



FINANCIAL STATEMENTS
OF THE
GOVERNMENT OF
THE REPUBLIC OF VANUATU

for the year ending

31 December 2013

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STATEMENTS OF RESPONSIBILITY

Minister of Finance and Economic Management

It is with great pleasure that I present the 2013 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 Gaetan Pikioune (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.



Tony Amos Sewen
Acting Director General
Ministry of Finance and Economic Management



REPORT OF THE AUDITOR GENERAL TO THE PARLIAMENT OF THE VANUATU WHOLE OF GOVERNMENT

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 31December 2013.

The financial statements on pages 6 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 23 to 26.

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 31December 2012 financial statements;

- The valuation of property, plant and equipment of VT36,298 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 2013 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 a number of balances disclosed in the financial statements were not provided to the auditors.

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 2013 and of the operations for the year then ended.

In addition to this:

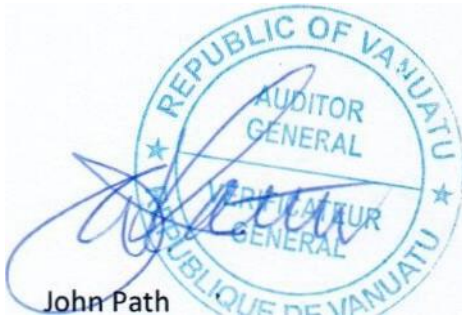
- The annual statutory requirement to prepare the statements and submitted to the Audit Office within three months of balance date has not been met as required under section 25 of the Public Finance and Economic Management Act. Subsequently the requirement to have the audited financial statements tabled 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;
- And the statement in the accounting policies that the accounts have been prepared in compliance with International Public Sector Accounting Standards (IPSA\$) 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 interest in the Vanuatu Whole of Government (consolidated).



John Path
Auditor-General

27 September 2016
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 2013. The Statements follow generally accepted accounting practice and follow 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 -1,158 million in 2013 compared to -498 million in 2012. 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 23.412 billion vatu as at the end of 2013 as outlined below:

	2013 vatu million	2012 vatu million
Financial Position		
Assets	48,735	49,744
Liabilities	25,323	24,883
Net Worth	23,412	24,861

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:

	2013 vatu million	2012 vatu million
Consolidated Financial Performance		
Revenue	17,088	16,807
Expenses	17,738	17,697
Revenue less Expenses	(650)	(890)
Net surplus/(deficit) of GBEs	(508)	392
Operating Balance	(1,158)	(498)

If donor funded activities and foreign currency movements are excluded, the Statement of Financial Performance for the Recurrent Fund shows an operating balance (excluding foreign currency gains) of -627 million vatu in 2013 and -362 million vatu in 2012 as follows:

	2013 vatu million	2012 vatu million
Recurrent Fund Financial Performance		
Revenue	15,256	14,735
Expenses	15,553	15,091
Revenue less Expenses	(297)	(356)
Net surplus/(deficit) of GBEs	(508)	392
Operating Balance	(805)	36
less Foreign Currency movements	178	(398)
Adjusted Operating Balance	(627)	(362)

Statement of Borrowings

Foreign borrowings have decreased from 9,702 million to 9,443 million in 2013 due to principal repayments and unrealised foreign currency gains on the outstanding balance. Domestic borrowings have increased from 5,623 million to 5,930 million as the Government has borrowed an additional 306 million from the domestic market to finance ongoing deficits and to meet cash-flow shortages caused by prior year deficits.

	2013 vatu million	2012 vatu million
Borrowings		
Foreign currency borrowings	9,443	9,702
Domestic borrowings	5,930	5,623
Total borrowings	15,373	15,326

FINANCIAL STATEMENTS

of the

**GOVERNMENT OF
THE REPUBLIC OF VANUATU**

for the year ending 31 December 2013

Statement of Financial Performance
(for the year ending 31 December 2013)

	Notes	2013 vatu million	2012 vatu million
Revenue			
Levied through the State's Sovereign Power			
Taxation revenue	1	10,931	10,645
License and registration fees	1	2,196	1,553
Other Sovereign revenues	1	537	735
Total Revenue levied through the State's Sovereign Power	1	13,664	12,933
Earned through the State's Operations			
Charges and recoveries	2	987	1,084
Investment income	3	37	260
Total Revenue Earned through State Operations		1,024	1,344
Other Revenue			
Contributions from Donors	4	2,578	2,132
Loss on sale of Investments	11	-	-
Foreign currency gains/(losses)		(178)	398
Total Other Revenue		2,400	2,530
Total Revenue		17,088	16,807
Expenses			
Personnel expenses	5	9,628	9,439
Operating expenses	6	3,725	3,723
Grants, subsidies and transfer payments	7	2,166	2,368
Finance costs	8	564	509
Depreciation on assets	12	1,452	1,413
Write offs		203	245
Total Expenses	5	17,738	17,697
Revenue less Expenses		(650)	(890)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	11	(508)	392
Operating Balance		(1,158)	(498)

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 2013)

	<i>Note</i>	2013 vatu million	2012 vatu million
Assets			
Cash and bank		2,855	2,887
Receivables	9	1,624	1,683
Advances	10	277	1,361
Prepayments	10	62	92
Investment in Government Owned Enterprises	11	7,527	7,136
Property, Plant and Equipment	12	36,298	36,492
Capital works in Progress	12	-	93
Total Assets		48,735	49,744
Liabilities			
Current Liabilities			
Payables and provisions	13	1,129	952
Employee Entitlements	14	8,034	7,931
Non-Current Liabilities			
Trust account liabilities	15	787	674
Borrowings		15,373	15,326
Total Liabilities		25,323	24,883
Total Assets less Total Liabilities		23,412	24,861
Net Worth			
Recurrent Fund Balance		7,371	7,769
Development Fund Balance		1,612	1,965
Special Reserve		10,169	10,169
Depreciable Fixed Assets Revaluation Reserve		4,260	4,958
Net Worth		23,412	24,861

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Taxation Revenue	11,131	10,680
License and Registration Fees	2,140	1,514
Donor Contributions	2,393	2,154
Other Sovereign Revenues	526	721
Investment Income	133	182
Other Operating Receipts	929	911
Total Cash Provided from Operations	17,252	16,162
Cash was disbursed to:		
Personnel payments	9,194	9,112
Operating payments	3,911	4,134
Subsidies and transfers	2,172	2,372
Finance costs	552	448
Total Cash Disbursed from Operations	15,829	16,066
Net Cash Flows from Operations	1,423	96
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from		
Sale of physical assets	-	-
Repayment of advances from GBEs	79	441
Air Vanuatu debt for equity swap	899	
Sale of Investments	-	-
Total Cash Provided from Investing Activities	978	441
Cash was disbursed to:		
Purchase of physical assets and capital works	1,457	1,207
Investments in GBEs	899	608
Total Cash Disbursed to Investing Activities	2,356	1,815
Net Cash Flows from Investing Activities	(1,378)	(1,374)

	2013 vatu million	2012 vatu million
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Drawdown of domestic loans	1,422	1,990
Drawdown of foreign loans	-	-
Financing from Vanuatu Post Ltd	-	275
Net Receipts/(Payments) from Trust Funds	81	68
Total Cash Provided from Financing Activities	1,503	2,333

Cash was disbursed to:

Repayment of domestic loans	1,115	602
Repayment of foreign loans	465	336
Total Cash Disbursed to Financing Activities	1,580	938
Net Cash Flows from Financing Activities	(77)	1,395
Net Increase / (Decrease) in Cash Held	(32)	117
Add Opening Cash Balances	2,887	2,770
Closing Cash Balance	2,855	2,887

NOTES:

Check Balance	2,855	2,887
Variance	-	-

Adjustment Calculation

Operating Movement	1,188	(1,241)
Investing Movement	(1,378)	(1,374)
Financing Movement	(77)	1,395
Total Movement before adjustment	(267)	(1,220)
Opening Cash Balance	2,887	2,770
Closing Cash Balance	2,855	2,887

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

Statement of Cash Flows (continued)
(for the year ending 31 December 2013)

	2013 vatu million	2012 vatu million
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Drawdown of domestic loans	1,422	1,990
Drawdown of foreign loans	-	-
Financing from Vanuatu Post Ltd	-	275
Net Receipts/(Payments) from Trust Funds	81	68
Total Cash Provided from Financing Activities	1,503	2,333
Cash was disbursed to:		
Repayment of domestic loans	1,115	602
Repayment of foreign loans	465	336
Total Cash Disbursed to Financing Activities	1,580	938
Net Cash Flows from Financing Activities	(77)	1,395
Net Increase / (Decrease) in Cash Held	(32)	117
Add Opening Cash Balances	2,887	2,770
Closing Cash Balance	2,855	2,887

