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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

TE MAURI TE RAOI AO TE TABOMOA

CENTRAL PACIFIC PRODUCT CO. LTD FOR THE YEAR ENDED 30 APRIL 2002

KIRIBATI NATIONAL AUDIT OFFICE

August 2008

REPORT OF AUDITOR GENERAL ON THE ACCOUNTS OF CENTRAL PACIFIC PRODUCERS LIMITED FOR THE YEAR ENDED 30th APRIL 2002

EXECUTIVE SUMMARY

Findings:

? Loss

- The company has incurred an operating ~~profit~~ of $1,265,469.55 in 2002 (refer paragraph 2.1).
- The company's working capital has been increased as a result of an increase in Current Assets and Current Liabilities (refer paragraph 2.2)
- The balance for outstanding deposits and adjustments made cannot be verified due to missing receipts books (refer paragraph 4.1).
- There were variances found between the listing and the subsidiary ledger accounts which remain outstanding to date (refer paragraph 4.2).
- Expenses and revenue accounts could not be verified due to the missing of some of the Cash Book pages (refer paragraph 4.3).
- The treatment for the subsidy from government and donated assets cannot be verified as it needs more clarification to be applicable with the IAS in order for the management to comply with (refer paragraph 4.4).

Recommendations:

- It is recommended that the company should maintain a sustainable level of sales and try to minimize total expenditure.
- The audit recommends that the company should maintain a positive working capital and net worth in order to have a secure financial position and also ensure that current liabilities does not exceed current assets.
- It is recommended that accounting documents should be maintained and kept safe for auditing purposes.
- It is highly recommended that sufficient control in maintaining the debtor's ledger should be enforced and closely monitored.
- It is strongly recommended that management should take appropriate actions to ensure proper control over maintaining the Cash Book.
- It is recommended that management should comply with IAS requirements.

REPORT OF AUDITOR GENERAL ON THE ACCOUNTS OF CENTRAL PACIFIC PRODUCERS LIMITED FOR THE YEAR ENDED 30th APRIL 2002

As required by Part VII of the Public Finance (Control and Audit) Ordinance 1976, I have completed the audit of the Central Pacific Producers Limited for the year ended 30th April 2002, in accordance with the relevant statutory provisions and normally accepted Auditing Standards.

1. GENERAL

The Central Pacific Producers Limited was incorporated on the 22nd May, 2001, when it took over operations of the former Te Mautari Limited and the Outer Islands Project. It is 100% owned by the Kiribati Government.

2. FINANCE

2.1 Financial Performance

The performance of the company for the last two years is detailed in the table below:

Year Ended 30 April	2002 $	2001 $	Variance %
Sales	397,481.00	-	
less Cost of Sales	220,278.00	-	
Gross Profit	177,203.00	-	
Plus Other Income	700,586.38	-	
Less Operating Expenses	2,143,469.93	-	
Net Operating (Profit)/Loss	1,265,469.55	-	
Less Non Operating Income	1,657,981.95	35,804.94	4531
Net Profit/(Loss)	**392,512.40**	**35,804.94**	**356,707.46**

It can be seen from the above table that the company has incurred an operating profit ? loss of $1,265,469.55. We are unable to make a comparison between both years as there is no data for revenue and expenses given for 2001 though the company is still operate in 2001. However since the company has just started to earn income in 2002, there is hope that the company will maintain and improve its performance in future.

Recommendation

Audit recommends that the company should maintain a sustainable level of sales and try to minimize total expenditure in order to remain in its performance as it is now, or to improve to better perform in future.

2.2 Financial Position

Year Ended 30 April	**2002**	**2001**	**Variance**
	$	$	%
Current Assets	361,096.59	98,097.85	268.10
Less Total Liabilities	199,448.75	61,792.91	222.77
Working Capital	161,647.75	36,304.94	345.25

From the table above, it shows that the company's working capital for 2002 has been increased by 345%. This large percentage increase can be a result of the incorporation of Te Mautari Limited with the Outer Island Project whereby their assets and others are added together as one. Having an increase in Current Assets and Current Liabilities of 268% and 223% respectively, it is however seen that the company is having a secure financial position.

