



FINANCIAL STATEMENTS
OF THE
GOVERNMENT OF
THE REPUBLIC OF VANUATU

for the year ending

31 December 2010

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STATEMENTS OF RESPONSIBILITY

Minister of Finance and Economic Management

It is with great pleasure that I present the 2010 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 Moana Kalosil CARCASSÈS MP
Minister of Finance and Economic Management

Director General of the Ministry of Finance and Economic Management

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

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

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



George Maniuri
Director General
Ministry of Finance and Economic Management





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

In accordance with Article 25(5) of the Constitution of the Republic of Vanuatu and Section 27 of the Expenditure Review and Audit Act No.3 of 1998 (as amended), I have audited the financial statements of the Vanuatu Whole Of Government (consolidated) for the year ended 31 December 2010.

The financial statements on pages 9 to 65 which have been prepared under the historical cost convention unless otherwise stated and on the accruals basis of accounting and are prepared in accordance with the accounting policies set out on pages 26 to 29.

Respective Responsibilities of the Government and the Auditors

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

Basis of Opinion

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

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

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

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

- The opening balances in the Statement of Financial Position could not be verified due to the disclaimer of audit opinion issued on the 31 December 2009 financial statements;
- The valuation of property, plant and equipment and work in progress of VT26,861 million and VT8,820 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 2010 due to lack of timely information;

- Third party confirmations were not received to confirm some balances for cash and bank, advances to GBEs, foreign loans, donor contributions and grants given to some Councils and GBEs.
- Requested information for some revenue, expenditure, debtor receipts, lease agreements, contingencies, employee entitlements, payroll, original bank reconciliations and fixed asset transfer transactions was not provided for auditing purposes for various reasons.

Qualified Opinion: Disclaimer due to limitation of scope

As a result of the above and the effect of the limitation of audit evidence available to me, I am unable to form an opinion as to whether the financial statements fairly reflect the financial position of the Vanuatu Whole Of Government as at 31 December 2010 and of the operations for the year then ending.

In addition to this:


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

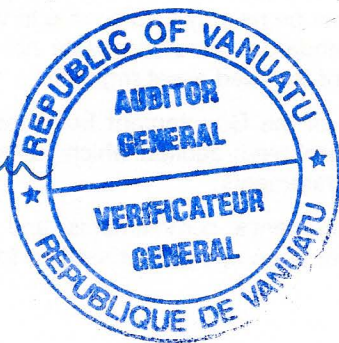
All legislative compliance breaches and matters relating to the 'limitation of scope' has been expanded and discussed more fully in the management report issued for this audit.

Independence

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

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


 John Path
 Auditor-General



20 August 2012
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 ending 31 December 2010. The Statements follow generally accepted accounting practice and comply with International Public Sector Accounting Standards as issued by the International Federation of Accountants where practicable.

The Government operating balance was -492 million in 2010 compared to 2.823 billion in 2009. However these operating balances are distorted by several large movements in 2009 and 2010 including

- Large scale capital works in 2009 and 2010 funded by the Millennium Challenge Corporation, and
- large foreign currency gains in 2009.

If contributions from donors for capital construction are excluded, the Government of Vanuatu has a recurrent fund deficit of 2.869 billion vatu for 2010. This includes losses of 1.657 billion incurred by Government Business Enterprises, mainly from Air Vanuatu.

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. Other assets and liabilities have been brought onto the Government's balance sheet as they have been identified and valued.

The Government has a net worth of 25.552 billion vatu as at the end of 2010 as outlined below:

	2010 vatu million	2009 vatu million
Financial Position		
Assets	47,524	46,300
Liabilities	21,972	20,958
Net Worth	25,552	25,342

Statement of Financial Performance

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

	2010 vatu million	2009 vatu million
Consolidated Financial Performance		
Revenue	17,083	18,125
Expenses	15,918	14,541
Revenue less Expenses	1,165	3,584
Net surplus/(deficit) of GBEs	(1,657)	(761)
Operating Balance	(492)	2,823

However this surplus is significantly distorted by the large capital works project being funded by the Millennium Challenge Corporation. An amount of 2,151 million vatu has been capitalised for road works funded by the MCC in 2009 and an additional 2,095 million vatu in 2010. The funding for this work has been recognised as revenue but the expenses will be recognised over the useful life of the road (in the form of depreciation). As such the operating balance is significantly higher than it would have been had these capital works not occurred.

A better reflection of financial performance for the year is shown by the Statement of Financial Performance for the Recurrent Fund which shows an operating balance (including foreign currency gains) of -2,877 million vatu as follows:

	2010 vatu million	2009 vatu million
Recurrent Fund Financial Performance		
Revenue	12,657	13,802
Expenses	13,869	13,126
Revenue less Expenses	(1,212)	676
Net surplus/(deficit) of GBEs	(1,657)	(761)
Operating Balance	(2,869)	(85)
less Foreign Currency movements	(8)	(1,039)
Adjusted Operating Balance	(2,877)	(1,124)

The large foreign currency gains in 2009 mainly reflect movements in foreign currency loans denominated in US dollar, Japanese Yen and Euro and recover the bulk of unrealised losses made in 2008.

Statement of Borrowings

Borrowings have increased in 2010 as follows:

	2010 vatu million	2009 vatu million
Borrowings		
Foreign currency borrowings	9,860	9,660
Domestic borrowings	3,285	2,485
Total Borrowings	13,144	12,145

The increase is due to draw-downs from the Chinese Government for further work on the E-Government project and an additional 800 million vatu in domestic borrowing to fund the deficit in the recurrent budget.

FINANCIAL STATEMENTS

of the

**GOVERNMENT OF
THE REPUBLIC OF VANUATU**

for the year ending 31 December 2010

Statement of Financial Performance
(for the year ending 31 December 2010)

	Notes	2010 vatu million	2009 vatu million
Revenue			
Levied through the State's Sovereign Power			
Taxation revenue	1	9,613	9,612
License and registration fees	1	1,381	1,210
Other Sovereign revenues	1	649	622
Total Revenue levied through the State's Sovereign Power	1	11,643	11,444
Revenue earned through State Operations			
Charges and recoveries	2	945	717
Investment income	3	100	515
Total Revenue Earned through State Operations		1,045	1,232
Other Revenue			
Contributions from Donors	4	4,400	4,435
Loss on sale of Investments	11	-	-
Foreign currency gains/(losses)		(5)	1,014
Total Other Revenue		4,395	5,449
Total Revenue		17,083	18,125
Expenses			
Personnel expenses	6	8,813	8,288
Operating expenses	7	4,331	4,148
Grants, subsidies and transfer payments	8	1,657	1,286
Finance costs		361	305
Depreciation on assets	12	489	514
Write offs		267	-
Total Expenses	5	15,918	14,541
Revenue less Expenses		1,165	3,584
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	11	(1,657)	(761)
Operating Balance		(492)	2,823

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 2010)

	Notes	2010 vatu million	2009 vatu million
Assets			
Cash and cash equivalents		2,917	3,537
Receivables	9	1,192	1,430
Advances	10	1,960	1,635
Investment in Government Owned Enterprises	11	5,774	7,331
Property, Plant and Equipment	12	26,861	26,204
Capital works in Progress	12	8,820	6,163
Total Assets		47,524	46,300
Liabilities			
Payables and provisions	13	1,083	1,107
Employee Entitlements	14	7,051	6,975
Trust account liabilities	15	694	731
Borrowings		13,144	12,145
Total Liabilities		21,972	20,958
Total Assets less Total Liabilities		25,552	25,342
Net Worth			
Recurrent Fund Balance		7,934	8,301
Development Fund Balance		2,376	2,094
Special Reserve		10,169	10,169
Depreciable Fixed Assets Revaluation Reserve		5,073	4,778
Net Worth		25,552	25,342

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 2010)

	2010 vatu million	2009 vatu million
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Taxation Revenue	9,926	9,730
License and Registration Fees	1,367	1,186
Donor Contributions	4,287	4,341
Other Sovereign Revenues	622	610
Investment Income	113	472
Other Operating Receipts	668	662
Total Cash Provided from Operating Activities	16,983	17,001
Cash was disbursed to:		
Personnel payments	8,608	7,809
Operating payments	4,410	4,201
Subsidies and transfers	1,663	1,130
Finance costs	322	318
Total Cash Disbursed from Operating Activities	15,003	13,458
Net Cash Flows from Operating Activities	1,980	3,543
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from		
Sale of physical assets	-	-
Repayment of advances from GBEs	14	22
Sale of Investments	-	-
Total Cash Provided from Investing Activities	14	22
Cash was disbursed to:		
Purchase of physical assets and capital works	3,100	3,536
Advances to GBEs	500	100
Total Cash Disbursed to Investing Activities	3,600	3,636
Net Cash Flows from Investing Activities	(3,586)	(3,614)

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

Statement of Cash Flows (continued)
(for the year ending 31 December 2010)

	2010 vatu million	2009 vatu million
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Drawdown of domestic loans	1,199	590
Drawdown of foreign loans	562	1,139
Net Receipts/(Payments) from Trust Funds	(82)	1
Total Cash Provided from Financing Activities	1,679	1,730
Cash was disbursed to:		
Repayment of domestic loans	399	688
Repayment of foreign loans	294	377
Total Cash Disbursed to Financing Activities	693	1,065
Net Cash Flows from Financing Activities	986	665
Net Increase / (Decrease) in Cash Held	(620)	594
Add Opening Cash Balances	3,537	2,943
Closing Cash Balance	2,917	3,537