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Net Cash Flows from Operations	1,423	96
Items included in the operating balance but not in the net cash flows from operations		
Valuation Changes		
Unrealised net foreign-exchange (losses)/gains	(178)	401
Non cash writeoffs	(203)	-
Total Valuation Changes	(381)	401
Asset Movements		
Depreciation	(1,452)	(1,413)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	(508)	392
Other Asset Movements	108	64
Total Asset Movements	(1,852)	(957)
Movements in Working Capital		
Increase/(Decrease) in Receivables	(59)	223
Increase/(Decrease) in Employee Advances	(9)	8
(Increase)/Decrease in Payables and Provisions	(177)	(92)
Less Payable to Vanuatu Post Movement	-	183
(Increase)/Decrease in Employee Entitlements	(103)	(360)
Total Working Capital Movements	(348)	(38)
Operating Balance	(1,158)	(498)

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

Statement of Movements in Equity
(for the year ending 31 December 2013)

	2013 vatu million	2012 vatu million
Opening 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
Opening Equity balance	24,861	25,454
Net Surplus/(Deficit)		
Recurrent Fund	(805)	36
Development Fund	(353)	(534)
Net Surplus/(Deficit)	(1,158)	(498)
Other Movements		
Recurrent Fund	407	408
Special Reserve	-	-
Depreciable Fixed Assets Revaluation Reserve	(698)	(503)
Other Movements	(291)	(95)
Closing Equity Balance		
Recurrent Fund	7,371	7,769
Development Fund	1,612	1,965
Special Reserve	10,169	10,169
Depreciable Fixed Assets Revaluation Reserve	4,260	4,958
Closing Equity Balance	23,412	24,861

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

Statement of Movements in Equity (continued)
(for the year ending 31 December 2013)

Recurrent Fund Balance

	2013 vatu million	2012 vatu million
Recurrent Fund Opening Balance	7,769	7,325
Net Surplus/(Deficit) for the year	(805)	36
Transfer from depreciable fixed assets revaluation reserve	407	407
Construction in Progress balances transferred from the Development Fund	-	2
Rounding		(1)
Recurrent Fund Closing Balance	7,371	7,769

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

	2013 vatu million	2012 vatu million
Development Fund Opening Balance	1,965	2,499
Surplus/(Deficit) for the year	(353)	(534)
Development Fund Closing Balance	1,612	1,965

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

	2013 vatu million	2012 vatu million
Development Fund Balance Reconciliation		
Unspent Donor Contributions Balance	1,612	1,965
Development Fund Bank Account Balance	1,667	2,118
Cash Owing to Development Fund Bank Account	(55)	(153)
Balance of other bank accounts (to meet cash owing	1,188	769

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 2013 the balance held in the Development Fund bank account was 55 million more than unspent donor contributions, while in 2012 there was 153 million more held in the Development Fund bank account than had been provided by donors and had not been spent yet.

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

Statement of Movements in Equity (continued)
(for the year ending 31 December 2013)

Special Reserve Balance

	2013	2012
	vatu million	vatu million
Special Reserve Opening Balance	10,169	10,169
New provisions in 2012 or 2013	-	-
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

	2013	2012
	vatu million	vatu million
Depreciable Asset Revaluation Reserve Opening Balance	4,958	5,461
Revalued fixed asset balances brought onto balance sheet	(291)	(96)
Transfer to Recurrent Fund Balance for depreciation charged for brought on assets	(407)	(407)
Depreciable Asset Revaluation Reserve Closing	4,260	4,958

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 2013)

	2013 vatu million	2012 vatu million
Foreign Currency Borrowings		
Opening Balance	9,702	10,441
Principal drawdowns	-	-
Principal Repayments	(465)	(336)
Loan Write-offs	-	-
Foreign Exchange changes	206	(403)
Closing Balance	9,443	9,702
Domestic Borrowings		
Opening Balance	5,623	4,235
Principal drawdowns	1,422	1,990
Principal Repayments	(1,115)	(602)
Loan Write-offs	-	-
Foreign Exchange changes	-	-
Closing Balance	5,930	5,623
Total Borrowings		
Opening Balance	15,326	14,676
Principal drawdowns	1,422	1,990
Principal Repayments	(1,581)	(938)
Loan Write-offs	-	-
Foreign Exchange changes	206	(403)
Closing Balance	15,373	15,326

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 2013)

	2013 vatu million	2012 vatu million
Foreign Currency Borrowings by Currency		
Chinese Yuan Renminbi	3,969	3,789
Japanese Yen	2,023	2,397
US Dollar	1,363	1,333
IDA Special Drawing Rights	965	958
European Currency	582	627
Australian Dollar	354	412
Swiss Franc	101	98
Canadian Dollar	67	70
Swedish Krona	12	11
Danish Krona	6	6
Korean Won	1	1
Total Foreign Currency Borrowings	9,443	9,702

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

Statement of Borrowings – Detailed
(as at 31 December 2013)

	2013 vatu million	2012 vatu million
Asian Development Bank Loans		
Agriculture Extension	40	44
Multiproject Loan	188	207
Development Bank of Vanuatu	33	37
DFI / Development Bank of Vanuatu	234	246
Santo Wharf	385	426
Santo Wharf Supplementary	251	282
Urban Infrastructure	875	962
Comprehensive Reform Program	2,057	2,236
Cyclone Dani	170	178
Total Asian Development Bank Loans	4,233	4,617
International Development Association Loans		
Agriculture Extension	101	100
Multiproject Loan	192	188
Primary & Secondary Education	558	558
Housing	113	112
Total IDA Loans	965	958
Other Foreign Currency Loans		
CFD loan for Telecom Vanuatu Ltd	215	227
EIB loan for Beaufield Airport Project	62	111
Chinese E-Government Loan	3,090	2,926
Chinese Air Vanuatu Y12 Aircrafts Purchase	879	863
Total Other Foreign Currency Loans	4,246	4,127
Total Foreign Currency Loans	9,443	9,702
Domestic Borrowings	5,930	5,623
Total Borrowings	15,373	15,326

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

Statement of Commitments (as at 31 December 2013)

	2013 vatu million	2012 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 2013)

Statement of Contingent Liabilities and Contingent Assets

	2013 vatu million	2012 vatu million
Quantifiable Contingent Liabilities		
Guarantees and indemnities	2,214	2,101
Uncalled capital	3,687	3,594
Legal proceedings and disputes	1,646	1,646
Other contingent liabilities	-	-
Total Quantifiable Contingent Liabilities	7,547	7,341
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:

		2013 vatu million	2012 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	-	-
Air Vanuatu	Loan guarantees given to VNPF, BRED Bank and Aircraft leasing companies to support the ongoing activity of the National airline, Air Vanuatu.	2,780	2,014
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.	46	43
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.	48	44
Total Guarantees and Indemnities		2,874	2,101

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

List of Material Contingent Liabilities and Contingent Assets (continued)

		2013 vatu million	2012 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)	288	271
Asian Development Bank	Proposed General Capital Increase for Asian Development Bank member contributions	1,274	1,198
Total Uncalled Capital and NIB Promissory Notes		3,687	3,594
Other Contingent Liabilities			
		-	-
Total Other 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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Opening Balance	1,965	2,499
Contributions from Donors		
Australia	1,590	1,354
New Zealand	262	326
World Bank	150	-
South Pacific Commission	148	22
United Nations	149	95
European Union	8	77
Vanuatu Government	49	45
Japan	122	56
World Health Organisation	54	25
France	12	9
Other Donor Contributions	83	168
Other revenue	40	-
Foreign currency gains/(losses)	-	-
Total Contributions from Donors	2,667	2,177
Expenditure by Ministry		
Infrastructure & Public Utilities	328	803
Finance & Economic Management	180	525
Health	496	416
Education	490	560
Internal Affairs	1,078	143
Lands, Geology & Mines	132	64
Justice and Community Services	34	24
Constitutional Areas of Government	9	27
Agriculture, Quarantine, Forestry & Fisheries	36	33
Commerce, Industry and Tourism	19	17
Prime Ministers' Office	172	11
Foreign Affairs and External Trade	9	49
Youth Development & Training	29	39
Cooperatives and Ni Vanuatu Business Development Services	-	-
Transfers to Recurrent Fund for Budgetary Support	6	-
Other	2	-
Total Expenditure	3,020	2,711
Development Fund surplus/(deficit)	(353)	(534)
Development Fund balance excluding advances	1,612	
Less advances from Development Fund	(80)	-
Closing Balance	1,532	1,965

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Revenue		
Levied through the State's Sovereign Power		
Taxation revenue	10,931	10,645
License and registration fees	2,169	1,566
Other Sovereign revenues	537	735
Total Revenue levied through the State's Sovereign Power	13,637	12,946
Earned through the State's Operations		
Charges and recoveries	986	1,071
Investment income	25	249
Total Revenue Earned through State Operations	1,011	1,320
Other Revenue		
Contributions from Donors	786	71
Loss on sale of Investments	-	-
Foreign currency gains/(losses)	(178)	398
Total Other Revenue	608	469
Total Revenue	15,256	14,735
Expenses		
Personnel expenses	9,147	9,104
Operating expenses	2,213	1,789
Grants, subsidies and transfer payments	1,974	2,031
Finance costs	564	509
Depreciation on assets	1,452	1,413
Write offs	203	245
Total Expenses	15,553	15,091
Revenue less Expenses	(297)	(356)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	(508)	392
Recurrent Fund Operating Balance	(805)	36
Transfer from depreciable fixed assets revaluation reserve	407	407
Recurrent Fund Movement for the year	(398)	443
Reconciliation with Consolidated Operating Balance		
Recurrent Fund Operating Balance	(805)	36
Development fund movement	(353)	(534)
Consolidated Operating Balance	(1,158)	(498)

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 2013.

