,469,089	28,869,089	26,938,478	1,930,621	3,720,719	24,200,091
Ministry of Education, Women Affairs & Culture	23,094,000	-	23,094,000	2,035,109	25,129,109	22,500,834	2,628,276	875,077	20,900,972
Ministry of Health	5,499,000	-	5,499,000	323,004	5,822,004	5,540,339	281,665	1,769,437	5,717,328
Ministry of Agriculture, Food, Forests & Fisheries	2,623,000	213,000	2,836,000	154,071	2,990,071	2,805,582	184,489	38,287	2,603,531
Ministry of Labour, Commerce & Industries	1,974,000	-	1,974,000	115,950	2,089,950	1,617,897	472,053	119,019	2,010,677
Ministry of Tourism	3,144,000	190,000	3,334,000	184,575	3,518,575	3,420,632	98,043	994,989	8,484,544
Ministry of Works	3,049,180	100,000	3,149,180	179,105	3,328,285	3,060,668	267,616	667,604	3,084,597
Ministry of Transport	2,445,000	386,000	2,829,590	143,616	2,973,207	2,786,768	186,439	1,013,350	2,673,012
Ministry of Training, Employment, Youth & Sports	1,380,000	310,000	1,690,000	81,059	1,771,059	1,482,034	289,026	3,250	1,900,780
Crown Law Department	622,558	-	622,558	36,569	659,127	427,874	231,253	-	601,369
Public Enterprises	4,249,000	100,000	4,349,000	249,580	4,598,580	3,560,269	1,038,311	647,220	4,176,936
Revenue Services Department	794,625	-	794,625	46,574	841,299	703,703	137,596	64,533	-
Ministry of Communications & Information	187,523,809	-	187,523,809	8,767,078	196,290,887	177,634,346	18,656,542	42,383,473	206,571,680
Total Recurrent Payments	37,883,312	-	37,883,312	-	37,883,312	42,383,473	-	-	22,921,025
Development Fund Payments	225,407,121	-	225,407,121	-	225,407,121	220,017,819	-	-	229,492,705
TOTAL PAYMENTS									

The accompanying notes on pages 19 to 33 should be read in conjunction with these financial statements.

# Government of the Kingdom of Tonga

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### (i) Statement of Compliance

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

#### (ii) Basis of Preparation

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

The accounting policies have been applied consistently throughout the period.

#### (iii) Reporting Entity

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

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

#### (iv) Reporting Currency

The reporting currency is the Tongan Pa'anga.

#### (v) Going Concern

The financial statements are prepared on going concern basis.

#### (vi) Payments by External Third Parties

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

## **Government of the Kingdom of Tonga**

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

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

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

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

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

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

### **(x) Revenues**

Revenue is recognised when cash is received.

### **(xi) Investments**

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

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

### **(xii) Receivables**

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

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

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

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

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

### **(xv) Expenses**

Expenses are recognised when payments are made.

## **Government of the Kingdom of Tonga**

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

Development Funds are recognised when funds are received.

### **(xvii) Consolidation**

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

Currently, the Government of the Kingdom of Tonga investment in public enterprises is detailed in note 7. This details the cost of the investment and an estimate of the fair value of the enterprises

In accordance with accounting policy, loans receivable from public enterprise are stated at principle amount plus accrued interest.

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

The Government financial statements 2009-10 is presented in a slightly different format then that used in the past five (5) years. The new format ensures compliance with the requirements of the Public Finance Management Act 2002 and in accordance with the generally accepted accounting practice. The major impacts of this change are shown by the addition of a Statement of Income and Expenditure, Statement of Changes in Fund Balance and the merging of the Statement of Appropriations and Contingency Funds – Expenditure.

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

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

### **(xx) Reclassification**

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

## Government of the Kingdom of Tonga

### 2. OPERATING RECEIPTS

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

### 3. OPERATING PAYMENTS

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

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

### 4. CONTINGENCY FUND

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

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

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

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

- i* To fund additional operational expenses incurred during the year.
- ii* To fund additional operational expenses incurred during the year.
- iii* To fund payment of grant to Tonga Rugby Football Union
- iv* To fund additional operational expenses incurred during the year at the Overseas Missions.
- v* To fund construction work at Niuaupolu under the Niua Development Program.
- vi* To fund additional operational expenses incurred during the year.
- vii* To fund additional operational expenses incurred during the year.
- viii* To fund upgrading and renovation work to new office.
- ix* To fund completion of upgrading the 'Utulei Road.
- x* To provide counterpart fund for the World Bank Transport Sector Consolidated Project.
- xi* To fund cost of bidding for the South Pacific Games and funds for new office as counterpart contribution towards TVET Project.
- xii* To fund expenses relate to the review of the Tonga Law report and other additional operational expenses incurred during the year.
- xiii* To fund additional operational expenses incurred during the year.