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 2010)

	2010 vatu million	2009 vatu million
Net Cash Flows from Operating Activities	1,980	3,543
Items included in the operating balance but not in the net cash flows from operations		
Valuation Changes		
Unrealised net foreign-exchange (losses)/gains	15	1,043
Non cash writeoffs	(267)	-
Increase in provision for severance and retirement allowances	92	2,399
Total Valuation Changes	(160)	3,442
Asset Movements		
Depreciation	(489)	(514)
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	(1,657)	(761)
Other Asset Movements	(142)	(87)
Total Asset Movements	(2,288)	(1,362)
Movements in Working Capital		
Increase/(Decrease) in Receivables (excluding writeoffs)	29	135
Increase/(Decrease) in Employee Advances	(1)	(7)
(Increase)/Decrease in Payables and Provisions	24	(132)
(Increase)/Decrease in Employee Entitlements	(76)	(2,796)
Total Working Capital Movements	(24)	(2,800)
Operating Balance	(492)	2,823

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

Statement of Movements in Equity
(for the year ending 31 December 2010)

	2010 vatu million	2009 vatu million
Opening Equity Balance		
Recurrent Fund	8,301	5,828
Development Fund	2,094	1,337
Special Reserve	10,169	12,568
Depreciable Fixed Assets Revaluation Reserve	4,778	5,185
Opening Equity balance	25,342	24,918
Net Surplus/(Deficit)		
Recurrent Fund	(2,869)	(85)
Development Fund	282	757
Net Surplus/(Deficit)	(2,587)	672
Other Movements		
Recurrent Fund	2,502	2,558
Special Reserve	-	(2,399)
Depreciable Fixed Assets Revaluation Reserve	295	(407)
Other Movements	2,797	(248)
Closing Equity Balance		
Recurrent Fund	7,934	8,301
Development Fund	2,376	2,094
Special Reserve	10,169	10,169
Depreciable Fixed Assets Revaluation Reserve	5,073	4,778
Closing Equity Balance	25,552	25,342

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 2010)

Recurrent Fund Balance

	2010 vatu million	2009 vatu million
Recurrent Fund Opening Balance	8,301	5,828
Net Surplus/(Deficit) for the year	(2,869)	(85)
Transfer from depreciable fixed assets revaluation reserve	407	407
Construction in Progress balances transferred from the Development Fund	2,095	2,151
Recurrent Fund Closing Balance	7,934	8,301

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.

Construction in Progress balances of 2,151 million in 2009 and 2,095 million in 2010 that were transferred from the development fund represent the capital works that have been funded by the Millennium Challenge Corporation. The Development Fund balance represents the unspent portion of donor funds received, regardless of whether expenditure has been for expenses or for the purchase of physical assets. The purchase of physical assets in the development fund will result in an operating balance surplus for the development fund in the year that revenue was received and additional depreciation expense to be recognised in the recurrent fund over the useful life of those assets. The operating balance surplus for the development fund has been transferred to the recurrent fund balance to meet future years depreciation expense.

Development Fund Balance

	2010 vatu million	2009 vatu million
Development Fund Opening Balance	2,094	1,337
Surplus/(Deficit) for the year	282	757
Development Fund Closing Balance	2,376	2,094

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.

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 2010)

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

	2010 vatu million	2009 vatu million
Development Fund Balance Reconciliation		
Unspent Donor Contributions Balance	2,376	2,094
Development Fund Bank Account Balance	2,045	1,920
Cash Owning to Development Fund Bank Account	331	174
Balance of other bank accounts (to meet cash owing to the Development Fund)	872	1,617

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.

Special Reserve Balance

	2010 vatu million	2009 vatu million
Special Reserve Opening Balance	10,169	12,568
Provision for employee severance and retirement allowances brought onto the books in 2009	-	(2,399)
Special Reserve Closing Balance	10,169	10,169

In 2008 severance allowances for Government Employees of 3,767 million vatu were brought onto the books for the first time. 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. This amount has been introduced to the balance sheet in 2008 and an adjustment to equity has been made as a result of bringing this balance onto the statement of financial position.

The Employment Act was amended in 2009 to provide 1 month's severance payment for any employees who resign in good faith after working for a period of 6 years or more. This change in legislation resulted in an increased liability of 2.399 billion vatu for the Government of Vanuatu employee severance and retirement provisions. This increase has been adjusted directly to the Special Reserve Balance and has not been recognised as an expense in the Statement of Financial Performance. This is to reflect the fact that the liability was only brought into the Governments books the year before and such a significant valuation change would distort the financial statements.

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 2010)

Depreciable Fixed Assets Revaluation Reserve Balance

	2010 vatu million	2009 vatu million
Depreciable Asset Revaluation Reserve Opening Balance	4,778	5,185
Revalued fixed asset balances brought onto balance sheet	702	-
Transfer to Recurrent Fund Balance for depreciation charged for brought on assets	(407)	(407)
Depreciable Asset Revaluation Reserve Closing Balance	5,073	4,778

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 2010)

	2010 vatu million	2009 vatu million
Foreign Currency Borrowings		
Opening Balance	9,660	10,116
Principal drawdowns	562	1,139
Principal Repayments	(298)	(377)
Loan Write-offs	-	-
Foreign Exchange changes	(64)	(1,218)
Closing Balance	9,860	9,660
Domestic Borrowings		
Opening Balance	2,485	2,583
Principal drawdowns	1,199	590
Principal Repayments	(399)	(688)
Loan Write-offs	-	-
Foreign Exchange changes	-	-
Closing Balance	3,285	2,485
Total Borrowings		
Opening Balance	12,145	12,699
Principal drawdowns	1,761	1,729
Principal Repayments	(697)	(1,066)
Loan Write-offs	-	-
Foreign Exchange changes	(64)	(1,218)
Closing Balance	13,144	12,145

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 2010)

	2010 vatu million	2009 vatu million
Foreign Currency Borrowings by Currency		
Chinese Yuan Renminbi	3,103	2,577
Japanese Yen	2,718	2,587
US Dollar	1,450	1,568
IDA Special Drawing Rights	1,087	1,211
European Currency	841	1,065
Australian Dollar	456	440
Swiss Franc	108	107
Canadian Dollar	77	79
Swedish Krona	12	17
Danish Krona	7	8
Korean Won	1	1
Total Foreign Currency Borrowings	9,860	9,660

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

Statement of Borrowings – Detailed
(as at 31 December 2010)

	2010 vatu million	2009 vatu million
Asian Development Bank Loans		
Agriculture Extension	52	57
Multiproject Loan	246	261
Development Bank of Vanuatu	45	48
DFI / Development Bank of Vanuatu	277	291
Santo Wharf	493	507
Santo Wharf Supplementary	323	322
Urban Infrastructure	1,054	1,044
Comprehensive Reform Program	2,455	2,434
Cyclone Dani	204	221
Total Asian Development Bank Loans	5,150	5,184
International Development Association Loans		
Agriculture Extension	112	124
Multiproject Loan	208	230
Primary & Secondary Education	641	720
Housing	125	137
Total IDA Loans	1,087	1,211
Other Foreign Currency Loans		
CFD loan for Telecom Vanuatu Ltd	297	375
EIB loan for Beaurfield Airport Project	223	313
Chinese E-Government Loan	2,247	1,709
Chinese Air Vanuatu Y12 Aircrafts Purchase	856	868
Total Other Foreign Currency Loans	3,623	3,265
Total Foreign Currency Loans	9,860	9,660
Domestic Borrowings	3,285	2,485
Total Borrowings	13,144	12,145

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

Statement of Commitments
(as at 31 December 2010)

	2010 vatu million	2009 vatu million
Capital Commitments		
Due within 1 year	3,513	3,513
Due within 2 to 5 years	-	-
Due after 5 years	-	-
Total Capital Commitments	3,513	3,513
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	4,074	4,074

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

Statement of Specific Fiscal Risks (as at 31 December 2010)

Statement of Contingent Liabilities and Contingent Assets

	2010 vatu million	2009 vatu million
Quantifiable Contingent Liabilities		
Guarantees and indemnities	11,427	6,845
Uncalled capital	3,621	3,698
Legal proceedings and disputes	7,556	7,556
Other contingent liabilities	20	203
Total Quantifiable Contingent Liabilities	22,624	18,302
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:

		2010 vatu million	2009 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	9,295	5,851
Air Vanuatu	Loan guarantees given to VNPF, BRED Bank and Aircraft leasing companies to support the ongoing activity of the National airline, Air Vanuatu.	2,045	900
Pacific Aviation Security Office	Loan guarantee given to the Asian Development Bank for 25% of a SDR 1,033,00 (approx USD \$1.9m) loan given to the Pacific Aviation Security Office.	44	47
National Housing Corporation	Loan guarantee given to the Commonwealth Development Corporation for a loan of GBP £300,000 to the National Housing Corporation for various development projects.	43	47
Total Guarantees and Indemnities		11,427	6,845

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

List of Material Contingent Liabilities and Contingent Assets (continued)

		2010 vatu million	2009 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)	276	290
Asian Development Bank	Proposed General Capital Increase for Asian Development Bank member contributions	1,220	1,283
Total Uncalled Capital and NIB Promissory Notes		3,621	3,698
Other Contingent Liabilities			
World Trade Organisation	Outstanding fees for the World Trade Organisation (1985-2008) should Vanuatu accede to membership.	20	203
Total Other Contingent Liabilities		20	203

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 2010)