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Taxation Revenue		
Value Added Tax	5,631	5,474
Import duties	2,654	2,598
Excise taxes	1,898	1,918
Turnover Tax	280	269
Road Tax	162	154
Gaming duty and taxes	180	151
Rent Tax	64	60
Export duties	1	-
Other taxes	61	21
Total Taxation Revenue	10,931	10,645
License and Registration Fees		
Business Licences & Registration	215	208
Vehicle Licences	236	184
Company Stamp Duties	119	164
Fishing Licences & Registration	301	171
Work Permits	142	163
Residency Permits	922	425
Shipping Registration Fees	63	40
Mineral Royalties	-	8
Telecommunication and Radio Licenses	20	-
Registration - Offshore Companies	110	78
Other license and registration fees	68	112
Total License and Registration Fees	2,196	1,553
Other Sovereign Revenues		
Land rents, registrations and premiums	513	707
Franchise fees	-	-
Court Fines	23	26
Utility Company fines and penalties	1	2
Total Other Sovereign Revenues	537	735
Total Sovereign Revenue	13,664	12,933

Note 1 Continued: Tax Exemptions and Relief
(for the year ending 31 December 2013)

	2013 vatu million	2012 vatu million
Economic Relief		
Diesel fuel for generation of electric power	238	271
Manufacturing or processing goods	88	74
Tourism Development Projects	3	10
Inter-Island Shipping goods	-	-
Other Economic Relief	5	4
Total Economic Relief	334	359
Other Relief		
Goods donated or imported for aid projects	467	479
Melanesian Spearhead Group	461	325
Goods imported under international convention or agreement	43	50
Charitable Reliefs for Non-Profit Making Groups and Organisations	78	27
Personal Reliefs	55	70
Temporarily Imported Goods	48	58
Promotion of National Safety, Health or Well-Being	-	1
Other Miscellaneous Conditional Reliefs	17	24
Total Other Relief	1,169	1,034
Total Tax Exemptions and Relief	1,503	1,393

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Charges and Recoveries		
General recoveries and charges	417	365
Port and Wharfage charges	267	395
Unclaimed Trust Monies transferred to Public Fund	-	-
Landing charges	121	112
Water Charges Recoveries	32	35
Property rentals	16	18
Marine Fees Charges	18	16
Firearms Licenses	4	6
Hospital Fees	15	15
Election Fees	8	40
Passport Fees	79	75
Traffic Fines	10	7
Total Charges and Recoveries	987	1,084

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Investment Income		
Interest Income		
Interest from Advances	2	7
Interest from bank deposits	32	16
Total Interest Income	34	23
Dividends		
Reserve Bank	-	235
Postal Services Ltd Dividends	-	-
National Bank Dividends	-	-
Ifira Wharf & Stevedoring Dividends	3	-
Northern Island Stevedoring Dividends	-	-
Other Dividends	-	2
Total Dividends	3	237
Total Investment Income	37	260

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

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

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

Note 4: Donor Contributions (for the year ending 31 December 2013)

	2013 vatu million	2012 vatu million
Contributions from Donors		
Australia	1,590	1,354
New Zealand	262	326
World Bank	150	-
United Nations	149	95
South Pacific Commission Contributions	148	22
Japan	122	56
World Health Organisation	54	25
France	12	9
European Union	8	77
China	-	1
Other Contributions	83	167
Total Contributions from Donors	2,578	2,132
Reconciliation to Statement of Financial Activity of the Development Fund		
Add back:		
Government of Vanuatu contributions eliminated on consolidation	49	45
Non donor revenue	40	-
Foreign currency gains/(losses)	-	-
Donor Contributions per Development Fund	2,667	2,177

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 ending 31 December 2013)

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

	2013 vatu million	2012 vatu million
Total Expenses by Ministry		
Education	4,648	4,492
Finance & Economic Management	3,012	3,500
Infrastructure & Public Utilities	1,619	1,997
Health	2,064	1,947
Internal Affairs	2,368	1,502
Constitutional Areas of Government	1,114	1,416
Agriculture, Quarantine, Forestry & Fisheries	471	447
Lands, Geology & Mines	408	337
Justice and Social Welfare	337	378
Foreign Affairs & External Trade	341	349
Prime Ministers' Office	672	226
Commerce, Industry and Tourism	314	388
Co-operatives & Ni Vanuatu Business Development Services	70	97
Youth Development & Training	166	178
Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	34	-
Depreciation expense	1,452	1,413
Accrued leave expense	(58)	57
Other adjustments	(1,294)	(1,027)
Total Expenses	17,738	17,697

Other adjustments of -1,294 million vatu in 2013 and -1,027 million in 2012 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 ending 31 December 2013)

	2013	2012
	vatu million	vatu million
Personnel Expenses		
Salaries and wages	6,575	6,490
Housing allowances	691	649
Members of Parliament allowances and allocations	369	548
Employer contributions to VNPF	282	270
Family Allowance	128	119
Employee termination expenses and provisions	762	541
Subsistence Allowances	388	336
Overtime wages	97	109
Political gratuity allowances	84	68
Other employee allowances	252	309
Total Personnel Expenses	9,628	9,439

Personnel expenses represent the appropriate expenses for the approximately 6,000 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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Operating Expenses		
General repairs and maintenance	242	263
Roads repair and maintenance	179	195
Vehicles fuel and maintenance	309	313
Electricity Utilities	270	300
Local travel and accommodation	259	277
Consultants Fees	511	305
Printing and Stationery	178	174
Equipment and vehicle hire	105	223
Court Costs	63	65
Medicine Supplies	174	137
Telecommunication expenses	150	136
International travel and accommodation	126	135
Accommodation rentals, rates and leases	111	124
Gas and Water Utilities	70	51
Freight charges	89	113
Contributions to International Organisations	95	67
Workshops and courses	38	22
Official entertainment	73	121
Cleaning	42	44
Audit fees	2	-
Expensed Assets	52	28
Other Operating Expenses	587	630
Total Operating Expenses	3,725	3,723

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 ending 31 December 2013)

	2013 vatu million	2012 vatu million
Grants and Subsidies		
Grants to Provinces	240	250
School operating grants and fee supplements	591	540
Vanuatu Tourism Office Grant	160	200
Copra Subsidies	107	176
Vanuatu Agriculture College	83	83
University of the South Pacific Grant	70	71
Save the Children Grant	-	67
Grants to Youth and Sport Organisations	48	39
VBTC Grant	60	60
Vanuatu Maritime College Grant	41	41
Vanuatu Investment Promotion Authority Grant	39	39
VARTC Grant	36	36
Chamber of Commerce Grant	30	27
Cultural Centre Grant	26	26
Vanuatu Youth Council Grant	30	29
Overseas Embassies, High Commissions and Consulates Grants	12	20
Utilities Regulatory Authority Grant	21	-
Grants to Municipalities	7	6
Other Grants	1	104
Total Grants and Subsidies	1,602	1,814
Other Transfer Payments		
Student scholarships and study allowances	444	365
Contributions to International Organisations	11	9
Compensation and damages payments	109	180
Total Transfer Payments	564	554
Total Grants, Subsidies and Transfer Payments	2,166	2,368

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 2013)

	2013 vatu million	2012 vatu million
Receivables		
Accounts Receivable	769	656
Taxes Receivable	581	670
VFSC Fees Receivable	232	259
Dividends Receivable	3	97
Interest Receivable	-	1
Other Receivables	39	-
Total Receivables	1,624	1,683

The Accounts Receivables balance has a gross value of 1,570 million vatu offset by a Provision for Doubtful Debts of 803 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.

