



FINANCIAL STATEMENTS
OF THE
GOVERNMENT OF
THE REPUBLIC OF VANUATU

for the year ended

31 December 2012

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STATEMENTS OF RESPONSIBILITY

Minister of Finance and Economic Management

It is with great pleasure that I present the 2012 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.

Simil Johnson
Acting 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 2012

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 2012.

The financial statements on pages 8 to 64 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 page 24 to 27.

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 2011 financial statements;
- The valuation of property, plant and equipment of VT36,492 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 2012 due to lack of timely information;
- Third party confirmations were not received to confirm material balances for advances to GBEs, Government grants and donor contributions; and
- Requested information and explanations for some revenue transactions, debtor receipts, contingencies, journals, borrowings, appropriations, expenditure, trust liabilities 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 2012 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

20 April 2015
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 2012. 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 Government operating balance was -498 million in 2012 compared to -1,141 million in 2011. 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 24.861 billion vatu as at the end of 2012 as outlined below:

	2012 vatu million	2011 vatu million
Financial Position		
Assets	49,744	49,142
Liabilities	24,883	23,688
Net Worth	24,861	25,454

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 is as follows:

	2012 vatu million	2011 vatu million
Consolidated Financial Performance		
Revenue	16,807	15,842
Expenses	17,697	17,245
Revenue less Expenses	(890)	(1,403)
Net surplus/(deficit) of GBEs	392	262
Operating Balance	(498)	(1,141)

If donor funded activities are excluded, the Statement of Financial Performance for the Recurrent Fund shows an operating balance (including foreign currency gains) of -363 million vatu in 2012 and -1,074 million vatu in 2011 as follows:

	2012 vatu million	2011 vatu million
Recurrent Fund Financial Performance		
Revenue	14,735	12,910
Expenses	15,091	14,510
Revenue less Expenses	(356)	(1,600)
Net surplus/(deficit) of GBEs	392	262
Operating Balance	36	(1,338)
less Foreign Currency movements	(398)	264
Adjusted Operating Balance	(362)	(1,074)

Statement of Borrowings

Foreign borrowings have decreased from 10,441 million to 9,702 million in 2012 due to principal repayments and unrealised foreign currency gains on the outstanding balance. Domestic borrowings have increased from 4,235 million to 5,623 million as the Government has borrowed an additional 1,388 million from the domestic market to finance ongoing deficits and to meet cash-flow shortages caused by prior year deficits.

	2012 vatu million	2011 vatu million
Borrowings		
Foreign currency borrowings	9,702	10,441
Domestic borrowings	5,623	4,235
Total borrowings	15,326	14,676

FINANCIAL STATEMENTS

of the

GOVERNMENT OF THE REPUBLIC OF VANUATU

for the year ended 31 December 2012

Statement of Financial Performance
(for the year ended 31 December 2012)

	Notes	2012 vatu million	2011 vatu million
Revenue			
Levied through the State's Sovereign Power			
Taxation revenue	1	10,645	10,538
License and registration fees	1	1,553	1,262
Other Sovereign revenues	1	735	605
Total Revenue levied through the State's Sovereign Power	1	12,933	12,405
Earned through the State's Operations			
Charges and recoveries	2	1,084	730
Investment income	3	260	167
Total Revenue Earned through State Operations		1,344	897
Other Revenue			
Contributions from Donors	4	2,132	2,804
Loss on sale of Investments	11	-	-
Foreign currency gains/(losses)		398	(264)
Total Other Revenue		2,530	2,540
Total Revenue		16,807	15,842
Expenses	5		
Personnel expenses	6	9,439	9,054
Operating expenses	7	3,723	4,235
Grants, subsidies and transfer payments	8	2,368	2,174
Finance costs		509	419
Depreciation on assets	12	1,413	1,350
Write offs		245	13
Total Expenses	5	17,697	17,245
Revenue less Expenses		(890)	(1,403)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	11	392	262
Operating Balance		(498)	(1,141)

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 2012)

	<i>Note</i>	2012 vatu million	2011 vatu million
Assets			
Cash and bank		2,887	2,770
Receivables	9	1,683	1,460
Advances	10	1,361	1,802
Prepayments		92	-
Investment in Government Owned Enterprises	11	7,136	6,136
Property, Plant and Equipment	12	36,492	36,974
Capital works in Progress		93	-
Total Assets		49,744	49,142
Liabilities			
Payables and provisions	13	952	860
Employee Entitlements	14	7,931	7,571
Trust account liabilities	15	674	581
Borrowings		15,326	14,676
Total Liabilities		24,883	23,688
Total Assets less Total Liabilities		24,861	25,454
Net Worth			
Recurrent Fund Balance		7,769	7,325
Development Fund Balance		1,965	2,499
Special Reserve		10,169	10,169
Depreciable Fixed Assets Revaluation Reserve		4,958	5,461
Net Worth		24,861	25,454

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 2012)

	2012 vatu million	2011 vatu million
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Taxation Revenue	10,680	10,732
License and Registration Fees	1,514	1,215
Donor Contributions	2,154	2,872
Other Sovereign Revenues	721	587
Investment Income	182	192
Other Operating Receipts	911	710
Total Cash Provided from Operations	16,162	16,308
Cash was disbursed to:		
Personnel payments	9,112	8,665
Operating payments	4,134	4,556
Subsidies and transfers	2,372	2,130
Finance costs	448	397
Total Cash Disbursed from Operations	16,066	15,748
Net Cash Flows from Operations	96	560
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from		
Sale of physical assets	-	-
Repayment of advances from GBEs	441	167
Sale of Investments	-	-
Total Cash Provided from Investing Activities	441	167
Cash was disbursed to:		
Purchase of physical assets and capital works	1,207	1,849
Investments in GBEs	608	100
Advances to GBEs	-	-
Total Cash Disbursed to Investing Activities	1,815	1,949
Net Cash Flows from Investing Activities	(1,374)	(1,782)

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

Statement of Cash Flows (continued)
(for the year ended 31 December 2012)

	2012 vatu million	2011 vatu million
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Drawdown of domestic loans	1,990	1,250
Drawdown of foreign loans	-	590
Financing from Vanuatu Post Ltd	275	-
Net Receipts/(Payments) from Trust Funds	68	(158)
Total Cash Provided from Financing Activities	2,333	1,682
Cash was disbursed to:		
Repayment of domestic loans	602	300
Repayment of foreign loans	336	307
Total Cash Disbursed to Financing Activities	938	607
Net Cash Flows from Financing Activities	1,395	1,075
Net Increase / (Decrease) in Cash Held	117	(147)
Add Opening Cash Balances	2,770	2,917
Closing Cash Balance	2,887	2,770

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 2012)

	2012 vatu million	2011 vatu million
Net Cash Flows from Operations	96	560
Items included in the operating balance but not in the net cash flows from operations		
Valuation Changes		
Unrealised net foreign-exchange (losses)/gains	401	(263)
Non cash writeoffs	-	(13)
Total Valuation Changes	401	(276)
Asset Movements		
Depreciation	(1,413)	(1,350)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	392	262
Other Asset Movements	64	(56)
Total Asset Movements	(957)	(1,144)
Movements in Working Capital		
Increase/(Decrease) in Receivables	223	19
Increase/(Decrease) in Employee Advances	8	(3)
(Increase)/Decrease in Payables and Provisions	(92)	223
Less Payable to Vanuatu Post for share purchase	183	-
(Increase)/Decrease in Employee Entitlements	(360)	(520)
Total Working Capital Movements	(38)	(281)
Operating Balance	(498)	(1,141)

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

Statement of Movements in Equity
(for the year ended 31 December 2012)

	2012 vatu million	2011 vatu million
Opening Equity Balance		
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
Opening Equity balance	25,454	25,801
Net Surplus/(Deficit)		
Recurrent Fund	36	(1,338)
Development Fund	(534)	123
Net Surplus/(Deficit)	(498)	(1,215)
Other Movements		
Recurrent Fund	408	480
Special Reserve	-	-
Depreciable Fixed Assets Revaluation Reserve	(503)	388
Other Movements	(95)	868
Closing Equity Balance		
Recurrent Fund	7,769	7,325
Development Fund	1,965	2,499
Special Reserve	10,169	10,169
Depreciable Fixed Assets Revaluation Reserve	4,958	5,461
Closing Equity Balance	24,861	25,454

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 2012)

Recurrent Fund Balance

	2012 vatu million	2011 vatu million
Recurrent Fund Opening Balance	7,325	8,183
Net Surplus/(Deficit) for the year	36	(1,338)
Transfer from depreciable fixed assets revaluation reserve	407	407
Construction in Progress balances transferred from the Development Fund	2	74
Rounding	(1)	(1)
Recurrent Fund Closing Balance	7,769	7,325

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 in this year. 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.

Development Fund Balance

	2012 vatu million	2011 vatu million
Development Fund Opening Balance	2,499	2,376
Surplus/(Deficit) for the year	(534)	123
Development Fund Closing Balance	1,965	2,499

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

	2012 vatu million	2011 vatu million
Development Fund Balance Reconciliation		
Unspent Donor Contributions Balance	1,965	2,499
Development Fund Bank Account Balance	2,118	2,593
Cash Owning to Development Fund Bank Account	(153)	(94)

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 2011 the balance held in the Development Fund bank account was 94 million more than unspent donor contributions, while in 2012 there was 153 million more held in the Development Fund bank account than unspent funds provided by donors.