	2010 vatu million	2009 vatu million
Opening Balance	2,094	1,337
Contributions from Donors		
Millennium Challenge Corporation	1,890	1,969
Australia	1,595	1,088
New Zealand	466	1,020
United Nations	158	147
European Union	97	-
Vanuatu Government	85	175
Japan	78	67
World Health Organisation	29	29
China	3	1
France	14	1
Other Donor Contributions	113	113
Other revenue	143	50
Foreign currency gains/(losses)	(13)	(24)
Total Contributions from Donors	4,658	4,636
Expenditure by Ministry		
Infrastructure & Public Utilities	2,643	2,320
Finance & Economic Management	421	370
Health	225	221
Education	660	385
Internal Affairs	113	111
Lands, Geology & Mines	184	72
Justice and Community Services	56	69
Constitutional Areas of Government	19	12
Agriculture, Quarantine, Forestry & Fisheries	23	82
Commerce, Industry and Tourism	16	27
Prime Ministers' Office	9	52
Foreign Affairs and External Trade	-	-
Youth Development & Training	1	4
Cooperatives and Ni Vanuatu Business Development Services	-	1
Transfers to Recurrent Fund for Budgetary Support	7	137
Other	(1)	16
Total Expenditure	4,376	3,879
Development Fund Movement	282	757
Closing Balance	2,376	2,094

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 2010)

	2010 vatu million	2009 vatu million
Revenue		
Levied through the State's Sovereign Power		
Taxation revenue	9,613	9,612
License and registration fees	1,284	1,160
Other Sovereign revenues	649	622
Total Revenue levied through the State's Sovereign Power	11,546	11,394
Revenue earned through State Operations		
Charges and recoveries	910	717
Investment income	89	515
Total Revenue Earned through State Operations	999	1,232
Other Revenue		
Contributions from Donors	104	137
Loss on sale of Investments	-	-
Foreign currency gains/(losses)	8	1,039
Total Other Revenue	112	1,176
Total Revenue	12,657	13,802
Expenses		
Personnel expenses	8,385	8,011
Operating expenses	2,927	2,907
Grants, subsidies and transfer payments	1,440	1,389
Finance costs	361	305
Depreciation on assets	489	514
Write offs	267	-
Total Expenses	13,869	13,126
Revenue less Expenses	(1,212)	676
Net surplus/(deficit), less distributions, attributable to Government Business Enterprises	(1,657)	(761)
Recurrent Fund Operating Balance	(2,869)	(85)
Transfer from depreciable fixed assets revaluation reserve	407	407
Recurrent Fund Movement for the year	(2,462)	322
Reconciliation with Consolidated Operating Balance		
Recurrent Fund Operating Balance	(2,869)	(85)
Development fund movement	282	757
MCA roadwork expenditure recorded as work in progress in statement of financial position	2,095	2,151
Consolidated Operating Balance	(492)	2,823

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 2010.

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 2010)

	2010 vatu million	2009 vatu million
Taxation Revenue		
Value Added Tax	4,558	4,618
Import duties	2,664	3,908
Excise taxes	1,882	607
Turnover Tax	268	262
Gaming duty and taxes	73	104
Rent Tax	64	60
Export duties	1	8
Other taxes	103	45
Total Taxation Revenue	9,613	9,612
License and Registration Fees		
Business Licences & Registration	255	274
Vehicle Licences	271	322
Company Stamp Duties	131	63
Fishing Licences & Registration	161	153
Work Permits	141	117
Residency Permits	124	121
Shipping Registration Fees	68	68
Telecommunication and Radio Licenses	82	50
Registration - Offshore Companies	101	9
Other license and registration fees	47	33
Total License and Registration Fees	1,381	1,210
Other Sovereign Revenues		
Land rents, registrations and premiums	631	603
Franchise fees	-	-
Court Fines	17	18
Utility Company fines and penalties	1	1
Total Other Sovereign Revenues	649	622
Total Sovereign Revenue	11,643	11,444

Note 1 Continued: Tax Exemptions and Relief
(for the year ending 31 December 2010)

	2010 vatu million	2009 vatu million
Economic Relief		
Approved development project agreements	-	169
Diesel fuel for generation of electric power	37	455
Manufacturing or processing goods	71	201
Tourism Development Projects	10	221
Inter-Island Shipping goods	-	21
Other Economic Relief	57	38
Total Economic Relief	175	1,105
Other Relief		
Goods donated or imported for aid projects	723	1,247
Melanesian Spearhead Group	245	348
Goods imported under international convention or agreement	49	175
Charitable Reliefs for Non-Profit Making Groups and Organisations	69	89
Personal Reliefs	80	148
Temporarily Imported Goods	48	60
Promotion of National Safety, Health or Well-Being	1	29
Other Miscellaneous Conditional Reliefs	11	27
Total Other Relief	1,226	2,123
Total Tax Exemptions and Relief	1,401	3,228

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 2010)

	2010 vatu million	2009 vatu million
Charges and Recoveries		
General recoveries and charges	380	315
Port and Wharfage charges	189	196
Unclaimed Trust Monies transferred to Public Fund	163	-
Landing charges	71	60
Water Charges Recoveries	30	26
Property rentals	18	22
Marine Fees Charges	18	22
Firearms Licenses	16	14
Hospital Fees	16	16
Election Fees	-	8
Passport Fees	36	31
Traffic Fines	8	7
Total Charges and Recoveries	945	717

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 2010)

	2010 vatu million	2009 vatu million
Interest Income		
Interest from Advances	11	20
Interest from bank deposits	29	54
Total Interest Income	40	74
Dividends		
Reserve Bank	0	366
Postal Services Ltd Dividends	55	45
National Bank Dividends	0	20
Ifira Wharf & Stevedoring Dividends	0	10
Northern Island Stevedoring Dividends	5	0
Other Dividends	0	0
Total Dividends	60	441
Total Investment Income	100	515

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 2010)**

	2010 vatu million	2009 vatu million
Contributions from Donors		
Millennium Challenge Corporation	1,847	1,969
Australia	1,595	1,088
New Zealand	466	1,020
United Nations	158	147
European Union	97	-
Japan	78	67
World Health Organisation	29	29
China	3	1
France	14	1
Other Contributions	113	113
Total Contributions from Donors	4,400	4,435
Reconciliation to Statement of Financial Activity of the Development Fund		
Add back:		
Government of Vanuatu contributions eliminated on consolidation	85	175
MCC contributions and expense recorded against 2 projects	43	
Non donor revenue	143	50
Foreign currency gains/(losses)	(13)	(24)
Donor Contributions per Development Fund	4,658	4,636

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

Note 5: Analysis of Expenses
(for the year ending 31 December 2010)

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

	2010 vatu million	2009 vatu million
Total Expenses by Ministry		
Education	4,339	3,637
Finance & Economic Management	2,921	2,368
Infrastructure & Public Utilities	1,857	1,459
Health	1,937	1,687
Internal Affairs	1,520	1,503
Constitutional Areas of Government	1,086	1,069
Agriculture, Quarantine, Forestry & Fisheries	457	458
Lands, Geology & Mines	481	388
Justice and Community Services	316	283
Foreign Affairs & External Trade	266	272
Prime Ministers' Office	195	230
Commerce, Industry and Tourism	283	286
Co-operatives & Ni Vanuatu Business Development Services	99	120
Youth Development & Training	142	113
Depreciation expense	489	514
Accrued leave expense	(5)	388
Other adjustments	(465)	(234)
Total Expenses	15,918	14,541

Other adjustments of -234 million vatu in 2009 and -466 million in 2010 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 2010)

	2010 vatu million	2009 vatu million
Personnel Expenses		
Salaries and wages	6,166	6,195
Housing Allowances	572	526
Members of Parliament Allowances and Allocations	309	305
Employer contributions to VNPF	252	239
Family Allowance	125	121
Employee Termination Payments	498	201
Subsistence Allowances	362	315
Overtime wages	87	75
Political gratuity allowances	70	59
Other employee allowances	372	252
Total Personnel Expenses	8,813	8,288

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

Note 7: Operating Expenses
(for the year ending 31 December 2010)

	2010 vatu million	2009 vatu million
Operating Expenses		
General repairs and maintenance	283	365
Roads repair and maintenance	234	132
Vehicles fuel and maintenance	208	198
Electricity Utilities	247	228
Local travel and accommodation	307	301
Consultants Fees	347	248
Printing and Stationery	269	221
Equipment and vehicle hire	199	91
Court Costs	113	36
Medicine Supplies	251	122
Telecommunication expenses	165	136
International travel and accommodation	158	89
Accommodation rentals, rates and leases	102	101
Gas and Water Utilities	51	55
Freight charges	106	84
Contributions to International Organisations	31	41
Workshops and courses	23	25
Official entertainment	58	54
Cleaning	22	16
Audit fees	7	7
Expensed Assets	210	637
Other Operating Expenses	940	961
Total Operating Expenses	4,331	4,148

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 2010)

	2010 vatu million	2009 vatu million
Grants and Subsidies		
Grants to Provinces	214	210
School operating grants and fee supplements	444	224
National Tourism Office Grant	140	160
University of the South Pacific Grant	96	27
Vanuatu Agriculture College	83	83
Telecommunication Grants under the Universal Access Policy	80	-
Grants to Youth and Sport Organisations	62	23
VBTC Grant	45	55
Vanuatu Maritime College Grant	41	41
Vanuatu Investment Promotion Authority Grant	37	-
VARTC Grant	36	36
Chamber of Commerce Grant	25	25
Cultural Centre Grant	24	38
Grants to Municipalities	17	9
Vanuatu Youth Council Grant	9	17
Copra Subsidies	-	108
Other Grants	17	25
Total Grants and Subsidies	1,370	1,081
Other Transfer Payments		
Student scholarships and study allowances	181	64
Contributions to International Organisations	5	29
Compensation and damages payments	101	112
Total Transfer Payments	287	205
Total Grants, Subsidies and Transfer Payments	1,657	1,286

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 2010)

	2010 vatu million	2009 vatu million
Receivables		
Accounts Receivable	679	835
Taxes Receivable	470	523
Interest Receivable	41	69
Other Receivables	2	3
Total Receivables	1,192	1,430

The Accounts Receivables balance has a gross value of 1,280 million vatu offset by a Provision for Doubtful Debts of 601 million vatu. This provision is for debts that are many years old (especially Land rents) and will likely never be collected. Many of these debts relate to invoices that have been charged to the wrong entity and a clean-up exercise is underway to resolve this issue and write-off uncollectible Accounts Receivable debts against the provision.

