REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Promoting Transparency and Accountability

KNAO

For the Parliament and the People of Kiribati

CAPTAIN COOK HOTEL FOR THE YEAR ENDED 31st DECEMBER 2008

KIRIBATI NATIONAL AUDIT OFFICE

DECEMBER 2009

KIRIBATI NATIONAL AUDIT OFFICE
AUDIT REPORT OF THE CAPTAIN COOK HOTEL (CCH)
FINANCIAL ACCOUNT ENDED 31st DECEMBER 2008

EXECUTIVE SUMMARY

OVERVIEW

Overall during the audit period we found CCH to be well lead and managed with a genuine desire to improve their operations and sustain its on-going viability. Having said that there are some external issues outside their control that have affected their performance namely reduced sales:

- as a result of the condition of the Cassidy International Airport airstrip and the decision by Air Pacific to cease its service in the second half of 2008, and
- the establishment of many private hotels that are offering rates that CCH cannot nor necessarily wish to compete with.

Notably since the last and previous audit reports CCH have now established an asset register albeit there is still some work to allow reconciliation.

Whilst some issues have been raised this audit we have received senior management commitment that all matters will be actioned according to relative priorities.

Finally I would like to record my appreciation to the General Manager and all of her staff who participated in this audit and in particular the accountant and his key staff for their professionalism and cooperation extended to my office.

KEY FINDINGS

- (Para 2.1) CCH has incurred a net operating loss for the past three financial years,
- (Para 2.2) Whilst CCH has a sound working capital I am concerned about their solvency,
- (Para 4.2) CCH have not posted all direct credit transactions to the cashbook,
- (Para 4.4) Trade Debtors are not supported by an ageing and many old outstanding debts are irrecoverable and should be written-off,
- (Para 4.5) Trade Debtors package: CCH have an outstanding debt of $202,153.91 from the then Ministry of Information, Transport and Communications that has been detailed in previous audit reports by my office,
- (Para 4.6) CCH have now established an asset register however it is not established to allow periodic reconciliation to the general ledger,
- (Para 4.7) Stock balances could not be verified to the records of CCH,

- (Para 4.8) CCH is not aware of its projected cash position on a periodic basis,

- (Para 4.9) CCH are not complying with Procurement legislation,

- (Para 4.10) There are inconsistencies in the management of Hotel Tax,

- (Para 4.11) CCH does not have a maintenance plan, and

- (Para 4.13) CCH punch cards could not be verified by my office,

RECOMMENDATIONS

- (Para 3) CCH should seek to improve its financial performance through increased sales whilst at the same time controlling its costs. It should also continue to maintain a sound working capital as previously occurred in previous years,

- (Para 4.2) CCH need to ensure that the direct credits are posted to the cashbook to facilitate reconciliation with the bank account,

- (Para 4.4) CCH needs to take action to enhance the management of its trade debtors,

- (Para 4.5) Trade debtors package - To assist with the continued viability and sustainability of CCH operations, the Government of Kiribati should make some determination in relation to this matter as a matter of priority,

- (Para 4.6) CCH needs to update its asset register to facilitate periodic reconciliation with the general ledger, undertake stocktakes and enhance its disclosure via notes,

- (Para 4.7) CCH needs enhance its control over the management of stock,

- (Para 4.8) CCH needs to prepare a cash-flow budget,

- (Para 4.9) CCH needs to ensure that it complies with the Procurement Act,

- (Para 4.10) CCH needs enhance its control over the management of Hotel Tax,

- (Para 4.11) CCH needs to develop a maintenance plan, and

- (Para 4.13) CCH needs enhance its control over the management of its salaries and overtime.

KIRIBATI NATIONAL AUDIT OFFICE
AUDIT REPORT OF THE CAPTAIN COOK HOTEL (CCH)
FINANCIAL ACCOUNT ENDED 31st DECEMBER 2008

As required by Part VII of the Public Finance (Control and Audit) Ordinance 1976, I have completed the audit of the Captain Cook Hotel (CCH) for the year ended 31st December 2008 in accordance with the relevant statutory provisions and normally accepted Auditing Standards.

1. GENERAL

CCH was incorporated on the 26th May, 1992 and is 100% owned by the Kiribati Government. The company took over the operations, the assets and liabilities of the Captain Cook Hotel Division of the ministry of the Line and Phoenix and Development with effect from 1st June 1992.

2. FINANCE

2.1 Financial Performance

The financial performance and position of the company for the past several years is detailed on the table on the next page.

It can be seen from the table that the company has incurred a net operating loss for the past three years and a loss of $154,628 in 2008. This total income has reduced from $738,310 in 2007 to $445,173 albeit CCH has been adversely affected by:

- The condition of the Cassidy International Airport airstrip and the decision by Air Pacific to cease its service in the second half of 2008,.
- The establishment of private hotels that are offering rates that CCH cannot[1] nor necessarily wish to compete with, and
- Difficulties in securing reliable telecommunication services[2].

In response to the private hotel competition CCH has a number of initiatives underway to improve the quality of their service and provide niche services to attract guests at the higher end of the market. They are however currently hampered by a lack of capital funding urgently needed to undertake repairs and maintenance to their deteriorating asset base.

Operating expenditure as a percentage of Net sales and Total income has increased from 2007 however CCH has now reduced its full time work force from 55 to 19 so we would expect there to be a more favorable relationship between sales and expenditure in subsequent financial years.

Finally at a macro level there appears to be a lack of coordination of fishing package activities within Kiritimati and if this is not addressed there is a risk that the current "fishing experience" which is currently considered world class will diminish to the detriment of the community as a whole. Whilst CCH have indicated to my office that

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[1] In the past GOK workers, Ministers and MPs would stay at CCH but are now opting to stay in private hotels or with relatives and friends.

[2] Many guests have concerns that CCH cannot provide reliable and cheap telephone and internet services to contact their families and friends overseas.

they are keen to coordinate, this is a matter for the Government of Kiribati to determine.