## Government of the Kingdom of Tonga

### 5. CASH

			2009-10 \$	2008-09 \$
<i>Cash at Bank &amp; Cash on Hand</i>			<u>34,773,897</u>	<u>30,499,699</u>
<b>Westpac Bank of Tonga</b>				
6 month term deposit	2.00%	20-12-10	4,035,910	-
2 month term deposit	1.50%	18-08-10	2,000,000	-
1 month term deposit	5.00%	22-07-09		9,508,102
			<u>6,035,910</u>	<u>9,508,102</u>
<b>ANZ Bank</b>				
3 month deposit promissory note	3.00%	13-07-10	2,019,726	6,316,624
2 month deposit promissory note	2.50%	20-07-10	2,433,191	
1 month deposit promissory note	2.50%	25-07-10	591,212	
			<u>5,044,129</u>	<u>6,316,624</u>
<b>Tonga Development Bank</b>				
1 month deposit bond issue	2.45%	12-12-09	64,236	
			<u>64,236</u>	<u>-</u>
<i>Total Short Term Deposit</i>			<u>11,144,275</u>	<u>15,824,726</u>
<b>TOTAL CASH</b>			<u>45,918,172</u>	<u>46,324,425</u>

Cash balance includes short-term deposits as detailed above, plus cash at bank and in-hand. Included in the cash balance is an amount of \$30,457,881 for development fund projects from various donors.

### 6. CHARGES TO INDIVIDUALS (BUILDING LOAN)

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

	2009-10 \$	2008-09 \$
Balance as at 1 July 2009	94,914	94,954
Receipts	-	72,682
Payments	(6,134)	(72,722)
<i>Balance as at 30 June 2010</i>	<u>88,780</u>	<u>94,914</u>

## Government of the Kingdom of Tonga

### 7. INVESTMENTS

			2009-10	2008-09
			\$	\$
<b>Tonga Development Bank</b>	<b>Interest Rate</b>	<b>Maturity Date</b>		
15 month deposit promissory note	7.50%	17-12-09	-	844,000
15 month deposit promissory note	5.00%	19-11-10	508,507	508,507
15 month deposit promissory note	4.40%	24-02-11	500,000	
15 month deposit promissory note	5.00%	22-11-10	508,507	508,507
15 month deposit promissory note	7.75%	24-11-09	-	1,500,000
15 month deposit promissory note	5.00%	28-11-10	508,322	508,322
18 month deposit promissory note	10.00%	16-12-09	-	700,000
24 month deposit promissory note	4.50%	29-11-11	516,558	
24 month deposit promissory note	7.75%	24-10-10	-	600,000
<b>Total Treasury Deposit Investments</b>			<b>2,541,885</b>	<b>5,169,336</b>
	<b>Percentage Holding</b>			
Air Pacific Limited	5.00%		71,618	71,998
Hawaiian Airlines	nominal		1,299	1,340
Pacific Forum Line	6.10%		1,120,975	1,159,134
<b>Shares - minority holdings (at cost)</b>			<b>1,193,892</b>	<b>1,232,472</b>
Ocean Royal Shipping Company Limited (USD \$575,040 at 6% interest)			1,122,467	2,013,400
<b>Investment in other companies</b>			<b>1,122,467</b>	<b>2,013,400</b>
	<b>Percentage Holding</b>	<b>Estimated Value 30-Jun-10</b>		
International Dateline Hotel	100%	11,195,000	5,999,999	5,999,999
Sea Star Fishing Co. Ltd	70%	3,646,000	2,100,000	2,100,000
Shipping Corporation of Polynesia	100%	61,000	10,000	10,000
Tonga Development Bank	100%	56,813,802	10,530,190	10,530,190
Tonga Investment Limited	100%	1,620,200	100	100
Tonga Communications Corporation	100%	58,076,974	14,243,639	14,243,639
Tonga Timber Limited	100%	5,107,514	3,592,999	3,592,999
Tongatapu Market Limited	100%	3,306,624	1,600,000	1,600,000
Tonga Airports Limited	100%	37,191,686	47,053,226	47,053,226
Waste Authority Limited	100%	3,801,785	1,000	1,000
Tonga Power Limited	100%	60,635,372	32,783,600	32,783,600
Tonga Print Limited	100%	1,449,738	1,276,527	1,276,527
Tongatapu Machinery Pool Limited	100%	-	700,000	700,000
Tonga Post Limited	100%	1,835,523	1,807,915	1,807,915
Ports Authority Tonga	100%	20,111,983	-	-
Tonga Broadcasting Commission	100%	-	-	-
Tonga Water Board	100%	21,676,297	-	-
<b>Total Investment in Public Enterprises</b>		<b>286,529,498</b>	<b>121,699,195</b>	<b>121,699,195</b>
<b>TOTAL INVESTMENTS</b>			<b>126,557,439</b>	<b>130,114,403</b>

