



**FINANCIAL STATEMENTS**  
**OF THE**  
**GOVERNMENT OF**  
**THE REPUBLIC OF VANUATU**

**for the year ended**

**31 December 2011**

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## STATEMENTS OF RESPONSIBILITY

### Minister of Finance and Economic Management

It is with great pleasure that I present the 2011 financial statements of the Government of the Republic of Vanuatu.

In accordance with my responsibilities under Section 30 of the Public Finance and Economic Management Act No.6 of 1998 (as amended) I warrant both the integrity of the financial disclosures contained in the Financial Statements and their consistency with the requirements of the Act.



Honourable Simelum Maki Stanley (MP)  
Minister of Finance and Economic Management

### Director General of the Ministry of Finance and Economic Management

These Financial Statements have been prepared by the Ministry of Finance and Economic Management in accordance with the provisions of the Public Finance and Economic Management Act, Number 6, 1998. Compilation of these Financial Statements follows generally accepted accounting practice and has complied with International Public Sector Accounting Standards as issued by the International Federation of Accountants where practicable.

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

In accordance with my responsibilities under Section 30 of the Public Finance and Economic Management Act No.6 of 1998 (as amended) I warrant both the integrity of the financial disclosures contained in the Financial Statements and their consistency with the requirements of the Act.



George Maniuri  
Director General  
Ministry of Finance and Economic Management



## **REPORT OF THE AUDITOR GENERAL TO THE PARLIAMENT OF THE VANUATU WHOLE OF GOVERNMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

In accordance with Article 25(5) of the Constitution of the Republic of Vanuatu and Section 27 of the Expenditure Review and Audit Act No.3 of 1998 (as amended), I have audited the financial statements of the Vanuatu Whole of Government (consolidated) for the year ended 31 December 2011.

The financial statements on pages 9 to 66 which have been prepared with applicable International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS accrual) issued by the International Federation of Accountants as stated in the accounting policies set out on pages 26 to 29.

### **Respective Responsibilities of the Government and the Auditors**

As described on page 2, the Government is responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and report my opinion to you.

### **Basis of Opinion**

I conducted my audit in accordance with International Auditing Standards issued by the International Organisation of Supreme Audit Institutions, except that the scope of my work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Government in the preparation of the financial statements and as to whether the accounting policies used are appropriate to the Government's circumstances, consistently applied and adequately disclosed.

An audit should obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error.

The limitation of scope of this audit arose from the following factors:

- The opening balances in the Statement of Financial Position could not be verified due to the disclaimer of audit opinion issued on the 31 December 2010 financial statements;
- The valuation of property, plant and equipment of VT36,974 million could not be reliably verified due to valuation methods not complying with the accounting standards, donated assets not being accounted for appropriately and incompleteness of the fixed asset register;



- The financial statements of some of the Government Business Enterprises (GBEs) are either not current and/or have not been audited which casts doubt on the figures being represented in the financial statements;
- Disclosures relating to the Government's commitments and contingencies (legal proceedings and disputes) have not been updated or verified for 2011 due to lack of timely information;
- Third party confirmations were not received to confirm material balances for advances to GBEs, donor contributions and contingent liabilities;
- Requested information for some revenue transactions, debtor receipts, lease agreements, contingencies, employee entitlements, and original bank reconciliations was not provided for auditing purposes for various reasons.

### **Qualified Opinion: Disclaimer due to limitation of scope**

As a result of the above and the effect of the limitation of audit evidence available to me, I am unable to form an opinion as to whether the financial statements fairly reflect the financial position of the Vanuatu Whole of Government as at 31 December 2011 and of the operations for the year then ended.

In addition to this:

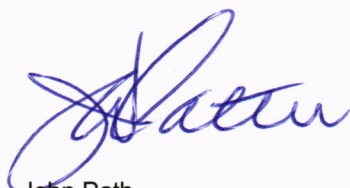
- the annual statutory requirement to prepare the statements and submitted to the Audit Office within three months of balance date has not been met as required under section 25 of the Public Finance and Economic Management Act. Subsequently the requirement to have the audited financial statements tabled in Parliament in a timely manner has not been adhered to;
- overspends in appropriation at a Ministerial level and an activity level has not been in compliance with Section 32 of the Public Finance and Economic Management Act that requires Government must not incur any expense or liability unless the expenditure or liability can be charged to a program or activity of an agency. Overspending also contravenes Regulation 3.1 (Financial Regulations) requires that "all expenditure that is approved for payment must be within the program or output budgets specified and voted in any Appropriation Acts or warrants";
- The non-presentation of budget information on the same basis as the financial statements does not meet the requirements of Regulation 12.3 of the Financial Regulations and IPSAS 24;
- Section 47 of the Public Finance and Economic Management Act requires that all trust money held by the State must be accounted for separately from public money and held in a separate bank account. This has not been complied with;
- The statement in the accounting policies that the accounts have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) cannot be met as there are some shortfalls in disclosures that require further explanation for non-disclosure.

All legislative compliance breaches and matters relating to the 'limitation of scope' has been expanded and discussed more fully in the management report issued for this audit.

## Independence

When carrying out the audit we followed the independence requirements of the Vanuatu Office of the Auditor-General, which incorporates the independence requirements of the International Standards of Auditing.

Other than the audit we have no relationship with or interests in the Vanuatu Whole of Government (consolidated).



John Path  
**Auditor-General**



8 September 2014  
Port Vila Vanuatu

## COMMENTARY ON THE FINANCIAL STATEMENTS

These Financial Statements represent the accrual based financial statements prepared for the Government of the Republic of Vanuatu for the year ended 31 December 2011. The Statements follow generally accepted accounting practice and comply with International Public Sector Accounting Standards (IPSAS) as issued by the International Federation of Accountants where practicable. Where the financial statements do not fully comply with IPSAS this has been disclosed in the notes to the accounts.

The 2010 financial statements have been corrected for errors occurring in the 2009 and 2010 financial years that were uncovered during the preparation of the 2011 financial statements. These errors relate to revenue from the Vanuatu Financial Services Commission (VFSC) for Offshore Companies Registrations, Stamp Duties, Business Names Registration and other minor receipts that the VFSC collects on behalf of the Government. In 2009 the VFSC changed from submitting receipts to the Government for these items from monthly and quarterly to an annual submission in January or February for the prior year's receipts. This revenue was not accrued in 2009 or 2010 and only the actual cash received in each year is shown as revenue in those years.

An adjustment has been made to the 2010 accounts to increase revenue by 17 million vatu to reflect the actual revenue that should have been accrued. Receivables and the Equity balance relating to the Recurrent Fund have increased by 249 million in 2010 to reflect the revenue receivable from VFSC. The comparative original and revised balances are shown in the summary tables below.

The Government operating balance was -1,141 million in 2011 compared to -475 million in 2010. A brief commentary on each of the main statements included in these accounts follows:

### Statement of Financial Position

The Statement of Financial Position shows the assets and liabilities of the Government. The Government of Vanuatu started the process of identifying all of its assets and liabilities to be included in the financial statements in 2001 in order to move from cash to accrual accounting in 2002. All debt liabilities were included in these statements for the first time in 2002 and an adjustment to the Equity account was made to reflect bringing these liabilities onto the books. In previous years this liability has been shown separately in the Statement of Borrowings but not in the Statement of Financial Position.

The Government also recognised the value of the State's fixed assets and investments in Government Business Enterprises within the Statement of Financial Position in the 2003 year. The adjustment necessary to achieve this objective resulted in a significant asset revaluation reserve being created as a component of the Government's Capital Account. The process of identifying and valuing Government owned assets is ongoing and other assets and liabilities have been brought onto the Government's balance sheet as they have been identified and valued.

The Government has a net worth of 25.454 billion vatu as at the end of 2011 as outlined below:

	2011 vatu million	Restated 2010 vatu million	Original 2010 vatu million
<b>Financial Position</b>			
Assets	49,142	47,773	47,524
Liabilities	23,688	21,972	21,972
<b>Net Worth</b>	<b>25,454</b>	<b>25,801</b>	<b>25,552</b>



## Statement of Financial Performance

The Statement of Financial Performance shows the total revenue and expenses for the Government each year. The net surplus or deficit of Government Business Enterprises is also included in this statement to show the Operating Balance of the total Government reporting entity for each year. This statement includes some other items which were not included in previous cash based accounts, such as depreciation on assets and foreign currency gains or losses on borrowings. A summary of the Consolidated Statement of Financial Performance for each year is as follows:

	2011 vatu million	Restated 2010 vatu million	Original 2010 vatu million
<b>Consolidated Financial Performance</b>			
Revenue	15,842	17,100	17,083
Expenses	17,245	15,918	15,918
<b>Revenue less Expenses</b>	<b>(1,403)</b>	<b>1,182</b>	<b>1,165</b>
Net surplus/(deficit) of GBES	262	(1,657)	(1,657)
<b>Operating Balance</b>	<b>(1,141)</b>	<b>(475)</b>	<b>(492)</b>

However the net deficit in 2010 is significantly distorted by the large capital works project that was funded by the Millennium Challenge Corporation. An amount of 2,095 million vatu has been capitalised for road works funded by the MCC in 2010. The funding for this work has been recognised as revenue but the expenses will be recognised over the useful life of the road (in the form of depreciation). As such the operating balance is significantly higher than it would have been had these capital works not occurred.

If donor funded activities and foreign currency movements are excluded, the Statement of Financial Performance for the Recurrent Fund shows an operating balance (including foreign currency gains) of -1,074 million vatu in 2011 and -2,860 million vatu in 2010 as follows:

	2011 vatu million	Restated 2010 vatu million	Original 2010 vatu million
<b>Recurrent Fund Financial Performance</b>			
Revenue	12,910	12,674	12,657
Expenses	14,510	13,869	13,869
<b>Revenue less Expenses</b>	<b>(1,600)</b>	<b>(1,195)</b>	<b>(1,212)</b>
Net surplus/(deficit) of GBES	262	(1,657)	(1,657)
<b>Operating Balance</b>	<b>(1,338)</b>	<b>(2,852)</b>	<b>(2,869)</b>
less Foreign Currency movements	264	(8)	(8)
<b>Adjusted Operating Balance</b>	<b>(1,074)</b>	<b>(2,860)</b>	<b>(2,877)</b>

## Statement of Borrowings

Borrowings have increased in 2011 as follows:

	2011 vatu million	2010 restated vatu million
<b>Borrowings</b>		
Foreign currency borrowings	10,441	9,860
Domestic borrowings	4,235	3,285
<b>Total borrowings</b>	<b>14,676</b>	<b>13,144</b>

The increase is due to draw-downs from the Chinese Government for further work on the E-Government project and an additional 950 million vatu in domestic borrowing to fund the deficit in the recurrent budget.

**FINANCIAL STATEMENTS**

**of the**

**GOVERNMENT OF  
THE REPUBLIC OF VANUATU**

**for the year ended 31 December 2011**

**Statement of Financial Performance**  
(for the year ended 31 December 2011)

	<b>Note</b>	<b>2011 vatu million</b>	<b>2010 restated vatu million</b>
<b>Revenue</b>			
<b>Levied through the State's Sovereign Power</b>			
Taxation revenue	1	10,538	9,613
License and registration fees	1	1,262	1,398
Other Sovereign revenues	1	605	649
<b>Total Revenue levied through the State's Sovereign Power</b>	1	<b>12,405</b>	<b>11,660</b>
<b>Earned through the State's Operations</b>			
Charges and recoveries	2	730	945
Investment income	3	167	100
<b>Total Revenue Earned through State Operations</b>		<b>897</b>	<b>1,045</b>
<b>Other Revenue</b>			
Contributions from Donors	4	2,804	4,400
Loss on sale of Investments	11	-	-
Foreign currency gains/(losses)		(264)	(5)
<b>Total Other Revenue</b>		<b>2,540</b>	<b>4,395</b>
<b>Total Revenue</b>		<b>15,842</b>	<b>17,100</b>
<b>Expenses</b>	5		
Personnel expenses	6	9,054	8,813
Operating expenses	7	4,235	4,331
Grants, subsidies and transfer payments	8	2,174	1,657
Finance costs		419	361
Depreciation on assets	12	1,350	489
Write offs		13	267
<b>Total Expenses</b>	5	<b>17,245</b>	<b>15,918</b>
<b>Revenue less Expenses</b>		<b>(1,403)</b>	<b>1,182</b>
<b>Net surplus/(deficit), less distributions, attributable to Government Business Enterprises</b>	11	<b>262</b>	<b>(1,657)</b>
<b>Operating Balance</b>		<b>(1,141)</b>	<b>(475)</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

Note: The Statement of Financial Performance includes all revenue and expenses for the Recurrent and Development Funds. The Statement of Segments includes separate Statements of Financial Activity and Financial Performance for the Recurrent and Development funds.

**Statement of Financial Position**  
(as at 31 December 2011)

	<b>Note</b>	<b>2011 vatu million</b>	<b>2010 restated vatu million</b>
<b>Assets</b>			
Cash and bank		2,770	2,917
Receivables	9	1,460	1,441
Advances	10	1,802	1,960
Investment in Government Owned Enterprises	11	6,136	5,774
Property, Plant and Equipment	12	36,974	26,861
Capital works in Progress	12	-	8,820
<b>Total Assets</b>		<b>49,142</b>	<b>47,773</b>
<b>Liabilities</b>			
Payables and provisions	13	860	1,083
Employee Entitlements	14	7,571	7,051
Trust account liabilities	15	581	694
Borrowings		14,676	13,144
<b>Total Liabilities</b>		<b>23,688</b>	<b>21,972</b>
<b>Total Assets less Total Liabilities</b>		<b>25,454</b>	<b>25,801</b>
<b>Net Worth</b>			
Recurrent Fund Balance		7,325	8,183
Development Fund Balance		2,499	2,376
Special Reserve		10,169	10,169
Depreciable Fixed Assets Revaluation Reserve		5,461	5,073
<b>Net Worth</b>		<b>25,454</b>	<b>25,801</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

Note: The Statement of Financial Position includes all assets and liabilities for the Recurrent, Trust and Development Funds.  
Details of Borrowings are included in the Statement of Borrowings  
Details of movements in equity (net worth) are shown in the Statement of Movements in Equity

**Statement of Cash Flows**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Taxation Revenue	10,732	9,926
License and Registration Fees	1,215	1,367
Donor Contributions	2,872	4,287
Other Sovereign Revenues	587	622
Investment Income	192	113
Other Operating Receipts	710	668
<b>Total Cash Provided from Operations</b>	<b>16,308</b>	<b>16,983</b>
<b>Cash was disbursed to:</b>		
Personnel payments	8,665	8,608
Operating payments	4,556	4,410
Subsidies and transfers	2,130	1,663
Finance costs	397	322
<b>Total Cash Disbursed from Operations</b>	<b>15,748</b>	<b>15,003</b>
<b>Net Cash Flows from Operations</b>	<b>560</b>	<b>1,980</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash was provided from</b>		
Sale of physical assets	-	-
Repayment of advances from GBEs	167	14
Sale of Investments	-	-
<b>Total Cash Provided from Investing Activities</b>	<b>167</b>	<b>14</b>
<b>Cash was disbursed to:</b>		
Purchase of physical assets and capital works	1,849	3,100
Advances to GBEs	100	500
<b>Total Cash Disbursed to Investing Activities</b>	<b>1,949</b>	<b>3,600</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(1,782)</b>	<b>(3,586)</b>