2.2 Financial Position

The comparative table above shows a positive sound working capital for all years and an increase in 2008 to 247.01 %. This is largely due to the reduction in other current liabilities.

Having said this, the stock figures could not be adequately verified by my office (refer Para 4.7). Coupled with the fact that cash equivalents has reduced and many debtors are unlikely to be recovered (refer Para 4.4) I am concerned overall about CCH's overall solvency.

3. Recommendation on Financial Performance and Position

The company should seek to improve its financial performance through increased sales whilst at the same time controlling its costs. It should also continue to maintain a sound working capital as previously occurred in previous years.

Management Response

Although the company has attempted to improve its financial performance through increased sales since 2007, there are many factors preventing this possibility.

It is believed that once the airstrip upgrade is completed, and the Government has identified a bigger aircraft to resume air services between Fiji/Christmas Island/Honolulu in the near future, and the company has been received its funds from the MITC for its fishing packages, the company will be able to improve its financial performance, dramatically. Furthermore, with the company continually controlling its costs, the company will be able to further improve its financial performance in 2010. With funds invested in its improved infrastructure, the company expects an increase of 25% in its clients next year.

CCH: Financial history & ratios

	2008	%	2007	%	2006	%	2005	%
Assets								
Cash/ Equivalents	$ 27,838.0	2.05%	$ 44,881.4	2.99%	$ 175,204.3	11.46%	$ 165,234.7	12.47%
Trade Receivables	68,514.1	5.05%	71,532.7	4.76%	50,328.1	3.29%	274,594.1	20.72%
Inventory Value	163,081.0	12.02%	240,113.2	15.99%	179,197.6	11.72%	152,049.7	11.47%
All other current	12,392.5	0.91%	12,492.5	0.83%	30,234.2	1.98%	45,372.7	3.42%
Total Current Assets	271,825.5	20.04%	369,019.8	24.57%	434,964.1	28.44%	637,251.3	48.08%
Fixed Assets (net)	1,084,733.9	79.96%	1,132,886.2	75.43%	1,094,212.0	71.56%	688,252.4	51.92%
Total Assets	$1,356,559.4	100.00%	$ 1,501,906.0	100.00%	$ 1,529,176.0	100.00%	$ 1,325,503.7	100.00%
Liabilities/ Equity		%						
Current L. T. Debt	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Trade Payables	87,659.1	6.46%	85,632.8	5.70%	72,355.7	4.73%	45,207.3	3.41%
Provisional Tax	-	0.00%	3,422.5	0.23%	3,422.5	0.22%	3,422.5	0.26%
All other current	22,386.4	1.65%	83,750.7	5.58%	66,642.7	4.36%	395,548.2	29.84%
Total Current Liabilities	110,045.5	8.11%	172,805.9	11.51%	142,420.9	9.31%	444,178.1	33.51%
All other non-current	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Net Worth	1,246,513.9	91.89%	1,329,100.1	88.49%	1,386,755.2	90.69%	881,325.6	66.49%
Total Liabilities & Net Worth	$1,356,559.4	100.00%	$ 1,501,906.0	100.00%	$ 1,529,176.0	100.00%	$ 1,325,503.7	100.00%
Income Data		%						
Net Sales	$ 300,348.6	100.00%	$ 414,127.0	100.00%	$ 332,051.0	100.00%	$ 594,305.9	100.00%
Cost of Sales (COGS)	224,862.8	74.87%	311,151.2	75.13%	259,499.9	78.15%	492,029.5	82.79%
Gross Profit	**75,485.8**	25.13%	**102,975.8**	24.87%	**72,552.0**	21.85%	**102,276.4**	17.21%
Other income	369,687.7		635,334.2		642,458.0	193.48%	499,850.3	
Total Income	445,173.5		738,310.0		715,010.0		602,126.7	
Operating Expenses	599,802.4	199.70%	795,964.1	192.20%	1,076,971.8	324.34%	541,666.3	91.14%
Operating Profit	**(154,628.8)**	-51.48%	**(57,654.1)**	-13.92%	**(361,961.8)**	-109.01%	**60,460.5**	10.17%
All other expenses - PPI	72,042.8	23.99%	-	0.00%	312,023.3	93.97%	(541,838.0)	-91.17%
Pre-tax Profit	$ (154,628.8)	-51.48%	$ (57,654.1)	-13.92%	$ (361,961.8)	-109.01%	$ 60,460.5	10.17%
Post tax profit	$ (82,586.1)		$ (57,654.1)	-13.92%	$ (49,938.5)		$ (481,377.6)	-81.00%
Ratio Analysis								
Current Ratio		247.01%		213.55%		305.41%		143.47%
Quick Ratio		98.82%		74.60%		179.58%		109.24%
Debt/ Net Worth		8.83%		13.00%		10.27%		50.40%
% Return on Assets		**-11.40%**		**-3.84%**		**-23.67%**		**4.56%**
Gross Profit Margin		**25.13%**		**24.87%**		**21.85%**		**17.21%**
Operating Profit - before PPI		**-51.48%**		**-13.92%**		**-109.01%**		**10.17%**
Op Exp Costs / sales		**199.70%**		**192.20%**		**324.34%**		**91.14%**
NP % after PPI & Tax		**-27.50%**		**-13.92%**		**-15.04%**		**-81.00%**

4. Audit Findings

4.1 Pretesting

No issued raised during the pretesting.

Recommendations

Nil

4.2 Cash at Bank and on-hand

During the audit we were able to verify the balances of the following accounts.

- Cash at Bank – BOK year-end of $13,263.33, and
- First Hawaiian Bank (Escrow A/c) of $4,600.2.

We also reviewed the controls over the cash on hand and counted cash balances during 2009 and were satisfied that the controls in existence were operating as intended.

With the cash at bank figure we noted that there was a variance of $403.18 between the accounts and the bank reconciliation however this was not considered material.

Whilst CCH had undertaken bank reconciliations on a monthly basis they had not posted all direct credit transactions to the cashbook thereby making reconciliation with the bank account difficult.