During the financial year, Ocean Royal Shipping Company Limited made a partial refund of the deposit made by the Government of Tonga as Government decided not to proceed with its planned investment in the company. Tonga Machinery Pool Ltd also closed down during this financial year plus some figures for Ports Authority Tonga, Tonga Broadcasting Commission and Tonga Water Board were unavailable at the time of preparation.



## Government of the Kingdom of Tonga

### 9. PROPERTY, PLANT & EQUIPMENT

	Property under construction \$	Property, Land and Buildings \$	Other Asset \$	Total \$
<b>Cost</b>				
At 1 July 2009	-	-	100,985,729	100,985,729
Additions	45,714,722	-	3,050,623	48,765,345
Disposals / Transfers	-	-	-	-
<i>At 30 June 2010</i>	<u>45,714,722</u>	<u>-</u>	<u>104,036,352</u>	<u>149,751,074</u>
<b>Depreciation</b>				
At 1 July 2009	-	-	-	-
Charge for the year	-	-	-	-
Disposals / Transfers	-	-	-	-
<i>At 30 June 2010</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Book value</b>				
At 30 June 2009	<u>-</u>	<u>-</u>	<u>100,985,729</u>	<u>100,985,729</u>
At 30 June 2010	<u>45,714,722</u>	<u>-</u>	<u>104,036,352</u>	<u>149,751,074</u>

The balance of \$149,751,074 is again an estimated value of property, plant & equipment at balance date. This balance is inclusive of the government properties under construction within the Nuku'alofa CBD Loan. The change in Other Asset of \$3,050,623 was due to additional assets procured during the year. Any assets disposed during the year were not considered significant and therefore not reflected in the final balance. No depreciation charged against the value of assets at balance date due to the fact that such balance is just an estimated amount. However, this is a very conservative value of the government assets, which mostly related to assets acquired through loan and other related funds. The Treasury is still working with line ministries to determine the value of government physical assets and to be more complete and accurate, therefore fairly disclosed in future financial statements.

### 10. BANK AGENCY ACCOUNTS

This is the amount owed to Westpac Bank of Tonga for Sub-Treasury Bank Agents in Niuatoputapu and Niuafo'ou. These accounts were closed during the year.

	2009-10 \$	2008-09 \$
<b>Bank Agency Accounts</b>		
Balance as at 1 July 2009	(249,732)	(377,285)
Receipts	399,197	1,950,704
Payments	(149,465)	(1,823,151)
Balance as at 30 June 2010	<u>-</u>	<u>(249,732)</u>

## Government of the Kingdom of Tonga

### 11. 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:*

	2009-10 \$	2008-09 \$
Balance as at 1 July 2009	(11,318,437)	(12,915,067)
Receipts	27,593,411	2,949,214
Payments	(39,715,787)	(1,352,584)
<b>Balance as at 30 June 2010</b>	<b>(23,440,813)</b>	<b>(11,318,437)</b>
<i>Represented by:</i>		
Distraints - Legal Settlements	(84,824)	(62,943)
Unclaimed Salaries, Wages & Expenses	(578,919)	(447,277)
National Emergency Fund	(11,560,031)	-
PSRF Trust Account	(9,070,622)	(9,477,586)
Niutoputapu Tsunami Trust	(917,728)	-
AusAid-Business Recovery Trust	(580,925)	(650,346)
Other Trust Accounts	(647,764)	(680,286)
<b>Total Trust Money Account</b>	<b>(23,440,813)</b>	<b>(11,318,437)</b>