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 2012)

Special Reserve Balance

	2012 vatu million	2011 vatu million
Special Reserve Opening Balance	10,169	10,169
New provisions in 2011 or 2012	-	-
Special Reserve Closing Balance	10,169	10,169

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.

Depreciable Fixed Assets Revaluation Reserve Balance

	2012 vatu million	2011 vatu million
Depreciable Asset Revaluation Reserve Opening Balance	5,461	5,073
Revalued fixed asset balances brought onto balance sheet	(96)	795
Transfer to Recurrent Fund Balance for depreciation charged for brought on assets	(407)	(407)
Depreciable Asset Revaluation Reserve Closing	4,958	5,461

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 2012)

	2012 vatu million	2011 vatu million
Foreign Currency Borrowings		
Opening Balance	10,441	9,860
Principal drawdowns	-	590
Principal Repayments	(336)	(307)
Loan Write-offs	-	-
Foreign Exchange changes	(403)	299
Closing Balance	9,702	10,441
Domestic Borrowings		
Opening Balance	4,235	3,285
Principal drawdowns	1,990	1,250
Principal Repayments	(602)	(300)
Loan Write-offs	-	-
Foreign Exchange changes	-	-
Closing Balance	5,623	4,235
Total Borrowings		
Opening Balance	14,676	13,144
Principal drawdowns	1,990	1,840
Principal Repayments	(938)	(607)
Loan Write-offs	-	-
Foreign Exchange changes	(403)	299
Closing Balance	15,326	14,676

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 Borrowing by Currency
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Foreign Currency Borrowings by Currency		
Chinese Yuan Renminbi	3,789	3,846
Japanese Yen	2,397	2,792
US Dollar	1,333	1,411
IDA Special Drawing Rights	958	1,037
European Currency	627	726
Australian Dollar	412	434
Swiss Franc	98	103
Canadian Dollar	70	73
Swedish Krona	11	12
Danish Krona	6	6
Korean Won	1	1
Total Foreign Currency Borrowings	9,702	10,441

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

Statement of Borrowings – Detailed
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Asian Development Bank Loans		
Agriculture Extension	44	48
Multiproject Loan	207	234
Development Bank of Vanuatu	37	41
DFI / Development Bank of Vanuatu	246	275
Santo Wharf	426	469
Santo Wharf Supplementary	282	313
Urban Infrastructure	962	1,063
Comprehensive Reform Program	2,236	2,492
Cyclone Dani	178	197
Total Asian Development Bank Loans	4,617	5,134
International Development Association Loans		
Agriculture Extension	100	107
Multiproject Loan	188	201
Primary & Secondary Education	558	608
Housing	112	121
Total IDA Loans	958	1,037
Other Foreign Currency Loans		
CFD loan for Telecom Vanuatu Ltd	227	259
EIB loan for Beaurfield Airport Project	111	165
Chinese E-Government Loan	2,926	2,948
Chinese Air Vanuatu Y12 Aircrafts Purchase	863	898
Total Other Foreign Currency Loans	4,127	4,271
Total Foreign Currency Loans	9,702	10,441
Domestic Borrowings	5,623	4,235
Total Borrowings	15,326	14,676

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

Statement of Commitments
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Capital Commitments		
Due within 1 year	578	578
Due within 2 to 5 years	-	-
Due after 5 years	-	-
Total Capital Commitments	578	578
Operating Commitments		
Due within 1 year	75	75
Due within 2 to 5 years	243	243
Due after 5 years	243	243
Total Operating Commitments	561	561
Total Commitments	1,139	1,139

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

Statement of Specific Fiscal Risks (as at 31 December 2012)

Statement of Contingent Liabilities and Contingent Assets

	2012 vatu million	2011 vatu million
Quantifiable Contingent Liabilities		
Guarantees and indemnities	2,101	12,789
Uncalled capital	3,594	3,628
Legal proceedings and disputes	1,646	1,646
Other contingent liabilities	-	-
Total Quantifiable Contingent Liabilities	7,341	18,063
Quantifiable Contingent Assets		
Legal proceedings and disputes	73	73
Total Quantifiable Contingent Assets	73	73

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:

		2012 vatu million	2011 vatu million
Guarantees and Indemnities			
National Bank of Vanuatu	Guarantee given by the Vanuatu Government for repayment of all monies deposited with the National Bank of Vanuatu	-	10,649
Air Vanuatu	Loan guarantees given to VNPF, BRED Bank and Aircraft leasing companies to support the ongoing activity of the National airline, Air Vanuatu.	2,014	2,053
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.	43	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.	44	43
Total Guarantees and Indemnities		2,101	12,789

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

List of Material Contingent Liabilities and Contingent Assets (continued)

		2012	2011
		vatu million	vatu million
Uncalled Capital and Non Interest Bearing Promissory Notes			
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)	271	277
Asian Development Bank	Proposed General Capital Increase for Asian Development Bank member contributions	1,198	1,226
Total Uncalled Capital and NIB Promissory Notes		3,594	3,628

The National Bank of Vanuatu was corporatized in 2012 and was incorporated with the Government of Vanuatu as a 70% shareholder and additional shares purchased by the International Finance Corporation and the Vanuatu National Provident Fund. As part of this exercise the National Bank of Vanuatu (Restructuring) Act No.3 of 2012 repealed the National Bank of Vanuatu Act [CAP 209]. The Government's guarantee of all NBV deposits was included in the original NBV Act so these guarantees have been removed from the 2012 contingent liabilities.

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 2012)

	2012 vatu million	2011 vatu million
Opening Balance	2,499	2,376
Contributions from Donors		
Millennium Challenge Corporation	-	155
Australia	1,354	1,382
New Zealand	326	260
United Nations	95	138
European Union	77	6
Vanuatu Government	45	140
Japan	56	642
World Health Organisation	25	50
China	1	7
France	9	32
Other Donor Contributions	189	142
Other revenue	-	136
Foreign currency gains/(losses)	-	-
Total Contributions from Donors	2,177	3,090
Expenditure by Ministry		
Infrastructure & Public Utilities	803	1,374
Finance & Economic Management	525	378
Health	416	389
Education	560	510
Internal Affairs	143	28
Lands, Geology & Mines	64	111
Justice and Community Services	24	34
Constitutional Areas of Government	27	23
Agriculture, Quarantine, Forestry & Fisheries	33	31
Commerce, Industry and Tourism	17	58
Prime Ministers' Office	11	10
Foreign Affairs and External Trade	49	-
Youth Development & Training	39	15
Cooperatives and Ni Vanuatu Business Development Services	-	-
Transfers to Recurrent Fund for Budgetary Support	-	6
Other	-	-
Total Expenditure	2,711	2,967
Development Fund Movement	(534)	123
Closing Balance	1,965	2,499

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 2012)

	2012 vatu million	2011 vatu million
Revenue		
Levied through the State's Sovereign Power		
Taxation revenue	10,645	10,538
License and registration fees	1,566	1,149
Other Sovereign revenues	735	605
Total Revenue levied through the State's Sovereign Power	12,946	12,292
Earned through the State's Operations		
Charges and recoveries	1,071	721
Investment income	249	155
Total Revenue Earned through State Operations	1,320	876
Other Revenue		
Contributions from Donors	71	6
Loss on sale of Investments	-	-
Foreign currency gains/(losses)	398	(264)
Total Other Revenue	469	(258)
Total Revenue	14,735	12,910
Expenses		
Personnel expenses	9,104	8,714
Operating expenses	1,789	1,993
Grants, subsidies and transfer payments	2,031	2,021
Finance costs	509	419
Depreciation on assets	1,413	1,350
Write offs	245	13
Total Expenses	15,091	14,510
Revenue less Expenses	(356)	(1,600)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	392	262
Recurrent Fund Operating Balance	36	(1,338)
Transfer from depreciable fixed assets revaluation reserve	407	407
Recurrent Fund Movement for the year	443	(931)
Reconciliation with Consolidated Operating Balance		
Recurrent Fund Operating Balance	36	(1,338)
Development fund movement	(534)	123
Capital expenditure recorded as work in progress in statement of financial position	-	74
Consolidated Operating Balance	(498)	(1,141)

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 2012.

