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**OPPORTUNITIES IN PRIVATIZATION
OF STATE OWNED ENTERPRISES AND PRIVATE SECTOR DEVELOPMENT**

KIRIBATI

FILE COPY

**APPENDICES TO THE REPORT BY
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APPENDICES

- APPENDIX I: Country Profile**
- APPENDIX II: Country and Enterprise Checklists and Financial Reports**
- APPENDIX III: Sample Agreements**
- APPENDIX IV: Letters of Transmittal**
- APPENDIX V: Individuals Met**
- APPENDIX VI: Bibliography and References**

APPENDIX I
COUNTRY PROFILE

APPENDIX 1: COUNTRY PROFILE

A.1.1 Geography

The Republic of Kiribati is a group of 33 islands, totaling 260 square miles in area, spread over two million square miles of Pacific Ocean. The distance between the extreme North and South boundaries is about 2000 kilometers, while the East and West extremes are almost 4000 kilometers apart. There are three north-south chains straddling the Equator: at the Eastern extreme, the eight Line Islands, including Kiritimati (Christmas) island, the world's largest coral atoll, accounting for half of the Republic's total land area; a thousand miles to the west, the Phoenix Group's eight islands; another thousand miles west, sixteen Kiribati or Turungu (Gilbert) islands, and five hundred miles farther west the island of Banaba. Banaba is a 900 foot high land mass of phosphate rock composed of guano deposits accumulated over millions of years, but depleted in 1979, the year the United Kingdom acceded to Kiribati's request for independence. The remaining islands are all low atolls, never more than 20 feet high. Of them, only the Gilbert group are populated. They are coral rock and sand line reefs, each reef usually broken into separate islets. Most, but not all of these islands embrace a lagoon. Each has only a few square miles of land area.

Forty percent of the Kiribati population live in the capital city of Tarawa, on the southern arm of Tarawa atoll (25,000). Here also are the principal government headquarters and an active cash economy. The remainder of the 60,000 population have a subsistence economy, living primarily on food from the sea and a small range of plants (coconut, breadfruit, pandanus, and babai). Agriculturally suitable land, being very scarce, has a high value. By law land cannot be sold but can be leased. Land ownership is held by traditional family groups and individuals passed along from generation to generation.

A.1.2 HISTORY

The written history of Kiribati is no more than a hundred years old while its oral history extends over a millennia. According to tradition, at the beginning there was Naraeu The Creator who separated Te Bomatemaki, - (the earth and sky sealed together) and together with Naraeu the Wise first created Samoa then Beru. I-Kiribati, according to legend, originated from Te Kaintikuaba - The Tree of Life - forming an Utu - an extended family - who in turn with other families with a common ancestor formed a Kainga. The Kaingas split as they became larger and further subdivided the land which was shared.

Land being a scarce resource signified prestige, status, wealth and social security. It was also a major source of individual and communal conflict. Land transfer aside from forceful

invasion was through inheritance, exchange of or compensation for favours. Surplus production in terms of fish, coconut and other traditional crops and their by-products were stored for future consumption at special occasions but not for trading.

Initial European contacts began only in the 19th century. Whalers in the 1830's, 40's and 50's, sought provisions and women and established bases for melting down whale fat. Towards the end of the 19th century several scores of Europeans established permanent residences especially in the northern Gilbert Islands, which had good anchorage more rainfall and better soils for limited agricultural production. At the end of the 19th century the Gilbert Islands exported large numbers of workers to Fiji, Tarawa, Samoa, and Hawaii especially from the dryer Southern Gilbert Islands. Thus during the 19th century, four groups made frequent contacts with the traditional culture, introducing change. These were: whalers, beachcombers, resident traders and labour traders. The country entered another stage in 1892 with the arrival of the British.

Religion played an important part in the history of the Islanders. The Protestant movement started in 1857 with the arrival of Hiram Bingham and his family. Bingham developed the first written version of the Gilbertese language or I-Kiribati and translated the Bible. The Roman Catholic church arrived in the 1880's. Conversion was slow at first and then spread throughout the Islands leading to rivalry between the two groups and occasional conflict. Christianity of various other denominations continue to co-exist today with old beliefs of magic, rituals and spirits.

The 19th century was also rife with civil war among the Islanders such as the wars of Abemama, Tabiteuea (north and south) Mailana and Tarawa where ten wars continued over four generations. Tokiteba, Kouraisi and Malang were chiefs who waged wars over land and political influence.

Throughout the early history of the Islands different types of currencies and quasi-monies were used. Chilean dollars, English silver, Tobacco, and on Banaba Island phosphate were used as a medium of exchange.

From the 1892 to 1944 the Islands went through important changes increasingly being exposed to a cash economy, changing habits in clothing, and being transplanted from ancestral homes to other islands such as Phoenix, and Rabi.

The Japanese occupied Butaritari, Tarawa, Abemama and Baraba Islands during World War II. The shortage of imported food, kerosene, clothing and tobacco was felt by the population. During the bloody battle of Tarawa on November 20, 1943, the US had 3,301 killed, wounded and missing in action while the Japanese had 4,690 casualties. The Islands of Butaritari and Abamama were also liberated at the same time but with fewer casualties on both sides.

Immediately after the war ended, a number of residents from the Islands of Butaritari, Tarawa and Abemama expressed a strong desire for the Americans to substitute British sovereignty over the Islands without success. During the post war period, up to 1979 increased revenues from phosphate earnings were accompanied by rapid development, commercialization of the economy, increased investments in physical and social infrastructure and rural to urban migration.

The postwar developments also led to the separation of the Ellice Islands from the Gilbert Islands. The Ellice Islands in order to protect their cultural and racial identity as well as political rights, separated from their previous colonial union with Gilbert Islands and declared their independence as Tuvalu.

The post independence period has been marked by a strong effort to redefine the social, cultural, linguistic and political identity within a way of life described as the TE KATEI NI KIRIBATI. The economic development of Kiribati in general and the strengthening of its private sector in particular with a focus on privatization of state owned enterprises will need care not to lose sight of Kiribati priorities such as kinship ties, attitude toward geneology and relationships between community members and the aversion to being publicly criticised.

The six codes of TE KATEI NI KIRIBATI describes the behaviour of a real man - TE AOMATA - a person with strong character, sense of identity and worthy of respect. They are:

Protection	-	TE BUNNA
Keeping advice	-	TE KAREKA
Keeping away from danger	-	TE BETIA
To be loved	-	TE BOIA
Keeping good Relationships	-	TE RETTA
Keeping only within his group	-	TE BALMA

For the I - Matang (foreigners) inclined to assist Kiribati in social, economic and political development, a historical perspective of the I - Kiribati, and sensitivity to their culture, is indispensable.

A.1.3 CULTURE

Of the three major groups inhabiting the Pacific, (Micronesians, Melanesians and Polynesians) I - Kiribati are descended formally from the first group. Language and tradition are by and large similar in all the Islands. However, people of the south are said to be more thrifty while those of the north more open handed. The north has also been influenced more by outsiders. Traditional values are changing rapidly in Tarawa under the pressures of a monetized economy. Christianity has also

influenced local culture by adding a new layer of values, obligations and fears over traditional patterns. We have identified six key socio - cultural factors that relate to economic change and development.

1. The family - A Kainga is a group (lineage) of extended families (Ulu's) descending from a common ancestor which is central in the social structure of Kiribati society. Members of the family exchange goods and services under an informal support system called Bubuti. Thus, for example, a family member with money income should not refuse support to other family members. Once successful individual may have to house, feed and clothe a large number of extended family members this cultural norm has created a dichotomy or clash of values which may negatively impact entrepreneurial behavior (see Chapter 3).

There may be some factors in Kiribati culture due to its being a conglomeration of isolated atoll communities with limited resources which does not encourage entrepreneurial behaviour. Egalitarian attitudes, achievement and maintenance of power and status may have social and historical roots which the government will need to consider in adopting and implementing policies promoting privatization and private sector development.

2. The elders - older individuals in Kiribati society referred to as Unimane are endowed with dignity, respect and authority. These in turn translate into political power which has been wielded by the Unimane in deciding village matters. The Unimane also ensure that rules of behaviour are followed in the community in general and the Maneaba in particular. The Maneaba or the "The Meeting House" is discussed further below. The pressures of a monetized economy and rapidly changing technology have somewhat eroded the Unimane's authority and power. Younger peoples' technical knowledge or education is given, begrudgingly, some acceptance by the Unimane. Within the traditional context it could have been mandatory to have an older Unimane elected as president. The fact that a bright, young educated individual was elected President is a testimony to a changing culture.

3. The Maneaba (meeting hall). An impressive building which brings together the people of each village. Its construction is imbued with magic and strict procedures. Upon completion, each land owning lineage is assigned a permanent place (boti) under the high roof. Village meetings, decisions of social, economic, behavioural and legal nature are taken among the Unimane representing each kainga.

According to oral history, the first Maneaba called Tabontebike was built on the island of Eeru and spread to other islands. The Maneaba can be considered a combination of the ancient Roman forum, the early American town hall meetings and the ancient Greek city state parliamentary gatherings. Decisions in Maneabas carried the weight and importance of laws accompanied with penalties and punishment were they not followed.

During the time of the British, a social function was added to the Maneaba activities where Government officials discussed official business and where guests were entertained.

Land rights, stealing and incest were three major areas of dispute and laws during traditional times. In modern times, the political and economic importance of the Maneaba has somewhat decreased while the importance of its social function has increased. It is now a place where movies are shown, training activities take place and music and dancing traditions continued on festive occasions.

The Maneaba may be a most appropriate forum where privatization discussions are initiated and support for the Government position mobilized. The support of the Unimane in the Maneabas of the republic and younger grass roots political leaders would be critical in forming public opinion and developing positive attitudes towards such government programs.

4. Religion

The Christian religion has created an important influence in the cultural fabric of Kiribati. The Catholic and Protestant religions provide a strong layer over traditional beliefs. It took about one hundred years for Christianity to take firm hold in the islands. However, once converted, the inhabitants took their religion seriously which led to political, social and economic disputes and even civil disturbance between Catholics and various sets of Protestants. In the political field, religious groups attempted to dominate Island Governments. In the economic arena land and property rights were subjects of dispute. In the social field organized religious groups gained prominence in operating schools and small health clinics. In many ways, religious leaders created another source of authority parallel but somewhat equal to the Unimane. An interesting development was when the Unimane deferred to a religious official who was quite young but still wielded authority due to his position. However, as the influence of modern life, urbanization and cash income increase, the influence of churches may decrease as the younger generations express their desire to reduce the influence of Unimane as well as religious leaders. Thus, most of the churches in Kiribati today are making efforts through revival meetings, workshops, seminars and home visits to emphasize the importance of Christianity within the context of Kiribati traditions and present day living and working conditions.

Present religious organizations can play an important role in the socialization of economic change and its impact on Kiribati culture. At this time it is difficult to determine to what extent Christianity has influenced the evolution of a work ethic and development of a savings/investment behavioral framework. Whether a "Protestant ethic" has established itself in Kiribati society is not possible to determine. However, that it exists to

5

a limited extent, was borne out from our conversations with about a dozen businessmen during our presence on the island. The government of Kiribati may, after further study and consideration, decide to solicit the support of religious groups to form public opinion and mobilize public support for privatization. There is no doubt that organized religion in Kiribati is an important institution. However, the choice of whether or not to allow them to participate in privatization and how best to achieve this participation is a matter for the government to decide.

5. The Cash Economy

The colonial administration introduced over three quarters of a century both advantageous and disadvantageous aspects of a monetized economy into Kiribati. Although many of the jobs during those decades went to Ellice Islanders, it did also provide jobs to Gilbertise in phosphate mines and government administration. The number of jobs in the public sector increased substantially at independence as I-Kiribati substituted both Ellice Islanders and UK officials. South Tarawa, the seat of the Government, has been a magnet drawing individuals from outer islands in search of employment. This search for employment has been re-inforced with increasing population pressure on the land in the outer islands.

The island migration into South Tarawa has resulted in the following:

1. Need for additional land for housing and more housing for new arrivals.
2. Increasing number of un-skilled and semi-skilled job candidates in both the public and the private sectors.
3. Increasing pressures on educational and health facilities.
4. Increasing demand for power, water and sewage services.
5. Increasing need to rehabilitate existing roads and bridges.
6. Crowding in existing dwellings as extended family members arrive in search of jobs and have nowhere else to go.
7. Individuals who have jobs paying cash wages or small business owners draw relatives and friends who consider the expenditure of that income for their needs as normal under Kiribati Tradition.
8. Difficulty of individuals with cash income to save for future increases in their standard of living or for investment purposes.
9. Resentment of a job holders or small businessman with more

income than those in the subsistence sector.

10. Changes in the patterns of behaviour of the younger generation whose education, knowledge and experience in the monetized sector threatens to reduce Unimane influence. New modes of music appreciation, new dance forms, movies, video presentations and work requirements have introduced both non-traditional sources of enjoyment as well as stresses in coping with daily problems.
11. Intensified stresses and pressures may lead to socially deviant behaviour, especially among those without jobs or cash incomes.

Privatization in its initial stage may marginally affect the unemployment situation in Kiribati. However, this should be viewed as a short term proposition. A program of privatization of state owned entities in the medium term will expand the type of employment which is based on performance and will enable reinvestment of profits. Continuance of large payrolls in money losing and subsidized government operations will reinforce unproductive and inefficient performance at low wages and a false security provided by a government job.

Indeed the public sector job in a money losing state owned enterprise provides a type of false security, since the government can not afford to provide positive reinforcement to negative behaviour on the job. Notwithstanding the problems above-discussed, modernity along with a cash economy have arrived to Kiribati. Indeed, despite social and political ambivalence, their influence will expand. Since Kiribati does not have resources sufficient to increase public sector payrolls, it must create a productive private sector to generate incomes and economic growth.

6. Cultural Change

The books, documents, reports and articles we have reviewed have convinced us of the importance the I-Kiribati attaches to traditional Kiribati culture and the concern felt about the introduction of new ideas and modes of behaviour. The Government seeks to manage the introduction of change. For example, the government promotes tourism, but only of a specific kind. The government does not wish to have dozens of high rise hotels with thousands of tourists in search of a wide range of pleasures such as gambling, boating, and sophisticated night life. To the extent the government wishes to encourage tourism at all, it seeks the type of tourists more accustomed to simpler accommodations, enjoyment of the sun, sea, music and traditional art forms.

The most important cultural change which the government may wish to manage is the evaluation of indigeneous entrepreneurs in the Republic. The policies which need to be considered range from

the curriculum in primary, secondary and technical training institutions, to government implementation of measures such as tax benefits, investment credits and free training of employees for indigeneous businessmen (not just foreign investors). There is a basic fallacy in attracting foreign investors and discouraging indigeneous entrepreneurs. Foreign investors would not be attracted to a country even if there is an active private sector unless they are offered some advantages. Consequently and ironically the best way to attract foreign investment is through the encouragement and nurturing of an indigeneous private sector. Encouragement of foreign private investment at the expense of motivating domestic investment may not be beneficial economically, culturally or politically in the long run.

Since cultural change in an open society is inevitable the government's option is to manage cultural change consistent with its development goals. It cannot prevent change. For example, the Government presently has a policy against promoting reception of foreign television broadcasts. Excluding television programming, however, encourages the importation of videotape players and video tapes. The alternative would be for the government to consider establishing an educational TV station whose programming is almost exclusively educational and which reinforces the importance of maintaining disappearing cultural traditions. Of course, the government may not wish to introduce this medium, thinking that eventually it may be forced by popular demand to provide the type of programming it finds inappropriate.

Similarly, the government will wish to develop a private sector strategy that accommodates the traditional concerns of Kiribati culture while meeting economic imperatives.

Both Government and private sector leadership are committed to a democratic and egalitarian society, the desire to reduce public sector paternalism is tempered with the concern of how the national culture will be affected.

A.1.4 ECONOMY:

The principal facts portraying the economy of Kiribati are as follows:--

- A. The country consists of 33 islands with a total land mass of only 275 square miles spread over 2 million square miles of ocean; and has a population of only some 80,000 most of whom have relied on traditional economic patterns for their livelihood. The small population and land mass scattered over enormous distances causes severe diseconomies of scale.
- B. Two major cash crops (phosphate and copra) provided most of the export earnings until 1979 when phosphate deposits were exhausted, coinciding with independence from Britain. Swings in world copra prices during 1979 - 87, competition from other more easily accessible areas, have caused

hardships.

- C. A subsistence sector which is based upon fish, coconut, babai, breadfruit and pandanus.
- D. A degree of individualism where a father will only teach his son the secrets of catching fish, making traps and location of secret fishing ground combined with a reluctance to stand out with any kind of success or achievement.
- E. A mixture of self sufficiency and environmental harmony through fishing, and consumption of locally available vegetables and fruits.
- F. The GOK established a Revenue Equalization Reserve Fund which invested the proceeds from phosphate exports in past years. These funds have been invested in bonds of different major currencies and have increased in value approaching A\$100 million in 1987. The government will not invade the principal amount of this fund; interest drawdowns are used for recurrent budget expenditures and balance of payments support.

Kiribati is a rural society primarily based on fishing and subsistence agriculture whose main cash and export crop is copra. Foreigners or the foreign way is referred to as I - Matang in the I - Kiribati language. Frequent contact with whalers, traders and buccaneers in the 19th century led to 63 years under British Colonial rule and 24 years as a British protectorate culminating in independence in 1979.

The natural resource base is relatively weak affected by occasional drought, and weak sandy soils with rapid filtration. Thin and saline top soils, salt spray and scarcity of surface and ground water sources have been major limiting factors. Despite these constraints limited amounts of vegetables are grown primarily in home gardens and a few small commercial operations. Chickens and pigs are also raised along a similar pattern of vegetable production. Large livestock and track animals are practically non-existent. Mineral resources are non-existent since the depletion of phosphate in Baneaba. However, the government is looking into the opening of some mines with a type of technology which may allow further exploration. Marine resources with a wide variety of fish including tuna and the abundance of manganese nodules are considered very important for the future. The government of Kiribati is extremely sensitive about its sovereignty especially with relation to its control over its marine resources. Three exclusive economic zones cover 200 mile radius from each island spreading over 2 million square miles. The distance between the easternmost point of the Republic of Kiribati Island and Banaba in the west is 3,870 kilometers. Washington Island in the north is 2,050 kilometers from the southernmost point in Flint Islands. This expanse of ocean has important geo-political considerations within a natural

resource context. As foreign tuna fleets have continued to infringe on the 200 mile exclusive economic zones the GOK has increased penalties and enforcement procedures. The 1 year fishing license which was granted to the Russian Government was not renewed in 1987. On the population front, increased fertility and a decrease in mortality rates indicate a growing population pressure on limited resources severely strained by rural to urban (South Tarawa) migration. This migration has led to major infrastructure shortages in water, sewerage, power, roads, health and education.

Gross domestic product reflects the dualistic nature of Kiribati economy. Slightly over half of GDP is attributed to the monetary sector according to the 1987 - 1991 Sixth National Development Plan. Although GDP per capita was about A\$4,500 in 1985, real figures may be higher if the true value of subsistence economic activities were included.

The economy of Kiribati is dominated by the public sector, which owns or controls both areas of production and distribution. The government through operations owned and operated by divisions of ministries or corporations whose stock is owned by the government, is involved in a wide range of economic activities such as importation, wholesale and retail of foodstuffs, construction equipment, motorcycles, cars, construction and repair of boats and tourism.

Exports were dominated by phosphates which accounted for up to 45 percent of GDP in past years but stopped in 1979. There are four major exports today: Copra, marine resources, services provided by Kiribati seamen overseas who repatriate their earnings and Kiribati workers in the Nauru phosphate mines who do the same.

Major imports are fuel, foodstuffs including grain, construction materials, a large variety of consumer items including tobacco which has been favoured by the Islanders over the last two centuries. Busses, taxis, cars, bicycles and motorcycles as well as audio and video equipment are also imported. The Islands have radio transmission but no television transmission. The government informally discourages videos and does not wish to have a TV station at present due to potential negative social and cultural influences.

A.1.5. POLITICAL FRAMEWORK

The Republic of Kiribati was established in 1979 and has a Parliament of thirty-six elected members plus the Attorney General and a member appointed by the Rabi Council. The parliament is a single chamber and is referred to as the Maneaba Ni Maungatabu. The President is elected by universal suffrage for a period of four years. The President (Beretitenti) appoints his cabinet from the duly elected legislature. The Minister of Finance is also the Vice President and rules in the absence of the President. The cabinet consists of:

Minister of Finance - Vice President
Minister of Home Affairs and Decentralization
Minister of Natural Resource and Development
Minister of Communications
Minister of Works and Energy
Minister of Trade, Industry and Labor
Minister of Education, Health and Family Planning
Minister of Line and Phoenix Islands
Minister of Foreign Affairs - Portfolio held by the Beretitenti
Attorney General.

There are 17 island and 2 town councils which are the basis of local government administration. Council members are elected and sometimes overlap with the Unimane and Maneaba leadership.

APPENDIX II
COUNTRY AND ENTERPRISE CHECKLISTS AND
FINANCIAL REPORTS

COUNTRY PRIVATIZATION CHECKLIST

COUNTRY: KIRIBAT (GILBERT ISLANDS)

FACTORS

CURRENT STATUS AND TRENDS

A. Host Government PARLIAMENT (NATIONAL DEV. PLAN)

1. Top Level Commitment: Cabinet Papers
2. Enunciated Policy: Same as in (1)
3. Power to Implement: To be Determined upon Team Report
4. Mid/Lower Level of Commitment: Mixed
5. Accessibility for Dialogue: Fairly Accessible
6. Awareness/Availability of SOE Costs: Fair Amount of Awareness
7. Private Sector Influence on Policy: Marginal to Nil
8. Officials' Dependence on Outside Income: Not Easily Verifiable
9. Open Economy vs Managed Economy: Mixed - Leaning to Managed

B. Political/Economic Environment

1. Legal Barriers to Privatization: Existing Legal Restraints which can be Resolved.
2. Economic Stability: _____ Reasonably Good
3. Political Stability: _____ Reasonably Good
4. Unemployment Level: _____ 146 Out of a Work Force of Circa 8,000
5. Physical Infrastructure (Communications, transport, power, water, etc.): Reasonably Good in Main Capital Atoll Deficient in the rest.
6. Regulatory Climate: Strong in Both Formal and Informal Way
7. Parastatal share of economy: Major - Estimated Over 75%.
8. Reasons for Parastatals: Colonial Heritage, Cultural/Traditional Pattern, Lack of Capital and other Resources in Private Sector at and Since Independence.

C. Business Climate

1. Role of informal sector: Minimal but Growing
2. Management Entrepreneur Pool: Small/Limited Growing with Infusion of Expatriates
3. Ethnic Minorities: _____ Primarily Homogeneous Society
4. Permits to Start/Expand Business: Procedure not completed if land question resolved
5. Freedom to Hire/Fire Personnel: Mostly regul. by Employment Ordinance and Nat. Con
6. Parastatal Preferences/Obstacles to Competitors: Parastatals Of Service. Mono-Polistic - Oligopolistic
7. Tax Climate: Some Incentives Eg Pioneer Status
8. Accounting/Audit skills: _____ Limited
9. Other Donor Presence/Support: Foreign Government/Intl. AID Organisations Active Development Bank/BOK/KPF - APR:-----

D. Financial Markets

1. Long Term Financing Types/Activity Level: KPF Important Special Fund
2. Financial Markets Types/Activity Level:
3. Significance of Non-bank Financial Institutions:
4. Availability of local entrepreneurial capital: Limited Available
5. Foreign Investment Interest/Restrictions: Interest Limited
6. Capital flow in/out trends (e.g., flight of capital): Stable and Unrestricted

E. US Influence

1. Conditionality Opportunities for Leverage: LIMITED
2. AID Mission Support: _____ HIGH LEVEL
3. Embassy/Commercial Officer Support: _____ HIGH LEVEL

* HIGH/LEVEL OF DISGUISED UNEMPLOYMENT AND UNDEREMPLOYMENT DUE TO RURAL TO URBAN MIGRATION

TABLE I
COUNTRY PRIVATIZATION CHECKLIST

COUNTRY: **KIRIBATI (GILBERT ISLANDS)**

FACTORS	CURRENT STATUS AND TRENDS
A. Role of Informal sector:	
1. Host Government: PARLIAMENT (NATIONAL DEV PLAN)	
1. Top Level Commitment:	CABINET PAPERS
2. Enunciated Policy:	SAME AS II (1)
3. Power to Implement:	TO BE DETERMINED UPON TEAM REPORT
4. Mid/Lower Level of Commitment:	MIXED
5. Accessibility for Dialogue:	FAIRLY ACCESSIBLE
6. Awareness/Availability of SOE Costs:	FAIR AMOUNT OF AWARENESS
7. Private Sector Influence on Policy:	MARGINAL TO NIL
8. Officials' Dependence on Outside Income:	NOT EASILY VERIFIABLE
9. Open Economy vs Managed Economy:	MIXED - LEANING TO MANAGED
B. Political/Economic Environment:	
1. Legal barriers to privatization:	EXISTING LEGAL CONSTRAINTS WHICH CAN BE RESOLVED
2. Economic Stability:	REASONABLY GOOD
3. Political Stability:	REASONABLY GOOD
4. Unemployment Levels:	ALL OUT OF A WORK FORCE OF CIRCA 80K
5. Physical Infrastructure (Communications, transport, power, water, etc.):	REASONABLY GOOD IN MAIN CAPITAL ATOLL, DEFICIENT IN THE REST
6. Regulatory Climate:	STRONG IN BOTH FORMAL AND INFORMAL
7. Parasitical share of economy:	FACTOR - ESTIMATED OVER 75%
8. Reasons for parasitism:	COLONIAL HERITAGE, CULTURAL TRADITIONAL PATTERN, LACK OF CAPITAL AND OTHER RESOURCES IN PRIVATE SECTOR AT AND SINCE INDEPENDENCE
C. Business Climate:	
1. Role of informal sector:	MINIMAL BUT GROWING
2. Management Entrepreneur Pool:	SMALL/LIMITED GROWING WITH INFUSION OF EXPATRIATES
3. Ethnic Minorities:	PRIMARYLY HOMOGENEOUS SOME REMNANT PROCEDURE NOT COMPLETE IF LAND QUESTION RESOLVED
4. Permits to Start/Expand Business:	REMAIN PROTECTED BY EMPLOYMENT ORIGIN AND NAT. CONDITIONS OF SERVICE
5. Freedom to Hire/Fire Personnel:	PRASITIALS MONOPOLISTIC
6. Parasitical Preferences/Obstacles to Competitors:	OLIGOPOLISTIC
7. Tax Climate:	SOME INCENTIVES EG PIONEER STATUS
8. Accounting/Audit skills:	LIMITED
9. Other Donor Finance/Support:	FOREIGN GOVT/INTL AID ORGANISATIONS ACTIVE
D. Financial Markets:	
1. Long Term Financing Type/Activity Level:	DEVELOPMENT BANK/ROK/KP ADB
2. Financial Markets Type/Activity Level:	NOT SIGNIFICANT
3. Significance of Non-bank Financial Institutions:	KPF? IMPORTANT S.F.J.
4. Availability of local entrepreneurial capital:	LIMITED AVAILABLE
5. Foreign Investment Interest/Restrictions:	INTEREST LIMITED
6. Capital flow in/out trends (e.g., flight of capital):	STABLE AND UNRESTRICTED
E. US Influence:	
1. Conditionality Opportunities for Leverage:	LIMITED
2. AID Mission Support:	HIGH LEVEL
3. Embassy/Commercial Officer Support:	HIGH LEVEL

revised 2/10/88

Center for Privatization

→ HIGH LEVEL OF DISGUISED UNEMPLOYMENT AND UNDEREMPLOYMENT IN RURAL AND URBAN AREAS

**ENTERPRISE CHECKLISTS
AND
FINANCIAL HIGHLIGHTS**

Organization Name: ABAMAKORO TRADING LIMITED
Type of Business: TRADING COMPANY (WHOLESALE)
Location: BETIO, TUC, (FOUR BRANCHES ON OUTER IS.) -
 BUTARITARI, ABEMAMA

Year Founded: MAY, 1982

Ownership: 85% OWNED BY DBK 15% BY THE
 PUBLIC

Operating Status: TRADING CO., IN FULL
 SWING

Number of Employees: 24

Potential for Employee

Ownership: UNDER CONSIDERATION

Annual Sales: \$5-6 MILLION

Operating Profit: \$119000

Net Worth: \$ 283,000

**Estimated Market
 Value:** \$

Accumulated Debt:

1. **PRODUCTS/SERVICES:** PRESENTLY CONCENTRATES ON SUPPLYING FAST MOVING CONSUMER GOODS, MAINLY FOODSTUFF & BEVERAGES
2. **FACILITIES:** WAREHOUSING, OFFICE PREMISES
3. **HUMAN RESOURCES:** SKILLED ADMINISTRATIVE, STORES & ACCOUNTS STAFF
4. **MARKET TRENDS:** PICKS UP MARKET SHARE AT RATE OF AUDIM/ANNUM
5. **COMPETITORS/MARKET SHARE:** KCWS/60%
6. **LEGAL STATUS:** REGISTERED PUBLIC LIMITED COMPANY
7. **OTHER DATA:**

SUBJECT OF SALE: OPERATING BUSINESS & INFRASTRUCTURE

ESTIMATED SELLING PRICE:

FINANCIAL HIGHLIGHTS

ORGANIZATION

	Current Year: 1986 (U.S.Dollar)*	Last Year: 1985 (Local Currency)*	Comments:
*all figures in thousands			
A. INCOME STATEMENT			
SALES/REVENUES	5,636	4,607	
COSTS			
DIRECT/VARIABLE	3,632	3,045	
INDIRECT OVERHEAD	1,520	1,165	
SUBTOTAL	5,152	4210	
OPERATING PROFIT	484	397	
OTHER COSTS/INCOME	59	50	
FINANCE COSTS	141	118	
OTHER EXPENSES	130	112	
(OTHER INCOME)	(22)	(21)	
TAXES	57	35	
SUBTOTAL	365	294	
NET INCOME	119	103	
B. BALANCE SHEET			
CURRENT ASSETS	95	184	
RECEIVABLES			
INVENTORY	820	558	
TOTAL CURRENT ASSETS	915	742	
TOTAL CURRENT LIABILITIES	429	303	
NET WORKING CAPITAL	486	439	
FIXED ASSETS	97	50	
OTHER ASSETS			
LONG TERM LIABILITIES			
GOVERNMENT			
COMMERCIAL (DEVELOPMENT BANK OF KIRIBATI)	150,300	300	
SUBTOTAL	150,300	300	
NET WORTH (BOOK VALUE)	283	189	

AUDITED BY: KIRIBATI GOVERNMENT AUDITORS - VAIRIKI TARAWA DATE OF LAST AUDIT: 18TH FEBRUARY, 1987

Organization Name: ATOLL MOTOR & MARINE SERVICES LTD., (AMMS).

Type of Business: GENERAL MERCHANDISING/TRADING

Location: BAIRIKI, SOUTH TARAWA

Year Founded:

Annual Sales: \$ 907802

Ownership: 100% DBK

Operating Profit: \$(200678)

Operating Status: ON-GOING

Net Worth: \$(75583) ± 433537

Number of Employees: ?

Estimated Market Value: \$ (509120)

Potential for Employee Ownership:

LOW

Accumulated Debt: \$1,251,018

1. PRODUCTS/SERVICES: VEHICLES, OUTBOARD ENGINE, AUTOMOTIVE PARTS
GENERAL HARWARES, VEHICLE/ENGINE SERVICING

2. FACILITIES: SIX STORES OUTLETS VEHICLE/ENGINE SERVICE SHOP

3. HUMAN RESOURCES: SUPERVISORY NON-SUPERVISORY

4. MARKET TRENDS: INCREASING DEMAND WITH INCREASING COMPETITION

5. COMPETITORS/MARKET SHARE:

6. LEGAL STATUS: REGISTERED LIMITED LIABILITY COMPANY

7. OTHER DATA: CORPORATE STRATEGY SOON TO BE REVIEWED AND REDEFINED

SUBJECT OF SALE: UNCERTAIN

ESTIMATED SELLING PRICE:

FINANCIAL HIGHLIGHTS

ORGANIZATION

.ATTOL MOTRO & MARINE SERVICES LTD.