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

Note 10: Advances
(as at 31 December 2010)

	2010 vatu million	2009 vatu million
Advances		
Airports Vanuatu Ltd	487	545
Air Vanuatu Ltd	1,268	868
Telecom Vanuatu Ltd	37	51
Metenesel Ltd	70	70
Vanuatu Commodities Marketing Board	28	28
Vanuatu Broadcasting and Television Corporation	32	37
Port Vila Municipality	10	10
Employees	10	11
Other Advances	18	15
Total Advances	1,960	1,635

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 1 billion vatu was made to Air Vanuatu in 2008 for the purchase of Y12 Aircraft from China. The purchase of these aircraft was funded by a loan from the Chinese Government which has been on-lent to Air Vanuatu. This loan was made in Chinese Yuan Renminbi and has since been revalued to 856 million vatu as at 31 December 2010. An amount of 856 million vatu is therefore shown as a liability in borrowings and an asset in advances to Air Vanuatu. The remaining advance balance for Air Vanuatu represent additional loan advances given to the airline in recent years.

Note 11: Investment in Government Business Enterprises
(as at 31 December 2010)

	2010 vatu million	2009 vatu million
Investment in Government Business Enterprises		
Opening balance	7,331	7,842
Attributable net surplus/(deficit) after distributions	(1,657)	(761)
Other Equity Movements	-	-
Government contributions	100	250
Sale of Shares in GBE	-	-
Total Investment in Government Business Enterprises	5,774	7,331

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 2010)

Movements in 2010 financial year

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

Note 11: Investment in Government Business Enterprises (continued)
(as at 31 December 2010)

Movements in 2009 financial year

Movements in the 2009 financial year	Opening Balance	Attributable Net Surplus/ (Deficit) after distributions	Government Capital contributions	Closing Balance
	vatu million	vatu million	vatu million	vatu million
Air Vanuatu Limited	954	(780)	150	325
Airports Vanuatu Limited	3,116	-	-	3,116
Asset Management Unit	300	-	-	300
Ifira Wharf & Stevedoring Limited	77	56	-	133
Metenesel Estates Limited	110	-	-	110
National Bank of Vanuatu	664	-	-	664
National Housing Corporation	729	(78)	-	651
Northern Island Stevedoring Limited	7	(7)	-	-
Reserve Bank of Vanuatu	740	-	-	740
Vanuatu Abattoirs	56	-	-	56
Vanuatu Agricultural Development Bank	200	(52)	100	248
Vanuatu Broadcasting & Television Corporation	249	(208)	-	41
Vanuatu Commodities Marketing Board	50	(50)	-	-
Vanuatu Financial Service Commission	131	270	-	401
Vanuatu Livestock Development	53	(8)	-	45
Vanuatu Maritime Authority	10	(10)	-	-
Vanuatu Post Limited	395	106	-	501
Vanuatu Telecommunication and Radiocommunication Regulator	-	-	-	-
Total Investment in GBEs	7,842	(761)	250	7,331

Note 11: Investment in Government Business Enterprises (continued)
(as at 31 December 2010)

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:

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

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

The GBEs of particular concern include the following:

- Asset Management Unit – The Asset Management Unit completed its operations in late 2011 and it is intended to place this entity into liquidation in 2012.
- 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 2012.
- Vanuatu Commodities Marketing Board – The Government intends to liquidate VCMB. No financial statements have been received from this entity since 2001 and the extent of liabilities that will be outstanding on liquidation is unknown.
- Vanuatu Livestock Development – VLD is not operating and the Minister of Finance has issued instructions for their bank accounts to be frozen. They have not provided any financial statements to the Ministry of Finance and Economic Management since 2003 but have submitted annual returns to the Vanuatu Financial Services Commission indicating turnover of less than 20 million vatu per year. It is intended to place this entity into liquidation in 2012.

- 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.
- Northern Island Stevedoring Limited - NISCOL have not provided financial statements since 2006 and were placed under a commission of inquiry in 2011. The Government holds a 10% shareholding in this entity while the remaining shares are held by Sanma, Torba and Malampa provinces.

Note 12: Property, Plant and Equipment (as at 31 December 2010)

Property, Plant and Equipment by Type	2010 vatu million	2009 vatu million
Gross Carrying Value		
Land	20,316	20,316
Buildings	8,172	7,356
Furniture and Fittings	47	42
Plant and Equipment	2,141	1,899
Motor Vehicles	1,403	1,268
Ships and Boats	857	851
Computer Hardware and Software	565	652
Roads and Bridges	1,398	1,399
Port and Wharf Infrastructure	914	899
Total Gross Carrying Value	35,813	34,682
Accumulated Depreciation		
Buildings	4,448	4,217
Furniture and Fittings	31	28
Plant and Equipment	1,480	1,377
Motor Vehicles	822	737
Ships and Boats	682	670
Computer Hardware and Software	456	463
Roads and Bridges	336	308
Port and Wharf Infrastructure	697	678
Total Accumulated Depreciation	8,952	8,478
Net Carrying Value		
Land	20,316	20,316
Buildings	3,724	3,139
Furniture and Fittings	16	14
Plant and Equipment	661	522
Motor Vehicles	581	531
Ships and Boats	175	181
Computer Hardware and Software	109	189
Roads and Bridges	1,062	1,091
Port and Wharf Infrastructure	217	221
Total Net Carrying Value	26,861	26,204

The Government of Vanuatu started a process of identifying and valuing all of its fixed assets in 2002 and the depreciated value of these assets was brought onto the balance sheet as at 1

January 2003. It was recognised then that there was still a significant amount of work required to update the asset register with further assets to be identified and brought onto the balance sheet and revaluation issues to be resolved. These issues are still ongoing and adjustments were made in subsequent years to the Statement of Financial Position balances to introduce the new assets and revaluation changes identified in those years. These changes were reflected in adjustments to the Net Carrying Value of assets with a corresponding adjustment to the Special Reserve. This is consistent with the process followed when asset values were initially recognised in 2003.

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

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

These statements have been prepared in accordance with International Public Sector Accounting Standard 17 – Property, Plant and Equipment. IPSAS 17 provides relief from fully complying with the requirements to recognise all property, plant and equipment for a five year transitional period after the adoption of this standard. The Government of Vanuatu should be fully compliant with IPSAS 17 by 2010 but has been unable to adequately identify and value all of its assets yet.

Note 13: Payables and Provisions (as at 31 December 2010)

	2010 vatu million	2009 vatu million
Payables and Provisions		
Accounts Payable and accruals	909	935
Interest Payable	172	142
Other Payables and Provisions	2	30
Total Payables and Provisions	1,083	1,107

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

Note 14: Employee Entitlements
(as at 31 December 2010)

	2010 vatu million	2009 vatu million
Employee Entitlements		
Wages, salaries and annual leave	793	809
Severance and retirement allowances	6,258	6,166
Total Employee Entitlements	7,051	6,975
Estimated date for payment of severance and retirement allowances		
Current (within next 12 months)	668	843
Between 1 and 2 years	171	150
Between 2 and 5 years	1,043	914
More than 5 years	4,376	4,259
Total Severance and Retirement Allowances	6,258	6,166

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

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

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

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

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

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

There are an increasing number of employees who have now worked more than 25 or 30 years. As such the annual leave liability is increasing every year as most employees with such a leave entitlement of 48 or 72 days per year do not use all of their leave in the year it is accrued.