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:

Revenue type	Revenue recognition event
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 2012)

	2012 vatu million	2011 vatu million
Taxation Revenue		
Value Added Tax	5,474	5,040
Import duties	2,598	2,889
Excise taxes	1,918	1,936
Turnover Tax	269	319
Road Tax	154	177
Gaming duty and taxes	151	90
Rent Tax	60	62
Export duties	-	1
Other taxes	21	24
Total Taxation Revenue	10,645	10,538
License and Registration Fees		
Business Licences & Registration	208	201
Vehicle Licences	184	156
Company Stamp Duties	164	127
Fishing Licences & Registration	171	185
Work Permits	163	162
Residency Permits	425	157
Shipping Registration Fees	40	46
Mineral Royalties	8	84
Telecommunication and Radio Licenses	-	11
Registration - Offshore Companies	78	66
Other license and registration fees	112	67
Total License and Registration Fees	1,553	1,262
Other Sovereign Revenues		
Land rents, registrations and premiums	707	584
Franchise fees	-	-
Court Fines	26	20
Utility Company fines and penalties	2	1
Total Other Sovereign Revenues	735	605
Total Sovereign Revenue	12,933	12,405

Note 1 Continued: Tax Exemptions and Relief
(for the year ended 31 December 2012)

	2012 vatu million	2011 vatu million
Economic Relief		
Diesel fuel for generation of electric power	271	295
Manufacturing or processing goods	74	71
Tourism Development Projects	10	11
Inter-Island Shipping goods	-	-
Other Economic Relief	4	3
Total Economic Relief	359	380
Other Relief		
Goods donated or imported for aid projects	479	397
Melanesian Spearhead Group	325	342
Goods imported under international convention or agreement	50	65
Charitable Reliefs for Non-Profit Making Groups and Organisations	27	52
Personal Reliefs	70	68
Temporarily Imported Goods	58	44
Promotion of National Safety, Health or Well-Being	1	-
Other Miscellaneous Conditional Reliefs	24	35
Total Other Relief	1,034	1,003
Total Tax Exemptions and Relief	1,393	1,383

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 2012)

	2012 vatu million	2011 vatu million
Charges and Recoveries		
General recoveries and charges	365	300
Port and Wharfage charges	395	166
Unclaimed Trust Monies transferred to Public Fund	-	-
Landing charges	112	83
Water Charges Recoveries	35	33
Property rentals	18	20
Marine Fees Charges	16	15
Firearms Licenses	6	16
Hospital Fees	15	17
Election Fees	40	9
Passport Fees	75	63
Traffic Fines	7	8
Total Charges and Recoveries	1,084	730

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 2012)

Interest Income		
Interest from Advances	7	31
Interest from bank deposits	16	16
Total Interest Income	23	47
Dividends		
Reserve Bank	235	50
Postal Services Ltd Dividends	0	70
National Bank Dividends	0	0
Ifira Wharf & Stevedoring Dividends	0	0
Northern Island Stevedoring Dividends	0	0
Other Dividends	2	0
Total Dividends	237	120
Total Investment Income	260	167

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.

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. The 2012 dividend for the Reserve Bank of Vanuatu includes the 2011 dividend which was received in 2012 and an accrual of the 2012 dividend which was received in 2013.

Note 4: Donor Contributions
(for the year ended 31 December 2012)

	2012 vatu million	2011 vatu million
Contributions from Donors		
Millennium Challenge Corporation	-	145
Australia	1,354	1,382
New Zealand	326	260
United Nations	95	138
European Union	77	6
Japan	56	642
World Health Organisation	25	50
China	1	7
France	9	32
Other Contributions	189	142
Total Contributions from Donors	2,132	2,804
Reconciliation to Statement of Financial Activity of the Development Fund		
Add back:		
Government of Vanuatu contributions eliminated on consolidation	45	140
MCC contributions and expense recorded against 2 projects	-	10
Non donor revenue	-	136
Foreign currency gains/(losses)	-	-
Donor Contributions per Development Fund	2,177	3,090

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.

Note 5: Analysis of Expenses
(for the year ended 31 December 2012)

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

	2012	2011
	vatu million	vatu million
Total Expenses by Ministry		
Education	4,492	4,323
Finance & Economic Management	3,500	3,141
Infrastructure & Public Utilities	1,997	2,600
Health	1,947	2,039
Internal Affairs	1,502	1,399
Constitutional Areas of Government	1,416	1,136
Agriculture, Quarantine, Forestry & Fisheries	447	450
Lands, Geology & Mines	337	413
Justice and Social Welfare	378	320
Foreign Affairs & External Trade	349	305
Prime Ministers' Office	226	211
Commerce, Industry and Tourism	388	303
Co-operatives & Ni Vanuatu Business Development Services	97	108
Youth Development & Training	178	184
Depreciation expense	1,413	1,350
Accrued leave expense	57	166
Other adjustments	(1,027)	(1,203)
Total Expenses	17,697	17,245

Other adjustments of -1,027 million vatu in 2012 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 2012)

	2012 vatu million	2011 vatu million
Personnel Expenses		
Salaries and wages	6,490	6,433
Housing allowances	649	618
Members of Parliament allowances and allocations	548	260
Employer contributions to VNPF	270	260
Family Allowance	119	133
Employee termination expenses and provisions	541	572
Subsistence Allowances	336	384
Overtime wages	109	92
Political gratuity allowances	68	64
Other employee allowances	309	238
Total Personnel Expenses	9,439	9,054

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 Teachers 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 2012)

	2012 vatu million	2011 vatu million
Operating Expenses		
General repairs and maintenance	263	232
Roads repair and maintenance	195	306
Vehicles fuel and maintenance	313	272
Electricity Utilities	300	273
Local travel and accommodation	277	276
Consultants Fees	305	293
Printing and Stationery	174	162
Equipment and vehicle hire	223	559
Court Costs	65	28
Medicine Supplies	137	213
Telecommunication expenses	136	148
International travel and accommodation	135	152
Accommodation rentals, rates and leases	124	100
Gas and Water Utilities	51	52
Freight charges	113	156
Contributions to International Organisations	67	68
Workshops and courses	22	30
Official entertainment	121	82
Cleaning	44	24
Audit fees	-	11
Expensed Assets	28	28
Other Operating Expenses	630	770
Total Operating Expenses	3,723	4,235

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 2012)

	2012 vatu million	2011 vatu million
Grants and Subsidies		
Grants to Provinces	250	242
School operating grants and fee supplements	540	591
Vanuatu Tourism Office Grant	200	152
Copra Subsidies	176	43
Vanuatu Agriculture College	83	83
University of the South Pacific Grant	71	93
Save the Children Grant	67	-
Grants to Youth and Sport Organisations	39	100
VBTC Grant	60	60
Vanuatu Maritime College Grant	41	41
Vanuatu Investment Promotion Authority Grant	39	39
VARTC Grant	36	44
Chamber of Commerce Grant	27	25
Cultural Centre Grant	26	26
Vanuatu Youth Council Grant	29	24
Overseas Embassies, High Commissions and Consulates Grants	20	2
Airports Vanuatu Ltd Grant	-	25
Telecommunication Grants under the Universal Access Policy	-	14
Grants to Municipalities	6	5
Other Grants	104	6
Total Grants and Subsidies	1,814	1,615
Other Transfer Payments		
Student scholarships and study allowances	365	311
Contributions to International Organisations	9	11
Compensation and damages payments	180	237
Total Transfer Payments	554	559
Total Grants, Subsidies and Transfer Payments	2,368	2,174

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 2012)

	2012 vatu million	2011 vatu million
Receivables		
Accounts Receivable	656	734
Taxes Receivable	670	500
VFSC Fees Receivable	259	204
Dividends Receivable	97	-
Interest Receivable	1	22
Other Receivables	-	-
Total Receivables	1,683	1,460

The Accounts Receivables balance has a gross value of 1,502 million vatu offset by a Provision for Doubtful Debts of 848 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 or for which there is no documentation to prove the debt. 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 245 million which was recognised as an expense in 2012.

Note 10: Advances
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Advances		
Airports Vanuatu Ltd	271	305
Air Vanuatu Ltd	892	1,298
Telecom Vanuatu Ltd	37	37
Metenesel Ltd	70	70
Vanuatu Commodities Marketing Board	28	28
Vanuatu Broadcasting and Television Corporation	21	30
Port Vila Municipality	10	10
Employees	15	7
Other Advances	17	17
Total Advances	1,361	1,802

Advances made to Airports Vanuatu Ltd and Telecom Vanuatu Ltd represent 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.

An advance of 400 million to Air Vanuatu was agreed to be converted to equity in 2012 by the Shareholders of Air Vanuatu. This debt for equity swap has not been formally tabled in Parliament yet.

Note 11: Investment in Government Business Enterprises
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Investment in Government Business Enterprises		
Opening balance	6,136	5,774
New investments	183	-
Attributable net surplus/(deficit) after distributions	392	262
Government contributions	425	100
Total Investment in Government Business Enterprises	7,136	6,136

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 2012)

Movements in 2012 financial year

Movements in the 2012 financial year	Opening Balance	Attributable Net Surplus/ (Deficit) after distributions	Government Capital contributions	Closing Balance
	vatu million	vatu million	vatu million	vatu million
Air Vanuatu Limited	(1,042)	315	425	(302)
Airports Vanuatu Limited	3,197	-	-	3,197
Asset Management Unit	52	(52)	-	-
Ifira Wharf & Stevedoring Limited	208	(118)	-	90
Interchange Limited	-	-	183	183
Metenesel Estates Limited	110	-	-	110
National Bank of Vanuatu	977	78	-	1,055
National Housing Corporation	278	(173)	-	105
Northern Island Stevedoring Limited	-	-	-	-
Reserve Bank of Vanuatu	697	13	-	710
Utilities Regulatory Authority	-	3	-	3
Vanuatu Abattoirs	85	6	-	91
Vanuatu Agricultural Development Bank	393	-	-	393
Vanuatu Broadcasting & Television Corporation	41	273	-	314
Vanuatu Commodities Marketing Board	-	-	-	-
Vanuatu Financial Service Commission	321	-	-	321
Vanuatu Investment Promotion Authority	4	(1)	-	3
Vanuatu Livestock Development	45	-	-	45
Vanuatu Maritime Authority	-	-	-	-
Vanuatu Post Limited	670	57	-	727
Vanuatu Telecommunication and Radiocommunication Regulator	105	7	-	112
Vanuatu Tourism Office	(5)	(16)	-	(21)
Total Investment in GBEs	6,136	392	608	7,136

