REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

KIRIBATI COPRA COOPERATIVE SOCIETY FOR THE YEAR ENDED 31ST DECEMBER 2005 TO 2007

KIRIBATI NATIONAL AUDIT OFFICE

December 2009

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF KIRIBATI COPRA COOPERATIVE SOCIETY LTD FOR THE YEAR ENDED 31 DECEMBER 2005-2007

EXECUTIVE SUMMARY

Findings

- The company had reported an increase in operating profit for 2007 of 400.67% due predominantly to an increase in sales revenue, albeit this figure could not be verified by my office. (para. 2.1)
- The company's financial position had incurred a negative working capital throughout the years 2005-07, albeit inventories have not been reported. (para. 2.2)
- Unsupported invoices for Copra Sales revenue. (para. 3.1)
- Unrecorded and undeposited Cash Receipts for the years 2005 & 2006. (para. 3.2)
- Inventory account did not appear in the draft account for 2005 to 2007. (para. 3.3)
- An outstanding debtor amounted to $147,938.97. (para. 3.4)
- Significant variances between trade creditors in the draft accounts and its sub ledger listings for 2006 & 2007. (para. 3.5)
- Significant Variances between sundry creditors and its listings for the years 2005 to 2007. (para. 3.5)
- A number of missing Payment Vouchers for the years 2005-2007. (para. 3.6)
- There is no asset register maintained for the years. (para. 3.7)
- A missing Copra Shipment Receipts (CSR) book for the years 2006 & 2007. (para. 3.8)
- No Bank Reconciliations provided for the years 2005-2007. (para. 3.9)
- Missing Paysheets for the year 2005. (para. 3.10)

Recommendations

- 2.1- KCCS should maintain an increase in operating profit
- 2.2- KCCS should continue to improve its financial position
- 3.1- Invoices should be provided with relevant supporting documents during auditing
- 3.2- Management needs to ensure that Cash receipts are recorded as they are earned and should be deposited daily
- 3.3- Inventory account should be presented in the draft account for the years 2005 to 2007 unless if there is appropriate explanation
- 3.4- KCCS should enhance control over its debtors and any prolonged debtors without supporting documentation should be written off as a bad debt
- 3.5- Management needs to reconcile its trade and sundry creditors
- 3.6 & 3.8 - All documents like Receipts, PVs and other relevant documentations should be kept safely for future auditing and reference for the company
- 3.7- An asset register needs to be maintained.
- 3.9- Management needs to perform regular bank reconciliations to ensure its cash at bank are safe and sound
- 3.10- KCCS should enhance its controls over payroll.

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF KIRIBATI COPRA COOPERATIVE SOCIETY LTD FOR THE YEAR ENDED 31 DECEMBER 2005-2007

As required by part VII of the Public Finance (Control and Audit) Ordinance 1976, I have completed my audit of the Kiribati Copra Cooperative Society for the year ended 31st December 2005-2007 in accordance with the relevant statutory provisions and normally accepted Auditing Standards.

1. GENERAL

Kiribati Copra Cooperative Society Ltd (KCCS) was incorporated under the Co-operative Societies Ordinance 1977 for the economic interest of member societies and the purchase and export of copra.

2. FINANCE

2.1 Financial Performance

The table below summarized the performance of KCCS for the last three years 2005-2007.

Year ended 31st December	2007	2006	2005	Variance in %	
	$	$	$	2007	2006
Sales	4,747,770	1,122,994	1,310,599	322.78	(14.31)
Less Cost of Sales	2,859,400	1,071,829	1,263,086	166.78	(15.14)
Gross Profit	1,888,370	51,165	47,513	3,590.75	7.69
Less Operating Expenses	630,405	469,549	499,084	34.26	(5.92)
Net Operating Profit/(Loss)	1,257,965	(418,384)	(451,571)	400.67	(7.35)
Plus Non Operating Income	1,443	298,608	17,325	(99.52)	1,623.57
Profit/(Loss) before Abnormal items	1,259,408	(119,776)	(434,246)	1,151.47	72.42
Less Abnormal items	35,283	178,110	25,652	(80.19)	594.33
Net Profit/(Loss)	1,224,125	(297,886)	(459,898)	510.94	(35.23)
1.Profit Margin ratio	0.26:1	(0.27):1	(0.35):1	197.20	(24.41)

The performance of the company for 2007 reflects a huge turnaround when compared to 2006 and 2005. The company's operating profit for 2007 of $1.2m was a 400.67% increase when compared with 2006 operating profit. This is due to an unusual increase in the companies' copra sales (could not be verified).

Unfortunately the two previous years: 2005 & 2006 show a discouraging performance as the company incurred operating losses of $451,571 and $418,834 respectively and further resulted in having negative profit ratios for the both years. A negative profit margin ratio is indicative that the company is not doing well during these years, which could be attributable to the following factors.

- ✓ Increased amount of expenditures
- ✓ Huge amount of Cost of Sales
- ✓ Decreased in Sales revenue

2.2 Financial Position

The table below summarized the company's financial position for the three years 2005, 2006 & 2007.