Audit recommends that the company should maintain a positive working capital and net worth in order to have a secure financial position. In addition we also recommend that the company should manage its current liabilities and ensure it does not exceed the current assets.

4. Audit Findings

4.1. Bank Reconciliation

The audit check noted with concern that the balance for the outstanding deposits and adjustments cannot be verified due to the missing receipts books for the month of May 2002 and November 2001 to April 2002. It is important that such accounting documents are properly maintained and complete. Obtaining these documents for proper scrutiny is however an important feature in performing our duties.

It is therefore recommended that accounting documents should be maintained and kept safe so that the auditing could be properly discharged without difficulties.

Response

Deposits books for May 2002 and November 2001 to April 2002 have been located. However the revenue receipt books are still missing and need more time to look for them. It is still under pursuit.

4.2. Debtors Variances

The audit expressed concerns that there were variances found between the listing of debtor's account and its subsidiary ledgers which still remain outstanding to date. The follow up audit noted that the company could not make any adjustments as the person in charge is new to the post and all relevant debtors' records could no longer be located. The detail of the debtors' variances is appended below:

Date	Detail	Balance as per Draft Account	Balance as per S/Ledger	*Variances*
	TSKL	$ 255.20	$ 0.30	*$ 254.90*
	MOEL	$ 3,462.90	$ 3,657.91	*$ (195.01)*
21/07/01	*Makeran*	$ -	$ 14.55	*$ (14.55)*
8/10/2001	*Ioteba Katia*	$ -	$ 21.60	*$ (21.60)*
	Fisheries Division	$ 2,233.70	$ -	*$ 2,233.70*
	Police and Prisons	$ 599.45	$ -	*$ 599.45*
2/10/2001	*KSA*	$ -	$ 28,389.03	*$ (28,389.03)*
7/11/2001	*MESD*	$ 1,962.00	$ 1,812.00	*$ 150.00*
5/4/2002	*MHFP*	$ 15,157.35	$ 3,327.35	*$ 11,830.00*
31/03/02	*MHRD*	$ 484.75	$ 6,953.65	*$ (6,468.90)*
18/01/02	*Marine Works Japan Ltd*	$ -	$ 3,443.30	*$ (3,443.30)*
4/1/2002	*AMMS*	$ 6,345.70	$ 5,638.46	*$ 707.24*
8/1/2002	*KOIL*	$ 2,360.10	$ 1,924.70	*$ 435.40*
30/04/02	*Dong Wong*	$ -	$ 5,650.38	*$ (5,650.38)*
30/04/02	*Han Way Shipping*	$ -	$ 1,260.19	*$ (1,260.19)*
30/04/02	*Han Sing*	$ 7,308.29	$ 830.45	*$ 6,477.84*
30/04/02	*Jing Sung*	$ 4,363.74	$ 14,290.88	*$ (9,927.14)*
30/04/02	*Shilla Co. Ltd*	$ -	$ 2,769.78	*$ (2,769.78)*
				$ (35,451.35)

It is clearly revealed that the total variance of ($35,451.35) is substantial and therefore effort to find past records of debtors control ledger should be done.

It is highly recommended that sufficient control in maintaining the debtors' ledger should be enforced and closely monitored.

Response

Debtors control ledger had been missing or misplaced during account records transferred from the office to the container and cold-store. However the required documents are still under pursuit.

4.3. Expenses and Revenues

The above expenses and revenue accounts could not be verified due to the Cash Book for May 2001 to April 2002 pages were torn out and missing. It was also noted that the recording of transactions in the Cash Payment and Cash Receipt Book was not up-to date and also incomplete. This is the same problem auditors encountered when verifying the balance for outstanding deposits under Bank Reconciliation comment.