	Current Year: 1986		Last Year: 1985	Comments:
	(U.S.Dollar)*	(Local Currency)*	(Local Currency)*	
*all figures in thousands				
A. INCOME STATEMENT				
SALES/REVENUES				
LESS RETURNS		907,302	998,487	
COSTS		4,889	-	
DIRECT/VARIABLE	806,793	902,913	998,487	
INDIRECT OVERHEAD		811,682	783,331	
SUBTOTAL		218,307	255,425	
OPERATING PROFIT / LOSS		1029,989 (122,187)	1038,756 (40,269)	
OTHER COSTS/INCOME				
FINANCE COSTS		1,182	1,135	ONLY BANK CHARGE
OTHER EXPENSES		135,868	7,474	
(OTHER INCOME)		58,559	(166,052)	FIRST TAX ASSESMENT
TAXES				STILL UNRESOLVED
SUBTOTAL		78,491	(157,443)	QUESTION OF TOTAL EXMPT
NET INCOME		(200,678)	\$117,174	
B. BALANCE SHEET				
CURRENT ASSETS		208,832	216,067	
RECEIVABLES				
INVENTORY		367,980	576,101	
TOTAL CURRENT ASSETS		599,869	828,816	
TOTAL CURRENT LIABILITIES		692,481	716,568	
NET WORKING CAPITAL		(92,612)	112,248	
FIXED ASSETS		142,029	137,848	
OTHER ASSETS				
LONG TERM LIABILITIES				
GOVERNMENT		125,000	125,000	
COMMERCIAL				
SUBTOTAL				
NET WORTH (BOOK VALUE)		(75,583)	125,096	

AUDITED BY: DIRECTOR OF AUDIT

DATE OF LAST AUDIT: MAY, 1986

Organization Name: Otintaai Hotels Limited

Type of Business: Hotel Operation

Location: Bikenibeu, South Tarawa

Year Founded: 1960's Atoll Hotel Ltd.
1986 OHL Div H&B

Ownership: 100% DBK

Operating Status: On-Going

Number of Employees:

Potential for Employee

Ownership: LOW

Annual Sales: \$ 692,178

Operating Profit: \$ 42,583

Net Worth: \$ 54,236

Estimated Market Value: \$ 400,000

Accumulated Debt: \$494,889
(Incl. Contingent H&B)

1. PRODUCTS/SERVICES:

HOTEL OPERATION

2. FACILITIES:

28 ROOMS, BAR, DINING & CONFERENCE FACILITIES

3. HUMAN RESOURCES:

SUPERVISORY
NON-SUPERVISORY

ADMINISTRATION
SKILLED, UNSKILLED

4. MARKET TRENDS:

DEPENDENT ON FLIGHT FREQUENCY

5. COMPETITORS/MARKET SHARE:

KIRIBATI HOTEL
SEAMAN'S HOSTEL

6. LEGAL STATUS:

REGISTERED LIMITED LIABILITY COMPANY

7. OTHER DATA:

SUBJECT OF SALE: SHARES OF STOCK

ESTIMATED SELLING PRICE: MINIMUM \$ PER SHARE

FINANCIAL HIGHLIGHTS

ORGANIZATION

OTINTAAI HOTEL

	Current Year: 1986	Last Year: 1985	Comments:
	(U.S. Dollar)*	(Local Currency)*	

*all figures in thousands			
<u>A. INCOME STATEMENT</u>			
SALES/REVENUES	692,178	680,628	
COSTS			
DIRECT/VARIABLE	307,096		
INDIRECT OVERHEAD	311,956		
SUBTOTAL	619,052		
OPERATING PROFIT	73,122		
OTHER COSTS/INCOME			
FINANCE COSTS	9,893		
OTHER EXPENSES	49,729		
(OTHER INCOME)	(29,083)		
TAXES			
SUBTOTAL	30,539		
NET INCOME	42,583	29,083	
<u>B. BALANCE SHEET</u>			
CURRENT ASSETS	26,894	51,722	
RECEIVABLES			
INVENTORY	45,129	67,497	
TOTAL CURRENT ASSETS	132,402	141,985	
TOTAL CURRENT LIABILITIES	37,211	58,846	
NET WORKING CAPITAL	95,191	83,139	
FIXED ASSETS	406,723	405,275	
OTHER ASSETS			
LONG TERM LIABILITIES			
GOVERNMENT			
COMMERCIAL (DUETO GROUP DEFUNCT CO)	447,678	447,678	
SUBTOTAL			
NET WORTH (BOOK VALUE)	42,583	29,083	
	11,653	11,653	
	54,236	40,736	
AUDITED BY: DIRECTOR OF AUDIT		DATE OF LAST AUDIT:	30/6/87

221

Organization Name: SHIPPING CORPORATION OF KIRIBATI

Type of Business Shipping and Provision of Port Services through out Kiribati

Location: H.O. Betio and represented throughout Kiribati and Agencies in Suva, Australia

Year Founded: 1st January, 1987

Annual Sales: \$AUD 3,688,254

Ownership: Statutory Corporation

Operating Profit: \$ 206,721

Operating Status: Operational

Net Worth: \$4,817,817
5,068,803

Number of Employees: 184

Estimated Market Value: \$ about 5 million

Potential for Employee Ownership: Nil

Accumulated Debt: \$783,445 1034,431
plus 250,986 1034,431

1. **PRODUCTS/SERVICES:** The provision of transport and Freight Services on a National and International basis, the provision and Servicing of Port facilities and handling freight services
2. **FACILITIES:** Fleet: 3 mixed cargo/passenger Ships, 2 large landing crafts, 3 tugs, 5 barges and dock equipment e.g. Container Crane etc.
3. **HUMAN RESOURCES:** 184 Employees skilled Administrative/Technical
Unskilled Administrative Technical
4. **MARKET TRENDS:** Over the last 3 years profits not stable due to copra reduction, therefore profit reflecting this trend.
5. **COMPETITORS/MARKET SHARE:** 95% Market Shares held by the Shipping Corporation
6. **LEGAL STATUS:** Statutory Body Cap 94A
7. **OTHER DATA:** It is unlikely that a purchaser with sufficient cash could be found in Kiribati. Profits were variable and the buyer depends to some extent on the amount of copra available.

SUBJECT OF SALE: Shipping Corporation

ESTIMATED SELLING PRICE: Five Million Dollars

FINANCIAL HIGHLIGHTS

ORGANIZATION

	Current Year:		Last Year:	Comments:
	(U.S.Dollar)*	(Local Currency)*	(Local Currency)*	
----- *all figures in thousands				
<u>A. INCOME STATEMENT</u>				
SALES/REVENUES	A\$3,688,254		3,319,602	
COSTS				
DIRECT/VARIABLE	3,371,201			
INDIRECT OVERHEAD	110,332			
SUBTOTAL	3,481,533		3,365,789	
OPERATING PROFIT	296,721		(46,187)	
OTHER COSTS/INCOME	(77,856)		(106,195)	
FINANCE COSTS				
OTHER EXPENSES	210,924		30,421	
(OTHER INCOME)	-			
TAXES				
SUBTOTAL	133,068		(75,774)	
NET INCOME	A\$ 339,789		(121,961)	
<u>B. BALANCE SHEET</u>				
CURRENT ASSETS				
RECEIVABLES	522,186		693,460	
INVENTORY	219,522		187,588	
TOTAL CURRENT ASSETS	1,690,612		1,479,332	
TOTAL CURRENT LIABILITIES	783,445		875,038	
NET WORKING CAPITAL	907,167		604,294	
FIXED ASSETS	4,161,636		4,440,814	
OTHER ASSETS				
LONG TERM LIABILITIES	250,986			
GOVERNMENT (Statutory)			443,738	
COMMERCIAL				
SUBTOTAL	250,986		443,738	
NET WORTH (BOOK VALUE)	4,817,817		4,601,370	

AUDITED BY:

Director of Audit

DATE OF LAST AUDIT:

Organization Name: KIRIBATI INSURANCE CORPORATION (KIC)

Type of Business: GENERAL & LIFE INSURANCE

Location: BAIRIKI, TARAWA

Year Founded: 1981

Annual Sales: \$ 176,487

Ownership: GOVERNMENT CORPORATION

Operating Profit: \$ 67,000

AUDITED FIGURE ADJUSTED

Operating Status: FULLY OPERATIONAL AS A
STATUARY CORPORATION

Net Worth: \$

Number of Employees: FIVE (5)

**Estimated Market
Value:** \$

**Potential for Employee
Ownership:** LIMITED POTENTIAL

Accumulated Debt: \$117,096

1. PRODUCTS/SERVICES: FIRE ACCIDENT MARINE & LIFE INSURANCE

2. FACILITIES: THE CORPORATION HAS CONTACTS WITH THE OUTSIDE MARKET FOR RE-INSURANCE FACILITIES TO REDUCE ITS LOSS ON CLAIMS. THERE ARE BROKERS TO LOOK AFTER TREATY AND FACULTATIVE REINSURANCE ON EVERY RISKS WRITTEN BY THE CORPORATION

3. HUMAN RESOURCES: THE CORPORATION HAS AN EXPATRIATE MANAGER WITH 4 LOCAL STAFF. IT MAKES ITS OWN ARRANGEMENT FOR STAFF TRAINING. THE STAFF ARE NOW STUDYING THROUGH THE AUSTRALIAN INSTITUTE AND IS PREPARED TO SEND A STAFF EVERY YEAR TO TRAINING SPONSORED BY UNITED NATIONS.-

4. MARKET TRENDS: See Attached List.
KIK BY 1/10/87 WILL MANAGE ITSELF WITHOUT THE MANAGEMENT OF AN OUTSIDE COMPANY. KIC MAY INCREASE ITS RETENTION ACCORDING TO ITS FINANCIAL STRENGTH AND MORE PREMIUM WILL BE RETAINED IN THE COUNTRY

5. COMPETITORS/MARKET SHARE:
NO OTHER COMPETITORS KIC IS THE ONLY INSURANCE CORPORATION IN KIRIBATI BY LAW.

6. LEGAL STATUS: ESTABLISH UNDER LAWS OF KIRIBATI CAP 45A

7. OTHER DATA:

SUBJECT OF SALE:

ESTIMATED SELLING PRICE:

1 EXPATRIATE STAFF

1. T. TOOMA - AG ASSISTANT MANAGER
CLAIMS, UNDERWRITING & OFFICE SUPERVISOR
2. R. TIMON - BOOKEEPING & CLAIMS
3. T. ABERA - UNDERWRITING/CASHIER
4. I. MOAUA (MRS) - SECRETARY/CLERK

Organization Name: PUBLIC UTILITIES BOARD (PUB)
Type of Business PROVIDING ESSENTIAL SERVICES
Location: BETIO

Year Founded: 1977 (1ST JULY)

Annual Sales: \$ 2 MILLION

Ownership: GOVERNMENT OWNED

Operating Profit: \$ 349,000

Operating Status: PROVIDING SERVICES

Net Worth: \$ 14 MILLION

Number of Employees: 161

Estimated Market Value: \$ 20 MILLION

Potential for Employee Ownership:

PREMATURE

Accumulated Debt:

1. PRODUCTS/SERVICES:

ELECTRICITY SUPPLY/WATER SUPPLY AND SEWAGE DISPOSAL

2. FACILITIES:

POWER STATIONS, WATER GALLERIES & PUBMP STATIONS, WORKSHOPS & OFFICES

3. HUMAN RESOURCES:

GENERAL MANAGER, ADVISERS, ENGINEERS, ACCOUNTANTS, CLERICAL & SKILLED LABOUR

4. MARKET TRENDS:

ELECTRICITY 2% INCREASES ANNUALLY. WATER JUST STARTED & CONNECTIONS NOT COMPLETE YET

5. COMPETITORS/MARKET SHARE:

SOLAR ENERGY & PRIVATE GENERATORS. THESE OPERATE ON VERY SMALL SCALE AT PRESENT FOR COMPARISON TO PUB.

6. LEGAL STATUS:

LEGALLY SET UP UNDER KIRIBATI LAWS (CAP 83)

7. OTHER DATA:

SUBJECT OF SALE: ELECTRICITY AND WATER

WATER: \$1 per

ESTIMATED SELLING PRICE: Electricity) Domestic 32c/KWH

\$9/month for -

Commercial/Industrial 36c/KWH

delivery

FINANCIAL HIGHLIGHTS

ORGANIZATION

PUBLIC UTILITIES BOARD

	Current Year: 1986 (U.S.Dollar)*	Last Year:1985 (Local Currency)*	Comments:
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**all figures in thousands*A. INCOME STATEMENT

SALES/REVENUES	2, 424,	2, 187, 1	
COSTS	2, 198	2, 081	
DIRECT/VARIABLE			
INDIRECT OVERHEAD	274	216	
SUBTOTAL	2, 452	2, 297	
OPERATING PROFIT	(28)	(110)	
OTHER COSTS/INCOME			
FINANCE COSTS			
OTHER EXPENSES			
(OTHER INCOME)	377	256	
TAXES			
SUBTOTAL	377	256	
NET INCOME	349	146	

B. BALANCE SHEET

CURRENT ASSETS			
RECEIVABLES	910	771	
INVENTORY	260	279	
TOTAL CURRENT ASSETS	1,537	1,113	
TOTAL CURRENT LIABILITIES	1,002	833	
NET WORKING CAPITAL	535	280	
FIXED ASSETS	13,736	14,011	
OTHER ASSETS			
LONG TERM LIABILITIES			
GOVERNMENT	674	674	
COMMERCIAL			
SUBTOTAL			
NET WORTH (BOOK VALUE)	13,062	13,337	

AUDITED BY: DIRECTOR OF AUDITS,

DATE OF LAST AUDIT: APRIL, 1987

Organization Name: BETIO SHIPYARD - DIVISION OF MINISTRY OF TRANSPORT AND COMMUNICATIONS

Type of Business Shipbuilding - repairing, general engineering, metal fabrication ± installation, wooden boat and fibre glass work.

Location:
BETIO, TARAWA

Year Founded: 1977

Ownership: GOVERNMENT

Operating Status: FULLY OPERATIONAL AS A
DEPT. OF MIN. OF T & C

Number of Employees: 36

Potential for Employee

Ownership: NIL

Annual Sales: \$ 318715

Operating Profit: \$ (22,891)

Net Worth: \$ (35504)

Estimated Market Value: \$ NOT READILY AVAILABLE

Accumulated Debt: 88,496

1. PRODUCTS/SERVICES: BOAT-BUILDING, REPAIRING, ENGINEERING WORKS

2. FACILITIES: SLIPWAY, BOILERSHOP, BOATBUILDING, CARPENTRY SHOP, MECHANICAL ENGINEERING WORKSHOP, GENERAL STORES.

3. HUMAN RESOURCES:

MANAGEMENT	-	2
SUPERVISORS	-	3
SKILLED TRADESMEN	-	24 = 36
CLERICAL	-	4
UNSKILLED	-	3

4. MARKET TRENDS:
SHIPREPAIRS, MEDIUM AND HEAVY INDUSTRIES

5. COMPETITORS/MARKET SHARE: 80%

6. LEGAL STATUS: DIVISION OF MINISTRY OF TRANSPORT & COMMUNICATIONS

7. OTHER DATA: NIL

SUBJECT OF SALE: SHIPYARD OPERATION

ESTIMATED SELLING PRICE:

FINANCIAL HIGHLIGHTS

ORGANIZATION

BETIO SHIPYARD

	Current Year: 1986 (U.S. Dollar)*	Last Year: 1985 (Local Currency)*	Comments:
	NOT AVAILABLE		AUD 000
	*all figures in thousands		
<u>A. INCOME STATEMENT</u>			
		319	
SALES/REVENUES			
COSTS			
DIRECT/VARIABLE		203	
INDIRECT OVERHEAD		139	
SUBTOTAL		342	
OPERATING PROFIT (LOSS)		(23)	
OTHER COSTS/INCOME			
FINANCE COSTS		12	
OTHER EXPENSES (OTHER INCOME) (INCL. GOVT. SUBSIDY 60 FOR 1985)		(69)	
TAXES			
SUBTOTAL		57	
NET INCOME		34	
<u>B. BALANCE SHEET</u>			
CURRENT ASSETS			
RECEIVABLES		113	
INVENTORY		352	
TOTAL CURRENT ASSETS		465	
TOTAL CURRENT LIABILITIES		62	
NET WORKING CAPITAL		403	
FIXED ASSETS		53	
OTHER ASSETS		-	
LONG TERM LIABILITIES			
GOVERNMENT			
COMMERCIAL		88	
SUBTOTAL		88	
NET WORTH (BOOK VALUE)		(35)	

AUDITED BY: DIRECTOR OF AUDIT

DATE OF LAST AUDIT: 12/1/87

Organization Name: GOVERNMENT PHILATELIC BUREAU
Type of Business PHILATELY
Location: BETIO, TARAWA, REPUBLIC OF KIRIBATI

Year Founded: 1965 (CIRCA)	Annual Sales: \$ 200,000 APPROX.
Ownership: GOVERNMENT OWNED	Operating Profit: \$8,000
Operating Status: FULLY OPERATIONAL AS A DIVISION IN THE MINISTRY OF TRANSPORT AND COMMUNICATIONS	Net Worth: \$ 600,000
Number of Employees: 7 (SEVEN)	Estimated Market Value: \$
Potential for Employee Ownership: VERY LIMITED	Accumulated Debt: \$30,000

1. **PRODUCTS/SERVICES:** THE PRODUCTION AND SALE OF POSTAGE STAMPS TO COLLECTORS AS A SIGNIFICANT SOURCE OF FOREIGN EXCHANGE.
2. **FACILITIES:** OFFICE PREMISES AND ARRANGEMENTS WITH PRINTERS FOR THE PRINTING OF POSTAGE STAMPS
3. **HUMAN RESOURCES:** SKILLED AND EXPERIENCED STAFF WITH MANAGEMENT CAPABILITIES
4. **MARKET TRENDS:** SALES IN 1981/82 HAD REACHED A MILLION DOLLARS (SM). PRESENTLY ANNUAL SALES ARE APPROXIMATELY TWO HUNDRED THOUSAND DOLLARS (200,000)
5. **COMPETITORS/MARKET SHARE:** THE KIRIBATI PHILATELIC BUREAU WILL CONTINUE TO MAINTAIN A CONSERVATIVE ISSUING POLICY OF FOUR REGULAR ISSUES PLUS ONE SOUVENIR SHEET PER YEAR TO ENSURE ITS GOOD STANDING IN THE LONG RUN AND NOT TO ADOPT TECHNIQUE AND POLICES WHICH COULD
6. **LEGAL STATUS:** CAUSE DETRIMENTAL EFFECTS TO THE OPERATION.

A DIVISION OF THE MINISTRY OF TRANSPORT AND COMMUNICATION
7. **OTHER DATA:** MEASURES TO IMPROVE THE TRADING POSITION, FINANCIALLY IN FORTH-COMING YEARS HAVE ALREADY BEEN ENFORCED AND WILL BE MOST OBVIOUS MAINLY IN STAFF AND PRODUCTION COSTS.

SUBJECT OF SALE: THE SALE OF KIRIBATI POSTAGE STAMPS
ESTIMATED SELLING PRICE:

Organization Name: GOVERNMENT SUPPLY DIVISION (GSD)
Type of Business: Retail and wholesale of building materials etc.
Location: Bairiki

Year Founded: 1. 1. 82

Ownership: government of Kiribati

Operating Status: Operating

Number of Employees: 71

Potential for Employee Ownership: Negligible

Annual Sales: \$ 3.8 million (est)

Operating Profit: \$635,712

Net Worth: \$ 71,194

Estimated Market Value: \$ 2.9. million

Accumulated Debt: \$744,011

- 1. PRODUCTS/SERVICES:** Building materials, electrical appliances & fitting, furniture, Paints, Household durable.
25% on stock items 15% on direct
- 2. FACILITIES:** Retails and wholesale trade of imported goods
- 3. HUMAN RESOURCES:** see attachment
- 4. MARKET TRENDS:** sales steady at 3.8 million dollar for 1 year
- 5. COMPETITORS/MARKET SHARE:** Competition from other governmetn companies in tools and hardware
- 6. LEGAL STATUS:** The Department of Ministry of Finance wiht statutory special fund
- 7. OTHER DATA:** Branches at Kiritimati

SUBJECT OF SALE:

ESTIMATED SELLING PRICE:

FINANCIAL HIGHLIGHTS

ORGANIZATION

GOVERNMENT SUPPLY DIVISION

	Current Year: 1986 (U.S. Dollar)*	Last Year: 1985 (Local Currency)*	Comments:
----- *all figures in thousands -----			
A. INCOME STATEMENT			
SALES/REVENUES	3,893	3,550	
COSTS			
DIRECT/VARIABLE	2,944	2,676	
INDIRECT OVERHEAD	489	390 (3,066)	
SUBTOTAL	3,433		
OPERATING PROFIT	460	484	
OTHER COSTS/INCOME			
FINANCE COSTS			
OTHER EXPENSES	\$441	407	
(OTHER INCOME)	(52)	(68)	
TAXES			
SUBTOTAL	(389)	339	
NET INCOME	71	145	
B. BALANCE SHEET			
CURRENT ASSETS			
RECEIVABLES	744	1,122	
INVENTORY	(1,619±1071) 2,690	1,890 - 1,890	
TOTAL CURRENT ASSETS		585	3,597
		3,434	
TOTAL CURRENT LIABILITIES		(534)	(774)
NET WORKING CAPITAL		2,900	2,823
FIXED ASSETS	16	19	
OTHER ASSETS			
LONG TERM LIABILITIES			
GOVERNMENT			
COMMERCIAL			
SUBTOTAL			
NET WORTH (BOOK VALUE)	2,916	2,842	
	Unaudited	Audited	
AUDITED BY:		DATE OF LAST AUDIT:	

33

SEE ALSO GOVERNMENT BUDGET FOR
DETAILS

Organization Name: GOVERNMENT PRINTERY (MINISTRY OF HOME AFFAIRS)

Type of Business PRINTING OF FORMS, COUPONS (TOLL), REPORTS, BOOK-BINDING,
GOVERNMENT GAZETTE,

Location: BAIRIKI, TARAWA

200K Govt.
50K Private

Year Founded: 1972

Ownership: GOVERNMENT OF KIRIBATI
MINISTRY OF HOME AFFAIRS

Operating Status: FULLY OPERATIONAL AS A
DEPARTMENT OF MINISTRY

Number of Employees: 20 (TWENTY)

Potential for Employee

Ownership: SOME POTENTIAL

Annual Sales: \$250,000 (APPROX)

Operating Profit: \$ 150,000 - 200,000

Net Worth: \$ 200,000

**Estimated Market
Value:** \$

Accumulated Debt:

1. PRODUCTS/SERVICES:

PRINTING OF FORMS, COUPONS (TOLL) REPORTS BOOKBINDING, GOVERNMENT GAZETTE

2. FACILITIES: RENT-FREE BUILDING/SIE, POWER & WATER SUPPLY

3. HUMAN RESOURCES: SKILLED PRINTING & BOOK PRODUCTION TECHNICAL STAFF (20)

4. MARKET TRENDS: LIKELY TO REMAIN STEADY OR GRADUAL GROWTH

5. COMPETITORS/MARKET SHARE: 80% GOVERNMENT PRINTERY, 250 GOVT.
CATHOLIC CHURCH 20% (TWO MINSSIONALRY CHURCH PRINTERS GOK)
PROTESTANT CHURCH

6. LEGAL STATUS: DEPARTMENT OF MINISTRY OF HOME AFFAIRS & DECENTRALISATION.

7. OTHER DATA: SOME PLANT & MACHINERY UNSERVICEABLE

SUBJECT OF SALE:

ESTIMATED SELLING PRICE:

FINANCIAL HIGHLIGHTS

ORGANIZATION

	Current Year: (U.S.Dollar)*	Last Year: (Local Currency)*	Comments:
*all figures in thousands			
A. INCOME STATEMENT			
SALES/REVENUES	300,000	300,000	
COSTS			
DIRECT/VARIABLE	25,000	24,000	
INDIRECT OVERHEAD	28,000	27,000	
SUBTOTAL			
OPERATING PROFIT			
OTHER COSTS/INCOME			
FINANCE COSTS			
OTHER EXPENSES (OTHER INCOME)			
TAXES	42,000	42,000	
SUBTOTAL			
NET INCOME			
B. BALANCE SHEET			
CURRENT ASSETS			
RECEIVABLES			
INVENTORY			
TOTAL CURRENT ASSETS			
TOTAL CURRENT LIABILITIES			
NET WORKING CAPITAL			
FIXED ASSETS - (REPLACEMENTS)	220,000	220,000	
OTHER ASSETS			
LONG TERM LIABILITIES			
GOVERNMENT			
COMMERCIAL			
SUBTOTAL			
NET WORTH (BOOK VALUE)			
AUDITED BY:		DATE OF LAST AUDIT:	

SEE ALSO GOVERNMENT BUDGET FOR DETAILS

Organization Name: GOVERNMENT PUBLIC WORKS DEPARTMENT (PHD) MINISTRY OF WORKS & ENERGY.
Type of Business DESIGN AND CONSTRUCTION OF BUILDINGS AND CIVIL WORK MAINTENANCE AND JOINERY
Location: BETIO, BAINITI & BIKENIBEU

Year Founded: Devolved from Gida
 approx. 1978.
Ownership: Government of Kiribati
Operating Status: Government Department
Number of Employees: 250 approximately
**Potential for Employee
 Ownership:**

Annual Sales: \$
Operating Profit: \$
Net Worth: \$
**Estimated Market
 Value: \$**
Accumulated Debt:

1. PRODUCTS/SERVICES:

CONSTRUCTION AND MAINTENANCE OF GOVERNMENT BUILDINGS

2. FACILITIES: THREE MAINTENANCE DEPOTS. CONSISTING OF OFFICES, STORES ETC.
 ONE JOINERY WORKSHOP ONE DRAWING OFFICE

3. HUMAN RESOURCES: TWO ENGINEERS. ONE ARCHITECT. 2 WATER ENGINEERS, DRAUGHTSMEN
 TRACER, ESTIMATORS, CONSTRUCTION AND CIVIL TRADESMEN.

4. MARKET TRENDS: CONSTANT

5. COMPETITORS/MARKET SHARE: 100% OF GOVERNMENT BUILDING (CONSTRUCTION
 AND MAINTENANCE WORK)

6. LEGAL STATUS: DEPARTMENT OF GOVERNMENT

7. OTHER DATA:

SUBJECT OF SALE:

ESTIMATED SELLING PRICE:

ABAMAKORO TRADING LIMITED

ABAMAKO TRADING LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1986

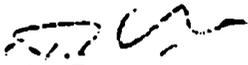
ABAMAKORO TRADING LIMITED

Year ended 31 December 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

In accordance with section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements set out on pages 3 to 10. The financial statements have been prepared under the historical cost convention.

In my opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 1986 and of the profit and source and application of funds for the year then ended.


Iaramako Teiaki
Director of Audit
18 February 1987

ABAMAKORO TRADING LIMITED
 Profit & Loss Account
 Year ended 31 December 1986

	NOTES	1986 \$	1985 \$
Turnover	2	<u>5 635 513</u>	<u>4 607 235</u>
Operating profit	10	175 579	138 622
Taxation	7	57 224	34 767
Profit after taxation		<u>118 355</u>	<u>103 855</u>
Retained profit at beginning of year		189 062	107 707
Proposed dividend	11	<u>24 000</u>	<u>22 500</u>
Retained profit at end of year		263 417	189 062
Earnings per share	12	<u>78.9c</u>	<u>69.2c</u>

The notes on pages 6 to 10 form part of these financial statements.

ABAMAKORO TRADING LIMITED
 BALANCE SHEET
 31 DECEMBER 1986

	NOTE	1986 \$	1985 \$
EMPLOYMENT OF CAPITAL			
Fixed Assets	4	97 124	50 396
Current Assets:			
Stock	5	545 748	347 409
Trade debtors		35 926	104 602
Other debtors and prepayments		57 213	34 642
Group balances	6	1 675	44 040
Cash at bank and on hand		274 843	210 883
		<hr/>	<hr/>
		915 405	741 576
Current Liabilities:			
Trade creditors		271 515	173 945
Other Creditors		16 397	10 591
Group balances	6	59 976	61 107
Taxation	7	57 224	34 767
Proposed dividend	11	24 000	22 500
		<hr/>	<hr/>
		429 112	302 910
Net Current Assets		<hr/>	<hr/>
		486 293	438 666
		<hr/>	<hr/>
		583 417	489 062
CAPITAL EMPLOYED			
Share capital	8	150 000	150 000
Retained Profits		283 417	189 062
Long Term Loan Units	9	150 000	150 000
		<hr/>	<hr/>
		583 417	489 062
		<hr/>	<hr/>

.....
 CHAIRMAN

.....
 DIRECTOR

ABAMAKORO TRADING LIMITED
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 YEAR ENDED 31 DECEMBER 1986

	1986 \$	1985 \$
SOURCE OF FUNDS		
Operating profit	175 579	138 622
Adjustment for items not involving the movement of funds:		
Depreciation	<u>36 463</u>	<u>21 451</u>
Total Generated from Operations	212 042	160 073
APPLICATION OF FUNDS		
Purchase of fixed assets	83 191	28 356
Dividend paid	22 500	22 500
Taxation paid	<u>34 767</u>	<u>54 564</u>
	<u>140 458</u>	<u>105 420</u>
Increase in working capital	<u>71 584</u>	<u>54 653</u>
Made up as follows:-		
Stocks	198 339	(344 130)
Debtors	(46 105)	37 772
Creditors	(103 376)	110 045
Group balances	(41 234)	(7 753)
Bank and Cash balances	<u>63 960</u>	<u>258 719</u>
	<u>71 584</u>	<u>54 653</u>

The notes on pages 6 to 10 form part of these financial statements

ABAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

1. PRINCIPAL ACCOUNTING POLICIES

The company's financial statements are prepared under the historical cost convention and in accordance with International Accounting Standards. The following is a summary of the more important policies used by the company.

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

	Percent
Buildings	10
Motor Vehicles	33 $\frac{1}{3}$
Furniture and equipment	20

(b) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Australian dollars at the rates of exchange ruling at the end of the financial year. Differences on exchange are included in operating profit.

(c) Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes freight, duty, levy and other handling costs. Stock which has not cleared customs excludes duty and certain handling costs. Provision is made for obsolescent, slow moving and defective stock.

ABAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

2. TURNOVER

Turnover represents sales of goods at invoiced value net of returned items.

3. THE COMPANY .

Abamakoro Trading Limited is a public company incorporated in Kiribati to trade as wholesalers of food and other products. It is a subsidiary of the National Loans Board.

4. FIXED ASSETS	Buildings \$	Motor Vehicles \$	Furniture and Equipment \$	TOTAL \$
Cost				
At 1 January 1986	25 609	78 193	6 423	110 225
Additions	-	82 421	770	83 191
Disposals	-	36 837	-	36 837
	<u>25 609</u>	<u>123 777</u>	<u>7 193</u>	<u>156 579</u>
Depreciation				
At 1 January 1986	6 078	51 292	2 459	59 829
Charge for year	2 563	32 464	1 436	36 463
Disposals	-	36 837	-	36 837
At 31 December 1986	<u>8 541</u>	<u>46 919</u>	<u>3 895</u>	<u>59 455</u>
Net book value				
at 31 December 1986	<u>16 968</u>	<u>76 858</u>	<u>3 298</u>	<u>97 124</u>
Net book value				
at 31 December 1985	<u>19 531</u>	<u>26 901</u>	<u>3 964</u>	<u>50 396</u>

There is an equitable mortgage over all the assets of the company to secure any overdraft.