Note 10: Advances and Prepayments
(as at 31 December 2013)

	2013 vatu million	2012 vatu million
Advances		
Airports Vanuatu Ltd	220	271
Air Vanuatu Ltd		892
Telecom Vanuatu Ltd	37	37
Metenesel Ltd		70
Vanuatu Commodities Marketing Board		28
Vanuatu Broadcasting and Television Corporation	14	21
Port Vila Municipality		10
Employees	6	15
Other Advances		17
Total Advances	277	1,361
Prepayments		
Interchange Ltd		92
Port Vila Urban Development Project	58	
Vanuatu Inter-island Shipping Support Project	4	
Total Prepayments	62	92

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. A similar transaction took place in 2013 to convert an advance

of 892 million vatu to equity. The 892 million vatu advance represents a loan from EximBank that was on-lent to Air Vanuatu to purchase Y12 aircraft. These debt for equity swaps have not been formally tabled in Parliament yet.

Advances for Metenesel Ltd, VCMB and several other advances were written off in 2013 as the entities are either being liquidated or unable to repay the advance amounts. The advance for Port Vila Municipality was also written off as it was agreed that this would be converted to a grant.

Note 11: Investment in Government Business Enterprises
(as at 31 December 2013)

	2013 vatu million	2012 vatu million
Investment in Government Business Enterprises		
Opening balance	7,136	6,136
New investments	-	183
Attributable net surplus/(deficit) after distributions	(508)	392
Government contributions	899	425
Total Investment in Government Business Enterprises	7,527	7,136

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 2013)

Movements in 2013 financial year

	Movements in the 2013 financial year	Opening Balance	Attributable Net Surplus/ (Deficit) after distributions	Government Capital contributions	Closing Balance
		vatu million	vatu million	vatu million	vatu million
GBU010	Air Vanuatu Limited	(302)	(260)	899	336
GBU013	Airports Vanuatu Limited	3,197			3,197
GBU035	Asset Management Unit				
GBU016	Ifira Wharf & Stevedoring Limited	90	(10)		80
GBU054	Interchange Limited	183			183
GBU019	Metenesel Estates Limited	110			110
GBU030	National Bank of Vanuatu	1,055	5		1,060
GBU020	National Housing Corporation	105			106
GBU051	Northern Island Stevedoring Limited				
GBU017	Reserve Bank of Vanuatu	710	(226)		484
GBU025	Utilities Regulatory Authority	3	(14)		(11)
GBU015	Vanuatu Abattoirs	91	3		93
GBU023	Vanuatu Agricultural Development Bank	393	1		394
GBU022	Vanuatu Broadcasting & Television Corporation	314	(19)		295
GBU045	Vanuatu Commodities Marketing Board				
GBU021	Vanuatu Financial Service Commission	321			321
GBU052	Vanuatu Investment Promotion Authority	3	(2)		1
GBU018	Vanuatu Livestock Development	45			45
GBU041	Vanuatu Maritime Authority				
GBU012	Vanuatu Post Limited	727			728
GBU024	Vanuatu Telecommunication and Radiocommunication Regulator	112	(37)		75
GBU053	Vanuatu Tourism Office	(21)	(8)		(29)
	Total Investment in GBEs	7,136	(567)	899	7,468

	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
GBU010	Air Vanuatu Limited	(1,042)	315	425	(302)
GBU013	Airports Vanuatu Limited	3,197	-	-	3,197
GBU035	Asset Management Unit	52	(52)	-	-
GBU016	Ifira Wharf & Stevedoring Limited	208	(118)	-	90
GBU054	Interchange Limited	-	-	183	183
GBU019	Metenesel Estates Limited	110	-	-	110
GBU030	National Bank of Vanuatu	977	78	-	1,055
GBU020	National Housing Corporation	278	(173)	-	105
GBU051	Northern Island Stevedoring Limited	-	-	-	-
GBU017	Reserve Bank of Vanuatu	697	13	-	710
GBU025	Utilities Regulatory Authority	-	3	-	3
GBU015	Vanuatu Abattoirs	85	6	-	91
GBU023	Vanuatu Agricultural Development Bank	393	-	-	393
GBU022	Vanuatu Broadcasting & Television Corporation	41	273	-	314
GBU045	Vanuatu Commodities Marketing Board	-	-	-	-
GBU021	Vanuatu Financial Service Commission	321	-	-	321
GBU052	Vanuatu Investment Promotion Authority	4	(1)	-	3
GBU018	Vanuatu Livestock Development	45	-	-	45
GBU041	Vanuatu Maritime Authority	-	-	-	-
GBU012	Vanuatu Post Limited	670	57	-	727
GBU024	Vanuatu Telecommunication and Radiocommunication Regulator	105	7	-	112
GBU053	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 2013)

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	2013	2012	Last Financial Statements
Air Vanuatu Limited	100.00%	100.00%	2013
Airports Vanuatu Limited	100.00%	100.00%	2010
Asset Management Unit	100.00%	100.00%	2009
Ifira Wharf & Stevedoring Limited	34.00%	34.00%	2013
Interchange Limited	12.50%	12.50%	None
Metenesel Estates Limited	99.40%	99.40%	2003 draft
National Bank of Vanuatu	70.00%	70.00%	2013
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%	2013
Utilities Regulatory Authority	100.00%	100.00%	2013
Vanuatu Abattoirs	33.90%	33.90%	2013
Vanuatu Agricultural Development Bank	100.00%	100.00%	2013
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%	2013
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.

COM decision 192/2013 agrees for the Vanuatu Government to discharge the previous guarantee of 125 million that was placed in favour of Vanair Limited and for the Vanuatu Government to embark on a new guarantee of 600 million vatu in favour of Air Vanuatu

Note 12: Property, Plant and Equipment
(as at 31 December 2013)

	2013 vatu million	2012 vatu million
Gross Carrying Value		
Land	20,316	20,316
Buildings	8,602	8,249
Furniture and Fittings	108	114
Plant and Equipment	2,595	2,480
Motor Vehicles	1,829	1,802
Ships and Boats	2,055	1,518
Computer Hardware and Software	3,745	3,721
Roads and Bridges	8,616	8,554
Port and Wharf Infrastructure	914	914
Other Assets	76	96
Total Gross Carrying Value	48,856	47,764
Accumulated Depreciation		
Buildings	5,041	4,844
Furniture and Fittings	49	48
Plant and Equipment	1,876	1,749
Motor Vehicles	751	621
Ships and Boats	742	772
Computer Hardware and Software	1,558	1,216
Roads and Bridges	1,773	1,270
Port and Wharf Infrastructure	751	734
Other Assets	17	18
Total Accumulated Depreciation	12,558	11,272
Net Carrying Value		
Land	20,316	20,316
Buildings	3,561	3,405
Furniture and Fittings	59	66
Plant and Equipment	719	731
Motor Vehicles	1,078	1,181
Ships and Boats	1,313	746
Computer Hardware and Software	2,187	2,505
Roads and Bridges	6,843	7,284
Port and Wharf Infrastructure	163	180
Other Assets	59	78
Total Net Carrying Value	36,298	36,492

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 2013)

	2013 vatu million	2012 vatu million
Payables and Provisions		
Accounts Payable and accruals	596	430
Interest Payable	251	241
Payable to Vanuatu Post Ltd	275	275
Other Payables and Provisions	7	6
Total Payables and Provisions	1,129	952

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 2013)

	2013 vatu million	2012 vatu million
Employee Entitlements		
Wages, salaries and annual leave	764	1,083
Severance and retirement allowances	7,270	6,848
Total Employee Entitlements	8,034	7,931
Estimated date for payment of severance and retirement allowances		
Current (within next 12 months)	1,370	1,037
Between 1 and 2 years	369	364
Between 2 and 5 years	1,005	1,007
More than 5 years	4,526	4,440
Total Severance and retirement allowances	7,270	6,848

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 6,000 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 2013)

	2013 vatu million	2012 vatu million
Trust Account Liabilities		
Custom Owners Trust Account (Land rents and premiums)	579	494
Quarry and Mineral Royalties	51	60
Maritime Participation & Investigation Fund	84	48
Companies Liquidation Trust Fund	18	18
Unclaimed Monies	42	42
Water Board Deposits	9	8
Other Trust Accounts	4	4
Total Trust Account Liabilities	787	674

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 2013)

(a) Analysis of financial instruments

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

	Notes	2013 vatu million	2012 vatu million
Financial Assets			
Cash and cash equivalents		2,855	2,887
Receivables	9	1,624	1,683
Advances	10	277	1,361
Total Financial Assets		4,756	5,931
Financial Liabilities			
Payables and Provisions	13	1,129	952
Employee Entitlements	14	8,034	7,931
Domestic Borrowings		5,930	5,623
Foreign Currency Borrowings		9,443	9,702
Development Fund monies held in Trust		1,532	1,965
Other Trust Account Monies	15	787	674
Total Financial Liabilities		26,855	26,848