*The accompanying notes and accounting policies are an integral part of these statements.*



**Statement of Cash Flows (continued)**  
**(for the year ended 31 December 2011)**

	<b>2011</b>	<b>2010 restated</b>
	<b>vatu million</b>	<b>vatu million</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Drawdown of domestic loans	1,250	1,199
Drawdown of foreign loans	590	562
Net Receipts/(Payments) from Trust Funds	(158)	(82)
<b>Total Cash Provided from Financing Activities</b>	<b>1,682</b>	<b>1,679</b>
<b>Cash was disbursed to:</b>		
Repayment of domestic loans	300	399
Repayment of foreign loans	307	294
<b>Total Cash Disbursed to Financing Activities</b>	<b>607</b>	<b>693</b>
<b>Net Cash Flows from Financing Activities</b>	<b>1,075</b>	<b>986</b>
<b>Net Increase / (Decrease) in Cash Held</b>	<b>(147)</b>	<b>(620)</b>
Add Opening Cash Balances	2,917	3,537
<b>Closing Cash Balance</b>	<b>2,770</b>	<b>2,917</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

## Reconciliation of Net Cash Flows from Operations and the Operating Balance

(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Net Cash Flows from Operations</b>	<b>560</b>	<b>1,980</b>
<b>Items included in the operating balance but not in the net cash flows from operations</b>		
<b>Valuation Changes</b>		
Unrealised net foreign-exchange (losses)/gains	(263)	15
Non cash write-offs	(13)	(267)
<b>Total Valuation Changes</b>	<b>(276)</b>	<b>(252)</b>
<b>Asset Movements</b>		
Depreciation	(1,350)	(489)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	262	(1,657)
Other Asset Movements	(56)	(50)
<b>Total Asset Movements</b>	<b>(1,144)</b>	<b>(2,196)</b>
<b>Movements in Working Capital</b>		
Increase/(Decrease) in Receivables	19	278
Less receivable adjustment for VFSC	-	(232)
Increase/(Decrease) in Employee Advances	(3)	(1)
(Increase)/Decrease in Payables and Provisions	223	24
(Increase)/Decrease in Employee Entitlements	(520)	(76)
<b>Total Working Capital Movements</b>	<b>(281)</b>	<b>(7)</b>
<b>Operating Balance</b>	<b>(1,141)</b>	<b>(475)</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Movements in Equity**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Opening Equity Balance</b>		
Recurrent Fund	8,183	8,301
Development Fund	2,376	2,094
Special Reserve	10,169	10,169
Depreciable Fixed Assets Revaluation Reserve	5,073	4,778
<b>Opening Equity balance</b>	<b>25,801</b>	<b>25,342</b>
<b>Net Surplus/(Deficit)</b>		
Recurrent Fund	(1,338)	(2,852)
Development Fund	123	282
<b>Net Surplus/(Deficit)</b>	<b>(1,215)</b>	<b>(2,570)</b>
<b>Other Movements</b>		
Recurrent Fund	480	2,734
Special Reserve	-	-
Depreciable Fixed Assets Revaluation Reserve	388	295
<b>Other Movements</b>	<b>868</b>	<b>3,029</b>
<b>Closing Equity Balance</b>		
Recurrent Fund	7,325	8,183
Development Fund	2,499	2,376
Special Reserve	10,169	10,169
Depreciable Fixed Assets Revaluation Reserve	5,461	5,073
<b>Closing Equity Balance</b>	<b>25,454</b>	<b>25,801</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Movements in Equity (continued)**  
(for the year ended 31 December 2011)

**Recurrent Fund Balance**

	2011 vatu million	2010 restated vatu million
<b>Recurrent Fund Opening Balance</b>	<b>8,183</b>	<b>8,301</b>
Net Surplus/(Deficit) for the year	(1,338)	(2,852)
VFSC Receivable adjustment for accrued revenue not recognised in prior periods	-	232
Transfer from depreciable fixed assets revaluation reserve	407	407
Construction in Progress balances transferred from the Development Fund	74	2,095
Rounding	(1)	
<b>Recurrent Fund Closing Balance</b>	<b>7,325</b>	<b>8,183</b>

The Net Surplus/(Deficit) for the year includes depreciation on all fixed assets. A large portion of these assets were introduced to the Statement of Financial Position in 2003 and a revaluation reserve was established for depreciable fixed assets as they were brought onto the Statement of Financial Position. These depreciable fixed assets were expensed in previous years and it has not been possible to restate the prior year accounts to reflect this change. In order to more appropriately reflect the actual movement in the recurrent fund balance, depreciation on all assets is recognised as an expense in the Statement of Financial Performance but depreciation on assets brought on and re-valued against the revaluation reserve are recorded as a transfer from the Depreciable Fixed Assets Revaluation Reserve in the Statement of Movements in Equity.

Construction in Progress balances of 2,095 million in 2010 and 74 million in 2011 that were transferred from the development fund represent the capital works that have been funded by the Millennium Challenge Corporation. The Development Fund balance represents the unspent portion of donor funds received, regardless of whether expenditure has been for expenses or for the purchase of physical assets. The purchase of physical assets in the development fund will result in an operating balance surplus for the development fund in the year that revenue was received and additional depreciation expense to be recognised in the recurrent fund over the useful life of those assets. The operating balance surplus for the development fund has been transferred to the recurrent fund balance to meet the depreciation expense in future years.

The 2010 financial statements have been corrected for errors occurring in the 2009 and 2010 financial years that were uncovered during the preparation of the 2011 financial statements. These errors relate to revenue from the Vanuatu Financial Services Commission for Offshore Companies Registrations, Stamp Duties, Business Names Registration and other minor receipts that the VFSC collects on behalf of the Government. In 2009 the VFSC changed from submitting receipts to the Government for these items from monthly and quarterly to an annual submission in January or February for the prior year's receipts. This revenue was not accrued in 2009 or 2010 and only the actual cash received in each year is shown as revenue in those years.

An adjustment has been made to the 2010 accounts to reduce the net deficit by 17 million vatu to reflect the actual revenue that should have been accrued. The Equity balance relating to the Recurrent Fund has been increased by an additional 232 million in 2010 to reflect the revenue receivable from VFSC. The total increase in Accounts Receivable is 249 million vatu (17 million plus 232 million).

**Statement of Movements in Equity (continued)**  
(for the year ended 31 December 2011)

**Development Fund Balance**

	2011 vatu million	2010 restated vatu million
<b>Development Fund Opening Balance</b>	<b>2,376</b>	<b>2,094</b>
Surplus/(Deficit) for the year	123	282
<b>Development Fund Closing Balance</b>	<b>2,499</b>	<b>2,376</b>

The Development Fund Balance represents amounts given by Aid Donors for Development Projects which have not been spent yet. These amounts are held in reserve against each approved project until committed for expenditure by the Ministry or Agency managing the project. Donor contributions are deposited to a separate trust account at the Reserve Bank.

**Reconciliation of Outstanding Liability for Unspent Donor Contributions and the Development Fund Bank Account**

	2011 vatu million	2010 restated vatu million
<b>Development Fund Balance Reconciliation</b>		
Unspent Donor Contributions Balance	2,499	2,376
Development Fund Bank Account Balances	2,593	2,344
<b>Cash Owning to Development Fund Bank Account</b>	<b>(94)</b>	<b>32</b>

Donor contributions are deposited to a separate trust account at the Reserve Bank. The Government of Vanuatu makes payments for donor projects from the main bank account and withdraws sufficient from the development fund trust account to meet expected payments for the next month. As such the balance of the Development Fund Bank Account may vary from the total outstanding liability. The difference between the outstanding liability for unspent Donor contributions and the balance at the bank account is shown in the reconciliation above. In 2010 the balance held in the Development Fund Trust Account was 32 million less than unspent donor contributions, while in 2011 there was 94 million more held in the Development Fund Trust Account than had been provided by donors and had not been spent yet.

**Special Reserve Balance**

	2011 vatu million	2010 restated vatu million
<b>Special Reserve Opening Balance</b>	<b>10,169</b>	<b>10,169</b>
New provisions in 2010 or 2011	-	-
<b>Special Reserve Closing Balance</b>	<b>10,169</b>	<b>10,169</b>

The Special reserve represents items (excluding depreciable fixed assets) brought onto the statement of financial position during the move from cash to accrual accounting. This includes the opening balances for Government Business Enterprises, employee severance provisions, receivables, payables etc when they were first brought onto the balance sheet.

*The accompanying notes and accounting policies are an integral part of these statements.*



**Statement of Movements in Equity (continued)**  
**(for the year ended 31 December 2011)**

**Depreciable Fixed Assets Revaluation Reserve Balance**

	2011 vatu million	2010 restated vatu million
<b>Depreciable Asset Revaluation Reserve Opening Balance</b>	<b>5,073</b>	<b>4,778</b>
Revalued fixed asset balances brought onto balance sheet	795	702
Transfer to Recurrent Fund Balance for depreciation charged for brought on assets	(407)	(407)
<b>Depreciable Asset Revaluation Reserve Closing Balance</b>	<b>5,461</b>	<b>5,073</b>

The Government's Fixed Assets were re-valued and brought onto the Statement of Financial Position in 2003. Additional assets have also been brought on in all subsequent years. The Depreciable Fixed Assets Revaluation Reserve has been created to recognise this revaluation. Depreciation on assets brought on through this reserve each year is transferred to the Recurrent Fund Balance and this reserve will reduce to zero as the assets become fully depreciated.

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Borrowings**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Foreign Currency Borrowings</b>		
Opening Balance	9,860	9,660
Principal drawdowns	590	562
Principal Repayments	(307)	(298)
Loan Write-offs	-	-
Foreign Exchange changes	299	(64)
<b>Closing Balance</b>	<b>10,441</b>	<b>9,860</b>
<b>Domestic Borrowings</b>		
Opening Balance	3,285	2,485
Principal drawdowns	1,250	1,199
Principal Repayments	(300)	(399)
Loan Write-offs	-	-
Foreign Exchange changes	-	-
<b>Closing Balance</b>	<b>4,235</b>	<b>3,285</b>
<b>Total Borrowings</b>		
Opening Balance	13,144	12,145
Principal drawdowns	1,840	1,761
Principal Repayments	(607)	(697)
Loan Write-offs	-	-
Foreign Exchange changes	299	(64)
<b>Closing Balance</b>	<b>14,676</b>	<b>13,144</b>

This Statement summarises movements in foreign and domestic borrowings for each year. A detailed Statement of borrowings by currency and individual loan balances is included on the following pages. Further information of borrowings is included in Note 16: Financial Instruments.

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Foreign Currency Borrowings by Currency**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Foreign Currency Borrowings by Currency</b>		
Chinese Yuan Renminbi	3,846	3,103
Japanese Yen	2,792	2,718
US Dollar	1,411	1,450
IDA Special Drawing Rights	1,037	1,087
European Currency	726	841
Australian Dollar	434	456
Swiss Franc	103	108
Canadian Dollar	73	77
Swedish Krona	12	12
Danish Krona	6	7
Korean Won	1	1
<b>Total Foreign Currency Borrowings</b>	<b>10,441</b>	<b>9,860</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Borrowings – Detailed**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Asian Development Bank Loans</b>		
Agriculture Extension	48	52
Multiproject Loan	234	246
Development Bank of Vanuatu	41	45
DFI / Development Bank of Vanuatu	275	277
Santo Wharf	469	493
Santo Wharf Supplementary	313	323
Urban Infrastructure	1,063	1,054
Comprehensive Reform Program	2,492	2,455
Cyclone Dani	197	204
<b>Total Asian Development Bank Loans</b>	<b>5,134</b>	<b>5,150</b>
<b>International Development Association Loans</b>		
Agriculture Extension	107	112
Multiproject Loan	201	208
Primary & Secondary Education	608	641
Housing	121	125
<b>Total IDA Loans</b>	<b>1,037</b>	<b>1,087</b>
<b>Other Foreign Currency Loans</b>		
CFD loan for Telecom Vanuatu Ltd	259	297
EIB loan for Beaurfield Airport Project	165	223
Chinese E-Government Loan	2,948	2,247
Chinese Air Vanuatu Y12 Aircrafts Purchase	898	856
<b>Total Other Foreign Currency Loans</b>	<b>4,271</b>	<b>3,623</b>
<b>Total Foreign Currency Loans</b>	<b>10,441</b>	<b>9,860</b>
<b>Domestic Borrowings</b>	<b>4,235</b>	<b>3,285</b>
<b>Total Borrowings</b>	<b>14,676</b>	<b>13,144</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Commitments**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Capital Commitments</b>		
Due within 1 year	578	3,513
Due within 2 to 5 years	-	-
Due after 5 years	-	-
<b>Total Capital Commitments</b>	<b>578</b>	<b>3,513</b>
<b>Operating Commitments</b>		
Due within 1 year	75	75
Due within 2 to 5 years	243	243
Due after 5 years	243	243
<b>Total Operating Commitments</b>	<b>561</b>	<b>561</b>
<b>Total Commitments</b>	<b>1,139</b>	<b>4,074</b>

*The accompanying notes and accounting policies are an integral part of these statements.*



## Statement of Specific Fiscal Risks (as at 31 December 2011)

### Statement of Contingent Liabilities and Contingent Assets

	2011 vatu million	2010 restated vatu million
<b>Quantifiable Contingent Liabilities</b>		
Guarantees and indemnities	12,789	11,427
Uncalled capital	3,628	3,621
Legal proceedings and disputes	1,646	7,556
Other contingent liabilities	-	20
<b>Total Quantifiable Contingent Liabilities</b>	<b>18,063</b>	<b>22,624</b>
<b>Quantifiable Contingent Assets</b>		
Legal proceedings and disputes	73	73
<b>Total Quantifiable Contingent Assets</b>	<b>73</b>	<b>73</b>

### List of Material Contingent Liabilities and Contingent Assets

Contingent liabilities are costs that the Government will have to face only if a particular event occurs. Contingent assets are potential assets dependent on a particular event occurring. The likelihood of each event occurring and the contingent asset or contingent liability being realised varies greatly and in many cases it is unlikely that the contingent asset or liability will ever be realised.