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

	1986 \$	1985 \$
5. STOCK		
Merchandise for resale	542 944	342 133
Stationery	<u>2 804</u>	<u>5 276</u>
	<u>545 748</u>	<u>347 409</u>
 6. GROUP BALANCES		
	1986 \$	1985 \$
Amount due from parent body and its divisions A A S division of National Loans Board	-	43 201
Otintaa'i Hotels Division of National Loans Board	<u>1 675</u>	<u>839</u>
	<u>1 675</u>	<u>44 040</u>
 Amount due to parent body, its divisions and fellow subsidiary company		
Atoll Products Limited	-	41 244
A A S division of National Loans Board	361	-
National Loans Board	<u>59 615</u>	<u>19 863</u>
	<u>59 976</u>	<u>61 107</u>
 Net balance due to Parent body, its divisions and subsidiary	<u>58 301</u>	<u>17 067</u>

4/6

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

7. TAXATION	1986	1985
	\$	\$
Balance at 1 January	34 767	54 564
Income Tax on profits for year	57 224	34 767
Payments	(34 767)	(54 514)
Prior years adjustment	-	(50)
Balance at 31 December	<u>57 224</u>	<u>34 767</u>
8. SHARE CAPITAL	1986	1985
	\$	\$
Authorised:		
800 000 Ordinary shares of \$1 each	<u>800 000</u>	<u>800 000</u>
200 000 Preference shares of \$1 each	<u>200 000</u>	<u>200 000</u>
Issued:		
at 31 December		
150 000 Ordinary shares of \$1 each	<u>150 000</u>	<u>150 000</u>
9. LONG TERM LOAN UNITS	1986	1985
	\$	\$
Authorised and issued		
150 000 10½% loan units of \$1 each	<u>150 000</u>	<u>150 000</u>
The loan units, which carry conversion rights, are to be repaid between 1997 and 1999		
10. OPERATING PROFIT	1986	1985
	\$	\$
The operating profit is arrived at after charging:-		
Auditors remuneration	742	674
Depreciation	36 463	21 451
Interest on long term loan units	15 750	15 750
Interest on Bank borrowings	<u>1 597</u>	<u>-</u>

ABAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

11. PROPOSED DIVIDEND	1986	1985
	\$	\$
Proposed 16 cents per ordinary share (1985 15 cents)	<u>24 000</u>	<u>22 500</u>
 12. EARNINGS PER SHARE		
The earnings per share at 78.9 cents (1985 - 69.2 cents) have been calculated by dividing the profit for the year \$118 355 (1985 \$103 855) by the number of shares in issue during the year 150 000 (1985 150 000)		
 13. DIRECTORS EMOLUMENTS	1986	1985
	\$	\$
Fees	<u>10</u>	<u>50</u>
 14. CAPITAL COMMITMENTS	1986	1985
	\$	\$
Authorised and contracted for	<u>45 000</u>	<u>60 000</u>
 15. CONTINGENT LIABILITIES	1986	1985
	\$	\$
Duties and charges	<u>26 000</u>	<u>23 000</u>

The amount will become payable as goods are cleared through customs and taken from bond.

REPUBLIC OF KIRIBATI

COMPANIES ORDINANCE

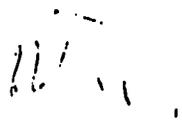
(No. 5 OF 1979)

In exercise of the power conferred upon me by Section 14(2) of the Companies Ordinance (Cap 10A) and by virtue of a special resolution dated the 29th day of October 1981 which was passed by an Extraordinary General Meeting of Atoll Wholesale Distributions Ltd., I hereby approve that the name ATOLL WHOLESALE DISTRIBUTORS LTD be changed to ABALAKORO TRADING LTD.

Dated this 27 day of

January

1982


Michael N. Takabwebwe
Registrar of Companies

COMPANIES ORDINANCE

ARTICLES OF ASSOCIATION

of

Atoll Wholesale Distributors LTD

1. The name of the company is Atoll Wholesale Distributors LTD.
2. The registered office of the company will be situate in the Republic of Kiribati.
3. The objects for which the company is established are unrestricted and initially the company will carry on the business of wholesale distribution of food and other products.
4. The company shall by virtue of the Companies Ordinance be deemed to have all the lawful powers of a natural person requisite for the furtherance of its objects save as shall otherwise be provided herein.
5. The share capital of the company is AS1,000,000 divided into 800,000 ordinary shares of \$1 each and 200,000 preference shares of \$1 each.
6. 1) The preference shares are preferential both as to dividend, and as to repayment of capital but do not confer any further right to participate in profits or assets.
ii) No person shall be entitled to vote either in person or by proxy in respect of any preference share.
7. The Directors of the Company are Phillip Wilder, John Howard, Catherine Tokanens, Glenn Stone, Koreana Kairoro, Tony Cross, Nariki Kautu and Eryl Thomas.
The Secretary of the company is the National Loans Board
The powers of the directors are limited in accordance with Section 99 of the Companies Ordinance.
8. The Rules contained in Table A in Schedule 1 to the Companies Ordinance which is attached hereto shall apply to the company save in so far as they are excluded or varied hereby, that is to say the words "or by instrument in writing signed by a majority of the directors" shall be inserted at the end of Rule 35.

We the several persons whose names are subscribed below hereby agree to the foregoing Articles of Association.

Wated this 30th day of April 1981

Name	Signature
National Loans Board	<u>[Signature]</u> (Member) (Secretary)
/ The Secretary for Trade, Industry & Labour	<u>[Signature]</u>
/ The Secretary for Home Affairs	<u>[Signature]</u>
/ The Secretary for Finance	<u>[Signature]</u>
/ The Secretary for Works & Communications	<u>[Signature]</u>
/ The Secretary for Natural Resources Development	<u>[Signature]</u>
/ The Registrar of Companies	<u>[Signature]</u>
/ Phillip Wilder	<u>[Signature]</u>
Harold Kaitu	<u>[Signature]</u>
Koroua Kairoro	<u>[Signature]</u>

ABAMAKORO TRADING LTD

LIST OF SHAREHOLDERS

AS AT 31/12/85

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00001	Aban Kayak Trading	250	250.00
2	Abenera Maria	10	10.00
3	Aberaan Teraruaa	10	10.00
4	Abete Werang	2731	2731.00
5	Agnes Talia	50	50.00
6	Ainen Auriaria	10	10.00
7	Ainete Karoua	10	10.00
8	Ainti Tekau	10	10.00
9	Airan Tekaria	10	10.00
10	Akamatang Tinon	10	10.00
11	Akeriba B. Rantoweia	20	20.00
12	Albert Muller (for Kwiraai Store)	10	10.00
13	Ali Tumoa	10	10.00
14	Aloysius Taburuca	10	10.00
15	Ana H. Tong	10	10.00
16	Antakana (Makin Island)	10	10.00
17	Anterea Neechia	10	10.00
18	Arimeta Taburuea	10	10.00
19	Arim Tumoa	10	10.00
20	Arouea Matita	10	10.00
21	Ata Manraoi	10	10.00
22	Atamai Kauobanga	10	10.00
23	Atauea Atanibeia	10	10.00
24	Atauea Tataua	50	50.00
25	A.T. Brothers	100	100.00
26	Atikenati O'Connor	10	10.00
27	Aukitino Bwebwetara	18	18.00
28	Auriati Naburennara	10	10.00
29	Aree Kaboterenga	10	10.00
30	Anterea Bwenawa		1000.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00100	B'aiaa Toromon	10	10.00
101	Baikia Nauoko	10	10.00
102	Baikitea Teeta	10	10.00
103	Banabati Manuoi	10	10.00
104	Baaria Store	1100	1100.00
105	Bangao Toauru	10	10.00
106	Baraniko Tannang	20	20.00
107	Batari Tamba	10	10.00
108	Bateka Tamuera	10	10.00
109	Batiiba Taake (Mrs)	20	20.00
110	Bebete Dunaua	50	50.00
111	Beetaa Irata	10	10.00
112	See Letter 'P'		
113	Benny Tekaiwa	10	10.00
114	Beru Cafe & Store	100	100.00
115	Betero & Dwebweriki Akau	20	20.00
116	Betoro Tione	10	10.00
117	Betero & Nei Tiro	10	10.00
118	Betirine R. Teinai	50	50.00
119	B & T Store	100	100.00
120	Biree Tebibita	10	10.00
121	Birikarere Teawa'ni	10	10.00
122	Birimaere Store	10	10.00
123	Biri Store	10	10.00
124	Bob Beia	10	10.00
125	Boiboi Taakai	10	10.00
126	Boka Teitiniman	10	10.00
127	Botibati Ioelu	10	10.00
128	Bradbury H.D.	100	100.00
129	Buatia Buatia	10	10.00
130	Bureaua Rabaua	10	10.00
131	Buroieta Karai'ai (Mr & Mrs)	50	50.00
132	Bureti Teraoi	100	100.00
133	Bauro Tikana	10	10.00
134	Beruite Afaletti	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00200	Christian Institute Community Development	250	250.00
201	Compass Rose Ent.	500	500.00
00300	David Edwards (For Dutiraol Store)	20	20.00
301	Daisy Namakin Store	500	500.00
00401	Ekenati Store	20	20.00
402	Enere Tokena	10	10.00
403	Erena Robuti Teucki (Mrs)	10	10.00
404	Eteri Botuake (Mrs)	20	20.00
405	Eretia Karib'aua	10	10.00
406	Erieta Aritiera & Sisters	100	100.00
407	Eroete Maruru	10	10.00
408	Etera Teangana	10	10.00
409	Etuati Tokia	10	10.00
410	Evodis Tanielu	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00500	Faanoa H. Pine	1000	1000.00
501	Fakaofa Neemia	50	50.00
502	Felicia Taburuca (Mrs)	10	10.00
503	Forn Store	1200	1200.00
504	Fred Nicking	10	10.00
00601	Henry Hugill	10	10.00
602	Hibiscus Store	10	10.00
603	Highland Muller	20	20.00
604	Hulo Kanimca	10	10.00
00700	Iakiri Bakaine	50	50.00
701	Istawa Tiaon	10	10.00
702	Ineti Mareko	10	10.00
703	Ioane Kaitu	10	10.00
704	Ioane Ienraku	10	10.00
705	Ioane Kaei	10	10.00
706	Ioane Teretia (for Nawiwariki)	10	10.00
707	Ioane I-Omaa	20	20.00
708	Ieeru Boboia	10	10.00
709	Ioelu Tatapu	10	10.00
710	Ioteba Rubeia	10	10.00
711	Iakate Store	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00712	Iote T. Malua	12	12.00
713	I & M Reoneti	20	20.00
714	Ilaisa Iuta	50	50.00
715	Iramatang T. Tokanene	10	10.00
716	Itibitu Potibara	20	20.00
717	Itilwinang Aianoa	10	10.00
718	Itita Tauaa	10	10.00
719	Ierorimo Minto	10	10.00
720	Ioane Maritino	10	10.00
00800	James Redfern	10	10.00
00801	J. Deoro Maritino	10	10.00
00900	Kataia Store	10	10.00
901	Kamaua Iobi	10	10.00
902	Kainoa Temone	10	10.00
903	Kairake Taburua	10	10.00
904	Karabino Toka	10	10.00
905	Kaitu & Paranika	10	10.00
906	Kaukea Tentoa	1150	1150.00
907	Kaburoro Tanielu	10	10.00
908	Kaotinrerori Maneaba	50	50.00
909	Kantebwebwe Tebao Teukin	30	30.00
910	Karo Bukaireiti	10	10.00
911	Kabweriiti Teuea	10	10.00
912	Kaibariki Iobi	10	10.00

56

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00913	Kaaro H. Tong	10	10.00
914	Kaotia Toie	10	10.00
915	Katikoua Amon	10	10.00
916	Kaburoro Ritani	50	50.00
917	Katarina Wanaei	10	10.00
918	Kaere Terabwena	20	20.00
919	Kabora Timon	10	10.00
920	Katorikon Terikiai	50	50.00
921	Kanawa Tala	10	10.00
922	Kaiaua Tatoraka	10	10.00
923	Kai & Ekeieta Tomiona	20	20.00
924	Kautu Kamatie	20	20.00
925	Kakiaterara Moamea	10	10.00
926	Kairakei Betaera	10	10.00
927	Kaamane Iuta	10	10.00
928	Kakoroa Temoai	12	12.00
929	Karebauriri Tarieta	10	10.00
930	Kakaia & Moewatia Kirimaua	20	20.00
931	Kaiboia Tekaiti	50	50.00
932	Kaekateiti Korotabu	20	20.00
933	Keang Tenicu (Mrs)	10	10.00
934	Kiatamuru Teannaki	50	50.00
935	Kiroua Io	10	10.00
936	Kisaua Frekite	10	10.00
937	Kirata Ngaebi	10	10.00
938	Kittee Rusia	50	50.00
939	Kiraua Tiban (for Ereitaki Store)	10	10.00
940	Kiara Kiaran	10	10.00
941	Kiboboua Ititiku	10	10.00
942	Kitarna Tailkawa	10	10.00
943	Kirata Akai (for Kite Store)	50	50.00
944	Kirabuke Mareko	10	10.00
945	Korevite Ereata	100	100.00
946	Koaro Marontau	10	10.00
947	Korere Iabeta	10	10.00
948	Koura Ainti	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00949	KPC, Tion Store	10	10.00
950	KPC, Retio Canteen	10	10.00
951	Rurarenja Teitiriman	10	10.00
952	Eureiki Biribo	10	10.00
1000	Lakoko E. Taneke	43	43.00
1001	Lata Taniolu	10	10.00
1002	Leise P. Tofinga	50	50.00
1003	Lionel Apton Taniolu	10	10.00
1004	Lomitusi E. Taneke	10	10.00
1005			
1100	Keeri Tannia	12	12.00
1101	Kautake & Kammari Tannang	100	100.00
1102	MAK Brothers Store	30	30.00
1103	Maiungo Store	100	100.00
1104	Manuera Tearo	10	10.00
1105	Matita Taniara	10	10.00
1106	M'aon Store	10	10.00
1107	Maneta Tekantu	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1108	Materaa, Kakianako & Tutu	20	20.00
1109	Materaoi Store	10	10.00
1110	Maretati Iotoba	100	100.00
1111	Mamouri Takoti	10	10.00
1112	Masipei Takarawa	10	10.00
1113	Mannei Bauro	10	10.00
1114	Maribo Investments	500	500.00
1115	Matiara Amitong (for Rusibong Store)	500	500.00
1116	Mariti Katia	10	10.00
1117	Mamara Arawatau	10	10.00
1118	Matariti Store	20	20.00
1119	Mau. Store	10	10.00
1120	Meere Teanako (for Teere Trading)	1000	1000.00
1121	Meka Murdoch (Mrs)	10	10.00
1122	Mikaere Katia	10	10.00
1123	Moritio Diribo	10	10.00
1124	Moreti Uro	10	10.00
1125	Mote Terukaio	10	10.00
1126	Moote Tiira	10	10.00
1127	Mweretaka Kaninea	10	10.00
1200	Ngaina Ioakim	250	250.00
1201	Nabetari Teaioro	10	10.00
1202	Nanoraoi Store	10	10.00
1203	Nariki Kautu	100	100.00
1204	Natirerei Store	100	100.00
1205	Nawala Tannang	10	10.00
1206	Nakareko Benetito	10	10.00

57

<u>Account Number</u>	<u>Names of Shareholders</u>	<u>No. of Shares</u>	<u>Par Value of Shares.</u>
1207	Nabuanimakin	10	10.00
1208	Narakaina Busia (for Boiarara	10	10.00
1209	Nano Biaon	20	20.00
1210	Nanomoi Bar	100	100.00
1211	Nabubara Itinibwe	10	10.00
1212	Nabohi & Marowe	30	30.00
1213	Neevia Karotu	10	10.00
1214	Nikomoi Enterprises	50	50.00
1215	Nikosemo Atoti	10	10.00
1216	NKB Store	116	116.00
1300	Oasis Store (Taimone Flood)	20	20.00
1301	Obetaia Kometa	10	10.00
1302	Oileen B. Kirata	20	20.00
1303	Oten Kwong	30	30.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1400	Pikia Tiroba		
1401	Pauline Materoa & children	10	10.00
1402	Pitoti Talia	10	10.00
1403	Peter Kanere Koru	10	10.00
1404	P. Dinataake Tokataake	20	20.00
1405	Putu Eti (for A-Pooi Store)	10	10.00
1406		300	300.00
0112	People's Lawyer	250	250.00
1551	Ratintera Deriki		
1552	Rabwena Moun	10	10.00
1553	Rakera Mareko	50	50.00
1554	Rateta Rereia	20	20.00
1555	Raoi Tokanang	10	10.00
1556	Rabinoua Tokanang	10	10.00
1557	Raetiri Duanotoa	10	10.00
1558	Ratintera Robata	15	15.00
1559	Raimon Tekaic	10	10.00
1560	Raaiti Ioran	10	10.00
1561	Rereia Turekau	10	10.00
1562	Reo Mikaere	100	100.00
1563	Reemi Tabaru	10	10.00
1564	Ritiati Ariera	10	10.00
1565	Rikameta Teknotioti	10	10.00
1566	Rino Nautonga	100	100.00
1567	Riare Tioti	10	10.00
1568	Rikare Tioti	10	10.00
1569	Riteri Atauea & Kianaro Riteri	20	20.00
1570	Ritati Roboam	10	10.00
1571	RIT Store	10	10.00
1572	Roaia Temate	10	10.00
1573	Ratarire Mareko	30	30.00
1574	Rotein Ben	10	10.00
		10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1575	Rota Tio	10	10.00
1576	Rosta Taeboa	10	10.00
1577	Robuti Nokuau	10	10.00
1578	Rotin Store	10	10.00
1579	Rui Bureimoa	20	20.00
1580	Ruaia Ambo	100	100.00
1581	Ruben Tamare (Dec'd)	10	10.00
1582	Ruta Timeon	10	10.00
1583	Rutiaga Manuoi	50	50.00
1584	RK Onorio (Ruci)	200	200.00
1585	Rutio Ienoua	10	10.00
1586	Rui Tiroa	10	10.00
1650	Salanoa Kilici	10	10.00
1651	Sam Highland	10	10.00
1652	Simon Hoare	25	25.00
1653	St. Dauro Store	10	10.00
1654	St. Eterero Store	10	10.00
1750	Tabwi Teatata	12	12.00
1751	Tafua Atala	50	50.00
1752	Tarcia Kauongo & Nei Rota Taraia	100	100.00
1753	Tauari Store	10	10.00
1754	Tauera Teitiniman	10	10.00
1755	Tabure Abere	10	10.00
1756	Takabwere Arinoko	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1757	Tooua Iotua	30	30.00
1758	Tarana H. Tong	10	10.00
1759	Taribu H. Tong	10	10.00
1760	Taricatu H. Tong	10	10.00
1761	Tatibone Rereia	10	10.00
1762	Tararua Rereia	10	10.00
1763	Tauara Rereia	10	10.00
1764	Tabinia Matang	10	10.00
1765	Taitirenga Anon	10	10.00
1766	Taani Tarkoro	10	10.00
1767	Taikola T. Totic	10	10.00
1768	Tabuarorae Taniara	20	20.00
1769	Tangiriko Store	50	50.00
1770	Tabita Awerika	10	10.00
1771	Taramarawa Terimoa	10	10.00
1772	Taniera Teibuako	20	20.00
1773	Taatake Sukong	10	10.00
1774	Taake Taabane	10	10.00
1775	Tongintebu Canteen	10	10.00
1776	Tukubo Teinai	20	20.00
1777	Taketau Metai	10	10.00
1778	Talalelei Moe	12	12.00
1779	Tatawe Tebuamatang	10	10.00
1780	Teitirua Tiira	100	100.00
1781	Teanbero Mareko	10	10.00
1782	Teiti Tooma	20	20.00
1783	Teeningo & Tebarae Timeon	100	100.00
1784	Tebatoa Ueroti	20	20.00
1785	Tearoua Utiroa	10	10.00
1786	Teretia Berenateta	10	10.00
1787	Teiki Iabeta (for Anganano Mronron)	10	10.00
1788	Tekire Tamuera	10	10.00
1789	Tekinaiti Kaitoie	10	10.00
1790	Teimarawa Teiange	10	10.00
1791	Terengenraoi Tacata	10	10.00
1792	Teuante Night Club	100	100.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1793	Tetana Taitai	30	30.00
1794	Teti Ritiati	10	10.00
1795	Tama Areru	10	10.00
1796	Teban Uriam	10	10.00
1797	Temana Tuma	10	10.00
1798	Teatani Borauca	10	10.00
1799	Tebura H.	10	10.00
1800	Temotimane Store	10	10.00
1801	Temotarai Store	10	10.00
1802	Terinao Ioane	10	10.00
1803	Teritia Teewai	10	10.00
1804	Temakau Atueru	10	10.00
1805	Tebeau Teawaki	10	10.00
1806	Teekabu Tiikai	30	30.00
1807	Temrawa Iabeta	10	10.00
1808	Tekiau & Mei Keobunang	10	10.00
1809	Tebotua Tawan	10	10.00
1810	Temawa Namoto (for Kekeiaki Store)	10	10.00
1811	Terloniango Store	10	10.00
1812	Teiwaki Reretanke (for Teribarake Store)	10	10.00
1813	Teweti Terai	60	60.00
1814	Terctia Store	60	60.00
1815	Teikarawa Te'alia	50	50.00
1816	To Wi-ni-Maiana	20	20.00
1817	Teaski Teuru	100	100.00
1818	Tekoba Baraniko	10	10.00
1819	Tekatu Taake	10	10.00
1820	Teetu Abere	10	10.00
1821	Terina Tebina	10	10.00
1822	Teunika Tauia	10	10.00
1823	Tebabobo Store	10	10.00
1824	Teabaio Iotebatu (for TKTT)	20	20.00
1825	Tekoreau Kairoro	50	50.00
1826	Teaoka Terabwena	20	20.00
1827	Teao Kanoua	10	10.00

64

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1828	Tecta Matita	10	10.00
1829	Tiranga Itauka	50	50.00
1830	Tiron Notatu	10	10.00
1831	Tiro Kautuneita	10	10.00
1832	Tirau Tiira	100	100.00
1833	Tiron Manikaoti	250	250.00
1834	Tiro Takabwebwere	10	10.00
1835	Titake Tebwebwe	10	10.00
1836	Tibera Akau	10	10.00
1837	Tiro Tebao	10	10.00
1838	Tiotiti Abera	10	10.00
1839	Tiron Tebano	20	20.00
1840	Timoteo Ubaitoi	10	10.00
1841	Tibana & Tetoki	10	10.00
1842	Tinian Reiher	50	50.00
1843	Tiaon Teetu (for Angitantewaaki)	100	100.00
1844	Tibauea Atauca	10	10.00
1845	Tibin & Baurinn	500	500.00
1846	Toanimatang Teruoi	10	10.00
1847	Tocna Taburua	10	10.00
1848	Torena Ainti	10	10.00
1849	Tooti Tabomao	10	10.00
1850	Toatea Tebeia	10	10.00
1851	Tooki Kaake (for Bonnano Store)	10	10.00
1852	Tofoki Betoro	30	30.00
1853	Tokamatang Taubuki	10	10.00
1854	Tokatati Kirata	10	10.00
1855	Teauriri Kaobunang	10	10.00
1856	Tokanang Antoon	10	10.00
1857	Tuare Ioane	10	10.00
1858	-		
1859	Tuare Maunana	10	10.00
1860	Tutana Matiera	20	20.00
1861	Turekau Rereia	600	600.00
1862	Tuananga Kikiau	10	10.00
1863	Turua & Taura	10	10.00

12

Account Number	Names of shareholders	Shares	Value of Shares
1864	M.A. Tearood Store	20	20.00-
1865	Takai Kaurai	10	10.00
1866	Tama Mouta	10	10.00
1867	Tekutu Tekearone	100	100.00
1868	Toanama Hingarawa	10	10.00
1869	Tinon Tevua	100	100.00
1870	Tokamantou Teaubuki	1	1.00
1871	Tatou Kaneta	100	100.00
2000	Ua Ritititi	10	10.00
2001	Ueanteiti Hoanorake	10	10.00
2002	Ueen te Roti Store	50	50.00
2003	Ueen te Roti Bus Service	10	10.00
2004	Uenimef Store	50	50.00
2005	Uen Temarae	10	10.00
2006	Uen Aotiteria	10	10.00
2007	Ueantaake Tarekiaua (for Nei Kanre Store)	10	10.00
2008	Uringai Store	100	100.00
2009	Uriam Tauro (for Dabati n Uee Enterprise)	50	50.00
2010	Uriam Tekaic	20	20.00
2011	Utiree Tecker	10	10.00
2012	Willie Reiher	100	100.00
	National Loans Board	127721	127721.00

66

ARMAKORO TRADING LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1986

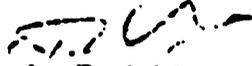
ABAMAKORO TRADING LIMITED

Year ended 31 December 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

In accordance with section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements set out on pages 3 to 10. The financial statements have been prepared under the historical cost convention.

In my opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 1986 and of the profit and source and application of funds for the year then ended.


Iaramako Teoiaki
Director of Audit
18 February 1987

ANAMAKORO TRADING LIMITED
 Profit & Loss Account
 Year ended 31 December 1986

	NOTES	1986 \$	1985 \$
Turnover	2	<u>5 635 513</u>	<u>4 607 235</u>
Operating profit	10	175 579	138 622
Taxation	7	<u>57 224</u>	<u>34 767</u>
Profit after taxation		118 355	103 855
Retained profit at beginning of year		189 062	107 707
Proposed dividend	11	<u>24 000</u>	<u>22 500</u>
Retained profit at end of year		203 417	189 062
Earnings per share	12	<u>70.90</u>	<u>69.20</u>

The notes on pages 6 to 10 form part of these financial statements.

61.

ABAMAKORO TRADING LIMITED
BALANCE SHEET
31 DECEMBER 1986

	NOTE	1986 \$	1985 \$
EMPLOYMENT OF CAPITAL			
Fixed Assets	4	97 124	50 396
Current Assets:			
Stock	5	545 748	347 409
Trade debtors		35 926	104 602
Other debtors and prepayments		57 213	34 642
Group balances	6	1 675	44 040
Cash at bank and on hand		274 843	210 883
		<u>915 405</u>	<u>741 576</u>
Current Liabilities:			
Trade creditors		271 515	173 945
Other Creditors		16 397	10 591
Group balances	6	59 976	61 107
Taxation	7	57 224	34 767
Proposed dividend	11	24 000	22 500
		<u>429 112</u>	<u>302 910</u>
Net Current Assets		<u>486 293</u>	<u>438 666</u>
		<u>583 417</u>	<u>489 062</u>
CAPITAL EMPLOYED			
Share capital	8	150 000	150 000
Retained Profits		283 417	189 062
Long Term Loan Units	9	150 000	150 000
		<u>583 417</u>	<u>489 062</u>

.....
 CHAIRMAN

.....
 DIRECTOR

The notes on pages 6 to 10 form part of these financial statements.

ABAMAKORO TRADING LIMITED
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 YEAR ENDED 31 DECEMBER 1986

	1986 \$	1985 \$
SOURCE OF FUNDS		
Operating profit	175 579	138 622
Adjustment for items not involving the movement of funds:		
Depreciation	<u>36 463</u>	<u>21 451</u>
Total Generated from Operations	212 042	160 073
APPLICATION OF FUNDS		
Purchase of fixed assets	83 191	28 356
Dividend paid	22 500	22 500
Taxation paid	<u>34 767</u>	<u>54 564</u>
	<u>140 458</u>	<u>105 420</u>
Increase in working capital	<u>71 584</u>	<u>54 653</u>
Made up as follows:-		
Stocks	198 339	(344 130)
Debtors	(46 105)	37 772
Creditors	(103 376)	110 045
Group balances	(41 234)	(7 753)
Bank and Cash balances	<u>63 960</u>	<u>258 719</u>
	<u>71 584</u>	<u>54 653</u>

The notes on pages 6 to 10 form part of these financial statements

ARAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

1. PRINCIPAL ACCOUNTING POLICIES

The company's financial statements are prepared under the historical cost convention and in accordance with International Accounting Standards. The following is a summary of the more important policies used by the company.

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

	Percent
Buildings	10
Motor Vehicles	33 $\frac{1}{3}$
Furniture and equipment	20

(b) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Australian dollars at the rates of exchange ruling at the end of the financial year. Differences on exchange are included in operating profit.

(c) Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes freight, duty, levy and other handling costs. Stock which has not cleared customs excludes duty and certain handling costs. Provision is made for obsolescent, slow moving and defective stock.

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

2. TURNOVER

Turnover represents sales of goods at invoiced value net of returned items.

3. THE COMPANY

Abamakoro Trading Limited is a public company incorporated in Kiribati to trade as wholesalers of food and other products. It is a subsidiary of the National Loans Board.

4. FIXED ASSETS	Buildings \$	Motor Vehicles \$	Furniture and Equipment \$	TOTAL \$
Cost				
At 1 January 1986	25 609	78 193	6 423	110 225
Additions	-	82 421	770	83 191
Disposals	-	36 837	-	36 837
	<u>25 609</u>	<u>123 777</u>	<u>7 193</u>	<u>156 579</u>
Depreciation				
At 1 January 1986	6 078	51 292	2 459	59 829
Charge for year	2 563	32 464	1 436	36 463
Disposals	-	36 837	-	36 837
At 31 December 1986	<u>8 641</u>	<u>46 919</u>	<u>3 895</u>	<u>59 455</u>
Net book value				
at 31 December 1986	<u>16 968</u>	<u>76 858</u>	<u>3 298</u>	<u>97 124</u>
Net book value				
at 31 December 1985	<u>19 531</u>	<u>26 901</u>	<u>3 964</u>	<u>50 396</u>

There is an equitable mortgage over all the assets of the company to secure any overdraft.

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

	1986 \$	1985 \$
5. STOCK		
Merchandise for resale	542 944	342 133
Stationery	<u>2 804</u>	<u>5 276</u>
	<u>545 748</u>	<u>347 409</u>
6. GROUP BALANCES		
	1986 \$	1985 \$
Amount due from parent body and its divisions		
A & S division of National Loans Board	-	43 201
Otintaa'i Hotels Division of National Loans Board	<u>1 675</u>	
	<u>1 675</u>	
Amount due to parent body, its divisions and fellow subsidiary company		
Atoll Products Limited	-	41 244
A & S division of National Loans Board	361	-
National Loans Board	<u>59 615</u>	<u>19 863</u>
	<u>59 976</u>	<u>61 107</u>
Net balance due to Parent body, its divisions and subsidiary	<u><u>58 301</u></u>	<u><u>17 067</u></u>

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

7. TAXATION	1986	1985
	\$	\$
Balance at 1 January	34 767	54 564
Income Tax on profits for year	57 224	34 767
Payments	(34 767)	(54 514)
Prior years adjustment	-	(50)
Balance at 31 December	<u>57 224</u>	<u>34 767</u>
8. SHARE CAPITAL	1986	1985
	\$	\$
Authorized:		
800 000 Ordinary shares of \$1 each	800 000	800 000
200 000 Preference shares of \$1 each	<u>200 000</u>	<u>200 000</u>
Issued:		
at 31 December		
150 000 Ordinary shares of \$1 each	<u>150 000</u>	<u>150 000</u>
9. LONG TERM LOAN UNITS	1986	1985
	\$	\$
Authorized and issued		
150 000 10 1/2% loan units of \$1 each	<u>150 000</u>	<u>150 000</u>
The loan units, which carry conversion rights, are to be repaid between 1997 and 1999		
10. OPERATING PROFIT	1986	1985
	\$	\$
The operating profit is arrived at after charging:-		
Auditors remuneration	742	674
Depreciation	36 463	21 451
Interest on long term loan units	15 750	15 750
Interest on Bank borrowings	<u>1 597</u>	<u>-</u>

ARAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

11. PROPOSED DIVIDEND	1986 \$	1985
Proposed 16 cents per ordinary share (1985 15 cents)	<u>24 000</u>	<u>22 500</u>
12. EARNINGS PER SHARE		
The earnings per share at 78.9 cents (1985 - 69.2 cents) have been calculated by dividing the profit for the year \$118 355 (1985 \$103 855) by the number of shares in issue during the year 150 000 (1985 150 000)		
13. DIRECTORS EMOLUMENTS	1986 \$	1985 \$
Fees	<u>10</u>	<u>50</u>
14. CAPITAL COMMITMENTS	1986 \$	1985 \$
Authorised and contracted for	<u>45 000</u>	<u>60 000</u>
15. CONTINGENT LIABILITIES	1986 \$	1985 \$
Duties and charges	<u>26 000</u>	<u>23 000</u>

The amount will become payable as goods are cleared through customs and
 taken from bond.