Note 11: Investment in Government Business Enterprises (continued)
(as at 31 December 2012)

Movements in 2011 financial year

Movements in the 2011 financial year	Opening Balance	Attributable Net Surplus/ (Deficit) after distributions	Government Capital contributions	Closing Balance
	vatu million	vatu million	vatu million	vatu million
Air Vanuatu Limited	(1,108)	66	-	(1,042)
Airports Vanuatu Limited	3,206	(9)	-	3,197
Asset Management Unit	52	-	-	52
Ifira Wharf & Stevedoring Limited	191	17	-	208
Metenesel Estates Limited	110	-	-	110
National Bank of Vanuatu	854	123	-	977
National Housing Corporation	278	-	-	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)
Total Investment in GBEs	5,774	262	100	6,136

Note 11: Investment in Government Business Enterprises (continued)
(as at 31 December 2012)

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	2012	2011	Last Financial Statements
Air Vanuatu Limited	100.00%	100.00%	2012
Airports Vanuatu Limited	100.00%	100.00%	2010
Asset Management Unit	100.00%	100.00%	2009
Ifira Wharf & Stevedoring Limited	34.00%	34.00%	2012
Interchange Limited	12.50%	0.00%	N/A
Metenesel Estates Limited	99.40%	99.40%	2003 draft
National Bank of Vanuatu	70.00%	100.00%	2012
National Housing Corporation	100.00%	100.00%	2012
Northern Island Stevedoring Limited	10.00%	10.00%	2006
Reserve Bank of Vanuatu	100.00%	100.00%	2012
Utilities Regulatory Authority	100.00%	100.00%	2012
Vanuatu Abattoirs	33.90%	33.90%	2012
Vanuatu Agricultural Development Bank	100.00%	100.00%	2012
Vanuatu Broadcasting & Television Corporation	100.00%	100.00%	2012
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%	2012
Vanuatu Livestock Development	100.00%	100.00%	2003
Vanuatu Post Limited	100.00%	100.00%	2012
Vanuatu Telecommunication and Radiocommunication Regulator	100.00%	100.00%	2012
Vanuatu Tourism Office	100.00%	100.00%	2012

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, have implemented a project to improve GBE governance and financial management which starts in 2013. The Asian Development Bank will be providing technical assistance to review and improve the financial management and governance of GBEs and to assist in developing new GBE legislation.

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 in 2014. 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 in 2014. 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. It is planned to place this entity into liquidation in 2014.

- 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. The Ministry of Agriculture has decided to resurrect this entity in 2013 but little is known of the financial situation of the company.
- 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. 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. VFSC is lacking a qualified accountant to oversee its book keeping and to prepare a set of financial statements.

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 in 2011 as a GBE accounted for on an equity basis. This entity was missed from the initial entities that were brought onto the balance sheet.

The Government has bought a 12.5% interest in Interchange Limited in 2012 which was financed from a loan provided by Vanuatu Post Limited. The value of this investment was 183 million vatu. The Government shareholders have also agreed to a debt for equity swap with Air Vanuatu in 2012 for 425 million vatu to offset outstanding advances and interest owed by Air Vanuatu.

Note 12: Property, Plant and Equipment
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Gross Carrying Value		
Land	20,316	20,316
Buildings	8,249	8,259
Furniture and Fittings	114	96
Plant and Equipment	2,480	2,381
Motor Vehicles	1,802	1,654
Ships and Boats	1,518	1,515
Computer Hardware and Software	3,721	3,657
Roads and Bridges	8,554	7,971
Port and Wharf Infrastructure	914	914
Other Assets	96	80
Total Gross Carrying Value	47,764	46,843
Accumulated Depreciation		
Buildings	4,844	4,646
Furniture and Fittings	48	37
Plant and Equipment	1,749	1,599
Motor Vehicles	621	497
Ships and Boats	772	727
Computer Hardware and Software	1,216	839
Roads and Bridges	1,270	800
Port and Wharf Infrastructure	734	716
Other Assets	18	8
Total Accumulated Depreciation	11,272	9,869
Net Carrying Value		
Land	20,316	20,316
Buildings	3,405	3,613
Furniture and Fittings	66	59
Plant and Equipment	731	782
Motor Vehicles	1,181	1,157
Ships and Boats	746	788
Computer Hardware and Software	2,505	2,818
Roads and Bridges	7,284	7,171
Port and Wharf Infrastructure	180	198
Other Assets	78	72
Total Net Carrying Value	36,492	36,974

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.

This section of the financial statements has not been prepared in accordance with International Public Sector Accounting Standard 17 – Property, Plant and Equipment.

Note 13: Payables and Provisions (as at 31 December 2012)

	2012 vatu million	2011 vatu million
Payables and Provisions		
Accounts Payable and accruals	430	664
Interest Payable	241	195
Payable to Vanuatu Post Ltd	275	-
Other Payables and Provisions	6	1
Total Payables and Provisions	952	860

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.

The Payable to Vanuatu Post of 275 million represents payments made by Vanuatu Post on behalf of the Government of Vanuatu to purchase shares in Interchange Ltd and as part payment towards a bulk capacity purchase agreement with Interchange Ltd.

Note 14: Employee Entitlements
(as at 31 December 2012)

	2012 vatu million	2011 vatu million
Employee Entitlements		
Wages, salaries and annual leave	1,083	980
Severance and retirement allowances	6,848	6,591
Total Employee Entitlements	7,931	7,571
Estimated date for payment of severance and retirement allowances		
Current (within next 12 months)	1,037	843
Between 1 and 2 years	364	323
Between 2 and 5 years	1,007	963
More than 5 years	4,440	4,462
Total Severance and retirement allowances	6,848	6,591

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 2012)

	2012 vatu million	2011 vatu million
Trust Account Liabilities		
Custom Owners Trust Account (Land rents and premiums)	494	447
Quarry and Mineral Royalties	60	44
Maritime Participation & Investigation Fund	48	45
Companies Liquidation Trust Fund	18	-
Unclaimed Monies	42	32
Water Board Deposits	8	9
Other Trust Accounts	4	4
Total Trust Account Liabilities	674	581

The Government trust account liabilities represent amounts held in trust for 3rd 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 2012)

(a) Analysis of financial instruments

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

	Notes	2012 vatu million	2011 vatu million
Financial Assets			
Cash and cash equivalents		2,887	2,770
Receivables	9	1,683	1,460
Advances	10	1,361	1,802
Total Financial Assets		5,931	6,032
Financial Liabilities			
Payables and Provisions	13	952	860
Employee Entitlements	14	7,931	7,571
Domestic Borrowings		5,623	4,235
Foreign Currency Borrowings		9,703	10,441
Development Fund monies held in Trust		1,965	2,499
Other Trust Account Monies	15	674	581
Total Financial Liabilities		26,848	26,187

(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.

Financial Assets and Liabilities by currency as at 31 December 2012	Notes	VUV vatu million	CNY vatu million	JPY vatu million	USD vatu million	Other vatu million	Total vatu million
Financial Assets							
Cash and cash equivalents		2,837	-	-	49	1	2,887
Receivables	9	1,683	-	-	-	-	1,683
Advances	10	1,361	-	-	-	-	1,361
Total Financial Assets		5,881	-	-	49	1	5,931
Financial Liabilities							
Payables and Provisions	13	952	-	-	-	-	952
Employee Entitlements	14	7,931					7,931
Domestic Borrowings		5,623	-	-	-	-	5,623
Foreign Currency Borrowings		-	3,789	2,397	1,333	2,184	9,703
Development Fund monies held in Trust		1,965	-	-	-	-	1,965
Other Trust Account Monies	15	674	-	-	-	-	674
Total Financial Liabilities		17,145	3,789	2,397	1,333	2,184	26,848

Financial Assets and Liabilities by currency as at 31 December 2011	Notes	VUV vatu million	CNY vatu million	JPY vatu million	USD vatu million	Other vatu million	Total vatu million
Financial Assets							
Cash and cash equivalents		2,752	-	-	17	1	2,770
Receivables	9	1,460	-	-	-	-	1,460
Advances	10	1,802	-	-	-	-	1,802
Total Financial Assets		6,014	-	-	17	1	6,032
Financial Liabilities							
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
Total Financial Liabilities		15,746	3,846	2,792	1,411	2,392	26,187

Currency sensitivity analysis

The Vatu strengthened significantly against the Japanese Yen in 2012 and also strengthened to a smaller extent against the US Dollar, IDA Special Drawing Rights and Chinese Yuan Renminbi in 2012. The table below shows the exchange rates used to value financial assets and liabilities in these financial statements and the movement between the 2011 and 2012 financial years. The rates shown are the Reserve Bank of Vanuatu mid rates at the 31st of December showing the amount of vatu required to purchase 1 unit of the respective foreign currency.

