REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Public Utilities Board
For the Years Ended 31st December 2017

Kiribati Audit Office
August 2018

KIRIBATI AUDIT OFFICE

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Audit for an impact for the public

INDEPENDENT AUDITOR's REPORT

To the readers of
Public Utilities Board
Financial Statements
For the year ended 31st December, 2017

Report on the Financial Statements:

The Auditor-General, Mrs Matereta B Raiman, is the auditor of Public Utilities Board (PUB)

I have audited the accompanying financial statements of PUB for the year ended 31st DECEMBER 2017. The financial statements comprised of:

- the Profit And Loss Statement,
- the Balance Sheet,
- Cash Flow Statement
- and a summary of significant accounting policies and other explanatory information.

Managements and Board's Responsibility for the Financial Statements

Management and the Governing Board are responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Practices, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility

It is my responsibility to form an independent opinion, based on my audit, on these financial statements prepared in Accrual basis and to report in accordance with the Constitution and Part VII of the Public Finance (Control and Audit) 1976.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) and Generally Accepted Auditing Practises as applicable in Kiribati, to obtain reasonable assurance whether the financial statements are free of material misstatement. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

When carrying out the audit we followed the independence requirement stipulated under the Kiribati Constitution section 114 (4) and the International Standards of Auditing.

Other than the audit, we have no relationship with or interests in PUB.

Report on Legal and Regulatory Requirements

PUB had complied with Financial obligations requirement when submitting it's 2017 Financial Statements on 2 March, 2017. This had given the audit ample time to complete the auditing before 30th June, 2018 as per SOE MAU's request.

AUDIT OPINION

Unqualified Audit Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of PUB as at 31st December, 2017, and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice in Kiribati.

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Mrs Matereta B Raiman

Auditor General

Date:29/06/2018

PUBLIC UTILITIES BOARD

ANNUAL FINANCIAL STATEMENTS FOR 2017

SUBMITTED TO KIRIBATI NATIONAL AUDIT OFFICE – 28 FEBRUARY 2018

PUBLIC UTILITIES BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

INCOME:	Actual Year-To-Date Dec 2017	Revised Budget 2017	Variance Favourable/ Unfavourable	Actual Year-To-Date Dec 2016
Electricity Sales	11,022,330	10,713,815	308,514	10,439,374
Internal Electricity Sales - PUB Water&Sew & Others	365,576	383,855	(18,279)	365,576
Water Sales	644,260	763,833	(119,573)	750,136
Sewerage Revenue	-	-	-	-
Government Subsidy/CSO	1,135,000	1,134,736	264	1,850,000
Other Income	290,981	323,147	(32,165)	419,362
TOTAL INCOME	**13,458,148**	**13,319,387**	**138,761**	**13,824,449**
EXPENDITURE:				
Fuel & Lubricant	8,418,402	8,419,133	731	8,166,168
Employee Expenses	1,940,918	2,020,238	79,320	1,861,551
Repairs & Maintenance	285,909	316,863	30,955	388,984
Bank Charges & Loan Interest	9,223	12,449	3,227	45,928
Depreciation	2,496,511	2,499,490	2,979	2,071,756
Internal Electricity Consumption	365,576	383,855	18,279	365,576
Other Expenses	1,156,833	1,197,817	40,983	812,725
TOTAL EXPENDITURE	**14,673,372**	**14,849,846**	**176,474**	**13,712,689**
OPERATING PROFIT / (LOSS)	**(1,215,224)**	**(1,530,459)**	**315,235**	**111,760**
ABNORMAL ITEMS:				
Bad or Doubtful Electricity Debtors	-	(414,068)	414,068	(5,559,584)
Bad or Doubtful Staff Debtors	-	-	-	(121,391)
Deduct Prior Period Items (PPI)	(152,869)	-	(152,869)	7,523,675
Amortisation - Aid Reserve	2,111,950	1,989,289	122,661	1,844,921
NET PROFIT / (LOSS) BEFORE TAX	**743,857**	**44,762**	**699,095**	**3,799,381**
Less: Taxations	-	-	-	-
NET PROFIT / (LOSS) AFTER TAX	**743,857**	**44,762**	**699,095**	**3,799,381**