ATOLL AUTO MOTORS

ABAMAKORO TRADING LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1986

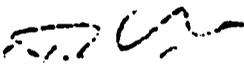
ABAMAKORO TRADING LIMITED

Year ended 31 December 1986

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Director of Audit
18 February 1987

ABAMAKORO TRADING LIMITED
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 Year ended 31 December 1986

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Operating profit	10	175 579	138 622
Depreciation	7	<u>57 224</u>	<u>34 767</u>
Profit after taxation		118 355	103 855
Retained profit at beginning of year		189 062	107 707
Proposed dividend	11	<u>24 000</u>	<u>22 500</u>
Retained profit at end of year		263 417	189 062
Earnings per share	12	<u>70.90</u>	<u>69.20</u>

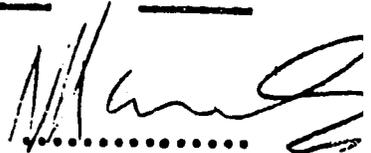
The notes on pages 6 to 10 form part of these financial statements.

90

ABAMAKORO TRADING LIMITED
BALANCE SHEET
31 DECEMBER 1986

	NOTE	1986 \$	1985 \$
EMPLOYMENT OF CAPITAL			
Fixed Assets	4	97 124	50 396
Current Assets:			
Stock	5	545 748	347 409
Trade debtors		35 926	104 602
Other debtors and prepayments		57 213	34 642
Group balances	6	1 675	44 040
Cash at bank and on hand		274 843	210 883
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Taxation	7	57 224	34 767
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Net Current Assets		<u>486 293</u>	<u>438 666</u>
		<u>583 417</u>	<u>489 062</u>
CAPITAL EMPLOYED			
Share capital	8	150 000	150 000
Retained Profits		283 417	189 062
Long Term Loan Units	9	150 000	150 000
		<u>583 417</u>	<u>489 062</u>

.....
CHAIRMAN



DIRECTOR

The notes on pages 6 to 10 form part of these financial statements.

91

ABAMAKORO TRADING LIMITED
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 YEAR ENDED 31 DECEMBER 1986

	1986 \$	1985 \$
SOURCE OF FUNDS		
Operating profit	175 579	138 622
Adjustment for items not involving the movement of funds:		
Depreciation	36 463	21 451
Total Generated from Operations	<u>212 042</u>	<u>160 073</u>
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Purchase of fixed assets	83 191	28 356
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	<u>140 458</u>	<u>105 420</u>
Increase in working capital	<u>71 584</u>	<u>54 653</u>
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Bank and Cash balances	63 960	258 719
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ABAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

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Motor Vehicles	33 $\frac{1}{3}$
Furniture and equipment	20

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ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

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At 31 December 1986	<u>8 541</u>	<u>46 919</u>	<u>3 895</u>	<u>59 455</u>
Net book value				
at 31 December 1986	<u>16 968</u>	<u>76 858</u>	<u>3 298</u>	<u>97 124</u>
Net book value				
at 31 December 1985	<u>19 531</u>	<u>26 901</u>	<u>3 964</u>	<u>50 396</u>

There is an equitable mortgage over all the assets of the company to secure any overdraft.

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

	1986 \$	1985 \$
5. STOCK		
Merchandise for resale	542 944	342 133
Stationery	<u>2 804</u>	<u>5 276</u>
	<u>545 748</u>	<u>347 409</u>
6. GROUP BALANCES		
	1986 \$	1985 \$
Amount due from parent body and its divisions		
A A S division of National Loans Board	-	43 201
Otintaai Hotels Division of National Loans Board	<u>1 675</u>	<u>839</u>
	<u>1 675</u>	<u>44 040</u>
Amount due to parent body, its divisions and fellow subsidiary company		
Atoll Products Limited	-	41 244
A A S division of National Loans Board	361	-
National Loans Board	<u>59 615</u>	<u>19 863</u>
	<u>59 976</u>	<u>61 107</u>
Net balance due to Parent body, its divisions and subsidiary	<u>58 301</u>	<u>17 067</u>

25

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

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	\$	\$
Balance at 1 January	34 767	54 564
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Balance at 31 December	<u>57 224</u>	<u>34 767</u>
8. SHARE CAPITAL	1986	1985
	\$	\$
Authorized:		
800 000 Ordinary shares of \$1 each	<u>800 000</u>	<u>800 000</u>
200 000 Preference shares of \$1 each	<u>200 000</u>	<u>200 000</u>
Issued:		
at 31 December		
150 000 Ordinary shares of \$1 each	<u>150 000</u>	<u>150 000</u>
9. LONG TERM LOAN UNITS	1986	1985
	\$	\$
Authorized and issued		
150 000 10 $\frac{1}{2}$ % loan units of \$1 each	<u>150 000</u>	<u>150 000</u>
The loan units, which carry conversion rights, are to be repaid between 1997 and 1999		
10. OPERATING PROFIT	1986	1985
	\$	\$
The operating profit is arrived at after charging:-		
Auditors remuneration	742	674
Depreciation	36 463	21 451
Interest on long term loan units	15 750	15 750
Interest on Bank borrowings	<u>1 597</u>	<u> </u>

9/6

ABAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

11. PROPOSED DIVIDEND	1986	1985
	\$	\$
Proposed 16 cents per ordinary share (1985 15 cents)	<u>24 000</u>	<u>22 500</u>
12. EARNINGS PER SHARE		
The earnings per share at 78.9 cents (1985 - 69.2 cents) have been calculated by dividing the profit for the year \$118 355 (1985 \$103 855) by the number of shares in issue during the year 1,0 000 (1985 150 000)		
13. DIRECTORS EMOLUMENTS	1986	1985
	\$	\$
Fees	<u>10</u>	<u>50</u>
14. CAPITAL COMMITMENTS	1986	1985
	\$	\$
Authorised and contracted for	<u>45 000</u>	<u>60 000</u>
15. CONTINGENT LIABILITIES	1986	1985
	\$	\$
Duties and charges	<u>26 000</u>	<u>23 000</u>

The amount will become payable as goods are cleared through customs and taken from bond.

THE REPUBLIC OF KIRIBATI

COMPANIES ORDINANCE

(NO. 5 OF 1979)

In exercise of the power conferred upon me by Section 14(2) of the Companies Ordinance (Cap 10A) and by virtue of a special resolution dated the 29th day of October 1981 which was passed by an extraordinary General Meeting of Atoll Wholesale Distributions Ltd., I hereby approve that the name ATOLL WHOLESALE DISTRIBUTORS LTD be changed to ABALAKORO TRADING LTD.

Dated this 27 day of

January

1982

[Signature]
Michael H. Takarobwe
Registrar of Companies

COMPANIES ORDINANCE

ARTICLES OF ASSOCIATION

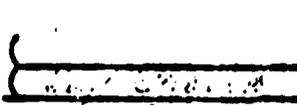
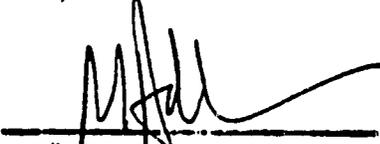
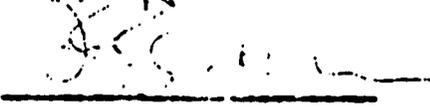
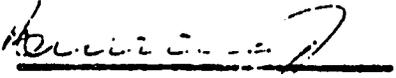
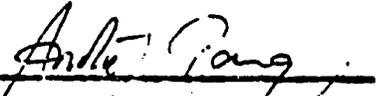
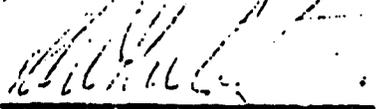
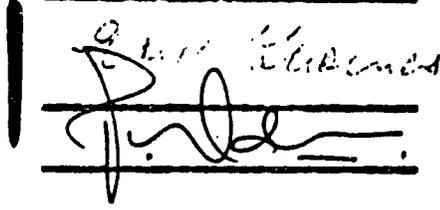
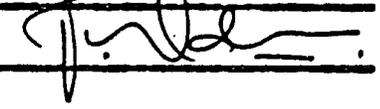
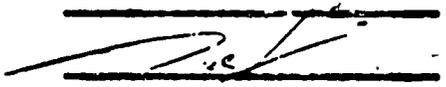
of

Atoll Wholesale Distributors LTD

1. The name of the company is Atoll Wholesale Distributors LTD.
2. The registered office of the company will be situate in the Republic of Kiribati.
3. The objects for which the company is established are unrestricted and initially the company will carry on the business of wholesale distribution of food and other products.
4. The company shall by virtue of the Companies Ordinance be deemed to have all the lawful powers of a natural person requisite for the furtherance of its objects save as shall otherwise be provided herein.
5. The share capital of the company is AS1,000,000 divided into 800,000 ordinary shares of \$1 each and 200,000 preference shares of \$1 each.
6. 1) The preference shares are preferential both as to dividend, and as to repayment of capital but do not confer any further right to participate in profits or assets.
11) No person shall be entitled to vote either in person or by proxy in respect of any preference share.
- ✓ 7. The Directors of the Company are Phillip Wilder, John Howard, Catherine Tokanene, Glenn Stone, Korema Kairoro, Tony Cross, Nariki Kautu and Eryl Thomas.
The Secretary of the company is the National Loans Board
The powers of the directors are limited in accordance with Section 99 of the Companies Ordinance.
8. The Rules contained in Table A in Schedule 1 to the Companies Ordinance which is attached hereto shall apply to the company save in so far as they are excluded or varied hereby, that is to say the words "or by instrument in writing signed by a majority of the directors" shall be inserted at the end of Rule 35.

We the several persons whose names are subscribed below
heretby agree to the foregoing Articles of Association.

Wated this 30th day of April 1981

Name	Signature
National Loans Board	 ^{Director} (member) (Secretary)
/ The Secretary for Trade, Industry & Labour	
/ The Secretary for Home Affairs	
/ The Secretary for Finance	
/ The Secretary for Works & Communications	
/ The Secretary for Natural Resources Development	
/ The Registrar of Companies	
) Phillip Wilder	
) Hariki Kaitu	
) Kororia Kairoro	

ABAMAKORC TRADING LTD

LIST OF SHAREHOLDERS

AS AT 31/12/85

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00001	Aban Kayak Trading	250	250.00
2	Abenera Maria	10	10.00
3	Aberaam Teraruaa	10	10.00
4	Abete Werang	2731	2731.00
5	Agnes Talia	50	50.00
6	Ainen Auriaria	10	10.00
7	Ainete Karoua	10	10.00
8	Aiati Tekau	10	10.00
9	Airan Tekaria	10	10.00
10	Akamatang Timon	10	10.00
11	Akeriba B. Ranteweia	20	20.00
12	Albert Muller (for Kwiraai Store)	10	10.00
13	Ali Tumoa	10	10.00
14	Aloysius Taburuca	10	10.00
15	Ana H. Tong	10	10.00
16	Antakana (Malin Island)	10	10.00
17	Anterea Neechia	10	10.00
18	Arimeta Taburuca	10	10.00
19	Arim Tumoa	10	10.00
20	Arouea Matita	10	10.00
21	Ata Manraoi	10	10.00
22	Atamai Kauobanga	10	10.00
23	Atauea Atanibeia	10	10.00
24	Atauea Tataua	50	50.00
25	A.T. Brothers	100	100.00
26	Atikenati O'Connor	10	10.00
27	Aukitino Bwebwetara	18	18.00
28	Auriati Naburennara	10	10.00
29	Aree Kaboterenga	10	10.00
30	Anterea Bwenawa	1000	1000.00

91

Account Number	Names of shareholders	Nc. of Shares	Par Value of Shares
00100	B'aiaa Toromon	10	10.00
101	Baikia Nauoko	10	10.00
102	Baikitea Teeta	10	10.00
103	Banabati Manuoi	10	10.00
104	Bania Store	1100	1100.00
105	Bangao Toauru	10	10.00
106	Baranike Tannang	20	20.00
107	Batari Taaba	10	10.00
108	Bateka Tamuera	10	10.00
109	Batliba Taake (Mrs)	20	20.00
110	Bebete Punaua	50	50.00
111	Beetaa Irata	10	10.00
112	See Letter 'D'		
113	Benny Tekaiwa	10	10.00
114	Beru Cafe & Store	100	100.00
115	Betero & Bwebweriki Akau	20	20.00
116	Betero Tione	10	10.00
117	Betero & Nei Tiro	10	10.00
118	Betirine R. Teinai	50	50.00
119	B & T Store	100	100.00
120	Bilree Tebibita	10	10.00
121	Birikarere Teawaki	10	10.00
122	Birinaere Store	10	10.00
123	Biri Store	10	10.00
124	Bob Beia	10	10.00
125	Boiboi Taakai	10	10.00
126	Boka Teitiniman	10	10.00
127	Botibati Ioelu	10	10.00
128	Bradbury H.D.	100	100.00
129	Buatia Buatia	10	10.00
130	Bureau Rabaua	10	10.00
131	Bureieta Karaini (Mr & Mrs)	50	50.00
132	Bureti Teraoi	100	100.00
133	Bauro Tikana	10	10.00
134	Beruite Afeleti	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00200	Christian Institute Community Development	250	250.00
201	Compass Rose Ent.	500	500.00
00300	David Edwards (for Dutiraai Store)	20	20.00
301	Daisy Manakin Store	500	500.00
00401	Ekenati Store	20	20.00
402	Enere Tokena	10	10.00
403	Erena Robuti Toucki (Mrs)	10	10.00
404	Ereri Botuake (Mrs)	20	20.00
405	Eretia Karib'aua	10	10.00
406	Erieta Aritiera & Sisters	100	100.00
407	Erocte Maruru	10	10.00
408	Etera Teangana	10	10.00
409	Etuati Tokia	10	10.00
410	Evodis Tanielu	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00500	Faanoa H. Pine	1000	1000.00
501	Fakafo Neemia	50	50.00
502	Felicia Taburua (Mrs)	10	10.00
503	Fern Store	1200	1200.00
504	Fred Nicking	10	10.00
00601	Henry Huggill	10	10.00
602	Hibiscus Store	10	10.00
603	Highland Muller	20	20.00
604	Hulo Kanimca	10	10.00
00700	Iakiri Bakaine	50	50.00
701	Iatava Tiaon	10	10.00
702	Inati Mareko	10	10.00
703	Ioane Kaitu	10	10.00
704	Ioane Ienraku	10	10.00
705	Ioane Kaei	10	10.00
706	Ioane Teretia (for Nawiwariiki)	10	10.00
707	Ioane I-Omaa	20	20.00
708	Ioevu Boboia	10	10.00
709	Ioevu Tatapu	10	10.00
710	Ioteba Rubeia	10	10.00
711	Iakate Store	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00712	Iote T. Malua	12	12.00
713	I & M Reoneti	20	20.00
714	Ilaiss Iuta	50	50.00
715	Iramatang T. Tokanene	10	10.00
716	Itibitu Potibara	20	20.00
717	Itibwinang Aianca	10	10.00
718	Itita Tauaa	10	10.00
719	Ierorimo Minto	10	10.00
720	Ioame Maritino	10	10.00
00800	James Redfern	10	10.00
00801	J. Deoro Maritino	10	10.00
00900	Kataia Store	10	10.00
901	Kamua Iobi	10	10.00
902	Kaincau Temone	10	10.00
903	Kairake Taburua	10	10.00
904	Karabino Toka	10	10.00
905	Kaitu & Paranika	10	10.00
906	Kaukea Tentoa	1150	1150.00
907	Kaburoro Tanielu	10	10.00
908	Kaotinrerori Manacaba	50	50.00
909	Kantebwebwe Tabao Teukin	30	30.00
910	Karo Eukaireiti	10	10.00
911	Kabweraiti Touea	10	10.00
912	Kaibariki Iobi	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00913	Kaaro H. Tong	10	10.00
914	Kaotia Toie	10	10.00
915	Katikoua Amon	10	10.00
916	Kaburoro Ritani	50	50.00
917	Katamina Tannai	10	10.00
918	Kaere Terabwena	20	20.00
919	Kabora Timon	10	10.00
920	Katorikon Terikiai	50	50.00
921	Kanawa Tala	10	10.00
922	Kaiaua Tateraka	10	10.00
923	Kai & Ekeieta Taniora	20	20.00
924	Kautu Kamatie	20	20.00
925	Kakiaterara Moonea	10	10.00
926	Kairakei Betaera	10	10.00
927	Kaamane Iuta	10	10.00
928	Kakoroa Temoai	12	12.00
929	Karebauriri Tarieta	10	10.00
930	Kakaiwa & Moewatia Kirimana	20	20.00
931	Kaiboia Tekaiti	50	50.00
932	Kackateiti Korotabu	20	20.00
933	Keang Tenieu (Mrs)	10	10.00
934	Kiataruru Teannaki	50	50.00
935	Kiroua Io	10	10.00
936	Kiroua Fekite	10	10.00
937	Kirata Ngaebi	10	10.00
938	Kittee Rusia	50	50.00
939	Kiraua Tibau (for Bereitaki Store)	10	10.00
940	Kiara Kiaman	10	10.00
941	Kiboboua Batiku	10	10.00
942	Kitama Taikawa	10	10.00
943	Kirata Apai (for Kite Store)	50	50.00
944	Kirabuke Mareko	10	10.00
945	Korevite Ereata	100	100.00
946	Koaro Marontau	10	10.00
947	Kowere Iabeta	10	10.00
948	Koura Ainti	10	10.00

9/6

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
00949	KPC, Tion Store	10	10.00
950	KPC, Retio Canteen	10	10.00
951	Kurarenga Teitiriman	10	10.00
952	Kureiti Biribo	10	10.00
1000	Lakob E. Tameko	43	
1001	Lata Tanielu	10	
1002	Leise P. Tofinga	50	
1003	Lionel Anton Tanielu	10	
1004	Lomitusi E. Tameko	10	
1005			
1100	Meeri Taulonia	12	12.00
1101	Mautaske & Kamari Tannang	100	100.00
1102	MAK Brothers Store	30	30.00
1103	Maiingo Store	100	100.00
1104	Maruera Tearo	10	10.00
1105	Matita Taniera	10	10.00
1106	M'aon Store	10	10.00
1107	Manata Tekautu	10	10.00

Account Number	Names of shareholders	No. of Shares	PAR Value of Shares
1108	Materaa, Kakianako & Tutu	20	20.00
1109	Materaoi Store	10	10.00
1110	Maretati Iotoba	100	100.00
1111	Manguri Takoti	10	10.00
1112	Masipei Takarawa	10	10.00
1113	Mannei Eouro	10	10.00
1114	Maribo Investments	500	500.00
1115	Matiara Amitong (for Rusibong Store)	500	500.00
1116	Maraiti Katia	10	10.00
1117	Manara Arawatau	10	10.00
1118	Matariti Store	20	20.00
1119	Maui Store	10	10.00
1120	Meere Teanako (for Teere Trading)	1000	1000.00
1121	Meka Murdoch (Mrs)	10	10.00
1122	Mikaeke Katia	10	10.00
1123	Moritio Diribo	10	10.00
1124	Moreti Uro	10	10.00
1125	Mote Terukaio	10	10.00
1126	Moote Tiira	10	10.00
1127	Mweretaka Kaninea	10	10.00
1200	Ngaina Ioakin	250	250.00
1201	Nabetari Teaioro	10	10.00
1202	Nanoraci Store	10	10.00
1203	Nariki Kautu	100	100.00
1204	Natirerei Store	100	100.00
1205	Nuwaiia Tannang	10	10.00
1206	Nawareke Benetito	10	10.00

<u>Account Number</u>	<u>Names of Shareholders</u>	<u>No. of Shares</u>	<u>Par Value of Shares</u>
1207	Nabuaninakin	10	10.00
1208	Namakaina Buaia (for Boiarara Store)	10	10.00
1209	Nano Biao	20	20.00
1210	Nanoraci Bar	100	100.00
1211	Nabubura Itinibwe	10	10.00
1212	Nabohi & Marowe	30	30.00
1213	Neemia Karotu	10	10.00
1214	Nikoraci Enterprises	50	50.00
1215	Nikoceno Atoti	10	10.00
1216	NKA Store	116	116.00
1300	Oasis Store (Taimone Flood)	20	20.00
1301	Obetaia Kometa	10	10.00
1302	Oileen B. Kirata	20	20.00
1303	Oten Kwong	30	30.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1400	Pikia Tiroba		
1401	Pauline Materoa & children	10	10.00
1402	Pitoti Talia	10	10.00
1403	Peter Kanere Foru	10	10.00
1404	P. Binataake Tokataake	20	20.00
1405	Puti Eti (for A-Booj Store)	10	10.00
1406		300	300.00
0112	People's Lawyer	250	250.00
1551	Ratintera Deriki	10	10.00
1552	Rabwena Moua	50	50.00
1553	Rakera Mareko	20	20.00
1554	Rateta Rereia	10	10.00
1555	Raoi Tokanang	10	10.00
1556	Rabinoua Tokanang	10	10.00
1557	Raetiri Duautoa	15	15.00
1558	Ratintera Robata	10	10.00
1559	Raimon Tekaic	10	10.00
1560	Raaiti Ioran	10	10.00
1561	Rereia Turekau	10	10.00
1562	Reo Mikaere	100	100.00
1563	Reani Tabaru	10	10.00
1564	Ritiati Ariera	10	10.00
1565	Rikameta Teknotiote	10	10.00
1566	Rino Nautonga	100	100.00
1567	Riare Tioti	10	10.00
1568	Rikare Tioti	10	10.00
1569	Riteri Atanea & Kianaro Riteri	20	20.00
1570	Ritoti Roboam	10	10.00
1571	RIT Store	10	10.00
1572	Ronia Temate	10	10.00
1573	Ratarine Mareko	30	30.00
1574	Rotein Ben	10	10.00
		10	10.00

1000

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1575	Rota Tio	10	10.00
1576	Roota Taebon	10	10.00
1577	Robuti Mokuau	10	10.00
1578	Rotin Store	10	10.00
1579	Rui Duraimoa	20	20.00
1580	Ruata Ambo	100	100.00
1581	Ruben Tamare (Dec'd)	10	10.00
1582	Ruta Timeon	10	10.00
1583	Rutanga Manraoi	50	50.00
1584	RK Onorio (Ruci)	200	200.00
1585	Rutio Ienoua	10	10.00
1586	Rui Tiroa	10	10.00
1650	Salanoa Kilisi	10	10.00
1651	Sam Highland	10	10.00
1652	Simon Hoare	25	25.00
1653	St. Bauro Store	10	10.00
1654	St. Betero Store	10	10.00
1750	Tabwi Teatata	12	12.00
1751	Tafua Atala	50	50.00
1752	Tarcia Kauongo & Nei Rota Taraia	100	100.00
1753	Tauari Store	10	10.00
1754	Tamuera Teitiniman	10	10.00
1755	Tahure Abere	10	10.00
1756	Takabwere Arinoko	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1757	Tanua Lotua	30	30.00
1758	Tarara H. Tong	10	10.00
1759	Taribu H. Tong	10	10.00
1760	Tancatu H. Tong	10	10.00
1761	Tatibene Renda	10	10.00
1762	Tamara Renda	10	10.00
1763	Tanua Renda	10	10.00
1764	Tabiria Matang	10	10.00
1765	Taitirenga Anon	10	10.00
1766	Taani Tarkoro	10	10.00
1767	Takata T. Totia	10	10.00
1768	Tabuarorae Tanioka	20	20.00
1769	Tangiriko Store	50	50.00
1770	Tabita Awerika	10	10.00
1771	Tanumarawa Terimoa	10	10.00
1772	Taniera Teibuako	20	20.00
1773	Taatake Sukong	10	10.00
1774	Teake Taabane	10	10.00
1775	Tangintebu Canteen	10	10.00
1776	Takabo Teinai	20	20.00
1777	Taketau Metai	10	10.00
1778	Talalelei Mose	12	12.00
1779	Tatawe Tebuamatang	10	10.00
1780	Teitirua Tiira	100	100.00
1781	Teabero Mareko	10	10.00
1782	Teiti Tooma	20	20.00
1783	Teeningo & Tebarae Timeon	100	100.00
1784	Tebatoa Veroti	20	20.00
1785	Tearoua Utiroa	10	10.00
1786	Teretia Berenatota	10	10.00
1787	Teiki Iabeta (for Anganano Mronron)	10	10.00
1788	Tekire Tamuera	10	10.00
1789	Tekinaiti Kaitoie	10	10.00
1790	Teimarawa Teiange	10	10.00
1791	Terenganraoi Tacata	10	10.00
1792	Teuanote Night Club	100	100.00

Account Number	Names of shareholders	No. of Shares	Value of Shares
1793	Tetava Taitai	30	30.00
1794	Teti Ritiani	20	10.00
1795	Tama Apera	10	10.00
1796	Teban Uriam	10	10.00
1797	Temana Tuma	10	10.00
1798	Teotai Boruua	10	10.00
1799	Teb'ura II.	10	10.00
1800	Temotiniwane Store	10	10.00
1801	Tematarai Store	10	10.00
1802	Terinea Ioane	10	10.00
1803	Teretia Teewai	10	10.00
1804	Temakau Atueru	10	10.00
1805	Tebau Teawaki	10	10.00
1806	Teakabu Tiikai	30	30.00
1807	Temarawa Iabeta	10	10.00
1808	Tekiau & Nei Koo'unga	10	10.00
1809	Tebetua Tawan	10	10.00
1810	Temawa Namoto (for Kekeiaki Store)	10	10.00
1811	Terioniango Store	10	10.00
1812	Teiwaki Reretanko (for Teribarake Store)	10	10.00
1813	Teweti Ternoi	60	60.00
1814	Teretia Store	60	60.00
1815	Teikarawa Teb'ala	50	50.00
1816	Te Wi-ni-Maiana	20	20.00
1817	Teaki Teuru	100	100.00
1818	Tekoba Baraniko	10	10.00
1819	Tekatu Taake	10	10.00
1820	Teetu Abera	10	10.00
1821	Tereta Tebina	10	10.00
1822	Touatika Taula	10	10.00
1823	Tebabobo Store	10	10.00
1824	Teobalo Iotebatu (for TKTT)	20	20.00
1825	Tekoreaua Kairoro	50	50.00
1826	Teaka Terabvona	20	20.00
1827	Teco Kenoue	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1828	Tecta Matita	10	10.00
1829	Tirenga Itakia	50	50.00
1830	Tiron Kotaku	10	10.00
1831	Tiroa Kautuncita	10	10.00
1832	Timau Tiira	100	100.00
1833	Timau Manikaoti	250	250.00
1834	Tioa Takabwebwere	10	10.00
1835	Titake Tebwebwe	10	10.00
1836	Tibana Akau	10	10.00
1837	Tiipa Tebno	10	10.00
1838	Tiotiti Abera	10	10.00
1839	Tiua Teburo	20	20.00
1840	Timoteo Uhaitoi	10	10.00
1841	Tibana & Tetoki	10	10.00
1842	Tinian Reihar	50	50.00
1843	Tiaon Teetu (for Angitantewaaki)	100	100.00
1844	Tibauea Atauca	10	10.00
1845	Tibin & Baurina	500	500.00
1846	Toanimatang Teruoi	10	10.00
1847	Tocna Taburuaa	10	10.00
1848	Torena Aiati	10	10.00
1849	Tooti Tabomao	10	10.00
1850	Toatea Tebeia	10	10.00
1851	Tooki Kaake (for Bonnano Store)	10	10.00
1852	Totoki Betero	30	30.00
1853	Tokamatang Taubuki	10	10.00
1854	Tokatati Kirata	10	10.00
1855	Touriri Kaobunang	10	10.00
1856	Tokanang Antoon	10	10.00
1857	Tuaro Ioane	10	10.00
1858	-		
1859	Tuare Maunana	10	10.00
1860	Tutana Matiera	20	20.00
1861	Turekau Rereia	600	600.00
1862	Tuaukanga Bakiau	10	10.00
1863	Turua & Taara	10	10.00

Account Number	Names of shareholders	No. of Shares	Par Value of Shares
1864	T.K. Tearous Store	20	20.00-
1865	Taokai Kaurai	10	10.00
1866	Tama Moutu	10	10.00
1867	Tekutu Telephone	100	100.00
1868	Toanura Ebintarawa	10	10.00
1869	Tinon Teava	100	100.00
1870	Tekamantou Tetaubuki	1	1.00
1871	Tatou Fanga	100	100.00
2000	Ua Natitati	10	10.00
2001	Ueanzeiti Boneroko	10	10.00
2002	Uean te Roti Store	50	50.00
2003	Uean te Roti Bus Service	10	10.00
2004	Uenime Store	50	50.00
2005	Uon Temarue	10	10.00
2006	Uen Aotiteria	10	10.00
2007	Ueantaake Tarekiaua (for Nei Kanre Store)	10	10.00
2008	Urungai Store	100	100.00
2009	Uriam Tauro (for Dabati n Uee Enterprise)	50	50.00
2010	Uriam Tekai	20	20.00
2011	Utiree Tecken	10	10.00
2012		100	100.00
	National Loans Board	127721	127721.00

108

ABAMAKO TRADING LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1986

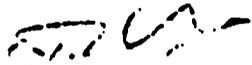
ABAMAKORO TRADING LIMITED

Year ended 31 December 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

In accordance with section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements set out on pages 3 to 10. The financial statements have been prepared under the historical cost convention.

In my opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 1986 and of the profit and source and application of funds for the year then ended.


Iaramako Teoiaki
Director of Audit
18 February 1987

ANAKORO TRADING LIMITED
 Profit & Loss Account
 Year ended 31 December 1986

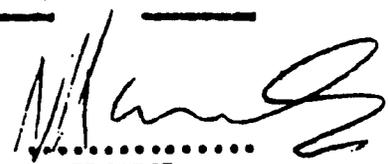
	NOTES	1986 \$	1985 \$
Turnover	2	<u>5 635 513</u>	<u>4 607 235</u>
Operating profit	10	175 579	138 622
Taxation	7	<u>57 224</u>	<u>34 767</u>
Profit after taxation		118 355	103 855
Retained profit at beginning of year		189 062	107 707
Proposed dividend	11	<u>24 000</u>	<u>22 500</u>
Retained profit at end of year		283 417	189 062
Earnings per share	12	<u>78.90</u>	<u>69.20</u>

The notes on pages 6 to 10 form part of these financial statements.

ABAMAKORO TRADING LIMITED
BALANCE SHEET
31 DECEMBER 1986

	NOTE	1986 \$	1985 \$
EMPLOYMENT OF CAPITAL			
Fixed Assets	4	97 124	50 396
Current Assets:			
Stock	5	545 748	347 409
Trade debtors		35 926	104 602
Other debtors and prepayments		57 213	34 642
Group balances	6	1 675	44 040
Cash at bank and on hand		274 843	210 883
		<u>915 405</u>	<u>741 576</u>
Current Liabilities:			
Trade creditors		271 515	173 945
Other Creditors		16 397	10 591
Group balances	6	59 976	61 107
Taxation	7	57 224	34 767
Proposed dividend	11	24 000	22 500
		<u>429 112</u>	<u>302 910</u>
Net Current Assets		<u>486 293</u>	<u>438 666</u>
		<u>583 417</u>	<u>489 062</u>
CAPITAL EMPLOYED			
Share capital	8	150 000	150 000
Retained Profits		283 417	189 062
Long Term Loan Units	9	150 000	150 000
		<u>583 417</u>	<u>489 062</u>

.....
CHAIRMAN


.....
DIRECTOR

The notes on pages 6 to 10 form part of these financial statements.

ABAMAKORO TRADING LIMITED
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 YEAR ENDED 31 DECEMBER 1986

	1986 \$	1985 \$
SOURCE OF FUNDS		
Operating profit	175 579	138 622
Adjustment for items not involving the movement of funds:		
Depreciation	<u>36 463</u>	<u>21 451</u>
Total Generated from Operations	212 042	160 073
APPLICATION OF FUNDS		
Purchase of fixed assets	83 191	28 356
Dividend paid	22 500	22 500
Taxation paid	<u>34 767</u>	<u>54 564</u>
	<u>140 458</u>	<u>105 420</u>
Increase in working capital	<u>71 584</u>	<u>54 653</u>
Made up as follows:-		
Stocks	198 339	(344 130)
Debtors	(46 105)	37 772
Creditors	(103 376)	110 045
Group balances	(41 234)	(7 753)
Bank and Cash balances	<u>63 960</u>	<u>258 719</u>
	<u>71 584</u>	<u>54 653</u>

The notes on pages 6 to 10 form part of these financial statements

ABAMAKORO TRADING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

1. PRINCIPAL ACCOUNTING POLICIES

The company's financial statements are prepared under the historical cost convention and in accordance with International Accounting Standards. The following is a summary of the more important policies used by the company.