*Tongatapu Market Limited Revolving Fund Balance of \$854,250 was treated as current liabilities as at 30 June 2010.*

### 12. PUBLIC DEBTS

The Government of Tonga benefits from lending and borrowing assistance from international lenders. The total undrawn borrowing facilities at 30 June 2010 amounted to \$132,273,313 Tongan Pa'anga (SDR 22,111 and CNY 460,339,438) as follows:

	2009 - 10 TOP(\$)
Loan IDA 4081 National Road Improvement Project	58,502,640
China Exim Bank Education Support Project	63,826
Nuku'alofa Reconstruction	73,706,847
	<b>132,273,313</b>

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

*Effective exchange rates in force are:*

Currency (\$1.00)	Rate at 30 June 2010 (Equivalent to TOP)	Rate at 30 June 2009 (Equivalent to TOP)
Euro (EUR)	2.3775	2.8365
Special Drawing Rights (SDR)	2.8866	3.1213
US Dollars (USD)	1.9518	2.0134
Yuan Renminbi (CNY)	0.2872	0.2946
New Zealand Dollars (NZD)	1.3652	1.3282



# Government of the Kingdom of Tonga

Loan details are as follows;

	Year	Purpose	Currency	Principal	Interest %	Term Years	As at 30-Jun-09 \$	Drawdown \$	Interest \$	Repayments \$	Exchange Difference \$	As at 30-Jun-10 \$
ADB - 335 TON	1977	Small Industries	SDR	84,234	1.00	40	248,250		2,311	29,075	16,727	202,449
ADB - 376 TON	1978	Development	SDR	538,702	1.00	40	1,521,017		17,810	154,989	107,753	1,258,276
ADB - 435 TON	1979	Development	SDR	577,418	1.00	40	1,645,606		18,225	149,695	118,950	1,376,961
ADB - 540 TON	1981	Development	SDR	367,111	1.00	40	1,060,966		10,908	82,103	76,189	902,674
ADB - 624 TON	1983	Development	SDR	1,077,992	1.00	40	2,186,544		23,124	149,099	159,645	1,877,800
ADB - 782 TON	1986	Development	SDR	1,890,954	1.00	40	5,565,133		61,935	323,949	406,263	4,834,921
ADB - 927 TON	1988	Development	SDR	1,764,257	1.00	40	4,925,603		54,216	249,980	359,979	4,315,644
ADB - 990 TON	1990	Development	SDR	2,610,078	1.00	40	7,100,643		74,118	253,158	524,101	6,323,384
ADB - 1010 TON	1990	Fisheries	SDR	1,550,500	1.00	40	4,861,562		44,256	113,540	360,551	4,387,471
ADB - 1079 TON	1991	Power Development	SDR	4,509,142	1.00	40	13,743,527		136,789	319,897	1,019,500	12,404,130
ADB - 1303 TON	1995	Transport Infrastructure	SDR	6,264,820	1.00	40	17,712,424		177,253	380,054	1,316,088	16,016,283
ADB - 1412 TON	1996	Outer Islands Agriculture	SDR	2,310,705	1.00	40	6,590,395		65,885	136,723	489,880	5,963,292
ADB - 1904 TON	2002	Development	SDR	8,020,000	17.5	24	21,035,381		205,087	-	1,581,714	19,453,667
EBF 8 0050	1979	Telecom Network	EUR	331,898	1.00	40	345,693		3,299	31,319	52,307	262,667
EBF 7 0426	1984	TDB Equity	EUR	300,000	2.00	25	-		-	-	-	-
EBF 7 0645	1987	Equity	EUR	300,000	2.00	25	171,722		3,313	53,360	21,428	96,935
EBF 7 0792	1989	Equity	EUR	168,043	2.00	25	476,656		9,661	-	77,115	399,541
IDA 1813	1987	Tonga Development Bank	SDR	1,578,171	0.75	40	4,140,484		31,338	140,975	307,110	3,692,398
IDA 2004	1990	Tonga Development Bank	SDR	1,592,623	0.75	40	4,026,568		26,437	146,237	294,449	3,585,882
IDA 3647	2002	Development	SDR	4,239,223	0.75	40	13,294,313		98,626	-	999,639	12,294,674
IDA 38140	2003	Health project	SDR	8,000,000	0.75	40	22,308,799	2,298,660	174,218	-	1,677,465	22,979,994
IDA 40810	2005	Education project	SDR	662,000	0.75	40	-	1,847,105	5,622	-	0	1,847,105
IFAD 129	1983	Development Projects	SDR	950,000	1.00	50	1,816,206		18,189	74,565	130,558	1,611,084
IFAD 220	1988	Agricultural Development	SDR	1,687,125	1.50	50	3,817,871		38,186	132,421	276,407	3,409,043
IFAD 327	1993	Agricultural Development	SDR	2,200,000	1.50	50	5,836,818		58,646	173,695	423,956	5,239,167
Bank of China	1998	Hatupai High School	CNY	25,000,000	0.00	20	7,365,000		-	-	185,000	7,180,000
Export-Import Bank of China	2007	Danline Hotel	CNY	38,000,000	2.50	9	9,095,775		214,156	1,234,662	260,570	7,600,543
Export-Import Bank of China	2007	CBD Reconstruction	CNY	440,000,000	2.00	20	41,517,264	12,186,753	1,424,115	-	1,042,864	52,661,153
Westpac NZ Ltd	2009	Tonga High Com. NZ	NZD	1,280,000	6.29	10	-	1,582,336	-	240,232	(265,797)	1,607,901
Export-Import Bank of China	2010	Road project	CNY	291,000,000	2.00	20	-	25,072,560	854,377	-	-	25,072,560
Total Government of Tonga Foreign Debt							202,410,220	42,987,414	3,852,139	4,569,728	12,020,410	228,807,496