Main Currencies		2012	2011	Move- ment
Chinese Yuan Renminbi	CNY	14.70	14.81	-0.7%
Japanese Yen	JPY	1.06	1.20	-13.2%
US Dollar	USD	91.66	93.56	-2.1%
Special Drawing Right	SDR	140.60	144.05	-2.5%
European Currency	EUR	121.35	121.29	0.0%
Australian Dollar	AUD	95.10	94.91	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%)		2012 vatu million	2011 vatu million
Chinese Yuan Renminbi	CNY	189	192
Japanese Yen	JPY	120	140
U.S. Dollar	USD	67	71
IDA Special Drawing Right	SDR	48	52
European Currency	EUR	31	36
Australian Dollar	AUD	21	22

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 2012	Notes	Carrying Value vatu million	Contract- ual 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
Financial Liabilities							
Payables and Provisions	13	952	952	952			
Employee Entitlements	14	7,931	7,931	2,120	364	1,007	4,440
Domestic Borrowings		5,623	5,623	1,115	1,000	1,401	2,107
Foreign Currency Borrowings		9,703	9,703	456	591	2,136	6,520
Development Fund monies held in Trust		1,965	1,965	1,670	295	-	-
Other Trust Account Monies	15	674	674	404	135	67	68
Total Financial Liabilities		26,848	26,848	6,717	2,385	4,611	13,135

as at 31 December 2011	Notes	Carrying Value vatu million	Contract- ual 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
Financial Liabilities							
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
Total Financial Liabilities		26,187	26,187	6,114	2,107	4,515	13,451

The Government has faced liquidity problems in 2012 and has borrowed a net amount of 1,388 million vatu through domestic bond issue to finance the deficit for the year. In addition another 602 million was borrowed through domestic bond issue to rollover bonds that were due for payment in 2012.

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 2012 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

Vanuatu was hit by category 5 cyclone Pam in March 2015 and there has been extensive damage to many Government assets. The full extent of damage is not known at this stage and asset impairment costs will be recognised in the 2015 financial statements.

No other 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 2012)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
CONSTITUTIONAL AREAS OF THE GOVERNMENT									
	President of the Republic	40,237,809	-	40,237,809	-	40,237,809	40,476,895	(239,086)	-1%
	Parliament	791,767,616	-	791,767,616	-	791,767,616	812,140,032	(20,372,416)	-3%
	Judiciary	185,905,746	-	185,905,746	-	185,905,746	186,423,069	(517,323)	0%
	Malvatumauri	30,735,289	-	30,735,289	-	30,735,289	30,739,766	(4,477)	0%
	National Audit Office	32,565,534	-	32,565,534	-	32,565,534	21,707,752	10,857,782	33%
	Office of the Ombudsman	40,972,648	-	40,972,648	-	40,972,648	39,281,653	1,690,995	4%
	Public Prosecutor	37,451,532	-	37,451,532	-	37,451,532	37,082,095	369,437	1%
	Public Solicitor	47,236,950	-	47,236,950	-	47,236,950	47,800,365	(563,415)	-1%
	Public Service Commission	96,606,254	-	96,606,254	-	96,606,254	97,656,440	(1,050,186)	-1%
	Judicial Services Commission	889,186	-	889,186	-	889,186	815,078	74,108	8%
	State Law Office	92,199,461	-	92,199,461	-	92,199,461	91,372,971	826,490	1%
	Citizenship Office	4,057,324	-	4,057,324	-	4,057,324	3,788,275	269,049	7%
	TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT	1,400,625,349	-	1,400,625,349	-	1,400,625,349	1,409,284,391	(8,659,042)	-1%
	Prime Ministers' Office	214,897,917	-	214,897,917	-	214,897,917	220,311,993	(5,414,076)	-3%
	Ministry of Agriculture, Livestock, Forestry & Fisheries	428,026,400	-	428,026,400	-	428,026,400	424,601,547	3,424,853	1%
	Ministry of Commerce, Industry and Tourism	371,331,507	-	371,331,507	-	371,331,507	376,442,651	(5,111,144)	-1%
	Ministry of Cooperatives and Ni Vanuatu Business Development Services	96,539,137	-	96,539,137	-	96,539,137	98,826,459	(2,287,322)	-2%
	Ministry of Education	3,904,962,695	-	3,904,962,695	-	3,904,962,695	3,945,597,404	(40,634,709)	-1%
	Ministry of Finance & Economic Management	4,122,540,612	-	4,122,540,612	-	4,122,540,612	3,523,730,773	598,809,839	15%
	Ministry of Foreign Affairs	308,264,861	-	308,264,861	-	308,264,861	303,923,465	4,341,396	1%
	Ministry of Health	1,534,639,563	-	1,534,639,563	-	1,534,639,563	1,561,579,702	(26,940,139)	-2%
	Ministry of Infrastructure & Public Utilities	1,391,863,930	-	1,391,863,930	-	1,391,863,930	1,277,726,487	114,137,443	8%
	Ministry of Internal Affairs	1,517,035,543	-	1,517,035,543	-	1,517,035,543	1,481,511,435	35,524,108	2%
	Ministry of Justice and Social Welfare	460,226,824	-	460,226,824	-	460,226,824	364,276,464	95,950,360	21%
	Ministry of Lands, Geology & Mines	283,082,048	-	283,082,048	-	283,082,048	280,016,668	3,065,380	1%
	Ministry of Youth Development & Training	145,685,080	-	145,685,080	-	145,685,080	145,761,167	(76,087)	0%
	Ministry of Civil Aviation, Meteorology and Postal Services	-	3,249,953	3,249,953	-	3,249,953	3,452,029	(202,076)	-6%
	TOTAL FOR GOVERNMENT OF VANUATU	16,179,721,466	3,249,953	16,182,971,419	-	16,182,971,419	15,417,042,635	765,928,784	5%

Statement of Appropriations
(for the year ended 31 December 2012)