PUBLIC UTILITIES BOARD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Actual 31-Dec-17	Actual 31-Dec-16
Share Capital 1 January 2017	48,118,426	40,132,189
Less Amortisation and Release of Capital Reserve	(2,111,950)	(1,844,921)
Capital Reserve - Aus Aid (DFAT) Project Funds Bailouts		(7)
Received from Gov't for High Voltage (HV) Electricity Rehabilitation Project	1,500,000	1,000,000
Equity Injection - High Voltage (HV) Electricity Rehabilitation Project Items invoiced		1,165,707
Equity Injection - Reduction on ADB Loan per SOEMAU's records		2,958,260
World Bank Solar PV Grid Project		4,780,421
Capital Reserve - Receipts / Payments and adjustments made for the NZ MFAT Project Funds for Bonriki Water Pumps	73,223	(73,223)
Return of remaining funds for NZ MFAT Project	(1)	
Capital Reserve - Receipt of the NZ MFAT Clean-up Funds	35,945	
Share Capital 31 December 2017	**47,615,643**	**48,118,426**
Retained Earnings 1 January 2017	(6,931,220)	(10,730,601)
Plus Net Profit/(Loss)	743,857	3,799,381
Less Dividends Paid	-	-
Retained Earnings 31 December 2017	**(6,187,363)**	**(6,931,220)**

PUBLIC UTILITIES BOARD
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2017

INCOME	NOTES	2017	2016
Electricity Sales		11,022,330	10,439,374
Internal Electricity Sales		365,576	365,576
Water Sales		644,260	750,136
Government Subsidy / CSO*	7	1,135,000	1,850,000
Other Income		290,981	419,362
Total Income		**13,458,148**	**13,824,449**
EXPENDITURE			
Fuel & Lubricant		8,418,402	8,166,168
Fuel - Motor Vehicles		82,454	55,078
New Connections & Installations		14,790	15,517
Postage, Printing & Stationeries		63,170	66,767
Operating & Other Supplies		293,147	74,279
Personal and Protective Equipment		20,783	11,790
KPF Contributions		77,013	77,528
Leave Grants & Passages		210,520	206,565
Salaries, Overtime & Allowances		1,619,793	1,548,825
Staff Subsidised Rent		33,592	28,634
Repairs & Maintenance		285,909	388,984
Depreciation		2,496,511	2,071,756
Overseas Travel & Training		50,653	56,177
Travelling & Transport*		190,823	219,340
Telecom Charges		119,410	81,627
Chlorination		111,911	67,688
Insurance & Subscriptions		10,656	11,921
Advertising and Awareness Program		23,005	26,118
Board Expenses		28,991	16,916
Audit Fees		2,500	2,500
Land Lease & Compensation		7,986	4,115
Bank Charges		9,223	45,928
Other Expenses		502,131	468,469
Redundancy			
Total Expenditure		**14,673,372**	**13,712,689**
OPERATING PROFIT/(LOSS)		**(1,215,224)**	**111,760**
ABNORMAL ITEMS			
Bad/Doubtful Debts - Trade Debtors	12	-	(5,559,584)
Bad/Doubtful Debts - Staff Debtors		-	(121,391)
Prior Period Items (PPI)	8	(152,869)	7,523,675
Amortisation-Aid Reserve Released as Income		2,111,950	1,844,921
NET PROFIT/(LOSS)		**743,857**	**3,799,381**

Confirmed:	**Chairman** **Dr. Teatao Tira**	**CEO** **Wayne Brearly**	**CEO Advisor** **Tokaata Niata**