\$12,020,410 reduction was due to exchange rate fluctuation.

# Government of the Kingdom of Tonga

Loan details are as follows (Continued);

Purpose	Year	Principal	Interest %	Term Years	As at 30-Jun-09 \$	Drawdown \$	Interest \$	Repayments \$	Prior Year Payment \$	As at 30-Jun-10 \$
Local Development Bonds	1969	277,780	20.00	5	1,520		125	1,520		-
Local Development Bonds	1974	241,200	6.50	5	670		125	670		-
Local Development Bonds	1979	658,660	7.50	5	1,050		125	1,050		-
Gov of Tonga Bond Series 2	2005	3,603,000	6.00	4	3,603,000		216,180	3,603,000		-
Gov of Tonga Bond Series 1	2006	2,762,000	6.75	5	2,762,000		186,635			2,762,000
Gov of Tonga Bond Series 2	2006	1,000,000	8.00	3	1,000,000		80,000	1,000,000		-
Gov of Tonga Bond Series 3	2006	2,000,000	8.00	3	2,000,000		160,000	2,000,000		-
Gov of Tonga Bond Series 4	2006	1,000,000	10.00	5	1,000,000		100,000			1,000,000
Gov of Tonga Bond Series 5	2006	1,000,000	10.00	5	1,000,000		100,200			1,000,000
Gov of Tonga Bond Series 1	2008	2,488,000	10.00	5	2,488,000		54,020			2,488,000
Gov of Tonga Bond Series 2	2008	598,000	9.00	3	598,000		249,000			598,000
Gov of Tonga Bond Series 3	2008	1,000,000	7.25	3	1,000,000		72,500			1,000,000
Gov of Tonga Bond Series 1	2009	5,000,000	6.65	5	5,000,000		332,500			5,000,000
Gov of Tonga Bond Series 2	2009	1,000,000	6.00	5	1,000,000		60,200			1,000,000
Gov of Tonga Bond Series 3	2009	1,000,000	6.00	5		1,000,000				1,000,000
Gov of Tonga Bond Series 4	2009	2,000,000	6.00	5		2,000,000				2,000,000
Gov of Tonga Bond Series 5	2009	3,603,000	6.00	5		3,603,000				3,603,000
Gov of Tonga Bond Series 6	2009	5,000,000	5.00	3		5,000,000	6,145			5,000,000
Gov of Tonga Bond Series 1	2010	3,000,000	6.00	6		3,000,000	540			3,000,000
Shipping Corp of Polynesia	2001	1,000,000	1.00	8	1,000,000		80,200	287,255	712,745.05	-
					22,454,240	14,603,000	1,696,495	6,893,495	712,745.05	29,451,000
<b>TOTAL</b>					<b>224,864,460</b>	<b>57,590,414</b>	<b>5,550,634</b>	<b>11,463,223</b>	<b>12,733,156</b>	<b>258,258,496</b>
<b>Current</b>					11,707,431					11,463,223
<b>Non-current</b>					213,157,029					246,795,273
					<b>224,864,460</b>					<b>258,258,496</b>
<b>Repayments of current and non-current debt are scheduled as follows:</b>										
More than one year, less than two years										
More than two years, less than three years										
More than three years, less than four years										
More than four years, less than five years										
More than five years										
										11,463,223
										11,463,223
										11,463,223
										11,463,223
										212,405,606
										<b>258,258,496</b>