		Appropriations			Budget Transfers vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
	Activity	Original vatu	Supple- mentary vatu	Final vatu					
CONSTITUTIONAL AREAS OF THE GOVERNMENT									
President of the Republic									
Management of the State House and President	CAAA	40,237,809	-	40,237,809	-	40,237,809	40,476,895	(239,086)	-1%
Total President of the Republic		40,237,809	-	40,237,809	-	40,237,809	40,476,895	(239,086)	-1%
Parliament									
Procedure and Legislative Affairs	CBAA	639,979,975	-	639,979,975	-	639,979,975	669,474,596	(29,494,621)	-5%
Security and Protocol	CBAB	2,997,439	-	2,997,439	-	2,997,439	6,246,799	(3,249,360)	-108%
Inter-Parliamentary Relations	CBAC	9,149,108	-	9,149,108	-	9,149,108	7,781,778	1,367,330	15%
Office of the Leader of the Opposition	CBAD	21,369,918	-	21,369,918	-	21,369,918	18,029,645	3,340,273	16%
Committee of the Standing Orders	CBBA	3,670,000	-	3,670,000	-	3,670,000	2,500,337	1,169,663	32%
Committee on Parliamentary Privileges and Immunities	CBBB	3,670,000	-	3,670,000	-	3,670,000	2,490,133	1,179,867	32%
Committee on the Public Accounts	CBBC	8,537,048	-	8,537,048	-	8,537,048	7,238,123	1,298,925	15%
Committee on Institutions	CBBB	3,686,503	-	3,686,503	-	3,686,503	2,521,841	1,164,662	32%
Committee on Economic Policy	CBBE	3,670,000	-	3,670,000	-	3,670,000	2,221,595	1,448,405	39%
Committee on Social Policy	CBBF	3,670,000	-	3,670,000	-	3,670,000	2,847,135	822,865	22%
Parliamentary Reporting	CBCA	8,034,480	-	8,034,480	-	8,034,480	7,988,700	45,780	1%
Library and Archives	CBCB	3,501,381	-	3,501,381	-	3,501,381	5,241,170	(1,739,789)	-50%
Financial Management	CBDA	2,773,494	-	2,773,494	-	2,773,494	3,425,798	(652,304)	-24%
Personnel Administration and Maintenance	CBDB	25,058,270	-	25,058,270	-	25,058,270	23,079,360	1,978,910	8%
Members Allocation	CBDC	52,000,000	-	52,000,000	-	52,000,000	51,053,022	946,978	2%
Total Parliament		791,767,616	-	791,767,616	-	791,767,616	812,140,032	(20,372,416)	-3%
Judiciary									
Corporate Services	CIAA	20,144,753	-	20,144,753	(1,675,420)	18,469,333	18,362,831	106,502	1%
Court of Appeal	CIAB	15,238,159	-	15,238,159	2,000,000	17,238,159	17,238,159	-	0%
Supreme Court	CIAC	71,723,702	-	71,723,702	11,250,667	82,974,369	83,751,024	(776,655)	-1%
Magistrate Courts	CIAD	37,118,196	-	37,118,196	(8,531,752)	28,586,444	28,521,180	65,264	0%
Island Courts	CIAE	23,370,203	-	23,370,203	(2,270,058)	21,100,145	21,051,215	48,930	0%
Land Courts	CIAF	6,627,500	-	6,627,500	-	6,627,500	6,587,500	40,000	1%
Enforcement	CIAG	6,879,723	-	6,879,723	(591,175)	6,288,548	6,289,038	(490)	0%
Judicial Training & Development	CIAH	4,803,510	-	4,803,510	(182,262)	4,621,248	4,622,122	(874)	0%
Total for Judiciary		185,905,746	-	185,905,746	-	185,905,746	186,423,069	(517,323)	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					
Malvatumauri									
Administration of the National Council of Chiefs	CDA1	16,176,985	-	16,176,985	202,000	16,378,985	16,386,432	(7,447)	0%
Funds for 14 Islands Council of Chiefs	CDA2	5,387,000	-	5,387,000	-	5,387,000	4,690,727	696,273	13%
Malvatumauri Members Allow ance	CDA3	9,171,304	-	9,171,304	(202,000)	8,969,304	9,662,607	(693,303)	-8%
Total for Malvatumauri		30,735,289	-	30,735,289	-	30,735,289	30,739,766	(4,477)	0%
National Audit Office									
Planning , Policy & Standards	CEAA	7,567,843	-	7,567,843	-	7,567,843	4,300,682	3,267,161	43%
Audit Operations	CEAB	17,712,975	-	17,712,975	(1,000,000)	16,712,975	9,778,622	6,934,353	41%
Corporate Services	CEAC	7,284,716	-	7,284,716	1,000,000	8,284,716	7,628,448	656,268	8%
Total for National Audit Office		32,565,534	-	32,565,534	-	32,565,534	21,707,752	10,857,782	33%
Office of the Ombudsman									
Planning , Management and Investigations	CCAA	40,972,648	-	40,972,648	-	40,972,648	39,281,653	1,690,995	4%
Total for Ombudsman		40,972,648	-	40,972,648	-	40,972,648	39,281,653	1,690,995	4%
Public Prosecutor									
Planning and Management	CGAA	8,478,026	-	8,478,026	-	8,478,026	8,352,476	125,550	1%
Institute Criminal Proceedings	CGAB	24,674,390	-	24,674,390	-	24,674,390	24,628,661	45,729	0%
Corporate Services	CGAC	4,299,116	-	4,299,116	-	4,299,116	4,100,958	198,158	5%
Total for Public Prosecutor		37,451,532	-	37,451,532	-	37,451,532	37,082,095	369,437	1%
Public Solicitor									
Representation	CHAA	47,236,950	-	47,236,950	-	47,236,950	47,800,365	(563,415)	-1%
Total for Public Solicitor		47,236,950	-	47,236,950	-	47,236,950	47,800,365	(563,415)	-1%
Public Service Commission									
Corporate Services Unit	CJAA	47,970,336	-	47,970,336	(2,318,409)	45,651,927	46,524,639	(872,712)	-2%
Human Resource Management	CJAB	13,650,012	-	13,650,012	(1,625,476)	12,024,536	11,868,462	156,074	1%
Performance Improvement Unit	CJAC	9,828,096	-	9,828,096	(1,984,054)	7,844,042	7,794,314	49,728	1%
Human Resource Development	CJAD	16,672,694	-	16,672,694	(4,175,061)	12,497,633	12,771,695	(274,062)	-2%
Public Service Legal Unit	CJAE	8,485,116	-	8,485,116	10,103,000	18,588,116	18,697,330	(109,214)	-1%
Total for Public Service Commission		96,606,254	-	96,606,254	-	96,606,254	97,656,440	(1,050,186)	-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					
Judicial Services Commission									
Decision Making	CLAA	344,000	-	344,000	-	344,000	315,337	28,663	8%
Administrative Support Services	CLAB	545,186	-	545,186	-	545,186	499,741	45,445	8%
Total for Judicial Services Commission		889,186	-	889,186	-	889,186	815,078	74,108	8%
State Law Office									
Provision of Legal Advice and Services	CFAA	92,199,461	-	92,199,461	-	92,199,461	91,372,971	826,490	1%
Total for State Law Office		92,199,461	-	92,199,461	-	92,199,461	91,372,971	826,490	1%
Citizenship Office									
Citizenship Commission	CKAA	4,057,324	-	4,057,324	-	4,057,324	3,788,275	269,049	7%
Total for Citizenship Office		4,057,324	-	4,057,324	-	4,057,324	3,788,275	269,049	7%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT		1,400,625,349	-	1,400,625,349	-	1,400,625,349	1,409,284,391	(8,659,042)	-1%
PRIME MINISTERS MINISTRY									
Strategic Management	MCBA	58,693,357	-	58,693,357	11,820,019	70,513,376	70,884,580	(371,204)	-1%
Administration & Coordination of Government Programmes	MPAA	97,899,118	-	97,899,118	(10,726,752)	87,172,366	92,013,371	(4,841,005)	-6%
Corporate Services	MPBA	28,145,912	-	28,145,912	(280,000)	27,865,912	28,261,743	(395,831)	-1%
Language Services	MPCA	25,834,530	-	25,834,530	-	25,834,530	25,639,417	195,113	1%
Government Remuneration Tribunal	MPDE	4,325,000	-	4,325,000	(813,267)	3,511,733	3,512,882	(1,149)	0%
TOTAL FOR PRIME MINISTERS MINISTRY		214,897,917	-	214,897,917	-	214,897,917	220,311,993	(5,414,076)	-3%
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES									
Portfolio Management	MAAA	38,205,074	-	38,205,074	4,014,666	42,219,740	41,848,234	371,506	1%
Ministry Executive Management And Corporate Services	MABA	12,012,382	-	12,012,382	13,096,756	25,109,138	24,091,208	1,017,930	4%
Commodities	MACA	45,348,079	-	45,348,079	(4,476,636)	40,871,443	39,721,508	1,149,935	3%
Food Security	MACB	16,291,131	-	16,291,131	(5,273,904)	11,017,227	10,826,678	190,549	2%
Information	MACC	51,898,793	-	51,898,793	(448,835)	51,449,958	52,240,951	(790,993)	-2%
Biosecurity Administration	MADA	17,352,423	-	17,352,423	1,484,881	18,837,304	17,842,994	994,310	5%
Veterinary Contract	MADB	25,000,000	-	25,000,000	(2,004,500)	22,995,500	21,342,124	1,653,376	7%
Biosecurity Operations South	MADC	24,788,180	-	24,788,180	(381,980)	24,406,200	26,276,027	(1,869,827)	-8%
Biosecurity Operations North	MADD	16,535,355	-	16,535,355	381,980	16,917,335	17,489,542	(572,207)	-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					
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES (continued)									
Livestock Production South	MADE	21,649,623	-	21,649,623	(3,082,382)	18,567,241	17,997,539	569,702	3%
Plant Protection	MADG	7,735,842	-	7,735,842	-	7,735,842	7,993,378	(257,536)	-3%
Research and Production	MAEA	42,207,250	-	42,207,250	-	42,207,250	42,120,546	86,704	0%
Resource Management	MAEB	24,447,304	-	24,447,304	(3,359,344)	21,087,960	20,950,673	137,287	1%
Administration	MAEC	25,813,969	-	25,813,969	(595,380)	25,218,589	23,806,717	1,411,872	6%
Forestry	MAFA	58,740,995	-	58,740,995	644,678	59,385,673	60,053,428	(667,755)	-1%
TOTAL FOR MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES		428,026,400	-	428,026,400	-	428,026,400	424,601,547	3,424,853	1%
MINISTRY OF COMMERCE, INDUSTRY AND TOURISM									
Portfolio Coordination	MTAA	46,151,455	-	46,151,455	833,042	46,984,497	56,814,309	(9,829,812)	-21%
Executive Management	MTBA	223,605,150	-	223,605,150	(2,118,890)	221,486,260	218,573,123	2,913,137	1%
Food Technology	MTBB	8,977,332	-	8,977,332	(45,757)	8,931,575	8,791,555	140,020	2%
Industry and Commerce	MTCA	13,358,751	-	13,358,751	(2,289,210)	11,069,541	10,495,030	574,511	5%
Trade and Marketing	MTCC	11,051,208	-	11,051,208	1,408,509	12,459,717	12,424,186	35,531	0%
Primary Industry	MTDA	3,923,853	-	3,923,853	(2,097,224)	1,826,629	1,867,888	(41,259)	-2%
Provincial Industry	MTDB	7,367,305	-	7,367,305	1,086,041	8,453,346	8,826,051	(372,705)	-4%
Policy & Administration	MTDE	9,819,568	-	9,819,568	(886,041)	8,933,527	9,025,687	(92,160)	-1%
Marketing & Promotion	MTDF	2,944,922	-	2,944,922	(200,000)	2,744,922	2,214,064	530,858	19%
Tourism Development	MTFB	16,869,649	-	16,869,649	7,194,922	24,064,571	23,757,630	306,941	1%
Tourism Standards	MTFC	3,949,195	-	3,949,195	(1,129,288)	2,819,907	2,774,561	45,346	2%
Provincial Tourism Development	MTFD	23,313,119	-	23,313,119	(1,756,104)	21,557,015	20,878,567	678,448	3%
TOTAL FOR MINISTRY OF COMMERCE, INDUSTRY AND TOURISM		371,331,507	-	371,331,507	-	371,331,507	376,442,651	(5,111,144)	-1%
MINISTRY OF COOPERATIVES AND NI- VANUATU BUSINESS DEVELOPMENT SERVICES									
Portfolio Coordination	MVAA	35,831,685	-	35,831,685	-	35,831,685	39,962,239	(4,130,554)	-12%
Cooperatives Development	MVBA	60,707,452	-	60,707,452	-	60,707,452	58,864,220	1,843,232	3%
TOTAL FOR MINISTRY OF COOPERATIVES AND NI-VANUATU BUSINESS DEVELOPMENT SERVICES		96,539,137	-	96,539,137	-	96,539,137	98,826,459	(2,287,322)	-2%