	2007	2006	2005	Variance in %	
Year ended 31st December	$	$	$	2007	2006
Current Asset	1,646,600	372,513	653,427	342.02	(42.99)
Less Current Liabilities	10,505,912	10,459,468	10,441,808	0.44	0.17
Working Capital	(8,859,312)	(10,086,955)	(9,788,381)	(12.17)	3.05
Cash	(386,333)	(442,510)	(470,806)	(12.70)	(6.01)
Debtors	2,032,933	815,023	1,109,233	149.43	(26.52)
2.Current Ratio	0.16:1	0.35:1	0.06:1	(54.29)	483.33

Overall the company's financial position had incurred a negative working capital throughout the years. This is largely due to the following reasons:

- ✓ Low dollar amounts in current assets (Cash & debtors) while there has been an offset of high dollar amounts of currents liabilities (trade & sundry creditors)

In 2006 the current ratio had increased by 483.33% compared to a decrease of 54.29% the following year. The current ratio in 2006 is more favorable compared to 2005 & 2007 as it represents the highest ratio of 0.35:1. This means that the company's immediate assets could be turned more quickly into cash to meet the company's immediate liabilities compared to other two years. However the ratio as given is remained unsatisfactory as it is very low. Of significant concern was the fact that the company's financial position is unsecure regarding to the three accounting periods. This implies that the company would not able to meet its short term debts when they fall due.

Recommendation on Financial Performance and Position
The company should seek ways to improve its financial performance through continuing in maintaining a sustainable increase in total income and at the same time decreasing its levels of expenditures. It is also recommended that the company should improve its working capital by minimizing its creditors, increasing its ability to collect its outstanding debtors and to write off any prolonged debtors if necessary in order to secure its financial position.

3. AUDIT FINDINGS

3.1 Sales

Observation

The audit noted invoices for copra sales which have no supporting documents as listed below:

Date	Invoice #	Detail	Amount
2005			
12/01	01/05	KCMCL	17,902.30
11/02	03/05	KCMCL	39,710.84
14/03	05/05	KCMCL	51,600.00
06/04	09/05	KCMCL	51,600.00
03/05	10/05	KCMCL	49,260.46
21/06	13/05	KCMCL	73,325.53
16/08	17	KCMCL	74,680.12
2/12	24	KCMCL	52,500.00
7/11	23	KCMCL	184,522.55
2006			
04/01	27	KCMCL	43,001.70
19/01	28	KCMCL	43,575.21
27/01	29	KCMCL	12,023.76
07/02	31	KCMCL	14,472.57
07/03	33	KCMCL	53,471.67
13/03	34	KCMCL	11,528.58
20/03	35	KCMCL	31,647.00
21/03	36	KCMCL	13,114.08
22/03	37	KCMCL	28,398.72
31/03	38	KCMCL	13,152.93
24/04	41	KCMCL	53,725.98
03/05	42	KCMCL	16,335.90
18/05	43	KCMCL	15,424.71
19/05	44	KCMCL	10,832.22
02/06	47	KCMCL	30,699.06
20/06	49	KCMCL	39,707.85
04/07	50	KCMCL	33,928.65
05/07	51	KCMCL	51,031.26
06/09	55	KCMCL	41,141.10
19/09	57	KCMCL	45,780.84
21/11	61	KCMCL	52,170.09
15/12	64	KCMCL	110,092.50
25/12	65	KCMCL	43,572.06
30/12	66	KCMCL	31,845.45
2007			
23/01	01	KCMCL	70,634.55
20/02	02	KCMCL	80,159.94
21/03	03	KCMCL	103,063.59
21/05	06	KCMCL	97,508.46
20/06	07	KCMCL	104,150.97
23/07	09	KCMCL	102,855.83
31/08	13	KCMCL	69,839.80
31/08	13	KCMCL	69,839.80

13/09	15	KCMCL	53,633.67
31/12	22	KCMCL	240,279.95

The audit findings also revealed a variance of $50,000.00 of Copra Sales. The amount posted in the general ledger is different from the amount posted in KCMCL sub ledger account as detailed below.

Date	Sales Ledger	KCMCL sub-Ledger	Variance
7/11/2005	184,522.55	134, 522.55	50,000.00

Recommendation
Management should provide supporting documents as stated above and also to review further on KCMCL sub ledger account to settle the variances.

Response
Agreed. Supporting documents for invoices had been misplaced in the past years and were hardly located recently. The above variance is reviewed and corrected accordingly.

3.2 Cash Receipts

Observation
The audit noted cash receipts which are not recorded in the Cash Book and not appeared in the Bank Statement.

Date	Receipt #	Details	Amount
2005			
13/05	08993	Onotoa Island	60.00
25/05	08994	M.Salary reverse	196.00
09/06	08995	BKL	3,200.00
24/06	08997	KCMCL	29,367.45
24/06	08998	KCMCL	20,362.55
24/06	08999	KCMCL	55,568.81
06/07	05001	Sacks sales	27.00
22/07	05002	KCMCL	2,266.49
22/07	05003	USP	15.00
28/07	05004	KCMCL	34,527.21
28/07	05005	KCMCL	13,000.00
08/08	05007	Peter & Sons	60.00
15/08	05009	Social Club	1,000.00
14/10	05013	KCMCL	10,000.00
14/10	05014	KCMCL	23,278.70
2006			
29/03	05046	Kabetite	11.00
23/06	05065	KCMCL	7,000.00
26/09	05078	KCMCL	29,296.65
31/10	05091	Tebeia (receipt type cash)	19.50

Recommendation
Management needs to trace these amounts of receipts by checking the Cash Book so as to settle the above matter.
Response

Agreed. Management had traced these amount of receipts to Cash book and Bank statements. Bank Statements were incomplete since some pages are missing. However the issue is under review by management.

3.3 Stocks

Observation
Audit findings revealed that there is no inventory account appeared in the draft account for 2005 to 2007.