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

	Percent
Buildings	10
Motor Vehicles	33 $\frac{1}{3}$
Furniture and equipment	20

(b) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Australian dollars at the rates of exchange ruling at the end of the financial year. Differences on exchange are included in operating profit.

(c) Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes freight, duty, levy and other handling costs. Stock which has not cleared customs excludes duty and certain handling costs. Provision is made for obsolescent, slow moving and defective stock.

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

2. TURNOVER

Turnover represents sales of goods at invoiced value net of returned items.

3. THE COMPANY

Abamakoro Trading Limited is a public company incorporated in Kiribati to trade as wholesalers of food and other products. It is a subsidiary of the National Loans Board.

4. FIXED ASSETS	Buildings \$	Motor Vehicles \$	Furniture and Equipment \$	TOTAL \$
Cost				
At 1 January 1986	25 609	78 193	6 423	110 225
Additions	-	82 421	770	83 191
Disposals		36 837	-	36 837
	<u>25 609</u>	<u>123 777</u>	<u>7 193</u>	<u>156 579</u>
Depreciation				
At 1 January 1986	6 078	51 292	2 459	59 829
Charge for year	2 563	32 464	1 436	36 463
Disposals	-	36 837	-	36 837
At 31 December 1986	<u>8 641</u>	<u>46 919</u>	<u>3 895</u>	<u>59 455</u>
Net book value				
at 31 December 1986	<u>16 968</u>	<u>76 858</u>	<u>3 298</u>	<u>97 124</u>
Net book value				
at 31 December 1985	<u>19 531</u>	<u>26 901</u>	<u>3 964</u>	<u>50 396</u>

There is an equitable mortgage over all the assets of the company to secure any overdraft.

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

	1986 \$	1985 \$
5. STOCK		
Merchandise for resale	542 944	342 133
Stationery	<u>2 804</u>	<u>5 276</u>
	<u>545 748</u>	<u>347 409</u>
6. GROUP BALANCES		
	1986 \$	1985 \$
Amount due from parent body and its divisions		
A A S division of National Loans Board		43 201
Otintaai Hotels Division of National Loans Board	<u>1 675</u>	<u>839</u>
	<u>1 675</u>	<u>44 040</u>
Amount due to parent body, its divisions and fellow subsidiary company		
Atoll Products Limited	-	41 244
A A S division of National Loans Board	361	-
National Loans Board	<u>59 615</u>	<u>19 863</u>
	<u>59 976</u>	<u>61 107</u>
Net balance due to Parent body, its divisions and subsidiary	<u>58 301</u>	<u>17 067</u>

AEAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

7. TAXATION	1986 \$	1985 \$
Balance at 1 January	34 767	54 564
Income Tax on profits for year	97 224	34 767
Payments	(34 767)	(54 514)
Prior years adjustment	-	(50)
Balance at 31 December	<u>57 224</u>	<u>34 767</u>
8. SHARE CAPITAL	1986 \$	1985 \$
Authorised:		
800 000 Ordinary shares of \$1 each	<u>800 000</u>	<u>800 000</u>
200 000 Preference shares of \$1 each	<u>200 000</u>	<u>200 000</u>
Issued:		
at 31 December		
150 000 Ordinary shares of \$1 each	<u>150 000</u>	<u>150 000</u>
9. LONG TERM LOAN UNITS	1986 \$	1985 \$
Authorised and issued		
150 000 10 $\frac{1}{2}$ % loan units of \$1 each	<u>150 000</u>	<u>150 000</u>
The loan units, which carry conversion rights, are to be repaid between 1997 and 1999		
10. OPERATING PROFIT	1986 \$	1985 \$
The operating profit is arrived at after charging:-		
Auditors remuneration	742	674
Depreciation	36 463	21 451
Interest on long term loan units	15 750	15 750
Interest on Bank borrowings	<u>1 597</u>	<u>-</u>

ABAMAKORO TRADING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 1986

11. PROPOSED DIVIDEND	1986 \$	1985 \$
Proposed 16 cents per ordinary share (1985 15 cents)	<u>24 000</u>	<u>22 500</u>
12. EARNINGS PER SHARE		
The earnings per share at 78.9 cents (1985 - 69.2 cents) have been calculated by dividing the profit for the year \$118 355 (1985 \$103 855) by the number of shares in issue during the year 150 000 (1985 150 000)		
13. DIRECTORS EMOLUMENTS	1986 \$	1985 \$
Fees	<u>10</u>	<u>50</u>
14. CAPITAL COMMITMENTS	1986 \$	1985 \$
Authorised and contracted for	<u>45 000</u>	<u>60 000</u>
15. CONTINGENT LIABILITIES	1986 \$	1985 \$
Duties and charges	<u>26 000</u>	<u>23 000</u>

The amount will become payable as goods are cleared through customs and taken from bond.

OTINTAAI HOTEL

COMPANIES ORDINANCE
ARTICLES OF ASSOCIATION
OF
OTINTAAI HOTELS LTD

1. The name of The Company is Otintaa Hotel Ltd.
2. The registered office of the company will be situated in the Republic of Kiribati.
3. The objective for which the company is established are unrestricted and initially the company will carry on the business of a hotel and related activities.
4. The company shall by virtue of the Companies Ordinance be deemed to have all the lawful powers of a natural person requisite for the furtherance of its objects save as shall otherwise be provided herein.
5. The authorized share capital of the company is A\$10,000 divided into 10 000 ordinary shares of A\$1 each.

The full names of the subscribers hereto and the number of shares the subscribers agree to take are 10,000.

PK issued
The amount of share capital with which the company proposed to be registered is \$10,000.

6. All shares of the company rank equally in every respect. The liability of the members of the company is limited.
7. The directors of the company are Nariki Kautu, Alex Lambe, Isiera Tira, Clare Baiteke, Baraniko Baare and Reeto Bokai.
The powers of the directors are limited in accordance with Section 99 of the Companies Ordinance.
8. The secretary of the company is the National Loans Board. The auditors of the company is the Director of Audit.
9. The Rules contained in Table B Schedule 1 to the Company Ordinance which is attached hereto shall apply to the company.
10. We the several persons whose names are subscribed below hereby agree to the foregoing Articles of Association.

Dated this 17th day of April, 1984.

Name

National Loans Board
Alexander Theodore Lambe
Isiera Tira
Clare Baiteke
Baraniko Baare
Reeto Bokai
Nariki Kautu

Signature

..... Executive Sec
.....
.....
.....
.....
.....
.....

119

REPORT OF THE DIRECTOR OF AUDIT
ON THE OTINTAI HOTEL - A DIVISION
OF THE NATIONAL LOANS BOARD - FOR
THE YEAR ENDED DECEMBER 31 1986

1. General

(i) Background

The Otintai Hotel took over the assets and liabilities of Atoll Hotels Limited (a United Kingdom Company which was struck off the companies registry in November 1986). It is the intention of the National Loans Board to transfer the operations to Otintai Hotel Limited.

In previous reports I have noted that in my opinion it is beyond the power of the National Loans Board to operate this Division. The proposed transfer of the operations to the Otintai Hotel Limited has been in process for three years. It entirely escapes me why this relatively simple operation has taken so long.

(ii) Accounts and Audit

1. The basic books of account and documentation of the Hotel are well maintained. However the following points should be made:-

(a) Financial Statements were prepared by this office.

(b) The accounts need further refinement to enhance internal control and reporting.

(c) Management accounts are not prepared on a regular basis nor by department.

The accounts of the Hotel are not consolidated with those of the National Loans Board because of the divergence of their activities and as previously mentioned it is beyond the powers of the Board to operate this division.

(iii) Results for the year

Although the profit for the year has declined the Hotel has attained its gross margins in most instances and can progress to a reasonable level of profitability. The reasons for the decline is lower occupancy in the rooms with a related drop in catering services; the hotel has little control over occupancy due to the nature of its guests. This was coupled with further write offs in variety shop stocks and a profitless Bingo venture, though increased turnover, but with no profit.

The Hotel should be aiming for between an \$80,000 - \$100,000 pre-tax profit in the immediate future. This could be achieved by economies in electricity consumption (a study is under way) and reductions in laundry costs, etc. coupled with an increase in room prices which are relatively price insensitive.

2. Debtors

The provision for doubtful debts stands at over half the debtors.

I recommend that regular statements and reminders be sent to customers, that the credit policies be further tightened; and that legal action be taken against all debtors that do not pay within six months.

3. Stock

Stock control has improved and the level of stock holdings reduced. This can be further improved by reducing the shortfall in gross margin in the Public Bar and liquidation of all the Variety Shop stock.

4. Fixed Assets

The Hotel took stock of all its furniture and equipment during the year. Discrepancies arose between these and the net book value. Mainly it appears due to items being scrapped without being recorded. It should be possible to reconcile purchases in the last five years and establish a proper fixed asset register for furniture and equipment by location and type. No progress has been made on the buildings, this is necessary to support depreciation between departments.

5. Group Balances

These are being reduced and I suggest should be eliminated by the year end and only commercial transactions be recorded. This would eliminate the practise common to the M.L.B group of granting interest free loans by manipulation of balances between group companies and divisions. Under this heading it is worth noting the \$10,000 management fee charged by the M.L.B, no detail of this billing is available and in terms of services provided it seems to be very excessive. It would appear to be a method of paying "a dividend" to the Board.

6. Taxation

The Hotel has been assessed for \$8,850 in company tax for the years ended 31 December 1985. The matter has not been resolved and presumably further assessments will be raised. As the matter is not particularly complicated and the records available I feel it should be dealt with without delay.

The hotel is not charging the Hotel tax properly meals to non residents attract tax whilst laundry services to residents do not. I recommend the system be improved.

7. Payroll

Improvements need to be made in the documentation of employees rates of pay and contracts established for them. It was also noted that the new P.A.Y.E system was not being operated,

T. TEOIAKI

Teiaramako T Teoiaki
Director of Audit

OTINTAALI HOTEL - A DIVISION OF THE NATIONAL LOANS BOARD

YEAR ENDED DECEMBER 31, 1986

In accordance with Section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements set out on pages 1 to 7 which have been prepared under the historical cost convention.

In my opinion, the financial statements, give a true and fair view of the state of affairs of the Hotel at December 31, 1986 and of the profit and source and application of funds for the year then ended.

T. TEOIAKI

T. Teoiaki

Director of Audit

June 5 1987

OTINIAAI HOTEL - A division of the National Loans Board
 YEAR ENDED 31 DECEMBER 1986
 INCOME STATEMENT

	NOTES	1986 \$	1985 \$
TURNOVER	2	692,178	680,638
Profit before taxation	10	13,500	18,555
Taxation	11	-	-
Profit after taxation		13,500	18,555
Retained Earnings 1 January		29,083	10,528
Retained Earnings 31 December		42,583	29,083

The notes on pages 4 to 7 form part of these Financial Statements.

Otintasi Hotel - a division of the National Loans Board
 Year Ended 31 December 1986
 BALANCE SHEET

	NOTES	1986 £	1985 £
<u>EMPLOYMENT OF CAPITAL</u>			
Fixed Assets	4	406,723	405,275
<u>CURRENT ASSETS</u>			
Stocks			
Group Balances	5	45,129	67,497
Debtors	6	14,521	29,653
Cash on hand and at bank		12,373	22,069
		60,379	22,766
		<u>132,402</u>	<u>141,985</u>
<u>CURRENT LIABILITIES</u>			
Creditors			
Group Balances		14,302	8,890
Bank overdraft	6	22,909	49,738
		-	218
		<u>37,211</u>	<u>58,846</u>
NET CURRENT ASSETS		95,191	83,139
		<u>501,914</u>	<u>488,414</u>
<u>CAPITAL EMPLOYED</u>			
Retained profits		42,583	29,083
Government grant		11,653	11,653
Due to Atoll Hotel Limited		447,678	447,678
		<u>501,914</u>	<u>488,414</u>
- Chairman of the Board			
- Director			

The notes on pages 4 to 7 form part of these Financial Statements.

Otintaa Hotel - a division of the National Loans Board
 Year ended 31 December 1986
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1986 \$	1985 \$
<u>SOURCE OF FUNDS</u>		
Profit	13,500	18,555
Adjustment for item not involving movement of funds		
Depreciation net of adjustments	63,974	61,340
TOTAL GENERATED FROM OPERATIONS	<u>77,474</u>	<u>79,895</u>
FUNDS FROM OTHER SOURCES		
Government Grant	-	11,053
	<u>77,474</u>	<u>91,548</u>
<u>APPLICATION OF FUNDS</u>		
Purchase of fixed assets	65,422	41,857
	<u>65,422</u>	<u>41,857</u>
INCREASE IN WORKING CAPITAL	<u>12,052</u>	<u>49,691</u>
Made up as follows:		
Stock	(22,368)	(4,386)
Debtors	(9,696)	(8,454)
Creditors	(5,412)	18,553
Group Balances	11,697	8,740
Overdraft and ca	37,831	26,466
	<u>12,052</u>	<u>49,691</u>

Otintaal Hotel - a division of the National Loans Board
Year Ended 31 December 1986
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical cost convention. The following is a summary of the more important accounting policies used by the hotel:-

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of previous years are:-

	<u>Percent</u>
Leasehold premises	5
Furniture, fittings and equipments	20
Motor Vehicles	33 $\frac{1}{3}$

(b) Stock

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

REVENUE

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

THE HOTEL

The hotel provides accommodation, catering, shopping and other services for visitors to Tarawa. It is a division of the National Loans Board and was set up upon the transfer of all the assets and liabilities of Atoll Hotels Limited a United Kingdom registered company, when that company ceased trading on 31 December 1982. Atoll Hotels Limited was struck off the United Kingdom registry of companies in November 1986. It is the intention of the National Loans Board to transfer the operations to Otintaal Hotel Limited.

Otintaa Hotel - a division of the National Loans Board
Year Ended 31 December 1986
NOTES TO THE FINANCIAL STATEMENTS

4. FIXED ASSETS

	Buildings	Furniture and Equipment \$	Motor Vehicle \$	Total \$
Cost				
At 1 January 1986	580,767	192,241	12,360	785,368
Additions	17,666	47,756	-	65,422
Disposals/adjustment	-	(45,000)	-	(45,000)
At 31 December 1986	<u>598,433</u>	<u>194,997</u>	<u>12,360</u>	<u>805,790</u>
Depreciation				
At 1 January 1986	241,195	130,670	8,228	380,093
Charge for year	29,038	31,083	4,132	64,253
Disposals/adjustments	-	(45,279)	-	(45,279)
	<u>270,233</u>	<u>116,474</u>	<u>12,360</u>	<u>399,067</u>
Net book value				
31 December 1986	<u>328,200</u>	<u>78,523</u>	<u>-</u>	<u>406,723</u>
Net book value				
31 December 1985	<u>339,572</u>	<u>61,571</u>	<u>4,132</u>	<u>405,275</u>

5. STOCK

	1986 \$	1985 \$
Bar stock	11,153	18,161
Catering stock	14,350	22,024
Bottleshop stock	8,144	14,812
Variety shop stock & others	23,106	17,899
Provision for slow moving stock	(11,624)	(5,399)
	<u>45,129</u>	<u>67,497</u>

6. GROUP BALANCES

	1986 \$	1985 \$
Amount due by division of parent body and its subsidiary		
Abamakoro Trading Limited	-	4,000
Atoll Air Stores division	14,521	25,653
	<u>14,521</u>	<u>29,653</u>

Otintaa Hotel - a division of the National Loans Board
 Year Ended 31 December 1986
 NOTES TO THE FINANCIAL STATEMENTS

	1986 \$	1985 \$
Amount due to parent body and its subsidiary		
National Loans Board	21,234	49,738
Abanakoro Trading Limited	<u>1,675</u>	<u>-</u>
	22,909	49,738
	<u>22,909</u>	<u>49,738</u>
7. DEBTORS	1986 \$	1985 \$
Debtors are stated net of a provision for doubtful debts of	19,219	15,552
	<u>19,219</u>	<u>15,552</u>
8. DUES TO ATOLL HOTELS LIMITED		
Represents the excess of assets over liabilities transferred from Atoll Hotels Limited, a wholly owned subsidiary to a division of the National Loans Board. This will be settled in conjunction with the liquidation of the company which was struck off the United Kingdom Registry of Companies in November 1986,		
9. GOVERNMENT AID	1986 \$	1985 \$
Received from Government for the refurbishment of the Hotel	11,653	11,653
	<u>11,653</u>	<u>11,653</u>
10. PROFIT BEFORE TAXATION	1986 \$	1985 \$
Trading profit is arrived at after charging the following:		
Audit fee	742	647
Depreciation	64,253	61,350
Management fee	10,000	10,000
	<u>75,000</u>	<u>72,000</u>

Otintaa Hotel - a division of the National Loans Board
Year ended 31 December 1986
NOTES TO THE FINANCIAL STATEMENTS

11. TAXATION

The Hotel has been assessed to taxation of \$4,850 up to 31 December 1985. A further assessment may be made in respect of the current year. The exact liability payable will not be known until proper returns have been filed and agreed.

12. CONTINGENT LIABILITY

A contingent liability exists for a disputed amount of \$10,000 (1985 \$10,000) claimed as due by the Captain Cook Hotel.

13. CAPITAL COMMITMENTS

	1986	1985
	<u>\$</u>	<u>\$</u>
Approved but not contracted for	30,000	40,000
	<u>30,000</u>	<u>40,000</u>

Secretary for Trade, Industry & Labour

Hon. Attorney General

ML 23/11

8th April, 1936.

Manager, Otintaa Hotel
Executive Secretary, National Loans Board

CONDITIONS OF SERVICE: OTINTAAI HOTEL

Attached please find a draft copy of the above conditions.

I would be grateful to receive your comments as to whether the definitions and terms set out in the conditions are in order.

Could I have your comments before the 14th April, 1936, please.

W. Leese
T. Leese
for Secretary for Trade, Industry and Labour

TTL:TB
Encl.

*Supplied to
T. Leese*

O T I N T A A I H O T E L

TERMS AND CONDITIONS OF EMPLOYMENT

1. Definitions

- "The Employer" means OTINTAAI HOTELS LTD.
"The Board" means the Board of Directors of OTINTAAI HOTEL LTD.
"Week" means Monday to Sunday inclusive/Saturday to Sunday inclusive including Public Holidays.
"Basic Salary" means an annual salary.
"Year" means 12 months commencing 1st January and ending 31st December.
"Hotel" means the Otintaai Hotel, Bikenibeu

2. Pay

- (1) A salary shall be paid fortnightly in arrears.
- (2) Annual increments shall be payable dependent on satisfactory service.
- (3) Contributions are payable by both parties in accordance with the provisions of the National Provident Fund Ordinance.

3. Hours of Work

- (1) An employee shall be required to work not less than 45 hours in any week.
- (2) The Hotel Manager shall prescribe and may vary from time to time according to the hotels needs the times at which an employee shall be required to work.

4. Overtime

- (1) If an employee has worked in excess of 45 hours, he will be granted time off in lieu of overtime. However, the employer may consider paying overtime only on special cases.

5. Profit Sharing

- (1) A share of any profits of the hotel may be distributed to the employees.
- (2) The Board shall declare any amount which may be so distributed annually provided that accurate accounts showing that the hotel has made a satisfactory profit having been made.
- (3) The Board shall declare any amount which may be so distributed.

6. Maternity Leave

- (1) The manager may grant a female employee who has completed at least six months service, maternity leave for a period commencing six weeks before the baby is due and ending six weeks after the baby's birth.
- (2) Maternity leave will be on quarter pay.
- (3) Annual leave may be taken instead of any period of maternity leave.
- (4) An employee who fails to return to duty within 60 days of the birth of her child will be deemed to have resigned unless there are medical reasons justifying the grant of sick leave. Any period of absence not covered by maternity leave, annual leave or sick leave will be unpaid.

r. Sick Leave

An employee who is absent from work because of illness shall be entitled to sick leave at his basic salary provided that:-

- (1) he has caused the Hotel Manager to be notified of his illness without delay.
- (2) his illness is supported by a medical certificates showing the nature of his illness.
- (3) he has not been absent from work because of illness for more than 20 days in that year.
- (4) his illness has not arisen from his own negligence or misconduct.

Extended Illness

- (1) This condition applies only to Permanent Employees and employees on contracts of 2 years or more.
- (2) In case of serious illness extending beyond 20 days continuous absence the Hotel Manager may grant a further leave without pay up to 60 days.
- (3) If after the grant of the sick leave referred to in (6) above and 60 days further leave without pay the employee is still not fit to resume duty, the Board may recommend extension of leave without pay or retirement on medical grounds.

Annual Leave

- (1) An employee in full time employment is eligible for leave in accordance with the following table:-

<u>Salary Level</u>	<u>Days</u>
19-17	18
16-15	25
14-12	30
11-10	35
9-1	42

132

- (2) An employee whose employment has commenced or terminated in the middle of the year shall be entitled to leave pro rata to his length of service in that year.
- (3) Annual leave may be taken at any time or times as the Hotel Manager may permit taking into account the Hotel's needs.

10. Leave Grant

An employee granted an annual leave may be paid a non-accountable cash grant of:-

\$47 if single
\$94 if married

This grant is payable only when an employee actually takes his leave.

11. Accommodation

- (1) The employer shall not be required to provide the employee with accommodation or housing, however an employee may apply for a house to the Housing Committee for normally through the Manager.
- (2) In the event that the employee is provided with accommodation by the employer or allocated government housing on the basis of his employment in the hotel the employee shall quit such accommodation or housing within 10 days of the termination for any reason or his employment in the hotel without further notice.

12. Passage to Home Island

- (1) An employee whose home island is not Tarawa shall be entitled to passages paid by the employer at the end of his employment provided that he has been recruited from his home island and not Tarawa.
- (2) The employer shall not liable to pay more than the cost of 4 adults fares by sea.
- (3) On termination of his employment in the Hotel for any reason, the employee is entitled to ship up to 3 tons of household and personal effects and return forthwith to his leave island at the employer's expense.

13. Termination of Employment

- (1) Employment may be terminated by either party giving to the other at least one months notice to that effect. Either party may waive such notice or payment of one month's salary in lieu.
- (2) The employer may terminate employment without notice if a Medical Board recommended that an employee is not medically fit to carry out his duties.

127

- (3) The employer may summarily dismiss an employee for gross misconduct or breach of discipline including without limitation drinking or being under the influence of intoxicating liquor whilst on duty or being absent from work other than in accordance with the Hotel Manager's permission.
- (4) On termination of employment in accordance with paragraphs (1) and (2) but not dismissal in accordance with paragraph (3) the employee shall be entitled to payment for any accrued leave and the employer shall arrange for repatriation of the employee to his home island as soon as possible paying for passages and leave grant entitlement in accordance with Clause (ii).

14. Redundancy

If the employer ceases to carry out on business at the Hotel or that the business's requirements for any employee to carry out his work ceases or diminish he may be made redundant in accordance with the following provisions:-

- (1) The employer shall give not less than two weeks's written notice of redundancy to an employee who has less than 24 months of continuous service and not less than 4 weeks written notice of redundancy to an employee who has more than 24 months of continuous service.
- (2) An employee who is made redundant is entitled to a redundancy payment calculated as follows:-
 - i. For each completed period of 12 months service:- 2 weeks basic wage or salary.
 - ii. For each period of service for 6 months or more but less than 12 months - 2 weeks basic wage or salary.
 - iii. For each period of service less than 6 months - NIL.

15. Punishments

The following one the punishments for misconduct which may be imposed.

- (1) Suspension without pay: for up to 30 days
- (2) Stopage of Increment: for one year. The stopage must commence from the Incremental Date and the Incremental Date is retained.
- (3) Demotion/Reduction in Salary: A reduction in salary by up to a maximum of four increments.
- (4) Termination: See Clause 12(3)
- (5) Dismissal: termination of appointment without notice and with forfeiture of all benefits normally payable on retirement or payable under Condition II.

16. Termination not necessarily a Disiplinary Measure

The termination of employment is appropriate when:

- (1) an employee's methods or manner of executing his duties are not compatible with the requirements of the Organisation.
- (2) an employee lacks the skill required to carry out his duties;
- (3) there are insufficient grounds for dismissal, but it is desirable for an Organisation to dispense with an employee's services.

17. Procedure for Filling a Vacancy

When a vacancy occurs the Hotel Manager will advertise the post, through NER with the Ministry of Trade, Indust. and Labour.

No appointment shall be made unless provision for that post exists in the budget.

A letter of appointment shall be issued to an employee on first appointment. A standard letter of appointment is attached as appendix 'A'.

18. Terms of Appointment

Appointments will be made on one of the following terms:-

- (1) On probation for six months with a view to admission to the permanent establishment.
- (2) On contract
- (3) On temporary terms for full or part time service.

19. Temporary Appointment

The Hotel Manager is authorised to make an appointment on temporary terms for a period of up to two months.

- (1) It is to temporarily fill a vacancy, or
- (2) It is to cover the post of an officer who is absent or on leave;
- (3) and providing that there is adequate financial provision in the budget.

20. Part Time Employment

Procedure for the employment of Part time staff are the same as far full time employees who are paid a salary.

21. Promotion

The employer shall seek to promote candidates when the employer considers suitable from within the Hotel's existing staff to fill vacancies.

135

22. Compliance with Instructions

The employee shall comply with all reasonable Instructions given by the employer, the Hotel Manager or their representative.

23. Variation

These terms and conditions may be varied only by the Employer.

Dated the day of 1986

Ref:

(date)

To:

u.f.s.

cc:

Dear Sir/Madam,

Acting in accordance with the advice of the Board of Directors, I am pleased to inform you that you have been offered employment to the permanent establishment as(Scale L) on probation for 6 months from

2. You will enter the salary scale at \$ per annum and your incremental date will be 1st

3. Your appointment will be subject to the production of a satisfactory medical certificate. You should arrange to be examined by a Government Medical Officer at the earliest opportunity and forward the report to the Manager.

4. You will be required to become a Member of the National Provident Fund and 5 percent of your salary will be automatically deducted each month as your contribution to the fund.

5. Please complete the attached form GIPF3 which is an application for you to become a member of the Fund. This Form must be returned to me as soon as possible. Your salary cannot be paid before the completed form has been received by the Manager.

6. You will be subject to the provisions of the Otintaai Hotel Conditions of Service and other terms and conditions of service and rulings as may be promulgated from time to time.

7. If you occupy government quarters you will be required to pay rent in accordance with the rate specified in Housing Corporations house rentals.

8. For the purpose of leave and passage your home island will be

9. Although you will normally be employed in the above post you will be available for the discharge of any suitable duties which may be allocated to you.

10. I should be grateful if you would signify your acceptance or otherwise of this appointment on the terms and conditions set out in this letter. Failure to return within a reasonable period of your acceptance of this appointment and the medical certificate required at paragraph 3 above will invalidate this offer of appointment.

Yours faithfully,

Manager, Otintaai Hotel

"I accept the terms and conditions as set out above.

Date:

151

OFFICE OF THE MANAGER
OTINTAAI HOTEL
Bikenibeu, Tarawa

Ref:

(date)

To:

cc:

Dear Sir/Madam,

TEMPORARY APPOINTMENT/PART TIME EMPLOYMENT

In accordance with the advice of the Board of Directors, I would like to offer you temporary/part-time employment in the Otintaai Hotel on the following terms:-

- (1) Date and period of employment
- (2) Designation
- (3) Division
- (4) Salary Scale (if applicable)
- (5) Salary in employment
- (6) Leave rate
- (7) Incremental date (if applicable)

No further privileges will be attached to the appointment which may be terminated by notice on either side.

2. Subject to the limitations of paragraph 1, you will otherwise be subject to other terms and conditions of the Otintaai Hotel and rulings as may be promulgated from time to time.

3. Please inform me by signing the acceptance column provided below.

Yours faithfully,

Manager, Otintai Botel

"I accept the offer as stated above".

(Date)

.....
Employee

125

GOVERNMENT OF KIRIBATI
MEMORANDUM

Handwritten initials and marks in the top right corner.

From Attorney General's Chambers, Bairiki

To: Secretary for Trade, Industry & Labour,
Bairiki

File Ref OTIL/10

Copied to

Date: 16 April 1986

Your reference:

dated:

CONDITIONS OF SERVICE : OTINTAAI HOTEL

I have perused the Conditions as per your memo TIL 23/31 of 8th April 1986 and have the following comments to make.

1. Hours of Work

- (a) I would advice against 45 hours a week and recommend the number of hours which the other civil servants normally serve (approx. 40 hours, is it?)
- (b) Before the Hotel Manager prescribes the times at which an employee shall be required to work s.10 of Cap 30A (Employment Ordinance) has to be complied with first - i.e. after consultation with the Commissioner of Labour.

2. Overtime

The same comment above applies as to the number of hours in excess of which the employee is entitled to overtime.

3. Profit Sharing

Delete this section. The Hotel is a Government-owned company, the employees are not shareholders and they are not strictly speaking entitled to a share of the profit. I am not saying it is illegal, but the share of the profit is within the discretionary power of the Directors, if they so decide.

4. Sick Leave

Make the number of days mentioned thereunder consistent with the terms stipulated in the NCS.

5. Extended illness

The same comment as in (4) above.

6. Annual Leave

Why is the number of days corresponding to the salary level not consistent with that of the NCS. There seems to be a substantial increase in the number of days an employee (according to his/her salary level) is entitled to take. Or, has there been an amendment to the NCS. Not that I know of.

As a matter of policy, this has to be in line with what the other civil servants are entitled to.

7. Passage to Home Island

Clause 12(2) should be amended to mention the family of an employee as against 4 adults only. I propose this "The employer shall be liable to pay the fares of the employee's family by sea". Is 3 tons compatible with the NCS relevant provision?

8. Punishment

Again as a matter of policy, it should reflect the same terms as that under the NCS.

T. Tabane
T. Tabane
Legal Assistant
for Attorney General

TIL: F23/31

22nd April 1986

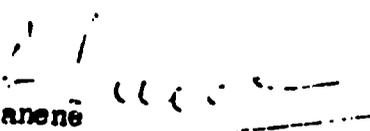
Manager
Otintai Hotel
Bikenibeu

Dear Sir,

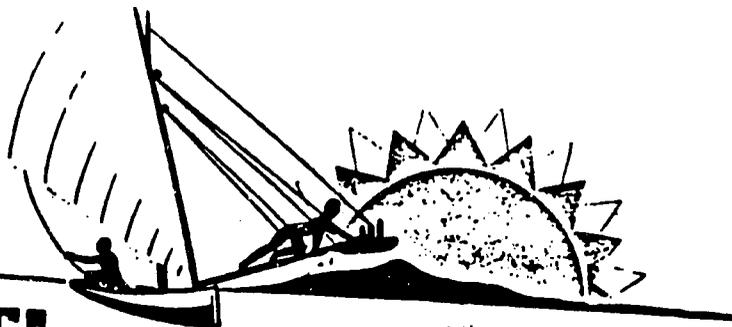
Conditions of Service

The Attorney General has made comments on your condition of Service and is enclosed for information and further action.

2. I would suggest that you bring it up to the Board of Directors attention and if agreed with AG's Comments than we would arrange to delete or amend the conditions of service accordingly.
3. The draft conditions is attached.


Teraku Tekanene
for Secretary for Trade, Industry and Labour.

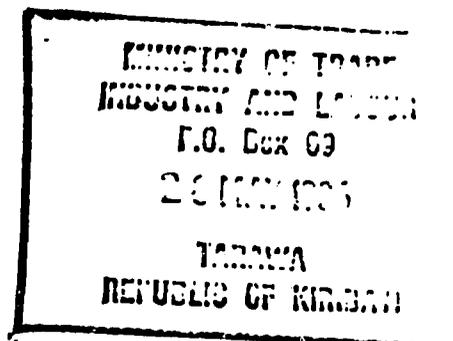
OTIATAI HOTEL



G.P.O. BOX 270
BIKENIBEU
TARAWA
REPUBLIC OF KIRIBATI
CENTRAL PACIFIC

26th May, 1986.