\$712,745.05 under Previous Year Payment was paid during April 2004 to April 2005 but was not accounted for in 2004/2005 financial year.

## Government of the Kingdom of Tonga

### 13. DEVELOPMENT FUND

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

The balance as at 30 June 2010 is \$30,457,881 (2009: \$39,470,958)

	2009-10 \$	2008-09 \$
Grants & External Concessional Loans Receipts	33,370,396	45,942,663
Expenditure from Grants & External Concessional Loans	42,383,473	22,921,025
<b>Net Receipts/(Deficit) from Grants and External Concessional Loans</b>	<b>(9,013,077)</b>	<b>23,021,638</b>

#### Development Fund Receipts by Donor for the year ended 30 June 2010

Donor	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Australia	9,756,157	9,537,329	-	218,828
Japan	-	65,241	65,241	-
Australia/ New Zealand Pooled Fund	5,504,652	3,245,280	-	2,259,372
New Zealand	4,676,186	3,482,537	-	1,193,649
People's Republic of China	1,530,000	3,000	-	1,527,000
India	40,000	-	-	40,000
Korea	15,000	-	-	15,000
PRIDE	532,977	-	-	532,977
Asian Development Bank	15,108,000	1,293,475	-	13,814,525
World Bank International Development Agency	289,240	2,219,134	1,929,894	-
New Zealand/ World Bank Trust fund	1,760,000	473,306	-	1,286,694
World Heart Federation	-	37,984	37,984	-
Commonwealth Agencies	25,344	175,443	150,099	-
European Union	6,240,000	2,746,197	-	3,493,803
Forum Secretariat	-	22,610	22,610	-
Turkey	866,000	-	-	866,000
South Pacific Commission	215,001	172,867	-	42,134
South Pacific Regional Environment Programme	-	72,923	72,923	-
United Nation Agencies	130,000	894,431	764,431	-
World Health Organisation	850,000	1,030,809	180,809	-
South Pacific Applied Geoscience Commission	-	152,600	152,600	-
Forum Fishing Agencies	299,254	46,813	-	252,441
Local Community Contribution	5,500	3,550	-	1,950
Other Donors	40,000	7,694,867	7,654,867	-
<b>TOTAL RECEIPT</b>	<b>47,883,311</b>	<b>33,370,396</b>	<b>11,031,458</b>	<b>25,544,373</b>

## Government of the Kingdom of Tonga

### Development Fund Expenditure by Ministry for the year ended 30 June 2010

Ministry	Estimate \$	Actual \$	More than Estimate \$	Less than Estimate \$
Palace Office	-	-		
Legislative Assembly	30,000	-		30,000
Prime Minister's Office	2,230,000	2,769,129	539,129	
Commissioner of Public Relations	1,135,714	2,000		1,133,714
Audit Office	-	-		
Ministry of Finance & National Planning	1,687,143	26,303,804	24,616,661	
Ministry of Foreign Affairs	95,000	109,519	14,519	
Tonga Defence Services	1,000,000	342,345		657,655
Ministry of Lands, Survey, Natural Resources & Environment	-	1,050,623	1,050,623	
Ministry of Justice	-	52,804	52,804	
Ministry of Police, Prisons & Fire Services	5,549,652	1,834,267		3,715,385
Ministry of Education, Women Affairs & Culture	4,985,162	3,720,719		1,264,443
Ministry of Health	2,955,000	875,077		2,079,923
Ministry of Agriculture, Food, Forests & Fisheries	6,328,451	1,769,437		4,559,014
Ministry of Labour, Commerce & Industries	11,650	38,287	26,637	
Ministry of Tourism	200,000	119,019		80,981
Ministry of Works	7,958,000	994,989		6,963,011
Ministry of Transport	388,240	667,604	279,364	
Ministry of Training, Employment, Youth & Sports	2,866,000	1,018,350		1,847,650
Crown Law Department	-	3,250	3,250	
Public Enterprises	-	-		
Revenue Services Department	463,300	647,720	184,420	
Ministry of Communication & Information	-	64,533	64,533	
<b>TOTAL EXPENDITURE</b>	<b>37,883,312</b>	<b>42,383,473</b>	<b>26,831,939</b>	<b>22,331,778</b>