PUBLIC UTILITIES BOARD
FINANCIAL POSITION AS AT 31 DECEMBER, 2017

	NOTES	2017	2016
CURRENT ASSETS			
Trade Debtors*	11	8,550,239	8,223,973
Provision for Bad/Doubtful Debts - Trade Debtors		(7,708,644)	(7,708,644)
Provision for Bad/Doubtful Staff Debts		(121,391)	(121,391)
Sundry Debtors		133,165	164,744
Prepayment		813,986	1,701,481
Staff Debts		133,691	147,600
Cash at Bank	5	1,508,452.78	1,894,861
Stock		1,778,976	3,705,709
Total Current Assets		**5,088,475**	**8,008,333**
CURRENT LIABILITIES			
Trade Creditors	9	7,863,763	8,887,434
Prov. For Trade Creditors - Local	9	(7,708,644)	(7,708,644)
Sundry Creditors		129,446	88,619
VAT Collected / Payable	10	839,011	862,443
Total Current Liabilities		**1,123,576**	**2,129,852**
WORKING CAPITAL		**3,964,899**	**5,878,481**
NON-CURRENT ASSETS			
Buildings		1,397,259	1,397,259
Plants & Machineries		64,761,122	61,221,851
Furniture, Fittings & Equipment		907,143	713,888
Motor Vehicles		2,655,412	1,736,770
Accumulated Depreciation		(31,247,352)	(28,750,841)
Total Non-Current Assets	2	**38,473,583**	**36,318,927**
LONG-TERM LIABILITIES			
ADB Loan	3	1,010,202	1,010,202
Total Long-Term Liabilities		**1,010,202**	**1,010,202**
NET WORTH		**41,428,280**	**41,187,206**
SHAREHOLDER'S EQUITY			
Capital Reserve	4	47,615,643	48,118,426
Accumulated Profits/(Losses)	6	(6,187,363)	(6,931,220)
TOTAL SHAREHOLDER'S EQUITY		**41,428,280**	**41,187,206**

Confirmed:

Chairman	CEO	CEO Advisor
Dr. Teatao Tira	Wayne Brearly	Tokaata Niata

PUBLIC UTILITIES BOARD
CASH FLOW STATEMENTS AS AT 31 DECEMBER, 2017

	Notes	2017	2016
Cash Flows from Operating Activities			
Cash Receipts from Customers, CSO & Reserve Transfers		12,788,274	14,935,819
Cash Paid to Suppliers, Employees, etc		(12,618,321)	(13,010,667)
Net Cash Flows from Operating Activites	(A)	**169,954**	**1,925,152**
Cash Flows from Financing Activities		-	-
Net Cash Flows from Financing Activites		-	-
Cash Flows from Investing Activities			
Cash Proceeds from Gov't - HV Electrical & Power Project		1,732,051	1,000,000
Cash Paid from Gov't Funds - HV Electrical Rehab. Project		(897,831)	(830,932)
Cash Paid from Government Funds - Power Project			(263,012)
Cash Proceeds from NZ MFAT- Clean-up Funds		35,945	
Cash Paid from NZ MFAT		(46,602)	(114,153)
Cash Proceeds from UAE Funds		0	
Cash Proceeds from Sale of Assets			5,200
Cash Paid from AusAid DFAT			(7)
Purchase of Fixed Assets		(1,379,924.66)	(111,724)
Net Cash Flows from Investing Activites		**(556,361)**	**(314,628)**
Net Increase / (Decrease) for the Period		(386,408)	1,610,524
Add Cash Balances & Cash equivalent at Beginning		1,894,861	284,337
Cash Balance & Cash equivalent at the End of the Period		**1,508,453**	**1,894,861**
Cash & Cash Equivalents			
Cash at Bank - Cheque Account		257,960	111,020
PUB Reserve Funds		6	752,176
Kiribati Government Funds - Water & Wastewater CSO		246,154	851,128
Kiribati Government Assistance - High Voltage Project		1,003,288	169,068
NZ MFAT Project Funds - Bonriki Pumps		-	10,569
NZ MFAT Clean-up Funds		145	
Petty Cash		900	900
Total	5	**1,508,453**	**1,894,861**