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					
MINISTRY OF EDUCATION									
Ministry Cabinet	MEA A	44,086,490	-	44,086,490	1,200,000	45,286,490	45,457,009	(170,519)	0%
Office of the Director General	MEBA	25,612,163	-	25,612,163	370,007	25,982,170	26,321,633	(339,463)	-1%
Administration and Finance	MEBB	65,701,152	-	65,701,152	28,656,499	94,357,651	94,394,478	(36,827)	0%
Policy and Planning	MEBC	52,778,223	-	52,778,223	(8,269,539)	44,508,684	44,485,095	23,589	0%
School Support Services Administration	MECA	314,405,379	-	314,405,379	(165,060,522)	149,344,857	151,494,396	(2,149,539)	-1%
Secondary Schools	MECB	1,101,842,040	-	1,101,842,040	8,176,929	1,110,018,969	1,137,105,547	(27,086,578)	-2%
Primary Schools	MECC	1,744,258,718	-	1,744,258,718	(2,524,628)	1,741,734,090	1,756,636,058	(14,901,968)	-1%
Post Secondary Schools	MECD	448,605,931	-	448,605,931	137,451,254	586,057,185	585,442,545	614,640	0%
Teaching Services Commission	MEFB	107,672,599	-	107,672,599	-	107,672,599	104,260,643	3,411,956	3%
TOTAL FOR MINISTRY OF EDUCATION		3,904,962,695	-	3,904,962,695	-	3,904,962,695	3,945,597,404	(40,634,709)	-1%
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT									
Portfolio Management	MFA A	43,346,193	-	43,346,193	-	43,346,193	41,498,274	1,847,919	4%
Ministry Executive	MFBA	44,839,943	-	44,839,943	(2,360,958)	42,478,985	35,809,982	6,669,003	16%
Corporate Services	MFBB	120,488,298	-	120,488,298	13,862,086	134,350,384	126,979,005	7,371,379	5%
Information Services	MFBC	254,908,175	-	254,908,175	7,600,000	262,508,175	240,383,819	22,124,356	8%
Economic Policy Development	MFCA	22,826,884	-	22,826,884	-	22,826,884	20,968,491	1,858,393	8%
Sector Policy Coordination	MFCB	20,226,099	-	20,226,099	-	20,226,099	20,207,599	18,500	0%
Government Financial Services	MFCC	919,009,108	-	919,009,108	17,134,401	936,143,509	773,545,170	162,598,339	17%
National Statistical Collection, Analysis & Reporting	MFDA	37,177,119	-	37,177,119	(3,862,086)	33,315,033	31,516,833	1,798,200	5%
Provincial Statistics Offices	MFDB	12,351,387	-	12,351,387	-	12,351,387	10,842,914	1,508,473	12%
Public Debt Provisions	MFEA	1,736,935,153	-	1,736,935,153	-	1,736,935,153	1,401,663,636	335,271,517	19%
Former Leaders Payment	MFED	5,000,000	-	5,000,000	-	5,000,000	3,955,973	1,044,027	21%
Customs and Excise Collections	MFFA	75,214,287	-	75,214,287	1,500,000	76,714,287	76,823,697	(109,410)	0%
VAT Collections	MFFB	74,785,914	-	74,785,914	(2,300,000)	72,485,914	70,430,748	2,055,166	3%
Rates and Taxes Collection	MFFC	28,812,637	-	28,812,637	(800,000)	28,012,637	26,450,748	1,561,889	6%
Border Control	MFGA	43,118,732	-	43,118,732	1,600,000	44,718,732	44,783,272	(64,540)	0%
Investment and Legal	MFGB	7,399,396	-	7,399,396	-	7,399,396	7,091,619	307,777	4%
Vanuatu Tourism Office	MFIA	200,000,000	-	200,000,000	2,000,000	202,000,000	202,000,000	-	0%
Vanuatu Agricultural Research and Training Centre (VARTC)	MFIB	35,692,438	-	35,692,438	-	35,692,438	35,692,438	-	0%
Vanuatu Broadcasting and Television Corporation	MFIC	60,193,317	-	60,193,317	-	60,193,317	60,193,316	1	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	30,000,000	-	30,000,000	(2,000,000)	28,000,000	27,999,900	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	(32,373,443)	113,826,557	75,869,818	37,956,739	33%
Vanuatu Maritime Administration (VMA)	MFIG	15,000,000	-	15,000,000	-	15,000,000	7,988	14,992,012	100%
Vanuatu Maritime College	MFIH	41,255,243	-	41,255,243	-	41,255,243	41,255,244	(1)	0%
Vanuatu Agricultural College	MFUJ	82,800,392	-	82,800,392	-	82,800,392	82,800,392	-	0%
Grant to VIPA	MFIL	38,668,264	-	38,668,264	-	38,668,264	38,668,264	-	0%
TOTAL FOR MINISTRY OF FINANCE & ECONOMIC MANAGEMENT		4,122,540,612	-	4,122,540,612	-	4,122,540,612	3,523,730,773	598,809,839	15%
MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE									
Portfolio Coordination	MOAA	55,150,826	-	55,150,826	-	55,150,826	52,216,218	2,934,608	5%
Operations of the Department of Foreign Affairs	MOBA	253,114,035	-	253,114,035	-	253,114,035	251,707,247	1,406,788	1%
TOTAL FOR MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE		308,264,861	-	308,264,861	-	308,264,861	303,923,465	4,341,396	1%
MINISTRY OF HEALTH									
Portfolio Management	MHAA	47,585,260	-	47,585,260	-	47,585,260	49,686,073	(2,100,813)	-4%
Ministry Executive	MHBA	11,066,476	-	11,066,476	-	11,066,476	7,169,069	3,897,407	35%
Corporate Services	MHBB	236,147,704	-	236,147,704	-	236,147,704	215,462,686	20,685,018	9%
Hospital Services	MHCA	732,469,775	-	732,469,775	-	732,469,775	780,672,922	(48,203,147)	-7%
Community Health Services	MHCB	323,676,336	-	323,676,336	-	323,676,336	329,377,771	(5,701,435)	-2%
Public Health Services	MHCC	60,194,012	-	60,194,012	-	60,194,012	55,994,241	4,199,771	7%
Medical Supplies Stock	MHCD	123,500,000	-	123,500,000	-	123,500,000	123,216,940	283,060	0%
TOTAL FOR MINISTRY OF HEALTH		1,534,639,563	-	1,534,639,563	-	1,534,639,563	1,561,579,702	(26,940,139)	-2%
MINISTRY OF INFRASTRUCTURE & PUBLIC UTILITIES									
Portfolio Coordination	MUAA	35,175,808	-	35,175,808	-	35,175,808	36,872,452	(1,696,644)	-5%
Director General and Corporate Services	MUBA	111,357,660	-	111,357,660	(9,494,254)	101,863,406	85,072,050	16,791,356	16%
Civil Aviation Management and Administration Support	MUCA	52,146,614	-	52,146,614	(2,330,826)	49,815,788	41,069,405	8,746,383	18%
Weather Forecasting, Monitoring and Research	MUDA	102,699,986	-	102,699,986	1,825,080	104,525,066	104,432,233	92,833	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 INFRASTRUCTURE & PUBLIC UTILITIES (continued)									
Geo-hazard	MUDC	19,813,673	-	19,813,673	-	19,813,673	19,445,716	367,957	2%
Ports Administration	MUEA	125,822,184	-	125,822,184	13,000,000	138,822,184	138,002,912	819,272	1%
Development and Maintenance of Government Infrastructure	MUFA	444,848,005	-	444,848,005	-	444,848,005	363,021,391	81,826,614	18%
Government Contributions to Projects	MUFC	500,000,000	-	500,000,000	(3,000,000)	497,000,000	489,810,328	7,189,672	1%
TOTAL FOR INFRASTRUCTURE & PUBLIC UTILITIES		1,391,863,930	-	1,391,863,930	-	1,391,863,930	1,277,726,487	114,137,443	8%
MINISTY OF INTERNAL AFFAIRS									
Portfolio Management	MIAA	41,989,657	-	41,989,657	-	41,989,657	41,138,699	850,958	2%
Corporate Services	MIAB	33,981,280	-	33,981,280	(2,644,145)	31,337,135	30,768,072	569,063	2%
Independence Celebration	MIAD	9,993,250	-	9,993,250	-	9,993,250	9,992,721	529	0%
Crime Prevention	MIAE	3,000,000	-	3,000,000	1,514,305	4,514,305	4,216,964	297,341	7%
Grants to Provinces	MICA	254,087,060	-	254,087,060	(1,320,305)	252,766,755	253,015,604	(248,849)	0%
Grants to Municipalities	MICB	19,470,924	-	19,470,924	-	19,470,924	18,570,630	900,294	5%
Administration of Regional Services	MICC	54,241,561	-	54,241,561	(14,431,566)	39,809,995	39,400,200	409,795	1%
Command and Control	MIDA	196,531,912	-	196,531,912	29,800,442	226,332,354	226,455,865	(123,511)	0%
Northern Command	MIDB	72,897,445	-	72,897,445	-	72,897,445	70,235,136	2,662,309	4%
Central Command	MIDC	40,337,346	-	40,337,346	-	40,337,346	40,268,665	68,681	0%
Southern Command	MIDD	208,093,371	-	208,093,371	-	208,093,371	225,462,853	(17,369,482)	-8%
Vanuatu Mobile Force	MIDE	223,871,434	-	223,871,434	-	223,871,434	233,684,710	(9,813,276)	-4%
Police Maritime Wing	MIDF	47,700,382	-	47,700,382	-	47,700,382	44,492,644	3,207,738	7%
Border Control	MIDG	63,789,684	-	63,789,684	(795,686)	62,993,998	65,013,382	(2,019,384)	-3%
Issue of Passports	MIDH	14,213,386	-	14,213,386	(1,476,873)	12,736,513	12,315,440	421,073	3%
Labour Regulation	MIEA	50,468,408	-	50,468,408	(11,104,059)	39,364,349	38,472,284	892,065	2%
Electoral Services	MIEB	20,190,157	-	20,190,157	6,010,911	26,201,068	26,548,284	(347,216)	-1%
Conduct of Elections	MIEC	119,700,000	-	119,700,000	(1,873,024)	117,826,976	62,959,086	54,867,890	47%
Civil Registry	MIED	11,277,254	-	11,277,254	900,000	12,177,254	12,053,280	123,974	1%
National Disaster Management	MIEF	25,472,904	-	25,472,904	(4,580,000)	20,892,904	20,889,592	3,312	0%
Police Service Commission	MIGA	5,728,128	-	5,728,128	-	5,728,128	5,557,324	170,804	3%
TOTAL FOR MINISTRY OF INTERNAL AFFAIRS		1,517,035,543	-	1,517,035,543	-	1,517,035,543	1,481,511,435	35,524,108	2%