It is strongly recommended that management should take appropriate actions to ensure proper control over maintaining the Cash Book. It is also recommended that the recording of transactions should be done regularly and that records or documents be kept safe for auditing or future references.

Response

The cash books for May 2001 to April 2002 (Cash Receipt Journal and Cash Payment Journal) pages were torn and missing from the cash books. We are unable to trace or locate them which may cause problems on attendance to verification.

4.4. IAS Procedure related to the Account

The audit noted that the treatment for the subsidy from government, and donated assets cannot be verified as it needs more clarification to be applicable with the IAS in order for the management to comply with.

1. Subsidy from Government

Treatment procedure for the Governments Grant

Under IAS 20.14 it states that:

(a) Government grants are a financing device and should be dealt with as such in the balance sheet rather than be passed through the income statement to offset the items of expense which they finance. Since no repayment is expected, they should be credited directly to shareholder's interests;

(b) It is inappropriate to recognize government grant in the income statement, since they are not earned but represent an incentive provided by government without related costs.

In regard to non-monetary grant such as fixed assets (or long term assets) a company is required to determine their fair value before accounting them as an increase in the fixed assets and an increase in the Asset Revaluation Reserve that will be classified under the equity or the shareholder's equity.

The Asset Revaluation Reserve account will be created under the equity at its fair value and should be amortized annually at the rate to what the management agreed upon in line with the company's non-operating revenue.

In addition to that IAS 4.4 defined Depreciable assets as asset which:
(a) are expected to be used during more than one accounting period,
(b) have a limited useful life and
(c) are held by an enterprise for use in the production or supply of goods and services, for rental to others or for administrative purposes.

Therefore in regard to what the IAS as stated above then we must confirm that the account should be involved for the government non-monetary grant will be a Depreciation expense which will be debited under the Profit and Loss Account. The fixed asset account at its original cost should also be considered as part of that process and should less the accumulated depreciation as from the total depreciation from previous years plus the depreciation for that current year.

Even though some fixed assets particularly the vessel called Nei Moamoa have no legal form of transfer of ownership you should regard it as your own asset because you have been using it for more than one year, and more importantly it had been generating so much revenue to your company that for sure give you a lot of benefits. Therefore again Depreciation method should be used in order to reflect the pattern in which the assets economic benefits are consumed by your company as stated under IAS 16.41.

2. Donated Assets

Our audit policy regarding accounting treatments of donated assets are normally governed under relevant clauses of the International Accounting Standard (IAS) or Generally Accepted Accounting Practices (GAAP).

Donated assets should also be regarded as additions to the entity's revenue and should be classified also under the Equity as the adjustment towards that equity. For this asset if should be treated as an Aid Reserve which should be credited under the equity but for the next year it should be amortized and that account will affect the aid reserve by debiting the aid reserve and crediting the extraordinary items (or amortization of aid reserve) in the Profit and Loss Account. The rate to be applied as amortization should be in line with the company's accounting policy for depreciation.

Donated assets should be treated as fixed assets if applicable with IAS 4.4 and IAS 16.4 which had been stated above for the Government grant.

IAS 16.30 states that the value of each fixed asset could be determined by appraisal normally undertaken by professionally qualified valuers. Therefore this is the main problem in your company as most assets were not revalued by appraisal thus resulted in weakening the management decision on which value to be used or to be taken into account.

Thus, it is highly recommended that the Management should consider this issue and take into account assets which have been valued properly. It is advisable that management get together to agree on the value so the account could be adjusted according to what had been discussed above related with IAS.

REPORT OF AUDITOR GENERAL ON THE ACCOUNTS OF CENTRAL PACIFIC PRODUCERS LIMITED FOR THE YEAR ENDED 30th APRIL 2002

Scope

I have audited the accounts of the Central Pacific Producers for the year ended 30th April 2002.

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 accepted 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 accepted 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

Most documents necessary for the performance of the audit were not made available. As the remaining accounting records are not adequate to permit the application of necessary auditing procedures, we are unable to obtain all the information and explanations we require in order to form an opinion.