(A) Reconciliation of Operating Profit / (Loss) to Net Cash Provided (Used) by Operating Activities

	2017	2016
Operating Profit (Loss) for Year	**(1,215,224)**	**111,760**
Depreciation	2,496,511	2,150,906
Increase / (Decrease) in Trade Debtors	(326,267)	770,437
Increase / Decrease in Sundry Debtors	31,579	(154,944)
Increase / (Decrease) in Prepayment	887,495	(1,325,066)
Increase / (Decrease) in Staff Debts	13,909	10,881
Increase / (Decrease) in Stock	1,926,734	(2,077,783)
Increase / (Decrease) in Trade Creditors	(1,023,671)	(6,480,828)
Increase / (Decrease) in Sundry Creditors	40,827	(51,992)
Increase / (Decrease) in Capital Aid Reserve	(502,783)	3,862,270
Increase / (Decrease) in Fixed Assets	(4,651,167)	(5,580,506)
Increase / (Decrease) in Equity Injection		4,123,967
Increase / (Decrease) in VAT Collected / Payable	(23,432)	(158,913)
Capital Aid Reserve - Released as Income	2,111,950	1,844,921
ADB Loan Repayment		(2,958,260)
Prior Period Items	(152,869)	7,523,675
Adjustment on Gov/t and Project Aid Funds	(823,563)	202,904
Adjustment on Fixed Assets and Stock	1,379,925	111,724
Cash Flows from Operating Activites	**169,954**	**1,925,152**

Confirmed:

Chairman	CEO	CEO Advisor
Dr. Teatao Tira	Wayne Brearly	Tokaata Niata

(1) Statement of Accounting Policies

The accounts of the Board have been drawn up in accordance with Generally Accepted Accounting Principles and International Accounting Standards and the requirements of the Law of the Republic of Kiribati. They have been prepared under the Historical Cost Convention and the Accrual Basis of Accounting has been used.

The Accounting Policies have been consistently applied unless otherwise stated. Set out below is a summary of the significant Accounting Policies adopted by the Board in the preparation of the Accounts.

(a) Depreciation of Fixed Assets

Fixed Assets, including donated assets are depreciated over their estimated useful lives using the Straight Line Method.

(b) Stock

Stock is valued at the Lower of Cost and Net Realizable Value and includes expenditure incurred in acquiring the stock and bringing it to the existing condition and location.

(c) Grants and Subsidies

Grants received for Capital Assets are recorded in the Balance Sheet as either Deferred Income only if it is acquired under a loan or treated as Capital Reserve/Equity Injection; and amortized as Income for subsequent periods at a Rate of Depreciation applied for the Capital Assets acquired under a grant.

Payments for Community Service Obligations (CSOs) are provided to compensate PUB for expenses incurred in providing non-economic or other special services during the year for the Government. These are recorded as income in the year to match the expenses incurred in providing the services.

Other grants or subsidies from the Government are recognized as income, otherwise as necessary to treat them as Capital Injection/Reserve.

(d) Foreign Currency

A Foreign Currency Transaction is recorded at its Local Currency (Australian Dollar) equivalent at a rate in use when the transaction occurs. Gains and losses arising from Foreign Currency Transactions are treated as gains or losses for the period when the transactions occur.

(e) Long –Term Debt

The Current Portion of Long-Term Debt is recorded as a Current Liability according to the Repayment Terms of the relevant Loan Agreement.