(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 2013	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		2,720	-	-	134	1	2,855
Receivables	9	1,624	-	-	-	-	1,624
Advances	10	277	-	-	-	-	277
Total Financial Assets		4,621	-	-	134	1	4,756
Financial Liabilities							
Payables and Provisions	13	1,129	-	-	-	-	1,129
Employee Entitlements	14	8,034	-	-	-	-	8,034
Domestic Borrowings		5,930	-	-	-	-	5,930
Foreign Currency Borrowings		-	3,969	2,023	1,363	2,088	9,443
Development Fund monies held in Trust		1,532	-	-	-	-	1,532
Other Trust Account Monies	15	787	-	-	-	-	787
Total Financial Liabilities		17,412	3,969	2,023	1,363	2,088	26,855

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	2,183	9,702
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	2,183	26,847

Currency sensitivity analysis

The Vatu strengthened significantly against the Australian Dollar and Japanese Yen in 2013. It weakened against the Chinese Yuan Renminbi, US Dollar, IDA Special Drawing Rights and European Currencies. The table below shows the exchange rates used to value financial assets and liabilities in these financial statements and the movement between the 2012 and 2013 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		2013	2012	Move- ment
Chinese Yuan Renminbi	CNY	16.04	14.70	8.4%
Japanese Yen	JPY	0.93	1.06	-15.1%
US Dollar	USD	97.26	91.66	5.8%
Special Drawing Right	SDR	149.97	140.60	6.2%
European Currency	EUR	134.20	121.35	9.6%
Australian Dollar	AUD	86.64	95.10	-9.8%

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%)		2013 vatu million	2012 vatu million
Chinese Yuan Renminbi	CNY	198	189
Japanese Yen	JPY	101	120
U.S. Dollar	USD	68	67
IDA Special Drawing Right	SDR	48	48
European Currency	EUR	29	31
Australian Dollar	AUD	18	21

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 973 million outstanding from Air Vanuatu for the purchase of Y12 Aircraft. 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.

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 2013	Notes	Carrying Value vatu million	Contractual cash flows vatu million	Less than 1 year vatu million	1-2 years vatu million	2-5 years vatu million	More than 5 years vatu million
Financial Liabilities							
Payables and Provisions	13	1,129	1,129	1,129			
Employee Entitlements	14	8,034	8,034	2,134	369	1,005	4,526
Domestic Borrowings		5,930	5,930	1,000	945	1,273	2,712
Foreign Currency Borrowings		9,443	9,443	343	554	2,214	6,332
Development Fund monies held in Trust		1,532	1,532	1,302	230	-	-
Other Trust Account Monies	15	787	787	472	157	79	79
Total Financial Liabilities		26,855	26,855	6,380	2,255	4,571	13,649
as at 31 December 2012							
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		9,702	9,702	456	591	2,136	6,519
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		26,847	26,847	6,717	2,385	4,611	13,134

The Government has faced minor liquidity problems in 2013 and has borrowed 306 million vatu through domestic bond issue to finance the deficit for the year. In addition another 1,115 million was borrowed through domestic bond issue to rollover bonds that were due for payment in 2013.

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.

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

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

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

Note 18: Events after the Balance Date

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

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. The country also went through an El Nino period starting from September 2015 to March 2016. This has impacted on government resources to assist affected areas.

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

OTHER STATEMENTS

As required under the Public Finance and Economic Management Act

Summary of Appropriations by Ministry
(for the year ending 31 December 2013)

Activity	Appropriations			Budget Transfers vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percentage %	
	Original vatu	Supplementary 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	40,337,474	(99,665)	0%
Total President of the Republic		40,237,809	-	40,237,809	-	40,237,809	40,337,474	(99,665)	0%
Parliament									
Procedure and Legislative Affairs	CBAA	368,641,374	-	368,641,374	2,000,000	370,641,374	384,160,992	(13,519,618)	-4%
Security and Protocol	CBAB	3,691,132	-	3,691,132	-	3,691,132	5,683,673	(1,992,541)	-54%
Inter-Parliamentary Relations	CBAC	9,149,108	-	9,149,108	-	9,149,108	7,898,485	1,250,623	14%
Office of the Leader of the Opposition	CBAD	22,618,099	-	22,618,099	-	22,618,099	23,872,461	(1,254,362)	-6%
Committee of the Standing Orders	CBBA	3,670,250	-	3,670,250	-	3,670,250	3,123,082	547,168	15%
Committee on Parliamentary Privileges and Immunities	CBBB	3,670,250	-	3,670,250	-	3,670,250	3,493,811	176,439	5%
Committee on the Public Accounts	CBBC	8,537,298	-	8,537,298	-	8,537,298	6,854,759	1,682,539	20%
Committee on Institutions	CBBD	3,686,753	-	3,686,753	-	3,686,753	2,889,797	796,956	22%
Committee on Economic Policy	CBBE	3,670,250	-	3,670,250	-	3,670,250	2,941,869	728,381	20%
Committee on Social Policy	CBBF	3,570,000	-	3,570,000	-	3,570,000	3,128,801	441,199	12%
Parliamentary Reporting	CBCA	8,639,587	-	8,639,587	-	8,639,587	8,556,914	82,673	1%
Library and Archives	CBCB	3,501,381	-	3,501,381	-	3,501,381	4,835,248	(1,333,867)	-38%
Financial Management	CBDA	2,773,494	-	2,773,494	-	2,773,494	2,869,374	(95,880)	-3%
Personnel Administration and Maintenance	CBDB	21,522,980	-	21,522,980	-	21,522,980	19,408,932	2,114,048	10%
Members Allocation	CBDC	52,000,000	-	52,000,000	(2,000,000)	50,000,000	49,810,746	189,254	0%
Total Parliament		519,341,956	-	519,341,956	-	519,341,956	529,528,944	(10,186,988)	-2%
Judiciary									
Corporate Services	CIAA	20,144,753	-	20,144,753	-	20,144,753	20,106,104	38,649	0%
Court of Appeal	CIAB	15,238,159	-	15,238,159	-	15,238,159	15,182,080	56,079	0%
Supreme Court	CIAC	71,723,702	-	71,723,702	4,868,668	76,592,370	74,986,010	1,606,360	2%
Magistrate Courts	CIAD	37,118,196	-	37,118,196	(3,648,668)	33,469,528	33,307,571	161,957	0%
Island Courts	CIAE	23,370,203	-	23,370,203	(1,220,000)	22,150,203	21,652,413	497,790	2%
Land Courts	CIAF	6,627,500	-	6,627,500	-	6,627,500	6,627,500	-	0%
Enforcement	CIAG	6,879,723	-	6,879,723	-	6,879,723	6,782,412	97,311	1%
Judicial Training & Development	CIAH	4,803,510	-	4,803,510	-	4,803,510	4,788,534	14,976	0%
Total for Judiciary		185,905,746	-	185,905,746	-	185,905,746	183,432,624	2,473,122	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					
Malvatumauri									
Administration of the National Council of Chiefs	CDA1	22,848,867	-	22,848,867	(320,000)	22,528,867	20,814,685	1,714,182	8%
Funds for 14 Islands Council of Chiefs	CDA2	5,387,000	-	5,387,000	-	5,387,000	4,902,000	485,000	9%
Malvatumauri Members Allowance	CDA3	14,249,422	-	14,249,422	-	14,249,422	16,143,931	(1,894,509)	-13%
Total for Malvatumauri		42,485,289	-	42,485,289	(320,000)	42,165,289	41,860,616	304,673	1%
National Audit Office									
Planning , Policy & Standards	CEAA	5,455,403	-	5,455,403	-	5,455,403	4,255,916	1,199,487	22%
Audit Operations	CEAB	19,991,115	-	19,991,115	(1,748,821)	18,242,294	10,299,170	7,943,124	44%
Corporate Services	CEAC	7,119,016	-	7,119,016	1,748,821	8,867,837	8,826,029	41,808	0%
Total for National Audit Office		32,565,534	-	32,565,534	-	32,565,534	23,381,115	9,184,419	28%
Office of the Ombudsman									
Planning , Management and Investigations	CCAA	40,972,648	-	40,972,648	-	40,972,648	32,038,337	8,934,311	22%
Total for Ombudsman		40,972,648	-	40,972,648	-	40,972,648	32,038,337	8,934,311	22%
Public Prosecutor									
Planning and Management	CGAA	8,478,026	-	8,478,026	(60,000)	8,418,026	8,519,868	(101,842)	-1%
Institute Criminal Proceedings	CGAB	24,674,390	-	24,674,390	-	24,674,390	23,555,499	1,118,891	5%
Corporate Services	CGAC	4,299,116	-	4,299,116	60,000	4,359,116	4,150,799	208,317	5%
Total for Public Prosecutor		37,451,532	-	37,451,532	-	37,451,532	36,226,166	1,225,366	3%
Public Solicitor									
Representation	CHAA	47,236,950	-	47,236,950	-	47,236,950	45,920,700	1,316,250	3%
Total for Public Solicitor		47,236,950	-	47,236,950	-	47,236,950	45,920,700	1,316,250	3%
Public Service Commission									
Corporate Services Unit	CJAA	43,637,470	-	43,637,470	13,245,519	56,882,989	57,488,538	(605,549)	-1%
Human Resource Management	CJAB	17,317,189	-	17,317,189	(3,669,120)	13,648,069	14,025,275	(377,206)	-3%
Performance Improvement Unit	CJAC	12,402,681	-	12,402,681	(5,140,658)	7,262,023	7,316,638	(54,615)	-1%
Human Resource Development	CJAD	16,931,706	-	16,931,706	(4,260,216)	12,671,490	12,902,123	(230,633)	-2%
Public Service Legal Unit	CJAE	6,317,203	-	6,317,203	(175,525)	6,141,678	6,012,953	128,725	2%
Total for Public Service Commission		96,606,249	-	96,606,249	-	96,606,249	97,745,527	(1,139,278)	-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	(628,076)	972,076	283%
Administrative Support Services	CLAB	545,186	-	545,186	-	545,186	(809,835)	1,355,021	249%
Total for Judicial Services Commission		889,186	-	889,186	-	889,186	(1,437,911)	2,327,097	262%
State Law Office									
Provision of Legal Advice and Services	CFAA	92,199,461	-	92,199,461	-	92,199,461	92,886,916	(687,455)	-1%
Total for State Law Office		92,199,461	-	92,199,461	-	92,199,461	92,886,916	(687,455)	-1%
Citizenship Office									
Citizenship Commission	CKAA	4,057,324	-	4,057,324	-	4,057,324	3,790,107	267,217	7%
Total for Citizenship Office		4,057,324	-	4,057,324	-	4,057,324	3,790,107	267,217	7%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT		1,139,949,684	-	1,139,949,684	(320,000)	1,139,629,684	1,125,710,615	13,919,069	1%
PRIME MINISTERS MINISTRY									
Strategic Management	MCBA	84,955,866	-	84,955,866	2,017,100	86,972,966	73,732,936	13,240,030	15%
Administration & Coordination of Government Programmes	MPAA	77,112,547	5,000,000	82,112,547	(9,735,898)	72,376,649	80,755,475	(8,378,826)	-12%
Corporate Services	MPBA	34,745,912	-	34,745,912	18,594,030	53,339,942	52,438,908	901,034	2%
Language Services	MPCA	28,834,529	-	28,834,529	1,322,427	30,156,956	30,007,799	149,157	0%
Government Remuneration Tribunal	MPDE	5,511,571	-	5,511,571	(940,658)	4,570,913	3,734,321	836,592	18%
Information, Communication and Technology Policy and Administration	MPEA	290,250,293	-	290,250,293	(6,500,000)	283,750,293	281,482,113	2,268,180	1%
TOTAL FOR PRIME MINISTERS MINISTRY		521,410,718	5,000,000	526,410,718	4,757,001	531,167,719	522,151,552	9,016,167	2%
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES									
Portfolio Management	MAAA	38,205,074	-	38,205,074	8,930,693	47,135,767	48,047,633	(911,866)	-2%
Ministry Executive Management And Corporate Services	MABA	12,012,382	-	12,012,382	(1,216,470)	10,795,912	10,745,150	50,762	0%
Commodities	MACA	46,551,433	-	46,551,433	1,736,808	48,288,241	50,068,001	(1,779,760)	-4%
Food Security	MACB	16,291,131	-	16,291,131	(2,548,186)	13,742,945	13,024,445	718,500	5%
Policy and Administration	MACD	51,898,793	-	51,898,793	(2,879,462)	49,019,331	47,785,396	1,233,935	3%
Biosecurity Administration	MADA	17,352,423	3,300,000	20,652,423	(813,491)	19,838,932	18,531,318	1,307,614	7%
Veterinary Contract	MADB	25,000,000	-	25,000,000	-	25,000,000	19,220,524	5,779,476	23%
Biosecurity Operations South	MADC	24,788,180	-	24,788,180	(2,601,563)	22,186,617	31,421,370	(9,234,753)	-42%
Biosecurity Operations North	MADD	16,535,355	-	16,535,355	(2,965,487)	13,569,868	12,206,793	1,363,075	10%

