REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

For the Parliament and the People of Kiribati

PUBLIC UTILITIES BOARD (PUB)
For the Years 31st December 2006 -2007

KIRIBATI NATIONAL AUDIT OFFICE
August 2010

For the Parliament and the People of Kiribati
P.O.Box 63
Bairiki Tarawa
Republic of Kiribati
Telephone: (686) 21335
Email: audit@tskl.net.ki

Kiribati National Audit Office

Promoting Transparency and Accountablilit for the Parliament and the People of the Republic of Kiribati

---

Audit Report

To the readers of Public Utilities Board financial statements for the years ended 31 December 2006 and 31 December 2007

The Auditor-General is the auditor of Public Utilities Board.

The audit covers the company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 that apply to the financial statements of the Public Utilities Board for years ended 31 December 2006 and 31 December 2007.

Qualification

In our opinion:

The financial statements of the Public Utilities Board for the years ended 31 December 2006 and 31 December 2007:

- Comply with generally accepted accounting practice as they apply in Kiribati;
- Fairly reflect the results of its operations and cash flows for the year ended on 31 December 2006 and 31 December 2007;
- Does not fairly reflect the company's financial position as at 31 December 2006 and 31 December 2007:

    - Unable to quantify a variance of $14,786 between the general ledger and draft account due to insufficient working paper.

    - Unable to quantify a variance of $421,443 between the general ledger and draft account due to insufficient working paper.

    - Unable to quantify a variance of ($16,914) between the general ledger and draft account due to insufficient working paper.

- Balances for Trade debtors are not fully reconciled and most ledger cards were not available.

- No IBD confirmation slips that could allow us to determine and calculate the IBD plus interest.

- Necessary adjustments related to the accounts are not yet corrected as it will be reflected in the 2009 accounts.

- General ledger balances are not matched with the draft account due to late adjustments which could not be posted to the G/L once the accounts closed.

- Variance explanation relating to the opening cash balance brought forward in the Cash Flow Statement was not provided.

The audit was completed on 19 August 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Organisation of Supreme Audit Institution's (INTOSAI) Auditing Standards, which incorporate the International Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;

- verifying samples of transactions and account balances;

- performing analyses to identify anomalies in the reported data;

- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must give a true and fair view of the financial position of the company as at 31 March 2007 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Public Finance (Control and Audit) Act 1981.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from the Public Finance (Control and Audit) Act 1981.

Independence

When carrying out the audit we followed the independence requirements of the Kiribati National Audit Office, which incorporate the independence requirements of the International Standards of Auditing.

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

Mr Raimon Taake
Auditor General
Kiribati National Audit Office

Public Utilities Board

Financial Statements For Year Ended 31 December 2006

PUBLIC UTILITIES BOARD
BALANCE SHEET
AS AT DECEMBER 31, 2006

	Notes	2,005	2,006
Current Assets			
Trade Debtors		3,750,837	3,722,139
Sundry Debtors		748,206	745,432
Staff Debts		196,631	202,674
Provision for Bad Debts		(1,709,236)	(1,709,236)
Cash at Bank - BOK	5	(320,435)	(519,978)
IBD		60,967	62,214
Stocks		767,102	824,562
Provision for Obsolete Stock		(65,000)	(65,000)
Prepayments		0	0
Total Current Assets		**3,429,072**	**3,262,807**
Current Liabilities			
Current Portion of L/T Loan - ADB	3	3,477,701	3,574,148
Trade Creditors		885,434	1,502,848
Sundry Creditors		(86,991)	4,345
Provisions - Annual Leave		0	0
Total Current Liabilities		**4,276,144**	**5,081,341**
Working Capital		**(847,072)**	**(1,818,535)**
Long Term Assets			
Buildings		1,233,135	1,234,340
Plant & Machinery		33,272,986	41,140,039
Furniture & Fittings		408,179	443,284
Motor Vehicles		489,367	965,059
Accumulated Depreciation		(13,022,921)	(14,507,795)
Total Long Term Assets	2	**22,380,746**	**29,274,927**
Non Current Liabilities			
Long Term Loan - ADB	3	324,868	264,741
Total Non Current Liabilities		**324,868**	**264,741**
NET WORTH		**21,208,805**	**27,191,651**
Proprietorship			
Capital Reserve	4	24,178,720	31,249,544
Accumulated Profits/(Losses)	6	(2,969,915)	(4,057,893)
Total Proprietorship		**21,208,805**	**27,191,651**