Audit Opinion

In my opinion, because of the existence of the limitation of scope of my work as described in the qualification paragraph, I am unable to and do not express an opinion as to whether financial statements presented fairly in accordance with applicable Accounting Standard, the Company Ordinance 1976 and the mandatory professional reporting requirements of the financial position of Central Pacific Product Limited as at 30 April 2002 and the results of its operations and its cash flows for the year then ended.

Raimon Taake
Auditor General

Central Pacific Producers Ltd.
Balance Sheet Statement.
As at 30/04/02.

	Notes	2002	2001
Current Assets:			
Cash on and at bank		224,464.68	27,874.60
Debtors Control	3	111,265.91	70,223.25
Stock		25,366.00	-
		361,096.59	98,097.85
Less Current Liabilities:			
Creditors Control	4	(187,038.75)	(61,792.91)
Accrued expenses		(12,410.00)	-
		(199,448.75)	(61,792.91)
Working Capital		161,647.84	36,304.94
Non Current Assets	16	5,474,276.55	5,742,273.00
		5,635,924.39	**5,778,577.94**

Represented by the following:

	Notes	2002	2001
Paid up shares		(500.00)	(500.00)
Retained Earnings b/fwd		(35,804.94)	-
Net Profit for year		(392,512.40)	(35,804.94)
Government Aids Reserve	5	(5,207,107.05)	(5,742,273.00)
		(5,635,924.39)	**(5,778,577.94)**

Chairman: .... Director: ....

The notes on pages 4 to 7 form part of this financial report.

Central Pacific Producers Ltd,
Profit and Loss Statement,
For Year Ended 30/04/02.

	Notes	2002	2001
Sales			
Less Cost of Sales	6	(397,481.00)	
Gross Profit	7	220,278.00	
		(177,203.00)	
Plus Other Operating Income:			
Agency fees			
Crewing fees	8	(170,895.00)	
Charter fees		(6,176.00)	
Freght Received	9	(258,806.92)	
Hire	10	(105,026.00)	
Fares		(1,194.00)	
Sundry Income		(16,428.00)	
Cold store		(6,199.46)	
Storage	11	(129,695.00)	
		(6,166.00)	
		(700,586.38)	
Total Income:			
		(877,789.38)	
Less Operating Expenses:			
Staff salary/wages, etc			
Hosing Allowance	12	339,016.99	
Stationery		4,500.00	
Telephone, etc		27,059.25	
Overseas travels		35,039.00	
Local Travels		49,902.53	
Fuel and Oil Expenses		19,976.05	
Repairs and Maintenance	13	354,540.00	
Food Provisions	14	414,766.18	
Subsidised rent		53,510.48	
KPF Expenses		8,179.00	
Advertising and postage		2,733.00	
Freight expenses		190.00	
Port charges		16,197.00	
Directors expenses		24,186.00	
Entertainment		1,432.00	
Post office commission		4,073.00	
Membership fees		708.00	
Survey expenses		600.00	
Trainings		15,620.00	
Bank charges		13,188.00	
Customs		523.00	
Trial fish export expenses		3,574.00	
Marine insurance		7,049.00	
Loss on exchange rate		40,254.00	
General office expenses		614.00	
Doubtful Debts		15,937.00	
Depreciation		111,265.00	
		578,626.45	
		2,143,258.93	
Net Operating (Profit)/Loss			
		1,265,469.55	
Less Non Operating Income:			
Subsidy from Kiribati Gov't and others	15	(1,122,816.00)	
Government Aids Released			(35,804.94)
		(535,165.95)	
		(1,657,981.95)	-
Net Ptrofit			(35,804.94)
		(392,512.40)	**(35,804.94)**

The notes on pages 4 to 7 form part of this financial report.

Central Pacific Producers LTD,
Cash Flow Statement,
For Year Ended 30/04/02.

