

TUVALU WHOLE OF GOVERNMENT



FINANCIAL STATEMENTS

for the Year Ended 31 December 2011

STATEMENT OF RESPONSIBILITY

The Government is pleased to present the Financial Statements of the Government of Tuvalu for the Year Ended 31 December 2011


We hereby declare that:

- We have been responsible for the preparation of these Financial Statements and the judgments made in them.
- We are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- In our opinion these Financial Statements fairly reflect the financial position and operations of the Government of Tuvalu for the Year Ended 31 December 2011

The Financial Statements were authorised for issue by the Minister of Finance.



Hon. Lotoala Metia
Minister of Finance & Economic
Development



Mr Minute Taupo
Secretary for Finance and Economic
Development

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31/12/2011

The accompanying notes form part of these financial statements.

| | Notes | <u>2011</u> <u>Actual</u> | <u>2011</u> <u>Budget</u> | <u>2010</u> <u>Actual</u> |
|--|-------|------------------------------|------------------------------|------------------------------|
| <u>RECURRENT INCOME</u> | | | | |
| Taxation | 9 | 6,444,401 | 5,861,200 | 5,707,408 |
| Interest, Dividends and Rent | 10 | 1,520,430 | 3,016,629 | 1,880,821 |
| Fisheries Licenses | | 5,683,624 | 5,360,000 | 7,151,855 |
| .TV | | 1,876,980 | 2,850,000 | 2,025,950 |
| External Assistance and Grants | 11 | 8,086,961 | 11,816,000 | 5,686,649 |
| Other Income | 12 | 2,693,297 | 2,843,810 | 2,495,526 |
| TOTAL RECURRENT INCOME | | 26,305,692 | 31,747,639 | 24,948,209 |
| <u>RECURRENT EXPENDITURE</u> | | | | |
| Wages, Salaries, and Allowances | | 10,985,474 | 11,241,803 | 10,819,215 |
| Contributions to Tuvalu National Provident Fund | | 955,988 | 985,796 | 906,795 |
| Travel | | 1,379,164 | 1,116,129 | 1,467,260 |
| Fuel, Electricity and Communications | | 2,240,792 | 1,771,787 | 2,342,599 |
| Maintenance | | 1,372,896 | 1,201,387 | 1,653,825 |
| Loan Repayments & Bank Fees | | 497,611 | 518,000 | 1,199,162 |
| Grants and Subsidies (incl. Scholarships Support) | 13 | 5,989,489 | 8,589,157 | 8,699,796 |
| Tuvalu Medical Treatment Scheme | | 2,132,755 | 1,804,600 | 2,203,277 |
| Other Expenses | 14 | 3,654,497 | 5,324,334 | 3,725,225 |
| Special Development Expenditures | | 681,280 | 766,179 | 1,105,679 |
| TOTAL RECURRENT EXPENDITURE | | 29,889,946 | 33,319,173 | 34,122,833 |
| RECURRENT SURPLUS / (DEFICIT) | | (3,584,253) | (1,571,534) | (9,174,624) |
| <u>OTHER REVENUE AND EXPENDITURE</u> | | | | |
| Unrealised Gain (Loss) on Trust Fund Investment | 4 | 912,549 | | 3,584,832 |
| Unrealised Gain (Loss) on Investment in Corporations | 5 | (562,502) | | 1,444,414 |
| Unrealised Gain (Loss) on Currency Movement (Offshore Loans) | 7 | 47,236 | | 1,008,296 |
| Doubtful Debts Expense | 6 | 355 | | (145,241) |
| TOTAL OTHER REVENUE AND EXPENDITURE | | 397,638 | | 5,892,301 |
| TOTAL SURPLUS / (DEFECIT) | | (3,186,616) | | (3,282,323) |

STATEMENT OF ASSETS AND LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(i)

For the Year Ended 31/12/2011

The accompanying notes form part of these financial statements.

| | Notes | <u>2011</u> | <u>2010</u> |
|--|-------|-------------------|-------------------|
| <u>GOVERNMENT EQUITY</u> | | | |
| Surplus / (Deficit) | | (3,186,616) | (3,282,323) |
| Retained Earnings | | 57,577,138 | 60,218,854 |
| TOTAL GOVERNMENT EQUITY | | 54,390,522 | 56,936,531 |
| REPRESENTED BY: | | | |
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 1 | (1,040,905) | (916,832) |
| Special Funds | 2 | 1,750,374 | 1,941,347 |
| Cash Investments | 3 | 3,198,993 | 7,427,740 |
| Prepayments | | 170,978 | 0 |
| Debtors | 6 | 1,290,014 | 2,500,139 |
| Total current assets | | 5,369,453 | 10,952,394 |
| Non-Current Assets | | | |
| Tuvalu Trust Fund | 3 & 4 | 46,947,827 | 46,035,278 |
| Tuvalu Development Fund | 3 | 1,369,277 | 427,769 |
| Investments in Corporations | 3 & 5 | 11,474,370 | 12,036,872 |
| Total Non-Current Assets | | 59,791,474 | 58,499,919 |
| Total Clearing account balances | | 0 | 0 |
| TOTAL ASSETS | | 65,160,927 | 69,452,313 |
| <u>LIABILITIES</u> | | | |
| Less Current Liabilities | | | |
| Accounts Payable | | 646,145 | 352,996 |
| Accounts Payable - Tuvalu Provident Fund | | 329,740 | 337,283 |
| Accounts Payable - Payroll Clearance | | 41,500 | 85,857 |
| Tuvalu Police Fund | | 1,196 | 763 |
| Total current liabilities | | 1,018,581 | 776,899 |
| Non-Current Liabilities | | | |
| Offshore Loans | 7 | 7,119,554 | 7,454,291 |
| Domestic Loans | 7 | 2,632,269 | 4,284,592 |
| Total non-current liabilities | | 9,751,823 | 11,738,883 |
| TOTAL LIABILITIES | | 10,770,404 | 12,515,782 |
| TOTAL NET ASSETS | | 54,390,522 | 56,936,531 |

STATEMENT OF CHANGES IN EQUITY**For the Year Ended 31/12/2011**

The accompanying notes form part of these financial statements.

| | Notes | <u>2011</u> | <u>2010</u> |
|--|-------|--------------------------|--------------------------|
| Retained Earnings as at 1 January | | 56,936,531 | 59,340,952 |
| Movements reflected on Income Statement | | | |
| Net Surplus/(Deficit) for the period | | (3,584,253) | (9,174,624) |
| Other Unrealised Gain (Loss) for the period | | 397,638 | 5,892,301 |
| Movements not reflected on Income Statement | | | |
| Reduction in Offshore Debt - Principal Repaid | | 287,350 | 946,436 |
| Increase (Decrease) in Tuvalu Development Fund Holding | | 353,257 | (68,534) |
| Accumulated Funds as at 31 December | | <u>54,390,522</u> | <u>56,936,531</u> |

STATEMENT OF REVENUE AND EXPENDITURE BY HEADS
Prepared in accordance with Public Finance Act s31(1)(ii)
For the Year Ended 31/12/2011

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

| <u>Head</u> | <u>Head of Expenditure / Government Function</u> | <u>2011 Actual</u> | <u>2011 Original Budget</u> | <u>Variance (Bud - Act)</u> |
|--|--|------------------------|-------------------------------------|---------------------------------|
| RECURRENT REVENUE | | | | |
| A | Office of the Governer General | 0 | 0 | 0 |
| B | Office of the Prime Minister | 167,751 | 230,000 | 62,249 |
| C | Legal Services | 83,616 | 57,000 | (26,616) |
| D | Parliament | 0 | 0 | 0 |
| E | Office of the Auditor General | (7,205) | 32,550 | 39,755 |
| F | Finance and Economic Development | 15,368,127 | 18,018,106 | 2,649,979 |
| G | Public Utilities | 88,824 | 1,412,000 | 1,323,176 |
| H | Health | 13,715 | 31,000 | 17,285 |
| I | Natural Resources | 6,223,402 | 6,442,650 | 219,248 |
| J | Home Affairs | 95,057 | 99,200 | 4,143 |
| K | Police and Prison Services | 530,441 | 38,700 | (491,741) |
| L | Transport and Communications | 3,673,969 | 5,271,200 | 1,597,231 |
| M | Education, Youth and Sports | 44,959 | 65,000 | 20,042 |
| N | Judiciary | 4,742 | 4,800 | 58 |
| O | Foreign Affairs, Trade, Tourism, Environment & Labour | 18,295 | 45,433 | 27,138 |
| TOTAL RECURRENT REVENUE | | 26,305,692 | 31,747,639 | 5,441,947 |
| RECURRENT EXPENDITURE | | | | |
| A | Office of the Governer General | 135,217 | 140,662 | 5,445 |
| B | Office of the Prime Minister | 2,412,786 | 2,410,829 | (1,957) |
| C | Legal Services | 204,841 | 219,643 | 14,802 |
| D | Parliament | 516,538 | 441,396 | (75,142) |
| E | Office of the Auditor General | 145,516 | 163,365 | 17,849 |
| F | Finance and Economic Development | 1,863,481 | 3,822,366 | 1,958,884 |
| G | Public Utilities | 1,443,315 | 2,719,704 | 1,276,389 |
| H | Health | 5,012,322 | 4,885,114 | (127,208) |
| I | Natural Resources | 1,810,302 | 1,920,998 | 110,696 |
| J | Home Affairs | 3,350,543 | 3,364,093 | 13,550 |
| K | Police and Prison Services | 871,753 | 884,342 | 12,589 |
| L | Transport and Communications | 4,082,208 | 3,788,537 | (293,672) |
| M | Education, Youth and Sports | 6,039,416 | 6,538,384 | 498,968 |
| N | Judiciary | 131,591 | 100,890 | (30,701) |
| O | Foreign Affairs, Trade, Tourism, Environment & Labour | 1,870,115 | 1,918,849 | 48,734 |
| TOTAL RECURRENT EXPENDITURE | | 29,889,946 | 33,319,173 | 3,429,227 |
| RECURRENT SURPLUS / (DEFICIT) | | (3,584,253) | (1,571,534) | 2,012,720 |
| OTHER REVENUE AND EXPENDITURE | | | | |
| | Unrealised Gain (Loss) on Trust Fund Investment | 912,549 | | |
| | Unrealised Gain (Loss) on Investment in Corporations | (562,502) | | |
| | Unrealised Gain (Loss) on Currency Movement (Offshore Loans) | 47,236 | | |
| | Doubtful Debts Expense | 355 | | |
| TOTAL OTHER REVENUE AND EXPENDITURE | | 397,638 | | |
| TOTAL SURPLUS / (DEFECIT) | | (3,186,616) | | |

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT REVENUE by 'SUB HEAD'

Prepared in accordance with Public Finance Act s 31 (1)(iii)
For the Year Ended 31/12/2011