Confirmed

CHAIRMAN BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

PUBLIC UTILITIES BOARD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Notes	2,005	2,006
INCOME			
Electricity Sales		6,336,783	6,543,836
Water Sales		120,654	405,404
Sundry Sales		24,163	10,214
Subsidy - Government	7	480,000	680,000
Subsidy - AusAid		0	0
Other Income		126,038	109,842
		7,087,638	**7,749,296**
EXPENDITURE			
Fuel and Lubricant - Generation		5,246,496	5,572,580
Chlorination		27,143	16,901
Fuel - Vehicles		38,333	71,585
New Connections and Installations		76,946	58,868
Postage, Printing & Stationeries		13,305	22,056
Operating and Other Supplies		93,242	109,156
KPF Contribution		91,132	99,594
Leave Grant and Passages		85,203	91,981
Staff Training		7,006	27,722
Wages, Overtime, Allowances		1,983,238	1,761,048
Repair and Maintenance		218,265	465,804
Depreciation		1,000,754	1,484,872
Travelling and Transport		60,370	38,747
Telecom Charges		107,235	121,199
Internal Electricity/Water Consumption		0	0
Workmens Compensation		13,515	5,063
Accountancy and Audit Fees		0	0
PPA Membership Fees		5,253	3,626
Public Notices and Advertising		2,743	1,063
Board Expenses		24,614	19,787
Bad Debts Provision		0	0
Land Lease and Compensation		7,622	5,827
House Rent Subsidy		16,881	21,191
Interest Expense		40,245	36,320
Bank Charges		26,840	60,201
Other Expenses		8,218	17,977
		9,194,600	**10,113,166**
Operating Profit(Loss)		**(2,106,962)**	**(2,363,870)**
ABNORMAL ITEMS			
Prior Period Items		0	0
Amortisation - Aid Reserve	4	803,010	1,275,892
Loss on Disposal		0	0
		803,010	**1,275,892**
NET PROFIT (LOSS)		**(1,303,951)**	**(1,087,978)**

PUBLIC UTILITIES BOARD
CASH FLOW STATEMENT
AS AT DECEMBER 31, 2006

	Notes	2,005	2,006	Opening Balance	Closing Balance		
Cash Flows from Operating Activities							
Cash Receipts from Customers & Other Income		7,427,939	7,749,296	3,753,540	3,785,571	7,795,951	7,717,266
Cash Paid to Suppliers, Employees etc.		7,953,987	8,591,974	798,443	1,507,193	7,992,365	7,883,224
	(a)	**(526,048)**			(a)	**(196,414)**	**(165,958)**
Cash Flows from Financing Activities							
Loan Repayments		0					
~~Government~~ Subsidy Capital Reserve Aid		(803,010)					(786,510)
		(803,010)					**(786,510)**
Cash Flows from Investing Activities							
Purchase of Long Term Assets		19,148					8,379,055
Proceeds from Sale of Long Term Assets		0					0
		19,148					**8,379,055**
Total Cash Flows		**(545,197)**					**(9,331,523)**
ADD Opening Cash Balances		285,729					(259,468)
Closing Cash Balances		**(259,468)**					**(9,590,991)**
							(519,978)
							(519,978)

(a) Reconciliation of Cash Flow from Operation

	2,005	
Operating Loss for Year	(2,106,962)	(2,363,870)
Depreciation	1,000,754	1,484,872
Interest on ADB Loan	0	36,320
Proceeds Sale of Assets	0	0
Adjustment to LT Loan	(60,127)	0
Government Subsidy	0	0
Prior Period Items	0	0
Increase (Decrease) in Trade Debtors	398,401	28,698
Increase (Decrease) in Sundry Debtors	(17)	2,774
Increase (Decrease) in Staff Debts	(18,778)	(6,043)
Increase in Provision for Bad Debts	0	0
Increase (Decrease) in Stock	(39,306)	(57,460)
Increase (Decrease) Prepayments	0	0
Increase (Decrease) in Trade Creditors	213,830	617,414
Increase (Decrease) in Sundry Creditors	(14,217)	(1,738)
Increase in Sundry Creditors - Current Loan	100,372	96,447
	(526,050)	**(162,585)**
	(526,048)	**(165,958)**

(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 relisable 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 deferred income and amortised as income for subsequent periods at a rate of depreciation applied for the capital assets acquired under a grant

Subsidies received specifically for meeting operating costs are recorded in the income statement as operating revenue for the period