The Secretary
Ministry of Trade, Industry and Labour
P O Box 69
Bairiki



Dear Sir

RE: OTIATAI HOTELS LTD - BOARD MEETING 2/5/86
"NEW CONDITIONS OF SERVICE"

The following are amendments/deletions of our New Conditions of Service:

Refer 3 - Hours of Work:

The Commissioner of Labour is requested to give the OK for our requirement of 45 hours per week.

Refer 5 - Profit Sharing Scheme:

To be deleted.

Leave it to the Board.

Refer 6 - Maternity Leave:

The Commissioner of Labour is requested to give OK or amend if relevant to Labour Ordinance.

Not necessary

Refer 8 - Extended Illness:

Commissioner of Labour to give OK. ✓

Refer 9 - Annual Leave:

Days employee entitled are "consecutive days". ✓

Refer 12 - Passage to Home Islands:

12(4) additional Clause:- "To qualify for the allowance transport of baggage must take place within 3 months of the employee's last day of duty."

Your early action would be appreciated.

192

(14)

Yours faithfully

D Brian
Manager

DU:TB

I am writing to inform you that the Hotel Manager has
to be a member of the (S.S.)
The conditions of service
are as follows:
1. ...
2. ...
3. ...

TIL 23/31
10 June 1986

Manager
Otintaai Hotel
P O Box 270
Bikenibeu

Dear Sir

NEW CONDITIONS OF SERVICE - OTINTAAI HOTEL EMPLOYEES

Please refer to your letter unreferenced dated 26th May, 1986. My comments are as follows:-

Hours of Work:

The 40 hours a week is more appropriate as equivalent to work for a day of 8 hours.

Profit Sharing Scheme:

It is up to the Board to decide.

Maternity Leave:

The amendment of the Ordinance is not necessary at this stage.

Extended Illness:

See the attached draft.

Annual Leave:

OK

Passage to Home Island:

Additional clause is OK.

Yours faithfully


Reete Bokai
Secretary for Trade, Industry and Labour

RB:TB

145

8 EXTENDED ILLNESS

- (1) This condition applies only to Permanent Employees and Employees on contract of 2 years or more.
- (2) In case of serious illness extending beyond 30 days the Manager in consultation with the Board may grant sick leave in accordance with the following procedure
 - a. the first 30 days will be regarded as sick leave on full pay;
 - b. the employee will then be required to use up any annual leave standing for his credit: (leave for that particular year);
 - c. on the recommendation of the Chief Medical Officer, the employee may then be granted a further period of Sick leave without pay up to 30 days.
- (3) If, after the grant of sick leave referred to in (2) above, the employee is still not fit to resume duty, 30 days further leave without pay may be granted or the Manager may recommend to the Board retirement on Medical grounds.

*The condition was amended
by the Board and instead of
decided to strike the above, they
now provide - See
sect 7 - Extension of service
illness. 1/1/66
146*

REPORT OF THE DIRECTOR OF AUDIT
ON THE OTINTAAI HOTEL - A DIVISION
OF THE NATIONAL LOANS BOARD - FOR
THE YEAR ENDED DECEMBER 31 1986

General

(i) Background

The Otintaai Hotel took over the assets and liabilities of Atoll Hotels Limited (a United Kingdom Company which was struck off the companies registry in November 1986). It is the intention of the National Loans Board to transfer the operations to Otintaai Hotel Limited.

In previous reports I have noted that in my opinion it is beyond the power of the National Loans Board to operate this Division. The proposed transfer of the operations to the Otintaai Hotel Limited has been in process for three years. It entirely escapes me why this relatively simple operation has taken so long.

(ii) Accounts and Audit

The basic books of account and documentation of the Hotel are well maintained. However the following points should be made:-

- (a) Financial Statements were prepared by this office.
 - (b) The accounts need further refinement to enhance internal control and reporting
 - (c) Management accounts are not prepared on a regular basis nor by department.
2. The accounts of the Hotel are not consolidated with those of the National Loans Board because of the divergence of their activities and as previously mentioned it is beyond the powers of the Board to operate this division.

(iii) Results for the year

Although the profit for the year has declined the Hotel has attained its gross margins in most instances and can progress to a reasonable level of profitability. The reasons for the decline is lower occupancy in the rooms with a related drop in catering services; the hotel has little control over occupancy due to the nature of its guests. This was coupled with further write offs in variety shop stocks and a profitless Bingo venture, these increased turnover but with no profit.

The Hotel should be aiming for between an \$80,000 - \$100,000 pre tax profit in the immediate future. This could be achieved by economies in electricity consumption (a study is under way) and reductions in laundry costs, stationery etc coupled with an increase in room prices which are relatively price insensitive.

Debtors

The provision for doubtful debts stands at over half the debtors.

I recommend that regular statements and reminders be sent to customers, that the credit policies be further tightened; and that legal action be taken against all debtors that do not pay within six months.

Stock

Stock control has improved and the level of stock holdings reduced. This can be further improved by reducing the shortfall in gross margin in the Public Bar and liquidation of all the Variety Shop stock.

Fixed Assets

The Hotel took stock of all its furniture and equipment during the year. Discrepancies arose between these and the net book value. Mainly it appears due to items being scrapped without being recorded. It should be possible to reconcile purchases in the last five years and establish a proper fixed asset register for furniture and equipment by location and type. No progress has been made on the buildings, this is necessary to apportion depreciation between departments.

Group Balances

These are being reduced and I suggest should be eliminated by the year end and only commercial transactions be recorded. This would eliminate the practise common to the NLB group of granting interest free loans by manipulation of balances between group companies and divisions. Under this heading it is worth noting the \$10,000 management fee charged by the N.L.B, no detail of this billing is available and in terms of services provided it seems to be very excessive. It would appear to be a method of paying "a dividend" to the Board.

Taxation

The Hotel has been assessed for \$8,850 in company tax for the years ended 31 December 1985. The matter has not been resolved and presumably further assessments will be raised. As the matter is not particularly complicated and the records available I feel it should be dealt with without delay.

The hotel is not charging the Hotel tax properly meals to non residents attract tax whilst laundry services to residents do not. I recommend the system be improved.

Payroll

Improvements need to be made in the documentation of employees rates of pay and contracts established for them. It was also noted that the new P.A.Y.E system was not being operated.

T. TEOIAKI

Teiaramako T Teoiaki
Director of Audit

OTINFAAI HOTEL - A DIVISION OF THE NATIONAL LOANS BOARD

YEAR ENDED DECEMBER 31, 1986

In accordance with Section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements set out on pages 1 to 7 which have been prepared under the historical cost convention.

In my opinion, the financial statements, give a true and fair view of the state of affairs of the Hotel at December 31, 1986 and of the profit and source and application of funds for the year then ended.

T. TEOIAKI

Teiaramako Teoiaki

Director of Audit

June 5 1987

1499

TAAI HOTEL - A division of the National Loans Board
 PERIOD 31 DECEMBER 1986
 INCOME STATEMENT

	NOTES	1986 \$	1985
	2	<u>692,178</u>	<u>680,638</u>
Profit before taxation	10	13,500	18,555
Income tax	11	-	-
Profit after taxation		<u>13,500</u>	<u>18,555</u>
Retained Earnings 1 January		<u>29,083</u>	<u>10,528</u>
Retained Earnings 31 December		<u>42,583</u>	<u>29,083</u>

Notes on pages 4 to 7 form part of these Financial Statements.

Ofintaai Hotel - a division of the National Loans Board
 Year Ended 31 December 1986
 BALANCE SHEET

	NOTES	1986 £
<u>EMPLOYMENT OF CAPITAL</u>		
Fixed Assets	4	406,723
<u>CURRENT ASSETS</u>		
Stocks	5	45,129
Group Balances	6	14,521
Debtors	7	12,373
Cash on hand and at bank		60,379
		<u>132,402</u>
<u>CURRENT LIABILITIES</u>		
Creditors		14,302
Group Balances	6	22,909
Bank overdraft		-
		<u>37,211</u>
NET CURRENT ASSETS		<u>95,191</u>
		<u><u>501,914</u></u>
<u>CAPITAL EMPLOYED</u>		
Retained profits		42,583
Government grant	9	11,653
Due to Atoll Hotel Limited	8	447,678
		<u>501,914</u>
		<u><u>501,914</u></u>

Chairman of the Board
 Director

The notes on pages 4 to 7 form part of these Financial Statements.

151

Otintaa Hotel - a division of the National Loans Board
 Year Ended 31 December 1986
 STATEMENT OF SOURCE AND APPLICATION OF FUNDS

1986
 \$

SOURCE OF FUNDS

Profit	13,500
Adjustment for item not involving movement of funds	
Depreciation net of adjustments	63,974
TOTAL GENERATED FROM OPERATIONS FUNDS FROM OTHER SOURCES	<u>77,474</u>
Government Grant	-
	<u>77,474</u>

APPLICATION OF FUNDS

Purchase of fixed assets	65,422
	<u>65,422</u>
INCREASE IN WORKING CAPITAL	<u>12,052</u>

Made up as follows:

Stock	(22,368)
Debtors	(9,696)
Creditors	(5,412)
Group Balances	11,697
Overdraft and cash balances	37,831
	<u>12,052</u>

132

Otintaa Hotel - a division of the National Loans Board
Year Ended 31 December 1986
NOTES TO THE FINANCIAL STATEMENTS

PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical convention. The following is a summary of the more important accounting policies used by the hotel:-

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets. The principal annual rates used for this purpose, which are comparable with those of previous years are:-

	<u>Percent</u>
Leasehold premises	5
Furniture, fittings and equipments	20
Motor Vehicles	33 $\frac{1}{3}$

(b) Stock

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

2. REVENUE

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

THE HOTEL

The hotel provides accommodation, catering, shopping and other services for visitors to Tarawa. It is a division of the National Loans Board set up upon the transfer of all the assets and liabilities of Atoll Hotels Limited, a United Kingdom registered company, when that company ceased trading on 31 December 1982. Atoll Hotels Limited was struck off the United Kingdom register of companies in November 1986. It is the intention of the National Loans Board to transfer the operations to Otintaa Hotel Limited.

Hotel - a division of the National Loans Board
 ended 31 December 1986
 TO THE FINANCIAL STATEMENTS

FIXED ASSETS

	Buildings \$	Furniture and Equipment \$	Motor Vehicle \$	Total
1 January 1986	580,767	192,241	12,360	785,368
Additions	17,566	47,756	-	65,422
Disposals/adjustment	-	(45,000)	-	(45,000)
31 December 1986	<u>598,433</u>	<u>194,997</u>	<u>12,360</u>	<u>805,790</u>
Depreciation				
1 January 1986	241,195	130,670	8,228	380,093
Charge for year	29,038	31,083	4,132	64,253
Disposals/adjustments	-	(45,279)	-	(45,279)
31 December 1986	<u>270,233</u>	<u>116,474</u>	<u>12,360</u>	<u>399,067</u>
Book value				
31 December 1986	<u>328,200</u>	<u>78,523</u>		<u>406,723</u>
Book value				
31 December 1985	<u>339,572</u>	<u>61,571</u>	<u>4,132</u>	<u>405,275</u>

	1986 \$	1985 \$
Stock		
ring stock	11,153	18,167
leshop stock	14,350	22,024
ety shop stock & others	8,144	14,817
ision for slow moving stock	23,106	17,895
	(11,624)	(5,395)
	<u>45,129</u>	<u>67,497</u>

P. BALANCES

	1986 \$	1985 \$
at due by division of parent body its subsidiary ukoro Trading Limited l. A. o Stores division	<u>14,521</u>	<u>14,521</u>
		<u>29,653</u>
		<u>25,000</u>

151

Otintaa Hotel - a division of the National Loans Board
 Year Ended 31 December 1986
 NOTES TO THE FINANCIAL STATEMENTS

	1986 \$
Amount due to parent body and its subsidiary	
National Loans Board	21,234
Abamakoro Trading Limited	1,675
	<u>22,909</u>
7. DEBTORS	1986 \$
Debtors are stated net of a provision for doubtful debts of	19,219
	<u>19,219</u>
8. DUE TO ATOLL HOURS LIMITED	
Represents the excess of assets over liabilities transferred from Atoll Limited, a wholly owned subsidiary to a division of the National Loans Board. This will be settled in conjunction with the liquidation of the company struck off the United Kingdom Registry of Companies in November 1986.	
9. GOVERNMENT AID	1986 \$
Received from Government for the refurbishment of the Hotel	11,653
	<u>11,653</u>
10. PROFIT BEFORE TAXATION	1986 \$
Trading profit is arrived at after charging the following:	
Audit fee	742
Depreciation	64,253
Management fee	10,000
	<u>75,000</u>

Otintai Hotel - a division of the National Loans Board
Year Ended 31 December 1986
NOTES TO THE FINANCIAL STATEMENTS

11. TAXATION

The Hotel has been assessed to taxation of \$8,850 up to 31 December 1986. Further assessment may be made in respect of the current year. The amount payable will not be known until proper returns have been filed and agreed.

12. CONTINGENT LIABILITY

A contingent liability exists for a disputed amount of \$10,000 (1985 \$10,000) claimed as due by the Captain Cook Hotel.

13. CAPITAL COMMITMENTS

Approved but not contracted for

1986
\$
30,000

156

SHIPPING CORPORATION OF KIRIBATI

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SHIPPING CORPORATION OF KIRILATI

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1986

158

SHIPPING CORPORATION OF KIRIBATI

YEAR ENDED 31 DECEMBER 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

In accordance with Section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements set out on pages 1 to 7. The financial statements have been prepared under the historical cost convention as modified by the valuation placed on major fixed assets.

I have been unable to determine with reasonable accuracy the amount of disputed overhead and invoice charges as stated in note 11 which will become payable.

Subject to any adjustment arising from the disputed charges referred to above, in my opinion, the financial statements give a true and fair view of the state of affairs of the Corporation at 31 December 1986 and of the profit and source and application of funds for the year then ended.



Teiaramako Teoiaki
Director of Audit
11 March, 1987

YEAR ENDED 31 DECEMBER 1986
 INCOME AND EXPENDITURE STATEMENT

	Notes	Administration \$	Shipping \$	Ports \$	Ferries \$	1986 Total \$	1985 Total \$
<u>REVENUE</u>		196,319	1,812,667	1,323,160	356,108	3,688,254	3,319,502
<u>OPERATING EXPENDITURE</u>							
Salaries & Wages		58,102	504,511	438,857	94,281	1,095,751	969,358
Employee benefits & related costs		8,237	142,872	37,295	8,723	197,127	290,045
Repairs, shipping & other costs		11,487	665,872	59,541	36,268	773,268	723,563
Fuel & Lubricants		344	478,326	48,510	69,670	597,350	518,572
Depreciation		11,133	366,710	125,139	23,772	526,754	484,870
Interest on vessel loans		-	53,001	-	-	53,001	93,483
Rental of Equipment		85	20,391	5,311	540	26,327	-
Insurance Premiums		1,745	147,245	15,255	1,745	165,990	291,206
Electricity & Water		4,637	27,972	14,748	652	48,059	44,250
Miscellaneous Expenses		14,512	35,526	587	232	50,907	43,925
Bad debt provision		24,855	-	-	-	24,855	12,712
		135,187	2,442,926	745,343	235,933	3,559,389	3,471,934
Operating Profit		61,132	(630,259)	577,817	120,175	128,865	(152,332)
Prior year items	3	-	83,029	-	-	83,029	(174,065)
Asset valuation released	11	-	123,342	-	-	123,342	123,342
Profit on compensation		-	-	-	-	-	74,711
Profit on sale of Fixed Assets		-	-	4,553	-	4,553	6,433
<u>Retained earnings</u>		61,132	(423,638)	582,370	120,175	339,709	(121,961)

The notes on pages 4 to 7 form part of these Financial Statements.

24

SHIPPING CORPORATION OF KIRIBATI
YEAR ENDED 31 DECEMBER 1986

BALANCE SHEET

<u>EMPLOYMENT OF CAPITAL</u>	NOTES	1986	1985
Fixed Assets	3	4,151,636	4,440,314
<u>CURRENT ASSETS</u>			
Debtors and prepayments	4	522,136	693,460
Stock	5	219,522	107,538
Cash and Bank deposits		948,904	590,204
		1,690,612	1,479,332
<u>CURRENT LIABILITIES</u>			
Trade creditors	7	286,026	503,023
Current portion of long term loans	6	211,715	245,500
Other creditors and provisions		235,704	121,510
		763,445	375,033
NET CURRENT ASSETS		907,167	604,294
		5,063,303	5,045,103
<u>CAPITAL EMPLOYED</u>			
Asset Revaluation reserve	10	3,780,944	4,050,670
Long Term Loans	6	250,986	443,733
Retained Profits/(Deficit)		1,836,873	542,700
		5,058,803	5,045,103

The notes on pages 4 to 7 form part of these Financial Statements.


..... Chairman of the Board
Ratintera Beriki


..... General Manager
Capt. T D Murdoch

35

SHIPPING CORPORATION OF KIRIBATI
YEAR ENDED 31 DECEMBER 1986

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1986	1985
	\$	
<u>SOURCE OF FUNDS</u>		
Operating Profit	123,055	-
Adjustment for items not involving movement of funds:		
Depreciation	526,754	434,870
	<u>83,029</u>	<u>-</u>
Total funds from operations	733,643	434,870
From other sources:		
Profit on compensation		74,711
Proceeds from sale of fixed assets	<u>4,597</u>	<u>13,993</u>
	743,245	573,574
<u>APPLICATION OF FUNDS</u>		
Operating loss for year	-	152,382
Prior year adjustments	-	174,065
Purchases of fixed assets	247,620	259,102
Repayment of loan principal	<u>226,537</u>	<u>470,976</u>
	<u>474,157</u>	<u>1,056,525</u>
INCREASE/(DECREASE) IN WORKING CAPITAL	<u>269,033</u>	<u>(482,951)</u>
Made up as follows:		
Stock	31,934	8,404
Debtors	(171,274)	6,765
Creditors and provisions	57,808	81,654
Liquid funds	<u>350,620</u>	<u>(579,774)</u>
	<u>269,033</u>	<u>(482,951)</u>

SHIPPING CORPORATION OF KIRIBATI
YEAR ENDED 31 DECEMBER 1986

NOTES TO THE FINANCIAL STATEMENTS

1. Principle Accounting Policies

The Corporation's financial statements are prepared in accordance with the historical cost convention including certain fixed assets taken over at valuation. The following is a summary of the more important policies used by the Corporation.

(a) Revenue

Revenue consists mainly of receipts for the carriage of passengers and freight, the charter of vessels and the handling of cargo.

(b) Depreciation

Depreciation is calculated to write off the cost or amount of valuation of fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose are:

	%
Buildings, "Hei Momi" and "Hei Mataburo"	5
Other ships, landing craft, tugs & barges	10
Liferafts	20
Cranes, plant and equipment	25
Launches, workboats and motor vehicles	33 1/3

(c) Slipping Provision

Provision is made in the accounts for the expenditure which is expected to arise from surveys of the Corporation's vessels relating to the current year's operations.

(d) Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs where appropriate. Provision is made for obsolescent, slow moving and defective stock.

(e) Exchange Rates

Assets and liabilities expressed in foreign currencies are translated to Australian dollars at the rates of exchange ruling at the end of the financial year. Differences on exchange are included in the profit and loss account.

(3) Aid Items

Items received on aid are capitalized and taken to the Asset Revaluation Reserve and written back to net profit at the rate of the applicable depreciation charge.

2. The Corporation

The Corporation was established by the Shipping Corporation of Kiribati Act 1978 to provide shipping services and for purposes incidental thereto or connected therewith.

FIXED ASSETS

	Buildings	Ships and other Working Vessels	Plant Equipment + Cranes	Motor Vehicles Furniture & Fittings	Total
Cost or valuation at January 1986	130,069	5,872,036	421,351	132,032	6,657,008
Additions	-	190,519	44,173	4,928	247,020
Disposals	-	(29,209)	(35,533)	(12,994)	(118,736)
At 31 December 1986	<u>130,069</u>	<u>5,051,196</u>	<u>330,491</u>	<u>174,016</u>	<u>6,706,572</u>
Depreciation at January 1986	71,050	1,731,597	309,943	104,276	2,216,874
Charge	9,003	415,535	51,711	40,455	526,754
Disposal	-	(20,210)	(85,520)	(12,954)	(118,592)
Depreciation at 31 December 1986	<u>80,061</u>	<u>2,126,972</u>	<u>206,126</u>	<u>131,777</u>	<u>2,524,936</u>
NBV at Dec. 1986	100,008	3,924,223	94,365	43,040	4,131,636
NBV at 31 Dec. 1985	109	4,141,239	111,900	78,606	4,440,814

Assets taken over from the Gilbert Islands Development Authority and the Marine Division at the inception of the Corporation on 1 January 1978 were valued at the time at \$1,331,573.

DEBTORS

The following is the sectoral breakdown of the Corporations debtors:

	1986 \$	1985 \$
Government:		
Central Government	127,593	307,936
Statutory and other bodies	<u>85,691</u>	<u>147,005</u>
	213,284	454,941
Private sector	<u>421,430</u>	<u>507,730</u>
	634,764	962,701
Provision for doubtful debts	<u>112,570</u>	<u>269,341</u>
	<u>522,136</u>	<u>593,450</u>

STOCK

The amounts attributable to the various stores areas are as follows:

	1986 \$	1985 \$
Aboard ship - fuel and victualling stores	58,666	53,434
Central stores - victualling stores and engineering spares	<u>160,356</u>	<u>124,154</u>
	<u>219,522</u>	<u>187,588</u>

6. Long Term

	1986 \$	1985 \$
11% partly secured loan from Kiribati Provident Fund repayable over 3 years commencing in May 1987	240,165	250,000
3% unsecured loan from the National Loans Board repayable in annual instalments of \$35,500 commencing on January 21, 1981.	142,000	157,520
Variable rate (currently 11%) secured loan from Bank of Kiribati Limited repayable in monthly instalments of \$17,500.	80,536	281,510
Less: Repayments due within twelve months (included in current portion of long term loans).	(211,715)	(245,500)
	<u>250,986</u>	<u>443,730</u>

7. Creditors

The following is the sectoral breakdown of the Corporations creditors:

	1986 \$	1985 \$
Government		
Central Government	41,875	107,371
Statutory and other bodies	<u>217,662</u>	<u>352,962</u>
	259,543	460,333
Private sector	<u>312,187</u>	<u>47,695</u>
	<u>571,730</u>	<u>508,028</u>

8. Prior Year Items

	1986 \$	1985 \$
Engineering Stock provision	74,021	
Survey Provision		(122,650)
Subsidy Repayment Provision		(25,000)
Other	<u>9,008</u>	<u>(26,415)</u>
	<u>83,029</u>	<u>(174,065)</u>

9. Capital Commitments

	1966 \$	1965 \$
Commitments in respect of contracts Approved but not contracted for	<u>25,000</u>	<u>125,000</u>
	<u>25,000</u>	<u>125,000</u>

10. Asset Revaluation Reserve

	1966 \$	1965 \$
At 1 January	4,050,671	4,132,013
Fixed Assets disposed of	(154,364)	-
Reserve released	<u>(123,342)</u>	<u>(123,342)</u>
AT 31 December	<u>3,780,945</u>	<u>4,050,670</u>

11. Contingent Liabilities

Invoices received since 1961 with overhead charges regarded as excessive:

From Shipyard Division	Approx	\$ 220,000
From Plant & Vehicle Unit	"	30,000

Provision for subsidy repayment made in 1961 believed to have been accounted or paid for during 1962

25,000

KIRIBATI INSURANCE CORPORATION

**ANNUAL REPORT,
BALANCE SHEET AND ACCOUNTS
FOR 1984**

KIRIBATI INSURANCE CORPORATION
(INCORPORATION 1981)

P.O. BOX 38
BAIRIKI
TARAWA
KIRIBATI

TELEPHONE 260
TELEX - KI 042 TRW
CABLES KIRINS TARAWA

BOARD OF DIRECTORS

BURETI WILLIAMS - CHAIRMAN
CHARLES A MACFADDEN
PETER JACKSON
RAMEYA TAKIRUA
WILLIAM J HAZELTON

SECRETARY

ARNIE C CARTER

GENERAL MANAGER

ARNIE C CARTER

AUDITOR

DIRECTOR OF AUDIT - REPUBLIC OF KIRIBATI

BANKERS

BANK OF KIRIBATI LIMITED

CHAIRMAN'S REPORT

ESTABLISHMENT OF THE CORPORATION

- 1) The Corporation is established under Cap 45A of the Laws of Kiribati to carry out the business of insurance in Kiribati on an exclusive basis (Section 3 (1) and (2) of Cap 45A).
- 2) The Corporation has no paid up Capital. Its operations are based on a repayable start-up Capital loan of \$20,000 from the Kiribati Government. The loan is not repayable until 31 May 1986.
- 3) As stipulated by Section 31 (3) of the Act, a copy of the Corporation's audited accounts for 1984 is incorporated in this report.
- 4) The Corporation has a Management agreement with Panpacific Underwriters Ltd. This agreement has a term of five years which commenced on 20th January 1981. Panpacific Underwriters Ltd seconded one of their own staff as General Manager at their expense for the first 2 years. After May 1983 Panpacific Underwriters Ltd continued to second an expatriate General Manager, but at the Corporation's expense as requested and provided for in the Management Agreement.
- 5) Section 4(11) of the Act requires the Board of the Corporation to meet at least once in every eight weeks. In practice the Board meets once a month. There has been only one change of Directors during the year, Mr P. Tong having resigned and replaced by Mr. P. Jackson.
- 6) The General Manager at the commencement of the year was Mr. P. M. Christian, who was succeeded in October by Mr A.C. Carter.
- 7) The Corporation occupied a number of premises during the period under review but in September moved into the offices previously occupied by the Australian High Commission.

TRADING OPERATIONS

During the financial year ended 31/12/84 a total of 648 policies of Insurance were issued in the Fire & General Portfolio and 84 in the life Portfolio. Altogether 164 claims were lodged; 163 in the Fire & General portfolio and 1 in the Life Portfolio. The claims can be broken down into the following classes of business as follows:

<u>Claims lodged</u>		<u>Amount paid</u> and <u>Outstanding</u>	
		<u>1984</u>	<u>1984</u>
		\$	\$
Workers Compensation	7	3959	5757
Fire	23	1799	10884
Marine	59	57299	1410
General Accidents	23	4083	192
Motor	51	35740	8932
Life	<u>1</u>	<u>-</u>	<u>2338</u>
	<u>64</u>	<u>\$102920</u>	<u>\$29513</u>

1) MOTOR VEHICLE

The premium income dropped by \$90,000 in this portfolio due partially to the decision of Plant & Vehicle Unit not to continue to insure their vehicles as from April. This also resulted in a reduction of the cost of claims but this class of insurance still continues to cause major concern and the loss ratio is now in excess of 100%.

The Police are in the process of preparing a Road Code; an action which is fully supported by the Corporation and it is hoped that this

may improve driving standards and reduce the road toll. However it does appear inevitable that premium levels will have to be increased in the near future.

2) MARINE

The Marine Portfolio continues to increase at a very satisfactory rate and it is pleasing to note that a reasonable profit was achieved this year reversing the trend of the two previous years.

3) FIRE

The Corporation accepted for the first time this year inwards re-insurance from another company connected with Panpacific Underwriters Ltd and whilst the majority of the fire claims paid were as a result of this arrangement the Corporation still made a profit from this association. With a number of Corporations taking over services previously provided by Government it is hoped this class of business will increase substantially in the next few years.

4) WORKERS COMPENSATION AND GENERAL ACCIDENT

Both these classes of business continue to perform satisfactorily and contributed to the overall profitable position.

5) LIFE

The Life account has grown substantially during 1984 and the Life Fund stood at \$23,324.71 at the end of the year.

The Corporation's actuaries are in the process of calculating the bonus to be declared for life policy holders and this will be circulated in the near future.

6) STAFF

Staffing levels remained constant throughout the year.

7) TRADING RESULT

The Corporation achieved a profit of \$48,756.66 for the year ending 31st December 1984 compared to \$32,531.76 for the previous year but special mention must be made that this includes an amount of \$10,000 contributed by Panpacific Underwriters Limited.

In closing, I would like to express my thanks to my fellow Board Members for all their assistance during the year. Also I am most appreciative of the efforts of the Corporation's staff under what have been (at times), trying conditions and of our Manager's Panpacific Underwriters Ltd all of which have contributed to the excellent achievements of the year.

To all clients of the Corporation I thank you for your support and your confidence in entrusting us to handle your insurance affairs during the year.



BURETI WILLIAMS (Dip. Business Studies)
Chairman

**CERTIFICATE OF THE DIRECTOR OF AUDIT ON THE ACCOUNTS OF THE
KIRIBATI INSURANCE CORPORATION
FOR THE YEAR ENDED 31 DECEMBER, 1984**

In compliance with Section 31 of the Kiribati Insurance Corporation Ordinance Cap 45A and Section 42 Part vii of the Public Finance (Control and Audit) Ordinance Cap 79 the Corporation has prepared and submitted for my examination a balance sheet, profit and loss accounts in respect of each class of business as referred to in section 29 of Cap 45A and notes to those accounts.

I have examined these accounts along with the supporting records and documentation in accordance with approved auditing standards and in my opinion they show a true and fair view of the state of affairs of the Corporation as at 31st December, 1984 and of the surplus for the year then ended.