Only contingent liabilities and assets greater than 50 million vatu are disclosed separately. Contingent liabilities or contingent assets below this amount are included in the Statement totals above but are not included in this list. Where a contingent liability or asset is unquantifiable but is considered material it is also included in this list. The amounts shown for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases were decided against the Government. Material contingent liabilities and assets are as follows:

		2011 vatu million	2010 restated vatu million
<b>Guarantees and Indemnities</b>			
National Bank of Vanuatu	Guarantee given by the Vanuatu Government for repayment of all monies deposited with the National Bank of Vanuatu	10,649	9,295
Air Vanuatu	Loan guarantees given to VNPF, BRED Bank and Aircraft leasing companies to support the ongoing activity of the National airline, Air Vanuatu.	2,053	2,045
Pacific Aviation Security Office	Loan guarantee given to the Asian Development Bank for 25% of a SDR 1,033,00 (approx USD \$1.9m) loan given to the Pacific Aviation Security Office.	44	44
National Housing Corporation	Loan guarantee given to the Commonwealth Development Corporation for a loan of GBP 300,000 to the National Housing Corporation for various development projects.	43	43
<b>Total Guarantees and Indemnities</b>		<b>12,789</b>	<b>11,427</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

## List of Material Contingent Liabilities and Contingent Assets (continued)

		2011 vatu million	2010 restated vatu million
<b>Uncalled Capital and Non Interest Bearing Promissory Notes</b>			
International Monetary Fund	NIBs for Vanuatu's membership with the International Monetary Fund	2,125	2,125
Asian Development Bank	NIBs for membership Subscription (USD \$201,000) and uncalled capital subscriptions for Vanuatu's membership with the Asian Development Bank (USD \$2,762,000)	277	276
Asian Development Bank	Proposed General Capital Increase for Asian Development Bank member contributions	1,226	1,220
<b>Total Uncalled Capital and NIB Promissory Notes</b>		<b>3,628</b>	<b>3,621</b>
<b>Other Contingent Liabilities</b>			
World Trade Organisation	Outstanding fees for the World Trade Organisation (1985-2008) should Vanuatu accede to membership.	-	20
<b>Total Other Contingent Liabilities</b>		<b>-</b>	<b>20</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Segments - Statement of Financial Activity of the Development Fund**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Opening Balance</b>	<b>2,376</b>	<b>2,094</b>
<b>Contributions from Donors</b>		
Millennium Challenge Corporation	155	1,890
Australia	1,382	1,595
New Zealand	260	466
United Nations	138	158
European Union	6	97
Vanuatu Government	140	85
Japan	642	78
World Health Organisation	50	29
China	7	3
France	32	14
Other Donor Contributions	142	113
Other revenue	136	143
Foreign currency gains/(losses)	-	(13)
<b>Total Contributions from Donors</b>	<b>3,090</b>	<b>4,658</b>
<b>Expenditure by Ministry</b>		
Infrastructure & Public Utilities	1,374	2,643
Finance & Economic Management	378	421
Health	389	225
Education	510	660
Internal Affairs	28	113
Lands, Geology & Mines	111	184
Justice and Community Services	34	56
Constitutional Areas of Government	23	19
Agriculture, Quarantine, Forestry & Fisheries	31	23
Commerce, Industry and Tourism	58	16
Prime Ministers' Office	10	9
Foreign Affairs and External Trade	-	-
Youth Development & Training	15	1
Cooperatives and Ni Vanuatu Business Development Services	-	-
Transfers to Recurrent Fund for Budgetary Support	6	7
Other	-	(1)
<b>Total Expenditure</b>	<b>2,967</b>	<b>4,376</b>
Development Fund Movement	123	282
<b>Closing Balance</b>	<b>2,499</b>	<b>2,376</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

**Statement of Segments - Statement of Financial Performance of the Recurrent Fund**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Revenue</b>		
<b>Levied through the State's Sovereign Power</b>		
Taxation revenue	10,538	9,613
License and registration fees	1,149	1,301
Other Sovereign revenues	605	649
<b>Total Revenue levied through the State's Sovereign Power</b>	<b>12,292</b>	<b>11,563</b>
<b>Earned through the State's Operations</b>		
Charges and recoveries	721	910
Investment income	155	89
<b>Total Revenue Earned through State Operations</b>	<b>876</b>	<b>999</b>
<b>Other Revenue</b>		
Contributions from Donors	6	104
Loss on sale of Investments	-	-
Foreign currency gains/(losses)	(264)	8
<b>Total Other Revenue</b>	<b>(258)</b>	<b>112</b>
<b>Total Revenue</b>	<b>12,910</b>	<b>12,674</b>
<b>Expenses</b>		
Personnel expenses	8,714	8,385
Operating expenses	1,993	2,927
Grants, subsidies and transfer payments	2,021	1,440
Finance costs	419	361
Depreciation on assets	1,350	489
Write offs	13	267
<b>Total Expenses</b>	<b>14,510</b>	<b>13,869</b>
<b>Revenue less Expenses</b>	<b>(1,600)</b>	<b>(1,195)</b>
<b>Net surplus/(deficit), less distributions, attributable to Government Business Enterprises</b>	<b>262</b>	<b>(1,657)</b>
<b>Recurrent Fund Operating Balance</b>	<b>(1,338)</b>	<b>(2,852)</b>
Transfer from depreciable fixed assets revaluation reserve	407	407
<b>Recurrent Fund Movement for the year</b>	<b>(931)</b>	<b>(2,445)</b>
<b>Reconciliation with Consolidated Operating Balance</b>		
Recurrent Fund Operating Balance	(1,338)	(2,852)
Development fund movement	123	282
MCA & VTSSP Roadworks expenditure recorded as work in progress in statement of financial position	74	2,095
<b>Consolidated Operating Balance</b>	<b>(1,141)</b>	<b>(475)</b>

*The accompanying notes and accounting policies are an integral part of these statements.*

## **Statement of Accounting Policies**

### **Reporting Entity**

The Government's economic entity includes Ministries; Departments of State, Government controlled financial institutions and all other State owned or controlled entities.

The financial statements predominantly reflect the financial transactions and related information in respect of Ministries and Departments of State. They also include an assessment of the Government's financial interest in State institutions and corporate entities.

The financial transactions and related information in respect of Schools, Provincial Governments and Municipal Governments are not included in these financial statements.

### **Accounting Policies**

The financial statements have been prepared in accordance with the requirements of Sections 24 and 26 of the Public Finance and Economic Management Act No. 6 of 1998 (as amended), the Government's Finance Regulations and, where practicable, in compliance with applicable International Financial Reporting Standards and International Public Sector Accounting Standards as issued by the International Federation of Accountants.

The financial statements have been prepared on an accruals basis and under the historical cost convention unless otherwise stated.

### **Reporting period**

The reporting period for these financial statements is the year ended 31 December 2011.

### **Basis of Combination**

All core Government Ministries, Agencies and Departments are combined using the purchase method of combination. Corresponding assets, liabilities, revenues and expenses are added together line by line and transactions and balances between entities are eliminated on combination.

The Government's investments in State institutions and corporate entities and the Reserve Bank of Vanuatu are recorded using the equity method of accounting. In determining the amount at which these investments are carried in the year-end Statement of Financial Position an adjustment is made, using the equity method of accounting, for subsequent changes to the Government's share of the net assets of these entities, based on their latest available financial statements and subsequent financial developments.

The initial recognition of this asset category within the Statement of Financial Position in 2003 resulted in a credit to the Capital Reserve. Subsequent adjustments to the carrying values of these investments are taken to the Statement of Financial Performance.

### **Revenue**

#### **Revenue levied through the State's sovereign power**

The State provides many goods and services and benefits that do not give rise to revenue. Further payment of tax does not, of itself, entitle a taxpayer to an equivalent value of services or benefits, as there is no direct relationship between paying tax and receiving Government services and transfers.



Government revenue arising from taxes and regulatory fees and fines are recognised when the transaction or event-giving rise to the revenue occurs. For the main revenues in this class, the event upon which revenue is recognised is as follows:

<b>Revenue type</b>	<b>Revenue recognition event</b>
Value added tax	the purchase or sale of taxable goods and services during the taxation period;
Import duties, excises and tariffs	the movement of dutiable goods across the customs boundary (or out of bond);
Property taxes	the passing of the date on which taxes are levied
Licences and registrations	When payment for the fee or charge is made
Other taxes	When the debt to the State arises

### **Investment income**

Investment income is recognised in the period in which it is earned. Interest income arising on loans made to related entities is accrued on a time basis by reference to the principal outstanding, the interest rate applicable and the relevant foreign exchange rate.

Dividend income from investments in related entities is recognised in the period when it is earned where the related entity has finalised their financial statements, otherwise it is recognised when received.

### **Revenue earned through operations**

If revenue has been earned by the State in exchange for the provision of goods or services to third parties, the State receives its revenue through operations. Such revenue is recognised when it is earned.

### **Gains**

Realised gains from sales of assets or the early repurchase of liabilities are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised foreign exchange gains on monetary assets and liabilities are recognised in the Statement of Financial Performance.

Unrealised gains arising from changes in the value or property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an asset revaluation reserve for that class of asset.

### **Expenses**

#### **General expenses**

Expenses are recognised in the period to which they relate.

#### **Grants and subsidies**

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the State.

### **Losses**

Realised losses arising from the sales of assets or the early repurchase of liabilities are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Unrealised foreign exchange losses on monetary assets and liabilities are recognised in the Statement of Financial Performance.

Unrealised losses (excluding foreign-exchange losses) arising from changes in the value of property, plant and equipment are recognised at balance date. Unrealised losses are first

applied against any revaluation reserve for that class of asset. The balance, if any, is charged to the Statement of Financial Performance.

### **Foreign currency transactions**

Transactions in foreign currencies are recorded at the Vatu rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract. Exchange differences arising on settlement of these transactions are recognised in the Statement of Financial Performance.

Outstanding foreign exchange contracts are translated at the closing exchange rate. Exchange gains and losses are included in the Statement of Financial Performance in the period in which they arise.

Exchange rates used in these financial statements are the mid rates as notified by the Reserve Bank of Vanuatu.

### **Depreciation**

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. The estimated useful lives of different classes of property, plant and equipment are typically as follows:

- |                                 |                |
|---------------------------------|----------------|
| • Freehold Buildings            | 25 to 50 years |
| • Infrastructure                | 8 to 50 years  |
| • Plant, equipment and vehicles | 2 to 10 years  |

### **Assets**

#### **Cash**

Cash consists of cash on hand and cash held on current account or short-term deposits with banks. Current account overdraft balances are included in the cash balance.

#### **Foreign monetary assets**

Where short-term monetary assets are subject to forward exchange contracts, they are translated into Vatu at the contract rate. Otherwise, foreign monetary assets are translated at the closing exchange rate.

Exchange gains and losses are included in the Statement of Financial Performance in the period in which they arise.

#### **Receivables and advances**

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash. Advances designated in foreign currency are translated into Vatu at the closing exchange rate.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value.

#### **Property, plant and equipment**

Property, plant and equipment recognised in the statement of financial position for the first time have been recorded at their depreciated replacement cost, determined from market-based assessments and technical appraisals undertaken by professional valuers. The depreciated replacement cost is based on the estimated cost of construction or purchase, reduced by factors for age and deterioration of the asset.

Subsequent asset acquisitions are recorded at purchased cost or, where contributed by Donors or otherwise acquired at no cost or for a nominal consideration, at valuation being their fair value at the date of acquisition.

#### **Port Vila and Luganville Government Owned Land**

Land within the Port Vila and Luganville Municipal boundaries is Government owned and has been recorded at fair value as determined by the Valuer General.

## **Liabilities**

### **Borrowings**

The Government's liabilities in respect of its public borrowings are recognised in the Statement of Financial Position when the Government becomes a party to the contractual provisions of the respective loan instruments and are included initially at the Vatu equivalent of the loan draw down.

Unpaid balances of borrowings designated and repayable in foreign currency are re-translated at the Vatu rate of exchange ruling at the balance sheet date. Interest costs are charged in the Statement of Financial Performance in the period in which they fall due. All exchange differences arising from currency fluctuations are included in the Statement of Financial Performance, whether realised or not.

### **Employee entitlements**

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised when they accrue to employees. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

### **Commitments**

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included in the Statement of Commitments.

### **Contingent liabilities and contingent assets**

Contingent liabilities and contingent assets are recorded in the Statement of Specific Fiscal Risks at the point at which the contingency is evident.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Taxes and Levies Collected through the State's Sovereign Power (for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Taxation Revenue</b>		
Value Added Tax	5,040	4,558
Import duties	2,889	2,664
Excise taxes	1,936	1,882
Turnover Tax	319	268
Road Tax	177	80
Gaming duty and taxes	90	73
Rent Tax	62	64
Export duties	1	1
Other taxes	24	23
<b>Total Taxation Revenue</b>	<b>10,538</b>	<b>9,613</b>
<b>License and Registration Fees</b>		
Business Licences & Registration	201	255
Vehicle Licences	156	271
Company Stamp Duties	127	150
Fishing Licences & Registration	185	161
Work Permits	162	141
Residency Permits	157	124
Shipping Registration Fees	46	68
Mineral Royalties	84	-
Telecommunication and Radio Licenses	11	82
Registration - Offshore Companies	66	99
Other license and registration fees	67	47
<b>Total License and Registration Fees</b>	<b>1,262</b>	<b>1,398</b>
<b>Other Sovereign Revenues</b>		
Land rents, registrations and premiums	584	631
Franchise fees	-	-
Court Fines	20	17
Utility Company fines and penalties	1	1
<b>Total Other Sovereign Revenues</b>	<b>605</b>	<b>649</b>
<b>Total Sovereign Revenue</b>	<b>12,405</b>	<b>11,660</b>

The 2010 financial statements have been corrected for errors occurring in the 2009 and 2010 financial years that were uncovered during the preparation of the 2011 financial statements. These errors relate to revenue from the Vanuatu Financial Services Commission for Offshore Companies Registrations, Stamp Duties, Business Names Registration and other minor receipts that the VFSC collects on behalf of the Government. In 2009 the VFSC changed from submitting receipts to the Government for these items from monthly and quarterly to an annual submission in January or February for the prior year's receipts. This revenue was not accrued in 2009 or 2010 and only the actual cash received in each year is shown as revenue in those years.

An adjustment has been made to the 2010 accounts to adjust revenue line items as follows:

- Company Stamp Duties have increased by 19 million vatu from 131 million to 150 million; and
- Registration – Offshore Companies has decreased by 2 million vatu from 101 million to 99 million.

**Note 1: Continued - Tax Exemptions and Relief**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Economic Relief</b>		
Diesel fuel for generation of electric power	295	37
Manufacturing or processing goods	71	71
Tourism Development Projects	11	10
Inter-Island Shipping goods	-	-
Other Economic Relief	3	57
<b>Total Economic Relief</b>	<b>380</b>	<b>175</b>
<b>Other Relief</b>		
Goods donated or imported for aid projects	397	723
Melanesian Spearhead Group	342	245
Goods imported under international convention or agreement	65	49
Charitable Reliefs for Non-Profit Making Groups and Organisations	52	69
Personal Reliefs	68	80
Temporarily Imported Goods	44	48
Promotion of National Safety, Health or Well-Being	-	1
Other Miscellaneous Conditional Reliefs	35	11
<b>Total Other Relief</b>	<b>1,003</b>	<b>1,226</b>
<b>Total Tax Exemptions and Relief</b>	<b>1,383</b>	<b>1,401</b>

Goods that are imported and meet certain conditions as detailed in Schedule III of the Customs Import and Export Duty Tariff are either exempt from duty or liable to duty at lower rates than would normally apply. This schedule outlines the import duties or tariffs that would have been collected if these exemptions and reliefs had not been applied. These amounts are not included as revenue for the year as they were never charged or collected and reflect tax policy issues made by the State.

Tax exemption and relief information is provided by the Department of Customs and Inland Revenue.