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

| <u>Head of Revenue / Government Function</u> | <u>2011 Actual</u> | <u>2011 Budget</u> | <u>Variance (Bud - Act)</u> |
|--|------------------------|------------------------|---------------------------------|
| RECURRENT REVENUE | | | |
| Office of the Governor General | | | |
| Office of the Prime Minister | | | |
| B01 Corporate Services - Office of the Prime Minister | 1,166 | 0 | (1,166) |
| B04 Personnel and Training | 130,413 | 127,000 | (3,413) |
| B08 Tuvalu Media Department | 36,172 | 103,000 | 66,828 |
| Legal Services | | | |
| C01 Office of the Attorney General | 83,616 | 57,000 | (26,616) |
| Parliament | | | |
| Office of the Auditor General | | | |
| E01 Office of the Auditor General | (7,205) | 32,550 | 39,755 |
| Finance and Economic Development | | | |
| F01 Corporate Services - Finance | 9,081,477 | 12,292,196 | 3,210,719 |
| F02 Planning and Budget | 30 | 0 | (30) |
| F03 Central Statistics Division | 340 | 50 | (290) |
| F04 Customs | 2,508,690 | 2,392,000 | (116,690) |
| F05 Postal | 42,168 | 24,300 | (17,868) |
| F06 Treasury | (135,120) | 0 | 135,120 |
| F07 Inland Revenue | 3,862,281 | 3,301,200 | (561,081) |
| F09 Industries | 8,260 | 8,360 | 100 |
| Public Utilities | | | |
| G01 Corporate Services - Public Utilities | 0 | 1,250,000 | 1,250,000 |
| G02 Energy | 3,632 | 15,500 | 11,868 |
| G03 Public Works Department | 85,192 | 146,500 | 61,308 |
| Health | | | |
| H02 Health Administration | 6,085 | 0 | (6,085) |
| H03 Curative | 5,564 | 26,000 | 20,436 |
| H04 Preventative Primary and Preventative Health Services | 2,066 | 5,000 | 2,934 |
| Natural Resources | | | |
| I02 Agriculture | 10,066 | 10,200 | 134 |
| I03 Fisheries | 6,186,365 | 6,373,000 | 186,635 |
| I04 Lands and Surveys | 26,971 | 59,450 | 32,479 |
| Home Affairs | | | |
| J01 Corporate Services - Home Affairs | 18,165 | 31,200 | 13,035 |
| J06 Immigration | 76,892 | 68,000 | (8,892) |
| Police and Prison Services | | | |
| K01 Police and Prison Services | 530,441 | 38,700 | (491,741) |
| Transport and Communications | | | |
| L01 Corporate Services - Communications and Transport | 1,876,980 | 2,850,000 | 973,020 |
| L02 Marine | 1,542,499 | 2,101,000 | 558,501 |
| L03 Aviation | 253,095 | 300,000 | 46,905 |
| L04 Information, Communication and Technology | 505 | 20,000 | 19,495 |
| L07 Meteorological Office | 890 | 200 | (690) |
| Education, Youth and Sports | | | |
| M04 EFA Secondary School | 43,624 | 65,000 | 21,376 |
| M05 Library | 1,335 | 0 | (1,335) |
| Judiciary | | | |
| N01 Judiciary | 4,742 | 4,800 | 58 |
| Foreign Affairs, Trade, Tourism, Environment & Labour | | | |
| O02 Labour | 4,431 | 23,000 | 18,569 |
| O03 Suva Mission | 13,864 | 22,333 | 8,469 |
| O04 Permanent Mission of Tuvalu to the UN | 0 | 100 | 100 |
| TOTAL RECURRENT REVENUE | 26,305,692 | 31,747,639 | 5,441,947 |

COMPARATIVE STATEMENT OF ACTUAL AND ESTIMATED RECURRENT EXPENDITURE by 'SUB HEAD'

Prepared in accordance with Public Finance Act s 31 (1)(iv)

For the Year Ended 31/12/2011

The accompanying notes form part of these financial statements.

Budget Approved on Cash Basis

| <u>Head of Expenditure / Government Function</u> | <u>2011 Actual</u> | <u>2011 Original Budget</u> | <u>Variance (Bud - Act)</u> |
|---|------------------------|-------------------------------------|---------------------------------|
| RECURRENT EXPENDITURE | | | |
| Office of the Governer General | | | |
| A01 Office of the Governor General | 135,217 | 140,662 | 5,445 |
| Office of the Prime Minister | | | |
| B01 Corporate Services - Office of the Prime Minister | 833,195 | 704,889 | (128,306) |
| B04 Personnel and Training | 1,120,139 | 1,292,676 | 172,537 |
| B08 Tuvalu Media Department | 459,453 | 413,265 | (46,188) |
| Legal Services | | | |
| C01 Office of the Attorney General | 146,900 | 163,121 | 16,222 |
| C02 People's Lawyer | 57,942 | 56,522 | (1,419) |
| Parliament | | | |
| D01 Office of the Parliament | 516,538 | 441,396 | (75,142) |
| Office of the Auditor General | | | |
| E01 Office of the Auditor General | 145,516 | 163,365 | 17,849 |
| Finance and Economic Development | | | |
| F01 Corporate Services - Finance | 550,262 | 2,624,564 | 2,074,302 |
| F02 Planning and Budget | 217,164 | 169,407 | (47,757) |
| F03 Central Statistics Division | 78,698 | 80,438 | 1,740 |
| F04 Customs | 159,991 | 170,063 | 10,072 |
| F05 Postal | 67,777 | 78,997 | 11,220 |
| F06 Treasury | 506,611 | 299,043 | (207,568) |
| F07 Inland Revenue | 80,235 | 78,806 | (1,429) |
| F09 Industries | 202,743 | 321,048 | 118,305 |
| Public Utilities | | | |
| G01 Corporate Services - Public Utilities | 208,595 | 1,595,652 | 1,387,057 |
| G02 Energy | 44,296 | 45,462 | 1,166 |
| G03 Public Works Department | 1,190,424 | 1,078,590 | (111,834) |
| Health | | | |
| H01 Corporate Service - Health | 2,516,983 | 2,358,914 | (158,069) |
| H02 Health Administration | 455,754 | 370,773 | (84,980) |
| H03 Curative | 1,519,954 | 1,594,489 | 74,535 |
| H04 Preventative Primary and Preventative Health Services | 519,631 | 560,938 | 41,307 |
| Natural Resources | | | |
| I01 MNRE Headquarters | 149,212 | 177,338 | 28,126 |
| I02 Agriculture | 331,802 | 297,522 | (34,280) |
| I03 Fisheries | 446,818 | 512,386 | 65,567 |
| I04 Lands and Surveys | 882,470 | 933,753 | 51,283 |
| Home Affairs | | | |
| J01 Corporate Services - Home Affairs | 453,081 | 425,464 | (27,616) |
| J02 Department of Rural Development | 2,340,067 | 2,187,522 | (152,544) |
| J03 Community Affairs | 247,100 | 260,473 | 13,374 |
| J04 Women Development | 55,699 | 63,440 | 7,741 |
| J05 Culture | 17,557 | 20,125 | 2,569 |
| J06 Immigration | 93,183 | 94,587 | 1,404 |
| J08 Solid Waste Agency of Tuvalu (SWAT) | 143,857 | 312,480 | 168,623 |

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Head of Expenditure / Government Function

| | | <u>2011</u> <u>Actual</u> | <u>2011</u> <u>Original</u> <u>Budget</u> | <u>Variance</u> <u>between</u> <u>Actual and</u> <u>Budget</u> |
|--|---|--|--|---|
| Police and Prison Services | | | | |
| K01 | Police and Prison Services | 871,753 | 884,342 | 12,589 |
| Transport and Communications | | | | |
| L01 | Corporate Services - Communications and Transport | 65,062 | 246,315 | 181,253 |
| L02 | Marine | 3,444,763 | 2,905,323 | (539,441) |
| L03 | Aviation | 184,789 | 214,896 | 30,108 |
| L04 | Information, Communication and Technology | 210,484 | 226,278 | 15,794 |
| L07 | Meteorological Office | 177,110 | 195,725 | 18,615 |
| Education, Youth and Sports | | | | |
| M01 | Corporate Services - Educations, Youth and Sports | 1,111,390 | 1,131,291 | 19,901 |
| M02 | Education Department | 237,956 | 228,027 | (9,929) |
| M03 | Primary Education | 1,342,087 | 1,344,697 | 2,610 |
| M04 | EFA Secondary School | 1,368,992 | 1,490,726 | 121,734 |
| M05 | Library | 72,169 | 82,210 | 10,041 |
| M06 | Sports | 170,264 | 68,283 | (101,981) |
| M07 | Pre-service Scholarships | 1,621,649 | 2,058,218 | 436,569 |
| M08 | Youth | 21,470 | 16,180 | (5,290) |
| M09 | Early Childhood Care and Education | 93,438 | 118,751 | 25,313 |
| Judiciary | | | | |
| N01 | Judiciary | 131,591 | 100,890 | (30,701) |
| Foreign Affairs, Trade, Tourism, Environment & Labour | | | | |
| O01 | MFAETLT Headquarter | 205,247 | 151,762 | (53,485) |
| O02 | Labour | 273,419 | 328,862 | 55,443 |
| O03 | Suva Mission | 269,805 | 286,158 | 16,353 |
| O04 | Permanent Mission of Tuvalu to the UN | 436,036 | 484,317 | 48,281 |
| O05 | Brussels Mission | 399,919 | 375,346 | (24,573) |
| O06 | Environment | 86,201 | 97,143 | 10,942 |
| O07 | Tuvalu Consulate in Auckland | 151,432 | 144,906 | (6,526) |
| O08 | Trade Office | 11,018 | 9,606 | (1,413) |
| O09 | Tourism | 37,039 | 40,749 | 3,710 |
| TOTAL RECURRENT EXPENDITURE | | <u>29,889,946</u> | <u>33,319,173</u> | <u>3,429,227</u> |

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2011

1 REPORTING ENTITY

1.0 GOVERNMENT OF TUVALU

The Financial Statements of the Government of Tuvalu represent the financial activities undertaken by Government Departments including entities which operate on the outer islands and in Foreign diplomatic posts.

Tuvalu Public Enterprises, including the Tuvalu Electricity Corporation, Vaiaku Lagi Hotel, National Bank of Tuvalu, Development Bank of Tuvalu, National Fisheries Corporation of Tuvalu (NAFICOT), Tuvalu Philatelic Bureau, Tuvalu Maritime Training Institute (TMTI) and Tuvalu Telecommunications Corporation are not consolidated into the Government of Tuvalu Accounts. The Government's investment in these enterprises is included on the Statement of Assets and Liabilities.

The joint ventures in commercial fishing operations entered into by NAFICOT on behalf of the Government of Tuvalu are not included in these accounts.

1.1 TUVALU TRUST FUND

In 1987 under the Tuvalu Trust Fund (Finance and Information) Act, the Government of Tuvalu established the Tuvalu Trust Fund (TTF) to contribute to the long term financial stability and viability of Tuvalu by enabling it to meet financial commitments from the proceeds of investments. The Trustees represent the Governments of Tuvalu, New Zealand and Australia, which are the main contributors to the Trust Fund.

Despite being the sole beneficiary of the TTF, the Government of Tuvalu does not control the TTF. The complete Financial Statements of the TTF are not consolidated in these Financial Statements of Government. The market value of the Government of Tuvalu's contribution to the TTF is included in these Financial Statements on the Statement of Assets and Liabilities, and the remaining balance of the TTF is contained in the notes to these Financial Statements as a contingent asset.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2011

2 BASIS OF PREPARATION

The Statement of Income and Expenditure and the Statement of Assets and Liabilities are prepared on an accrual basis, and include non-cash items such as accruals and provisions.

The Financial Statements are presented in Australian dollars, and all monetary values are rounded to whole dollars, unless mentioned otherwise.

2.1 STATEMENT OF COMPLIANCE

These Financial Statements are prepared pursuant to the Public Finance Act and are consistent with prior financial years. The Statements are in accordance with generally accepted accounting practice in Tuvalu (Tuvalu GAAP) as determined by the Government of Tuvalu. Where necessary Tuvalu GAAP looks to the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) to guide general accounting policy.

2.2 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Both the functional and presentation currencies of the Government of Tuvalu are the Australian dollar. Transactions in foreign currencies are initially recorded in the Australian dollar at the exchange rates provided by the National Bank of Tuvalu on the dates of the transactions. At balance date, monetary assets and liabilities held in Foreign Currency are translated at the exchange rates ruling at the balance date. Resulting exchange differences are recognised in the Income Statement.

2.3 BUDGET AMOUNTS

The Financial Statements show as comparatives the amounts appropriated by the original annual Appropriation Act that relates to the current financial year. Appropriations are on a cash basis.

2.4 CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies are applied retrospectively, and comparatives are restated. The effect of these changes, if any, is disclosed in item 4.1, below.

New accounting policies may be adopted for types of transactions that have become material to the Financial Statements for the first time. These are not considered changes in accounting policies. Likewise, some accounting policies may be reworded to better reflect the treatment of transactions; such rewording is also not considered a change in accounting policies.