Recommendation
Management is required to give and explanation on how inventory account is being excluded from the financial account and to provide legal evidence to support the above matter.

Response
Agreed. A legal evidence to support the above matter was hardly found but the Min. of Commerce had aware of this matter.

3.4 Trade Debtors

Observation
With great concern the audit found out that there are invoices related to trade debtors with no supporting documents. (See table below)

Date	Invoice#	Details	Amount
2005			
17/03	06/05	Holland Commodities	100,126.72
03/08	17/05	Holland Commodities	79,048.75
2007			
14/06	01/07	Pacific Commodities	650,000.00
14/06	02/07	Pacific Commodities	230,000.00
30/08	04/07	Pacific Commodities	843,750.00
30/08	05/07	Pacific commodities	363,750.00
12/12	22/07	Pacific Commodities	866,411.40

There is a balance of CTFL amounted to $147,938.97 which remain outstanding from previous years. The last payment was made on 31/03/04 and yet still included in the draft account for 2005 to 2007.

In addition the audit noted the following deficiencies in regard to invoicing system:

- The invoice numbers were not serially issued in accordance with the accounting standard
- Invoices raised were not supported
- No register maintained or opened

Recommendation
Management needs to find missing documents and to write off any prolonged debts if necessary. It should also ensure that the invoicing system is performed well.
Response

Agreed. Missing documents as stated above were hardly located since they had been misplaced in the past years. Therefore recent documents were kept safely for future auditing purposes.

3.5 Creditors

Observation
The audit noted significant variances between trade creditors in the draft accounts and its sub ledger listings.

Date	Bal as per Draft a/c	Bal as per Sub-L	Variance
2006	(4,037,848.00)	(4,041,576.49)	3,728.49
2007	(4,169,344.00)	(4,173,072.95)	3,728.95

The audit also noted significant variances between the account payable in the draft account and its sub ledger listings for each financial year and are as follows:

F. Year	Bal as per Draft a/c	Bal as per Sub-L	Variance
2005	15,531,211.00	15,469,707.92	61,503.08
2006	15,531,211.00	15,477,547.30	53,663.70
2007	15,685,554.00	15,624,051.35	61,502.65

There are various amounts of payments for account payable that could not be verified due to missing documents as clarified below:

- Missing Copra Shipment Receipts (CSR) for 2006-2007:
  CSR Serial # 2201-2300

Recommendation
Management should review it trade and sundry creditors to check for the variances and to make corrections accordingly.

Response
Variances as stated above were reviewed by the company and corrected accordingly. Management had tried to find the above CSR but hardly find. It may be misplaced along with other documents.

3.6 Cash Payments

Observation
The Audit test could not confirm various amounts of payments as stated in the draft accounts due to the following Missing PVs:

Missing Payment Vouchers

Date	PV #	Details	Amount
2005			
Jan	12/05	Outer Island Salary	4,583.85
	15/05	HQ Staff Wages	3,374.75
	54/05	HQ Staff Salary	3,168.65
	81/05	Casual Labour Wages	13,328.20

Feb	107/05	Casual Labour Wages	3,908.20
	111/05	Part Payment	30,000.00
	131/05	Cash Float Nonouti & Abemama	9,000.00
	140/05	Casual Labour Wages	6,355.55
	175/05	Casual Labour Wages	5,729.75
Mar	213/05	HQ Staff Salary	2,736.10
	286/05	Staff Contribution	2,831.36
Apr	323/05	Part Payment	6,000.00
	369/05	Part Payment for Freight & Handling	30,000.00
June	431/05	HQ Staff Salary	1,394.80
	452/05	Outer Island Salary	3,786.00
Sept	495/05	HQ Staff Salary	1,719.60
	595/05	Part Payment on Outstanding F & H	10,000.00
Oct	649/05	HQ Staff Salary	4,008.30
Nov	683/05	Redundancy cost for Mr. Tooti	1, 863.15
2006			
Feb	109/06	Final payment of long outstanding a/c	84,517.84
	119/06	Charter cost	24,735.05
Mar	159/06	Advance payment for copra freight & handling	7,755.00
	203/06	Settlement of inv 6160-6162	15,317.27
May	311/06	Prepayment for collecting of Makin	10,740.00
July	393/06	HQ & Copra inspector's overtime	2,691.40
Aug	435/06	Settlement of invoice	20,068.98
Sept	483/06	Staff payee for May to Dec 2005	12,811.53
Oct	570/06	Cash float	17,911.55
	576/06	Settlement for invoice 16359	29,713.76
Nov	611/06	Settlement for inv 16532-533	15,230.69
Dec	678/06	Settlement for inv 16533	28,963.08
2007			
April	353/07	2nd payment to Kabane	1,650.00
May	414/07	Leave commutation	899.15
June	585/07	Settlement of invoices	46,750.00
July	648/07	Outstanding debts	89,848.28
	699/07	Settlement for invoice 17587	69,979.55
Sept	88/07	Payment to court case	30,000.00
Dec	1297/07	Charter cost	47,250.00
	1327/07	Payment of outstanding	20,000.00
	1326/07	Settlement to invoices	25,897.32

Recommendation
Management needs to find missing PVs in order to settle the above matter or else regarded as being missing and the issue is taken into account. For future auditing it is highly recommended that the same issue should not occur again.

Response
Agreed. Management regrets to say that he above PVs could not be found probably been misplaced. Recently all PVs were maintained and kept safely for future reference.