(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

Notes to and Forming Part of the Accounts

(2) Schedule of Fixed Assets - 2006

		BUILDINGS	PLANTS & MACHINERY Water	Sewerage	Electrical	FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
		$	$	$	$	$	$	$
Cost	As at 1/1/06	714,635	293,657	19,397	22,834,704	390,429	489,368	24,742,190
	Additions	1205	5,716,931	2,152,522		32,705	475,691	8,379,054
	Adjustments							
	As at 31/12/06	715,840	6,010,588	2,171,919	22,834,704	423,134	965,059	33,121,244
VALUATION	As at 1/1/06	518,500	1,326,078	6,376,000	2,420,750	20,150		10,661,478
	Revaluations							
	As at 31/12/06	518,500	1,326,078	6,376,000	2,420,750	20,150		10,661,478
TOTAL	As at 31/12/06	1,234,340	7,336,666	8,547,919	25,255,454	443,284	965,059	43,782,722
	Rate pa	3%	5%	2.5-10%	2-10%			
DEPN	As at 1/1/06	440,205	1,024,207	3,917,632	6,916,905	255,112	468,862	13,022,923
	Depn Charge	22,492	46,921	152,590	740,021	19,369	19,375	1,000,768
	Adjustments		285,549	65,079		3,771	129,705	484,104
	As at 31/12/06	462,697	1,356,677	4,135,301	7,656,926	278,252	617,942	14,507,795
NBV	Net Book Value							
	As at 1/1/06	792,930	595,528	2,477,765	18,338,549	155,467	20,506	22,380,746
	As at 31/12/06	**771,643**	**5,979,989**	**4,412,618**	**17,598,528**	**165,032**	**347,117**	**29,274,927**

Notes to and Forming Part of the Accounts

(3) Asian Development Bank Loan

Loan No. 786 - Wartsila

Principal advanced US700,000 @ 0.65 AUD $1,076,923.00
30 years @ interest 7.65% wef June 1990

	Long Term Liability	Current Liability Principal	Current Liability Interest	Total
Balance 1/01/06	-35,898	886,919	874,653	1,761,572
Adjustment	0	0	0	0
Balance 31/12/06	**-35,898**	**886,919**	**874,653**	**1,761,572**

Loan No. 922 - Power Distribution

Principal advanced SDR 666,970 @ 0.5546 AUD $1,202,547.00
40 years @ Interest 6.53% wef Sept 1992

	Long Term Liability	Current Liability Principal	Current Liability Interest	Total
Balance 1/01/06	360,765	811,720	904,408	1,716,128
Adjustment	60,127	60,127	36,320	96,447
Balance 31/12/06	**~~420,892~~** 300,638	**871,847**	**940,728**	**1,812,575**

Total ADB Loans

AUD $2,279,470.00

	Long Term Liability	Current Liability Principal	Current Liability Interest	Total
Balance 1/01/06	324,868	1,698,639	1,779,062	3,477,701
Adjustment	60,127	60,127	36,320	96,447
Balance 31/12/06	**264,741**	**1,758,766**	**1,815,382**	**3,574,148**

Notes to and Forming Part of the Accounts

(4) Capital Reserve

	2005	2006
	$	$
Grant Reserve		
Balance 1/01/06	21,487,683	20,684,673
(a) Received from GOK	0	8,346,717
Amortised as Income	(803,010)	(1,275,892)
Balance 31/12/06	**20,684,673**	**27,755,498**
Revaluation Reserve		
Balance 1/01/06	3,494,046	3,494,046
Balance 31/12/06	**3,494,046**	**3,494,046**
Total	**24,178,719**	**31,249,544**

(5) Cash at Bank

	2005	2006
No.1 Account 760002-01	(320,435)	(519,978)
IBD	60,967	62,214
Total	**(259,468)**	**(457,764)**

(6) Accumulated Loss

	2005	2006
Balance 1/01/06	(1,665,963)	(2,969,915)
Net Profit/Loss (-) for the year	(1,303,952)	(1,087,978)
Balance 31/12/06	**(2,969,915)**	**(4,057,893)**

(7) Government Subsidy

	2005	2006
Sewerage Operations	480,000	680,000
Total	**480,000**	**680,000**

Notes to and Forming Part of the Accounts

(4) - (a)

Grant reserve received from GOK represents costs of capital items and improvement work to Water and Sewerage systems provided and carried out by Sanitation, Public Health & Environment Improvement Project (SAPHE), which were transferred to PUB on 31/12/05 following the completion of the SAPHE project. The total costs of capital equipment and improvement work is $8,346,717 (US$5,734,194.35 @ 0.6870) and made up as follows:

		$	$	US$ Equivalent
1 Water Infrastructure Development				
Plants & Equipment				
Motor Vehicles	1 Crane Truck	67,984		
	1 Water Tanker	90,123	158,107	
Civil Works		2,209,596		
" "		3,501,394	5,710,990	
Total Water			**5,869,097**	**4,032,069.36**
2 Sewerage Infrastructure Development				
Plants & Equipment				
Equipment	Jetting Machine	30,202		
	Pumps	19,866	50,068	
Motor Vehicles	1 Crane Truck	67,984		
	1 Vaccum Truck	102,011	169,995	
Civil Works		10,147		

Public Utilities Board

Financial Statements For Year Ended 31 December 2007

PUBLIC UTILITIES BOARD
BALANCE SHEET AS AT 31 DECEMBER, 2007

	Notes	2006	2007
Current Assets			
Trade Debtors		3,722,139	4,196,486
Sundry Debtors		745,432	746,957
Staff Debts		202,674	216,058
Provision for Bad Debts		(1,709,236)	(1,709,236)
Cash at Bank - BOK	5	(519,978)	(963,168)
IBD		62,214	63,734
Power Project Fund			18,933
Stocks		824,562	1,150,289
Provision for Obsolete Stock		(65,000)	(65,000)
Total Current Assets		**3,262,807**	**3,655,053**
Current Liabilities			
Current Portion of L/T Loan - ADB	3	264,741	204,614
Trade Creditors		1,502,848	2,517,747
Sundry Creditors		4,345	(95,335)
Total Current Liabilities		**1,771,934**	**2,627,026**
Working Capital		**1,490,873**	**1,028,027**
Long Term Assets			
Buildings		1,234,340	1,234,340
Plant & Machinery		41,140,039	41,461,702
Furniture & Fittings		443,284	374,008
Motor Vehicles		965,059	931,754
Accumulated Depreciation		(14,507,795)	(16,368,489)
Total Long Term Assets	2	**29,274,927**	**27,633,315**
Long Term Liabilities			
ADB Loan	3	3,574,148	3,666,668
Total Long Term Liabilities		**3,574,148**	**3,666,668**
NET WORTH		**27,191,652**	**24,994,674**
Proprietorship			
Capital Reserve	4	31,249,544	29,819,679
Accumulated Profits/(Losses)	6	(4,057,893)	(4,825,005)
Total Proprietorship		**27,191,651**	**24,994,674**

Confirmed

Chairman Board of Directors

Chief Executive Officer

PUBLIC UTILITIES BOARD

BALANCE SHEET AS AT 31 DECEMBER, 2007

	Notes	2006	2007
Current Assets			
Trade Debtors		3,722,139	4,196,486
Sundry Debtors		745,432	746,957
Staff Debts		202,674	216,058
Provision for Bad Debts		(1,709,236)	(1,709,236)
Cash at Bank - BOK	5	(519,978)	(963,168)
IBD		62,214	63,734
Power Project Fund			18,933
Stocks		824,562	1,150,289
Provision for Obsolete Stock		(65,000)	(65,000)
Total Current Assets		**3,262,807**	**3,655,053**
Current Liabilities			
Current Portion of L/T Loan - ADB	3	264,741	204,614
Trade Creditors		1,502,848	2,517,747
Sundry Creditors		4,345	(95,335)
Total Current Liabilities		**1,771,934**	**2,627,026**
Working Capital		**1,490,873**	**1,028,027**
Long Term Assets			
Buildings		1,234,340	1,234,340
Plant & Machinery		41,140,039	41,461,702
Furniture & Fittings		443,284	374,008
Motor Vehicles		965,059	931,754
Accumulated Depreciation		(14,507,795)	(16,368,489)
Total Long Term Assets	2	**29,274,927**	**27,633,315**
Long Term Liabilities			
ADB Loan	3	3,574,148	3,666,668
Total Long Term Liabilities		**3,574,148**	**3,666,668**
NET WORTH		**27,191,652**	**24,994,674**
Proprietorship			
Capital Reserve	4	31,249,544	29,819,679
Accumulated Profits/(Losses)	6	(4,057,893)	(4,825,005)
Total Proprietorship		**27,191,651**	**24,994,674**