2.5 MATERIAL PRIOR YEAR ERRORS

If errors are detected that have a material impact on prior years, then these are applied retrospectively, and comparatives are restated. There were no material prior year errors identified in the preparation of these accounts.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2011

3 ACCOUNTING POLICIES

3.0 BASIS OF PREPERATION

The Statement of Income and Expenditure and the Statement of Assets and Liabilities are prepared on an accrual basis, and include non-cash items such as accruals and provisions.

3.1 REVENUE

Revenue is recognised when earned or becomes receivable. Revenue is measured at the fair value of consideration received or receivable.

Accrued Revenue

Accrued revenue is recorded for items where revenue is earned or becomes receivable prior to the creation of an invoice.

Tuvalu Trust Fund (TTF) Disbursement Revenue

Disbursement revenue from the TTF is recognised at the time of receipt into the Government's Consolidated Investment Fund account. Transfers from the Consolidated Investment Fund Account to the Government General Account are recorded as a transfer of funds and are not treated as Government Revenue.

Taxation Revenue

Taxation Revenue is recognised at the earlier of receipt, invoice or filing of return, and includes: Income Tax – a tax on salaries and wages of workers in the economy as outlined in the Income Tax Act.

Company Tax – Taxes on the profits of large businesses. (Note: Small companies are subject to Presumptive Tax classified under “Other Taxes”).

Tuvalu Consumption Tax – A tax on goods and services set at a rate of 4% of the value of the good or service.

Import Duties – Taxes, normally at percentage of the cost of the imported good based on cost plus insurance plus freight, placed on imports to Tuvalu and levied at the port of entry.

Excise Duties – Special taxes on imported goods that the Government may wish to discourage consumption of such as alcohol, and cigarettes.

Other Taxes - Include Hotel Room Tax, Departure Tax, Presumptive Tax.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2011

Interest, Dividends, and Rent

Revenue related to interest on Government accounts, dividends received from profits of companies in which the Government holds a share, and rental revenue from Government houses and buildings is recorded in the period it relates to.

Fishing Licenses

Revenue related to the granting of Fishing Licenses to foreign fishing vessels fishing in Tuvalu's Exclusive Economic Zone is recorded in the period it relates to.

.TV Revenue

Revenue related to the license agreement with Verisign for the marketing of Tuvalu's top level internet domain ".tv" is recorded in the period it relates to.

Other Income

Other revenue related to vessel registrations, operation of maritime services (Nivaga II & Manu Folau), stevedoring and wharfage, and other operational activities is recorded in the period it relates to.

3.2 AID ACCOUNTING

External Assistance and Grants

Direct budget support grant funding from donors is recognised at the time of receipt. Aid funding received from donor agencies for projects in the Tuvalu Development Fund is recognised as revenue within the Tuvalu Development Fund account, distinctly separate to the Government Consolidated Fund at time of receipt.

Grants in Kind

Tuvalu often receives grants in kind. These are often in the form of technical assistance, office equipment, investments in major infrastructure projects and property plant and equipment which are beyond the financial resources of the Government of Tuvalu.

These grants in kind are not recognised within these accounts, however where value is known, these amounts are recorded in the Government of Tuvalu's annual Budget documentation as external budgetary assistance.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2011

3.3 EXPENDITURE

Expenditure is recognised when incurred. This is generally upon receipt of goods or receipt of invoice.

Wages and Salaries

Wage and salary expenses are recognised in the period incurred.

Contributions to Tuvalu National Provident Fund

Contributions to the Tuvalu National Provident fund are recognised for the period to which they apply.

Loan repayments, bank and interest fees

Loan Principle and Interest repayments are recognised as expenditure in the period they relate to.

Grants and Subsidies

Grant Expenses in relation to grants provided to Tuvaluans and Non-Government Organisations (NGOs) are recognised at the point that Funds are paid to the grant recipient.

The Grants provided by Government include:

General Grants and Subsidies - provided to non-Government entities to assist them in providing goods or services, to civil servants for private housing rent subsidies, and to local councils and government.

Overseas Contributions – Payments to international organizations of which the Government is a member of (e.g. United Nations, University of the South Pacific (USP), Forum Secretariat).

Scholarships and support - Expenditure incurred supporting the Government's scholarship program.

Outer Island Projects grants - Special development spending on projects for the outer islands.

Japan Fuel Grant Counterpart Fund - Payments made to the Japan Fuel Grant Counterpart Fund as a contribution to recognise Japan's assistance for fuel purchasing.

Tuvalu Medical Treatment Scheme

Expenditure incurred in the operation of the Government's overseas medical referral scheme recognised in the period incurred.

Other Expenditure

Other expenditure related to advertising, purchasing of provisions, purchasing supplies, minor equipment, social welfare payments such as the Senior Citizen Scheme, payments for land rent to traditional landowners for Government leased land, and rent of properties by the Government is recorded in the period which it relates to.

STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 31 December 2011

Special Development Expenditure (Capital Expenditure)

Special Development Expenditure records a range of normally non-recurrent expenditures that include Government contributions to donor-funded projects, equipment purchases, small projects, and arrears payments.

The current policy is to expense all infrastructure assets and property, plant and equipment in the period they are acquired. These capital expenditures are classified as Special Development Expenditures (SDE) in the annual budget documentation.

3.4 ASSETS

The Government of Tuvalu currently records only Financial Assets in these accounts. Special Development Expenditure for Property Plant and Equipment purchases, and major infrastructure investment are not reflected on the Balance Sheet, and depreciation of these assets is not reflected on the Statement of Income and Expenditure.

Current Assets

An asset is deemed to be current if it is liquid or expected to be made liquid within 12 months.

Cash & Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Debtors

Debtors are measured at their expected realisable value, which is generally the original amount less a provision for amounts uncollected after 365 days. Bad debts are written off when approved by Parliament.

Non-Current Assets

Non-Current Assets are presented at their fair value.

The Tuvalu Development Fund is recognised as a Non-Current Asset, reflecting the Government's agreement with donor partners to utilise development funds in line with approved donor agreements.

Other Investments

Other Investments include investments in subsidiaries, other associated parties and investments in shares in non controlled entities.

Investments are measured at the lower of cost and impaired value.

STATEMENT OF ACCOUNTING POLICIES for the Year Ended 31 December 2011

3.5 LIABILITIES

Creditors

Creditors are recognised on receipt of an approved invoice.

Accrued Expenditure

Accrued expenditure is recorded for items where expenditure is incurred prior to the receipt of an approved invoice.

Employee Entitlements

The Government does not recognise employee entitlement liabilities such as annual leave in these accounts.

Public Debt

All Public Debt is measured and presented at fair value.

4 EVENTS AND DECISIONS WITH SIGNIFICANT ACCOUNTING IMPACTS

4.1 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the Year Ended 31 December 2011, however, the summary of Accounting Policies has been introduced to reflect the treatment of transactions.

This has no effect on the transactions and balances in the Financial Statements, which have themselves been prepared on a basis consistent with previous years.

The format of the Financial Statements has been revised in order to improve readability and international comparability. Fundamental changes include:

- Introduction of a statement of income and expenditure to present the financial performance by nature of expense and revenue.
- Introduction of Notes to the Financial Statements
- Revised structure of statements to improve readability, and movement of some details to these Notes.

The revision of the format has no impact on surplus or deficit, nor on total Equity.

4.2 SUBSEQUENT EVENTS

No events have occurred since balance date which would materially affect the Government of Tuvalu's Financial Statements for the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2011

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

STATEMENT OF BALANCES ON DEPOSIT ACCOUNTS

Prepared in accordance with Public Finance Act s31(1)(ix)
For the Year Ended 31/12/2011

| | Financial Year Ending | |
|--|------------------------------|---------------------------|
| | <u>31/12/2011</u> | <u>31/12/2010</u> |
| Consolidated Fund Accounts | | |
| General Current Account | (2,087,017) | (1,623,443) |
| Government Call Account - 01-420002-02 | 59,408 | 58,432 |
| Intellectual Property Account - 170955-30 - AGs | 114,190 | 252,163 |
| Miscellaneous Passbook a/c - 01-420002-34 | 1,542 | 1,542 |
| <i>Total Consolidated Fund Cash account balances</i> | <u>(1,911,876)</u> | <u>(1,311,306)</u> |
| Foreign Mission Accounts | | |
| Cash on Hand - UN Mission | 98,893 | 62,282 |
| Cash on Hand Brussel Mission | 104,720 | 83,106 |
| Cash in transit - Brussel Mission | 6,595 | 0 |
| Cash on hand - Suva Embassy | 54,491 | 16,855 |
| Cash in transit - Tuvalu High Commission (Suva) | 384,023 | 114,751 |
| Cash on Hand New Zealand Consulate Office | 72,883 | 63,057 |
| Cash in transit New Zealand Consulate Office | 23,039 | 0 |
| <i>Total Foreign Mission Cash account balances</i> | <u>744,644</u> | <u>340,050</u> |
| Outer Island General Accounts | | |
| Cash on Hand Nanumaga | 1,133 | 854 |
| Cash on Hand Nanumea | 10,509 | 10,895 |
| Cash on Hand Niutao | 12,010 | 10,455 |
| Cash on Hand Nui | 6,696 | 4,200 |
| Cash on Hand Nukufetau | 65,697 | 12,817 |
| Cash on Hand Nukulaelae | 7,709 | 3,825 |
| Cash on Hand Vaitupu | 22,574 | 11,378 |
| <i>Total Outer Island Cash account balances</i> | <u>126,327</u> | <u>54,424</u> |
| Total Cash Balances as at 31/12/2011 | <u>(1,040,905)</u> | <u>(916,832)</u> |

NOTE 2

STATEMENT OF SPECIAL FUND BALANCES

Prepared in accordance with Public Finance Act s31(1)(v)
For the Year Ended 31/12/2011

| Special Funds | Financial Year Ending | |
|---|-----------------------|------------------|
| | 31/12/2011 | 31/12/2010 |
| Business/Passport Investment Scheme - 01-420002-31 | | |
| Opening Balance | 182,914 | 180,213 |
| Interest Earnings | 2,558 | 2,701 |
| Bank error corrected in 2012 | 5,000 | |
| Transfer - Government General Account | (100,000) | |
| Closing Balance | 90,472 | 182,914 |
| IBD - Coinage Security - 01-420002-07 | | |
| Opening Balance | 178,162 | 261,834 |
| Proceeds of sales of coins & royalties | 178,547 | 216,329 |
| Transfer - Government General Account | (317,000) | (300,000) |
| Closing Balance | 39,709 | 178,162 |
| IBD - Housing Repurchasing - 01-420002-46 | | |
| Opening Balance | 237,702 | 231,839 |
| Interest Earnings | 6,011 | 5,863 |
| Closing Balance | 243,713 | 237,702 |
| IBD - Insurance Fund - 01-420002-48 | | |
| Opening Balance | 376,403 | 367,138 |
| Interest Earnings | 9,499 | 9,265 |
| Closing Balance | 385,901 | 376,403 |
| IBD - NBT Insurance - 01-680824-40 | | |
| Opening Balance | 566,550 | 552,576 |
| Interest Earnings | 14,327 | 13,974 |
| Closing Balance | 580,877 | 566,550 |
| IBD - Rehabilitation - 01-420002-45 | | |
| Opening Balance | 16,737 | 16,324 |
| Interest Earnings | 423 | 413 |
| Closing Balance | 17,160 | 16,737 |
| IBD -Tuvalu Parliament Building - 01-420002-42 | | |
| Opening Balance | 72,194 | 70,417 |
| Interest Earnings | 1,822 | 1,777 |
| Closing Balance | 74,016 | 72,194 |
| Investment in Education Office - 01-420061-44 | | |
| Opening Balance | 139,910 | 136,467 |
| Interest Earnings | 3,531 | 3,444 |
| Closing Balance | 143,441 | 139,910 |
| IBD-Funds for Tuvalu Development - 01-751389-40 | | |
| Opening Balance | 170,775 | 166,572 |
| Interest Earnings | 4,310 | 4,203 |
| Closing Balance | 175,085 | 170,775 |
| Total Special Funds balance as at 31/12/2011 | 1,750,374 | 1,941,347 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3

STATEMENT OF INVESTMENTS

Prepared in accordance with Public Finance Act s31(1)(xi)

For the Year Ended 31/12/2011

| | Notes | Financial Year Ending | |
|---|-------|--------------------------|--------------------------|
| | | <u>31/12/2011</u> | <u>31/12/2010</u> |
| Cash Investments | | | |
| Consolidated Investment Fund | | 3,154,955 | 7,384,789 |
| Government Air Pacific Bank Guarantee - 01-420002-40 | | 44,038 | 42,952 |
| Total Cash Investments as at 31/12/2011 | | <u>3,198,993</u> | <u>7,427,740</u> |
| Non-Current Investments | | | |
| Tuvalu Trust Fund - GOT Contribution | 4 | 46,947,827 | 46,035,278 |
| Tuvalu Development Fund | | 1,369,277 | 427,769 |
| Capital in Corporations (total) | 5 | 11,474,370 | 12,036,872 |
| Total Non-current Investments as at 31/12/2011 | | <u>59,791,474</u> | <u>58,499,919</u> |
| Total Investments of Government as at 31/12/2011 | | <u>62,990,467</u> | <u>65,927,659</u> |

NOTE 4

STATEMENT OF CONTINGENT ASSETS

Prepared in accordance with Public Finance Act s31(1)(x)

For the Year Ended 31/12/2011

TUVALU TRUST FUND (TTF)

Given the nature of the TTF and the fact that Tuvalu is the sole beneficiary of the TTF, it is anticipated that in the event of any 'wind up' of the TTF, the market value of all TTF balances would be available to the Government of Tuvalu.