Recommendations

CPPL need to ensure that the direct credits are posted to the cashbook to facilitate reconciliation with the bank account.

Management Response

CCH will ensure that direct credits are posted to the cashbook to facilitate reconciliation with the bank account.

4.3 Trade Creditors

Audit reviewed the trade creditors listed in the accounts to the trial balance, general ledger and then the individual ledgers and found no anomalies. Upon review of the original source documentation for trade creditors we noted some anomalies however these were not considered material.

Recommendations

Nil.

4.4 Trade Debtors

Audit reviewed the trade debtors –kiritimati in the accounts to the trial balance, general ledger, individual ledgers and source documentation and found:

- That the provision for doubtful debts has not changed for several years and is not reflected in the general ledger,
- It appears that CCH are not clear how to determine an appropriate provision and the figures are not reflected in the individual ledger,
- There is not ageing of debtors undertaken,
- Positive action has been taken including through the courts by CCH to recover some of these old outstanding debts. Having said this some debts are very old (some 1995) and do not have

supporting documentation. Given this recovery is unlikely on some of these debts and these should be written-off,

- Refer 4.1 – the bad debts is listed in the trial balance and the general ledger but not in the final accounts, and
- There is adequate coverage of debtors issues in the Board minutes albeit there is no ageing undertaken nor presented to the Board for review.

Recommendations

CCH needs to take action to enhance the management of its trade debtors.

Management Response

With the clarification now provided by the auditor, the Accountant has now completed the Aged Debtors Listing and will update this regularly for management and Board's information as it is a useful management tool to identify which debts are now long outstanding. As noted in our Ageing Debtors Listing, our current debtors are minimal so there is a control over current debtors. The issue is the long outstanding debtors which CCH is seriously addressing at the moment.

4.5 Trade Debtors - Package

CCH have an outstanding debt of $202,153.91 from the then Ministry of Information, Transport and Communications that has been detailed in previous audit reports by my office.

The debt covers the period 17 June 2000 to 14 April 2002 and relates to wire transfers from Frontiers for fishing packages organized for the CCH paid at that stage directly to the then Ministry.

Numerous communications have been made by the CCH to recover this amount to no avail. Most recently a request was sent to the Attorney General by the CCH in XXX and they are awaiting a response to this.

Given the losses sustained by the CCH in this and previous years and the state of this asset base this matter should be resolved as a matter of priority. If a decision is made not to repay the debt consideration be given to provide funding to the CCH to improve its asset base.

Recommendations

To assist with the continued viability and sustainability of CCH operations, the Government of Kiribati should make some determination in relation to this matter as a matter of priority.

Management Response

The company is still interested in having the funds due to the company returned to it so that it can finance much needed accommodation upgrade and islet development as it is now targeting the wealthier niche market rather than compete against its local competitors which are the privately owned motels and fishing lodges for the mainstream clients. The company hopes that Government is able to respond to this before the end of 2009.

4.6 Fixed Assets

Since the last audit report CCH have now established an asset register however this has not been prepared to allow periodic reconciliation and confirmation of key account balances such written down value opening and closing for the year. For instance the closing balances were simply carried and brought forward as opening balances without physical verification of the assets.

Recommendations

CCH needs to ensure that it complies with the Procurement Act.

Management Response

CCH will take on board the recommendation to comply with the Procurement Act, and where there are issues to prevent this from happening, the company will seek the Board's approval and set our reasons as to why the company is unable to comply with the Procurement Act as well as to provide these reasons in the Board minutes.

4.10 Hotel Tax

Audit reviewed the Hotel tax to source documentation and noted inconsistencies amongst staff as to what services were subject to hotel tax and exemptions that were applied. For instance tax is not charged to cash sales and local and GOK staff are usually exempted from the payment of Hotel Tax.

Recommendations

CCH needs enhance its control over the management of Hotel Tax.

Management Response

With the information recently provided by the Auditor as to which goods and services and people the 10% Government sales tax should be imposed on, CCH will now impose the 10% hotel sales tax on all goods and services effective from Tuesday 29th September 2009

4.11 Repairs and maintenance

Audit reviewed the repairs and maintenance to source documentation and found no anomalies.

Maintenance Plan

Under the Kiribati Development Plan: 2008 - 2011 (KDP), Ministries are encouraged to address maintenance of its building asset base, but this equally applies to all classes of assets and in turn SOEs. Whilst CCH have indicated that maintenance is critical to their sustainability they do not have a maintenance plan[3] nor funding to carry out this work.

CCH are hoping to get a positive resolution to the MC issue (refer 4.5) so that these funds can be used to undertake long awaited repairs and maintenance.

Recommendations

CCH needs to develop a maintenance plan.

Management Response

CCH plans to develop a maintenance plan for the future.

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[3] Maintenance Plans should Identify existing maintenance requirements, and the approach to manage these requirements within approved funding limits. As part of this, assets should be retained in, or restored to, conditions that are specified to support service delivery. They should also be aligned with investment and disposal plans and properly accounted for in agency budgets.

4.12 Vehicle Hire and Laundry

Audit reviewed vehicle hire expenses and laundry to source documentation and found no anomalies.

Recommendations

Nil

4.13 Salaries and Overtime

Audit reviewed the salaries and overtime to source documentation and found:

- Staff were being paid the correct rates as per their conditions of employment,
- Salary payments were signed by staff upon receipt and the control sheet was signed by the Manager and the General Manager,
- Staff punch cards were used in 2008 but given predominantly power shortages we were unable to reconcile the hours worked via the punch cards to the salary summary sheets. CCH have introduced manual timesheets in 2009 however these are on scraps of paper and CCH should develop a standard template or form that is numbered to enhance controls over the process,

Recommendations

CCH needs enhance its control over the management of its salaries and overtime.

Management Response

Overtime documents were available for audit and were provided to Audit staff during their audit. Staff overtimes are recorded in the Overtime register and current practice is that staff are able to take their leave in lieu of overtime payment if their overtime payment quota has been used up.