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)									
Plant Protection	MADG	7,735,842	-	7,735,842	(680,000)	7,055,842	4,819,054	2,236,788	32%
Fisheries Administration	MAEF	23,637,253	-	23,637,253	164,889	23,802,142	26,880,658	(3,078,516)	-13%
Fisheries Research and Aquaculture	MAEH	12,857,701	-	12,857,701	374,948	13,232,649	13,336,346	(103,697)	-1%
Fisheries Compliance and Licensing	MAEI	16,627,752	-	16,627,752	-	16,627,752	15,562,087	1,065,665	6%
Fisheries Development and Capture	MAEJ	25,695,800	-	25,695,800	(316,299)	25,379,501	26,072,818	(693,317)	-3%
Fisheries Policy and Management	MAEQ	7,557,831	-	7,557,831	-	7,557,831	7,415,092	142,739	2%
Seafood Verification	MAER	6,092,186	-	6,092,186	(2,909,854)	3,182,332	2,848,453	333,879	10%
Forestry	MAFA	58,740,995	-	58,740,995	(1,250,000)	57,490,995	55,551,296	1,939,699	3%
Livestock Production	MAHA	34,478,618	-	34,478,618	6,973,474	41,452,092	41,010,927	441,165	1%
TOTAL FOR MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES		442,058,749	3,300,000	445,358,749	-	445,358,749	444,547,361	811,388	0%
MINISTRY OF COMMERCE, INDUSTRY AND TOURISM									
Portfolio Coordination	MTAA	46,151,455	-	46,151,455	-	46,151,455	47,843,551	(1,692,096)	-4%
Executive Management	MTBA	141,905,150	-	141,905,150	3,000,000	144,905,150	143,798,360	1,106,790	1%
Food Technology	MTBB	8,977,332	-	8,977,332	(500,000)	8,477,332	8,854,537	(377,205)	-4%
Vanuatu Intellectual Property Development	MTBC	5,000,000	-	5,000,000	(900,000)	4,100,000	3,743,533	356,467	9%
Industry and Commerce	MTCA	12,335,608	-	12,335,608	550,000	12,885,608	13,160,714	(275,106)	-2%
Trade and Marketing	MTCC	12,074,351	-	12,074,351	-	12,074,351	11,583,341	491,010	4%
Primary Industry	MTDA	3,923,853	-	3,923,853	-	3,923,853	4,266,310	(342,457)	-9%
Provincial Industry	MTDB	8,405,903	-	8,405,903	(2,179,263)	6,226,640	5,491,873	734,767	12%
Policy & Administration	MTDE	8,780,970	-	8,780,970	1,150,176	9,931,146	9,913,817	17,329	0%
Marketing & Promotion	MTDF	2,944,922	-	2,944,922	(120,913)	2,824,009	3,180,001	(355,992)	-13%
Tourism Development	MTFB	24,173,281	-	24,173,281	(230,304)	23,942,977	20,588,385	3,354,592	14%
Tourism Standards	MTFC	3,949,195	-	3,949,195	578,383	4,527,578	4,455,076	72,502	2%
Provincial Tourism Development	MTFD	25,220,450	-	25,220,450	(748,079)	24,472,371	23,187,019	1,285,352	5%
TOTAL FOR MINISTRY OF COMMERCE, INDUSTRY AND TOURISM		303,842,470	-	303,842,470	600,000	304,442,470	300,066,517	4,375,953	1%

Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF COOPERATIVES AND NI-VANUATU BUSINESS DEVELOPMENT SERVICES									
Portfolio Coordination	MVAA	35,831,685	(23,814,202)	12,017,483	-	12,017,483	11,916,789	100,694	1%
Cooperatives Development	MVBA	60,707,452	-	60,707,452	(600,000)	60,107,452	59,083,486	1,023,966	2%
TOTAL FOR MINISTRY OF COOPERATIVES AND NI-VANUATU BUSINESS DEVELOPMENT SERVICES		96,539,137	(23,814,202)	72,724,935	(600,000)	72,124,935	71,000,275	1,124,660	2%
MINISTRY OF EDUCATION									
Cabinet Support Division	MEAA	46,717,892	-	46,717,892	730,000	47,447,892	48,190,157	(742,265)	-2%
Director General's Division	MEBA	20,949,937	-	20,949,937	4,436,287	25,386,224	23,938,358	1,447,866	6%
Administration and Finance Division	MEBB	71,096,602	-	71,096,602	17,562,565	88,659,167	85,095,347	3,563,820	4%
Policy and Planning Division	MEBC	57,671,942	-	57,671,942	(5,610,598)	52,061,344	46,418,371	5,642,973	11%
School Administration Division	MECA	164,231,583	-	164,231,583	(37,619,648)	126,611,935	122,772,203	3,839,732	3%
Secondary Schools Division	MECB	1,155,876,338	-	1,155,876,338	(4,222,010)	1,151,654,328	1,181,426,671	(29,772,343)	-3%
Primary Schools Division	MECC	1,730,987,504	-	1,730,987,504	(9,807,031)	1,721,180,473	1,719,823,541	1,356,932	0%
Technical & Higher Education Division	MECD	465,439,637	298,000,000	763,439,637	50,018,245	813,457,882	696,332,887	117,124,995	14%
School Support Services Division	MECE	154,627,185	-	154,627,185	(12,293,772)	142,333,413	136,371,651	5,961,762	4%
Teaching Service Commission	MEDA	107,672,602	-	107,672,602	(8,272,000)	99,400,602	99,442,141	(41,539)	0%
Other Education Commissions & Councils	MEDB	11,753,973	-	11,753,973	5,077,962	16,831,935	16,640,813	191,122	1%
Executive Management & Support Services	MYBA	23,521,273	1,000,000	24,521,273	-	24,521,273	24,304,601	216,672	1%
Contribution to Sport & Youth Development	MYBB	52,401,645	3,000,000	55,401,645	1,094,450	56,496,095	56,619,810	(123,715)	0%
TVET & Employment Opportunities	MYCA	28,913,484	-	28,913,484	(1,762,450)	27,151,034	26,872,246	278,788	1%
TOTAL FOR MINISTRY OF EDUCATION		4,091,861,597	302,000,000	4,393,861,597	(668,000)	4,393,193,597	4,284,248,797	108,944,800	2%
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT									
Portfolio Management	MFAA	43,346,193	-	43,346,193	-	43,346,193	44,077,164	(730,971)	-2%
Ministry Executive & Internal Audit	MFBA	47,190,447	-	47,190,447	-	47,190,447	38,732,621	8,457,826	18%
Corporate Services	MFBB	122,628,382	-	122,628,382	(2,514,054)	120,114,328	107,977,947	12,136,381	10%
Information Services	MFBC	89,657,882	-	89,657,882	(1,100,000)	88,557,882	84,087,384	4,470,498	5%
Economic Policy Development	MFCA	22,826,884	-	22,826,884	(1,000,000)	21,826,884	19,137,164	2,689,720	12%
Government Financial Services	MFCC	356,617,735	-	356,617,735	(500,000)	356,117,735	283,230,423	72,887,312	20%
National Statistical Collection, Analysis & Reporting	MFDA	36,784,413	-	36,784,413	163,570	36,947,983	29,687,244	7,260,739	20%

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)									
Provincial Statistics Offices	MFDB	11,920,593	-	11,920,593	-	11,920,593	11,662,075	258,518	2%
Public Debt Provisions	MFEA	2,610,488,884	-	2,610,488,884	(80,000,000)	2,530,488,884	2,133,318,984	397,169,900	16%
Central Payments	MFEC	131,131,135	27,700,000	158,831,135	152,464,491	311,295,626	291,038,701	20,256,925	7%
Former Leaders Payment	MFED	5,000,000	-	5,000,000	-	5,000,000	4,093,452	906,548	18%
Customs and Excise Collections	MFFA	75,214,287	-	75,214,287	(1,600,000)	73,614,287	72,932,118	682,169	1%
VAT Collections	MFFB	74,335,914	-	74,335,914	(3,050,000)	71,285,914	72,148,807	(862,893)	-1%
Rates and Taxes Collection	MFFC	28,812,637	-	28,812,637	(700,000)	28,112,637	27,393,138	719,499	3%
Border Control	MFGA	43,068,732	-	43,068,732	-	43,068,732	43,309,293	(240,561)	-1%
Investment and Legal	MFGB	9,036,113	-	9,036,113	8,800,484	17,836,597	17,464,552	372,045	2%
Vanuatu Tourism Office	MFIA	139,989,780	20,000,000	159,989,780	-	159,989,780	159,989,780	-	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	-	30,000,000	30,000,000	-	0%
Grant to USP and SPBCA	MFIF	146,200,000	-	146,200,000	(71,964,491)	74,235,509	69,923,650	4,311,859	6%
Vanuatu Maritime Administration (VMA)	MFIG	15,000,000	-	15,000,000	-	15,000,000	10,279,730	4,720,270	31%
Vanuatu Maritime College	MFIH	41,255,243	-	41,255,243	-	41,255,243	41,255,244	(1)	0%
Utility regulatory Authority	MFII	20,226,099	-	20,226,099	1,000,000	21,226,099	21,226,099	-	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		4,344,377,397	47,700,000	4,392,077,397	-	4,392,077,397	3,856,611,613	535,465,784	12%
MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE									
Portfolio Coordination	MOAA	54,613,974	-	54,613,974	-	54,613,974	54,483,709	130,265	0%
Operations of the Department of Foreign Affairs	MOBA	258,650,887	27,000,000	285,650,887	-	285,650,887	281,221,416	4,429,471	2%
TOTAL FOR MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE		313,264,861	27,000,000	340,264,861	-	340,264,861	335,705,125	4,559,736	1%
MINISTRY OF HEALTH									
Portfolio Management	MHAA	47,585,260	-	47,585,260	-	47,585,260	46,922,328	662,932	1%
Ministry Executive	MHBA	11,066,476	-	11,066,476	-	11,066,476	10,623,190	443,286	4%
Corporate Services	MHBB	239,617,971	-	239,617,971	(40,596,590)	199,021,381	184,420,011	14,601,370	7%