The market value of Government of Tuvalu contribution balance of the TTF is disclosed on the Statement of Assets and Liabilities.

The market value of contribution balances from other parties to the TTF are classified as a contingent asset of the Government. There is no existing 'wind up' provision within the TTF legislation.

Tuvalu Trust Fund Balance

| \$'000 | Market Value (MV) (TTF) as at 31 December | Total TTF Contribution Balance | GOT Contribution Balance | GOT % of Contributions | Disclosed as GOT Asset (% cont. x MV) | GOT Contingent Asset |
|-----------------------------|---|--------------------------------|--------------------------|------------------------|---------------------------------------|----------------------|
| 2008 Closing Balance | \$ 95,026 | \$ 71,996 | \$ 31,885 | 44% | \$ 42,084 | \$ 52,942 |
| 2009 Closing Balance | \$ 97,561 | \$ 73,279 | \$ 31,885 | 44% | \$ 42,450 | \$ 55,111 |
| 2010 Closing Balance | \$ 110,610 | \$ 76,611 | \$ 31,885 | 42% | \$ 46,035 | \$ 64,575 |
| 2011 Closing Balance | \$ 118,692 | \$ 80,611 | \$ 31,885 | 40% | \$ 46,948 | \$ 71,744 |

Tuvalu Trust Fund Contribution Balances

| \$'000 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|---------------|---------------|---------------|---------------|
| GOT | 31,885 | 31,885 | 31,885 | 31,885 |
| UK | 8,450 | 8,450 | 8,450 | 8,450 |
| Australia | 18,319 | 19,570 | 22,901 | 26,901 |
| NZ | 12,579 | 12,579 | 12,579 | 12,579 |
| Japan | 695 | 695 | 695 | 695 |
| South Korea | 69 | 101 | 101 | 101 |
| Total Contributions | 71,996 | 73,279 | 76,611 | 80,611 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5

GOVERNMENT INVESTMENT IN CORPORATIONS For the Year Ended 31/12/2011

Tuvalu Public Enterprises are not consolidated into the Government of Tuvalu Accounts. The net asset positions of Public Enterprises listed below are included on the Statement of Assets and Liabilities as an Investment in Corporations, in addition to Government investments in non-Government corporations.

| <u>Corporation</u> | 2008 | | 2009 | | 2010 | | 2011 | |
|---|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | <u>Net Assets of corporation</u> | <u>GOT share of Net Assets</u> | <u>Net Assets of corporation</u> | <u>GOT share of Net Assets</u> | <u>Net Assets of corporation</u> | <u>GOT share of Net Assets</u> | <u>Net Assets of corporation</u> | <u>GOT share of Net Assets</u> |
| Tuvalu Maritime Training Institute ⁴ | 1,601,239 | 1,601,239 | 1,561,649 | 1,561,649 | 1,561,649 | 1,561,649 | 1,561,649 | 1,561,649 |
| National Fisheries Corporation of Tuvalu ⁵ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Development Bank of Tuvalu ³ | 1,052,096 | 1,052,096 | 2,086,000 | 2,086,000 | 2,489,000 | 2,489,000 | 2,410,843 | 2,410,843 |
| Vaiaku Lagi Hotel ³ | 159,333 | 159,333 | 136,000 | 136,000 | 90,311 | 90,311 | 29,283 | 29,283 |
| National Bank of Tuvalu ³ | 4,821,375 | 4,821,375 | 6,608,000 | 6,608,000 | 7,791,618 | 7,791,618 | 7,377,037 | 7,377,037 |
| Philatelic Bureau ³ | -134,540 | 0 | -137,000 | 0 | -188,000 | 0 | -157,170 | 0 |
| Tuvalu Electricity Corporation ³ | -659,403 | 0 | -1,064,000 | 0 | -1,037,761 | 0 | -937,572 | 0 |
| Tuvalu Telecommunications Corporation ³ | 420,952 | 420,952 | -543,000 | 0 | -694,560 | 0 | -984,335 | 0 |
| Air Fiji Limited ¹ | 4,651,590 | 0 | 0 | 0 | | | | |
| Pacific Forum Lines ² | 20,064,000 | 468,655 | 8,597,000 | 200,809 | 4,465,000 | 104,293 | 4,091,000 | 95,558 |
| | | <u>8,523,650</u> | | <u>10,592,458</u> | | <u>12,036,871</u> | | <u>11,474,370</u> |

¹The Tuvalu Government owned 44% of issued capital of AIL which in turn owned 98% of the issued capital of Air Fiji limited.

Air Fiji ceased operations in 2009 and all assets of the company were liquidated. The value of Air Fiji holdings was written down to \$0 in the 2008 Financial Statements.

²Tuvalu Government owns a shareholding of 488,405 shares in PFL dating back to 1993. This represents 2.3358% of the total issued capital of the shipping line.

² PFL net assets represent the reported March end of year result from the following financial year.

³2011 Net Asset Values for Tuvalu Public Enterprises have been sourced from 2011 unaudited Financial Statements.

⁴The Tuvalu Maritime Training Institute has not prepared accounts since 2009.

⁵The National Fisheries Corporation of Tuvalu has not prepared a set of accounts since 1999, Government recognises the debt of NAFICOT as a liability.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6

DEBTORS

For the Year Ended 31/12/2011

| | <u>2011</u> | <u>2010</u> |
|---|----------------------|--------------------|
| Classification | | |
| Claimed Debts Control Account | 490,144 | 490,144 |
| Other Debtors Control Account | 1,486,413 | 2,720,236 |
| Other Debtors NBT | 18,784 | 18,784 |
| Personal Loan Control Account | 18,169 | 5,146 |
| Special Imprest Control Account | 7,184 | (1,784) |
| Accounts Receivable Clearing Account (Imprest Matching) | 368,720 | 367,368.65 |
| | DEBTORS | |
| | <u>2,389,415</u> | <u>3,599,895</u> |
| Less Allowance for Doubtful Debts | | |
| Provision for Doubtful Debts | (1,099,401) | (1,099,756) |
| | TOTAL DEBTORS | |
| | <u>1,290,014</u> | <u>2,500,139</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7

STATEMENT OF PUBLIC DEBT

Prepared in accordance with Public Finance Act s31(1)(xiii)

For the Year Ended 31/12/2011

| | <u>Agency</u> | <u>Original debt</u> | <u>2007 Debt Balance</u> | <u>2008 Debt Balance</u> | <u>2009 Debt Balance</u> | <u>2010 Debt Balance</u> | <u>2011 Debt Balance</u> | <u>Start</u> | <u>Term</u> | <u>Grace period</u> | <u>Interest Rate</u> | <u>Principle repayments</u> |
|---|--|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------|-------------------------|------------------------|------------------------|-----------------------------|
| Government Offshore Loans | | | | | | | | | | | | |
| Falekaupule Trust Fund | Asian Dev. Bank - LN1693 | US\$3.972m | 4,535,627 | 5,034,568 | 3,874,715 | 3,175,245 | 2,933,016 | Nov-99 | 24yrs, 16 yrs repayment | 8 yrs - start Feb 2008 | 1% in grace, then 1.5% | USD124,115 semi annual |
| | <i>Interest Payment</i> | | | | 76,539 | 36,757 | 53,731 | | | | | |
| | <i>Principle Repayment</i> | | | | 359,611 | 293,758 | 248,230 | | | | | |
| | <i>Unrealised Gain (Loss) on Currency Movement</i> | | | | 800,243 | 405,712 | -6,001 | | | | | |
| TMTI Original Loan | Asian Dev. Bank - LN1921 | SDR1.394m | 2,552,052 | 2,522,824 | 2,120,079 | 1,873,844 | 1,789,948 | Nov-02 | 32yrs, 24 yrs repayment | 8 yrs - start Feb 2011 | 1% in grace, then 1.5% | SDR29,041 Semi annual |
| | <i>Interest Payment</i> | | | | | | 26,843 | | | | | |
| | <i>Principle Repayment</i> | | | | | | 39,271 | | | | | |
| | <i>Unrealised Gain (Loss) on Currency Movement</i> | | | | 402,745 | 246,236 | 44,625 | | | | | |
| TMTI Supplementary Loan | Asian Dev. Bank - LN2088 | SDR1.353m | 2,476,993 | 2,448,624 | 2,280,858 | 2,012,892 | 2,014,279 | Aug-04 | 32yrs, 24 yrs repayment | 8 yrs - start Feb 2012 | 1% in grace, then 1.5% | SDR28,186 Semi annual |
| | <i>Interest Payment</i> | | | | | | | | | | | |
| | <i>Principle Repayment</i> | | | | | | | | | | | |
| | <i>Unrealised Gain (Loss) on Currency Movement</i> | | | | 167,765 | 267,967 | -1,387 | | | | | |
| DBT Equity Injection | European Invst. Bank | EUR0.3m | 503,609 | 612,690 | 480,692 | 392,311 | 382,312 | Jan-03 | 15 yrs | 1 repayment 2018 | 2% | Eur0.3m in 2018 |
| | <i>Unrealised Gain (Loss) on Currency Movement</i> | | | | 131,998 | 88,381 | 9,999 | | | | | |
| Air Fiji O/D Guaranteed by Govt | Bank of Baroda | | | 0 | 361,841 | 0 | 0 | | | | | |
| | <i>Principle Repayment</i> | | | | | 361,841 | -134,041 | | | | | |
| | <i>Call on Government Guarantee Expense</i> | | | | 361,841 | | -134,041 | | | | | |
| Air Fiji O/D Guaranteed by Govt | Fiji Dev. Bank | | | 0 | 290,858 | 0 | 0 | | | | | |
| | <i>Principle Repayment</i> | | | | | 290,858 | | | | | | |
| | <i>Call on Government Guarantee Expense</i> | | | | 290,858 | | | | | | | |
| | | | 10,068,281 | 10,618,706 | 9,409,044 | 7,454,291 | 7,119,555 | | | | | |
| Government Domestic Debt | | | | | | | | | | | | |
| | <u>Agency</u> | <u>Original debt</u> | <u>2007 Debt Balance</u> | <u>2008 Debt Balance</u> | <u>2009 Debt Balance</u> | <u>2010 Debt Balance</u> | <u>2011 Debt Balance</u> | <u>Start</u> | <u>Term</u> | <u>Grace period</u> | <u>Interest Rate</u> | <u>Principle repayments</u> |
| Air Fiji O/D Guaranteed by Govt | National Bank of Tuvalu | | | 604,295 | 690,984 | 774,984 | 895,289 | | | | | No payments made |
| | <i>Call on Government Guarantee Expense</i> | | | 604,295 | | | | | | | | |
| | <i>Interest Expense</i> | | | | 86,689 | 84,000 | 120,305 | | | | | |
| NAFICOT Loan Guaranteed by Government | National Bank of Tuvalu | AUD1.308m | 1,308,100 | 1,308,100 | 1,308,100 | 1,308,100 | 1,308,100 | Nov-03 | 129 months from Aug 07 | | 8% from 1st repayment | No payments made |
| Outer Island Suspense Account | National Bank of Tuvalu | AUD4.923m | 4,923,734 | 3,584,787 | 2,071,370 | 2,071,391 | 298,763 | Aug-07 | | | No interest | Unscheduled |
| TMC - Tuvalu Media Corporation Loan absorbed by Government | National Bank of Tuvalu | AUD0.127m | 126,919 | 130,117 | 130,117 | 130,117 | 130,117 | Dec-07 | | | No interest | No payments made |
| | | | 6,418,478 | 5,627,299 | 4,200,571 | 4,284,592 | 2,632,269 | | | | | |
| | | | 16,486,759 | 16,246,005 | 13,609,615 | 11,738,883 | 9,751,824 | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8

STATEMENT OF CONTINGENT LIABILITIES

Prepared in accordance with Public Finance Act s31(1)(x)

For the Year Ended 31/12/2011

Loans guaranteed by the Government of Tuvalu, whereby commitment is made by government to repay unpaid amounts upon non payment.