4.14 Board Minutes

Board Minutes were provided for year under review and all were appropriately signed.

Recommendations

Nil

AUDIT OPINION: CCH

Scope
I have audited the accounts of the Captain Cook Hotel for the year ended 31st December 2008.

The preparation and the presentation of the accounts and the information contained therein, as well as the existence of internal controls, which should be fully effective for the prevention of error or fraud, are the responsibilities of the Company. My responsibility is to express an opinion on the accounts based on my audit as required by Part VII of the Public Finance (Control and Audit) Ordinance 1976 and the Company Ordinance.

I conducted my audit in accordance with the normally aCCHpted auditing Standards and Statutory requirements to provide reasonable assurance as to whether the accounts are free from material mis-statements. My procedures include examination, on a test basis, of evidence supporting the amount and other disclosures in the account and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the accounts are presented fairly in accordance with the normally aCCHpted Accounting Concepts and Statutory requirements, so as to present a view of the Company which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

Qualification
I am unable to satisfy myself as to the correctness of the Financial Statement based on the following:

- Variances between the General Ledger, Trial Balance and Accounts;
- Inability to reconcile the assets register to the general ledger,
- Absence of controls over individual stocks,

Qualified Audit Opinion
In my opinion, except for the effects on the financial statements of matters referred to in the qualification paragraph, the financial statements of the CCH are properly drawn up so as to:

(a) present fairly the Company's affairs as at 31st December 2008, its results and cash flow for the year ended on those dates;
(b) comply with the provisions of Part VII of the Public Finance (Control and Audit) Ordinance 1976 and the Company Ordinance; and
(c) Comply with other mandatory professional reporting requirements.

Raimon Taake
Auditor General

TARAWA 21st October 2009

Captain Cook Hotel

Main Camp - Kiritimati Is.

Balance Sheet

as at 31 st December, 2008

Currents Assets	notes	Dec-08	Dec-07
		$	$
Cash Bank & Hand	11	27,837.99	44,881.38
Renovation(Repairs & Maint)		-	-
Staff Tax Arrears	23	8,076.61	$ 8,076.60
Advance & Imprest	12	4,315.90	4,415.90
Debtors	8	68,514.05	71,532.71
Stock	10	163,080.96	240,113.19
Pre-payment		-	-
Accruals		-	-
		271,825.51	369,019.78
Less			
Currents liabilities			
Trade Creditors		87,659.13	85,632.75
Sundries Creditors	7	22,386.36	81,250.67
Provisional tax	20	-	3,422.48
Accrued expenses		2,500.00	2,500.00
		112,545.49	172,805.90
Working Capital		159,280.02	196,213.88
Add			
Long Term Assets			
Properties & Equipment etc	9	1,084,733.91	1,132,886.20
Less Accu Depm			-
			-
Net Worth		**1,244,013.93**	**1,329,100.08**
Capital Employed			
Shared Capital	19	500.00	500.00
Capital Reserve	18	1,035,887.65	1,035,887.65
Assets Valuation Reserve	17	768,926.36	768,926.36
Retain Profit(Loss)	22	(561,300.08)	(476,213.93)
		-	-
Total		**1,244,013.93**	**1,329,100.08**

Attached notes form part of these financial statements

for .... Chairman

.... Director

Captain Cook Hotel

Main Camp - Kiritimati Is.

Profit & Loss Account

For the Year Ended 31 st December, 2008

	Notes	Dec-08	Dec-07
		$	$
Sales	4	300,348.58	414,126.97
Less cost of Sales	4	224,862.76	311,151.19
GROSS PROFIT		75,485.82	102,975.78
Add other Income			
Sales Room		194,747.70	392,413.99
Skiff		41,244.62	52,280.93
Vehicle		2,153.87	9,397.29
Water		1,444.19	2,042.81
Guide		47,955.58	54,122.12
Transport		42,290.20	61,556.07
Sundry	5	29,766.79	21,169.31
Entertainment		10,014.17	27,265.22
Gain in Exchange		70.60	15,086.49
Total - Other income		**369,687.72**	**635,334.23**
Total Income		**445,173.54**	**738,310.01**
Less Expenditure			
Salaries	13	332,958.16	414,933.97
Fuel Supply (Power, Marine, Vehicl		104,956.35	169,319.51
Repairs & Maintenance	14	47,836.13	76,395.57
Agents Commission			
Travelling & Transport	15	19,560.90	44,302.85
Oper. Supplies	16	11,466.52	31,724.69
Sundries	6	23,081.98	27,810.84
Promotion		100.00	315.76
Depreciation Exps	9	62,342.34	31,160.90
Provision for obsolete stock		-	-
Adjustment to Exp by Auditors		-	-
Doubtful debt			-
Total Expenditure		**602,302.38**	**795,964.09**
NET PROFIT BEFORE TAX		(157,128.84)	(57,654.08)
Prior Period items		72,042.79	
Company tax adjustment	20	-	-
NET PROFIT AFTER TAX		**(85,086.05)**	**(57,654.08)**

Attached notes form part of these financial statements

for Chairman

Director

Captain Cook Hotel

Main Camp - Kiritimati Island
CASH FLOW STATEMENT
Year Ended 31 st December, 2008

		Dec-08	Dec-07
		$	$
Cash received from Customers		741,774.06	1,004,700
Cash paid to suppliers and employees		(742,128.51)	(1,091,954)
Income tax paid		-	
Net cash from operating activities	1	**(354.45)**	**(87,254)**
Purchase of Long Term Assets		(14,190.05)	(43,068)
Net Cash used in investing activities		**(14,190.05)**	**(43,068)**
Net cash from financing activities		-	-
Rounding off error		1.11	1
Net increase in cash and cash equivalents		(17,044.60)	(130,323)
Cash and cash equivalents at 1.12.2008		44,881.38	175,204
Cash and cash equivalents at 31.12.2008	2	**27,837.89**	**44,882**