### 14. BUDGET SUPPORT

Budget Support is fund received from another Government or International Organisation to assist the Government's Budget. During the year, two Development Partners granted Budget Support amounting to **\$11,050,583** to the Government of Tonga.

*Budget Support Received is as follows:*

Development Partner	Amount
Asian Development Bank (ADB)	\$ 9,453,583
Australia (AusAID)	\$ 1,597,000

### 15. 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 becomes members of the new retirement fund scheme. At 30 June 2010, the Government still maintained the Transfer Preserved Accounts of **\$8,833,296** (2009: **\$9,130,499**) plus accumulated interest at 6% per annum of **\$7,934,937** (2009: **\$7,220,834**). The total balance of amounts owing **\$16,768,232** (2009: **\$16,351,333**) plus accrued interest will be transferred as soon as possible.

## Government of the Kingdom of Tonga

### 16. COMMITMENTS AND CONTINGENCIES

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

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

A statement of commitments and contingencies is as follows:

	2009-10 \$	2008-09 \$
<b>Commitments not otherwise provided for in the financial statements are as follows:</b>		
<b>Future operating lease payments:</b>		
Minimum future lease payments due under non-cancellable operating leases are as follows:		
Within one year	-	-
More than one year, less than five years	-	-
More than five years	-	-
<b>Contingencies:</b>		
<b>Tonga Development Bank</b>	-	85,095
In 1995 funds were borrowed from Caisse Francaise De Developement for Bilateral Credit Line Facility.		
These funds were then made available to TDB through a loan scheme to enhance development in the agricultural and business sectors.		
<b>International Dateline Hotel</b>	-	-
The government has guaranteed the loan in 2001 from TDB to finance a restructure towards improved tourist facilities		
<b>Squash Export Council Loan Scheme</b>	-	8,957,840
The government has guaranteed the Council loan scheme of 2003 as squash export subsidy support.		
<b>Janfull International Dateline Hotel</b>	422,295	477,103
The government has guaranteed the renovation project for the Forum meeting in 2007.		
<b>Tonga Power Limited</b>		
The government has guaranteed a USD Term Loan from WBOT	4,001,190	
also guaranteed an Overdraft facility from WBOT	786,798	
and a Term Loan facility from WBOT as part of acquisition of Shoreline's electricity business and assets.	9,590,117	
	<b>14,800,400</b>	<b>9,520,038</b>

A payment totalling \$9,377,840 was remitted for the Squash Export Council Incorporated Ltd loan guarantee with the Tonga Development Bank. However, the guarantee was cleared during the year through a special dividend received from Tonga Development Bank.

## Government of the Kingdom of Tonga

### 17. EFFECT OF ACCOUNTING FOR ASSETS & LIABILITIES

The amount of (\$34,765,808) (2009: \$28,704,870) is the cumulative amount of the effect of accounting for Investments, Physical Assets and Public Debts in the Statement of Assets and Liabilities. The effect is due to the modification of the accounting treatment to account for these Assets and Liabilities account. In previous financial reports such effect was included together in the Adjustments figures. However it is now being disclosed separately to clearly reflect the effect of the modification of accounting treatment in the Fund Balance.

The related comparative figure for 2008-09 has also been adjusted accordingly. Details of the effect of the modification made in previous financial years since 2004-05 are also shown below.