Refer Government Borrowing and Guarantee Act

| <u>Name</u> | <u>Agency</u> | <u>Original Guarantee</u> | <u>2007 Guarantee</u> | <u>2008 Guarantee</u> | <u>2009 Guarantee</u> | <u>2010 Guarantee</u> | <u>2011 Guarantee</u> |
|--|----------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| TCS Guarantee | TCS Suppliers | AUD0.5m | | | | 500,000 | 500,000 |
| Air Pacific Guarantee (NBT Guarantee on Travel Office operations) | National Bank of Tuvalu | AUD40,000 | | 40,000 | 40,000 | 40,000 | 40,000 |
| DBT Global Loan 1 - Guarantee | European Invst. Bank | EUR0.5m | 839,348 | 871,649 | 0 | 0 | 0 |
| DBT Global Loan 2 - Guarantee | European Invst. Bank | EUR0.7m | 1,175,088 | 1,220,309 | 1,118,794 | 809,844 | 667,441 |
| International Monetary Fund (IMF) - Promissory Note | IMF - World Bank | AUD2.1m | | | | 2,128,870 | 2,128,870 |
| | | | 2,014,436 | 2,131,959 | 1,158,794 | 3,478,714 | 3,336,311 |

Exchange Rates applied to Public Debt Balances at year end (Reserve Bank of Australia Website)

| <u>CURRENCY</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--------------------------------|-------------|-------------|-------------|-------------|
| \$AUD - \$EU | 0.4896 | 0.6241 | 0.7647 | 0.7847 |
| \$AUD - \$USD | 0.6903 | 0.8969 | 1.0163 | 1.0156 |
| \$AUD - Special Drawing Rights | | 0.5742 | 0.6599 | 0.6636 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9

TAXATION

| | <u>2011</u> Actual | <u>2011</u> Budget | <u>2010</u> Actual |
|------------------------|-----------------------|-----------------------|-----------------------|
| Income Tax | 2,127,870 | 1,800,000 | 1,959,829 |
| Company Tax | 1,648,432 | 1,300,000 | 1,183,039 |
| Sales Tax | 18 | 100,000 | 8,949 |
| Tuvalu Consumption Tax | 52,202 | 150,000 | 41,566 |
| Import Duty | 1,865,205 | 1,900,000 | 1,730,157 |
| Import Levy & Excise | 619,137 | 450,000 | 591,705 |
| Other Taxes | 131,537 | 161,200 | 192,162 |
| | 6,444,401 | 5,861,200 | 5,707,408 |

NOTE 10

INTEREST, DIVIDENDS & RENT

| | <u>2011</u> Actual | <u>2011</u> Budget | <u>2010</u> Actual |
|------------------------|-----------------------|-----------------------|-----------------------|
| Interest and Dividends | 1,299,349 | 2,515,096 | 1,669,737 |
| Lease, rent and hire | 221,081 | 501,533 | 211,085 |
| | 1,520,430 | 3,016,629 | 1,880,821 |

NOTE 11

EXTERNAL ASSISTANCE & GRANTS

| | <u>2011</u> Actual | <u>2011</u> Budget | <u>2010</u> Actual |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| EU - V-flex Grant | 0 | 2,000,000 | 0 |
| Republic of China (Taiwan) | 6,252,292 | 6,500,000 | 5,415,294 |
| New Zealand (CIF) | 53,438 | 0 | 193,368 |
| World Bank, IMF, ADB | 1,772,778 | 1,910,000 | 0 |
| Project Development Fund (PDF) | 0 | 156,000 | 0 |
| Other Donors | 8,453 | 1,250,000 | 77,987 |
| | 8,086,961 | 11,816,000 | 5,686,649 |

NOTE 12

OTHER INCOME

| | <u>2011</u> Actual | <u>2011</u> Budget | <u>2010</u> Actual |
|--|-----------------------|-----------------------|-----------------------|
| Vessel Registrations | 777,782 | 700,000 | 837,473 |
| Marine Services (Nivaga II & Manu Folau) | 494,709 | 830,000 | 708,755 |
| Stevedoring and Wharfage | 237,271 | 299,500 | 249,965 |
| Provision of Goods and Services | 675,838 | 718,410 | 646,494 |
| Other Charges | 507,696 | 295,900 | 52,839 |
| | 2,693,297 | 2,843,810 | 2,495,526 |

NOTE 13

GRANTS AND SUBSIDIES (incl. Scholarship Support)

| | <u>2011</u> Actual | <u>2011</u> Budget | <u>2010</u> Actual |
|--|-----------------------|-----------------------|-----------------------|
| Grants and Subsidies | 1,842,862 | 3,680,454 | 3,331,418 |
| Outer Island Projects (SDE) | 1,332,706 | 1,200,000 | 1,906,962 |
| Scholarships and Support | 2,142,697 | 2,761,427 | 2,189,148 |
| Contribution to Japan Grant Counterpart Fund | 95,724 | 274,205 | 287,172 |
| Overseas Contributions | 575,499 | 673,071 | 985,096 |
| | 5,989,489 | 8,589,157 | 8,699,796 |

NOTE 14

OTHER EXPENDITURE

| | <u>2011</u> Actual | <u>2011</u> Budget | <u>2010</u> Actual |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Advertising and Provisions | 897,670 | 824,075 | 924,650 |
| Supplies and Equipment | 1,658,086 | 3,355,944 | 1,660,798 |
| Senior Citizen Scheme / Pension | 238,491 | 234,171 | 215,671 |
| Land & Property Rent | 860,250 | 910,144 | 924,106 |
| | 3,654,497 | 5,324,334 | 3,725,225 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15

Requirements of the Public Finance Act with no balance

Statement of Other Leger Balances

Statement of Balances on Advances Accounts from Deposits

Statement of Outstanding Loans made from the Consolidated Revenue Fund

Tabulated summaries of unallocated stores and manufacturing accounts

Statement of balances on remittance account

NOTE 16

Events & Decisions with Significant Accounting Impacts

Changes in accounting policies

This has no effect on the transactions and balances in the Financial Statements, which have themselves been prepared on a basis consistent with previous years, except for the following and except for changes in accounting estimates and adjustments of prior year errors.

The format of the Financial Statements has been revised in order to improve readability and international comparability. Fundamental changes include:

- Introduction of a statement of income and expenditure to present the financial performance by nature of expense and revenue.
- Introduction of Notes to the Financial Statements
- Revised structure of statements to improve readability, and movement of some details to these Notes.

The revision of the format has no impact on surplus or deficit, nor on total Equity.

Recognition of Unrealised Gains and Losses

Prior to the 2009 accounts, Unrealised Gains and Losses were included only on the Balance sheet. Through the 2009, 2010, and 2011 accounts, Unrealised gains are now reflected as 'Other Income/Expenditure' on the Income Statement.

This primarily applies to:

- Unrealised Market Gains in Tuvalu's Contributions into the Tuvalu Trust Fund;
- Unrealised Gains/Losses in the Net Asset Values and Government Share of Investments in Corporations;
- and
- Unrealised Currency Gains/Losses in relation to Offshore Loans

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM
 Prepared in accordance with Public Finance Act s31 (xviii)
 Government of Tuvalu for the Year Ended 31/12/2011
 Budget Approved on the Cash Basis