Director of Audit

10th April, 1985

Office of the Director of Audit
P. O. Box 63
Bairiki Tarawa
Kiribati

KIRIBATI INSURANCE CORPORATION
BALANCE SHEET YEAR ENDING
31 DECEMBER, 1984

<u>1983</u>		<u>1984</u>	
<u>\$</u>	<u>Capital</u>	<u>\$</u>	<u>\$</u>
NIL	Authorized Capital	NIL	
61477 89	Unappropriated Profits	110234 55	
	Reinsurance Profit	904 08	
3310 20	Life Fund Reserve	23324 71	134463 34
	<u>Long Term Liability</u>		
20000 00	Government Capital Loan		20000 00 ✓
	<u>Current Liabilities</u>		
56306 41	Provision for Unearned Premium-(non life)	60876 54	
14690 00	Provision for Claim-(non life)	27175 00	
381 27	Provision for Unearned Premium-(life)	641 89	
319 00	Provision for Claims-(life)	NIL	
	Creditors under Insurance Treaty:		
3768 50	Panpacific Underwriters	4771 61	
(25358 76)	Quota Share (Accident)	7916 95	
464 69	1st layer XOL Accident	5302 85	
(116 56)	2nd layer XOL Accident	(31 01)	
7279 83	Fire Surplus	29171 14	
2500 00	1st Catastrophe (whole a/c)	3519 23	
62302 44	facultative	32619 03	
NTL	2nd Catastrophe (whole a/c)	(278 76)	
2136 00	Quota Share (life)	1379 17	84370 21
	Creditor under Reinsurance Treaty:		
	Reinsurance of New Zealand	1338 54	
6 00	Other Creditors	99 92	
2165 32	Accrued Expenses	1108 39	175610 49
<u>\$212232 23</u>			<u>\$330073 83</u>
*****			*****
	<u>Fixed Assets</u>		
3744 59	Capital Assets	15804 24	
923 55	less Provision for Depreciation	3900 72	11903 52
2821 04			
	<u>Current Assets</u>		
51442 61	Sundry Debtors	117096 31	
35132 06	Westpac Current account	10239 21	
	Westpac Life account	5747 89	
195 47	Accrued Revenue	2041 11	
100 00	Petty cash	100 00	135224 52
	<u>Investments</u>		
52541 05	IBD	72945 79	
70000 00	IBD	110000 00	182945 79 ✓
<u>\$212232 23</u>			<u>\$330073 83</u>
*****			*****

KIRIBATI INSURANCE CORPORATION

173

LIFE FUND AS AT 31st DECEMBER, 1984

	<u>\$</u>	<u>\$</u>	<u>\$</u>		<u>\$</u>	<u>\$</u>
Balance of Life Fund at 1/1/84			3310 20			
Premium Income Received				Claims Paid		
a) First year premiums		9233 16		a) Endowment Policies	1276 84	
2nd year premiums		15420 52				
Deposit premiums on policies not yet		2217 34		b) Temporary Life AAS	-	
					<u>1276 84</u>	
b) Temporary Life AAS	1894 05			Less Reinsurance Recovery	<u>957 63</u>	319 21
add unearned premiums @ 31/12/83	381 27			Provision for Claims o/s at 31/12/84	-	
	<u>2275 32</u>			Less Provision for Claims o/s/ at 31/12/83	319 00	(319 00)
less unearned premiums @ 31/12/84	641 89	<u>1633 43</u>		Commissions Paid		414 55
		28504 45				
Less Reinsurance Outwards				Management fees		2020 92
a) Endowment Policies	1631 21			Share of Administration Expenses		4291 83
b) Temporary Life AAS	<u>1420 54</u>	<u>3051 75</u>	<u>25452 70</u>	Balance of the fund at 31/12/84		<u>23324 71</u>
Interest on Investments			<u>1284 32</u>			<u>\$30052 22</u>
			<u>\$30052 22</u>			<u>=====</u>

**FINANCIAL STATEMENT OF REINSURANCE
FOR THE YEAR ENDED 31 DECEMBER, 1984**

	<u>FIRE</u> \$	<u>ACCIDENT</u> \$	<u>TOTAL</u> \$
Quota Premium	5026 88	2610 55	7637 43
Less Provision for Unearned Premium	1759 42	913 70	2673 12
	<u>3267 46</u>	<u>1696 85</u>	<u>4964 31</u>
Less Provision for Outstanding Claims	856 52	240 93	1097 45
	<u>2410 94</u>	<u>1455 92</u>	<u>3866 86</u>
	*****	*****	*****
Less Expenses:-			
Commission	1420 09	737 48	2157 57
Fire Board Expense	120 27	-	120 27
Tax	339 31	176 20	515 51
Brokerage	104 17	65 26	169 43
	<u>1983 84</u>	<u>978 94</u>	<u>2962 78</u>
	<u>427 10</u>	<u>476 98</u>	<u>904 08</u>
	*****	*****	*****
Surplus			

**STATEMENT GENERAL INSURANCE EXPENSES
FOR THE YEAR ENDED 31 DECEMBER, 1984**

<u>31/12/83</u> \$		<u>31/12/84</u> \$
21227 76	Wages & Salaries	39184 17
31037 84	Management Fee	31814 16
1468 24	Depreciation	2500 82
518 00	Insurance	307 83
1763 15	Motor Vehicle Expenses	1192 93
621 17	Postages	542 36
381 85	Rent & Accomodation	68 71
4000 01	Travel - Local	1588 78
1868 90	Travel - Overseas	712 00
3901 51	Telephone & Cable	6179 12
9398 42	Printing & Stationery	5015 73
299 75	Pension Contributions	474 90
269 21	Bank Charges	591 36
485 55	Staff Amenities	11 31
171 25	Subscriptions	91 87
1316 96	Entertainment	620 57
2470 19	Professional Services Fee	(4249 93)
-	Light Power & Water	754 80
82 62	Repairs & Maintenance	339 66
993 36	P & L On Foreign Currence	(481 41)
-	Advertising	314 83
-	Commissions Paid	-
130 96	Tuition Fee	290 35
<u>5239 47</u>	Transfer	<u>6505 24</u>
<u>\$87646 17</u>		<u>\$94380 16</u>
-----		-----

176

**NOTES TO AND FORMING PARTS OF THE ACCOUNTS
AT 31 DECEMBER, 1984**

The Corporation is established under Cap 35A of the laws of Kiribati to carry out the business of insurance in Kiribati.

1. PRINCIPAL ACCOUNTING POLICIES

- 1.1. Basic of accounting. The accounts have been prepared on the basis of historical cost.
- 1.2. Capital Assets. The fixed assets are depreciated over their estimated useful lives on the following basis:
 - Furniture & Fittings - straight line method - 120 months
 - Office equipment (typewriter) - Straight line method - 60 months
 - Vehicle (Motor cycle) - Straight line method - 36 months
- 1.3.1. Provision for Unexpired Risk. The provision for unexpired risk on non-life business has been calculated at 40% of GROSS WRITTEN PREMIUM less REINSURANCE plus COMMISSION.
- 1.3.2. Provision for Unexpired Risk (Life). The provision is based on Temporary Life cover issued to AAS and calculated as in 1.3.1.
- 1.4.1. Provision for claims. Provision is made for the estimated cost of all claims notified but not settled at the time the financial year ends. No additional cost is made on claims that may have incurred but not reported.
- 1.4.2. Provision for claims (life). The figure is the actual cost claimed under Temporary Life Cover. The claims were not settled at the date of the Balance Sheet.
- 1.5. Currency of Financial Statement. The statements are expressed in Australian dollars.

2. CAPITAL

The Corporation has no paid up capital. Its operations are based on a repayable start up capital loan, of \$20,000 from the Kiribati Government.

3. LIFE FUND

The balance as at 31/12/84 was \$23,324.71. The Interest earned on the Life Fund was \$1289.32.

4. CAPITAL

	<u>Cost</u>	<u>Acon.</u>	<u>Book</u>
Furniture & Fitting	3538 38	319 88	3218 50
Office Equipment	6067 83	597 97	5489 86
Vehicles	<u>6178 03</u>	<u>2059 32</u>	<u>4118 71</u>
	\$15804 24	\$2977 17	\$12827 07
	*****	*****	*****

5. INVESTMENTS

Investments are with the Bank of Kiribati Limited, on interest bearing deposits:

	<u>Branch</u>	<u>Amount</u>
a)	Tarawa	110000 00
b)	Tarawa	72945 79

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6. OPERATING PROFIT

Profit for the year was \$48756.66. This has been determined after debiting as expenses:

<u>31/12/83</u>		<u>31/12/84</u>
\$		\$
21227 75	Wages & Salaries	39184 17
31037 84	Management Fee	31814 16
1468 24	Depreciation	2500 82
518 00	Insurance	307 83
1763 15	Motor Vehicle Expenses	1192 93
621 17	Postages	542 36
381 85	Rent & Accomodation	68 71
4000 01	Travel - Local	1588 78
1868 90	Travel - Overseas	712 00
3901 51	Telephone & Cable	6179 12
9398 42	Printing & Stationery	5015 73
299 75	Pension Contributions	474 90
269 21	Bank Charges	591 36
485 55	Staff Amenities	11 31
171 25	Subscriptions	91 87
1316 96	Entertainment	620 57
2470 19	Professional Services Fee	(4249 93)
-	Light Power & Water	764 80
82 62	Repairs & Maintenance	339 66
993 36	P & L On Foreign Currence	(481 41)
-	Advertising	314 83
-	Commissions Paid	-
130 96	Tuition Fee	290 35
<u>5239 47</u>	Transfer	<u>6505 24</u>
\$87646 17		\$94380 16
=====		=====

The above expenses were transferred to the various insurance funds on the apportionment of the Gross Premiums of each of the funds.

7. EXTRAORDINARY ITEM

The Corporation received contribution from Panpacific Underwriters Limited in the amount of \$10,000 during the course of the year.

3. The Audit Fee for these accounts was \$500.00 and allocated under Professional Services.

9. CONTINGENT LIABILITY

A large claim is expected in respect of the recent cyclone damage in Fiji. This affects our Reinsurance Inwards and will be limited to a maximum of \$10,000.00.

PUBLIC UTILITIES BOARD

REPORT OF THE DIRECTOR OF AUDIT ON THE
FINANCIAL STATEMENTS OF THE PUBLIC UTILITIES BOARD
FOR THE YEAR ENDED JUNE 30 1987

I have completed my audit of the Board in accordance with the relevant statutory provisions and approved Auditing Standards.

The comments below are based on the state of affairs at the completion of the audit field work on May 12 1987.

1. General

a) Statutory

The Board has, as in previous years, failed to attain its objective under section 12 of the Public Utilities Act 1977 that the total revenue of the Board is sufficient taking one year with another to meet its outgoings properly chargeable to its revenue account including depreciation. The operating loss for the year including depreciation was \$27,596 though the profit after the release of valued and Aid assets was \$349,795.

No interest is charged on the capital of the Board and it is not clear from the Act who is empowered to charge it and at what rate it should be charged. It is clear that if all the various reserves are taken as capital the Board would not be able to pay any realistic interest rate. This matter should be taken up with the Ministry of Finance.

The Board failed to produce its financial statements within the six months deadline laid down in the Statutory Corporations (Transmission of Accounts) Order 1985. In fact the accounts were produced at the end of my audit. Additionally the Board failed to produce and lay a report of its activities before the Mancaba ni Maungatabu under section 22 of its Act for the year under audit.

b) Results for the year

There was a significant improvement in the Boards performance mainly due to increased electricity sales with the connection of two major new customers and the rectification of errors in their billings. Water and sewerage which are mainly dependent on subsidy revenue broke even taken together. The Installation section continued to produce increasing losses and steps should be taken to eliminate these, as its turnover is half that of the previous year.

c) Subsidies

The Board receives subsidies for its three major activities.

In the case of the street lighting subsidy this is based on estimate, as the Board meters the consumption of this electricity I suggest that consideration be given to charging at the metered rate and the subsidy eliminated.

In the case of water and sewerage these are paid on rough estimates. I suggest that the Board invoke section 33 of its Act and provide adequate documentation to substantiate its claim for a subsidy.

d) Management Accounts

The Board was provided with a certain amount of management accounting information during the year. The preparation of the final accounts entailed passing hundreds of thousands of dollars worth of adjusting entries; the information these management accounts contained must be therefore considered dubious at best.

e) Audit Certificate

I have disclaimed an opinion on the financial statements of the Board for three main reasons:-

- (i) Debtors:- this area was replete with errors of detail. Also the Board is still in the process of reconciling the balances with major consumers, until the results of this are known it is not possible to quantify the affect on debtors.
- (ii) Stock:- the stocktake in the generating area was badly done and bearing in mind a major overhaul was done in the following financial year the usage of stock was too high, pointing to a failure to count all stock. In the sewerage area there was a negative stock usage due to failure to record Aid items at the end of the previous year.
- (iii) Creditors:- there are still differences between the Boards balances with its two major creditors which are of material amounts.

f) Conduct of General Manager

During the course of my audit the following items came to my attention:

- (i) No tax was deducted from his salary for several months in spite of a notice of tax to be deducted being sent to the Board. This is a contravention of the P.A.Y.E regulations.

A Board vehicle was, whilst being driven by him after office hours, involved in an accident. This taxable benefit was not declared by him.
- (ii) His electricity bill amounting approximately \$1000 had only token payments against it. This seems peculiar in view of the high degree of subsidy the Board received and its continuing drive to collect outstanding debtors.

4. Fixed Assets

As in previous years I believe the following improvements could be made to the fixed asset register.

Detail cards for transformers and other discrete items be introduced so that these items can be properly removed when replaced.

5. Creditors

The present creditors system is cumbersome, involves too much work for the results obtain and was this year basically just written up for the year end audit.

I recommend that the open invoice system is used.

Differences exist with two major suppliers. I recommend that these be resolved and paid off as soon as is practicable.

6. Government Loan

The loan of \$674,000 (at 8 $\frac{1}{2}$ % - interest waived) transferred to the Board has still not been converted into a grant nor the write off of interest approved by the Maneaba. This matter has been mentioned in the last three audit reports, I must therefore conclude that neither the Board nor the Ministry of Finance are treating this matter seriously. The Ministry of Finance should therefore now recover the arrears of interest and the Board seriously attend to the collection of its debtors to enable it to be paid.

7. Water Tank Fund

No formal guidelines have been drawn up for the operations of the fund and the assets are not equal to the fund balance. My recommendations from prior years remain, in addition the 10 years repayment period, in view of collection difficulties, seems excessive.

8. Payroll, advances and other items

The Advances/Loans detail and control accounts differed by a material amount as did that of SAYE. This was noted in previous years.

It was noted that two cash shortages should have been transferred to advance accounts this appears not to have been done.

It was also noted one member of staff had his bounced cheque to a store paid off by the Board and in another case the Bairiki Prison was paid to release a member of staff.

I find it extremely difficult to understand such transactions as the Board seems incapable of operating these accounts properly I strongly suggest that loans and S.A.Y.E. be discontinued.

152

PUBLIC UTILITIES BOARD

FINANCIAL STATEMENTS

FOR YEAR ENDED

30TH JUNE, 1986

PUBLIC UTILITIES BOARD
YEAR ENDED 30 JUNE 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

In accordance with section 42 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards, I have examined the financial statements which have been prepared under the historical cost convention as modified by the valuation placed on significant fixed assets.

The financial statements have been drawn up on a going concern basis, which is dependent on the continued payment of subsidies from Government for certain services, as in the previous year.

I was unable to satisfy myself that the figures for debtors, creditors and stock were fairly stated.

In my certificate on the financial statements for the year ended 30 June 1985 I was unable to satisfy myself as to the figures ascribed to debtors and creditors. I was therefore unable to state that the financial statements gave a true and fair view of the state of affairs of the Board at 30 June 1985. The figures may therefore not be comparable with those of the current year.

Because of the significant of the matters described in the preceding paragraphs I am unable to form an opinion as to whether the financial statements on pages 1 to 4 give a true and fair view of the state of affairs of the Board as at 30 June 1986 and of the profit and source and application of funds for the year then ended.


Teiaramako Teoiaki
Director of Audit
May 12 1987

INCOME AND EXPENDITURE STATEMENT

PERIOD ENDED JUNE 30 1986

	Notes	Generation and Distribution of Electricity		Installation		Water		Sewerage		Mechanical		Total	
		1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
INCOME	2	1 814 677	1 427 853	53 771	101 351	368 736	395 070	187 215	263 059	-	-	2 424 399	2 187 311
EXPENDITURE													
Salaries & wages		126 729	175 321	53 599	63 009	99 362	110 340	34 332	47 637	13 046	-	327 068	398 300
Employees benefits & related expenses		19 970	22 449	7 714	9 504	14 502	14 756	11 793	15 832	2 749	-	56 728	62 541
Repairs & maintenance	1	1 019 382	846 802	1 370	787	13 430	16 482	3 617	2 932	-	-	1 037 799	867 000
Stores hire		264 747	167 034	45 925	42 396	48 846	36 504	48 615	53 276	738	-	408 871	299 271
Association		2 660	21 690	-	-	70 702	79 446	15 308	12 338	-	-	88 670	113 471
Debt provision		144 573	144 952	-	-	22 707	26 909	88 778	88 600	-	-	256 464	260 464
Collaneous expenses		-	53 952	-	7 142	-	2 629	-	14 642	-	-	-	78 363
Administration overhead		730	1 426	265	99	311	353	339	319	-	-	-	2 197
		164 850	129 680	13 738	10 807	54 950	54 034	27 475	21 613	13 737	-	274 750	216 131
OPERATING EXPENDITURE		1 744 047	1 563 306	122 611	133 744	324 810	341 453	230 257	259 189	30 270	-	2 451 995	2 297 691
Operating Profit/(Loss)		70 630	(135 453)	(68 840)	(32 393)	43 926	53 617	(43 042)	3 870	(30 270)	-	(27 596)	(110 380)
Increase of grant aid & Capital Reserve	6&7	184 365	152 777	-	-	21 118	22 000	108 570	96 600	-	-	314 053	271 377
Net Profit/(Loss)		254 995	17 324	(68 840)	(32 393)	65 044	75 617	65 528	100 470	(30 270)	-	286 457	161 007
Cost income													
Year adjustment	9											23 441	4 441
Administrative & Capital aid released												17 613	(42 441)
Net Profit/(Loss)												22 284	23 307
												349 795	146 314

PUBLIC UTILITIES BOARD

BALANCE SHEET JUNE 30 1986

	Notes	1986 \$	1985 \$
EMPLOYMENT OF CAPITAL			
Fixed Asset	4	13 736 479	14 010 910
Current Assets			
Stock	5	260 131	279 504
Trade debtors		893 504	764 920
Other debtors		17 213	5 729
Short term deposit		352 026	50 608
Bank & cash balances		14 391	12 793
		<u>1 537 265</u>	<u>1 113 554</u>
Less			
Current Liabilities			
Trade creditors		745 818	787 470
Other creditors		57 504	45 776
Deferred income		199 000	-
		<u>1 002 322</u>	<u>833 246</u>
Net Current Assets/(Liabilities)		<u>534 943</u>	<u>280 308</u>
		<u>14 271 422</u>	<u>14 291 218</u>
CAPITAL EMPLOYED			
Capital reserve	6	7 308 238	7 476 644
Reserve - aid	7	6 134 256	6 335 441
Accumulated (deficit)/Surplus		91 767	(258 028)
Government Loan	8	674 000	674 000
Water tank fund	10	63 161	63 161
		<u>14 271 422</u>	<u>14 291 218</u>

K. TETABEA
Chairman

MATAARA T. DIRIHO
General Manager

The notes on page 4 to 8 form part of these financial statements.

PUBLIC UTILITIES BOARD

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JUNE 30 1986

	1986 \$	1985 \$
SOURCE OF FUNDS		
Net profit for year	349 795	146 359
Aid from Government -- Stock		35 020
Water tank funding		52 927
	<hr/>	<hr/>
	349 795	234 306
APPLICATIONS OF FUNDS		
Adjustment for items not involving the movement of funds:		
Depreciation net of aid released	33 961	1 713
Stock reserve & others	(112 729)	-
	<hr/>	<hr/>
Total generated by operations	271 027	1 713
Acquisition of fixed assets	(16 392)	20 794
	<hr/>	<hr/>
Increase in working capital	254 635	22 507
	<hr/>	<hr/>
	254 635	211 799
Made up as follows:		
Stock	(19 373)	12 397
Debtors	140 068	140 725
Creditors	29 924	40 963
Deferred income	(199 000)	-
Bank & cash balances	303 016	17 714
	<hr/>	<hr/>
	254 635	211 799
	<hr/>	<hr/>

1. PRINCIPAL ACCOUNTING POLICIES

The Financial statements are prepared in accordance with the historical cost convention, as modified by the valuation of certain fixed assets. The following is a summary of the more important accounting policies used by the Board.

a) Depreciation

Depreciation is calculated to write off the cost or amount of the valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

	<u>Percent</u>
Sewerage system	1
Sewerage plant and equipment	10
Power station generators and distribution system	1 to 20
Water reservoir and system	1 to 33 $\frac{1}{3}$
Plant and equipment	5
Motor vehicles	33 $\frac{1}{3}$
Furniture and fittings	25
Buildings	3 - 6

b) Aid received and subsidies

Fixed assets received under aid schemes are set up at valuation and depreciated over their estimated lives. The valuation reserve for these assets is released at the depreciation rate, as a result the aid is effectively credited to revenue over the expected useful lives of the related assets.

Stock items received as aid are taken to stock at valuation which approximates cost, the valuation reserve is credited to revenue over three years which is considered to be the approximate rate of usage.

Subsidies received from Government for water deliveries, sewage and street lighting are treated as revenue in the year to which they are applicable as they are considered as payments for services rendered by the Board.

The capital reserve consists of the excess of assets over liabilities transferred from G.I.D.A. on Jul. 1977 and assets transferred at that date at no stated value but revalued on July 1 1982.

The valuation reserve for fixed assets is credited to revenue at the depreciation rate, the stock element of the reserve is written back over three years.

d) Stock

Stock is stated at the lower of cost and net realisable value. In General, cost is determined on a first in first out basis and includes transport and handling costs. Provision is made for obsolescent, slow moving and defective stock.

2. TURNOVER

Turnover represents the total billed for services supplied during the year and subsidies received for the provision of water supply to Government, sewerage and street lighting (water \$255 000, sewerage \$140 000 and street lighting \$20 000).

PUBLIC UTILITIES BOARDASSETS TO THE FINANCIAL STATEMENTS

30 1986

THE BOARD

The Public Utilities Board was established by the Public Utilities Act 1977 to provide for the supply of water, and electricity and the disposal of sewage and for purposes incidental thereto or connected therewith.

FIXED ASSETS

Cost or Valuation at July 1 1985	Sewerage System	Water System	Electricity Generation & Distribution	Buildings	Motor Vehicles Furniture & Fittings	Total
Cost		98 165	934 341		56 031	1 088 537
Valuation	6 376 000	1 326 078	5 842 984	518 500	20 150	14 083 712
Expenditure	7 052			1 451	7 889	16 392
At June 30 1986						
Cost	7 052	98 165	934 341	1 451	63 920	1 104 929
Valuation	6 376 000	1 326 078	5 842 984	518 500	20 150	14 083 712
	6 383 052	1 424 243	6 777 325	519 951	84 070	15 188 641
Depreciation						
At July 1 1985	280 333	93 744	692 398	52 238	42 626	1 161 339
Charge for the year	88 778	22 707	144 979	18 471	15 888	290 823
At June 30 1986	369 111	116 451	837 377	70 709	58 514	1 452 162
Net book value at June 30 1986	6 013 941	1 307 792	5 939 948	449 242	25 556	13 736 479

Valuations

The sewerage system has been valued by the water and sewerage department with reference to costing documentation supplied by the donor.

The water system, electricity system and buildings which were transferred and vested in the Board on July 1 1977 at no stated value, were valued by the appropriate technical departments of the Board at July 1 1982.

PUBLIC UTILITIES BOARD

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30 1986

	1986	1985
5. <u>STOCK</u>		
Electrical - generation & distribution	157 314	196 636
Electrical - installation	18 154	25 980
Sewerage	109 948	75 274
Water	27 934	29 637
Fuel Store	11 781	16 977
Provision for slow moving items	(65 000)	(65 000)
	<hr/>	<hr/>
	260 131	279 504
	<hr/>	<hr/>

PUBLIC UTILITIES BOARD

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30 1986

	1986 \$	1985 \$
6. <u>CAPITAL RESERVE</u>		
At July 1 1985	7 476 644	7 655 171
Released:		
Fixed Assots	(113 019)	(118 843)
Stock	(59 683)	(59 684)
Prior year adjustment	4 296	-
	<hr/> 7 308 238	<hr/> 7 476 644
7. <u>RESERVE - AID</u>		
At July 1 1985	6 335 441	6 416 659
Stock	-	35 020
Fixed Assets released	(143 843)	(108 238)
Stock released	(8 119)	(8 000)
Stock "	(11 673)	
Prior year adjustment	(37 550)	
	<hr/> 6 134 256	<hr/> 6 335 441
8. <u>GOVERNMENT LOAN</u>		
25 year loan transferred to Board on July 1 1977 on which interest has been waived. In principal, subject to the legal requirements Government has agreed effective November 1983 to convert this into a grant.	674 000	674 000
	<hr/> 674 000	<hr/> 674 000

PUBLIC UTILITIES BOARD

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30 1986

	1986	1985
9. <u>PRIOR YEAR ADJUSTMENTS</u>		
Street lighting subsidy		(14 000)
Sewerage subsidy		(29 549)
Expenditure overstated	2 481	1 100
Income understated	54 736	
Grant aid released	33 254	
Misallocations written off	(72 858)	
	17 613	(42 449)

10. WATER TANKS FUND

Water tanks are provided under an Aid scheme to private individuals and organisations. Payment of Principal interest free is made to the Board over a 10 year period commencing from date construction completed, with the object of setting up a self-sustaining fund for the provision of tanks in the future.

11. CONTINGENT LIABILITY

Staff loans granted by Bank of Kiribati Ltd., for \$3053 (\$8061 for 1985) were guaranteed by the Board.

BETIO - SHIPYARD

MINISTRY OF COMMUNICATIONS



np9

SHIPYARD DIVISIONS

P. O. Box 468

Betio, Tarawa

Republic of Kiribati

(In reply please quote)

Date 11 September 1987

The Secretary
Ministry of Finance
P.O.Box 67
BAIRIKI, TARAWA

Attn: Mr. N K "SIMON" KOOMAR

Dear Sir,

We refer to you circular DP 55/02/87 of 8 September 1987 and as required return herewith the following:

TABLE I - Basic Data
TABLE II - Financial Highlights.

The figures obtained for Table II are from the last audited accounts for 1985.

Yours faithfully,
BETIO SHIPYARD

A handwritten signature in cursive script, appearing to read 'Ma Hla Aye'.

Ma Hla Aye (Financial Controller)
for Manager.

TABLE I - BASIC DATA

Organization Name: BETIO SHIPYARD - DIVISION OF MINISTRY OF TRANSPORT AND COMMUNICATIONS

Type of Business: Shipbuilding- repairing, general engineering, metal fabrication + installation, wooden boat and fibre glass work.

Location: BETIO, TARAWA.

Year Founded: 1977

Ownership: Government

Operating Status: Fully operation as a dept of Min. of T&C

Number of Employees: 36

Potential for Employee Ownership: NIL

Annual Sales: \$ 318,715 8

Operating Profit: \$ (22,891)

Net Worth: \$ (35,504)

Estimated Market Value: \$ Not readily available

Accumulated Debt: 88,496

1. PRODUCTS/SERVICES: Boatbuilding, repairing, engineering works.

2. FACILITIES: Slipway, boilershop, boatbuilding, carpentry shop, mechanical engineering workshop, general stores.

3. HUMAN RESOURCES:

Management	- 2	} 36.
Supervisors	- 3	
Skilled Tradesmen	= 24	
Clerical	- 4	
Unskilled	- 3	

4. MARKET TRENDS: Shiprepairs, medium and heavy industries.

5. COMPETITORS/MARKET SHARE: ---80%

6. LEGAL STATUS: Division of Ministry of Transport & Communications.

7. OTHER DATA: NIL

SUBJECT OF SALE: SHIPYARD OPERATION

ESTIMATED SELLING PRICE:

TABLE II

FINANCIAL HIGHLIGHTS

ORGANIZATION

BETIO SHIPYARD

	Current Year: 1986 (U.S. Dollar) ^a	Last Year: (1985) (Local Currency) ^a	Compared (Local Currency) ^a
AUD 000			
NET AVAILABLE <small>all figures in thousands</small>			
		319	/
A. INCOME STATEMENT			
SALES/REVENUES			
COSTS			
DIRECT/VARIABLE		203	
INDIRECT OVERHEAD		139	
TOTAL		342	
OPERATING PROFIT (LOSS)			
			(23)
OTHER COSTS/INCOME			
FINANCE COSTS			
OTHER EXPENSES			
(OTHER INCOME) (INCL GOVT SUBSIDY 60) PER 1985		12	
TAXES		(69)	
SUBTOTAL			
		57	
NET INCOME			
		34	
B. BALANCE SHEET			
CURRENT ASSETS			
RECEIVABLES			
INVENTORY		113	
TOTAL CURRENT ASSETS		352	
TOTAL CURRENT LIABILITIES		465	
			62
NET WORKING CAPITAL			
		403	
FIXED ASSETS			
		53	
OTHER ASSETS			
		-	
LONG TERM LIABILITIES			
GOVERNMENT			
COMMERCIAL			
SUBTOTAL		88	
		88	
NET WORTH (BOOK VALUE)			
		(35)	

AUDITED BY: Director of Audit

DATE OF LAST AUDIT: 12/1/87

REPORT OF THE DIRECTOR OF AUDIT ON THE
BETIO SHIPYARD OPERATIONS OF THE MINISTRY
OF COMMUNICATIONS FOR THE YEAR ENDED
DECEMBER 31 1985

I have completed my audit of the Ministry's shipyard operations in accordance with the relevant statutory provisions and approved Auditing Standards, except that I did not observe the physical stocktakes at the beginning and end of the year. The audit field work was substantially completed in December 1986.

1. General

(i) Background

The Betio Shipyard became "self-accounting" on December 1 1985 and was no longer accounted for in the Ministry's estimates except for the subsidy paid to it. The Shipyard facility is being refurbished mainly from the proceeds of a loan of SDR's 545,200 from the Asian Development Bank. A company is being set up with the intention of it taking over the operations in the near future. Part of the loan package included the services of a consultant to set up a commercial accounting system and the financial statements for this year are the first to be produced along commercial lines.

(ii) Financial Statements

The Shipyard produced monthly management accounts and the accounting records for the year were in good order. However it was noted that there was not a budget for 1986, that the nominal ledger had only been partially written up for the first quarter of the year and there were no management accounts available. I would recommend that every effort be made to keep the records up to date.

(iii) Audit Certificate

I have taken the unusual step of qualifying the Audit Certificate on a going concern basis although this is the first year of financial statements being prepared on a commercial basis. The reasons are as follows:-

The Shipyard made a loss of \$22,891 before subsidy in the year under audit. Though no financial statements are available for the year ended December 31 1986 it is clear that there has been a loss as turnover has dropped by over one third and no revenue subsidy is available. For the year 1987 approximately one third of the year will be taken up with refurbishment work and there are no firm orders to hand; additional depreciation charges will be incurred on the new equipment and the yard's major customer will be discontinuing its ferry services with a subsequent loss of revenue in repair work.

A number of other points can be conveniently made under this heading:-

The Shipyard values its work in progress on a direct cost basis this is in contravention of International Accounting Standard II which indicates that an element of overhead be included.

The stocktake at the end of 1985 was in fact done at various dates in the first quarter of 1986 and not reconciled to the book figure at the end of the year.

The fixed assets transferred into the commercial accounts do not include the buildings and related depreciation nor is there any element for rental of the land on which the facility stands comments on various items in the accounts follow.

2. Fixed Assets

Various items taken on charge under the Ministry's accounting system have not been transferred to the self accounting records and as mentioned previously the buildings have not been recorded.

I recommend that the fixed asset register be prepared in more detail and these items included.

3. Stocks

My basic concern with regard to the stock is the provision for obsolete and slow moving stock which amounts to over one third of the value of the stock and was derived on a general percentage basis. There is obviously overstocking of various items and the useability of certain items for one reason or another is doubtful. I believe that the only approach to derive a realistic stock figure is a line by line review of material items with a disposal of overstocked items and a realistic write-off of non useable items especially engine spares and other old items.

4. Debtors/Sales

The seeming inability of the Shipyard to collect its debts from its major customer is a feature common to both pre and post "self accounting" status. The pre "self accounting" debt which has not been transferred to these accounts amounts to between \$179,000 and \$406,000 based on correspondence between the Shipyard and the Shipping Corporation. The post "self accounting" (the new debt) had climbed to \$94,000 at the end of 1985 and was approaching \$200,000 at the end of 1986.

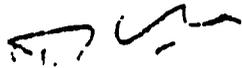
I believe this is particularly serious for two reasons:-

- (i) The Ministry has effectively granted the Shipping Corporation an interest free loan over a number of years.
- (ii) If the Shipyard intends to operate on a commercial basis it cannot grant such extensive interest free credit.

I recommend that every effort be made to resolve this problem as soon as possible.

5. Government Interest Acquired

Included in this heading is the value of the work in progress of \$76,091 at the time of the transfer of operations to the "self accounting" body. I believe this should be transferred to creditors and paid over to the Ministry of Finance as part of Government revenue.



Teiaramako Teoiaki
Director of Audit
January 6 1987

RETIO SHEPARD
Division of the Ministry of Communications
FINANCIAL STATEMENTS
Year Ended 31 December 1935

BETIO SHIPYARD OPERATIONS OF THE
MINISTRY OF COMMUNICATIONS
YEAR ENDED DECEMBER 31, 1985

CERTIFICATE OF THE DIRECTOR OF AUDIT

In accordance with section 41 of the Public Finance (Control and Audit) Act 1976 and with approved Auditing Standards I have examined the financial statements set out on pages 1 to 6. The financial statements have been prepared under the historical cost convention as modified by the valuation placed on certain fixed assets.

The Shipyards ceased to receive its annual revenue subsidy of \$140,000 in 1986. The financial statements have been drawn up on a going concern basis which is dependent on its attaining a profit and collection of outstanding debts.

I was not able to satisfy myself as to the value of stock on hand at the beginning and end of the year.

Subject to the matters described in the preceding paragraphs, in my opinion, the financial statements give a true and fair view of the state of affairs of the Shipyards at December 31 1985 and of the profit for the year then ended.