3.7 Property Plant & Equipment

Observation

The audit noted that there is no asset register been maintained therefore unable to verify the balances disclosed in the draft accounts for 2005 to 2007.

Despite that the audit revealed that the additions to each asset as included in the notes were all expenses such as fuels, rent, repair & maintenance which are not associated to the maintenance of the assets.

Recommendation

Management should maintain a fixed asset register since without it would be very difficult to verify the closing balances of fixed assets. Management needs to train its staff so as to reduce the existence of certain errors and mistakes when processing the accounting data.

Response

Agreed. Currently an asset register is been maintained and it could be seen in future auditing.

3.8 Cost of Sales

Observation

The audit test could not verify the balances of Cost of Sales due to the following issues:

Copra Handling- Missing PVs

Date	PV #	Details	Amount
2005			
6/01	12/05	Casual Wages	2,301.05
2006			
21/02	110/06	WKK	10,509.67
6/12	678/06	KSSL	3,775.79

Copra Freight Local- Missing PVs

Date	PV #	Details	Amount
2005			
3/02	111/05	KSSL	30,000.00
28/04	369/05	KSSL	30,000.00
29/09	595/05	KSSL	10,000.00
9/11	680/05	KSSL	67,014.30
2006			
17/02	103/06	WKK	10,000.00
22/02	110/06	KIISS	24,735.05
1/03	148/06	WKK	13,522.56
14/08	434/06	CPP	12,069.80
14/08	435/05	KIISS	17,903.31
31/10	576/06	KSSL	26,116.80

The amount of Copra Freight of $1,686,430.00 in the draft account for 2007 did not agree with its sub ledger listings of $1,091,274.00, resulted in a variance of $595,156.00.

Outer Island Expenses- Missing PVs

Date	PV #	Details	Amount
2005			
7/02	131/05	Abemama Cash Float	5,500.00
9/08	462/05	Tab North Cash Float	2,000.00
2006			
27/10	570/06	Tab North	17,911.55
2007			
6/07	648/07	Copra; Abe, Non, Tab-N, Ono & Beru	7,9809.28
8/06	511/07	Tab North Cash Float	6,000.00

Casual Labour

The audit found out that some Payments for casual labor wages are not properly authorized or raised as follows:

Date	PV #	Amount	Explanation
2007			
20/12	1402/07	5,302.25	Not approved
21/06	556/07	1,201.45	Not approved
6/06	494/07	1,108.10	Not approved
18/07	661/07	2,089.35	Not approved
6/04	309/07	355.00	Wrong entry (directors' exp)

Recommendation

Management should try to find missing documents as soon as possible so as to settle the above matter. It also has to ensure that payments are properly signed and approved. It is highly recommended that current documents should be kept safely from now on for future audit reference.

Response

Agreed.

3.9 Cash at Bank

Observation

Bank Reconciliations statements for the years 2005, 2006 & 2007 were not provided by the company therefore the audit was unable to confirm the balances as disclosed in the draft account.

Recommendation

Management is required to provide bank reconciliation statements during auditing. It is also reminded to perform regular bank reconciliations to ensure that cash at bank is safe and sound.

Response

Management performed Bank reconciliation at the end of each month with the use of the program (Quick Book). However it could not be printed out from the system during the audit, should have been printed out at the time it is reconciled. The printed copies could not be found either so in future auditing Bank reconciliations statement would be provided as it was been maintained recently.

3.10 Payroll

Observation
There are missing PVs for the year 2005 which include paysheet for staff salaries. (see table below)

Date	PV #	Amount	Date	PV #	Amount
2005			28/04	372/05	5,077.28
7/01	15/05	4,590.20	10/05	408/05	5,064.77
20/01	54/05	4,590.20	26/05	431/05	4,787.12
17/03	256/05	4,870.20	18/08	495/05	4,797.08
31/03	294/05	4,676.12	27/10	649/05	6,777.52

The audit also confirmed that there were staffs collecting their salaries without signing the pay sheet.

Recommendation
Management has to ensure that the officer in charge should carefully supervise staff in which they should sign their salaries and not anyone on behalf. Missing PVs as mentioned above should be provided to settle such huge amounts of pays.

Response
Agreed. Missing PVs for salary Pays were under search but hardly found. However all Pay sheets were kept safely recently. The officer in charge for salary pay is being advised by management to strictly ensure that all staff should sign their beneficiaries and not anyone on their behalf.

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF KIRIBATI COPRA COOPERATIVE SOCIETY LTD FOR THE YEAR ENDED 31 DECEMBER 2005-2007

Scope

I have audited the accounts of the Kiribati Copra Cooperative Society Ltd for the years ended 31st December 2005 to 2007.

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

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

- Unsupported invoices for Copra Sales revenue
- Unrecorded and undeposited Cash Receipts for the years 2005 & 2006
- Inventory account did not appear in the draft account for 2005 to 2007
- An outstanding debtor amounted to $147,938.97
- Significant variances between trade creditors in the draft accounts and its sub ledger listings for 2006 & 2007
- A Missing Copra Shipment Receipts book for the years 2006 & 2007
- A number of missing Payment Vouchers for the years 2005-2007
- There is no assets register maintained for the years

Because the accounting records provided were 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 on the financial statements.

Qualified Audit Opinion: *Unable to form an opinion*

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF KIRIBATI COPRA COOPERATIVE SOCIETY LTD FOR THE YEAR ENDED 31 DECEMBER 2005-2007

In our opinion, because of the existence of the limitation on the scope of our work as described in the qualification paragraph, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether the financial statements are presented fairly in accordance with professional reporting requirements and the financial position of KCCSL as at the 31st December 2005 to 2007 and the results of its operations and its cash flows for the year ended.