**Note 2: Charges and Recoveries**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Charges and Recoveries</b>		
General recoveries and charges	300	380
Port and Wharfage charges	166	189
Unclaimed Trust Monies transferred to Public Fund	-	163
Landing charges	83	71
Water Charges Recoveries	33	30
Property rentals	20	18
Marine Fees Charges	15	18
Firearms Licenses	16	16
Hospital Fees	17	16
Election Fees	9	-
Passport Fees	63	36
Traffic Fines	8	8
<b>Total Charges and Recoveries</b>	<b>730</b>	<b>945</b>

The Charges and Recoveries class of revenue includes revenue that Ministries receive for goods or services that they provide. Property rentals mainly relate to rentals of Government Houses to Government employees at rates specified by the appropriate Commission or Act covering that class of employee.

**Note 3: Investment Income**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Investment Income</b>		
<b>Interest Income</b>		
Interest from Advances	31	11
Interest from bank deposits	16	29
<b>Total Interest Income</b>	<b>47</b>	<b>40</b>
<b>Dividends</b>		
Reserve Bank	50	0
Postal Services Ltd Dividends	70	55
National Bank Dividends	0	0
Ifira Wharf & Stevedoring Dividends	0	0
Northern Island Stevedoring Dividends	0	5
Other Dividends	0	0
<b>Total Dividends</b>	<b>120</b>	<b>60</b>
<b>Total Investment Income</b>	<b>167</b>	<b>100</b>

The Government collects interest on advances made to Airports Vanuatu Ltd, Air Vanuatu Ltd and Telecom Vanuatu Ltd. These advances represent loans taken out with Caisse Francaise de Developpement (CFD), EximBank and European Investment Bank (EIB) by the Government of Vanuatu and then on-lent to the entities involved with managing the infrastructure concerned. This interest income is offset by interest expense on the

outstanding loan balance paid by the Government of Vanuatu, but all transactions are shown on a gross basis (both revenue and expense is included in the Statement of Financial Performance) in accordance with International Public Sector Accounting Standards.

Details of outstanding advance balances are included in Note 9: Advances. Details of the Government liability outstanding to the lending organisations are shown in the Statement of Borrowings.

#### **Note 4: Donor Contributions** (for the year ended 31 December 2011)

	<b>2011 vatu million</b>	<b>2010 restated vatu million</b>
<b>Contributions from Donors</b>		
Millennium Challenge Corporation	145	1,847
Australia	1,382	1,595
New Zealand	260	466
United Nations	138	158
European Union	6	97
Japan	642	78
World Health Organisation	50	29
China	7	3
France	32	14
Other Contributions	142	113
<b>Total Contributions from Donors</b>	<b>2,804</b>	<b>4,400</b>
<b>Reconciliation to Statement of Financial Activity of the Development Fund</b>		
<b>Add back:</b>		
Government of Vanuatu contributions eliminated on consolidation	140	85
MCC contributions and expense recorded against 2 projects	10	43
Non donor revenue	136	143
Foreign currency gains/(losses)	-	(13)
<b>Donor Contributions per Development Fund</b>	<b>3,090</b>	<b>4,658</b>

Contributions from Donors include only those contributions that have been received in cash for specific projects. Revenue, expenses and capital purchases for these projects are accounted for in full within these Statements. Aid in Kind, technical assistance, expenses and capital purchases that have been paid for or provided directly by external donors are not included as revenue in these statements. Aid in kind donor contributions are estimated at 6 billion vatu per year. The bulk of Vanuatu's aid assistance is therefore excluded from these Statements.

**Note 5: Analysis of Expenses**  
**(for the year ended 31 December 2011)**

The following analysis provides a breakdown of expenses according to Ministry.

	2011 vatu million	2010 restated vatu million
<b>Total Expenses by Ministry</b>		
Education	4,323	4,339
Finance & Economic Management	3,141	2,921
Infrastructure & Public Utilities	2,600	1,857
Health	2,039	1,937
Internal Affairs	1,399	1,520
Constitutional Areas of Government	1,136	1,086
Agriculture, Quarantine, Forestry & Fisheries	450	457
Lands, Geology & Mines	413	481
Justice and Community Services	320	316
Foreign Affairs & External Trade	305	266
Prime Ministers' Office	211	195
Commerce, Industry and Tourism	303	283
Co-operatives & Ni Vanuatu Business Development Services	108	99
Youth Development & Training	184	142
Depreciation expense	1,350	489
Accrued leave expense	166	(5)
Other adjustments	(1,203)	(465)
<b>Total Expenses</b>	<b>17,245</b>	<b>15,918</b>

Other adjustments of -465 million vatu in 2010 and -1,203 million in 2011 reflect accrual adjustments made to the accounts to move new asset purchases which were recognised as expenditure for appropriation purposes. These asset purchases have been taken out of the Statement of Financial Performance and recognised as asset additions in the Statement of Financial Position. This adjustment was made at a consolidated level and not broken down to individual Ministries.



**Note 6: Personnel Expenses**  
**(for the year ended 31 December 2011)**

	<b>2011</b> <b>vatu million</b>	<b>2010 restated</b> <b>vatu million</b>
<b>Personnel Expenses</b>		
Salaries and wages	6,433	6,166
Housing Allowances	618	572
Members of Parliament Allowances and Allocations	260	309
Employer contributions to VNPF	260	252
Family Allowance	133	125
Employee Termination Payments	572	498
Subsistence Allowances	384	362
Overtime wages	92	87
Political gratuity allowances	64	70
Other employee allowances	238	372
<b>Total Personnel Expenses</b>	<b>9,054</b>	<b>8,813</b>

Personnel expenses represent the appropriate expenses for the approximately 5,500 employees of the Vanuatu Government. It includes all of the teachers employed by the Teaching Services Commission but does not include Teachers funded directly by schools or school ancillary staff.

**Note 7: Operating Expenses**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Operating Expenses</b>		
General repairs and maintenance	232	283
Roads repair and maintenance	306	234
Vehicles fuel and maintenance	272	208
Electricity Utilities	273	247
Local travel and accommodation	276	307
Consultants Fees	293	347
Printing and Stationery	162	269
Equipment and vehicle hire	559	199
Court Costs	28	113
Medicine Supplies	213	251
Telecommunication expenses	148	165
International travel and accommodation	152	158
Accommodation rentals, rates and leases	100	102
Gas and Water Utilities	52	51
Freight charges	156	106
Contributions to International Organisations	68	31
Workshops and courses	30	23
Official entertainment	82	58
Cleaning	24	22
Audit fees	11	7
Expensed Assets	28	210
Other Operating Expenses	770	940
<b>Total Operating Expenses</b>	<b>4,235</b>	<b>4,331</b>

Roads repair and maintenance includes only contracts that have been outsourced to third party providers for road repairs and maintenance. The Public Works Department also spends significant amounts on road repairs and maintenance where the maintenance is carried out by its own internal staff. The cost of these types of repairs will be recorded against line items such as fuel, aggregate materials and personnel costs. Significant road maintenance work that will extend the useful life of a road are capitalised and recognised in the balance sheet as an increase in the value of road assets.

**Note 8: Grants, Subsidies and Transfer Payments**  
(for the year ended 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Grants and Subsidies</b>		
Grants to Provinces	242	214
School operating grants and fee supplements	591	444
Vanuatu Tourism Office Grant	152	140
University of the South Pacific Grant	93	96
Vanuatu Agriculture College	83	83
Telecommunication Grants under the Universal Access Policy	14	80
Grants to Youth and Sport Organisations	100	62
VBTC Grant	60	45
Vanuatu Maritime College Grant	41	41
Vanuatu Investment Promotion Authority Grant	39	37
VARTC Grant	44	36
Chamber of Commerce Grant	25	25
Cultural Centre Grant	26	24
Airports Vanuatu Ltd Grant	25	-
Grants to Municipalities	5	17
Vanuatu Youth Council Grant	24	9
Copra Subsidies	43	-
Other Grants	8	17
<b>Total Grants and Subsidies</b>	<b>1,615</b>	<b>1,370</b>
<b>Other Transfer Payments</b>		
Student scholarships and study allowances	311	181
Contributions to International Organisations	11	5
Compensation and damages payments	237	101
<b>Total Other Transfer Payments</b>	<b>559</b>	<b>287</b>
<b>Total Grants, Subsidies and Transfer Payments</b>	<b>2,174</b>	<b>1,657</b>

Grants represent payments to Government related entities to enable them to provide services for the public good. Transfer payments are payments made by Government for which it receives no specific goods or services in return.

**Note 9: Receivables**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Receivables</b>		
Accounts Receivable	734	679
Taxes Receivable	500	470
VFSC Fees Receivable	204	249
Interest Receivable	22	41
Other Receivables	-	2
<b>Total Receivables</b>	<b>1,460</b>	<b>1,441</b>

The Accounts Receivables balance has a gross value of 1,342 million vatu offset by a Provision for Doubtful Debts of 596 million vatu. This provision is for debts that are many years old (especially Land rents) and will likely never be collected. Many of these debts relate to invoices that have been charged to the wrong entity and a clean-up exercise is underway to resolve this issue and write-off uncollectible Accounts Receivable debts against the provision.

The provision for doubtful debts includes an additional provision of 267 million which was recognised as an expense in 2010.

The 2010 financial statements have been corrected for errors occurring in the 2009 and 2010 financial years that were uncovered during the preparation of the 2011 financial statements. These errors relate to revenue from the Vanuatu Financial Services Commission for Offshore Companies Registrations, Stamp Duties, Business Names Registration and other minor receipts that the VFSC collects on behalf of the Government. In 2009 the VFSC changed from submitting receipts to the Government for these items from monthly and quarterly to an annual submission in January or February for the prior year's receipts. This revenue was not accrued in 2009 or 2010 and only the actual cash received in each year is shown as revenue in those years.

An adjustment has been made to the 2010 accounts to adjust Receivables with a new line added for VFSC Fees Receivable of 249 million vatu.

**Note 10: Advances**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Advances</b>		
Airports Vanuatu Ltd	305	487
Air Vanuatu Ltd	1,298	1,268
Telecom Vanuatu Ltd	37	37
Metenesel Ltd	70	70
Vanuatu Commodities Marketing Board	28	28
Vanuatu Broadcasting and Television Corporation	30	32
Port Vila Municipality	10	10
Employees	7	10
Other Advances	17	18
<b>Total Advances</b>	<b>1,802</b>	<b>1,960</b>

Advances made to Airports Vanuatu Ltd and Telecom Vanuatu Ltd represents infrastructure loans taken out with Caisse Francaise de Developpement (CFD) and European Investment

Bank (EIB) by the Government of Vanuatu and then on-lent to the entities involved with managing the infrastructure concerned. The loan amounts actually owed to EIB and CFD are included as Borrowings.

## **Note 11: Investment in Government Business Enterprises** (as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Investment in Government Business Enterprises</b>		
Opening balance	5,774	7,331
Attributable net surplus/(deficit) after distributions	262	(1,657)
Other Equity Movements	-	-
Government contributions	100	100
Sale of Shares in GBE	-	-
<b>Total Investment in Government Business Enterprises</b>	<b>6,136</b>	<b>5,774</b>

The Investment in Government Business Enterprises (GBEs) represents the Government's interests in State controlled corporations, financial institutions and other related commercial enterprises. The amount at which these investments are stated represents the Government's net equity share. Further work is required to accurately value each of the Government Business Enterprises and to bring their respective Statements of Financial Position up to date.

As noted in the Statement of Accounting policies, the State's financial interest in GBEs is accounted for using the equity method of combination. The implications of this policy for the three principal financial statements are as follows:

- Dividends received from GBEs are included in investment income. A breakdown of dividends received is provided in Note 3.
- The net surplus/(deficit) attributable to GBEs, net of distributions to the State, is reported separately in the Statement of Financial Performance. The attributable surplus/(deficit) comprises the operating results of these entities.
- The State's financial interest in GBEs is reported as a separate line in the Statement of Financial Position. A breakdown of the financial interest in each entity is provided in this note.
- Advances to GBEs are reported under Advances in the Statement of Financial Position. A breakdown of advances to GBEs is provided in Note 10.

Some other jurisdictions use an alternative presentation of GBEs and fully consolidate them on a line by line basis. This is the presentation that is recommended by International Public Sector Accounting Standards for GBEs that the State effectively controls. The Government of Vanuatu is not in a position to be able to consolidate controlled GBEs on a line by line basis at this stage.

**Note 11: Investment in Government Business Enterprises (continued)**  
(as at 31 December 2011)

**Movements in 2011 financial year**

<b>Movements in the 2011 financial year</b>	<b>Opening Balance</b>	<b>Attributable Net Surplus/ (Deficit) after distributions</b>	<b>Government Capital contributions</b>	<b>Closing Balance</b>
	<b>vatu million</b>	<b>vatu million</b>	<b>vatu million</b>	<b>vatu million</b>
Air Vanuatu Limited	(1,109)	66	-	(1,042)
Airports Vanuatu Limited	3,206	(9)	-	3,197
Asset Management Unit	52	-	-	52
Ifira Wharf & Stevedoring Limited	192	17	-	208
Metenesel Estates Limited	110	-	-	110
National Bank of Vanuatu	853	123	-	977
National Housing Corporation	279	-	-	278
Northern Island Stevedoring Limited	-	-	-	-
Reserve Bank of Vanuatu	660	37	-	697
Vanuatu Abattoirs	71	14	-	85
Vanuatu Agricultural Development Bank	313	(20)	100	393
Vanuatu Broadcasting & Television Corporation	41	-	-	41
Vanuatu Commodities Marketing Board	-	-	-	-
Vanuatu Financial Service Commission	321	-	-	321
Vanuatu Investment Promotion Authority	-	4	-	4
Vanuatu Livestock Development	45	-	-	45
Vanuatu Maritime Authority	-	-	-	-
Vanuatu Post Limited	670	-	-	670
Vanuatu Telecommunication and Radiocommunication Regulator	70	35	-	105
Vanuatu Tourism Office	-	(5)	-	(5)
<b>Total Investment in GBEs</b>	<b>5,774</b>	<b>262</b>	<b>100</b>	<b>6,136</b>

**Note 11: Investment in Government Business Enterprises (continued)**  
(as at 31 December 2011)

**Movements in 2010 financial year**

<b>Movements in the 2010 financial year</b>	<b>Opening Balance</b>	<b>Attributable Net Surplus/ (Deficit) after distributions</b>	<b>Government Capital contributions</b>	<b>Closing Balance</b>
	<b>vatu million</b>	<b>vatu million</b>	<b>vatu million</b>	<b>vatu million</b>
Air Vanuatu Limited	325	(1,434)	-	(1,109)
Airports Vanuatu Limited	3,116	90	-	3,206
Asset Management Unit	300	(248)	-	52
Ifira Wharf & Stevedoring Limited	133	59	-	192
Metenesel Estates Limited	110	-	-	110
National Bank of Vanuatu	664	189	-	853
National Housing Corporation	651	(373)	-	279
Northern Island Stevedoring Limited	-	-	-	-
Reserve Bank of Vanuatu	740	(80)	-	660
Vanuatu Abattoirs	56	15	-	71
Vanuatu Agricultural Development Bank	248	(35)	100	313
Vanuatu Broadcasting & Television Corporation	41	-	-	41
Vanuatu Commodities Marketing Board	-	-	-	-
Vanuatu Financial Service Commission	401	(80)	-	321
Vanuatu Livestock Development	45	-	-	45
Vanuatu Maritime Authority	-	-	-	-
Vanuatu Post Limited	501	170	-	670
Vanuatu Telecommunication and Radiocommunication Regulator	-	70	-	70
<b>Total Investment in GBEs</b>	<b>7,331</b>	<b>(1,657)</b>	<b>100</b>	<b>5,774</b>