| <u>Head of Expenditure / Government Function</u> | | | | <u>2011</u> <u>Actual</u> | <u>Final Budget</u> <u>Provision as at</u> <u>31/12/2011</u> | <u>Excess of</u> <u>Expenditure</u> <u>over provision</u> |
|--|-----------------------------------|--------|-------------------------------------|------------------------------|--|---|
| CASH OUTFLOWS | | | | | | |
| Office of the Governor General | | | | | | |
| A01 | Office of the Governor General | 711110 | Salaries | 26,432 | 23,535 | 2,897 |
| A01 | Office of the Governor General | 712130 | TNPF Housemaids | 1,691 | 1,561 | 130 |
| A01 | Office of the Governor General | 719200 | TNPF Statutory | 3,213 | 3,204 | 9 |
| A01 | Office of the Governor General | 721200 | Statutory Travel | 13,533 | 1,000 | 12,533 |
| A01 | Office of the Governor General | 72120A | GG's Travel | 23,324 | 15,000 | 8,324 |
| A01 | Office of the Governor General | 722500 | Vehicle Maintenance | 520 | 500 | 20 |
| A01 | Office of the Governor General | 723320 | Fuel & Oil Vehicles | 1,772 | 1,500 | 272 |
| A01 | Office of the Governor General | 723430 | Queens Birthday | 5,454 | 5,000 | 454 |
| A01 | Office of the Governor General | 723510 | Office Expenses | 982 | 300 | 682 |
| A01 | Office of the Governor General | 723740 | Household Items | 2,964 | 2,500 | 464 |
| A01 | Office of the Governor General | 723910 | Electricity | 8,561 | 1,717 | 6,844 |
| Office of the Prime Minister | | | | | | |
| B01 | Corp. Services - Office of the PM | 711110 | Salaries | 208,993 | 202,357 | 6,636 |
| B01 | Corp. Services - Office of the PM | 711120 | | 19,889 | 13,849 | 6,040 |
| B01 | Corp. Services - Office of the PM | 711210 | PM's Salary | 36,169 | 35,946 | 223 |
| B01 | Corp. Services - Office of the PM | 711240 | PM's TNPF | 3,617 | 3,594 | 23 |
| B01 | Corp. Services - Office of the PM | 711290 | Housemaids Overtime Allowances | 2,749 | 450 | 2,299 |
| B01 | Corp. Services - Office of the PM | 712110 | PM's Local Entertainment | 7,211 | 6,000 | 1,211 |
| B01 | Corp. Services - Office of the PM | 719100 | TNPF | 23,194 | 21,621 | 1,573 |
| B01 | Corp. Services - Office of the PM | 719200 | PM's Utilities | 5,384 | 5,040 | 344 |
| B01 | Corp. Services - Office of the PM | 721110 | Leave Travel Entitlements | 3,777 | 2,500 | 1,277 |
| B01 | Corp. Services - Office of the PM | 72120A | PM's Travel | 20,737 | 15,000 | 5,737 |
| B01 | Corp. Services - Office of the PM | 72120C | PM's Statutory Travel Spouse | 6,600 | 0 | 6,600 |
| B01 | Corp. Services - Office of the PM | 722350 | Renovate GG's PM's Minister's Resid | 38,204 | 32,000 | 6,204 |
| B01 | Corp. Services - Office of the PM | 722500 | Vehicle Maintenance | 2,002 | 1,600 | 402 |
| B01 | Corp. Services - Office of the PM | 723020 | Disaster Awareness Program | 2,662 | 2,550 | 112 |
| B01 | Corp. Services - Office of the PM | 723320 | | 3,382 | 2,000 | 1,382 |
| B01 | Corp. Services - Office of the PM | 723420 | Hospitality | 19,493 | 18,000 | 1,493 |
| B01 | Corp. Services - Office of the PM | 723470 | Election | 1,437 | 0 | 1,437 |
| B01 | Corp. Services - Office of the PM | 723510 | Office Expenses | 2,464 | 2,050 | 414 |
| B04 | Personnel and Training | 711110 | Salaries | 125,444 | 110,019 | 15,425 |
| B04 | Personnel and Training | 71112B | PSC Meeting Allowances | 6,420 | 6,170 | 250 |
| B04 | Personnel and Training | 712900 | Staff Relieving Fund centr'd | 33,643 | 20,000 | 13,642 |
| B04 | Personnel and Training | 719100 | TNPF | 15,518 | 12,942 | 2,576 |
| B04 | Personnel and Training | 72110A | Local Travel and Subsistence | 725 | 500 | 225 |
| B04 | Personnel and Training | 723510 | Office Expenses | 27,237 | 13,000 | 14,237 |
| B04 | Personnel and Training | 723530 | Computer Supply | 1,660 | 1,000 | 660 |
| B04 | Personnel and Training | 782530 | Scholarships Students Ongoing | 480,935 | 345,355 | 135,580 |
| Legal Services | | | | | | |
| C01 | Office of the Attorney General | 711210 | Attorney General's Salary | 28,464 | 0 | 28,464 |
| C01 | Office of the Attorney General | 719200 | TNPF Statutory | 2,856 | 0 | 2,856 |
| C01 | Office of the Attorney General | 723510 | Office Expenses | 2,302 | 2,266 | 36 |
| C01 | Office of the Attorney General | 723540 | Office Stationery | 815 | 734 | 81 |
| C02 | People's Lawyer | 711110 | Salaries | 46,764 | 41,512 | 5,252 |
| C02 | People's Lawyer | 719100 | TNPF | 4,686 | 4,151 | 535 |
| Parliament | | | | | | |
| D01 | Office of the Parliament | 711120 | Allowances | 3,274 | 3,000 | 274 |
| D01 | Office of the Parliament | 711210 | Speaker's Salary | 31,430 | 31,121 | 309 |
| D01 | Office of the Parliament | 71121A | Parliamentarians Salaries | 146,259 | 125,028 | 21,231 |
| D01 | Office of the Parliament | 711250 | Parliamentarians Local Entertainme | 8,499 | 3,500 | 4,999 |
| D01 | Office of the Parliament | 711280 | Parliamentarians Overseas Entertain | 8,219 | 2,500 | 5,719 |
| D01 | Office of the Parliament | 712110 | Speaker's Houseboy Salary & PF | 6,278 | 4,338 | 1,940 |
| D01 | Office of the Parliament | 719200 | TNPF Statutory | 3,143 | 3,112 | 31 |
| D01 | Office of the Parliament | 71920A | MPs' TNPF | 14,626 | 12,503 | 2,123 |
| D01 | Office of the Parliament | 721110 | Leave Travel | 1,436 | 1,017 | 419 |
| D01 | Office of the Parliament | 721200 | Statutory Travel Spouse | 72,633 | 1,000 | 71,633 |
| D01 | Office of the Parliament | 72120A | Speaker's Travel | 34,017 | 15,000 | 19,017 |
| D01 | Office of the Parliament | 721300 | Telecom & Internet | 995 | 700 | 295 |
| D01 | Office of the Parliament | 722100 | Office Maintenance | 1,536 | 1,000 | 536 |
| D01 | Office of the Parliament | 722250 | Equipment Maintenance | 280 | 100 | 180 |
| D01 | Office of the Parliament | 723220 | Sessions & Committe Refreshm't | 11,432 | 9,605 | 1,827 |

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2011

Budget Approved on the Cash Basis

| | | | | <u>2011</u> | | |
|--|-------------------------------|--------|-----------------------------------|---------------|--|---|
| <u>Head of Expenditure / Government Function</u> | | | | <u>Actual</u> | <u>Final Budget Provision as at 31/12/2011</u> | <u>Excess of Expenditure over provision</u> |
| D01 | Office of the Parliament | 723320 | Petrol & Oil | 360 | 0 | 360 |
| D01 | Office of the Parliament | 723510 | Office Expenses | 1,779 | 1,600 | 179 |
| D01 | Office of the Parliament | 723540 | Office Stationery | 3,593 | 1,600 | 1,993 |
| D01 | Office of the Parliament | 762100 | Overseas Contributions | 21,965 | 20,330 | 1,635 |
| D01 | Office of the Parliament | 791240 | | 16,762 | 0 | 16,762 |
| Office of the Auditor General | | | | | | |
| E01 | Office of the Auditor General | 711210 | Auditor General Salary | 26,365 | 0 | 26,365 |
| E01 | Office of the Auditor General | 719200 | TNPF Statutory | 2,636 | 0 | 2,636 |
| E01 | Office of the Auditor General | 723320 | Petrol & Oil | 274 | 172 | 102 |
| E01 | Office of the Auditor General | 723510 | Office Expenses | 4,059 | 3,955 | 104 |
| Finance and Economic Development | | | | | | |
| F01 | Corp. Services - Finance | 711210 | Minister's Salary | 30,483 | 30,196 | 287 |
| F01 | Corp. Services - Finance | 711250 | Local Entertainment | 6,916 | 3,500 | 3,415 |
| F01 | Corp. Services - Finance | 712110 | Housemaid Salary PF and Leave | 6,889 | 4,403 | 2,486 |
| F01 | Corp. Services - Finance | 719200 | TNPF Statutory | 3,048 | 3,020 | 28 |
| F01 | Corp. Services - Finance | 721200 | Statutory Travel | 13,617 | 1,000 | 12,617 |
| F01 | Corp. Services - Finance | 723510 | Office Expenses | 2,095 | 1,350 | 745 |
| F01 | Corp. Services - Finance | 72391A | Electricity | 138,600 | 0 | 138,600 |
| F01 | Corp. Services - Finance | 773200 | Pension | 9,841 | 9,120 | 721 |
| F02 | Planning and Budget | 711120 | | 4,580 | 3,440 | 1,140 |
| F02 | Planning and Budget | 719100 | TNPF | 10,903 | 9,810 | 1,094 |
| F02 | Planning and Budget | 721110 | Leave Travel Entitlements | 1,951 | 949 | 1,002 |
| F02 | Planning and Budget | 722450 | MIS Maintenance | 48 | 0 | 48 |
| F02 | Planning and Budget | 723530 | Computer Supply | 474 | 0 | 474 |
| F02 | Planning and Budget | 723540 | Office Stationery | 257 | 0 | 257 |
| F03 | Central Statistics Division | 711120 | Allowances | 3,632 | 2,752 | 880 |
| F03 | Central Statistics Division | 719100 | TNPF | 4,826 | 4,820 | 5 |
| F03 | Central Statistics Division | 721300 | Telecom & Internet | 300 | 180 | 120 |
| F03 | Central Statistics Division | 723460 | | 20 | 0 | 20 |
| F03 | Central Statistics Division | 723510 | Office Expenses | 281 | 100 | 181 |
| F03 | Central Statistics Division | 782260 | 2012 Census Gov't Contribution DO | 22,309 | 0 | 22,309 |
| F04 | Customs | 711120 | | 6,816 | 4,400 | 2,416 |
| F04 | Customs | 719100 | TNPF | 12,375 | 12,373 | 2 |
| F04 | Customs | 721300 | Telecom & Internet | 566 | 500 | 66 |
| F04 | Customs | 723510 | Office Expenses | 1,563 | 1,500 | 63 |
| F04 | Customs | 723540 | Office Stationery | 707 | 0 | 707 |
| F05 | Postal | 711120 | | 4,243 | 1,000 | 3,243 |
| F05 | Postal | 721100 | Overseas Travel & Subsistence | 2,560 | 2,420 | 140 |
| F05 | Postal | 721300 | Telecom & Internet | 103 | 100 | 3 |
| F05 | Postal | 723540 | Office Stationery | 1,350 | 1,150 | 200 |
| F06 | Treasury | 711110 | Salaries | 175,752 | 175,676 | 76 |
| F06 | Treasury | 711120 | | 5,017 | 5,000 | 17 |
| F06 | Treasury | 719100 | TNPF | 17,711 | 16,517 | 1,194 |
| F06 | Treasury | 723510 | Office Expenses | 561 | 500 | 61 |
| F06 | Treasury | 723820 | ACCPAC Maintenance | 29,384 | 29,192 | 192 |
| F06 | Treasury | 742100 | Bank Charge & Interests | 254,801 | 70,000 | 184,801 |
| F06 | Treasury | 742110 | Foreign Exchange Cost | 13,072 | 3,000 | 10,072 |
| F07 | Inland Revenue | 711110 | Salaries | 51,878 | 51,675 | 203 |
| F07 | Inland Revenue | 711120 | | 169 | 33 | 136 |
| F07 | Inland Revenue | 719100 | TNPF | 5,345 | 3,897 | 1,448 |
| F07 | Inland Revenue | 721100 | Overseas Travel & Subsistence | 491 | 475 | 16 |
| F07 | Inland Revenue | 72110A | Local Travel & Subsistence | 6,715 | 0 | 6,715 |
| F07 | Inland Revenue | 721300 | Telecom & Internet | 225 | 113 | 112 |
| F07 | Inland Revenue | 723320 | Petrol & Oil | 400 | 300 | 100 |
| F07 | Inland Revenue | 723510 | Office Expenses | 5,830 | 300 | 5,530 |
| F07 | Inland Revenue | 723540 | Office Stationery | 605 | 500 | 105 |
| F09 | Industries | 711110 | Salaries | 49,885 | 47,362 | 2,523 |
| F09 | Industries | 719100 | TNPF | 5,079 | 4,851 | 228 |
| F09 | Industries | 721100 | Overseas Travel Subsistence | 6,119 | 2,054 | 4,065 |
| F09 | Industries | 723010 | Advertising & Publication Costs | 429 | 68 | 361 |
| F09 | Industries | 723460 | Workshop Expenses | 470 | 0 | 470 |
| F09 | Industries | 723530 | Computer Supply | 204 | 188 | 16 |
| F09 | Industries | 723540 | Office Stationery | 337 | 163 | 174 |
| F09 | Industries | 732020 | Awareness | 2,304 | 0 | 2,304 |
| F09 | Industries | 74210A | Support to Coconut produce | 5,000 | 3,750 | 1,250 |
| F09 | Industries | 782290 | Grant to TNPSO | 10,000 | 0 | 10,000 |
| Public Utilities | | | | | | |
| G02 | Energy | 711120 | | 1,005 | 251 | 754 |
| G02 | Energy | 719100 | TNPF | 4,002 | 3,942 | 60 |