	Dec-08	Dec-07
Net Profit	(82,586.36)	(57,654)
Add non cash items		
Depreciation	62,342.34	31,161
Provision for Doubtful Debt.		
Obsolete Stock		
Changes in Balance Sheet Items :		
(Increase) / Decrease in Staff tax arrears	(0.01)	
(Increase)/Decrease in stock	77,032.23	(60,916)
(Increase)/Decrease in Advance & Imprest	100.00	1,066
(Increase)/Decrease in Debtors	3,017.76	(21,205)
(Increase)/Decrease in Prepayment	-	14,506
(Increase)/Decrease in Accruals Income	-	1,459
Increase / (Decrease) in Accrual expense	-	
Increase/(Decrease) in Trade Creditors	2,026.38	13,277
Increase/(Decrease) in Sundry Creditors	(58,864.31)	(8,949)
Increase/(Decrease) in Tax Provision	(3,422.48)	
Net cash from operating activities	**(354.45)**	**(87,255)**

		Dec-08	Dec-07
		$	$
Cash on Hand		8,899	-
Petty Cash		485	542
Cash float		590	540
Cash at Bank -	Bank of Kiribati - A/c # 24-0381	13,263	27,547
	Bank of Kiribati -	-	-
	IBD Account	-	-
	FHB (Escrow A/c)	4,600	15,799
	First Hawaiian Bank	0	454
		27,838	**44,882**

Captain Cook Hotel

Main Camp, Kiritimati Is

Income Statement

For the Year Ended 31 st December, 2008

	Dec-08	Yr to date	Budget	Variance	Monthly budget
	$	$	$	$	
Sales	300,348.58	300,348.58	249,525.00	(50,823.58)	20,793.75
Less cost of Sales	224,862.76	224,862.76	185,000.00	(39,862.76)	15,416.67
GROSS PROFIT	**75,485.82**	**75,485.82**	**64,525.00**	**(10,960.82)**	**5,377.08**
Sales		34%			-
Room	194,747.70	194,747.70	231,593.00	36,845.30	19,299.42
Laundry	2,931.26	2,931.26	4,520.00	1,588.74	376.67
Commission	778.05	778.05	1,000.00	221.95	83.33
Electricity	10,594.40	10,594.40	6,000.00	(4,594.40)	500.00
Telephone	3,191.54	3,191.54	1,000.00	(2,191.54)	83.33
Skiff	41,244.62	41,244.62	50,733.00	9,488.38	4,227.75
Vehicle	2,153.87	2,153.87	57,622.00	55,468.13	4,801.83
Guide	47,955.58	47,955.58	54,416.00	6,460.42	4,534.67
Transport	42,290.20	42,290.20	87,844.00	45,553.80	7,320.33
Sundry	2,873.16	2,873.16	1,000.00	(1,873.16)	83.33
Photocopy	91.28	91.28	500.00	408.72	41.67
BD interest	-	-	-	-	-
Entertainment	10,014.17	10,014.17	14,846.00	4,831.83	1,237.17
Gain in Exchange	70.60	70.60	10,000.00	9,929.40	833.33
Sales of Fixed Asset	8,142.10	8,142.10	1,000.00	(7,142.10)	83.33
Rental (boardroom, tables,chairs)	1,165.00	1,165.00	500.00	(665.00)	41.67
Water	1,444.19	1,444.19	2,184.00	739.81	182.00
Fishing License			-		-
Total other Income	369,687.72	369,687.72	524,758.00	155,070.28	43,729.83
Total Income	**445,173.54**	**445,173.54**	**589,283.00**	**144,109.46**	**49,106.92**

Captain Cook Hotel

Main Camp - Kiritimati Is.

Expenditure Statement

For the Year Ended 31 st December, 2008

	Dec-08	Yr to date	Budget	Variance	
	282,667.04	-			
Expenditure					
Salaries	203,850.51	203,850.51	285,016.00	81,165.49	23,751.33
Allowance	831.57	831.57	2,348.00	1,516.43	195.67
Overtime	2,532.93	2,532.93	10,800.00	8,267.07	900.00
Temp. Assistance	44,364.73	44,364.73	44,011.00	(353.73)	3,667.58
Guide(Temporary)	31,087.30	31,087.30	27,630.00	(3,457.30)	2,302.50
Operating Expenses	**282,667.04**	**282,667.04**	**369,805.00**	**87,137.96**	**30,817.08**
KPF	20,291.12	20,291.12	24,783.00	4,491.88	2,065.25
Freight	-	-	-	-	-
Fuel Supply	104,956.35	104,956.35	161,208.00	56,251.65	13,434.00
Travelling	-	-		-	-
Leave grant	30,000.00	30,000.00	30,600.00	600.00	2,550.00
Directors al'ce	2,655.00	2,655.00	4,575.00	1,920.00	381.25
Vehicle hire	19,560.90	19,560.90	22,500.00	5,939.10	1,875.00
Electricity	1,557.29	1,557.29	2,000.00	442.71	166.67
Telephone	5,058.61	5,058.61	4,200.00	(858.61)	350.00
Water Supplies	98.05	98.05	12,000.00	11,901.95	1,000.00
Sundries	-	-		-	-
Staff Incentive	749.60	749.60	1,200.00	450.40	100.00
Staff Training	(30.00)	(30.00)	1,000.00	1,030.00	83.33
Board Entertainment	98.50	98.50	500.00	401.50	41.67
Entertainment	4,145.65	4,145.65	4,140.00	(5.65)	345.00
Operation Sup -Stationary	2,600.91	2,600.91	4,000.00	1,399.09	333.33
Store	15.72	15.72	200.00	184.28	16.67
Kitchen	1,996.34	1,996.34	4,000.00	2,003.66	333.33
Bar	287.01	287.01	1,200.00	912.99	100.00
Power & Mechanic	37.94	37.94	500.00	462.06	41.67
Room	6,209.34	6,209.34	10,000.00	3,790.66	833.33
Marine	-	-	400.00	400.00	33.33
Guide	319.26	319.26	400.00	80.74	33.33
Staff Uniform	468.00	468.00	661.00	193.00	55.08
Licences	1,364.00	1,364.00	1,450.00	86.00	120.83
Yagona exp	156.05	156.05		(156.05)	-
Bank Charge	3,349.97	3,349.97	2,200.00	(1,149.97)	183.33
Loss Damage	809.26	809.26	300.00	(509.26)	25.00
Repairs & Maintenance	47,836.13	47,836.13	53,000.00	5,163.87	4,416.67
Promotion	100.00	100.00	100.00	-	8.33
Audit Fee	2,500.00	2,500.00	2,500.00	-	208.33
Leagal fee	102.00	102.00	500.00	398.00	41.67
Obsolete Stock	-	-	8,000.00	8,000.00	666.67
Doubtful debt.	0			-	-
Depreciation Exps	62,342.34	62,342.34	48,000.00	(14,342.34)	4,000.00
Company Tax	-	-		-	-
Staff Incentive	-	-		-	-
Insuarance premiums				-	-
	602,302.38	**602,302.38**	**775,922.00**	**176,619.62**	**64,660.17**
NET PROFIT BEFORE TAX	**(157,128.84)**	**(157,128.84)**	**(186,639.00)**	**(29,510.16)**	**(15,553.25)**
Prior Period items	**72,042.79**	**72,042.79**	-	-	
Company tax adjustment	-	-	-	-	-
		-	-	-	-
NET PROFIT AFTER TAX	**(85,086.05)**	**(85,086.05)**	**(186,639.00)**	**(29,510.16)**	**(15,553.25)**