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 HEALTH									
Hospital Services	MHCA	774,535,301	-	774,535,301	40,596,590	815,131,891	812,142,544	2,989,347	0%
Community Health Services	MHCB	308,541,447	-	308,541,447	-	308,541,447	313,338,747	(4,797,300)	-2%
Public Health Services	MHCC	54,993,108	-	54,993,108	-	54,993,108	51,449,347	3,543,761	6%
Medical Supplies Stock	MHCD	173,500,000	-	173,500,000	-	173,500,000	178,018,159	(4,518,159)	-3%
TOTAL FOR MINISTRY OF HEALTH		1,609,839,563	-	1,609,839,563	-	1,609,839,563	1,596,914,326	12,925,237	1%
MINISTRY OF INFRASTRUCTURE & PUBLIC UTILITIES									
Portfolio Coordination	MUAA	51,931,946	-	51,931,946	(800,000)	51,131,946	51,176,311	(44,365)	0%
Director General and Corporate Services	MUBA	82,899,333	-	82,899,333	8,000,000	90,899,333	88,068,447	2,830,886	3%
Ports Administration	MUEA	165,822,184	-	165,822,184	(10,900,000)	154,922,184	137,589,090	17,333,094	11%
Development and Maintenance of Government Infrastructure	MUFA	416,550,194	-	416,550,194	(5,155,591)	411,394,603	395,521,554	15,873,049	4%
Government Contributions to Projects	MUFC	500,000,000	-	500,000,000	8,855,591	508,855,591	506,787,240	2,068,351	0%
TOTAL FOR INFRASTRUCTURE & PUBLIC UTILITIES		1,217,203,657	-	1,217,203,657	-	1,217,203,657	1,179,142,642	38,061,015	3%
MINISTRY OF INTERNAL AFFAIRS									
Portfolio Management	MIAA	41,214,657	-	41,214,657	1,867,995	43,082,652	43,347,731	(265,079)	-1%
Corporate Services	MIAB	50,006,076	10,000,000	60,006,076	2,877,208	62,883,284	62,695,665	187,619	0%
Independence Celebration	MIAD	8,000,000	-	8,000,000	-	8,000,000	7,999,919	81	0%
Crime Prevention	MIAE	2,000,000	-	2,000,000	1,640,059	3,640,059	3,640,059	-	0%
Grants to Provinces	MICA	254,385,920	-	254,385,920	2,890,000	257,275,920	257,239,178	36,742	0%
Grants to Municipalities	MICB	17,353,700	-	17,353,700	-	17,353,700	17,394,208	(40,508)	0%
Administration of Regional Services	MICC	48,122,419	-	48,122,419	(4,395,000)	43,727,419	44,043,387	(315,968)	-1%
Joint Command and Control	MIDA	215,053,442	4,000,000	219,053,442	(19,757,001)	199,296,441	204,647,990	(5,351,549)	-3%
Police District Northern	MIDB	61,246,002	-	61,246,002	15,000,000	76,246,002	17,416,161	58,829,841	77%
Police District Central	MIDC	36,104,463	-	36,104,463	-	36,104,463	37,969,400	(1,864,937)	-5%
Police District Southern	MIDD	177,403,170	-	177,403,170	-	177,403,170	242,696,330	(65,293,160)	-37%
Vanuatu Mobile Force	MIDE	206,166,595	-	206,166,595	-	206,166,595	264,693,350	(58,526,755)	-28%
Police Maritime Wing	MIDF	38,785,816	-	38,785,816	-	38,785,816	(8,027)	38,793,843	100%
Border Control	MIDG	62,952,472	-	62,952,472	6,187,660	69,140,132	68,694,960	445,172	1%
Issue of Passports	MIDH	14,155,555	-	14,155,555	(1,072,719)	13,082,836	12,582,786	500,050	4%
Labour Regulation	MIEA	51,068,408	-	51,068,408	3,640,463	54,708,871	54,560,693	148,178	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 INTERNAL AFFAIRS									
Electoral Services	MIEB	19,415,157	-	19,415,157	4,312,924	23,728,081	23,511,235	216,846	1%
Conduct of Elections	MIEC	83,100,000	-	83,100,000	(21,826,994)	61,273,006	61,355,932	(82,926)	0%
Civil Registry	MIED	11,464,757	-	11,464,757	4,478,404	15,943,161	15,849,907	93,254	1%
National Disaster Management	MIEF	21,697,904	-	21,697,904	(1,100,000)	20,597,904	19,423,907	1,173,997	6%
Police Service Commission	MIGA	5,854,128	-	5,854,128	-	5,854,128	5,879,819	(25,691)	0%
TOTAL FOR MINISTRY OF INTERNAL AFFAIRS		1,425,550,641	14,000,000	1,439,550,641	(5,257,001)	1,434,293,640	1,465,634,590	(31,340,950)	-2%
MINISTRY OF LANDS, GEOLOGY & MINES									
Portfolio Coordination	MLAA	37,996,871	-	37,996,871	(513,000)	37,483,871	39,064,615	(1,580,744)	-4%
Executive Management	MLBA	19,038,610	-	19,038,610	20,000	19,058,610	19,382,731	(324,121)	-2%
Corporate Services	MLBB	72,519,287	-	72,519,287	64,046	72,583,333	71,178,317	1,405,016	2%
Energy Management and Assessment	MLCA	12,486,880	-	12,486,880	(2,983,021)	9,503,859	8,992,379	511,480	5%
Mines & Minerals	MLCB	14,361,848	-	14,361,848	(1,315,557)	13,046,291	13,029,222	17,069	0%
Environmental Management, Research and Extension Services	MLDA	15,408,977	-	15,408,977	980,000	16,388,977	16,758,110	(369,133)	-2%
Land Survey	MLEA	26,226,254	-	26,226,254	(2,240,000)	23,986,254	25,847,813	(1,861,559)	-8%
Land Use Planning	MLEB	9,769,453	-	9,769,453	1,760,000	11,529,453	12,730,868	(1,201,415)	-10%
Lease Management	MLEC	39,619,505	-	39,619,505	(90,000)	39,529,505	39,459,032	70,473	0%
Customary Land Registration	MLED	-	-	-	930,000	930,000	1,464,116	(534,116)	-57%
Geological Research	MLFB	-	-	-	687,532	687,532	569,587	117,945	17%
Rural Water Supply	MLGA	17,569,468	-	17,569,468	-	17,569,468	17,375,586	193,882	1%
Water Resource Management	MLGB	9,901,320	-	9,901,320	200,000	10,101,320	10,090,521	10,799	0%
Valuer General's Office	MLHA	8,183,575	-	8,183,575	-	8,183,575	8,091,274	92,301	1%
TOTAL FOR MINISTRY OF LANDS, GEOLOGY & MINES		283,082,048	-	283,082,048	(2,500,000)	280,582,048	284,034,171	(3,452,123)	-1%
MINISTRY OF YOUTH DEVELOPMENT & TRAINING									
Cabinet Support Services	MYAA	-	29,304,624	29,304,624	668,000	29,972,624	31,255,751	(1,283,127)	-4%
TOTAL FOR MINISTRY OF YOUTH DEVELOPMENT & TRAINING		-	29,304,624	29,304,624	668,000	29,972,624	31,255,751	(1,283,127)	-4%

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 JUSTICE AND COMMUNITY SERVICES									
Portfolio Management	MJAA	42,394,224	-	42,394,224	(723,251)	41,670,973	42,830,060	(1,159,087)	-3%
Corporate Services	MJAB	29,720,487	-	29,720,487	5,330,193	35,050,680	35,987,695	(937,015)	-3%
Womens Affairs	MJBA	37,527,797	-	37,527,797	(4,881,764)	32,646,033	31,287,717	1,358,316	4%
Correctional Services	MJCA	182,906,929	-	182,906,929	594,822	183,501,751	181,975,510	1,526,241	1%
Lands Tribunal Office	MJDA	7,606,759	-	7,606,759	-	7,606,759	8,675,660	(1,068,901)	-14%
Office of the Law Reform Commission	MJEA	11,349,840	-	11,349,840	-	11,349,840	11,051,310	298,530	3%
TOTAL FOR MINISTRY OF JUSTICE AND COMMUNITY SERVICES		311,506,036	-	311,506,036	320,000	311,826,036	311,807,952	18,084	0%
MINISTRY OF CIVIL AVIATION, METEOROLOGY AND POSTAL SERVICES									
Civil Aviation Cabinet	MBAA	40,848,678	(29,304,624)	11,544,054	1,500,000	13,044,054	13,039,054	5,000	0%
Civil Aviation Management and Administration Support	MUCA	52,146,614	-	52,146,614	(1,500,000)	50,646,614	43,020,534	7,626,080	15%
Weather Forecasting, Monitoring and Research	MUDA	132,513,659	-	132,513,659	(7,000,000)	125,513,659	125,322,530	191,129	0%
TOTAL FOR MINISTRY OF CIVIL AVIATION, METEOROLOGY AND POSTAL SERVICES		225,508,951	(29,304,624)	196,204,327	(7,000,000)	189,204,327	181,382,118	7,822,209	4%
MINISTRY OF CLIMATE CHANGE ADAPTATION, GEOHAZARDS, METEOROLOGY AND ENERGY									
Portfolio Coordination	MGAA	-	24,814,202	24,814,202	10,000,000	34,814,202	35,299,886	(485,684)	-1%
TOTAL FOR MINISTRY OF CLIMATE CHANGE ADAPTATION, GEOHAZARDS, METEOROLOGY AND ENERGY		-	24,814,202	24,814,202	10,000,000	34,814,202	35,299,886	(485,684)	-1%
TOTAL FOR GOVERNMENT OF VANUATU		16,325,995,509	400,000,000	16,725,995,509	-	16,725,995,509	16,025,513,291	700,482,218	4%

Statement of Unappropriated Expenditure (for the year ending 31 December 2013)

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 ending 31 December 2013:

	Final Budget vatu	Actual Expenditure vatu	Unappropriated Amount vatu	Perce- ntage %
CONSTITUTIONAL AREAS OF THE GOVERNMENT				
President of the Republic	40,237,809	40,337,474	(99,665)	0%
Parliament	519,341,956	529,528,944	(10,186,988)	-1.96%
Public Service Commission	96,606,249	97,745,527	(1,139,278)	-1.18%
State Law Office	92,199,461	92,886,916	(687,455)	-0.75%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT	748,385,475	760,498,861	(12,113,386)	-1.62%
Ministry of Internal Affairs	1,434,293,640	1,465,634,590	(31,340,950)	-2.19%
Ministry of Lands, Geology & Mines	280,582,048	284,034,171	(3,452,123)	-1.23%
Ministry of Youth Development & Training	29,972,624	31,255,751	(1,283,127)	-4.28%
TOTAL FOR OVERSPENT AGENCIES	1,744,848,312	1,780,924,512	(36,076,200)	-2.07%

Reconciliation of Statement of Appropriations and Recurrent Fund Operating Balance

(for the year ending 31 December 2013)

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:

	2013 vatu million	2012 vatu million
Expenditure per Statement of Appropriations	16,026	15,417
Add: Accrual items not included in Appropriations		
Depreciation on assets	1,452	1,413
Accrued leave movement	(58)	57
Accrued severance provision	423	257
Refund of VAT on expenses	(257)	(312)
Write-off of doubtful debts against accrual fund	203	245
Accrued interest expenses	10	45
Accrued operating expenses	14	21
Total Accrual items not included	1,787	1,726
Less: Capital Expenses not included in Statement of Financial Performance		
Loan Principal Repayments	(1,581)	(938)
Asset purchases recorded in Statement of Financial Position	(679)	(1,114)
Additional Advances or Capital Contributions to GBEs recorded in Statement of Financial Position	-	-
Total Capital Expenses not included	(2,260)	(2,052)
Expenses per Statement of Financial Performance	15,553	15,091