NOTES TO THE FINACIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM
Prepared in accordance with Public Finance Act s31 (xviii)
Government of Tuvalu for the Year Ended 31/12/2011
Budget Approved on the Cash Basis

| | | | | <u>2011</u> | <u>Final Budget</u> | <u>Excess of</u> |
|--|--|--------|-----------------------------------|---------------|------------------------|-----------------------|
| <u>Head of Expenditure / Government Function</u> | | | | <u>Actual</u> | <u>Provision as at</u> | <u>Expenditure</u> |
| | | | | | <u>31/12/2011</u> | <u>over provision</u> |
| G02 | Energy | 723510 | Office Expenses | 80 | 0 | 80 |
| G03 | Public Works Department | 711120 | | 55,111 | 32,667 | 22,444 |
| G03 | Public Works Department | 722101 | Female Prison Maintenance | 4,387 | 0 | 4,387 |
| G03 | Public Works Department | 722200 | Desalination Maintenance | 68,777 | 18,000 | 50,777 |
| G03 | Public Works Department | 722250 | Equipment Maintenance | 8,587 | 7,000 | 1,587 |
| G03 | Public Works Department | 722350 | Civil Servant House Maintenanc | 178,408 | 175,002 | 3,406 |
| G03 | Public Works Department | 722660 | Electrical Maintenance Rewiring | 12,810 | 9,000 | 3,810 |
| G03 | Public Works Department | 723320 | Petrol & Oil | 26,952 | 24,500 | 2,452 |
| G03 | Public Works Department | 723750 | Supplies | 12,264 | 6,000 | 6,264 |
| G03 | Public Works Department | 723760 | Tools | 1,019 | 1,000 | 19 |
| G03 | Public Works Department | 726030 | Safety Gears | 1,864 | 1,800 | 64 |
| G03 | Public Works Department | 791220 | | 3,907 | 0 | 3,907 |
| G03 | Public Works Department | 791240 | | 2,650 | 0 | 2,650 |
| Health | | | | | | |
| H01 | Corporate Service - Health | 711250 | Local Entertainment | 6,908 | 3,500 | 3,408 |
| H01 | Corporate Service - Health | 711290 | Statutory Utilities | 5,952 | 5,040 | 912 |
| H01 | Corporate Service - Health | 712110 | Housemaid Salary & leave | 4,886 | 4,403 | 483 |
| H01 | Corporate Service - Health | 719200 | TNPF Statutory | 3,048 | 3,020 | 28 |
| H01 | Corporate Service - Health | 721100 | Overseas Travel & Subsistence | 34,617 | 22,000 | 12,617 |
| H01 | Corporate Service - Health | 721101 | Local Travel and Subsistence | 100 | 0 | 100 |
| H01 | Corporate Service - Health | 721202 | Statutory Travel Spouse | 480 | 0 | 480 |
| H01 | Corporate Service - Health | 72120A | Minister's Travel | 35,104 | 15,000 | 20,104 |
| H01 | Corporate Service - Health | 722250 | Equipment Maintenance | 1,043 | 1,000 | 43 |
| H01 | Corporate Service - Health | 722500 | Vehicle Maintenance | 1,541 | 1,500 | 41 |
| H01 | Corporate Service - Health | 723320 | Petrol & Oil | 29,901 | 1,000 | 28,901 |
| H01 | Corporate Service - Health | 723510 | Office Expenses | 892 | 676 | 216 |
| H01 | Corporate Service - Health | 723540 | Office Stationeries | 2,453 | 2,000 | 453 |
| H01 | Corporate Service - Health | 782310 | | 55,000 | 50,000 | 5,000 |
| H02 | Health Administration | 711120 | Allowances | 7,754 | 7,112 | 642 |
| H02 | Health Administration | 712120 | Cuban Doctors Maintenance Allowa | 14,190 | 14,060 | 130 |
| H02 | Health Administration | 721300 | Telecom & Internet | 5,720 | 5,400 | 320 |
| H02 | Health Administration | 722700 | Maintenance of PMH | 8,615 | 8,500 | 115 |
| H02 | Health Administration | 723330 | Petrol & Oil | 5,641 | 4,500 | 1,141 |
| H02 | Health Administration | 723540 | Office Stationeries | 7,426 | 6,500 | 926 |
| H03 | Curative | 711110 | Salaries | 641,793 | 605,560 | 36,233 |
| H03 | Curative | 723210 | Ration | 100,402 | 84,477 | 15,925 |
| H03 | Curative | 723710 | | 6,013 | 5,000 | 1,013 |
| H03 | Curative | 725030 | Medical Centre Linen | 2,135 | 2,000 | 135 |
| H04 | Preventative Primary and Health Services | 722650 | Gas Refrigerator Maintenance | 1,033 | 1,000 | 33 |
| H04 | Preventative Primary and Health Services | 723460 | Healthy Islands Program | 5,359 | 5,000 | 359 |
| Natural Resources | | | | | | |
| I01 | MNRE Headquarters | 712110 | Housemaid's Salary and Leave | 5,651 | 4,680 | 971 |
| I01 | MNRE Headquarters | 723540 | Office Stationery | 1,437 | 1,200 | 237 |
| I03 | Fisheries | 721110 | Leave Travel Entitlements | 5,342 | 0 | 5,342 |
| I03 | Fisheries | 722100 | CFC Renovation | 501 | 0 | 501 |
| I03 | Fisheries | 722250 | Equipment Maintenance | 1,673 | 1,300 | 373 |
| I03 | Fisheries | 722550 | | 8,189 | 7,470 | 719 |
| I03 | Fisheries | 723540 | Office Stationery | 2,119 | 1,456 | 663 |
| I03 | Fisheries | 723910 | Electricity | 25,560 | 21,800 | 3,760 |
| I03 | Fisheries | 726100 | Pearl Oyster | 19,512 | 0 | 19,512 |
| I03 | Fisheries | 729990 | | 7,287 | 0 | 7,287 |
| Home Affairs | | | | | | |
| J01 | Corporate Services - Home Affairs | 711120 | Allowances | 5,645 | 4,000 | 1,646 |
| J01 | Corporate Services - Home Affairs | 711210 | Minister's Salary | 10,310 | 0 | 10,310 |
| J01 | Corporate Services - Home Affairs | 711250 | Local Entertainment | 2,949 | 0 | 2,949 |
| J01 | Corporate Services - Home Affairs | 711290 | Statutory Utilities | 868 | 0 | 868 |
| J01 | Corporate Services - Home Affairs | 711310 | ADLC | 697 | 500 | 197 |
| J01 | Corporate Services - Home Affairs | 712110 | Housemaid Salary | 7,212 | 0 | 7,212 |
| J01 | Corporate Services - Home Affairs | 712130 | Housemaid TNPF | 743 | 0 | 743 |
| J01 | Corporate Services - Home Affairs | 719200 | TNPF Statutory | 1,066 | 0 | 1,066 |
| J01 | Corporate Services - Home Affairs | 721100 | Overseas Travel & Subsistence | 16,990 | 15,000 | 1,990 |
| J01 | Corporate Services - Home Affairs | 72120A | Minister Travel | 1,659 | 0 | 1,659 |
| J01 | Corporate Services - Home Affairs | 723320 | Petrol & Oil | 1,362 | 1,000 | 362 |
| J01 | Corporate Services - Home Affairs | 723540 | Office Stationeries | 3,471 | 1,000 | 2,471 |
| J01 | Corporate Services - Home Affairs | 723910 | Waste management project electric | 1,416 | 0 | 1,416 |
| J01 | Corporate Services - Home Affairs | 782430 | Support Waste Management Projec | 4,245 | 0 | 4,245 |
| J02 | Department of Rural Development | 711120 | | 1,811 | 500 | 1,311 |
| J02 | Department of Rural Development | 719100 | TNPF | 6,211 | 6,164 | 47 |
| J02 | Department of Rural Development | 722250 | Equipment Maintenance | 88 | 50 | 38 |

NOTES TO THE FINACIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM
Prepared in accordance with Public Finance Act s31 (xviii)
Government of Tuvalu for the Year Ended 31/12/2011
Budget Approved on the Cash Basis

| | | | | <u>2011</u> | <u>Final Budget</u> | <u>Excess of</u> |
|--|-----------------------------------|--------|---------------------------------|---------------|------------------------|-----------------------|
| <u>Head of Expenditure / Government Function</u> | | | | <u>Actual</u> | <u>Provision as at</u> | <u>Expenditure</u> |
| | | | | | <u>31/12/2011</u> | <u>over provision</u> |
| J02 | Department of Rural Development | 782240 | TSSTP GoT Contributions | 90 | 0 | 90 |
| J02 | Department of Rural Development | 782250 | Falekaupule Act Grant | 462,129 | 434,408 | 27,720 |
| J02 | Department of Rural Development | 782390 | Tied Grant | 130,432 | 125,681 | 4,751 |
| J02 | Department of Rural Development | 782410 | Outer Islands Projects | 1,332,706 | 1,200,000 | 132,706 |
| J03 | Community Affairs | 721300 | Telecom & Internet | 199 | 150 | 49 |
| J03 | Community Affairs | 773210 | Senior Citizens Scheme | 228,650 | 225,000 | 3,650 |
| J04 | Women Development (Inactive) | 723510 | Office Expenses | 357 | 200 | 157 |
| J05 | Culture | 711110 | Salaries | 16,100 | 16,055 | 45 |
| J05 | Culture | 711120 | Allowances | 604 | 100 | 504 |
| J05 | Culture | 719100 | TNPF | 1,670 | 1,616 | 54 |
| J06 | Immigration (Inactive) | 711120 | Allowances | 2,580 | 1,000 | 1,580 |
| J06 | Immigration (Inactive) | 719100 | TNPF | 3,568 | 3,491 | 77 |
| J06 | Immigration (Inactive) | 723540 | | 47,879 | 1,828 | 46,051 |
| J06 | Immigration (Inactive) | 762100 | Overseas contribution PIDC | 1,035 | 1,000 | 35 |
| J06 | Immigration (Inactive) | 791220 | Office Equipment | 3,466 | 1,000 | 2,466 |
| Police and Prison Services | | | | | | |
| K01 | Police and Prison Services | 711120 | | 86,618 | 51,105 | 35,513 |
| K01 | Police and Prison Services | 711210 | Commissioner's Salary | 26,365 | 0 | 26,365 |
| K01 | Police and Prison Services | 719100 | TNPF | 68,179 | 58,241 | 9,938 |
| K01 | Police and Prison Services | 721100 | Overseas Travel & Subsistence | 4,713 | 3,100 | 1,613 |
| K01 | Police and Prison Services | 72110A | Local Travel & Subsistence | 4,147 | 0 | 4,147 |
| K01 | Police and Prison Services | 721300 | Telecom & Internet | 4,236 | 4,000 | 236 |
| K01 | Police and Prison Services | 722100 | | 845 | 585 | 260 |
| K01 | Police and Prison Services | 72250A | Vessel Maintenance | 10,617 | 8,800 | 1,817 |
| K01 | Police and Prison Services | 722650 | Prison Maintenance | 367 | 330 | 37 |
| K01 | Police and Prison Services | 723210 | Victualling | 9,051 | 8,000 | 1,051 |
| K01 | Police and Prison Services | 723510 | Office Expenses | 3,091 | 2,415 | 676 |
| K01 | Police and Prison Services | 723820 | to | 10,929 | 8,500 | 2,429 |
| K01 | Police and Prison Services | 723910 | Electricity | 26,499 | 25,200 | 1,299 |
| K01 | Police and Prison Services | 726050 | Ship & Workshop Expenses | 1,072 | 1,000 | 72 |
| Transport and Communications | | | | | | |
| L01 | Corp. Services - Comm. and Trans | 711120 | | 11,849 | 9,514 | 2,335 |
| L01 | Corp. Services - Comm. and Trans | 711250 | Minister's Local Entertainment | 12,270 | 3,500 | 8,770 |
| L01 | Corp. Services - Comm. and Trans | 719100 | TNPF | 8,673 | 8,574 | 99 |
| L01 | Corp. Services - Comm. and Trans | 72120A | Minister's Travel | 21,942 | 15,000 | 6,942 |
| L01 | Corp. Services - Comm. and Trans | 721300 | Telecom & Internet | 2,804 | 2,500 | 304 |
| L01 | Corp. Services - Comm. and Trans | 723320 | Petrol & Oil | 2,962 | 2,500 | 462 |
| L01 | Corp. Services - Comm. and Trans | 723540 | Office Stationery | 3,699 | 3,496 | 203 |
| L02 | Marine | 711120 | | 315,485 | 282,889 | 32,596 |
| L02 | Marine | 712900 | Relieving Fund | 52,885 | 30,000 | 22,885 |
| L02 | Marine | 719100 | TNPF | 83,762 | 72,957 | 10,805 |
| L02 | Marine | 721100 | Overseas Travel and Subsistence | 1,521 | 1,200 | 321 |
| L02 | Marine | 722100 | Building Maintenance | 15,135 | 6,000 | 9,135 |
| L02 | Marine | 722250 | Equipment Maintenance | 1,123 | 1,000 | 123 |
| L02 | Marine | 723210 | Victualling | 280,796 | 252,164 | 28,632 |
| L02 | Marine | 723330 | Vessel Fuel | 1,006,867 | 984,000 | 22,867 |
| L02 | Marine | 723530 | Computer Supply | 249 | 241 | 8 |
| L02 | Marine | 723910 | Electricity | 57,835 | 46,396 | 11,439 |
| L02 | Marine | 723920 | Water | 13,123 | 4,000 | 9,123 |
| L02 | Marine | 726030 | Safety Gear | 8,014 | 7,704 | 310 |
| L02 | Marine | 726080 | Vessel Canteen | 2,488 | 2,140 | 348 |
| L03 | Aviation | 711120 | | 8,081 | 5,600 | 2,481 |
| L03 | Aviation | 719100 | TNPF | 10,155 | 9,872 | 283 |
| L03 | Aviation | 722250 | Maintenance | 23,393 | 22,000 | 1,393 |
| L03 | Aviation | 723510 | Office Expenses | 3,735 | 3,500 | 235 |
| L04 | Information, Comm. and Technology | 721300 | Telecom & Internet | 999 | 750 | 249 |
| L04 | Information, Comm. and Technology | 722150 | Computer Maintenance | 7,417 | 4,000 | 3,417 |
| L04 | Information, Comm. and Technology | 723570 | ISP Operating Expenses | 23,866 | 5,000 | 18,866 |
| L04 | Information, Comm. and Technology | 791210 | Computer Equipments | 15,023 | 8,000 | 7,023 |
| L04 | Information, Comm. and Technology | 791220 | Satellite Link | 101,550 | 100,000 | 1,550 |
| L04 | Information, Comm. and Technology | 791340 | Software Patches & Securities | 5,487 | 5,000 | 487 |
| L07 | Meteorological Office | 721100 | Overseas Travel & Subsistence | 1,662 | 1,500 | 162 |
| L07 | Meteorological Office | 722100 | | 10,286 | 9,500 | 786 |
| L07 | Meteorological Office | 722250 | Equipment Maintenance | 2,663 | 2,500 | 163 |
| L07 | Meteorological Office | 722500 | Vehicle Maintenance | 710 | 351 | 359 |
| L07 | Meteorological Office | 723510 | Office Expenses | 3,449 | 2,320 | 1,129 |
| L07 | Meteorological Office | 723750 | Store Supplies | 2,783 | 351 | 2,432 |
| Education, Youth and Sports | | | | | | |
| M02 | Education Department | 721100 | Overseas Travel & Subsistence | 5,194 | 5,000 | 194 |