(2) Schedule of Fixed Assets - as at 31 December 2017

		PLANTS & MACHINERIES					FURNITURE FITTINGS &	MOTOR	GRAND
		WATER	**SEWERAGE**	**ELECTRICAL**	**TOTAL**	**BUILDINGS**	**EQUIPMENT**	**VEHICLES**	**TOTAL**
Cost	**As at 1/01/17**	6,313,986	2,196,087	42,637,134	51,147,207	878,759	713,889	1,736,770	54,476,625
Valuation		1,308,722	6,376,000	2,389,922	10,074,644	518,500	-	-	10,593,144
Total		**7,622,708**	**8,572,087**	**45,027,056**	**61,221,851**	**1,397,259**	**713,889**	**1,736,770**	**65,069,769**
Cost	Additions	1,098,457	-	2,440,814	3,539,271	-	193,254	918,642	4,651,167
	As at 31/12/17	**8,721,165**	**8,572,087**	**47,467,870**	**64,761,122**	**1,397,259**	**907,143**	**2,655,412**	**69,720,936**
Accumulated Depreciation	**As at 1/01/17**	4,637,682	6,242,805	14,781,044	25,661,531	856,554	578,374	1,654,382	28,750,841
	Depreciation Charge	352,607	205,061	1,559,298	2,116,966	33,068	59,427	287,050	2,496,511
	As at 31/12/17	**4,990,289**	**6,447,867**	**16,340,342**	**27,778,497**	**889,621**	**637,800**	**1,941,433**	**31,247,352**
Net Book Value	As at 1/01/17	2,985,026	2,329,281	30,246,012	35,560,320	540,705	135,515	82,388	36,318,928
	As at 31/12/17	**3,730,876**	**2,124,220**	**31,127,528**	**36,982,625**	**507,638**	**269,343**	**713,979**	**38,473,584**

(3) Asian Development Bank (ADB) Loan

(a) Loan No. 786 - Wartsila Generator
Principal advanced US700,000 @ 0.65 AUD $1,076,923.00
15 years @ interest 7.65% semi-annually wef June 1990

	Current Liability	Long Term Liability Principal	Long Term Liability Interest	Total
Balance 1/01/17	-	851,021	874,653	1,725,674
Adjustment	-	-		(1,353,308)
Balance 31/12/17	-	851,021	874,653	372,366

(b) Loan No. 922 - Power Distribution Project
Principal advanced SDR 666,970 @ 0.5546 AUD $1,202,547.00
20 years @ Interest 6.53% semi-annually wef Sept 1992

	Current Liability	Long Term Liability Principal	Long Term Liability Interest	Total
Balance 1/01/17	-	1,172,487	1,070,300	2,242,787
Adjustment	-			(1,604,951)
Balance 31/12/17	-	1,172,487	1,070,300	637,836

Total ADB Loan

	Current Liability	Long Term Liability Principal	Long Term Liability Interest	Total
Balance 1/01/17	-	2,023,508	1,944,953	3,968,461
Adjustment	-	-	-	(2,958,259)
Balance 31/12/17	-	2,023,508	1,944,953	1,010,202

Disclosing Note 3:
ADB Loan #786 and #922 have been adjusted according to SOEMAU's balances per email dd 23 January 2017.

Notes to and Forming Part of the Accounts (Con'd)

(4) Capital Reserve

		2017	2016
	Grant Reserve		
	Balance 1/01/17	16,453,226	18,298,148
	Amortised as Income	(2,111,950)	(1,844,921)
	Balance 31/12/17	**14,341,277**	**16,453,226**
	Revaluation Reserve		
	Balance 1/01/17	3,494,046	3,494,046
	Balance 31/12/17	31,774,366	31,665,199
	Total	**46,115,643**	**48,118,426**

Disclosing Note 4:

*The NZ MFAT Project Aid Funds of $124,955 received end of December 2015 for Bonriki Water Pumps was completed in September 2017 with remaining of funds of $1.06. Amount of $124,953.94 has been capitalised following completion of this Project.

**Clean-up Funds was also received in May 2017 for $35,945 as donated by NZMFAT

*** Total amount of $1,500,000 was received in two payments by GoK in 2017 for HV Electrical Project. First payment was received in January 2017 for $500,000 as part of Phase 1 while $1,000,000 was received in December 2017 to fund the second phase for the Project to be carried out soon in 2018.