Confirmed ______________________ ______________________

Chairman Board of Directors Chief Executive Officer

PUBLIC UTILITIES BOARD
PROFIT AND LOSS ACCOUNT
FOR YEAR ENDED 31 DECEMBER, 2007

	Notes	2006	2007
INCOME			
Electricity Sales		6,543,836	7,828,194
Water Sales		405,404	447,949
Sundry Sales		10,214	
Government Subsidy	7	680,000	1,898,933
Other Income		109,842	131,942
		7,749,296	**10,307,018**
EXPENDITURE			
Fuel and Lubricant - Generation		5,572,580	7,208,114
Chlorination		16,901	20,850
Fuel - Vehicles		71,585	83,299
New Connections and Installations		58,868	72,862
Postage, Printing & Stationeries		22,056	34,824
Operating and Other Supplies		109,156	117,845
KPF Contribution		99,594	89,858
Leave Grant and Passages		91,981	92,594
Staff Training		27,722	12,302
Wages, Overtime, Allowances		1,761,048	2,067,111
Repair and Maintenance		465,804	84,153
Depreciation		1,484,872	1,409,148
Travelling and Transport		38,747	42,023
Telecom Charges		121,199	118,436
Workmen Compensation		5,063	0
Accountancy and Audit Fees		0	0
PPA Membership Fees		3,626	9,052
Public Notices and Advertising		1,063	19,905
Board Expenses		19,787	17,218
Land Lease and Compensation		5,827	3,542
House Rent Subsidy		21,191	22,373
Interest Expense		36,320	32,393
Bank Charges		60,201	209,751
Other Expenses		17,977	70,200
		10,113,166	**11,837,853**
Operating Profit(Loss)		**(2,363,870)**	**(1,530,835)**
ABNORMAL ITEMS			
Prior Period Items	8	0	(453,717)
Amortisation - Aid Reserve	4	1,275,892	1,217,440
		1,275,892	**763,723**
NET PROFIT (LOSS)		**(1,087,978)**	**(767,112)**

PUBLIC UTILITIES BOARD
CASH FLOW STATEMENT
AS AT 31 DECEMBER, 2007

	Notes	2,006	2,007	Opening Balance	Closing Balance	
Cash Flows from Operating Activities						
Cash Receipts from Customers & Other Income		7,717,266	10,307,018	3,785,571	4,600,536	9,492,053
Cash Paid to Suppliers, Employees etc.		7,883,224	10,850,029	1,507,193	2,422,412	9,934,810
	(a)	**(165,958)**			**(a)**	**-442,757**
Cash Flows from Financing Activities						
Loan Repayments						
Government Subsidy/Amortisation		-786,510				-1,217,440
		-786,510				-1,217,440
Cash Flows from Investing Activities						
Purchase of Long Term Assets		8,379,055				219,082
Proceeds from Sale of Long Term Assets		0				0
		-8,379,055				219,082
Total Cash Flows		-9,331,523				-443,190
ADD Opening Cash Balances		-259,468				-519,978
Closing Cash Balances		-9,590,991				-963,168
		-519,978				
(a) Reconciliation of Cash Flow from Operation						
Operating Loss for Year		-2,363,870				-1,530,835
Depreciation		1,484,872				1,409,148
Interest on ADB Loan		36,320				32,393
Proceeds Sale of Assets		0				0
Adjustment to LT Loan		0				60,127
Government Subsidy/Amortisation		0				-1,217,440
Prior Period Items		0				-453,717
Increase (Decrease) in Trade Debtors		28,698				474,347
Increase (Decrease) in Sundry Debtors		2,774				1,525
Increase (Decrease) in Staff Debts		-6,043				-13,384
Increase in Provision for Bad Debts		0				0
Increase (Decrease) in Stock		-57,460				-325,727
Increase (Decrease) Prepayments		0				0
Increase (Decrease) in Trade Creditors		617,414				1,014,899
Increase (Decrease) in Sundry Creditors		-1,738				99,680
Increase in Sundry Creditors - Current Loan		96,447				6,227
		-162,586				-442,757
		-165,958				**-442,757**

(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 relisable 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 deferred income and amortised as income for subsequent periods at a rate of depreciation applied for the capital assets acquired under a grant

Subsidies received specifically for meeting operating costs are recorded in the income statement as operating revenue for the period