Captain Cook Hotel

Main Camp - Kiritimati Is.

Financial report Month Ended 31 st December, 2008

NOTES TO THE FINANCIAL STATEMENTS

1 Captain Cooh Hotel Limited was incorporated on 26th May, 1992 and took over the operations of Captain Cook hotel from 1st June 1992, aself accounting Division of the Ministry of Line and Phoenix Developments. The Hotel provides accomodation catering and other sevices for tourist, government and other visitors to Kiritimati Island.

2 **PRINCIPAL ACCOUNTING POLICIES**

The financial statement are prepared in accordance with historical cost conventional modified by the valuation of certain fixed assets.

The following is a summary of the more important accountiung policies used by the Hotel:-

Depreciations

Depreciations is calculated to write off the cost or amount of the valuation of fixed Assets on a straight line basis over the expected useful lives of the assets concerned.

The principal annual rate for this purpose, which are consistent with those of the previous years are :-

Building	5%
Furniture & Fittings	25%
Plant & Equipment	25%
Boat & Engine	10%
Vehicles	20%

Stock

Stock is stated at the lower of cost and net realisable value, in general cost is determined on a first in first out basis and includes transport , handling and duty charges. Provision is made for obsolesent, slow moving and defective stock.

3 **Revenue**

Revenue represents the total billed for services, supplies and goods sold during the year.

Trading Account

	Public bar	Yagona	Mini-store(H)	Restaurant	Store (Front)	Dance
	$	$	$	$		
4 **Sales**	**28,546.84**	**4,011.05**	**139,674.75**	**122,854.04**	**1,883.15**	**3,378.75**
Less Cost of Sales						
Opening Stock	17,484.86	-	6,913.04	8,382.62	-	
Purchases	17,905.22	2,630.55	109,152.57	82,224.47	1,612.38	3,081.63
	35,390.08	2,630.55	116,065.61	90,607.09	1,612.38	3,081.63
Closing Stock	17,165.34	94.50	3,608.80	3,227.37	428.57	-
Cost of Sales	**18,224.74**	**2,536.05**	**112,456.81**	**87,379.72**	**1,183.81**	**3,081.63**
Gross Profit(Loss)	**10,322.10**	**1,475.00**	**27,217.94**	**35,474.32**	**699.34**	**297.12**
	57%		24%	41% #	59%	
	Total					24,524.58
Sales	**300,348.58**					
Less Cost of Sales						
Opening Stock	32,780.52					
Purchases	216,606.82					
	246,305.71					
Less Closing Stock	24,524.58					
Cost of Sales	**224,862.76**					
Gross Profit(Loss)	**75,485.82**					

Captain Cook Hotel

Main Camp - Kiritimati Is.

Financial report Month Ended 31 st December, 2008

NOTES TO THE FINANCIAL STATEMENTS

5 Sundry Income	Dec-08	Dec-07
	$	$
Laundry	2,931.26	3,946.26
Electricity	10,594.40	7,481.60
Interest IBD	-	-
Phone	3,191.54	2,192.41
Sales - Commission	778.05	881.73
- Sundry	2,873.16	3,836.37
- Photocopy	91.28	180.94
Sales of Fixed Asset	8,142.10	1,640.00
Rental (boardroom, ta	1,165.00	1,010.00
	29,766.79	21,169.31

6 Sundries	Dec-08	Dec-07
	$	$
Staff Incentive	749.60	3,928.25
Bank Charge	3,349.97	2,852.33
Loss & Damage	809.26	1,672.72
Yagona exp	156.05	-
Legal Fee	102.00	15.00
Audit Fee	2,500.00	2,500.00
Electricity	1,557.29	2,205.98
Director allow.	2,655.00	1,325.00
Telep. & Postage	5,058.61	5,670.82
Entertainment	4,244.15	4,135.20
Staff Training	(30.00)	687.00
Licence	1,364.00	1,177.50
Water exp.	98.05	35.00
Staff Uniform	468.00	1,606.04
Boat hire	-	-
	23,081.98	27,810.84