Raimon Taake
Auditor General

Date:

COPRA
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31/12/07

	Notes	2007 $	2006 $
Cash flows from operating activities			
Cash receipts from customers		3,545,817	1,808,669
Cash paid to suppliers and employees		3,485,725	1,772,431
Company tax paid		-	-
Net cash provided by operating activities	**2**	**60,092**	**36,238**
Cash flows from investing activities			
Acquisition of LTA		(3,915)	(7,943)
Gain on disposal of fixed asset			-
IBD interest			
Payment of shares			
Net cash provided/(used) by investing activities		**(3,915)**	**(7,943)**
Cash flows from financing activities			
Loan repayment		-	-
Dividend paid		-	-
Net cash provided/(used) by financing activities		**-**	**-**
Net increase/(decrease) in cash held		56,177	28,295
Cash and cash equivalents as at 1st Jan 2007		(442,510)	(470,805)
Cash balance as at 31st Dec 2007	1	**(386,333)**	**(442,510)**

Note 1: Reconciliation of cash and cash equivalent

	2007 $	2006 $
Petty cash imprest	-	2,706
Cheques account	(386,333)	(445,216)
	(386,333)	**(442,510)**

Note 2: Reconciliation of net Profit to net cash from Operating activities

	2007 $	2006 $
Operating profit after income tax	1,224,124	(297,886)
Depreciation	7,433	7,255
(increase)/ decrease in investment	-	15,000
(increase)/derease in account receivable	(1,201,953)	304,484
(increase)/decrease in sundry debtors	(15,957)	(10,274)
(increase)/decrease in stock	-	-
increase/(decrease) in accounts payable	19,068	30,761
increase/(decrease) in sundry creditors	27,376	(13,102)
Net cash provided by operating activities	**60,092**	**36,238**

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Kiribati Copra Cooperative Society Ltd
Draft Balance sheet
as at 31st December 2007

	Notes	2007	2006
CURRENT ASSETS:			
Cash	3	(386,333)	(442,510)
Receivables	4	1,783,807	581,854
Sundry Debtors	5	249,126	233,169
Investment	6		
Total current assets		**1,646,600**	**372,513**
CURRENT LIABILITIES			
Creditors & Borrowings	7	10,401,079	10,382,011
Sundry Creditors	8	104,833	77,457
		10,505,912	**10,459,468**
WORKING CAPITAL		**(8,859,311)**	**(10,086,955)**
NON CURRENT ASSETS			
Unsecured loans			
Long term assets	9	**98,416**	**101,935**
NET WORTH		**(8,760,895)**	**(9,985,020)**
SHAREHOLDERS EQUITY			
Opening balance - Reserves		(9,985,019)	(9,687,133)
Retained Profit/(loss)		1,224,125	(297,886)
		(8,760,895)	**(9,985,019)**

The attached notes form parts of this report

CEO.............................. Chairman..............................

Kiribati Copra Co-operative Society Limited
Draft Income Statement for the year ending 31st December 2007

	NOTE	2007	2006
Revenue:			
Copra Sales -		4,747,770	1,185,945
Less Freight			62,951
Total Revenue		**4,747,770**	**1,122,994**
Less: Cost of sales:			
Govt copra purchase		60	14,906
Sacks purchases		6,423	
Scale purchases		13,984	2,072
Twine & Needle purchase		11,913	158
Freight - Local		1,686,430	632,473
Agency Fee		140,817	88,617
Local handling		152,826	64,558
Draft Survey			
Copra sheds rent & Storage		56,937	19,893
Overseas Handling (KPA)		170,395	
Smoke Generator			
Rebagging(Betio shed)		6,298	540
Outer island expense		547,007	255,324
Copra inspector's cost		16,846	344
Casual Labour		44,623	1,750
Land Lease		4,900	6,100
Total cost of sales		**2,859,460**	**1,086,735**
Less Govt subsidy on copra purchases		60	14,906
Net cost of sales after Govt subsidy		**2,859,400**	**1,071,829**
Gross profit after copra subsidy		**1,888,370**	**51,165**
Administrative Expenses:			
Subscription		1,583	1,670
Audit /professional fees			
Advertisement		6,116	3,144
Bank Charge		84,387	44,383
BTC Service charges		3,268	3,018
Directors Expenses		12,428	5,912
Electricity		10,443	9,022
Entertainment		3,260	4,595
KPF contibution		14,378	22,561
Leave Grant		9,495	10,775
Motor Vehicle Expense		16,971	9,877
Stationery		8,737	7,072
Repair & Maintenance		26,437	2,437
Staff overtime & Allowances		35,910	4,234
Payroll Expenses		320,266	301,552
Telecommunication expenses		35,790	18,772
Relieving Wages		229	449
Takeover Cost			
Travelling - staff		25,205	5,841
Staff training			
Phytosanitary Forms / Other Forms		500	100
Insurance - property			
Bad & doubtful debts			
Leave commutation		4,154	2,184
Office expense		3,415	4,696
Depreciation		7,433	7,255
Total Admin Expenses		**630,405**	**469,549**
OPERATING INCOME(LOSS)		**1,257,965**	**- 418,384**
Plus Non- Operating Income		1,443	298,608
Profit/(loss) before abnormal items		**1,259,407**	**(119,776)**
Add/(less) abnormal items:			
- compensation		30,025	
- suspence		5,579	300
- Prior period items		- 321	177,810
Total abnormal items		35,283	178,110
Net Income/(Loss) after abnormal items		**1,224,125**	**(297,886)**