(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

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

(2) Schedule of Fixed Assets - 2007

		BUILDINGS	PLANTS & MACHINERIES WATER	SEWERAGE	ELECTRICAL	TOTAL	FURNITURE & FITTINGS	MOTOR VEHICLES	TOTAL
		$	$	$	$	$	$	$	$
Cost	As at 1/01/07	715,840	6,010,588	2,171,919	22,834,704	31,017,211	423,134	965,059	33,121,244
Valuation		518,500	1,326,078	6,376,000	2,420,750	10,122,828	20,150		10,661,478
		1,234,340	7,336,666	8,547,919	25,255,454	41,140,039	443,284	965,059	43,782,722
Cost	Additions				369,847	369,847	48,954	12,706	431,507
		1,234,340	7,336,666	8,547,919	25,625,301	41,509,886	492,238	977,765	44,214,229
	Adjustments		(17,356)		(30,828)	(48,184)	(118,230)	(46,011)	(212,425)
	As at 31/01/07	**1,234,340**	**7,319,310**	**8,547,919**	**25,594,473**	**41,461,702**	**374,008**	**931,754**	**44,001,804**
	Rate pa	3%	5%	2.5-10%	2-10%		10%	10%	
	As at 1/01/07	462,697	1,356,677	4,135,301	7,656,926	13,148,904	278,252	617,942	14,507,795
DEPN	Annual Charge	32,621	337,505	217,578	669,533	1,224,616	16,104	135,807	1,409,148
		495,318	1,694,182	4,352,879	8,326,459	14,373,520	294,356	753,749	15,916,943
	Adjustments	174,142	27,424	(4,825)	283,602	306,201	17,612	(46,409)	451,546
	As at 31/12/07	**669,460**	**1,721,606**	**4,348,054**	**8,610,061**	**14,679,721**	**311,968**	**707,340**	**16,368,489**
NBV	As at 1/01/07	771,643	5,979,989	4,412,618	17,598,528	27,991,135	165,032	347,117	29,274,927
	As at 31/12/07	**564,880**	**5,597,704**	**4,199,865**	**16,984,412**	**26,781,981**	**62,040**	**224,414**	**27,633,315**

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

(3) Asian Development Bank (ADB) Loans

Loan No. 786 - Wartsila

Principal advanced US700,000 @ 0.65 AUD $1,076,923.00

30 years @ interest 7.65% wef June 1990

	Current Liability	Long Term Liability		Total
		Principal	Interest	
Balance 1/01/07	(35,898)	886,919	874,653	1,761,572
Adjustment	0	0	0	0
Balance 31/12/07	**(35,898)**	**886,919**	**874,653**	**1,761,572**

Loan No. 922 - Power Distribution

Principal advanced SDR 666,970 @ 0.5546 AUD $1,202,547.00

40 years @ Interest 6.53% wef Sept 1992

	Current Liability	Long Term Liability		Total
		Principal	Interest	
Balance 1/01/07	300,638	871,847	940,728	1,812,575
Adjustment	60,127	60,127	32,393	92,520
Balance 31/12/07	**240,511**	**931,974**	**973,121**	**1,905,095**

Total ADB Loans

AUD $2,279,470.00

	Current Liability	Long Term Liability		Total
		Principal	Interest	
Balance 1/01/07	264,741	1,758,766	1,815,382	3,574,148
Adjustment	60,127	60,127	32,393	92,520
Balance 31/12/07	**204,614**	**1,818,893**	**1,847,775**	**3,666,668**

In previous years' accounts the current portions for both loans were shown as long term liabilities and long term loans shown as current liabilities. These have now been shown under their appropriate category of liability with effect from this year's account.

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

(4) Capital Reserve

	2006	2007
	$	$
Grant Reserve		
Balance 1/01/07	20,684,673	27,755,498
Received from GOK	8,346,717	
Amortised as Income	(1,275,892)	(1,217,440)
Adjustment to Fixed Assets		(212,425)
Balance 31/12/07	**27,755,498**	**26,325,633**
Revaluation Reserve		
Balance 1/01/07	3,494,046	3,494,046
Balance 31/12/07	3,494,046	3,494,046
Total	**31,249,544**	**29,819,679**

(5) Cash at Bank

	2006	2007
No.1 Account 760002-01	(519,978)	(963,168)
IBD	62,214	63,734
Total	**(457,764)**	**(899,434)**

(6) Accumulated Loss

	2006	2007
Balance 1/01/07	(2,969,915)	(4,057,893)
Net Profit/(Loss) for the year	(1,087,978)	(767,112)
Balance 31/12/07	**(4,057,893)**	**(4,825,005)**

(7) Government Subsidy

	2006	2007
Sewerage Operations	680,000	480,000
Power Supply Subsidy		1,418,933
	680,000	**1,898,933**

(8) Prior Period Items

	2006	2007
Adjustment - Accumulated Depreciation	0	451,544
Adjustment - Accumulated Loss year end 2006	0	2,173
	0	**453,717**