**Note 11: Investment in Government Business Enterprises (continued)**  
(as at 31 December 2011)

**Government Shareholdings**

The State's percentage share of each GBE and the date of the last set of financial statements that they have submitted to the Government are shown in the table below:

Percentage of Shares held by the State	2011	2010	Last Financial Statements
Air Vanuatu Limited	100.00%	100.00%	2011
Airports Vanuatu Limited	100.00%	100.00%	2010
Asset Management Unit	100.00%	100.00%	2009
Ifira Wharf & Stevedoring Limited	34.00%	34.00%	2011
Metenesel Estates Limited	99.40%	99.40%	2003 draft
National Bank of Vanuatu	100.00%	100.00%	2011
National Housing Corporation	100.00%	100.00%	2010 draft
Northern Island Stevedoring Limited	10.00%	10.00%	2006
Reserve Bank of Vanuatu	100.00%	100.00%	2011
Vanuatu Abattoirs	33.90%	33.90%	2011
Vanuatu Agricultural Development Bank	100.00%	100.00%	2011
Vanuatu Broadcasting & Television Corporation	100.00%	100.00%	2008
Vanuatu Commodities Marketing Board	100.00%	100.00%	2001
Vanuatu Financial Services Commission	100.00%	100.00%	2009
Vanuatu Investment Promotion Authority	100.00%	100.00%	2011
Vanuatu Livestock Development	100.00%	100.00%	2003
Vanuatu Post Limited	100.00%	100.00%	2010
Vanuatu Telecommunication and Radiocommunication Regulator	100.00%	100.00%	2011
Vanuatu Tourism Office	100.00%	100.00%	2010

The Government of Vanuatu has faced difficulties in obtaining the financial statements of certain Government Business Enterprises. Many of the GBEs are either late in compiling their financial statements or in some cases do not have the capacity to prepare a set of financial statements. The Ministry of Finance and Economic Management, with assistance from the Asian Development Bank, intends to implement a project to improve GBE governance and financial management in 2012.

The GBEs of particular concern include the following:

- Asset Management Unit – The Asset Management Unit completed its operations in late 2011 and it is intended to place this entity into liquidation. A rationalization program will be undertaken by ADB to diagnose AMU before liquidation.
- Metenesel Estate – The Ministry of Finance and Economic Management has been unable to obtain any financial statements from Metenesel Estate since 2003 and the company has been struck from the Companies register by the Vanuatu Financial Services Commission. It is intended to place this entity into liquidation. A rationalization program will be undertaken by ADB to diagnose Metenesel before liquidation.
- Vanuatu Commodities Marketing Board – The Government intends to liquidate VCMB. No financial statements have been received from this entity since 2001 and the extent of liabilities that will be outstanding on liquidation is unknown.
- Vanuatu Livestock Development – VLD is not operating and the Minister of Finance has issued instructions for their bank accounts to be frozen. They have not provided any financial statements to the Ministry of Finance and Economic Management since



2003 but have submitted annual returns to the Vanuatu Financial Services Commission indicating turnover of less than 20 million vatu per year. It is intended to place this entity into liquidation. A rationalization program will be undertaken by ADB to diagnose VLD before liquidation.

- Vanuatu Broadcasting & Television Corporation – VBTC is operating but have not provided financial statements for several years. They will need assistance to improve their book keeping and to prepare a set of financial statements and the Auditor-General has contracted iCount to audit the accounts of VBTC.
- Northern Island Stevedoring Limited - NISCOL have not provided financial statements since 2006 and were placed under a commission of inquiry in 2011. The Government holds a 10% shareholding in this entity while the remaining shares are held by Sanma, Torba, Penama and Malampa provinces.
- National Housing Corporation – NHC is operating but have not provided financial statements since 2009. They will need assistance to improve their book keeping and to prepare a set of financial statements and the Auditor-General plans to outsource the auditing work to an external auditor. There is also a need for NHC to employ a qualified accountant to prepare its accounts with proper book keeping.
- Vanuatu Financial Services Commission – VFSC is operating but have not provided financial statement since 2009. The Auditor General is facing difficulties auditing its accounts because their accounts are not complete.

The Vanuatu Investment Promotion Authority was changed to a grant body in 2011. Prior to 2011, VIPA received appropriations in the same manner as other Government line agencies and were included in the consolidated financial statements on a line by line basis. It has been moved to Investments in GBEs in 2011 and is now accounted for on an equity basis.

The Vanuatu Tourism Office has also been added to the balance sheet as a GBE accounted for on an equity basis. This entity was missed from the initial entities that were brought onto the balance sheet.

**Note 12: Property, Plant and Equipment**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Gross Carrying Value</b>		
Land	20,316	20,316
Buildings	8,259	8,172
Furniture and Fittings	96	47
Plant and Equipment	2,381	2,141
Motor Vehicles	1,654	1,403
Ships and Boats	1,515	857
Computer Hardware and Software	3,657	565
Roads and Bridges	7,971	1,398
Port and Wharf Infrastructure	914	914
Other Assets	80	-
<b>Total Gross Carrying Value</b>	<b>46,843</b>	<b>35,813</b>
<b>Accumulated Depreciation</b>		
Buildings	4,646	4,448
Furniture and Fittings	37	31
Plant and Equipment	1,599	1,480
Motor Vehicles	497	822
Ships and Boats	727	682
Computer Hardware and Software	839	456
Roads and Bridges	800	336
Port and Wharf Infrastructure	716	697
Other Assets	8	-
<b>Total Accumulated Depreciation</b>	<b>9,869</b>	<b>8,952</b>
<b>Net Carrying Value</b>		
Land	20,316	20,316
Buildings	3,613	3,724
Furniture and Fittings	59	16
Plant and Equipment	782	661
Motor Vehicles	1,157	581
Ships and Boats	788	175
Computer Hardware and Software	2,818	109
Roads and Bridges	7,171	1,062
Port and Wharf Infrastructure	198	217
Other Assets	72	-
<b>Total Net Carrying Value</b>	<b>36,974</b>	<b>26,861</b>

The Government of Vanuatu started a process of identifying and valuing all of its fixed assets in 2002 and the depreciated value of these assets was brought onto the balance sheet as at 1 January 2003. It was recognised then that there was still a significant amount of work required to update the asset register with further assets to be identified and brought onto the balance sheet and revaluation issues to be resolved. These issues are still ongoing and adjustments were made in subsequent years to the Statement of Financial Position balances to introduce the new assets and revaluation changes identified in those years. These changes were reflected in adjustments to the Net Carrying Value of assets with a

corresponding adjustment to the Special Reserve. This is consistent with the process followed when asset values were initially recognised in 2003.

There is still a significant amount of work required for the Government of Vanuatu to finalise asset values in compliance with International Public Sector Accounting Standards and the Department of Finance will continue to co-ordinate this process over the next few years. The material outstanding issues to be resolved include:

- Complete stock take of all assets in each Ministry and Agency to ensure that all assets are included.
- Review valuation and useful lives of material assets, especially buildings and roads and bridges.
- Inclusion of Government owned schools and related assets in the Government Statement of Financial Position
- Inclusion of freehold land value or land lease value for Government land outside of the municipalities.

These statements have been prepared in accordance with International Public Sector Accounting Standard 17 – Property, Plant and Equipment. IPSAS 17 provides relief from fully complying with the requirements to recognise all property, plant and equipment for a five year transitional period after the adoption of this standard. The Government of Vanuatu should have been fully compliant with IPSAS 17 by 2010 but has been unable to adequately identify and value all of its assets yet. As such the full disclosure requirements of IPSAS 17 have not been met.

### **Note 13: Payables and Provisions** (as at 31 December 2011)

	<b>2011</b> vatu million	<b>2010 restated</b> vatu million
<b>Payables and Provisions</b>		
Accounts Payable and accruals	665	909
Interest Payable	195	172
Other Payables and Provisions	-	2
<b>Total Payables and Provisions</b>	<b>860</b>	<b>1,083</b>

Accounts Payable and accruals includes outstanding supplier invoices for goods or services that have been provided and accruals for purchase orders that have been committed but not yet processed for payment. The Government of Vanuatu has not implemented a formal process of identifying actual accrued expenses at this stage and while presentation in this manner is consistent with previous years, it is not strictly in compliance with International Public Sector Accounting Standards.

**Note 14: Employee Entitlements**  
(as at 31 December 2011)

	2011 vatu million	2010 restated vatu million
<b>Employee Entitlements</b>		
Wages, salaries and annual leave	980	793
Severance and retirement allowances	6,591	6,258
<b>Total Employee Entitlements</b>	<b>7,571</b>	<b>7,051</b>
<b>Estimated date for payment of severance and retirement allowances</b>		
Current (within next 12 months)	843	668
Between 1 and 2 years	323	171
Between 2 and 5 years	963	1,043
More than 5 years	4,462	4,376
<b>Total Severance and retirement allowances</b>	<b>6,591</b>	<b>6,258</b>

The provision for employees' entitlements to wages, salaries and annual leave represents the amount that the Government has a present obligation to pay resulting from employees services provided up to balance date. The provision has been calculated at amounts based on current wage and salary rates and includes all current leave balances for the approximately 5,500 employees of the Vanuatu Government.

The provision for severance and retirement allowances represents the present value of the estimated future cash outflows to be made by the Government of Vanuatu resulting from employees' services to balance date. A provision of 3.767 billion vatu was introduced to the balance sheet in 2008 and an adjustment to equity was made as a result of bringing this balance onto the statement of financial position. The provision was further adjusted in 2009 to reflect changes in the Employment Act and similarly resulted in an adjustment to equity for that year.

In determining the liability for employee's entitlements, consideration has been given to staff departures in previous years and the likelihood that newly employed staff will reach either retirement age or the current requirement of 10 years service for severance allowances to be paid out.

The current portion of the provision for severance and retirement allowances includes all allowances for staff who are already 55 years of age or will reach 55 years of age within the next 12 months. It also includes a provision for the average number of staff that resign each year and who have worked more than 10 years and are therefore entitled to severance payments.

The Public Service Commission has quite generous leave entitlements for employees who have worked more than 20 years. The start date for all employees who were employed before Independence is 1 August 1980. Leave entitlements based on long service are as follows:

Length of service	Leave entitlement
Less than 20 years	21 days leave per year
20 to 25 years	24 days leave per year
25 to 30 years	48 days leave per year
More than 30 years	72 days leave per year

There are an increasing number of employees who have now worked more than 25 or 30 years. As such the annual leave liability is increasing every year as most employees with

such a leave entitlement of 48 or 72 days per year do not use all of their leave in the year it is accrued.

## **Note 15: Trust Account Liabilities** (as at 31 December 2011)

	<b>2011</b> vatu million	<b>2010 restated</b> vatu million
<b>Trust Account Liabilities</b>		
Custom Owners Trust Account (Land rents and premiums)	447	467
Quarry and Mineral Royalties	44	142
Maritime Participation & Investigation Fund	45	38
School Fees subsidy not yet distributed	-	-
Unclaimed Monies	32	32
Water Board Deposits	9	11
Other Trust Accounts	4	4
<b>Total Trust Account Liabilities</b>	<b>581</b>	<b>694</b>

The Government trust account liabilities represent amounts held in trust for 3<sup>rd</sup> parties or refundable deposits. These amounts are deposited into the Government bank accounts and generally separate bank accounts are not held for these trust amounts (the Maritime Participation and Investigation Fund money is however held in a separate bank account). As such the cash receipts and payments relating to these trust accounts is included in the cash balance of the Statement of Financial Position and the Statement of Cash Flows. The outstanding liability is recognised in the Statement of Financial Position.

The most significant amount outstanding is for the Custom Owners Trust Account which represents amounts invoiced for Custom Owned Land that is under dispute. These amounts will be paid to the respective Custom Owners of each parcel of land once the owner is agreed by the appropriate Courts.

## Note 16: Financial Instruments (as at 31 December 2011)

### (a) Analysis of financial instruments

The carrying amounts of financial assets and financial liabilities by category are as follows:

	Notes	2011 vatu million	2010 restated vatu million
<b>Financial Assets</b>			
Cash and cash equivalents		2,770	2,917
Receivables	9	1,460	1,441
Advances	10	1,802	1,960
<b>Total Financial Assets</b>		<b>6,032</b>	<b>6,318</b>
<b>Financial Liabilities</b>			
Payables and Provisions	13	860	1,083
Employee Entitlements	14	7,571	7,051
Domestic Borrowings		4,235	3,285
Foreign Currency Borrowings		10,441	9,860
Development Fund monies held in Trust		2,499	2,376
Other Trust Account Monies	15	581	694
<b>Total Financial Liabilities</b>		<b>26,187</b>	<b>24,348</b>

### (b) Fair value hierarchy disclosures

The fair value of an instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Quoted market values represent fair value when a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader.

The valuation of the Government of Vanuatu's financial assets and liabilities are as follows:

#### *Cash and cash equivalents*

The reported value of cash and cash equivalents is considered to be its fair value due to the short term nature of the financial assets.

#### *Receivables*

Receivables include a deduction for provision for doubtful debts so that the total amount of receivables reported is the amount expected to be collected. The reported amount is considered to be the fair value of receivables.

#### *Domestic borrowings*

All domestic borrowings are through Government bonds issued by the Reserve Bank of Vanuatu at fixed interest rates. The reported amount borrowed is considered to be the fair value of domestic borrowings.

#### *Foreign currency borrowings*

Foreign currency borrowings represent loans through international development banks and organisations at concessional interest rates. The reported amount borrowed is considered to be the fair value of foreign currency borrowings.

#### *Development fund monies held in trust*

Development fund monies held in trust represent money provided by donors to be used for development projects as agreed between the donor and the Government of Vanuatu. This liability is mostly offset by funds held in the Development Fund bank account and reported as

cash and cash equivalents. Any unspent funds will either be returned to the contributing donor or reallocated to alternative projects as agreed with the contributing donor. The reported amount is considered to be the fair value of development fund monies held in trust.

*Other trust account monies*

Other trust account monies are monies being held in trust for third parties such as Custom Land Owners. Some of these amounts are held in separate bank accounts and some is held in the main consolidated bank account. The reported amount is considered to be the fair value of other trust account monies.

*Other financial assets and liabilities*

The reported values of other financial assets and liabilities are considered to be its fair value.

**(c) Financial instruments risk**

The activities of the Government of Vanuatu expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Government seeks to minimise exposure from the risks associated with financial instruments and has a series of policies to manage these risks.

**Market risk**

**Interest rate risk**

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Government of Vanuatu has no interest rate risk for existing financial liabilities and assets because all borrowings and financial interest bearing financial assets (such as advances to Government Business Enterprises) are for fixed terms and at fixed interest rates. The Government faces interest rate risk particularly for future domestic borrowings given the small market in Vanuatu.