	<u>Adjustments</u>	<u>Cumulative Amount</u>
Financial Year 2004-05	(12,547,507)	17,154,991
Financial Year 2005-06	(5,776,327)	11,378,664
Financial Year 2006-07	9,625,392	21,004,056
Financial Year 2007-08	10,626,047	31,630,103
Financial Year 2008-09	(2,925,233)	28,704,870
Financial Year 2009-10	6,060,938	34,765,808

### 18. AUTHORISATION DATE

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

# Government of the Kingdom of Tonga

## ADDITIONAL STATEMENTS OF DISCLOSURE

Operating Receipts for the preceding Five (5) financial years : 2005/06 – 2009/10

	2009-10 \$	2008-09 \$	2007-08 \$	2006-07 \$	2005-06 \$
Income Tax	28,118,228	30,276,280	26,845,560	26,430,442	27,003,559
Trade Taxes	14,914,998	16,042,295	40,533,515	47,535,367	41,828,931
Domestic fees and Licensing	184,994	300,702	290,706	429,783	476,110
Taxes on Goods and Services	42,908,955	57,175,096	59,676,719	49,232,783	50,886,494
Excise Tax	25,207,291	23,965,187	10,835,808	1,183,419	1,176,624
Entrepreneurial and Property Income	15,574,284	34,788,801	10,001,915	7,760,761	6,632,282
Administrative Fees & Charges	15,855,677	11,258,374	8,257,258	11,016,843	9,815,618
Miscellaneous Revenue	1,745,222	1,397,144	1,016,095	1,918,203	4,011,976
Transfer and Bond Receipts	15,087,582	14,352,919	4,317,078	6,000,000	6,365,000
Budget Support	11,050,583				
<b>TOTAL RECEIPTS</b>	<b>170,647,813</b>	<b>189,556,797</b>	<b>161,774,654</b>	<b>151,507,602</b>	<b>148,196,595</b>



# Government of the Kingdom of Tonga

## Operating Payments for the preceding Five (5) financial years : 2005/06 – 2009/10

	2009-10	2008-09	2007-08	2006-07	2005-06
	\$	\$	\$	\$	\$
Palace Office	6,217,424	5,054,986	5,781,769	2,537,130	2,642,374
Legislative Assembly	4,144,342	4,719,628	3,935,384	2,884,976	3,057,511
Prime Minister's Office	8,344,844	8,999,712	8,333,077	4,898,922	5,432,664
Commissioner of Public Relations	113,163	136,767	108,207	113,787	125,062
Audit Department	867,652	886,542	698,823	629,004	714,995
Ministry of Finance & National Planning	48,858,744	70,933,208	39,228,739	54,063,478	65,650,731
Ministry of Foreign Affairs	10,851,250	14,187,765	6,767,524	6,674,593	4,956,456
Tonga Defence Services	8,141,516	9,894,917	8,078,335	7,102,982	7,077,663
Ministry of Lands, Survey, Natural Resources	2,529,800	2,650,310	2,289,105	2,005,759	2,464,413
Ministry of Justice	2,580,533	1,873,514	1,760,230	1,904,623	1,815,999
Ministry of Police, Prisons & Fire Services	10,139,998	10,880,495	8,381,583	8,113,004	7,284,202
Culture	26,938,478	24,200,091	22,450,556	22,662,184	22,553,997
Ministry of Health	22,500,834	20,900,972	19,212,939	20,002,773	17,076,431
Fisheries	5,540,339	5,717,328	5,052,231	5,320,153	5,963,342
Ministry of Labour, Commerce and Industries	2,805,582	2,603,531	2,143,142	1,891,867	1,959,159
Ministry of Tourism	1,617,897	2,010,677	1,649,466	1,125,230	1,258,717
Ministry of Works	3,420,632	8,484,544	4,250,745	3,245,433	4,533,964
Ministry of Transport	3,060,668	3,084,597	1,936,933	4,916,917	5,003,456
Sports	2,786,768	2,673,012	2,192,994	1,860,924	-
Crown Law Department	1,482,034	1,900,780	1,192,746	1,019,326	962,969
Public Enterprises	427,874	601,369	405,454	379,489	-
Revenue Services Department	3,560,269	4,176,936	3,067,044	-	-
Ministry of Communication & Information	703,703	-	-	-	-
<b>TOTAL PAYMENTS</b>	<b>177,634,346</b>	<b>206,571,680</b>	<b>148,917,026</b>	<b>153,352,555</b>	<b>160,534,106</b>