	Notes	2,002	2,001
Cash Flow from Operations:			
Receipts from Agents and Customers:		945,759.72	-
Payments to suppliers and employees:		(1,561,355.64)	-
		(615,595.92)	-
Debtors taken over from K Gov't.		-	(70,223.25)
Creditors taken over from K Gov't.		-	61,792.91
Paid up shares in CPPL		-	500.00
	1	**(615,595.92)**	**(7,930.34)**
Cash Flow from Investing Activities:			
Acquisition of long term assets:		(310,630.00)	
Cash Flow from Financing Activities:			
Subsidy from Kiribati and Japanese Governments:		1,122,816.00	35,804.94
Net increase/(decrease) in cash and cash equivalent on hand:		196,590.08	27,874.60
Cash and cash equivalent at beginning of period:		27,874.60	-
	2	**224,464.68**	**27,874.60**

Note 1:
Reconciliation of Net Profit to net cah and cash equivalent for year ended 30/04/02.

Net Loss for period:	392,512.40	-
Plus Depreciations	578,626.45	-
Plus Doubtful Debts	111,265.00	
Plus Accrued expenses	12,410.00	-
Less Subsidies	(1,122,816.00)	
Less Government Aids Released	(535,165.95)	-
	(563,168.10)	
Change in Creditors	125,245.84	61,792.91
Change in Debtors	(152,307.66)	(70,223.25)
Change in stock	(25,366.00)	-
Change in Shares	-	500.00
	(615,595.92)	**(7,930.34)**

Note 2:
Reconciliation of Cash and cash equivalent as at 30/04/02.

Cash at bank	220,501.34	23,911.26
Cash on hand	3,963.34	3,963.34
	224,464.68	**27,874.60**

The notes on pages 4 to 7 form part of this financial report.

1. The Central Pacific Producers Limited was incorporated on 22nd May, 2001, when it took over operations of the former Te Mautari Limited and the Outer Islands Project. It is 100% owned by the Kiribati Government.

2. Basic Accounting Policies.
The statements are prepared under the historic cost convention, except for certain fixed assets which are taken over at valuation from the Kiribati Government, and complies to International Accounting Standards which are acceptible in Kiribati.

(a). Depreciations.
Fixed assets are depreciated on a straight line method to write off the cost/valuations over the expected useful life of the asset.

The rates used are as follow:

Office Equipment	20%
Plant and Machinery/Generators	15%
Furniture and Fittings	25%
Scales/Cooler and Tools	20%
Motor Vehicles	20%
Vessels	15%
Ice Making Machines	20%
SSB Radio	20%
Buildings	5%
Boat and Canoes	15%

(b). Subsidies.
Subsidies received in cash from the Kiribati Government and other government agencies, are credited direct to Retained Earnings through a PL account.

©. Aids.
Aids received in the form of fixed assets, from the Government of Kiribati and other government agencies are credited to Government Aids Reserve account, in the Balance Sheet. Annually, a sum equivalent to the amount charged as depreciation for these FA is released to Retained Earnings, through a PL account.

3 Debtors Control.

	2002	2001
Amounts owed from the followings:		
Government Ministries	101,627.61	
Public Cos and Bodies	57,787.34	
Privates	63,115.96	
	222,530.91	70,223.25
Less Provision for Doubtful Debts	(111,265.00)	-
	111,265.91	70,223.25

4 Creditors Control.

	2002	2001
Amount owed to the followings:		
Government Ministries	27,241.54	
Public cos and bodies	44,252.98	
Privates	115,544.23	
	187,038.75	(61,792.91)

5 Government Aids Reserve.

	2002	2001
Balance Brought forward	(5,742,273.00)	
Added during period	-	(5,742,273.00)

		2002	2001
		(5,742,273.00)	(5,742,273.00)
	Released during period	535,165.95	-
		(5,207,107.05)	(5,742,273.00)