Note 15: Trust Account Liabilities
(as at 31 December 2010)

	2010 vatu million	2009 vatu million
Trust Account Liabilities		
Custom Owners Trust Account (Land rents and premiums)	467	491
Quarry and Mineral Royalties	142	53
School Fees subsidy not yet distributed	-	55
Unclaimed Monies	32	80
Water Board Deposits	11	12
Maritime Participation & Investigation Fund	38	16
Other Trust Accounts	4	24
Total Trust Account Liabilities	694	731

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 2010)

(a) Analysis of financial instruments

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

	Notes	2010 vatu million	2009 vatu million
Financial Assets			
Cash and cash equivalents		2,917	3,537
Receivables	9	1,192	1,430
Advances	10	1,960	1,635
Total Financial Assets		6,069	6,602
Financial Liabilities			
Payables and Provisions	13	1,083	1,107
Employee Entitlements	14	7,051	6,975
Domestic Borrowings		3,285	2,485
Foreign Currency Borrowings		9,860	9,660
Development Fund monies held in Trust		2,376	2,094
Other Trust Account Monies	15	694	731
Total Financial Liabilities		24,348	23,052

(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 2010	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		2,836	-	-	77	4	2,917
Receivables	9	1,192	-	-	-	-	1,192
Advances	10	1,960	-	-	-	-	1,960
Total Financial Assets		5,988	-	-	77	4	6,069
Financial Liabilities							
Payables and Provisions	13	1,083	-	-	-	-	1,083
Employee Entitlements	14	7,051					7,051
Domestic Borrowings		3,285	-	-	-	-	3,285
Foreign Currency Borrowings		-	3,103	2,718	1,450	2,589	9,860
Development Fund monies held in Trust		2,376	-	-	-	-	2,376
Other Trust Account Monies	15	694	-	-	-	-	694
Total Financial Liabilities		14,489	3,103	2,718	1,450	2,589	24,349

Financial Assets and Liabilities by currency as at 31 December 2009	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		3,185	-	-	290	62	3,537
Receivables	9	1,430	-	-	-	-	1,430
Advances	10	1,635	-	-	-	-	1,635
Total Financial Assets		6,250	-	-	290	62	6,602
Financial Liabilities							
Payables and Provisions	13	1,107	-	-	-	-	1,107
Employee Entitlements	14	6,975					6,975
Domestic Borrowings		2,485	-	-	-	-	2,485
Foreign Currency Borrowings		-	2,577	2,587	1,568	2,928	9,660
Development Fund monies held in Trust		2,094	-	-	-	-	2,094
Other Trust Account Monies	15	731	-	-	-	-	731
Total Financial Liabilities		13,392	2,577	2,587	1,568	2,928	23,052

Currency sensitivity analysis

The Vatu strengthened against the Chinese Yuan Renminbi, US Dollar, IDA Special Drawing Rights and European Currencies in 2010. It weakened significantly against the Australian Dollar and Japanese Yen. The table below shows the exchange rates used to value financial assets and liabilities in these financial statements and the movement between the 2009 and 2010 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		2009	2010	Move- ment
Chinese Yuan Renminbi	CNY	14.31	14.11	1.4%
Japanese Yen	JPY	1.06	1.14	-7.9%
US Dollar	USD	97.69	93.15	4.6%
Special Drawing Right	SDR	152.77	143.60	6.0%
European Currency	EUR	140.39	123.75	11.9%
Australian Dollar	AUD	87.58	94.72	-8.2%

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

		2010 vatu million	2009 vatu million
Sensitivity to Foreign Currency Risk (+/- 5%)			
Chinese Yuan Renminbi	CNY	155	129
Japanese Yen	JPY	136	129
U.S. Dollar	USD	73	78
IDA Special Drawing Right	SDR	54	61
European Currency	EUR	42	53
Australian Dollar	AUD	23	22

Credit risk

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

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

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

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

Air Vanuatu is currently being assessed but at this stage they are expected to meet payments against these loans when their operations improve.

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

Liquidity risk

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

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

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

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

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

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

OTHER STATEMENTS

As required under the Public Finance and Economic Management Act

Summary of Appropriations by Ministry
(for the year ending 31 December 2010)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
CONSTITUTIONAL AREAS OF THE GOVERNMENT									
	President of the Republic	42,169,407	-	42,169,407	-	42,169,407	41,400,592	768,815	2%
	Parliament	463,555,813	-	463,555,813	-	463,555,813	479,868,311	(16,312,498)	-4%
	Judiciary	187,146,609	-	187,146,609	-	187,146,609	186,887,355	259,254	0%
	Malvatumauri	33,963,915	-	33,963,915	-	33,963,915	32,554,983	1,408,932	4%
	National Audit Office	33,050,534	-	33,050,534	-	33,050,534	24,712,827	8,337,707	25%
	Office of the Ombudsman	52,260,931	-	52,260,931	-	52,260,931	48,974,725	3,286,206	6%
	Public Prosecutor	39,097,082	-	39,097,082	-	39,097,082	36,799,815	2,297,267	6%
	Public Solicitor	44,864,444	-	44,864,444	-	44,864,444	44,035,436	829,008	2%
	Public Service Commission	109,608,242	-	109,608,242	-	109,608,242	109,579,849	28,393	0%
	Judicial Services Commission	889,186	-	889,186	-	889,186	875,866	13,320	1%
	State Law Office	85,705,932	-	85,705,932	-	85,705,932	83,435,089	2,270,843	3%
	Citizenship Office	4,117,321	-	4,117,321	-	4,117,321	4,006,470	110,851	3%
	TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT	1,096,429,416	-	1,096,429,416	-	1,096,429,416	1,093,131,318	3,298,098	0%
	Prime Ministers' Office	188,846,817	-	188,846,817	-	188,846,817	190,746,063	(1,899,246)	-1%
	Ministry of Agriculture, Livestock, Forestry & Fisheries	452,010,345	-	452,010,345	-	452,010,345	447,325,394	4,684,951	1%
	Ministry of Commerce, Industry and Tourism	314,809,452	-	314,809,452	-	314,809,452	273,476,467	41,332,985	13%
	Ministry of Cooperatives and Ni Vanuatu Business Development Services	103,344,229	-	103,344,229	-	103,344,229	103,257,814	86,415	0%
	Ministry of Education	3,623,578,157	100,000,000	3,723,578,157	-	3,723,578,157	3,692,345,206	31,232,951	1%
	Ministry of Finance & Economic Management	4,141,567,329	400,000,000	4,541,567,329	-	4,541,567,329	3,585,029,860	956,537,469	21%
	Ministry of Foreign Affairs	309,879,139	-	309,879,139	-	309,879,139	272,776,878	37,102,261	12%
	Ministry of Health	1,736,457,661	-	1,736,457,661	-	1,736,457,661	1,750,451,526	(13,993,865)	-1%
	Ministry of Infrastructure & Public Utilities	1,407,365,090	-	1,407,365,090	-	1,407,365,090	1,406,668,721	696,369	0%
	Ministry of Internal Affairs	1,413,185,130	-	1,413,185,130	-	1,413,185,130	1,439,869,213	(26,684,083)	-2%
	Ministry of Justice and Social Welfare	241,055,953	60,000,000	301,055,953	-	301,055,953	264,866,040	36,189,913	12%
	Ministry of Lands, Geology & Mines	321,918,963	-	321,918,963	-	321,918,963	308,406,477	13,512,486	4%
	Ministry of Youth Development & Training	150,667,580	-	150,667,580	-	150,667,580	143,838,489	6,829,091	5%
	TOTAL FOR GOVERNMENT OF VANUATU	15,501,115,261	560,000,000	16,061,115,261	-	16,061,115,261	14,972,189,466	1,088,925,795	7%

Statement of Appropriations
(for the year ending 31 December 2010)

		Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Activity	Original vatu	Supple- mentary vatu					
CONSTITUTIONAL AREAS OF THE GOVERNMENT									
President of the Republic									
Management of the State House and President	CAAA	42,169,407	-	42,169,407	-	42,169,407	41,400,592	768,815	2%
Total President of the Republic		42,169,407	-	42,169,407	-	42,169,407	41,400,592	768,815	2%
Parliament									
Procedure and Legislative Affairs	CBAA	247,860,222	-	247,860,222	-	247,860,222	267,368,785	(19,508,563)	-8%
Security and Protocol	CBAB	3,472,442	-	3,472,442	-	3,472,442	2,630,018	842,424	24%
Inter-Parliamentary Relations	CBAC	8,824,111	-	8,824,111	-	8,824,111	8,721,325	102,786	1%
Office of the Leader of the Opposition	CBAD	17,918,560	-	17,918,560	-	17,918,560	23,834,176	(5,915,616)	-33%
Committee of the Standing Orders	CBBA	3,724,000	-	3,724,000	-	3,724,000	3,056,283	667,717	18%
Committee on Parliamentary Privileges and Immunities	CBBB	3,724,000	-	3,724,000	-	3,724,000	1,951,260	1,772,740	48%
Committee on the Public Accounts	CBBC	8,612,051	-	8,612,051	-	8,612,051	8,299,243	312,808	4%
Committee on Institutions	CBBB	3,724,000	-	3,724,000	-	3,724,000	1,411,340	2,312,660	62%
Committee on Economic Policy	CBBE	3,724,000	-	3,724,000	-	3,724,000	3,551,382	172,618	5%
Committee on Social Policy	CBBF	3,724,000	-	3,724,000	-	3,724,000	2,191,004	1,532,996	41%
Parliamentary Reporting	CBCA	8,097,480	-	8,097,480	-	8,097,480	7,252,554	844,926	10%
Library and Archives	CBCB	3,636,378	-	3,636,378	-	3,636,378	3,935,703	(299,325)	-8%
Financial Management	CBDA	2,844,462	-	2,844,462	-	2,844,462	3,188,724	(344,262)	-12%
Personnel Administration and Maintenance	CBDB	26,670,107	-	26,670,107	-	26,670,107	26,978,379	(308,272)	-1%
Members Allocation	CBDC	117,000,000	-	117,000,000	-	117,000,000	115,498,135	1,501,865	1%
Total Parliament		463,555,813	-	463,555,813	-	463,555,813	479,868,311	(16,312,498)	-4%
Judiciary									
Corporate Services	CIAA	25,490,636	-	25,490,636	287,787	25,778,423	25,794,153	(15,730)	0%
Court of Appeal	CIAB	16,106,755	-	16,106,755	-	16,106,755	16,106,524	231	0%
Supreme Court	CIAC	66,880,544	-	66,880,544	(1,947,067)	64,933,477	64,243,697	689,780	1%
Magistrate Courts	CIAD	36,618,994	-	36,618,994	(140,000)	36,478,994	36,443,650	35,344	0%
Island Courts	CIAE	24,723,224	-	24,723,224	-	24,723,224	25,092,853	(369,629)	-1%
Land Courts	CIAF	7,415,000	-	7,415,000	-	7,415,000	7,415,000	-	0%
Enforcement	CIAG	4,635,446	-	4,635,446	1,799,280	6,434,726	6,515,468	(80,742)	-1%
Training & Development	CIAH	5,276,010	-	5,276,010	-	5,276,010	5,276,010	-	0%
Total for Judiciary		187,146,609	-	187,146,609	-	187,146,609	186,887,355	259,254	0%

Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
Malvatumauri									
Administration of the National Council of Chiefs	CDA1	19,784,388	-	19,784,388	-	19,784,388	17,442,695	2,341,693	12%
Funds for 14 Islands Council of Chiefs	CDA2	3,870,000	-	3,870,000	-	3,870,000	2,100,000	1,770,000	46%
Malvatumauri Members Allowance	CDA3	10,309,527	-	10,309,527	-	10,309,527	13,012,288	(2,702,761)	-26%
Total for Malvatumauri		33,963,915	-	33,963,915	-	33,963,915	32,554,983	1,408,932	4%
National Audit Office									
Planning , Policy & Standards	CEAA	7,707,517	-	7,707,517	(380,000)	7,327,517	6,785,696	541,821	7%
Audit Operations	CEAB	17,817,032	-	17,817,032	380,000	18,197,032	10,683,194	7,513,838	41%
Corporate Services	CEAC	7,525,985	-	7,525,985	-	7,525,985	7,243,937	282,048	4%
Total for National Audit Office		33,050,534	-	33,050,534	-	33,050,534	24,712,827	8,337,707	25%
Office of the Ombudsman									
Planning , Management and Investigations	CCAA	52,260,931	-	52,260,931	-	52,260,931	48,974,725	3,286,206	6%
Total for Ombudsman		52,260,931	-	52,260,931	-	52,260,931	48,974,725	3,286,206	6%
Public Prosecutor									
Planning and Management	CGAA	7,502,904	-	7,502,904	300,000	7,802,904	7,685,812	117,092	2%
Institute Criminal Proceedings	CGAB	25,094,654	-	25,094,654	1,783,796	26,878,450	25,541,384	1,337,066	5%
Corporate Services	CGAC	6,499,524	-	6,499,524	(2,083,796)	4,415,728	3,572,619	843,109	19%
Total for Public Prosecutor		39,097,082	-	39,097,082	-	39,097,082	36,799,815	2,297,267	6%
Public Solicitor									
Representation	CHAA	44,864,444	-	44,864,444	-	44,864,444	44,035,436	829,008	2%
Total for Public Solicitor		44,864,444	-	44,864,444	-	44,864,444	44,035,436	829,008	2%
Public Service Commission									
Corporate Services Unit	CJAA	58,326,960	-	58,326,960	-	58,326,960	57,213,309	1,113,651	2%
Human Resource Management	CJAB	14,806,128	-	14,806,128	-	14,806,128	15,138,706	(332,578)	-2%
Performance Improvement Unit	CJAC	7,695,993	-	7,695,993	-	7,695,993	9,892,635	(2,196,642)	-29%
Human Resource Development	CJAD	22,845,427	-	22,845,427	-	22,845,427	21,553,706	1,291,721	6%
Public Service Legal Unit	CJAE	5,933,734	-	5,933,734	-	5,933,734	5,781,493	152,241	3%
Total for Public Service Commission		109,608,242	-	109,608,242	-	109,608,242	109,579,849	28,393	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					
Judicial Services Commission									
Decision Making	CLAA	344,000	-	344,000	-	344,000	344,000	-	0%
Administrative Support Services	CLAB	545,186	-	545,186	-	545,186	531,866	13,320	2%
Total for Judicial Services Commission		889,186	-	889,186	-	889,186	875,866	13,320	1%
State Law Office									
Provision of Legal Advice and Services	CFAA	85,705,932	-	85,705,932	-	85,705,932	83,435,089	2,270,843	3%
Total for State Law Office		85,705,932	-	85,705,932	-	85,705,932	83,435,089	2,270,843	3%
Citizenship Office									
Citizenship Commission	CKAA	4,117,321	-	4,117,321	-	4,117,321	4,006,470	110,851	3%
Total for Citizenship Office		4,117,321	-	4,117,321	-	4,117,321	4,006,470	110,851	3%
TOTAL FOR CONSTITUTIONAL AREAS OF THE GOVERNMENT		1,096,429,416	-	1,096,429,416	-	1,096,429,416	1,093,131,318	3,298,098	0%
PRIME MINISTERS MINISTRY									
Strategic Management	MCBA	55,341,599	-	55,341,599	-	55,341,599	54,473,937	867,662	2%
Administration & Coordination of Government Programmes	MPAA	77,419,526	-	77,419,526	5,600,000	83,019,526	87,887,316	(4,867,790)	-6%
Corporate Services	MPBA	21,885,692	-	21,885,692	-	21,885,692	22,437,978	(552,286)	-3%
Language Services	MPCA	29,500,000	-	29,500,000	(5,600,000)	23,900,000	22,273,939	1,626,061	7%
Government Remuneration Tribunal	MPDE	4,700,000	-	4,700,000	-	4,700,000	3,672,893	1,027,107	22%
TOTAL FOR PRIME MINISTERS MINISTRY		188,846,817	-	188,846,817	-	188,846,817	190,746,063	(1,899,246)	-1%
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES									
Portfolio Management	MAAA	38,205,074	-	38,205,074	-	38,205,074	40,169,841	(1,964,767)	-5%
Ministry Executive Management and Corporate Services	MABA	12,960,201	-	12,960,201	-	12,960,201	12,923,702	36,499	0%
Commodities	MACA	56,270,208	-	56,270,208	-	56,270,208	55,853,922	416,286	1%
Food Production	MACB	25,436,170	-	25,436,170	(1,473,201)	23,962,969	23,798,134	164,835	1%
Information	MACC	7,845,023	-	7,845,023	(534,071)	7,310,952	7,290,712	20,240	0%
Policy and Administration	MACD	26,597,672	-	26,597,672	2,007,272	28,604,944	27,799,967	804,977	3%

Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES (continued)									
Biosecurity Administration	MADA	29,206,082	-	29,206,082	2,085,943	31,292,025	30,358,617	933,408	3%
Veterinary Contract	MADB	25,000,000	-	25,000,000	(11,085,943)	13,914,057	13,532,413	381,644	3%
Biosecurity Operations South	MADC	24,702,683	-	24,702,683	7,500,000	32,202,683	31,994,777	207,906	1%
Biosecurity Operations North	MADD	17,040,372	-	17,040,372	1,500,000	18,540,372	17,883,315	657,057	4%
Livestock Production	MADE	22,199,648	-	22,199,648	-	22,199,648	21,551,300	648,348	3%
Plant Protection	MADG	7,735,842	-	7,735,842	-	7,735,842	8,599,284	(863,442)	-11%
Research and Production	MAEA	55,287,009	-	55,287,009	2,700,000	57,987,009	57,975,507	11,502	0%
Resource Management	MAEB	23,782,744	-	23,782,744	(2,700,000)	21,082,744	20,197,998	884,746	4%
Administration	MAEC	18,639,130	-	18,639,130	-	18,639,130	18,422,090	217,040	1%
Forestry	MAFA	61,102,487	-	61,102,487	-	61,102,487	58,973,815	2,128,672	3%
TOTAL FOR MINISTRY OF AGRICULTURE, QUARANTINE, FORESTRY & FISHERIES		452,010,345	-	452,010,345	-	452,010,345	447,325,394	4,684,951	1%
MINISTRY OF COMMERCE, INDUSTRY AND TOURISM									
Portfolio Coordination	MTAA	46,556,455	-	46,556,455	-	46,556,455	48,787,543	(2,231,088)	-5%
Executive Management	MTBA	132,190,150	-	132,190,150	-	132,190,150	93,644,184	38,545,966	29%
Industry and Commerce	MTCA	44,971,799	-	44,971,799	(5,171,348)	39,800,451	41,211,323	(1,410,872)	-4%
Trade and Marketing	MTCC	5,822,957	-	5,822,957	5,171,348	10,994,305	9,703,763	1,290,542	12%
Investment Promotion	MTEA	38,668,264	-	38,668,264	-	38,668,264	37,502,226	1,166,038	3%
Tourism Development	MTFB	22,421,760	-	22,421,760	210,956	22,632,716	21,397,193	1,235,523	5%
Tourism Standards	MTFC	4,159,365	-	4,159,365	(210,956)	3,948,409	2,479,873	1,468,536	37%
Provincial Tourism Development	MTFD	20,018,702	-	20,018,702	-	20,018,702	18,750,362	1,268,340	6%
TOTAL FOR MINISTRY OF COMMERCE, INDUSTRY AND TOURISM		314,809,452	-	314,809,452	-	314,809,452	273,476,467	41,332,985	13%
MINISTRY OF COOPERATIVES AND NI- VANUATU BUSINESS DEVELOPMENT SERVICES									
Portfolio Coordination	MVAA	41,101,685	-	41,101,685	-	41,101,685	41,123,967	(22,282)	0%
Cooperatives Development	MVBA	62,242,544	-	62,242,544	-	62,242,544	62,133,847	108,697	0%
TOTAL FOR MINISTRY OF COOPERATIVES AND NI-VANUATU BUSINESS DEVELOPMENT SERVICES		103,344,229	-	103,344,229	-	103,344,229	103,257,814	86,415	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 EDUCATION									
Ministry Cabinet	MEAA	40,950,389	-	40,950,389	-	40,950,389	41,212,891	(262,502)	-1%
Office of the Director General	MEBA	297,204,587	-	297,204,587	(1,858,000)	295,346,587	271,579,863	23,766,724	8%
Office of the Director of Corporate Services	MEBB	92,588,315	-	92,588,315	13,736,000	106,324,315	96,745,283	9,579,032	9%
School Support Services Administration	MECA	258,885,404	-	258,885,404	(104,278,000)	154,607,404	147,450,734	7,156,670	5%
Secondary Schools	MECB	994,360,921	50,882,698	1,045,243,619	(3,700,000)	1,041,543,619	1,029,621,695	11,921,924	1%
Primary Schools	MECC	1,594,235,132	49,117,302	1,643,352,434	96,100,000	1,739,452,434	1,773,914,524	(34,462,090)	-2%
Post Secondary Schools	MECD	187,217,781	-	187,217,781	-	187,217,781	173,696,115	13,521,666	7%
Teaching Services Commission	MEFB	158,135,628	-	158,135,628	-	158,135,628	158,124,101	11,527	0%
TOTAL FOR MINISTRY OF EDUCATION		3,623,578,157	100,000,000	3,723,578,157	-	3,723,578,157	3,692,345,206	31,232,951	1%
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT									
Portfolio Management	MFAA	39,152,389	-	39,152,389	-	39,152,389	40,096,468	(944,079)	-2%
Ministry Executive & Internal Audit	MFBA	53,914,492	-	53,914,492	(1,000,000)	52,914,492	46,132,252	6,782,240	13%
Corporate Services	MFBB	162,087,826	-	162,087,826	3,743,000	165,830,826	162,941,878	2,888,948	2%
Information Services	MFBC	151,620,152	-	151,620,152	(1,650,000)	149,970,152	149,916,441	53,711	0%
Economic Policy Development	MFCA	33,802,141	-	33,802,141	(1,600,000)	32,202,141	7,730,166	24,471,975	76%
Sector Policy Coordination	MFCB	36,655,735	-	36,655,735	1,600,000	38,255,735	31,803,430	6,452,305	17%
Government Financial Services	MFCC	437,651,235	-	437,651,235	-	437,651,235	210,924,598	226,726,637	52%
National Statistical Collection, Analysis & Reporting	MFDA	33,447,810	-	33,447,810	-	33,447,810	34,355,444	(907,634)	-3%
Provincial Statistics Offices	MFDB	15,665,875	-	15,665,875	7,000,000	22,665,875	20,840,382	1,825,493	8%
Public Debt Provisions	MFEA	1,440,551,995	-	1,440,551,995	-	1,440,551,995	1,029,682,659	410,869,336	29%
Central Payments	MFEC	804,498,000	-	804,498,000	-	804,498,000	588,926,107	215,571,893	27%
Former Leaders Payment	MFED	5,000,000	-	5,000,000	-	5,000,000	4,663,790	336,210	7%
Advance to Air Vanuatu	MFEJ	-	400,000,000	400,000,000	-	400,000,000	400,000,000	-	0%
Customs and Excise Collections	MFFA	83,439,031	-	83,439,031	(4,858,170)	78,580,861	77,732,185	848,676	1%
VAT Collections	MFFB	78,994,636	-	78,994,636	(5,300,000)	73,694,636	73,373,123	321,513	0%
Rates and Taxes Collection	MFFC	30,680,487	-	30,680,487	(2,450,000)	28,230,487	27,953,281	277,206	1%
Border Control	MFGA	40,684,651	-	40,684,651	6,865,170	47,549,821	47,670,731	(120,910)	0%
Investment and Legal	MFGB	13,166,362	-	13,166,362	(2,350,000)	10,816,362	10,654,764	161,598	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 FINANCE & ECONOMIC MANAGEMENT (continued)									
Vanuatu Tourism Office	MFIA	139,989,780	-	139,989,780	-	139,989,780	139,988,370	1,410	0%
Vanuatu Agricultural Research and Training Centre	MFIB	35,692,438	-	35,692,438	-	35,692,438	35,692,438	-	0%
Vanuatu Broadcasting and Television Corporation	MFIC	45,193,317	-	45,193,317	-	45,193,317	45,193,316	1	0%
Vanuatu Cultural Centre	MFID	24,251,505	-	24,251,505	-	24,251,505	24,251,505	-	0%
Chamber of Commerce and Industry	MFIE	25,000,000	-	25,000,000	-	25,000,000	25,000,000	-	0%
Grant to USP and SPBCA	MFIF	146,200,000	-	146,200,000	-	146,200,000	96,067,625	50,132,375	34%
Vanuatu Maritime Administration	MFIG	40,171,837	-	40,171,837	-	40,171,837	29,383,271	10,788,566	27%
Vanuatu Maritime College	MFIH	41,255,243	-	41,255,243	-	41,255,243	41,255,244	(1)	0%
Vanuatu Agricultural College	MFUJ	82,800,392	-	82,800,392	-	82,800,392	82,800,392	-	0%
Vanuatu Agriculture Development Bank	MFIK	100,000,000	-	100,000,000	-	100,000,000	100,000,000	-	0%
TOTAL FOR MINISTRY OF FINANCE & ECONOMIC MANAGEMENT		4,141,567,329	400,000,000	4,541,567,329	-	4,541,567,329	3,585,029,860	956,537,469	21%
MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE									
Portfolio Coordination	MOAA	58,731,492	-	58,731,492	-	58,731,492	49,573,198	9,158,294	16%
Operations of the Department of Foreign Affairs	MOBA	251,147,647	-	251,147,647	-	251,147,647	223,203,680	27,943,967	11%
TOTAL FOR MINISTRY OF FOREIGN AFFAIRS AND EXTERNAL TRADE		309,879,139	-	309,879,139	-	309,879,139	272,776,878	37,102,261	12%
MINISTRY OF HEALTH									
Portfolio Management	MHAA	47,896,507	-	47,896,507	-	47,896,507	46,201,500	1,695,007	4%
Ministry Executive	MHBA	11,289,656	-	11,289,656	-	11,289,656	10,871,361	418,295	4%
Corporate Services	MHBB	439,786,982	-	439,786,982	(15,000,000)	424,786,982	411,386,071	13,400,911	3%
Hospital Services	MHCA	735,745,675	-	735,745,675	17,862,459	753,608,134	787,589,973	(33,981,839)	-5%
Community Health Services	MHCB	320,272,680	-	320,272,680	(2,862,459)	317,410,221	316,163,173	1,247,048	0%
Public Health Services	MHCC	57,966,161	-	57,966,161	-	57,966,161	53,477,040	4,489,121	8%
Medical Supplies Stock	MHCD	123,500,000	-	123,500,000	-	123,500,000	124,762,408	(1,262,408)	-1%
TOTAL FOR MINISTRY OF HEALTH		1,736,457,661	-	1,736,457,661	-	1,736,457,661	1,750,451,526	(13,993,865)	-1%

Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF INFRASTRUCTURE & PUBLIC UTILITIES									
Portfolio Coordination	MUAA	39,097,449	-	39,097,449	-	39,097,449	36,356,685	2,740,764	7%
Director General and Corporate Services	MUBA	69,712,218	-	69,712,218	-	69,712,218	66,831,745	2,880,473	4%
Civil Aviation Management and Administration Support	MUCA	46,774,451	-	46,774,451	-	46,774,451	42,666,326	4,108,125	9%
Weather Forecasting, Monitoring and Research	MUDA	139,221,127	-	139,221,127	(20,000,000)	119,221,127	116,894,299	2,326,828	2%
Ports Administration	MUEA	109,929,427	-	109,929,427	-	109,929,427	108,337,488	1,591,939	1%
Development and Maintenance of Government Infrastructure	MUFA	449,871,918	-	449,871,918	20,000,000	469,871,918	468,122,145	1,749,773	0%
Airport Upgrade Projects	MUFB	42,758,500	-	42,758,500	-	42,758,500	42,758,500	-	0%
Government Contributions to Projects	MUFC	510,000,000	-	510,000,000	-	510,000,000	524,701,533	(14,701,533)	-3%
TOTAL FOR INFRASTRUCTURE & PUBLIC UTILITIES		1,407,365,090	-	1,407,365,090	-	1,407,365,090	1,406,668,721	696,369	0%
MINISTY OF INTERNAL AFFAIRS									
Portfolio Management	MIAA	57,748,317	-	57,748,317	(707,886)	57,040,431	56,162,403	878,028	2%
Corporate Services	MIAB	57,327,702	-	57,327,702	2,174,677	59,502,379	59,028,675	473,704	1%
Independence Celebration	MIAD	10,000,000	-	10,000,000	-	10,000,000	10,400,000	(400,000)	-4%
Grants to Provinces	MICA	224,751,060	-	224,751,060	(1,000,000)	223,751,060	223,690,298	60,762	0%
Grants to Municipalities	MICB	17,420,924	-	17,420,924	(3,700,000)	13,720,924	12,752,621	968,303	7%
Administration of Regional Services	MICC	66,205,957	-	66,205,957	(2,150,000)	64,055,957	61,597,608	2,458,349	4%
Joint Command and Control	MIDA	278,157,424	-	278,157,424	(2,329,013)	275,828,411	285,140,968	(9,312,557)	-3%
Police District North	MIDB	67,824,799	-	67,824,799	-	67,824,799	76,516,431	(8,691,632)	-13%
Police District Central	MIDC	34,691,513	-	34,691,513	-	34,691,513	31,306,981	3,384,532	10%
Police District Southern	MIDD	149,521,587	-	149,521,587	-	149,521,587	153,893,125	(4,371,538)	-3%
Vanuatu Mobile Force	MIDE	192,772,713	-	192,772,713	-	192,772,713	206,380,171	(13,607,458)	-7%
Police Maritime Wing	MIDF	36,157,964	-	36,157,964	1,839,463	37,997,427	34,112,393	3,885,034	10%
Boarder Control	MIDG	64,939,641	-	64,939,641	(3,902,933)	61,036,708	62,191,831	(1,155,123)	-2%
Issue of Passports	MIDH	15,413,386	-	15,413,386	18,800,000	34,213,386	32,288,324	1,925,062	6%
Labour Regulation	MIEA	58,093,510	-	58,093,510	(5,600,000)	52,493,510	52,168,473	325,037	1%
Electoral Services	MIEB	33,672,164	-	33,672,164	2,256,608	35,928,772	38,271,946	(2,343,174)	-7%
Civil Registry	MIED	9,764,757	-	9,764,757	2,400,000	12,164,757	12,133,878	30,879	0%
National Disaster Management	MIEF	32,867,584	-	32,867,584	(7,722,714)	25,144,870	26,125,269	(980,399)	-4%
Police Service Commission	MIGA	5,854,128	-	5,854,128	(358,202)	5,495,926	5,707,818	(211,892)	-4%
TOTAL FOR MINISTRY OF INTERNAL AFFAIRS		1,413,185,130	-	1,413,185,130	-	1,413,185,130	1,439,869,213	(26,684,083)	-2%