7 Creditors	Dec-08	Dec-07
	$	$
Salary Control	3.95	-
Fishing License	-	(3,479.34)
Sales tax	1,211.91	23,035.01
Departure	-	-
Wildlife	-	4,608.61
Income tax	15,599.45	14,717.35
KPF	1,193.74	2,891.62
Loan Bok	1,078.24	1,078.24
PUB	98.00	2,573.50
House Rent	278.70	30,853.52
Tax recovery	96.06	96.06
Staff SAYE	430.83	430.84
Loan DBK	299.97	263.57
TSKL Staff Loan	180.00	-
Witholding tax	786.70	786.70
Audit	-	2,500.00
Island CouncilXmas	596.58	596.58
Unearned revenue	(0.00)	-
Tax arrears	31.82	-
BSL Staff Loan	110.00	-
Staff Life Insurance	295.35	203.35
Employees Chg Acct.	95.06	95.06
	22,386.36	81,250.67

8 Debtors	Dec-08	Dec-07
	$	$
Sales - Kiritimatils	240,635.05	243,653.71
Less Prov. D.Debt	172,121.00	172,121.00
	68,514.05	71,532.71
Debtors - Package	195,469.03	195,469.03
Less Prov.D.Debt	195,469.03	195,469.03
	68,514.05	71,532.71

Captain Cook Hotel

Main Camp - Kiritimati Is.

Financial report Month Ended 31 st December, 2008

NOTES TO THE FINANCIAL STATEMENTS

9 **Long Term Assets**	WDV 25% Furniture Fitting	WDV 20% Motor vehicle	Cost 25% Boats & Engine	WDV 25% Plant & Equipment	Cost 5% Building	Total
Cost of Valuation	426,502.56	385,874.51	438,401.52	548,144.32	1,371,717.91	3,170,640.82
Additions	6,747.00	-	4,500.00	2,943.15	-	14,190.15
	433,249.56	385,874.51	442,901.52	551,087.47	1,371,717.91	3,184,830.97
Depreciation						
Balance	416,680.18	351,038.69	427,726.42	494,197.10	348,112.31	2,037,754.70
Charge for the year	9,192.09	20,234.64	6,509.10	19,224.99	7,181.52	62,342.34
.	425,872.27	371,273.33	434,235.52	513,422.09	355,293.83	2,100,097.04
NBV 31/12/08	7,377.29	14,601.18	8,666.00	37,665.38	1,016,424.08	1,084,733.91
NBV 31/12/07	9,822.48	34,835.82	10,675.10	53,947.22	1,023,605.60	1,132,886.22

10 Stock	Dec-08	Dec-07
	$	$
Publican Bar	17,165.34	17,484.86
Retail store Mcamp	3,608.80	6,913.04
Yagona	94.50	-
Restaurant	3,227.37	8,382.62
Retail store Front	428.57	-
	24,524.58	32,780.52
Bulk Store Stock	138,556.38	207,332.67
	163,080.96	240,113.19
Less Provision	-	-
	163,080.96	240,113.19

11 **Cash & Bank**	Dec-08	Dec-07
	$	$
Bank - Bok	13,263.33	27,547.02
Cash	8,899.26	-
Petty Cash	485.20	541.63
Cash Float	590.00	540.00
FHB (Escrow A/c	4,600.20	15,798.58
1st Hawaiian Banl	0.00	454.15
	27,837.99	44,881.38

12 Imprest & Advance	Dec-08	Dec-07
	$	$
Advances	5,271.71	5,271.71
Less Provision for Doubtful debt	1,380.00	1,380.00
Imprest	424.19	524.19
	4,315.90	4,415.90

13 Salaries & Wage:	Dec-08	Dec-07
	$	$
Salaries	203,850.51	260,919.41
Allowance	831.57	8,538.95
Overtime	2,532.93	1,299.55
Temp. Assistanc	44,364.73	98,257.69
Guide	31,087.30	-
KPF	20,291.12	27,480.87
Leave grant	30,000.00	18,437.50
	332,958.16	414,933.97

14 Repairs & Maint.	Dec-08	Dec-07
	$	$
Repairs & Maint.	47,836.13	76,395.57
Uniform		0.00
	47,836.13	76,395.57

16 Operation Supplies	Dec-08	Dec-07
	$	$
Stationary	2,600.91	5,251.15
Store	15.72	11.95
Kitchen	1,996.34	5,415.36
Bar	287.01	288.26
Room	6,209.34	19,747.61
Power & Mech	37.94	683.16
Guide	319.26	277.20
Marine	-	50.00
Maintenance		-
	11,466.52	31,724.69

15 Travelling & Trans	Dec-08	Dec-07
	$	$
Vehicle	19,560.90	39,939.37
Travelling	-	4,363.48
Freight	-	-
		-
	19,560.90	44,302.85

Captain Cook Hotel

Main Camp - Kiritimati Is.

Financial report Month Ended 31 st December, 2008

NOTES TO THE FINANCEIAL STATEMENTS

17 Asset Revaluation reserve $ 768,926.36

The unrecorded assets as at May 1992 were revalued by a team appointed by the Ministry and brought into account.

18 Capital Reserve $ 1,035,887.65

Additional building funded and constructed by Government for the Millennium had been accounted for in the Financial Statement this year in the amount of $ 162,514.83
This represents the accoumulated fund of the Hotel as at 31st May, 1992

19 **Share Capital**	**Dec-08**	**Dec-07**
	$	$
Authorised & Issued	500.00	500.00
	500.00	500.00

20 **Provisional tax**	**Dec-08**	**Dec-07**
	$	$
Balance	-	3,422.48
Company tax for the year	-	
Paid		-
	-	3,422.48

Adjustment to PPI because no company tax was payable

21 Dividends and Share of Profit to Employees

Dividends of $100,000.00 and share of profit of $2850.00 relating to the profit for the year ended 31st May, 1993 were paid in January, 1995 to the Government and Employees of the Hotel.