NOTES TO THE FINACIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM
Prepared in accordance with Public Finance Act s31 (xviii)
Government of Tuvalu for the Year Ended 31/12/2011
Budget Approved on the Cash Basis

| | | | | <u>2011</u> | <u>Final Budget</u> | <u>Excess of</u> |
|--|---------------------------------------|--------|-------------------------------------|---------------|------------------------|-----------------------|
| <u>Head of Expenditure / Government Function</u> | | | | <u>Actual</u> | <u>Provision as at</u> | <u>Expenditure</u> |
| | | | | | <u>31/12/2011</u> | <u>over provision</u> |
| M02 | Education Department | 72110A | Local Travel & Subsistence | 4,293 | 2,500 | 1,793 |
| M02 | Education Department | 723540 | Office Stationery | 14,126 | 1,000 | 13,126 |
| M02 | Education Department | 723830 | Examination Admin | 32,510 | 28,180 | 4,330 |
| M02 | Education Department | 782380 | Pre School Support | 13,092 | 0 | 13,092 |
| M03 | Primary Education | 711110 | Salaries | 1,077,011 | 1,010,518 | 66,493 |
| M03 | Primary Education | 711120 | | 6,833 | 5,008 | 1,825 |
| M03 | Primary Education | 712900 | Relieving Teachers | 10,260 | 10,000 | 260 |
| M03 | Primary Education | 721100 | Overseas Travel & Subsistence | 986 | 500 | 486 |
| M03 | Primary Education | 72110A | Local Travel and Subsistence | 3,281 | 1,500 | 1,781 |
| M03 | Primary Education | 721110 | Leave Travel | 9,958 | 7,811 | 2,147 |
| M03 | Primary Education | 723520 | Journals & Library Books | 2,350 | 2,000 | 350 |
| M03 | Primary Education | 782370 | Support to Primary Schools EU | 30,725 | 30,000 | 725 |
| M04 | EFA Secondary School | 712110 | Casual Workers | 8,824 | 4,500 | 4,324 |
| M04 | EFA Secondary School | 72110A | Students' Travel | 1,570 | 1,500 | 70 |
| M04 | EFA Secondary School | 722250 | Equipment Maintenance | 2,560 | 2,000 | 560 |
| M04 | EFA Secondary School | 722500 | Vehicle Maintenance | 438 | 0 | 438 |
| M04 | EFA Secondary School | 723420 | Visitor's Entertainment | 541 | 200 | 341 |
| M04 | EFA Secondary School | 723540 | Office Stationery | 325 | 200 | 125 |
| M04 | EFA Secondary School | 723560 | Text Books | 20,010 | 20,000 | 10 |
| M04 | EFA Secondary School | 723710 | Cleaning Supplies | 11,001 | 5,200 | 5,801 |
| M05 | Library | 721300 | Telecom & Internet | 1,442 | 800 | 642 |
| M05 | Library | 722250 | Equipment Maintenance | 1,005 | 500 | 505 |
| M05 | Library | 723510 | Office Expenses | 230 | 151 | 79 |
| M06 | Sports | 721100 | | 161,518 | 160,700 | 819 |
| M08 | Youth | 711110 | Salaries | 7,669 | 5,150 | 2,519 |
| M08 | Youth | 719100 | TNPF | 767 | 515 | 252 |
| M08 | Youth | 723540 | Office Stationery | 2,580 | 151 | 2,429 |
| M08 | Youth | 782290 | Grant to TNVC | 10,000 | 5,000 | 5,000 |
| M09 | Early Childhood Care and Education | 711110 | Salaries | 21,964 | 16,840 | 5,124 |
| M09 | Early Childhood Care and Education | 712120 | Allowances Pre Sch salaries | 61,428 | 0 | 61,428 |
| Judiciary | | | | | | |
| Foreign Affairs, Trade, Tourism, Environment & Labour | | | | | | |
| O01 | MFAETLT Headquarter | 711120 | | 6,391 | 4,514 | 1,877 |
| O01 | MFAETLT Headquarter | 711250 | Local Entertainment | 3,773 | 3,500 | 273 |
| O01 | MFAETLT Headquarter | 712110 | Housemaid salary and leave entitler | 12,788 | 4,403 | 8,385 |
| O01 | MFAETLT Headquarter | 719200 | TNPF | 3,619 | 1,007 | 2,612 |
| O01 | MFAETLT Headquarter | 721200 | Statutory Travel Spouse | 21,941 | 1,000 | 20,941 |
| O01 | MFAETLT Headquarter | 72120A | Minister's Travel | 39,802 | 15,000 | 24,802 |
| O01 | MFAETLT Headquarter | 721300 | Telecom and Internet | 2,022 | 1,750 | 272 |
| O01 | MFAETLT Headquarter | 723510 | | 575 | 500 | 75 |
| O02 | Labour | 721100 | | 33,440 | 20,000 | 13,440 |
| O02 | Labour | 723220 | VIP Lounge Supplies | 1,146 | 1,000 | 146 |
| O02 | Labour | 723540 | Office Stationeries | 511 | 500 | 11 |
| O03 | Suva Mission | 712610 | Staff relieving fund | 1,898 | 1,333 | 565 |
| O03 | Suva Mission | 721100 | Overseas Travel and Subsistence | 22,146 | 15,256 | 6,890 |
| O03 | Suva Mission | 723510 | Office Expenses | 38,612 | 9,000 | 29,612 |
| O03 | Suva Mission | 723740 | Household Items | 3,468 | 2,882 | 586 |
| O04 | Permanent Mission of Tuvalu to the UN | 712110 | Support Staff Salary | 6,169 | 0 | 6,169 |
| O04 | Permanent Mission of Tuvalu to the UN | 721100 | Overseas Travel and Subsistence | 27,090 | 19,452 | 7,638 |
| O04 | Permanent Mission of Tuvalu to the UN | 721300 | Telecom & Internet | 7,559 | 7,000 | 559 |
| O04 | Permanent Mission of Tuvalu to the UN | 723510 | Office Expenses | 3,806 | 0 | 3,806 |
| O04 | Permanent Mission of Tuvalu to the UN | 723550 | Photocopy & Printing | 1,502 | 1,500 | 2 |
| O04 | Permanent Mission of Tuvalu to the UN | 791240 | Vehicle | 48,907 | 0 | 48,907 |
| O05 | Brussels Mission | 711110 | Salaries | 88,282 | 77,666 | 10,616 |
| O05 | Brussels Mission | 721100 | | 33,350 | 15,000 | 18,350 |
| O05 | Brussels Mission | 722500 | Vehicle Maintenance | 1,859 | 1,504 | 355 |
| O05 | Brussels Mission | 723440 | Representations | 77,328 | 15,042 | 62,286 |
| O05 | Brussels Mission | 723740 | Household Items | 3,356 | 752 | 2,604 |
| O05 | Brussels Mission | 781100 | Rent for Ambassador's Residence | 41,227 | 36,100 | 5,127 |
| O05 | Brussels Mission | 791220 | Office Equipment | 3,243 | 3,000 | 243 |
| O06 | Environment | 711110 | Salaries | 49,005 | 46,587 | 2,418 |
| O06 | Environment | 723010 | Advertising & Publication Costs | 140 | 100 | 40 |
| O06 | Environment | 723320 | Petrol and Oil | 80 | 0 | 80 |
| O06 | Environment | 723540 | Office Stationery | 825 | 700 | 125 |
| O07 | Tuvalu Consulate in Auckland | 711120 | | 6,544 | 5,539 | 1,005 |
| O07 | Tuvalu Consulate in Auckland | 721100 | Overseas Travel and Subsistence | 9,444 | 0 | 9,444 |
| O07 | Tuvalu Consulate in Auckland | 721101 | Local Travel and Subsistence | 7,298 | 2,514 | 4,784 |
| O07 | Tuvalu Consulate in Auckland | 721110 | Leave Travel Entitlement | 440 | 0 | 440 |
| O07 | Tuvalu Consulate in Auckland | 721300 | Telecommunications | 4,373 | 2,011 | 2,362 |

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF UNAUTHORISED EXPENDITURE by SUB HEAD and ITEM

Prepared in accordance with Public Finance Act s31 (xviii)

Government of Tuvalu for the Year Ended 31/12/2011

Budget Approved on the Cash Basis

| <u>Head of Expenditure / Government Function</u> | | | | <u>2011</u> | <u>Final Budget</u> | <u>Excess of</u> |
|--|------------------------------|--------|---------------------------------|---------------|------------------------|-----------------------|
| | | | | <u>Actual</u> | <u>Provision as at</u> | <u>Expenditure</u> |
| | | | | | <u>31/12/2011</u> | <u>over provision</u> |
| O07 | Tuvalu Consulate in Auckland | 723320 | Fuel | 3,094 | 2,514 | 580 |
| O07 | Tuvalu Consulate in Auckland | 723510 | Office Expenses | 3,010 | 838 | 2,172 |
| O07 | Tuvalu Consulate in Auckland | 723910 | Electricity | 2,029 | 2,011 | 18 |
| O07 | Tuvalu Consulate in Auckland | 791240 | Vehicle | 40,091 | 10,000 | 30,091 |
| O08 | Trade Office | 721100 | Overseas Travel and Subsistence | 2,400 | 1,167 | 1,233 |
| O08 | Trade Office | 723510 | Office Expenses | 624 | 445 | 179 |