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from future capital purchases and recognised liabilities which are denominated in a foreign currency. The Government makes purchases in foreign currencies and has a significant amount of borrowings denominated in foreign currencies. The Government also receives money in foreign currencies for revenue items such as fishing licenses, offshore company registrations and contributions from donors.

The Government is exposed to currency risk arising from various currency exposures, primarily with respect to Chinese Yuan Renminbi, Japanese Yen, US Dollars, IDA Special Drawing Rights, European Currency and Australian Dollars. The Government does not hedge its exposure to exchange rate fluctuations in these currencies. However in order to minimise foreign currency fluctuation risk, the Government may hold revenue received in foreign currency to meet expected payments to be made in the same currency.

The following tables detail financial assets and liabilities by major currencies.

<b>Financial Assets and Liabilities by currency as at 31 December 2011</b>	<b>Notes</b>	<b>VUV vatu million</b>	<b>CNY vatu million</b>	<b>JPY vatu million</b>	<b>USD vatu million</b>	<b>Other vatu million</b>	<b>Total vatu million</b>
<b>Financial Assets</b>							
Cash and cash equivalents		2,752	-	-	17	1	2,770
Receivables	9	1,460	-	-	-	-	1,460
Advances	10	1,802	-	-	-	-	1,802
<b>Total Financial Assets</b>		<b>6,014</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>1</b>	<b>6,032</b>
<b>Financial Liabilities</b>							
Payables and Provisions	13	860	-	-	-	-	860
Employee Entitlements	14	7,571	-	-	-	-	7,571
Domestic Borrowings		4,235	-	-	-	-	4,235
Foreign Currency Borrowings		-	3,846	2,792	1,411	2,392	10,441
Development Fund monies held in Trust		2,499	-	-	-	-	2,499
Other Trust Account Monies	15	581	-	-	-	-	581
<b>Total Financial Liabilities</b>		<b>15,746</b>	<b>3,846</b>	<b>2,792</b>	<b>1,411</b>	<b>2,392</b>	<b>26,187</b>

<b>Financial Assets and Liabilities by currency as at 31 December 2010</b>	<b>Notes</b>	<b>VUV vatu million</b>	<b>CNY vatu million</b>	<b>JPY vatu million</b>	<b>USD vatu million</b>	<b>Other vatu million</b>	<b>Total vatu million</b>
<b>Financial Assets</b>							
Cash and cash equivalents		2,835	-	-	77	5	2,917
Receivables	9	1,441	-	-	-	-	1,441
Advances	10	1,960	-	-	-	-	1,960
<b>Total Financial Assets</b>		<b>6,236</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>5</b>	<b>6,318</b>
<b>Financial Liabilities</b>							
Payables and Provisions	13	1,083	-	-	-	-	1,083
Employee Entitlements	14	7,051	-	-	-	-	7,051
Domestic Borrowings		3,285	-	-	-	-	3,285
Foreign Currency Borrowings		-	3,103	2,718	1,450	2,589	9,860
Development Fund monies held in Trust		2,376	-	-	-	-	2,376
Other Trust Account Monies	15	694	-	-	-	-	694
<b>Total Financial Liabilities</b>		<b>14,489</b>	<b>3,103</b>	<b>2,718</b>	<b>1,450</b>	<b>2,589</b>	<b>24,349</b>



### Currency sensitivity analysis

The Vatu strengthened against the European Currency in 2011. It weakened against the Chinese Yuan Renminbi and the Japanese Yen. The table below shows the exchange rates used to value financial assets and liabilities in these financial statements and the movement between the 2010 and 2011 financial years. The rates shown are the Reserve Bank of Vanuatu mid rates at the 31<sup>st</sup> of December showing the amount of vatu required to purchase 1 unit of the respective foreign currency.

Main Currencies		2011	2010	Move- ment
Chinese Yuan Renminbi	CNY	14.81	14.11	4.7%
Japanese Yen	JPY	1.20	1.14	5.2%
US Dollar	USD	93.56	93.15	0.4%
Special Drawing Right	SDR	144.05	143.60	0.3%
European Currency	EUR	121.29	123.75	-2.0%
Australian Dollar	AUD	94.91	94.72	0.2%

The sensitivity of the Government's financial assets and liabilities to an assumed across the board 5% strengthening or weakening of the Vatu against other foreign currencies is shown below. A 5% strengthening of the Vatu against each of the currencies listed below, with all other variables held constant, would have resulted in the surplus for the year increasing by the amounts listed in the table. A 5% weakening of the Vatu would have resulted in a lower surplus by the same amount.

Sensitivity to Foreign Currency Risk (+/- 5%)		2011 vatu million	2010 vatu million
Chinese Yuan Renminbi	CNY	192	155
Japanese Yen	JPY	140	136
U.S. Dollar	USD	71	73
IDA Special Drawing Right	SDR	52	54
European Currency	EUR	36	42
Australian Dollar	AUD	22	23

### Credit risk

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Government. The Government is exposed to credit risk from cash held at the bank, debtors and advances or loans made to other entities.

The majority of the cash held by the Government of Vanuatu is deposited with the Reserve Bank of Vanuatu with smaller amounts held at the other commercial banks in Vanuatu. The Reserve Bank of Vanuatu has a very good credit rating and there is very little risk to funds held with them.

The Government has difficulty collecting outstanding debtor accounts and many receivable amounts have been outstanding for a number of years. The value of receivables has been adjusted through a provision for doubtful debts so that the value shown is the amount expected to be collectable.

The Government has a number of advances or loans that have been mainly made to Government Business Enterprises as detailed in Note 10. Generally there is no collateral for these loans but they have been made to entities that the Government has an ownership interest in. The most significant of these are loans of 1,268 million outstanding from Air Vanuatu for the purchase of Y12 Aircraft and for operating purposes. The financial viability of Air Vanuatu is currently being assessed but at this stage they are expected to meet payments against these loans when their operations improve.

There are a number of other smaller advances that are being monitored for collectability including those made to Metenesel Estates Ltd, Vanuatu Commodities marketing Board and the Vanuatu Broadcasting and Television Corporation.

### **Liquidity risk**

Liquidity risk is the risk that the Government will encounter difficulty raising liquid funds to meet commitments as they fall due.

The table below analyses the Government's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

as at 31 December 2011	Notes	Carrying Value vatu million	Contractual cash flows vatu million	Less than 1 year vatu million	1-2 years vatu million	2-5 years vatu million	More than 5 years vatu million
<b>Financial Liabilities</b>							
Payables and Provisions	13	860	860	860	-	-	-
Employee Entitlements	14	7,571	7,571	1,823	323	963	4,462
Domestic Borrowings		4,235	4,235	602	800	1,838	995
Foreign Currency Borrowings		10,441	10,441	356	493	1,656	7,936
Development Fund monies held in Trust		2,499	2,499	2,124	375	-	-
Other Trust Account Monies	15	581	581	349	116	58	58
<b>Total Financial Liabilities</b>		<b>26,187</b>	<b>26,187</b>	<b>6,114</b>	<b>2,107</b>	<b>4,515</b>	<b>13,451</b>

as at 31 December 2010	Notes	Carrying Value vatu million	Contractual cash flows vatu million	Less than 1 year vatu million	1-2 years vatu million	2-5 years vatu million	More than 5 years vatu million
<b>Financial Liabilities</b>							
Payables and Provisions	13	1,083	1,083	1,083	-	-	-
Employee Entitlements	14	7,051	7,051	1,461	171	1,043	4,376
Domestic Borrowings		3,285	3,285	300	302	1,488	1,195
Foreign Currency Borrowings		9,860	9,860	307	356	2,264	6,933
Development Fund monies held in Trust		2,376	2,376	2,020	356	-	-
Other Trust Account Monies	15	694	694	416	139	69	69
<b>Total Financial Liabilities</b>		<b>24,349</b>	<b>24,349</b>	<b>5,587</b>	<b>1,324</b>	<b>4,864</b>	<b>12,573</b>

The Government has faced liquidity problems in 2010 and has borrowed a net amount of 800 million vatu through domestic bond issue to finance the deficit for the year. In addition another 399 million was borrowed through domestic bond issue to rollover bonds that were due for payment in 2010.

The Government is able to raise funds to meet financial liabilities through operating cash flows, further domestic bond issues and the proceeds of maturing financial assets. The Government also has access to an overdraft facility of 400 million vatu with the Reserve Bank of Vanuatu. This overdraft facility was utilised during 2010 to meet operating cash flows.

In addition the Government is able to make cash available for financial liabilities by implementing policies to limit expenditure and delaying or reducing the release of budget to line agencies. The Government may also increase revenue collected through implementation of revenue and tax policies where required.

### **Note 17: Related Parties**

Related party relationships are a normal feature of commerce and the Government transacts with related parties as a matter of course. Related parties of the Government include:

- Ministers of the State, who are key management personnel because they have authority and responsibility for planning, directing and controlling the activities of Government; directly or indirectly
- Ministers' spouses, children and dependants who are close family members of key management personnel; and
- Private-sector entities owned or jointly controlled by Ministers, their spouses, children and dependants.

Given the breadth of Government activities these related parties transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment of taxes and user charges, and the receipt of entitlements and services (such as access to education). These transactions have not been separately disclosed in this note.

Other transactions with these related parties can include the employment of Ministers' spouses, children and dependants by a Government entity, including ministerial offices, Ministries, Departments, State-owned enterprises and other Government agencies, receipt of grants from, or the purchase or sale of goods and services to, a Government entity by Ministers, their spouses, children and dependants, or private-sector entities they own or jointly control. These transactions have not been separately disclosed in this note, unless they have taken place within a Minister's portfolio.

Taking the above paragraphs into account, there are no related party transactions to be separately disclosed.

### **Note 18: Events after the Balance Date**

No material events have occurred since the balance date which would require any adjustment to or additional disclosure in the financial statements.

## **OTHER STATEMENTS**

**As required under the Public Finance and Economic Management Act**

**Summary of Appropriations by Ministry**  
(for the year ended 31 December 2011)

	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
	Activity	Original vatu	Supple- mentary vatu					
CONSTITUTIONAL AREAS OF THE GOVERNMENT								
President of the Republic	42,169,407	-	42,169,407	-	42,169,407	41,921,429	247,978	1%
Parliament	465,555,813	65,887,219	531,443,032	-	531,443,032	531,779,920	(336,888)	0%
Judiciary	194,088,884	-	194,088,884	-	194,088,884	194,686,186	(597,302)	0%
Malvatumauri	32,463,915	-	32,463,915	-	32,463,915	32,450,308	13,607	0%
National Audit Office	33,050,534	-	33,050,534	-	33,050,534	23,004,197	10,046,337	30%
Office of the Ombudsman	51,960,931	-	51,960,931	-	51,960,931	39,526,677	12,434,254	24%
Public Prosecutor	39,097,082	-	39,097,082	-	39,097,082	38,445,275	651,807	2%
Public Solicitor	43,864,444	-	43,864,444	-	43,864,444	43,240,894	623,550	1%
Public Service Commission	99,608,242	-	99,608,242	-	99,608,242	96,303,493	3,304,749	3%
Judicial Services Commission	889,186	-	889,186	-	889,186	852,138	37,048	4%
State Law Office	93,629,409	-	93,629,409	-	93,629,409	92,377,410	1,251,999	1%
Citizenship Office	4,117,321	-	4,117,321	-	4,117,321	3,927,578	189,743	5%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT	1,100,495,168	65,887,219	1,166,382,387	-	1,166,382,387	1,138,515,505	27,866,882	2%
Prime Ministers' Office	197,846,817	-	197,846,817	-	197,846,817	205,700,764	(7,853,947)	-4%
Ministry of Agriculture, Livestock, Forestry & Fisheries	475,547,367	-	475,547,367	-	475,547,367	432,170,049	43,377,318	9%
Ministry of Commerce, Industry and Tourism	305,911,939	-	305,911,939	-	305,911,939	268,432,950	37,478,989	12%
Ministry of Cooperatives and Ni Vanuatu Business Development Services	110,501,476	-	110,501,476	-	110,501,476	110,181,818	319,658	0%
Ministry of Education	3,763,578,157	96,800,126	3,860,378,283	-	3,860,378,283	3,828,825,674	31,552,609	1%
Ministry of Finance & Economic Management	3,696,195,678	208,761,120	3,904,956,798	-	3,904,956,798	3,267,269,103	637,687,695	16%
Ministry of Foreign Affairs	309,879,139	-	309,879,139	-	309,879,139	308,721,916	1,157,223	0%
Ministry of Health	1,596,058,054	89,000,000	1,685,058,054	-	1,685,058,054	1,688,803,707	(3,745,653)	0%
Ministry of Infrastructure & Public Utilities	1,412,465,090	-	1,412,465,090	-	1,412,465,090	1,353,200,069	59,265,021	4%
Ministry of Internal Affairs	1,384,069,889	30,000,000	1,414,069,889	-	1,414,069,889	1,405,034,308	9,035,581	1%
Ministry of Justice and Social Welfare	302,555,953	-	302,555,953	-	302,555,953	294,996,121	7,559,832	2%
Ministry of Lands, Geology & Mines	310,452,817	-	310,452,817	-	310,452,817	310,536,332	(83,515)	0%
Ministry of Youth Development & Training	146,667,580	58,481,700	205,149,280	-	205,149,280	206,464,433	(1,315,153)	-1%
TOTAL FOR GOVERNMENT OF VANUATU	15,112,225,124	548,930,165	15,661,155,289	-	15,661,155,289	14,818,852,749	842,302,540	5%