Advances to Copra Agents		
Copra Abaiang	9,950	
Copra Abemama	19,357	
Copra Aranuka	10,026	
Copra Beru	10,750	
Copra Butaritari	4,449	
Copra Kuria	7,796	
Copra Maiana	1,545	
Copra Makin	(1,771)	
Copra Marakei	7,645	
Copra Nikunau	3,010	
Copra Nonouti	13,066	
Copra North Tarawa	3,725	
Copra Onotoa	1,224	
Copra Tab Nth	7,670	
Copra Tabuaeran	4,755	
Copra Kiritimati	21,016	
Copra Teraina	2,308	
Nikunau CS	14,600	
		141,121
Cash Imprest		
Henry Tiare	515	
Iotebwa Rubeia	540	
Kireata Teimarawa	255	
Marewenteang Kaeka	6,850	
Mwamwau Taake	455	
Taabita Rabunimango	1,408	
Tamaroa Teebaki	890	
Taua Morei	470	
Tebiria Tamoa	1,437	
Teburea Maio	4,802	
Teibaba Abera	8,138	
Teikauea Teoti	3,450	
Tiaua Bareti	845	
Timaia Tuana	5,445	
Toatarawa Burennata	787	
Tokinteaki Eneri	2,010	
Tooki Kaake	232	
Tooti Kaimanga	2,715	
Others	26,919	
Total Cash Imprest		**68,162**
Sundry Debtors		
Absent & Late	(31)	
Betero Tokaruru	(100)	
Biriraoi	242	
Iekimeta	(14)	
Island Bridge	459	
Kaekoa	(152)	
Katoo Tetaua	(90)	
KBSA	(195)	
Kinaai Kairo	(50)	
Mareko Tangitaua	(56)	
Marine Training Centre	10	
Mataraoi	1,568	
Maurinteraoi	334	
Molly John	(2)	
Morning star	116	
Namoraoi	1,821	
Otea Uriam	(4)	
Pita Tekabu	247	

	Riata Eken	20		
	Ritia Katarake	487		
	Riivi	(18)		
	Smaster	874		
	SSMana	261		
	Supercat	17		
	Taati Iebo	3,893		
	Tabita Rabunimango	(30)		
	Taeuaia Tekarawa	(39)		
	Tamaroa Teebaki	1,731		
	Tawati Itaaka	50		
	Teang K	(90)		
	Teibaba Abera (PUB)	(200)		
	Teinai Temwakei	(15)		
	Tekirawa Tebukarerewa	11		
	Temanraoi	37		
	Teniti Banabati	(3)		
	Teriantebunginako	481		
	Tiika Anro	8		
	Tikua Kaitinang	81		
	Tiote Aukitino	300		
	Tooti Kaimanga	48		
	Others	(13,578)		
	Total Sundry Debtors		**(1,571)**	
	Tax refund outer island		**6,209**	
	Unpresented cheques		**(86,546)**	
	Undeposited Funds		**121,751**	
	Total Sundry Debtors		**249,126**	**249,014**
6	**INVESTMENT**			
	Atcall			
7	**CREDITORS & BORROWINGS:**			
	Accounts Payable			
	Trade creditors		(4,169,344)	
	Copra Purchases		(1,189,124)	
	Accounts Payable		15,685,554	
	Kiribati Shipping Services Ltd	(11,158)		
		(6,572)		
		91,723	73,993	
	Total Accounts Payable		**10,401,079**	10,401,079
8	**Sundry Creditors**			
	Accrued Freight	121,481		
	Accrued Telephone	3,493		
	Accrued Salary	16,726		
	Accrued Electricity	1,443		
	Accrued Handling	2,624	145,768	
	Payroll Liabilities			
	Bank of Kiribati Loan	(2,868)		
	Coffee club	239		
	DBK Loan	412		
	Henry Tiare	(168)		
	KHC Loan	349		
	KIC Insurance	534		
	KPF	(29,371)		

	MCIC				(494)		
	SAPHE				(1,129)		
	Social club				4,643		
	PAYE Tax				(13,395)		
	TKL				100		
	TSKL				115		
	Others				97	(40,935)	
	Total Sundry Creditors					**104,833**	**65,635**
9	**LONG TERM ASSETS**						
	Cost	**Leasehold land & buil**	**Furniture & Equipment**	**Plant & Vehicle**	**2007 Total**	**2006 Total**	
	At 1st January	61,809	51,823	2,188	115,820	**115,820**	
	Additions	3,050	640	224	3,915		
	At 31December	**64,859**	**52,463**	**2,412**	**119,735**		
		64,859	**52,463**	**2,366**			
	Depreciaton						
	Opening	3,636	10,030	219	13,885	13,885	
	at 31 December	1,946	5,246	241	7,433		
	Accumulated depreciation	**5,582**	**15,276**	**460**	**21,318**		
	NBV at 31 December 2006	58,173	41,793	1,969	101,935		
	NBV at 31 December 2007	**59,278**	**37,187**	**1,952**	**98,416**		
	Revenue reserve:						
	Opening balance				(224,775)		
	Retained Earnings				(9,760,244)		
					(9,985,019)		
	The Society is excempted from income tax pursuant to s.74 of the income tax act 1990						

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IBATI COPRA COOPERATIVE SOCIETY LTD
ES TO THE FINANCIAL STATEMENTS
DR YEAR ENDED 31 DECEMBER 2007

1 GENERAL:

Kiribati Copra Cooperative Society Ltd was incorporated under the Co-operative Societies Ordinance 1977 for the economic interest of member societies and the purchase and export of copra

2 ACCOUNTING POLICIES:

2.1 The Financial statement are prepared under the historical cost convention

2.2 The Financial statement are expressed in Australian dollars.

2.3 Depreciation is calculated to write down the value of the asset in equal instalments , using the the straight line method over their expected useful lives.