Statement of Appropriations (continued)

	Activity	Appropriations			Budget Virements vatu	Final Budget vatu	Actual Expenditure vatu	Under/ (Over) vatu	Percen- tage %
		Original vatu	Supple- mentary vatu	Final vatu					
MINISTRY OF LANDS, GEOLOGY & MINES									
Portfolio Coordination	MLAA	38,433,705	-	38,433,705	-	38,433,705	38,920,828	(487,123)	-1%
Executive Management	MLBA	16,164,153	-	16,164,153	(450,000)	15,714,153	14,881,605	832,548	5%
Corporate Services	MLBB	60,703,033	-	60,703,033	(246,882)	60,456,151	58,872,605	1,583,546	3%
Energy Management and Assessment	MLCA	9,611,058	-	9,611,058	-	9,611,058	9,283,554	327,504	3%
Mines & Minerals	MLCB	9,168,924	-	9,168,924	-	9,168,924	7,886,340	1,282,584	14%
Environmental Management, Research and Extension Services	MLDA	18,971,905	-	18,971,905	(100,000)	18,871,905	18,388,011	483,894	3%
Land Survey	MLEA	33,500,005	-	33,500,005	(29,365)	33,470,640	31,783,909	1,686,731	5%
Land Use Planning	MLEB	20,853,635	-	20,853,635	(1,530,000)	19,323,635	15,334,826	3,988,809	21%
Lease Management	MLEC	41,135,312	-	41,135,312	(450,000)	40,685,312	37,782,841	2,902,471	7%
Customary Land Registration	MLED	5,923,675	-	5,923,675	1,130,000	7,053,675	7,141,651	(87,976)	-1%
Mines & Minerals	MLFA	9,851,500	-	9,851,500	-	9,851,500	9,832,423	19,077	0%
Geological Research	MLFB	10,243,519	-	10,243,519	1,439,247	11,682,766	11,858,446	(175,680)	-2%
Rural Water Supply	MLGA	18,879,944	-	18,879,944	(63,000)	18,816,944	18,802,559	14,385	0%
Water Resource Management	MLGB	12,709,688	-	12,709,688	300,000	13,009,688	11,895,971	1,113,717	9%
Valuer General's Office	MLHA	15,768,907	-	15,768,907	-	15,768,907	15,740,908	27,999	0%
TOTAL FOR MINISTRY OF LANDS, GEOLOGY & MINES		321,918,963	-	321,918,963	-	321,918,963	308,406,477	13,512,486	4%
MINISTRY OF YOUTH DEVELOPMENT & TRAINING									
Cabinet Support Services	MYAA	38,233,044	-	38,233,044	-	38,233,044	40,307,626	(2,074,582)	-5%
Executive Management & Support Services	MYBA	57,843,836	-	57,843,836	-	57,843,836	49,890,150	7,953,686	14%
Contribution to Sport & Youth Development	MYBB	29,131,398	-	29,131,398	-	29,131,398	29,111,921	19,477	0%
TVET & Employment Opportunities	MYCA	25,459,302	-	25,459,302	-	25,459,302	24,528,792	930,510	4%
TOTAL FOR MINISTRY OF YOUTH DEVELOPMENT & TRAINING		150,667,580	-	150,667,580	-	150,667,580	143,838,489	6,829,091	5%

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	42,947,579	-	42,947,579	4,104,814	47,052,393	45,932,698	1,119,695	2%
Corporate Services	MJAB	38,951,110	-	38,951,110	-	38,951,110	29,710,578	9,240,532	24%
Corporate Services	MJBA	38,683,059	-	38,683,059	(4,104,814)	34,578,245	25,560,227	9,018,018	26%
Correctional Services	MJCA	120,474,205	60,000,000	180,474,205	-	180,474,205	163,662,537	16,811,668	9%
TOTAL FOR MINISTRY OF JUSTICE AND COMMUNITY SERVICES		241,055,953	60,000,000	301,055,953	-	301,055,953	264,866,040	36,189,913	12%
TOTAL FOR GOVERNMENT OF VANUATU		15,501,115,261	560,000,000	16,061,115,261	-	16,061,115,261	14,972,189,466	1,088,925,795	7%

Statement of Unappropriated Expenditure (for the year ending 31 December 2010)

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 2012:

	Final Budget vatu	Actual Expenditure vatu	Unappropriated Amount vatu	Perce- tage %
Parliament	463,555,813	479,868,311	(16,312,498)	-4%
Prime Ministers' Office	188,846,817	190,746,063	(1,899,246)	-1%
Ministry of Health	1,736,457,661	1,750,451,526	(13,993,865)	-1%
Ministry of Internal Affairs	1,413,185,130	1,439,869,213	(26,684,083)	-2%
TOTAL FOR GOVERNMENT OF VANUATU	3,802,045,421	3,860,935,113	58,889,692	2%

Reconciliation of Statement of Appropriations and Recurrent Fund Operating Balance

(for the year ending 31 December 2010)

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:

	2010 vatu million	2009 vatu million
Expenditure per Statement of Appropriations	14,972	13,906
Add: Accrual items not included in Appropriations		
Depreciation on assets	489	514
Accrued leave movement	(26)	388
Accrued severance provision	92	-
Refund of VAT on expenses	(333)	(271)
Write-off of bad debts against accrual fund	267	-
Accrued interest expenses	31	(13)
Accrued operating expenses	17	13
Total Accrual items not included	537	631
Less: Capital Expenses not included in Statement of Financial Performance		
Loan Principal Repayments	(697)	(1,066)
Asset purchases recorded in Statement of Financial Position	(443)	(245)
Additional Advances or Capital Contributions to GBEs recorded in Statement of Financial Position	(500)	(100)
Total Capital Expenses not included	(1,640)	(1,411)
Expenses per Statement of Financial Performance	13,869	13,126

Analysis of Budget Transfers and Virements (for the year ending 31 December 2010)

Section 34B (1) of the Public Finance and Economic Management Act allows for the head of an agency to “transfer an amount, or a part of an amount that has been appropriated for an activity of the agency in a financial year to another activity of the agency in that financial year”. This movement of budget between appropriated amounts is referred to as a virement.

In addition agencies may make budget adjustments within an appropriated amount during the year. This might be moving budgets from one cost centre to another in the same activity or moving budget from one expense classification to another in the same cost centre. This movement of budget within an appropriated amount is referred to as an internal transfer.

With the view to building on the gains made in budget execution in Vanuatu in recent years and strengthening the alignment between the budget and the Government policy decisions, the European Union has decided to use virements as an indicator towards General Budget Support. This indicator is equally aimed at supporting the MFEM in ensuring continuing fiscal discipline and budget credibility in limiting reallocations.

The total amount of transfers and virements for the year is shown in the table below:

	2010 vatu million	2009 vatu million
Virements and Transfers		
Internal transfers	145	397
Virements	159	361
Total Virements and Transfers	304	758

Virements as a percentage of recurrent budget

Recurrent budget	14,590	12,552
Internal transfers as a % of recurrent budget	0.99%	3.16%
Virements as a % of recurrent budget	1.09%	2.88%
Virements & transfers as a % of recurrent budget	2.08%	6.04%

Virements as a percentage of recurrent expense

Recurrent expense	13,487	12,431
Internal transfers as a % of recurrent expense	1.08%	3.19%
Virements as a % of recurrent expense	1.18%	2.90%
Virements & transfers as a % of recurrent expense	2.25%	6.10%

The amount included for recurrent budget and recurrent expense is based on the appropriation for the year, less loan principal repayments and VAT as calculated by the Department of Finance and Treasury.