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	38,090,025	-	38,090,025	216,000	38,306,025	39,289,578	(983,553)	-3%
Executive Management	MLBA	18,420,812	-	18,420,812	125,634	18,546,446	18,567,726	(21,280)	0%
Corporate Services	MLBB	69,616,019	-	69,616,019	(1,650,000)	67,966,019	65,196,573	2,769,446	4%
Energy Management and Assessment	MLCA	9,041,520	-	9,041,520	627,082	9,668,602	9,551,753	116,849	1%
Mines & Minerals	MLCB	18,620,685	-	18,620,685	(1,450,000)	17,170,685	16,896,418	274,267	2%
Environmental Management, Research and Extension Services	MLDA	16,774,591	-	16,774,591	(200,000)	16,574,591	16,589,533	(14,942)	0%
Land Survey	MLEA	21,406,661	-	21,406,661	635,000	22,041,661	22,023,872	17,789	0%
Land Use Planning	MLEB	18,339,963	-	18,339,963	(2,527,082)	15,812,881	15,446,356	366,525	2%
Lease Management	MLEC	35,073,036	-	35,073,036	2,859,246	37,932,282	38,274,973	(342,691)	-1%
Customary Land Registration	MLED	-	-	-	805,754	805,754	918,930	(113,176)	-14%
Geological Research	MLFB	-	-	-	258,366	258,366	(163,045)	421,411	163%
Rural Water Supply	MLGA	18,295,099	-	18,295,099	(170,000)	18,125,099	17,969,801	155,298	1%
Water Resource Management	MLGB	11,990,367	-	11,990,367	170,000	12,160,367	11,748,446	411,921	3%
Valuer General's Office	MLHA	7,413,270	-	7,413,270	300,000	7,713,270	7,705,754	7,516	0%
TOTAL FOR MINISTRY OF LANDS, GEOLOGY & MINES		283,082,048	-	283,082,048	-	283,082,048	280,016,668	3,065,380	1%
MINISTRY OF YOUTH DEVELOPMENT & TRAINING									
Cabinet Support Services	MYAA	40,848,678	-	40,848,678	2,000,000	42,848,678	42,477,637	371,041	1%
Executive Management & Support Services	MYBA	22,472,834	-	22,472,834	253,929	22,726,763	22,749,223	(22,460)	0%
Contribution to Sport & Youth Development	MYBB	53,500,000	-	53,500,000	(2,000,000)	51,500,000	52,105,165	(605,165)	-1%
TVET & Employment Opportunities	MYCA	28,863,568	-	28,863,568	(253,929)	28,609,639	28,429,142	180,497	1%
TOTAL FOR MINISTRY OF YOUTH DEVELOPMENT & TRAINING		145,685,080	-	145,685,080	-	145,685,080	145,761,167	(76,087)	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 JUSTICE AND COMMUNITY SERVICES									
Portfolio Management	MJAA	42,394,223	-	42,394,223	-	42,394,223	43,100,552	(706,329)	-2%
Corporate Services	MJAB	30,470,488	-	30,470,488	22,234,567	52,705,055	52,979,987	(274,932)	-1%
Corporate Services - Womens Affairs	MJBA	37,527,797	-	37,527,797	(700,000)	36,827,797	36,756,788	71,009	0%
Correctional Services	MJCA	337,717,157	-	337,717,157	(21,534,567)	316,182,590	218,999,399	97,183,191	31%
Lands Tribunal Office	MJDA	5,106,759	-	5,106,759	-	5,106,759	6,075,428	(968,669)	-19%
Office of the Law Reform Commission	MJEA	7,010,400	-	7,010,400	-	7,010,400	6,364,310	646,090	9%
TOTAL FOR MINISTRY OF JUSTICE AND COMMUNITY SERVICES		460,226,824	-	460,226,824	-	460,226,824	364,276,464	95,950,360	21%
MINISTRY OF CIVIL AVIATION, METEOROLOGY AND POSTAL SERVICES									
Civil Aviation Cabinet	MBAA	-	3,249,953	3,249,953	-	3,249,953	3,452,029	(202,076)	-6%
TOTAL FOR MINISTRY OF CIVIL AVIATION, METEOROLOGY AND POSTAL SERVICES		-	3,249,953	3,249,953	-	3,249,953	3,452,029	(202,076)	-6%
TOTAL FOR GOVERNMENT OF VANUATU		16,179,721,466	3,249,953	16,182,971,419	-	16,182,971,419	15,417,042,635	765,928,784	5%

Statement of Unappropriated Expenditure (for the year ended 31 December 2012)

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 2012:

	Final Budget vatu	Actual Expenditure vatu	Unappropriated Amount vatu	Perce- tage %
CONSTITUTIONAL AREAS OF THE GOVERNMENT				
President of the Republic	40,237,809	40,476,895	(239,086)	-1%
Parliament	791,767,616	812,140,032	(20,372,416)	-2.57%
Judiciary	185,905,746	186,423,069	(517,323)	-0.28%
Malvatumauri	30,735,289	30,739,766	(4,477)	-0.01%
Public Solicitor	47,236,950	47,800,365	(563,415)	-1.19%
Public Service Commission	96,606,254	97,656,440	(1,050,186)	-1.09%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT	1,192,489,664	1,215,236,567	(22,746,903)	-1.91%
Prime Ministers' Office	214,897,917	220,311,993	(5,414,076)	-2.52%
Ministry of Commerce, Industry and Tourism	371,331,507	376,442,651	(5,111,144)	-1.38%
Ministry of Cooperatives and Ni Vanuatu Business Development Services	96,539,137	98,826,459	(2,287,322)	-2.37%
Ministry of Education	3,904,962,695	3,945,597,404	(40,634,709)	-1.04%
Ministry of Health	1,534,639,563	1,561,579,702	(26,940,139)	-1.76%
Ministry of Youth Development & Training	145,685,080	145,761,167	(76,087)	-0.05%
Ministry of Civil Aviation, Meteorology and Postal Services	3,249,953	3,452,029	(202,076)	-6.22%
TOTAL FOR OVERSPENT AGENCIES	6,271,305,852	6,351,971,405	(80,665,553)	-1.29%
TOTAL FOR ALL AGENCIES	16,182,971,419	15,417,042,635	765,928,784	4.73%

Reconciliation of Statement of Appropriations and Recurrent Fund Operating Balance

(for the year ended 31 December 2012)

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:

	2012 vatu million	2011 vatu million
Expenditure per Statement of Appropriations	15,417	14,819
Add: Accrual items not included in Appropriations		
Depreciation on assets	1,413	1,350
Accrued leave movement	57	148
Accrued severance provision	257	333
Refund of VAT on expenses	(312)	(299)
Write-off of doubtful debts against accrual fund	245	11
Accrued interest expenses	45	23
Accrued operating expenses	21	18
Total Accrual items not included	1,726	1,584
Less: Capital Expenses not included in Statement of Financial Performance		
Loan Principal Repayments	(938)	(607)
Asset purchases recorded in Statement of Financial Position	(1,114)	(1,186)
Additional Advances or Capital Contributions to GBEs recorded in Statement of Financial Position	-	(100)
Total Capital Expenses not included	(2,052)	(1,893)
Expenses per Statement of Financial Performance	15,091	14,510