Leasehold buildings	3%
Furniture & Office Equipment	10%
Plant & Equipment	10%

2.4 Stock of copra in store and at outer islands is valued at the lower cost of net realisable value.

2.5 Foreign currrency transactions are converted to Australian currency at the rate of exchange ruling at the date of transaction and profit or losses which arise from currency conversion are credited to or charged against revenue.

2.6 Stabex Fund Grant received or receivable are shown as income received.

3	**CASH**		**2007**	
	Bank		246	
	Cash at bank		(389,285)	
	Petty cash imprest		2,706	
			(386,333)	(386,333)
4	**RECEIVABLES**			
	Current Assets:			
	Trade debtors			
	Agricom Pty Ltd		69,874	
	Copra Miller (Fiji)		(22,919)	
	CPP		1,055	
	CTFL		147,939	
	Fern Shipping	16,311		
		1,275	17,586	
	Holland Commodities International		(536,226)	
	Kiribati Copra Mill	1,742,734		
		1,260	1,743,994	
	Kiribati Inter Island Shipping Services	14,046		
		585		
		7,484	22,115	
	Ministry of Finance & Economic Planning		(1,604,259)	
	Motor Vehicle Saloon car		(659)	
	Onotoa Shipping Line	104		
		302	406	
	Pacific Commodities Group Pty Ltd		1,932,630	
	Santa Teretia	130		
		1,192		
		(22)	1,301	
	Seaweed Company		1,314	
	Waysang Kum Kee	9,462		
		194	9,656	
	Total Trade Debtors		**1,783,807**	1,714,137
5	**Sundry Debtors**			

Kiribati Copra Cooperative Society Ltd			
Draft Balance sheet			
as at 31st December 2005			
			2005
CURRENT ASSETS:		Notes	
	Cash	3	(470,806)
	Receivables	4	886,338
	Sundry Debtors	5	222,895
	Investment	6	15,000
	Total current assets		**653,427**
CURRENT LIABILITIES			
	Creditors & Borrowings	7	10,351,250
	Sundry Creditors	8	90,559
			10,441,808
WORKING CAPITAL			**(9,788,381)**
NON CURRENT ASSETS			
	Unsecured loans		
	Long term assets	9	**101,247**
NET WORTH			**(9,687,134)**
SHAREHOLDERS EQUITY			
	Opening balance - Reserves		(9,227,237)
	Retained Profit/(loss)		(459,897)
			(9,687,133)

The attached notes form parts of this report

Acting CEO…………………… Vice Chairman……………………

Kiribati Copra Co-operative Society Limited		
Income Statement for the year ended		
31st December 2005		
	NOTE	2005
Revenue:		
Copra Sales -		1,310,599
Less Freight		
Total Revenue		**1,310,599**
Less: Cost of sales:		
Govt copra purchase		1,174,158
Scale purchase		
Sacks purchase		39,153
Twine & Needle purchase		8,488
Freight - Local		594,812
Agency Fee		69,053
Local handling		33,818
Draft Survey		550
Copra sheds rent & Storage		52,404
Overseas Handling (KPA)		47,802
Copra Insurance		
Smoke Generator		2,000
Rebagging(Betio shed)		1,028
Outer island expense		355,042
Copra inspector's cost		3,681
Casual Labour		49,750
Land Lease		5,505
Total cost of sales		**2,437,244**
Less Govt subsidy on copra purchases		**1,174,158**
Net cost of sales after Govt subsidy		**1,263,086**
Gross profit after copra subsidy		**47,513**
Administrative Expenses:		
Subscription		
Audit /professional fees		5,500
Advertisement		1,926
Bank Charge		82,006
BTC Service charges		3,018
Directors Expenses		6,887
Electricity		12,004
Entertainment		1,819
KPF contibution		15,097
Leave Grant		11,563
Motor Vehicle Expense		9,544
Stationery		6,882
Repair & Maintenance		4,862
Staff overtime & Allowances		18,596
Payroll Expenses		280,624
Telecommunication expenses		22,801
Relieving Wages		210
Takeover Cost		
Travelling - staff		2,048
Staff training		
Phytosanitary Forms / Other Forms		600
Insurance - property		
Bad & doubtful debts		
Leave commutation		
Office expense		6,468
Depreciation		6,630
Total Admin Expenses		**499,083**
OPERATING INCOME(LOSS)		**(451,570)**
Plus Non- Operating Income		17,325
Profit/(loss) before abnormal items		**(434,245)**
Add/(less) abnormal items:		
- compensation		13,079
- suspence		(4,653)
- Prior period items		17,225
Total abnormal items		**25,652**
Net Income/(Loss) after abnormal items		**(459,897)**

KIRIBATI COPRA COOPERATIVE SOCIETY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2005

1 GENERAL:

Kiribati Copra Cooperative Society Ltd was incorporated under the Co-operative Societies Ordinance 1977 for the economic interest of member societies and the purchase and export of copra

2 ACCOUNTING POLICIES:

2.1 The Financial statement are prepared under the historical cost convention

2.2 The Financial statement are expressed in Australian dollars.

2.3 Depreciation is calculated to write down the value of the asset in equal instalments , using the the straight line method over their expected useful lives.