No dividends were paid or declared out of the profit for the years ended 31st May, 1994, 31st May, 1995 31st May 1996, 31st May 1997, 31st May 1998, 31st May 1999, 31st May 2000 , 31st May 2001, 31st May 2002 31st May, 2003, 31st May,2004, 31st May, 2005, 31st June, 2006, 31st Dec 2006, 31 July 2007

	Dec-08	Dec-07
22 Retained Profit	$	$
Balance 31st August.2008	(476,213.91)	(418,559.83)
Profit for the Month	(85,086.05)	(57,654.08)
Tax paid	0	-
	(561,299.96)	**(476,213.91)**

23 Paid as income tax for staff tax arrears for the year 2000 and 2001 now reverted to Tax Arrears account

Captain Cook Hotel

Main Camp - Kiritimati Is.

Financial report Month Ended 31 st December, 2008

NOTES TO THE FINANCIAL STATEMENTS

24 Directors names and allowances

Names	No of meetings	Allowances	Entertainment
Teramweai Itinraoi	4 of 11	165.00	
Mapuola Iosua	11 of 11	590.00	
Naitiniwa Teitiaki	11 of 11	550.00	
Ritemba Moantau	11 of 11	550.00	
Korinta Tebounaba	5 of 11	250.00	
Tinia Teuriaria	11 of 11	550.00	
Total		2,655.00	98.50

End of notes

Captain Cook Hotel

Main Camp - Kiritimati Is.

Adjusted Trial balance - Month ended 31 st December, 2008

Account titles		LP	Debit	Credit
Bank of Kiribati	A/c # 24-0381		13,263.33	
Cash Account			8,899.26	
Petty Cash			485.20	
Cash Float			590.00	
First Hawaiian Bank 01-148303			0.00	
First Hawaiian Bank(01-153099)			4,600.20	
Staff Tax Arrears			8,076.61	
Renovation(Repairs & Maint)			-	
Debtors	Kiritimati		240,635.05	
	Package		195,469.03	
Trade Creditors				87,659.13
Shared Capital				500.00
Capital Reserve				1,035,887.65
Retain Profit				(476,213.91)
Assets Revaluation Reserve				768,926.36
Renovation(Repairs & Maint)				-
Accrual expense				2,500.00
Imprest			424.19	
Ad[illegible]			5,271.71	
Fixed Assets	Vehicle		385,874.51	
	Boat & Engine		442,901.52	
	Furniture & Fittings		433,249.56	
	Building		1,371,717.91	
	Plant & Equip		551,087.47	
Prov. Depr.	- Vehicle			371,273.33
	- Boat & Engine			434,235.52
	- Furniture & Fittings			425,872.17
	- Building			355,293.83
	- Plant & Equip			513,422.09
	- Obsolete Stock			-
Loan	DBK			-
	- Provison for Doubful debts			368,970.03
Creditors	- Fishing License			-
	Salary Control			3.95
	Unearned revenue			(0.00)
	Sales Tax			1,211.91
	Departure			-
	Wildlife			-
	Income tax			15,599.45
	KPF			1,193.74
	Loan - BoK (Staff)			1,078.24
	Tax arrears (staff)			31.82
	PUB			98.00
	House Rent			278.70
	Tax recovery			96.06
	BOK - Staff SAYE			430.83
	Loan - DBK Staff			299.97
	Withholding tax			786.70
	Provisional tax			-
	Audit fee			-
	BSL Staff Loan			110.00
	Sport fund			-
	TSKL Staff Loan			180.00
Bulk Store Stock			138,556.38	
Opening Stock			32,780.52	
Pre-payment			-	
Staff Chq Acct-BOK				95.06

Accruals Incomes			-	
Island Council(Rubbish)				596.58
Staff Life Insurance				295.35
			3,833,882.45	**3,910,712.56**
	Total	b/f	**3,833,882.45**	**3,910,712.56**
Sales	Room			194,747.70
	Laundry			2,931.26
	Commission			778.05
	Electricity			10,594.40
	Telephone			3,191.54
	Skiff			41,244.62
	Vehicle			2,153.87
	Guide			47,955.58
	Transport			42,290.20
	Sundry			2,873.16
	Photocopy			91.28
	IBD interest			
	Entertainment			10,014.17
	Water			1,444.19
	Gain in Exchange			70.60
	Sales of Fixed Asset			8,142.10
	Rental (boardroom,tables,chair)			1,165.00
Sales	Lounge Bar			28,546.84
	Bar (Dance)			3,378.75
	Mini-store(Main Camp)			139,674.75
	Mini-store(Front Office)			1,883.15
	Restaurant			122,854.04
	Yagona			4,011.05
Purchases -	Lounge Bar		17,905.22	
	Mini-store(Main Camp)		109,152.57	
	Mini-store(Front Office)		1,612.38	
	Restaurant		82,224.47	
	Cooks Cabin			
	Kava Club		2,630.55	
	Dance Club		3,081.63	
Salaries			203,850.51	
Temporary	Casual		44,364.73	
	Guide		31,087.30	
Allowances			831.57	
Overtime			2,532.93	
KPF			20,291.12	
Freight				
Fuel Supply-Power & Mechanic			91,647.75	
- Marine			13,308.60	
Travelling				
Leave grant			30,000.00	
Directors all'ce			2,655.00	
Vehicle hire			19,560.90	
Electricity			1,557.29	
Telephone			5,058.61	
Water supply			98.05	
Sundries			-	
Staff Incentive			749.60	
Staff Training			(30.00)	
Board Entertainment			98.50	
Entertainment			4,145.65	

Oper. Supplies	Admin	2,600.91	
	Supply	15.72	
	Catering	1,996.34	
	Beverage	287.01	
	Power & Mechanic	37.94	
	Accomodation	6,209.34	
	Marine	-	
	Guide	319.26	
Yagona exp		156.05	
Staff Uniform		468.00	
Licences		1,364.00	
Legal fee		102.00	
Bank Charge		3,349.97	
Loss & Damage		809.26	
Repairs & Maintenance		47,836.13	
Promotion		100.00	
Audit Fee		2,500.00	
Obsolete Stock			
Doubtful debt.			
Depreciation Exps		62,342.34	
Company Tax			-
Profit sharing			
Prior Period Items			72,042.79
		4,652,791.65	**4,652,791.65**