**Statement of Appropriations**  
(for the year ended 31 December 2011)

		Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Activity	Original vatu	Supple- mentary vatu					
CONSTITUTIONAL AREAS OF THE GOVERNMENT									
President of the Republic									
Management of the State House and President	CAAA	42,169,407	-	42,169,407	-	42,169,407	41,921,429	247,978	1%
Total President of the Republic		42,169,407	-	42,169,407	-	42,169,407	41,921,429	247,978	1%
Parliament									
Procedure and Legislative Affairs	CBAA	364,860,222	65,887,219	430,747,441	-	430,747,441	426,793,659	3,953,782	1%
Security and Protocol	CBAB	3,072,442	-	3,072,442	-	3,072,442	5,558,604	(2,486,162)	-81%
Inter-Parliamentary Relations	CBAC	9,224,111	-	9,224,111	-	9,224,111	8,839,291	384,820	4%
Office of the Leader of the Opposition	CBAD	21,467,397	-	21,467,397	-	21,467,397	24,959,451	(3,492,054)	-16%
Committee of the Standing Orders	CBBA	3,724,000	-	3,724,000	-	3,724,000	3,576,607	147,393	4%
Committee on Parliamentary Privileges and Immunities	CBBB	3,724,000	-	3,724,000	-	3,724,000	3,436,309	287,691	8%
Committee on the Public Accounts	CBBC	8,612,051	-	8,612,051	-	8,612,051	8,447,331	164,720	2%
Committee on Institutions	CBBD	3,724,000	-	3,724,000	-	3,724,000	3,507,204	216,796	6%
Committee on Economic Policy	CBBE	3,724,000	-	3,724,000	-	3,724,000	3,610,760	113,240	3%
Committee on Social Policy	CBBF	3,724,000	-	3,724,000	-	3,724,000	3,647,055	76,945	2%
Parliamentary Reporting	CBCA	8,097,480	-	8,097,480	-	8,097,480	6,880,379	1,217,101	15%
Library and Archives	CBCB	3,636,378	-	3,636,378	-	3,636,378	4,525,762	(889,384)	-24%
Financial Management	CBDA	2,844,462	-	2,844,462	-	2,844,462	3,053,970	(209,508)	-7%
Personnel Administration and Maintenance	CBDB	25,121,270	-	25,121,270	-	25,121,270	24,943,538	177,732	1%
Total Parliament		465,555,813	65,887,219	531,443,032	-	531,443,032	531,779,920	(336,888)	0%
Judiciary									
Corporate Services	CIAA	19,380,101	-	19,380,101	6,147,597	25,527,698	25,631,261	(103,563)	0%
Court of Appeal	CIAB	15,388,959	-	15,388,959	-	15,388,959	15,388,959	-	0%
Supreme Court	CIAC	77,419,891	-	77,419,891	1,300,000	78,719,891	78,594,743	125,148	0%
Magistrate Courts	CIAD	37,550,973	-	37,550,973	(4,747,597)	32,803,376	33,239,335	(435,959)	-1%
Island Courts	IAE	24,623,224	-	24,623,224	(1,300,000)	23,323,224	23,474,608	(151,384)	-1%
Land Courts	IAF	7,415,000	-	7,415,000	-	7,415,000	7,293,195	121,805	2%
Enforcement	CIAG	7,034,726	-	7,034,726	(800,000)	6,234,726	6,343,586	(108,860)	-2%
Judicial Development & Traning	IAH	5,276,010	-	5,276,010	(600,000)	4,676,010	4,720,499	(44,489)	-1%
Total for Judiciary		194,088,884	-	194,088,884	-	194,088,884	194,686,186	(597,302)	0%

## Statement of Appropriations (continued)

		Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
	Activity	Original vatu	Supple- mentary vatu	Final vatu					
Malvatumauri									
Administration of the National Council of Chiefs	CDA1	18,974,375	-	18,974,375	(3,318,171)	15,656,204	15,949,373	(293,169)	-2%
Funds for 14 Islands Council of Chiefs	CDA2	3,870,000	-	3,870,000	-	3,870,000	3,869,998	2	0%
Malvatumauri Members Allowance	CDA3	9,619,540	-	9,619,540	3,318,171	12,937,711	12,630,937	306,774	2%
Total for Malvatumauri		32,463,915	-	32,463,915	-	32,463,915	32,450,308	13,607	0%
National Audit Office									
Planning , Policy & Standards	CEAA	7,869,883	-	7,869,883	(150,000)	7,719,883	5,861,658	1,858,225	24%
Audit Operations	CEAB	17,672,975	-	17,672,975	-	17,672,975	10,208,974	7,464,001	42%
Corporate Services	CEAC	7,507,676	-	7,507,676	150,000	7,657,676	6,933,565	724,111	9%
Total for National Audit Office		33,050,534	-	33,050,534	-	33,050,534	23,004,197	10,046,337	30%
Office of the Ombudsman									
Planning , Management and Investigations	CCAA	51,960,931	-	51,960,931	-	51,960,931	39,526,677	12,434,254	24%
Total for Ombudsman		51,960,931	-	51,960,931	-	51,960,931	39,526,677	12,434,254	24%
Public Prosecutor									
Planning and Management	CGAA	8,395,420	-	8,395,420	-	8,395,420	8,403,707	(8,287)	0%
Institute Criminal Proceedings	CGAB	26,461,929	-	26,461,929	-	26,461,929	25,955,537	506,392	2%
Corporate Services	CGAC	4,239,733	-	4,239,733	-	4,239,733	4,086,031	153,702	4%
Total for Public Prosecutor		39,097,082	-	39,097,082	-	39,097,082	38,445,275	651,807	2%
Public Solicitor									
Representation	CHAA	43,864,444	-	43,864,444	-	43,864,444	43,240,894	623,550	1%
Total for Public Solicitor		43,864,444	-	43,864,444	-	43,864,444	43,240,894	623,550	1%
Public Service Commission									
Corporate Services Unit	CJAA	39,183,992	-	39,183,992	12,366,405	51,550,397	50,053,543	1,496,854	3%
Human Resource Management	CJAB	17,213,121	-	17,213,121	(4,674,300)	12,538,821	11,919,499	619,322	5%
Performance Improvement Unit	CJAC	10,943,795	-	10,943,795	(2,429,132)	8,514,663	8,204,047	310,616	4%
Human Resource Development	CJAD	23,665,574	-	23,665,574	(4,309,474)	19,356,100	18,589,532	766,568	4%
Public Service Legal Unit	CJAE	8,601,760	-	8,601,760	(953,499)	7,648,261	7,536,872	111,389	1%
Total for Public Service Commission		99,608,242	-	99,608,242	-	99,608,242	96,303,493	3,304,749	3%

## Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
Judicial Services Commission									
Decision Making	CLAA	344,000	-	344,000	-	344,000	329,669	14,331	4%
Administrative Support Services	CLAB	545,186	-	545,186	-	545,186	522,469	22,717	4%
Total for Judicial Services Commission		889,186	-	889,186	-	889,186	852,138	37,048	4%
State Law Office									
Provision of Legal Advice and Services	CFAA	93,629,409	-	93,629,409	-	93,629,409	92,377,410	1,251,999	1%
Total for State Law Office		93,629,409	-	93,629,409	-	93,629,409	92,377,410	1,251,999	1%
Citizenship Office									
Citizenship Commission	CKAA	4,117,321	-	4,117,321	-	4,117,321	3,927,578	189,743	5%
Total for Citizenship Office		4,117,321	-	4,117,321	-	4,117,321	3,927,578	189,743	5%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT		1,100,495,168	65,887,219	1,166,382,387	-	1,166,382,387	1,138,515,505	27,866,882	2%
PRIME MINISTERS MINISTRY									
Strategic Management	MCBA	60,889,621	-	60,889,621	21,721,152	82,610,773	81,247,406	1,363,367	2%
Administration & Coordination of Government Programmes	MPAA	76,861,284	-	76,861,284	(15,195,055)	61,666,229	75,413,180	(13,746,951)	-22%
Corporate Services	MPBA	25,895,912	-	25,895,912	(2,231,097)	23,664,815	22,809,632	855,183	4%
Language Services	MPCA	29,500,000	-	29,500,000	(4,295,000)	25,205,000	24,374,576	830,424	3%
Government Remuneration Tribunal	MPDE	4,700,000	-	4,700,000	-	4,700,000	1,855,970	2,844,030	61%
TOTAL FOR PRIME MINISTERS MINISTRY		197,846,817	-	197,846,817	-	197,846,817	205,700,764	(7,853,947)	-4%
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES									
Portfolio Management	MAAA	38,205,074	-	38,205,074	1,845,264	40,050,338	38,861,524	1,188,814	3%
Ministry Executive Management And Corporate Services	MABA	20,775,348	-	20,775,348	332,695	21,108,043	20,002,366	1,105,677	5%
Commodities	MACA	48,878,372	-	48,878,372	-	48,878,372	45,072,453	3,805,919	8%
Food Production	MACB	20,719,400	-	20,719,400	(1,684,845)	19,034,555	14,212,685	4,821,870	25%
Information	MACC	8,253,188	-	8,253,188	-	8,253,188	7,262,193	990,995	12%
Policy and Administration	MACD	38,298,113	-	38,298,113	(92,670)	38,205,443	37,122,689	1,082,754	3%
Biosecurity Administration	MADA	31,427,957	-	31,427,957	629,357	32,057,314	32,251,732	(194,418)	-1%
Veterinary Contract	MADB	25,000,000	-	25,000,000	(7,237,303)	17,762,697	16,720,985	1,041,712	6%
Biosecurity Operations South	MADC	24,702,683	-	24,702,683	4,073,000	28,775,683	28,917,486	(141,803)	0%
Biosecurity Operations North	MADD	17,040,372	-	17,040,372	1,316,993	18,357,365	18,309,147	48,218	0%



## Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES (continued)									
Livestock Production	MADE	22,199,648	-	22,199,648	(88,387)	22,111,261	21,847,286	263,975	1%
Plant Protection	MADG	7,735,842	-	7,735,842	990,000	8,725,842	8,739,380	(13,538)	0%
Research and Production	MAEA	52,727,215	-	52,727,215	-	52,727,215	41,748,313	10,978,902	21%
Resource Management	MAEB	30,071,459	-	30,071,459	-	30,071,459	16,869,218	13,202,241	44%
Administration	MAEC	28,410,209	-	28,410,209	(84,104)	28,326,105	25,032,921	3,293,184	12%
Forestry	MAFA	61,102,487	-	61,102,487	-	61,102,487	59,199,671	1,902,816	3%
TOTAL FOR MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES		475,547,367	-	475,547,367	-	475,547,367	432,170,049	43,377,318	9%
MINISTRY OF COMMERCE, INDUSTRY AND TOURISM									
Portfolio Coordination	MTAA	50,556,455	-	50,556,455	3,530,086	54,086,541	57,691,278	(3,604,737)	-7%
Executive Management	MTBA	150,190,150	-	150,190,150	1,547,386	151,737,536	115,341,469	36,396,067	24%
Food Technology	MTBB	10,605,025	-	10,605,025	(2,378,796)	8,226,229	7,614,663	611,566	7%
Industry and Commerce	MTCA	37,436,214	-	37,436,214	(2,716,887)	34,719,327	33,871,953	847,374	2%
Policy and Administration	MTCC	12,437,893	-	12,437,893	18,211	12,456,104	12,086,981	369,123	3%
Tourism Development	MTFB	17,175,065	-	17,175,065	3,588,347	20,763,412	19,894,909	868,503	4%
Tourism Standards	MTFC	3,671,163	-	3,671,163	-	3,671,163	2,862,057	809,106	22%
Provincial Tourism Development	MTFD	23,839,974	-	23,839,974	(3,588,347)	20,251,627	19,069,640	1,181,987	6%
TOTAL FOR MINISTRY OF COMMERCE, INDUSTRY AND TOURISM		305,911,939	-	305,911,939	-	305,911,939	268,432,950	37,478,989	12%
MINISTRY OF COOPERATIVES AND NI- VANUATU BUSINESS DEVELOPMENT SERVICES									
Portfolio Coordination	MVAA	36,101,685	-	36,101,685	2,644,467	38,746,152	39,078,857	(332,705)	-1%
Cooperatives Development	MVBA	74,399,791	-	74,399,791	(2,644,467)	71,755,324	71,102,961	652,363	1%
TOTAL FOR MINISTRY OF COOPERATIVES AND NI-VANUATU BUSINESS DEVELOPMENT SERVICES		110,501,476	-	110,501,476	-	110,501,476	110,181,818	319,658	0%

## Statement of Appropriations (continued)

		Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
	Activity	Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF EDUCATION									
Ministry Cabinet	MEAA	44,112,959	-	44,112,959	-	44,112,959	44,704,586	(591,627)	-1%
Office of the Director General	MEBA	16,943,453	-	16,943,453	-	16,943,453	23,117,283	(6,173,830)	-36%
Administration and Finance	MEBB	79,726,526	-	79,726,526	31,182,416	110,908,942	109,780,276	1,128,666	1%
Policy and Planning	MEBC	33,037,469	-	33,037,469	(161,000)	32,876,469	25,520,230	7,356,239	22%
School Support Services Administration	MECA	152,035,681	-	152,035,681	5,898,381	157,934,062	145,796,714	12,137,348	8%
Secondary Schools	MECB	1,111,430,340	-	1,111,430,340	(17,000,000)	1,094,430,340	1,086,478,045	7,952,295	1%
Primary Schools	MECC	1,757,179,587	-	1,757,179,587	(6,572,381)	1,750,607,206	1,796,018,138	(45,410,932)	-3%
Post Secondary Schools	MECD	458,276,578	96,800,126	555,076,704	-	555,076,704	514,456,753	40,619,951	7%
Teaching Services Commission	MEFB	110,835,564	-	110,835,564	(13,347,416)	97,488,148	82,953,649	14,534,499	15%
TOTAL FOR MINISTRY OF EDUCATION		3,763,578,157	96,800,126	3,860,378,283	-	3,860,378,283	3,828,825,674	31,552,609	1%
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT									
Portfolio Management	MFAA	44,152,389	-	44,152,389	-	44,152,389	44,083,082	69,307	0%
Ministry Executive & Internal Audit	MFBA	45,837,264	-	45,837,264	(1,167,470)	44,669,794	37,730,157	6,939,637	16%
Corporate Services	MFBB	125,083,737	-	125,083,737	9,923,495	135,007,232	121,176,882	13,830,350	10%
Information Services	MFBC	172,071,100	-	172,071,100	45,971,374	218,042,474	166,266,024	51,776,450	24%
Economic Policy Development	MFCA	23,191,251	-	23,191,251	-	23,191,251	19,259,343	3,931,908	17%
Sector Policy Coordination	MFCB	23,500,000	-	23,500,000	(2,500,000)	21,000,000	19,139,496	1,860,504	9%
Government Financial Services	MFCC	449,416,085	-	449,416,085	(4,504,820)	444,911,265	332,887,922	112,023,343	25%
National Statistical Collection, Analysis & Reporting	MFDA	37,634,041	-	37,634,041	(583,735)	37,050,306	35,621,123	1,429,183	4%
Provincial Statistics Offices	MFDB	12,912,545	-	12,912,545	-	12,912,545	10,301,691	2,610,854	20%
Public Debt Provisions	MFEA	1,393,000,000	-	1,393,000,000	-	1,393,000,000	1,003,406,417	389,593,583	28%
Central Payments	MFEC	351,056,023	195,761,120	546,817,143	(19,458,853)	527,358,290	544,284,312	(16,926,022)	-3%
Former Leaders Payment	MFED	5,000,000	-	5,000,000	-	5,000,000	3,869,086	1,130,914	23%
Customs and Excise Collections	MFFA	78,973,803	-	78,973,803	(350,000)	78,623,803	77,119,164	1,504,639	2%
VAT Collections	MFFB	77,971,764	-	77,971,764	(850,000)	77,121,764	75,076,595	2,045,169	3%
Rates and Taxes Collection	MFFC	30,050,931	-	30,050,931	(800,000)	29,250,931	27,457,924	1,793,007	6%
Border Control	MFGA	44,914,079	-	44,914,079	3,560,000	48,474,079	47,678,602	795,477	2%
Investment and Legal	MFGB	11,503,642	-	11,503,642	(700,000)	10,803,642	10,000,834	802,808	7%
Vanuatu Tourism Office	MFIA	139,989,780	13,000,000	152,989,780	-	152,989,780	152,496,658	493,122	0%
Vanuatu Agricultural Research and Training	MFIB	44,356,558	-	44,356,558	-	44,356,558	43,995,422	361,136	1%
Vanuatu Broadcasting and Television Corporation	MFIC	60,193,317	-	60,193,317	-	60,193,317	60,193,317	-	0%
Vanuatu Cultural Centre (VCC)	MFID	26,291,633	-	26,291,633	-	26,291,633	26,291,633	-	0%
Chamber of Commerce and Industry (CCI)	MFIE	25,000,000	-	25,000,000	-	25,000,000	24,999,900	100	0%

## Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT (continued)									
Grant to USP and SPBCA	MFIF	146,200,000	-	146,200,000	-	146,200,000	93,253,843	52,946,157	36%
Vanuatu Maritime Administration (VMA)	MFIG	40,171,837	-	40,171,837	(28,539,991)	11,631,846	2,955,777	8,676,069	75%
Vanuatu Maritime College	MFIH	41,255,243	-	41,255,243	-	41,255,243	41,255,243	-	0%
Vanuatu Agricultural College	MFUJ	82,800,392	-	82,800,392	-	82,800,392	82,800,392	-	0%
Vanuatu Agriculture Development Bank	MFIK	100,000,000	-	100,000,000	-	100,000,000	100,000,000	-	0%
Grant to VIPA	MFIL	38,668,264	-	38,668,264	-	38,668,264	38,668,264	-	0%
Grant to Airports Vanuatu Limited (AVL)	MFIM	25,000,000	-	25,000,000	-	25,000,000	25,000,000	-	0%
TOTAL FOR MINISTRY OF FINANCE & ECONOMIC MANAGEMENT		3,696,195,678	208,761,120	3,904,956,798	-	3,904,956,798	3,267,269,103	637,687,695	16%
MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE									
Portfolio Coordination	MOAA	56,050,000	-	56,050,000	-	56,050,000	56,026,739	23,261	0%
Operations of the Department of Foreign Affairs	MOBA	253,829,139	-	253,829,139	-	253,829,139	252,695,177	1,133,962	0%
TOTAL FOR MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE		309,879,139	-	309,879,139	-	309,879,139	308,721,916	1,157,223	0%
MINISTRY OF HEALTH									
Portfolio Management	MHAA	47,896,507	-	47,896,507	-	47,896,507	49,317,919	(1,421,412)	-3%
Ministry Executive	MHBA	11,289,656	-	11,289,656	-	11,289,656	10,916,803	372,853	3%
Corporate Services	MHBB	294,012,045	-	294,012,045	8,367,350	302,379,395	296,357,004	6,022,391	2%
Hospital Services	MHCA	733,963,195	89,000,000	822,963,195	(27,173,018)	795,790,177	806,038,716	(10,248,539)	-1%
Community Health Services	MHCB	323,135,139	-	323,135,139	18,805,668	341,940,807	340,309,499	1,631,308	0%
Public Health Services	MHCC	62,261,512	-	62,261,512	-	62,261,512	62,373,175	(111,663)	0%
Medical Supplies Stock	MHCD	123,500,000	-	123,500,000	-	123,500,000	123,490,591	9,409	0%
TOTAL FOR MINISTRY OF HEALTH		1,596,058,054	89,000,000	1,685,058,054	-	1,685,058,054	1,688,803,707	(3,745,653)	0%
MINISTRY OF INFRASTRUCTURE & PUBLIC UTILITIES									
Portfolio Coordination	MUAA	34,097,449	-	34,097,449	2,500,000	36,597,449	37,000,470	(403,021)	-1%
Director General and Corporate Services	MUBA	112,963,865	-	112,963,865	(32,000,000)	80,963,865	76,462,478	4,501,387	6%
Civil Aviation Management and Administration Support	MUCA	53,381,304	-	53,381,304	(1,500,000)	51,881,304	43,293,117	8,588,187	17%
Weather Forecasting, Monitoring and Research	MUDA	124,221,127	-	124,221,127	(3,000,000)	121,221,127	121,978,002	(756,875)	-1%

## Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF INFRASTRUCTURE & PUBLIC UTILITIES (continued)									
Ports Administration	MUEA	127,929,427	-	127,929,427	(6,000,000)	121,929,427	108,413,108	13,516,319	11%
Development and Maintenance of Government Infrastructure	MUFA	459,871,918	-	459,871,918	(27,300,000)	432,571,918	403,792,150	28,779,768	7%
Government Contributions to Projects	MUFC	500,000,000	-	500,000,000	67,300,000	567,300,000	562,260,744	5,039,256	1%
TOTAL FOR INFRASTRUCTURE & PUBLIC UTILITIES		1,412,465,090	-	1,412,465,090	-	1,412,465,090	1,353,200,069	59,265,021	4%
MINISTY OF INTERNAL AFFAIRS									
Portfolio Management	MIAA	45,271,483	-	45,271,483	-	45,271,483	43,738,349	1,533,134	3%
Corporate Services	MIAB	47,620,876	-	47,620,876	10,650,000	58,270,876	57,433,272	837,604	1%
Independence Celebration	MIAD	10,000,000	-	10,000,000	-	10,000,000	9,941,353	58,647	1%
Crime Prevention	MIAE	5,000,000	-	5,000,000	-	5,000,000	4,756,520	243,480	5%
Grants to Provinces	MICA	254,513,162	-	254,513,162	(2,375,958)	252,137,204	251,579,580	557,624	0%
Grants to Municipalities	MICB	10,000,000	-	10,000,000	450,000	10,450,000	6,554,441	3,895,559	37%
Administration of Regional Services	MICC	68,524,835	-	68,524,835	(2,539,367)	65,985,468	61,331,442	4,654,026	7%
Joint Command and Control	MIDA	179,814,502	-	179,814,502	8,315,269	188,129,771	189,801,195	(1,671,424)	-1%
Police District North	MIDB	73,602,073	-	73,602,073	(1,300,000)	72,302,073	69,986,074	2,315,999	3%
Police District Central	MIDC	35,810,600	-	35,810,600	(1,000,000)	34,810,600	37,214,166	(2,403,566)	-7%
Police District Southern	MIDD	162,745,797	-	162,745,797	16,774,044	179,519,841	189,144,351	(9,624,510)	-5%
Vanuatu Mobile Force	MIDE	226,053,257	-	226,053,257	(6,342,685)	219,710,572	224,418,805	(4,708,233)	-2%
Police Maritime Wing	MIDF	39,360,141	30,000,000	69,360,141	(1,600,000)	67,760,141	65,594,117	2,166,024	3%
Boarder Control	MIDG	66,344,641	-	66,344,641	300,000	66,644,641	65,120,726	1,523,915	2%
Issue of Passports	MIDH	15,413,386	-	15,413,386	1,350,000	16,763,386	16,149,858	613,528	4%
Labour Regulation	MIEA	58,093,510	-	58,093,510	(14,811,623)	43,281,887	40,578,669	2,703,218	6%
Electoral Services	MIEB	19,415,157	-	19,415,157	-	19,415,157	18,497,541	917,616	5%
Conduct of Elections	MIEC	17,000,000	-	17,000,000	2,467,945	19,467,945	18,670,713	797,232	4%
Civil Registry	MIED	10,764,757	-	10,764,757	500,000	11,264,757	11,282,910	(18,153)	0%
National Disaster Management	MIEF	32,867,584	-	32,867,584	(10,837,625)	22,029,959	17,451,529	4,578,430	21%
Police Service Commission	MIGA	5,854,128	-	5,854,128	-	5,854,128	5,788,697	65,431	1%
TOTAL FOR MINISTRY OF INTERNAL AFFAIRS		1,384,069,889	30,000,000	1,414,069,889	-	1,414,069,889	1,405,034,308	9,035,581	1%

## Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF LANDS, GEOLOGY & MINES									
Portfolio Coordination	MLAA	38,433,705	-	38,433,705	1,900,000	40,333,705	40,448,088	(114,383)	0%
Executive Management	MLBA	16,973,575	-	16,973,575	445,055	17,418,630	17,150,633	267,997	2%
Corporate Services	MLBB	76,315,535	-	76,315,535	(3,780,925)	72,534,610	72,123,275	411,335	1%
Energy Management and Assessment	MLCA	11,693,261	-	11,693,261	(1,411,478)	10,281,783	10,141,219	140,564	1%
Mines & Minerals	MLCB	17,495,720	-	17,495,720	20,000	17,515,720	17,630,891	(115,171)	-1%
Environmental Management, Research and Extension Services	MLDA	15,943,236	-	15,943,236	248,242	16,191,478	16,458,365	(266,887)	-2%
Land Survey	MLEA	28,866,959	-	28,866,959	(300,000)	28,566,959	28,351,148	215,811	1%
Land Use Planning	MLEB	10,819,092	-	10,819,092	2,432,187	13,251,279	13,371,253	(119,974)	-1%
Lease Management	MLEC	39,867,578	-	39,867,578	(1,572,187)	38,295,391	38,338,642	(43,251)	0%
Customary Land Registration	MLED	5,106,700	-	5,106,700	1,858,007	6,964,707	7,574,432	(609,725)	-9%
Geological Research	MLFB	9,859,103	-	9,859,103	-	9,859,103	9,504,465	354,638	4%
Rural Water Supply	MLGA	20,547,102	-	20,547,102	(100,000)	20,447,102	20,551,312	(104,210)	-1%
Water Resource Management	MLGB	10,945,484	-	10,945,484	340,912	11,286,396	11,369,964	(83,568)	-1%
Valuer General's Office	MLHA	7,585,767	-	7,585,767	(79,813)	7,505,954	7,522,645	(16,691)	0%
TOTAL FOR MINISTRY OF LANDS, GEOLOGY & MINES		310,452,817	-	310,452,817	-	310,452,817	310,536,332	(83,515)	0%
MINISTRY OF YOUTH DEVELOPMENT & TRAINING									
Cabinet Support Services	MYAA	40,333,044	-	40,333,044	-	40,333,044	42,206,545	(1,873,501)	-5%
Executive Management & Support Services	MYBA	20,129,084	-	20,129,084	-	20,129,084	20,366,435	(237,351)	-1%
Contribution to Sport & Youth Development	MYBB	60,899,570	58,481,700	119,381,270	-	119,381,270	118,763,771	617,499	1%
TVET & Employment Opportunities	MYCA	25,305,882	-	25,305,882	-	25,305,882	25,127,682	178,200	1%
TOTAL FOR MINISTRY OF YOUTH DEVELOPMENT & TRAINING		146,667,580	58,481,700	205,149,280	-	205,149,280	206,464,433	(1,315,153)	-1%

## Statement of Appropriations (continued)

	Activity	Original vatu	Supple- mentary vatu	Final vatu	Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Perce- ntage %
MINISTRY OF JUSTICE AND COMMUNITY SERVICES									
Portfolio Management	MJAA	42,957,579	-	42,957,579	-	42,957,579	43,551,629	(594,050)	-1%
Corporate Services	MJAB	39,415,315	-	39,415,315	-	39,415,315	37,908,687	1,506,628	4%
Corporate Services	MJBA	38,683,059	-	38,683,059	(200,000)	38,483,059	33,559,162	4,923,897	13%
Correctional Services	MJCA	181,500,000	-	181,500,000	200,000	181,700,000	179,976,643	1,723,357	1%
TOTAL FOR MINISTRY OF JUSTICE AND COMMUNITY SERVICES		302,555,953	-	302,555,953	-	302,555,953	294,996,121	7,559,832	2%
TOTAL FOR GOVERNMENT OF VANUATU									
		15,112,225,124	548,930,165	15,661,155,289	-	15,661,155,289	14,818,852,749	842,302,540	5%

## Statement of Unappropriated Expenditure (for the year ended 31 December 2011)

The Annual Appropriation Act is the instrument that authorises expenditure by programs and activities for each Agency of Government. Additional expenditure for programs and activities may also be authorised through Supplementary Appropriation Acts.

Transfers of appropriated amounts between Agencies are prohibited by the Public Finance and Economic Management Act except where it is appropriated through a Supplementary Appropriation Act. However the head of an agency may transfer an amount that has been appropriated for an activity of the agency in a financial year ("the losing activity") to another activity of the agency in that financial year provided that the transfer is not likely to adversely affect the losing activity.

The detailed statement of appropriations includes many activities that are overspent while the total expenditure for the Agency as a whole remains under the appropriated amount. Since agencies are free to transfer appropriation amounts between programs and activities, the Statement of Unappropriated Expenditure is shown at an agency level rather than at an activity or program level.

The following Agencies have exceeded their appropriation amount for the year ended 31 December 2011:

	Final Budget vatu	Actual Expenditure vatu	Unappropriated Amount vatu	Per- centage %
<b>CONSTITUTIONAL AREAS OF THE GOVERNMENT</b>				
Parliament	531,443,032	531,779,920	(336,888)	-0.06%
Judiciary	194,088,884	194,686,186	(597,302)	-0.31%
Prime Ministers' Office	197,846,817	205,700,764	(7,853,947)	-3.97%
Ministry of Health	1,685,058,054	1,688,803,707	(3,745,653)	-0.22%
Ministry of Lands, Geology & Mines	310,452,817	310,536,332	(83,515)	-0.03%
Ministry of Youth Development & Training	205,149,280	206,464,433	(1,315,153)	-0.64%
<b>TOTAL FOR OVERSPENT AGENCIES</b>	<b>3,124,038,884</b>	<b>3,137,971,342</b>	<b>(13,932,458)</b>	<b>-0.45%</b>

## Reconciliation of Statement of Appropriations and Recurrent Fund Operating Balance

(for the year ended 31 December 2011)

Budget Appropriations for recurrent expenditure are made on a modified cash basis which includes some capital items that are reflected in the Statement of Financial Position and excludes some accrual based items that are included in the Statement of Financial Performance. The Statement of Appropriations includes the following items from the Statement of Financial Performance for the Recurrent Fund as shown in the Statement of Segments:

- Personnel expenses
- Operating expenses
- Subsidies and transfer payments
- Finance costs

It does not include the following Statement of Financial Performance items:

- Depreciation on assets
- Net surplus/(deficit), less distributions, attributable to Government Owned Enterprises
- Write offs
- VAT refunds for VAT paid on purchase of goods or services

It also includes the following items from the Statement of Financial Position:

- Loan principal repayments
- Purchase of fixed assets
- New advances or capital contributions to Government Business Enterprises
- New investments

The total expenditure line as shown in the Statement of appropriations can be reconciled to the Statement of Financial Performance for the Recurrent Fund as shown in the following table:

	2011 vatu million	2010 restated vatu million
<b>Expenditure per Statement of Appropriations</b>	<b>14,819</b>	<b>14,972</b>
<b>Add: Accrual items not included in Appropriations</b>		
Depreciation on assets	1,350	489
Accrued leave movement	148	(26)
Accrued severance provision	333	92
Refund of VAT on expenses	(299)	(333)
Write-off of bad debts against accrual fund	11	267
Accrued interest expenses	23	31
Accrued operating expenses	18	17
<b>Total Accrual items not included</b>	<b>1,584</b>	<b>537</b>
<b>Less: Capital Expenses not included in Statement of Financial Performance</b>		
Loan Principal Repayments	(607)	(697)
Asset purchases recorded in Statement of Financial Position	(1,186)	(443)
Additional Advances or Capital Contributions to GBEs recorded in Statement of Financial Position	(100)	(500)
<b>Total Capital Expenses not included</b>	<b>(1,893)</b>	<b>(1,640)</b>
<b>Expenses per Statement of Financial Performance</b>	<b>14,510</b>	<b>13,869</b>