Leasehold buildings	3%
Furniture & Office Equipment	10%
Plant & Equipment	10%

2.4 Stock of copra in store and at outer islands is valued at the lower cost of net realisable value.

2.5 Foreign currrency transactions are converted to Australian currency at the rate of exchange ruling at the date of transaction and profit or losses which arise from currency conversion are credited to or charged against revenue.

2.6 Stabex Fund Grant received or receivable are shown as income received.

3	**CASH**		**2005**
	Cash at bank		(473,402)
	Petty cash imprest		2,596
			(470,806)
4	**RECEIVABLES**		
	Current Assets:		
	Trade debtors		
	Agricom Pty Ltd		(172,178)
	Copra Miller (Fiji)		(22,919)
	CTFL		147,939
	Fern Shipping	15,719	
		757	16,476
	Holland Commodities International		(251,453)
	Kiribati Copra Mill	1,356,670	
		47	1,356,717
	Kiribati Inter Island Shipping Services	10,791	
		585	
		1,381	12,757
	Ministry of Finance & Economic Planning		(210,000)
	Motor Vehicle Saloon car		(659)
	Onotoa Shipping Line	104	
		41	145
	Waysang Kum Kee	9,462	
		51	9,513
	Total Trade Debtors		**886,338**
5	**Sundry Debtors**		
	Advances to Copra Agents		
	Copra Abaiang	9,250	
	Copra Abemama	19,357	
	Copra Aranuka	10,026	
	Copra Beru	10,750	
	Copra Butaritari	4,449	

	Copra Kuria	7,796	
	Copra Maiana	1,545	
	Copra Makin	(1,257)	
	Copra Marakei	7,645	
	Copra Nikunau	3,010	
	Copra Nonouti	13,066	
	Copra North Tarawa	3,725	
	Copra Onotoa	1,224	
	Copra Tab Nth	7,670	
	Copra Tabuaeran	4,755	
	Copra Kiritimati	21,016	
	Copra Teraina	2,308	
			126,335
	Cash Imprest		
	Henry Tiare	515	
	Iotebwa Rubeia	540	
	Marewenteang Kaeka	1,375	
	Tamaroa Teebaki	890	
	Tebiria Tamoa	1,437	
	Teburea Maio	4,802	
	Teibaba Abera	6,049	
	Teikauea Teoti	3,450	
	Tiaua Bareti	455	
	Timaia Tuana	5,445	
	Toatarawa Burennata	787	
	Tokinteaki Eneri	2,010	
	Tooki Kaake	232	
	Tooti Kaimanga	2,715	
	Others	26,517	
	Total Cash Imprest		57,218
	Sundry Debtors		
	Absent & Late	(31)	
	Iekimeta	(14)	
	KBSA	(195)	
	Mataraoi	1,497	
	Namoraoi	1,573	
	Pita Tekabu	247	
	Ritia Katarake	487	
	Smaster	229	
	Taati Iebo	4,403	
	Tabita Rabunimango	(30)	
	Taeuaia Tekarawa	(39)	
	Tamaroa Teebaki	1,731	
	Tekirawa Tebukarerewa	11	
	Temanraoi	37	
	Tiika Anro	8	
	Tooti Kaimanga	48	
	Others	(12,772)	
	Total Sundry Debtors		(2,812)
	Unpresented cheques		(79,598)
	Undeposited Funds		121,751
	Total Sundry Debtors		222,895
6	**INVESTMENT**		
	Atcall		15,000

					761,304
7	**CREDITORS & BORROWINGS:**				
	Accounts Payable				
	Trade creditors				(4,084,253)
	Copra Purchases				(1,174,158)
	Accounts Payable				15,531,211
	CPP				951
	Kiribati Shipping Services Ltd			(10,998)	
				(3,226)	
				91,723	77,499
	Total Accounts Payable				**10,351,250**
8	**Sundry Creditors**				
	Accrued Freight				106,307
	Payroll Liabilities				
	Bank of Kiribati Loan			3,098	
	Coffee club			1,589	
	Copra Thrift & credit			640	
	DBK Loan			227	
	Henry Tiare			(168)	
	KHC Loan			1,493	
	KIC Insurance			719	
	KPF			(23,274)	
	MCIC			(40)	
	SAPHE			(1,129)	
	Social club			965	
	PAYE Tax			(66)	
	TKL			100	
	Others			97	(15,748)
	Total Sundry Creditors				**90,559**
9	**LONG TERM ASSETS**				
	Cost	Leasehold land & buildin	Furniture & Equipment	Plant & Vehicle	2005 Total
	At 1st January	53,505	46,363		99,868
	Additions	5,894	2,115		8,009
	At 31December	**59,399**	**48,478**	**-**	**107,877**
	Depreciaton				
	At 1st January	1,605	4,636	-	6,241
	Additions	177	212	-	388
	At 31December	**1,782**	**4,848**	**-**	**6,630**
	NBV at 31 December 2004			-	
	NBV at 31 December 2005	**57,617**	**43,630**	**-**	**101,247**
	Revenue reserve:				
	Opening balance				(224,775)
	Retained Earnings				(9,002,461)
					(9,227,237)
	The Society is excempted from income tax pursuant to s.74 of the income tax act 1990				