(5) Cash at Bank

		2017	2016
	Cheque Account No. 298142	257,960	111,020
	Petty Cash Imprest	900	900
	NZ MFAT Project	-	10,802
	NZ MFAT Clean-up Fund	145	
	PUB Reserve Fund	6	752,176
	Kiribati Gov't Assistance - HV Project	1,003,288	169,068
	PUB Water & Wastewater CSO A/c	246,154	851,128
	Kiribati Gov't Power Project	-	-
	Total	**1,508,453**	**1,894,861**

Notes to and Forming Part of the Accounts (Con'd)

(6) Accumulated Loss:	2017	2016
Balance 1/01/17	(6,931,220)	(10,730,601)
Net Profit/Loss (-) for the year*	743,857	3,799,381
Balance 31/12/17	**(6,187,363)**	**(6,931,220)**

Disclosing Note 6 :

*Electricity Debtors and Provision for Doubtful Debts are computed as follows:

	2017	2016
Electricity Debtors Control Account / GL Balance as at 31/12/2017	7,790,821	7,850,907
Increase (Decrease) in Elec Debtors treated as (PPI)	4,566	(127,732)
Balance per Electricity Debtors Listing as at 31/12/2017	**7,795,387**	**7,723,175**
Prov for Bad and Doubtful Debts accounted for in B/S:		
Domestic	6,753,246	6,753,246
Commercial	258,962	258,962
Industrial (Ministries)	226,413	226,413
Industrial (SOEs)	470,023	470,023
Total Prov. For Doubtful Debts for Electricity Debtors per Financial Position as at 31/12/2017	**7,708,644**	**7,708,644**
Less Prov for Bad and D/Debts	-	(2,149,060)
Doubtful Debts for Electricity Debtors as included in P&L Statement for the year ending 31/12/2017	-	**5,559,584**

**Provision for Bad and Doubtful Staff Debts as at 31/12/2017 is $121,391

(7) Government Subsidy/CSO	2017	2016
Water & Wastewater CSO	1,135,000	1,850,000
Sewerage Operations	-	-
Power Supply	-	-
Other Grants	-	-
Total	**1,135,000**	**1,850,000**

(8) Prior Period Items/Adjustments	2017	2016
a) Difference between the Electricity Debtors Control Account in the GL and the listing as disclosed in Note (6) above treated as PPI	4,566	(127,732)
b) Long Outstanding Debt with KOIL anticipated to set-off against Electricity Doubtful Debts		7,708,644
c) Other Prior Year Expenses and Income	148,302	(57,237)
d) Audit Fees for prior years	-	-
	152,869	**7,523,675**

Notes to and Forming Part of the Accounts (Con'd)

(9) Trade Creditors

	2017	2016
Trade Creditors - Local - KOIL	7,951,415	7,951,415
Trade Creditors - Overseas	936,018	936,018
Total Trade Creditors	**8,887,434**	**8,887,434**

Disclosing Note 9: Trade Creditors

a) Trade Creditors - Local

* According to PUB's books, PUB owes KOIL $7,851,391 as at 31/12/2017. It is anticipated that a set-off against PUB's Elec Debtors for $7, 708,644.17 will be taken into account upon approval. This results also in accounting for Provision for Trade Creditors -Local, which has been set aside to set-off against the Elec Debtors once approved by Board/Cabinet.

b) Trade Creditors - Overseas

	2017	2016
** Daikai Engineering Pty Ltd., Singapore as at 31/12/2017	12,372	12,372
*** Northpower Ltd., NZ	-	923,646
	12,372	**936,018**

(10) VAT Payable

Adjustment on Vat Payable is to be reconsidered based on further advise from AG's and Tax Office.

(11) Trade Debtors

Trade Debtors as at 31/12/2017 comprise of:

	2017	2016
Electricity Debtors	7,795,387	7,723,175
Water Debtors	754,852	500,797
Total Trade Debtors	**8,550,239**	**8,223,973**

Confirmed:

Chairman	CEO	CEO Advisor
Dr. Teatao Tira	Wayne Brearly	Tokaata Niata