		2002	2001
6	**Sales**		
	From CFM Betio	360,564.00	-
	From Outer Islands	36,917.00	-
		397,481.00	-
7	**Cost of Goods Sold.**		
	Purchases	245,644.00	-
	Less Closing stock	(25,366.00)	-
		220,278.00	-
8	**Agency fees**		
	From the following fishing companies:		
	Donwong Fishing	76,440.00	-
	Eastwood Fishing	3,130.00	-
	Fairwell Fishing	1,365.00	-
	Fong Hong Fisheries	1,365.00	-
	Hansung Enterprises	8,190.00	-
	Ming Dar Fisheries	4,095.00	-
	Ji Sung Fisheries	15,450.00	-
	Oyang Corporation	8,190.00	-
	Sajo Industries	19,110.00	-
	Shilla Fisheries	27,300.00	-
	Young Woo Fisheries	6,260.00	-
		170,895.00	-
9	**Charter fees**		
	Highseas	116,346.92	-
	Local	142,460.00	-
		258,806.92	-
10	**Freights received**		
	Mostly from MV Moamoa	105,026.00	-
		105,026.00	-
11	**Cold Store revenue**		
	Sale of dumped fish from foreign vessels	129,695.00	-
		129,695.00	-
12	**Staff Salary/wages, etc.**		
	Head Office	60,063.60	-
	CFM	48,403.00	-
	Moamoa	97,412.49	-
	Cold Storage	63,113.90	-
	Tiaroa	28,680.25	-
	Baibo	14,239.05	-
	Outer Island Branches	25,038.80	-
	Tuna Development	2,065.90	-
		339,016.99	-
13	**Fuel and Oil**		
	Generator	137,710.00	-

MV Moamoa	152,452.00	-
Tiaroa	19,380.00	-
Teriena	14,698.00	-
Outer Islands	29,626.00	-
Tuna Project	417.00	-
Baibo	257.00	-
	354,540.00	-

14 Repairs and Maintenances

Head Office	16,267.16	-
CFM	5,341.94	-
Moamoa (incl. TML o/s debt for Moamoa, Suva)	352,262.84	-
Cold Store	3,336.70	-
Tiaroa	10,911.56	-
Outer Islands Branch	866.96	-
Baibo	25,779.02	-
	414,766.18	-

15 Subsidies received

Government of Kiribati	908,057.00	-
Government of Japan - Kokona III Canoe	178,093.00	-
Government of Japan - Kiribati 5 Canoe	36,666.00	-
	1,122,816.00	-

16 Non Current Assets

	Office. Eqpt	Plant and Machunery	Furniture Fittings	ales/Cool and tools	Motor Vehicles	Vessels	Ice Maker	SSB Radio	Bldgs	Boat and Canoes	Total
Cost/Valuation as at 1/5/01.											
Bal as at 01/05/01.		157,000		63,500	143,000	3,730,000	443,000	9,000	3,591,000	391,190	8,527,690
Added durg period	21,070	59,811	3,125	-	-	-	-	-	45,000	181,624	310,630
Bal as at 30/04/02.	21,070	216,811	3,125	63,500	143,000	3,730,000	443,000	9,000	3,636,000	572,814	8,838,320
Depreciation as at 1/05/01.											
Bal as at 01/05/01.	-	-	-	-	-	(2,785,417)	-	-	-	-	(2,785,417)
Charged durg period	(4,214)	(32,522)	(781)	(12,700)	(28,600)	(141,687)	(88,600)	(1,800)	(181,800)	(85,922)	(578,626)
Bal as at 30/04/02.	(4,214)	(32,522)	(781)	(12,700)	(28,600)	(2,927,104)	(88,600)	(1,800)	(181,800)	(85,922)	(3,364,043)
Net Book Amount:											
As at 30/04/02.	16,856	184,289	2,344	50,800	114,400	802,896	354,400	7,200	3,454,200	486,892	5,474,277
As at:01/05/01.	-	157,000	-	63,500	143,000	944,583	443,000	9,000	3,591,000	391,190	5,742,273