Teiaramako Teoiaki
Director of Audit
January 12 1987

BETIO SHIPARD

DIVISION OF THE MINISTER OF COMMUNICATIONS

OPERATING STATEMENT

Year ended 31 December 1985

	NOTES	Year ended 31 December 1985
	<hr/>	<hr/>
		\$
Sales		318,715
Cost of Sales		242,750
		<hr/>
GROSS PROFIT		75,965
		<hr/>
Other Income:-		
Interest		8,407
Sundry revenue		528
		<hr/>
		8,935 /
		<hr/>
TOTAL INCOME		84,900
		<hr/>
EXPENDITURE		
Salaries and wages		49,569
Travel		6,727
Depreciation		13,148
Plant and vehicle hire		7,461
Office expenses		8,895
Utilities		4,439
Fuels and lubricants		2,942
Maintenance of equipment		3,714
Other indirect expenses		1,961
Provision for doubtful debts		12,392 /
		<hr/>
		111,248
		<hr/>
Operating deficit for the Government subsidy	9	(26,348) 60,000 /
		<hr/>
Surplus for the year		33,652 /
		<hr/>

The notes on pages 3 to 6 form part of these financial statements.

207

BETIO SHIPYARD

DIVISION OF THE MINISTER OF COMMUNICATIONS

BALANCE SHEET

Year ended 31 December 1985

	<u>NOTE</u>	<u>1985</u>
		\$
EMPLOYMENT OF CAPITAL		
Fixed Assets	4	52,992
Current Assets		
Stock		54,013
Debtors		112,863
Interest bearing deposit		238,490
Bank balances and cash		60,091
		<u>465,457</u>
Current Liabilities		
Creditors	7	22,499
Government contribution to rehabilitation	8	40,000
		<u>62,499</u>
Net Current Assets		<u>402,958</u>
		<u>455,950</u>
CAPITAL EMPLOYED		
Capital Reserve (Government Interest)	9	333,802
Retained Earnings		33,052
Long Term Loan	10	88,496
		<u>455,950</u>

The notes on pages 3 to 6 form part of these financial statements.

104

BETIO SHIPYARD

DIVISION OF THE MINISTRY OF COMMUNICATIONS

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31. December 1985

1. PRINCIPLE ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, including the valuation of fixed assets and certain stock. The following is a summary of the more important accounting policies used by the Shipyard.

(a) Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis and includes transport, levy and handling costs; in the case of work in progress only direct labour and materials are included. Provision is made for obsolete, slow moving and defective stock.

(c) Depreciation

Depreciation is calculated to write off the cost or valuation of fixed assets by equal annual installment over their expected useful lives at the following rates:-

Plant & equipment	20
Office furniture and equipment	50

(d) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Australian Dollars at the rates of exchange ruling at the end of the financial year. Differences on exchange are included in operating profit.

(e) Sales

Sales represent the total invoice price of repair and construction work billed to customers.

20

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. COMPARATIVE FIGURES

Financial statements were not prepared for the year ended 31 December 1984 as the Shipyard was accounted for under the Ministry of Communications accounting system.

3. Betio Shipyard

The Shipyard is part of the Ministry of Communications and is engaged in marine construction and repair work and activities related thereto.

4. FIXED ASSETS

	Plant & Equipment	Office Furniture & Equipment	Total
	\$	\$	\$
Valuation			
At 1 January 1985	-	-	-
Additions	65,740	800	66,540
At 31 December 1985	<u>65,740</u>	<u>800</u>	<u>66,540</u>
Depreciation			
At 1 January 1985	-	-	-
Charge for year	13,148	400	13,548
	<u>52,592</u>	<u>400</u>	<u>52,992</u>

Net book value:-
At 31 December 1985

At 31 December 1982

206

NOTES TO THE FINANCIAL STATEMENTS

(contin:

9. Capital Reserve - Government Interest

This is composed of:-

	\$
Fixed Assets - transferred at valuation	66,540
Stock "	109,022
Work in progress	76,091
Working Capital	80,000
	<hr/>
	331,653
	<hr/>

A total of \$140,000 was paid by Government as a subsidy \$60,000 was taken as a revenue subsidy and \$80,000 as the provision of working capital.

10. Long Term Loan

The Government of Kiribati has a long term loan agreement to borrow up to SDR's 545,200 from the Asian Development Bank under certain terms and conditions. There is a 1% service charge on the amount of loan withdrawn and the principal is repayable from 15 April 1995 to 15 October 2024.

11. Contingent Liability

A customer is in dispute with Shipyard over loss of earnings and related repair costs amounting to \$204,000, due to excessive time spent in repairing one of its vessels. It is the opinion of management that it has not liability for these claims.

101

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. STOCK

	1985
	\$
Raw materials and spares	180,021
Work in progress 2,728	
Less: Deposits paid (60,418)	(57,688)
Provision for Obsolete Raw materials and spares.	(68,320)
	<u> </u>

6. DEBTORS

	1985
	\$
Government ministries etc	10,857
Statutory Corporations	110,918
Private Sector	3,480
	<u> </u>
Provision for doubtful debts	125,255 (12,392)
	<u>112,863</u>

7. CREDITORS

	1985
	\$
Government ministries etc.	10,504
Statutory Corporations	2,206
Private Sector	789
	<u> </u>
	22,499

8. Government Contribution to Rehabilitation Project

The Government contributed in 1985, \$40,000 towards the costs of rehabilitating the yard's infrastructure. A further \$80,000 has been committed for this purpose in 1986.

208

MINISTERS COPY

ASIAN DEVELOPMENT BANK

**MINISTRY OF COMMUNICATIONS
REPUBLIC OF KIRIBATI**

**BETIO SHIPYARD
IMPROVEMENT PROJECT
TA NO 519 - KIR**

FINAL REPORT

**BRUCE WALLACE AND PARTNERS
AUCKLAND, NEW ZEALAND
OCTOBER, 1984**

201

ASIAN DEVELOPMENT BANK

MINISTRY OF COMMUNICATIONS

REPUBLIC OF KIRIBATI

BETIO SHIPYARD IMPROVEMENT PROJECT

T.A.No. 519 - KIR

FINAL REPORT

BRUCE WALLACE & PARTNERS

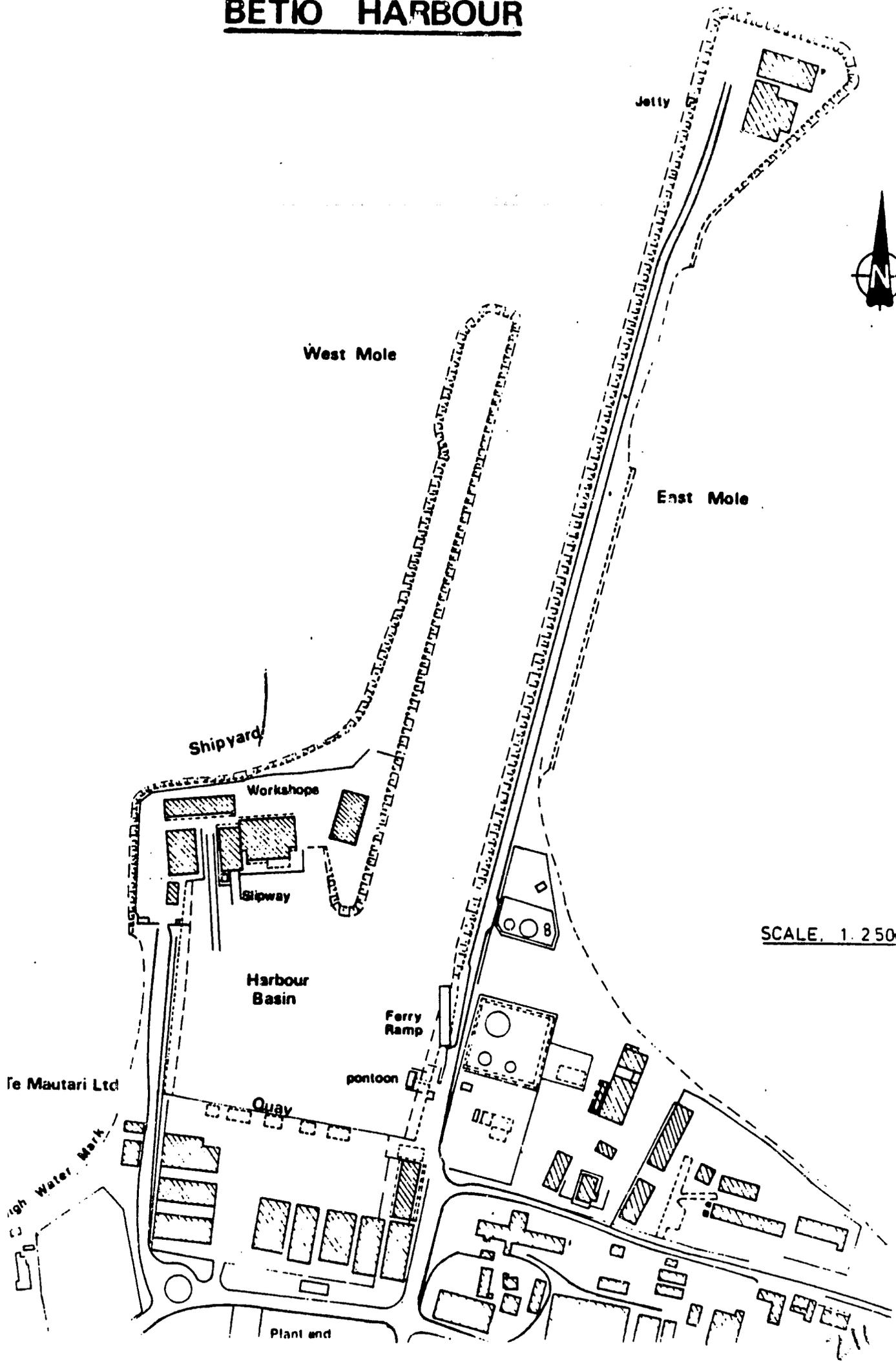
Consulting Engineers

Auckland, New Zealand.

October 1984.

110

BETIO HARBOUR



SCALE, 1:250

CONTENTS

SUMMARY

RECOMMENDATIONS

<u>1. INTRODUCTION</u>		
1.1	FIELDWORK	1 - 1
	1.1.1 Data Collection	1 - 2
	1.1.2 Site Investigations	1 - 2
1.2	REPORTS	1 - 3
1.3	ACKNOWLEDGEMENTS	1 - 4
		1 - 4
<u>2. PRESENT SHIPYARD</u>		
2.1	BACKGROUND	
	2.1.1 Other Occupants	2 - 1
2.2	FACILITIES	2 - 1
	2.2.1 Slipway	2 - 2
	2.2.2 Buildings	2 - 2
	2.2.3 Evaluation of Existing Facilities	2 - 2
	2.2.4 Wharf Derrick	2 - 3
	2.2.5 Present Engineering Capability of the Shipyard	2 - 4
2.3	SCOPE OF PRESENT SERVICES	2 - 5
	2.3.1 General	
	2.3.2 Workload	2 - 6
		2 - 6
<u>3. KIRIBATI FLEET</u>		
3.1	PRESENT FLEET	
3.2	FLEET DEVELOPMENT	3 - 1
	3.2.1 Background	
	3.2.2 Life Expectancy of Ship:	3 - 1
	3.2.3 Ocean-going Shipping	3 - 3
	3.2.4 Inter-Island Shipping	3 - 3
	3.2.5 Barges & Tugs	3 - 3
	3.2.6 Betio-Bairiki Ferry	3 - 6
	3.2.7 Commercial Fishing	3 - 6
	3.2.8 Fleet Configuration	3 - 6
		3 - 9
<u>4. DEMAND FOR SHIPYARD SERVICES</u>		
4.1	REPAIRS AND MAINTENANCE	
	4.1.1 Kiribati Fleet	
	4.1.2 Government Shipping	4 - 1
	4.1.3 Foreign Vessels	4 - 2
4.2	SHIPBUILDING	4 - 2
4.3	OCCUPANCY	4 - 3
4.4	SERVICES & FACILITIES	4 - 5
	4.4.1 Ship Maintenance	
	4.4.2 New Construction	4 - 6
	4.4.3 Manpower	4 - 7
		4 - 7

5. OPTIONS

5.1	GENERAL	5 - 1
5.2	EXTENT OF SERVICES	5 - 1
5.3	FLEET TO BE SERVICED	5 - 1
5.4	SHIPYARD DEVELOPMENT OPTIONS	5 - 2
	5.4.1 Rehabilitation	5 - 2
	5.4.2 300 Tonne Slipway	5 - 2
	5.4.3 500-600 tonne Slipway	5 - 2
	5.4.4 750 tonne Slipway	5 - 2
	5.4.5 Preferred Options	5 - 2
5.5	ALTERNATIVE SIGHTS	5 - 2
	5.5.1 General	5 - 2
	5.5.2 Site 1 - Existing Harbour Basin	5 - 3
	5.5.3 Site 2 - North of Existing Shipyard	5 - 4
	5.5.4 East Mole	5 - 4
	5.5.5 Preferred Sight	5 - 5
5.6	SITE DEVELOPMENT ALTERNATIVES	5 - 5
	5.6.1 Water Access	5 - 5
	5.6.2 Layouts	5 - 6
5.7	SLIPWAY OPTIONS	5 - 6
	5.7.1 Haul Time	5 - 6
	5.7.2 Versatility	5 - 7
	5.7.3 Maintenance	5 - 7
	5.7.4 Increase in Capacity	5 - 7
	5.7.5 Comparative Costs	5 - 8
5.8	OUT WORK	5 - 8
	5.8.1 Mechanical Engineering Services	5 - 8

6. PROPOSED SHIPYARD DEVELOPMENT

6.1	GENERAL	6 - 1
6.2	PHASE I - REHABILITATION	6 - 1
	6.2.1 Layout	6 - 1
	6.2.2 Buildings	6 - 2
	6.2.3 Utilities	6 - 2
	6.2.4 Existing Slipway	6 - 3
	6.2.5 Clean Up	6 - 3
6.3	PHASE I - FACILITIES	6 - 3
	6.3.1 Haul Cleaning Preparation & Painting	6 - 4
	6.3.2 Shipwrights (Boilermakers)	6 - 4
	6.3.3 Mechanical Workshop Fittings	6 - 5
	6.3.4 Carpenter Shop	6 - 5
	6.3.5 Sailmakers Shop	6 - 5
	6.3.6 Electrician	6 - 5
	6.3.7 Boatbuilding	6 - 5
6.4	PHASE II - 300 TONNE SLIPWAY	6 - 5
	6.4.1 New Works	6 - 7
	6.4.2 Layout	6 - 7
6.5	CIVIL ENGINEERING (PHASE II)	6 - 7
	6.5.1 Access Channel	6 - 7
	6.5.2 Slipway & Fitting-Out Berth	6 - 8
	6.5.3 Reclamation	6 - 8
	6.5.4 Construction Material & Plant	6 - 8
6.6	300T SLIPWAY	6 - 8
	6.6.1 Slipway Operation	6 - 9
	6.6.2 Occupancy	6 - 10
6.7	BUILDINGS & UTILITIES (PHASE II)	6 - 10
		6 - 11

STANDARD COSTS FOR
SURVEYS AND MAINTENANCE
BY CLASS TYPE AND AGE OF VESSEL

AVERAGE COST OF ANNUAL SURVEY AND MAINTENANCE

AGE OF VESSEL	LARGE POLE VESSELS Value \$(000)	KANEATI CLASS Value \$(000)
1	0	0
2	27.	27.4
3	27.1	27.4
4	36.4	36.6
5	41.4	41.8
6	55.1	47.0
7	60.9	48.0
8	67.8	57.5
9	75.6	63.6
10	83.2	68.5
11	91.0	76.5
12	98.8	79.6
13	102.9	86.9
14	107.0	90.2
15	111.2	94.0

25/10/04

BETIO SHIPYARD STUDY REHABILITATION OF PRESENT FACILITY

APPENDIX F2

	SUMMARY OF BENEFITS																					
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006

AVING FOREIGN SHIPYARDS																						
local costs	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
foreign exchange	0.00	22.20	23.20	26.00	35.00	40.00	47.10	51.60	57.10	65.00	65.90	72.20	70.70	64.20	66.70	49.10	42.30	53.00	30.00	43.40	55.00	59.70
IPBUILDING																						
foreign exchange	0.00	0.00	90.00	90.00	90.00	90.00	90.00	90.00	0.00	22.00	17.00	0.00	10.00	0.00	0.00	0.00	0.00	90.00	90.00	90.00	90.00	90.00
REIGN VESSELS																						
FOREIGN EXCHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AVINGS PRESENT COSTS																						
LOCAL COSTS	0.00	5.50	5.50	5.40	5.50	4.30	4.90	4.10	4.70	3.60	4.10	4.40	3.20	3.50	4.00	4.20	4.40	4.70	5.00	5.20	4.20	4.70
FOREIGN EXCHANGE	0.00	90.20	90.20	104.00	86.10	81.40	94.60	79.60	90.00	68.20	77.90	84.00	60.50	67.10	77.40	79.70	84.60	88.60	93.00	98.40	70.60	80.10
SKILLED LABOUR	0.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00	161.00
UNSKILLED LABOUR	0.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	23.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
EXTENDED VESSEL LIFE																						
LOCAL COSTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FOREIGN EXCHANGE	0.00	6.50	6.50	6.50	6.50	6.50	6.50	5.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
SKILLED LABOUR	0.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
UNSKILLED LABOUR	0.00	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
NET BENEFITS																						
LOCAL COSTS	0.00	6.30	6.30	6.20	6.30	5.10	5.70	4.90	5.50	4.40	4.90	5.20	4.00	4.30	4.80	5.00	5.20	5.50	5.00	6.00	5.00	5.50
FOREIGN EXCHANGE	0.00	126.90	217.90	227.30	219.40	210.70	238.20	227.70	153.60	162.50	167.30	162.70	147.70	137.00	150.60	135.30	133.40	238.90	220.30	230.30	230.10	244.30
SKILLED LABOUR	0.00	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10	162.10
UNSKILLED LABOUR	0.00	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10
TOTAL	0.00	318.40	409.40	410.70	410.90	409.00	429.10	417.00	344.30	352.10	357.40	353.10	336.90	327.30	340.60	325.50	323.00	429.60	419.30	429.50	420.30	435.00

25/10/84

BETIO SHIPYARD STUDY REHABILITATION OF PRESENT FACILITY

APPENDIX F3

		SUMMARY OF COSTS \$000's																					
		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOTAL COSTS																							
local costs		45.00	0.00																				
foreign exchange		301.70	0.00																				
skilled labour		46.00	0.00	9.70	4.00	22.50	5.70	0.00	26.30	15.50	35.10	4.40	4.60	115.00	4.50	62.50	1.10	0.50	33.90	3.90	39.00	19.60	0.00
unskilled labour		26.00	0.00																				
FIXING COSTS																							
local costs		5.00	10.30	12.40	11.00	12.30	10.30	12.10	10.60	8.70	9.00	8.90	8.90	8.90	7.80	8.30	8.00	8.10	11.40	11.20	11.70	10.90	11.30
foreign exchange		28.60	199.80	277.30	193.50	187.20	176.00	195.00	181.60	140.30	146.90	145.20	145.00	144.20	123.60	132.90	127.70	128.60	192.90	188.90	197.00	182.00	180.50
skilled labour		0.00	65.00	95.90	89.50	83.70	82.30	88.50	83.20	78.10	74.30	74.00	74.70	73.80	69.70	70.70	70.00	70.90	87.30	87.00	89.60	83.90	86.00
unskilled labour		0.00	22.60	31.20	32.70	30.20	29.60	32.30	30.00	27.80	26.20	26.10	26.40	26.00	24.20	24.60	24.40	24.70	31.80	31.60	32.80	30.30	31.20
OTHER COSTS																							
local costs		70.00	10.30	12.40	11.00	12.30	10.30	12.10	10.60	8.70	9.00	8.90	8.90	8.90	7.80	8.30	8.00	8.10	11.40	11.20	11.70	10.90	11.30
foreign exchange		330.30	199.80	287.00	197.50	209.70	182.50	195.00	207.70	155.80	182.00	149.60	149.60	259.20	128.10	195.40	128.80	129.10	226.80	192.80	236.00	201.60	190.50
skilled labour		46.00	65.00	85.90	89.50	83.70	82.30	88.50	83.20	78.10	74.30	74.00	74.70	73.80	69.70	70.70	70.00	70.90	87.30	87.00	89.60	83.90	86.00
unskilled labour		26.00	22.60	31.20	32.70	30.20	29.60	32.30	30.00	27.80	26.20	26.10	26.40	26.00	24.20	24.60	24.40	24.70	31.80	31.60	32.80	30.30	31.20
TOTAL		472.30	298.50	416.50	331.50	335.90	304.70	327.90	331.50	270.40	291.50	258.60	259.60	367.90	229.80	299.00	231.20	232.80	357.30	322.60	370.10	326.70	319.00

25/10/84

SETIO SHIPYARD STUDY OPTION: 300 TONNE SLIPWAY

SUMMARY OF BENEFITS \$000's

APPENDIX F4

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
SAVING FOREIGN SHIPYARDS																							
local costs	0.00	0.00	-39.00	-40.70	-55.20	-57.00	-59.20	-57.70	-58.50	-58.00	-53.10	-49.90	-49.00	-41.30	-52.50	-65.90	-52.30	-49.40	-49.00	-48.70	-64.00	-64.00	-64.00
foreign exchange	0.00	0.00	374.70	397.30	548.50	585.90	638.40	670.30	717.30	744.70	660.00	698.30	609.00	540.60	595.40	736.50	516.00	555.60	439.90	460.90	610.00	658.00	658.00
SHIPBUILDING																							
foreign exchange	0.00	0.00	0.00	340.00	70.00	200.00	225.00	100.00	280.00	240.00	0.00	100.00	200.00	90.00	0.00	0.00	0.00	0.00	0.00	340.00	70.00	200.00	225.00
FOREIGN VESSELS																							
foreign exchange	0.00	0.00	7.90	2.70	11.40	15.00	19.30	23.70	29.00	29.00	29.00	29.00	29.00	30.00	30.00	30.00	30.00	32.00	32.00	32.00	33.50	33.50	33.50
SAVINGS PRESENT COSTS																							
LOCAL COSTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FOREIGN EXCHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UNSKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXTENDED VESSEL LIFE																							
LOCAL COSTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FOREIGN EXCHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UNSKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BENEFITS																							
LOCAL COSTS	0.00	0.00	-39.00	-40.70	-55.20	-57.00	-59.20	-57.70	-58.50	-58.00	-53.10	-49.90	-49.00	-41.30	-52.50	-65.90	-52.30	-49.40	-49.00	-48.70	-64.00	-64.00	-64.00
FOREIGN EXCHANGE	0.00	0.00	382.60	747.00	629.90	621.70	882.70	794.00	1026.30	1013.70	689.00	827.30	838.00	661.40	626.20	767.30	546.00	587.60	811.90	562.90	843.50	916.70	916.70
SKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UNSKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	342.60	706.30	574.70	744.70	823.50	736.30	967.80	954.90	635.90	777.40	788.20	620.10	573.70	701.40	494.50	538.20	762.90	514.20	778.70	852.50	852.50

BETIO SHIPYARD STUDY OPTION: 300 TONNE SLIPWAY

APPENDIX FS

		SUMMARY OF COSTS \$000's																					
		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
TOTAL COSTS		117.00	107.00		0.00	0.00	13.10	0.00	3.20	14.50	0.00	8.40	13.30	30.70	0.00	14.50	0.00	0.00	96.00	8.40	0.00	14.60	0.00
local costs		117.00	107.00		0.00	0.00	13.10	0.00	3.20	14.50	0.00	8.40	13.30	30.70	0.00	14.50	0.00	0.00	96.00	8.40	0.00	14.60	0.00
foreign exchange		788.00	909.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
skilled labour		44.00	52.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
unskilled labour		35.00	33.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OPERATING COSTS		3.00	0.00	8.20	19.50	14.10	19.20	21.70	18.90	26.30	25.60	16.60	20.90	21.50	16.80	14.80	17.20	12.30	13.60	20.70	12.90	19.90	22.00
local costs		3.00	0.00	8.20	19.50	14.10	19.20	21.70	18.90	26.30	25.60	16.60	20.90	21.50	16.80	14.80	17.20	12.30	13.60	20.70	12.90	19.90	22.00
foreign exchange		0.00	0.00	155.50	370.20	267.50	345.40	412.80	359.70	499.00	487.30	315.10	397.60	408.00	319.30	280.40	327.30	234.40	259.10	393.30	245.90	378.00	418.80
skilled labour		0.00	0.00	53.60	106.90	98.10	185.78	117.40	107.60	138.80	135.90	124.30	113.70	116.20	186.70	98.00	96.30	88.60	81.70	112.60	103.40	108.80	118.90
unskilled labour		0.00	0.00	19.40	42.20	38.50	41.70	46.80	42.60	55.90	54.70	49.70	45.10	46.20	42.10	38.40	37.70	34.40	31.50	44.70	40.70	43.00	47.40
OTHER COSTS		984.00	1101.00	236.70	538.80	418.20	545.10	598.70	532.00	734.50	707.50	514.10	590.60	622.60	484.90	446.10	478.50	359.70	481.90	579.70	402.90	564.30	607.10
local costs		117.00	107.00	8.20	19.50	14.10	19.20	21.70	18.90	26.30	25.60	16.60	20.90	21.50	16.80	14.80	17.20	12.30	13.60	20.70	12.90	19.90	22.00
foreign exchange		788.00	909.00	155.50	370.20	267.50	345.40	412.80	359.70	499.00	487.30	315.10	397.60	408.00	319.30	280.40	327.30	234.40	259.10	393.30	245.90	378.00	418.80
skilled labour		44.00	52.00	53.60	106.90	98.10	185.78	117.40	107.60	138.80	135.90	124.30	113.70	116.20	186.70	98.00	96.30	88.60	81.70	112.60	103.40	108.80	118.90
unskilled labour		35.00	33.00	19.40	42.20	38.50	41.70	46.80	42.60	55.90	54.70	49.70	45.10	46.20	42.10	38.40	37.70	34.40	31.50	44.70	40.70	43.00	47.40
TOTAL		984.00	1101.00	236.70	538.80	418.20	545.10	598.70	532.00	734.50	707.50	514.10	590.60	622.60	484.90	446.10	478.50	359.70	481.90	579.70	402.90	564.30	607.10

25/10/84

BETIO SHIPYARD STUDY OPTION: 300 TONNE SLIPWAY (FOUR P.L. VESSELS ONLY)

Shipping (Four P.L. Vessels) of construction from place in 1985 and 1986

SUMMARY OF BENEFITS
\$000's

APPENDIX F6

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
NO FOREIGN SHIPYARDS																							
local constr	0.00	0.00	-24.40	-24.90	-23.80	-25.20	-25.60	-25.70	-24.90	-26.60	-18.30	-17.30	-14.60	-7.90	-16.50	-31.50	-32.70	-32.00	-33.60	-32.90	-33.40	-32.40	
foreign exchange	0.00	0.00	264.30	286.10	308.70	333.10	358.40	377.70	397.70	403.60	291.10	298.00	217.60	92.90	158.20	250.50	265.30	298.10	312.90	331.70	351.60	386.30	
BUILDING																							
foreign exchange	0.00	0.00	0.00	340.00	78.00	280.00	225.00	100.00	280.00	240.00	0.00	100.00	200.00	90.00	0.00	0.00	0.00	0.00	340.00	70.00	200.00	225.00	
OWN VESSELS																							
FOREIGN EXCHANGE	0.00	0.00	7.90	9.70	11.48	15.00	19.30	23.70	29.00	29.00	29.00	29.00	29.00	30.80	30.80	30.80	30.80	32.00	32.00	32.00	33.50	33.50	
PRESENT COSTS																							
LOCAL COSTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
FOREIGN EXCHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
UNSKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
VED VESSEL LIFE																							
LOCAL COSTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
FOREIGN EXCHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
UNSKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
NET BENEFITS																							
LOCAL COSTS	0.00	0.00	-24.40	-24.90	-23.80	-25.20	-25.60	-25.70	-24.90	-26.60	-18.30	-17.30	-14.60	-7.90	-16.50	-31.50	-32.70	-32.00	-33.60	-32.90	-33.40	-32.40	
FOREIGN EXCHANGE	0.00	0.00	272.20	635.00	390.10	548.90	602.70	501.40	716.70	672.60	320.10	427.00	446.60	213.70	189.00	281.30	296.10	330.10	684.90	433.70	505.10	644.80	
SKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
UNSKILLED LABOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL	0.00	0.00	247.80	610.90	366.30	523.70	577.10	475.70	691.00	646.00	301.80	410.50	432.00	285.80	172.50	249.80	263.40	298.10	651.30	400.80	551.70	612.40	

25/10/84

BETIO SHIPYARD STUDY OPTION: 300 TONNE SLIPWAY (FOUR P/L VESSELS ONLY)

APPENDIX F7

SUMMARY OF COSTS \$000's

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
CAPITAL COSTS																							
local costs	117.00	107.00																					
foreign exchange	788.00	909.00	0.00	0.00	0.00	13.10	0.00	3.20	14.50	0.00	0.40	13.30	30.70	0.00	14.50	0.00	0.00	96.00	0.40	0.00	14.60	0.00	
skilled labour	44.00	53.00																					
unskilled labour	35.00	33.00																					
OPERATING COSTS																							
local costs	0.00	0.00	6.60	17.90	10.30	15.10	16.80	13.60	20.10	18.90	0.90	12.40	13.20	6.80	5.10	6.10	6.60	7.60	18.60	10.80	15.50	17.30	
foreign exchange	0.00	0.00	124.80	339.40	195.50	287.50	318.30	258.60	381.40	358.80	169.40	235.00	250.30	129.30	96.70	116.20	124.60	144.20	152.60	204.40	294.90	329.70	
skilled labour	0.00	0.00	46.00	99.40	53.50	86.40	94.10	79.10	109.70	104.00	57.00	73.30	77.00	47.10	39.00	43.80	45.90	50.70	102.50	65.70	88.20	96.80	
unskilled labour	0.00	0.00	16.10	39.00	23.60	33.40	36.70	30.30	43.40	41.00	20.90	27.80	29.40	16.60	13.10	15.20	16.10	18.20	40.40	24.60	34.20	37.90	
TOTAL COSTS																							
local costs	117.00	107.00	6.60	17.90	10.30	15.10	16.80	13.60	20.10	18.90	0.90	12.40	13.20	6.80	5.10	6.10	6.60	7.60	18.60	10.80	15.50	17.30	
foreign exchange	788.00	909.00	124.80	339.40	195.50	300.60	318.30	261.80	395.90	358.80	177.80	248.30	280.70	129.30	111.20	116.20	124.60	240.20	361.00	204.40	309.50	329.70	
skilled labour	44.00	52.00	46.00	99.40	63.50	86.40	94.10	79.10	109.70	104.00	57.00	73.30	77.00	47.10	39.00	43.80	45.90	50.70	102.50	65.70	88.20	96.80	
unskilled labour	35.00	33.00	16.10	39.00	23.60	33.40	36.70	30.30	43.40	41.00	20.90	27.80	29.40	16.60	13.10	15.20	16.10	18.20	40.40	24.60	34.20	37.90	
TOTAL	934.00	1101.00	197.50	495.70	292.90	435.50	465.90	384.80	569.10	522.70	264.60	361.80	400.30	199.80	168.40	181.30	193.20	316.70	522.50	305.50	447.40	481.70	

6.8	FACILITIES - PHASE II	
	6.8.1 Slipway Section	6 - 11
	6.8.2 Metal Cleaning and Protection	6 - 12
	6.8.3 Shipwrights	6 - 12
	6.8.4 Mechanical Workshop	6 - 12
	6.8.5 Carpenters Shop	6 - 12
	6.8.6 Sail Maker	6 - 12
	6.8.7 Transport	6 - 12
	6.8.8 Electrical Section	6 - 12
	6.8.9 Electronic Section	6 - 13
	6.8.10 Refrigeration Section	6 - 13
	6.8.11 Draughting and Planning	6 - 13
6.9	MANPOWER REQUIREMENTS	6 - 13
6.10	STORES AND SPARE PARTS	6 - 14
6.11	FURTHER EXPANSION	6 - 15
		6 - 16
<u>7. COST ESTIMATES</u>		
7.1	GENERAL	
7.2	PHASE I - REHABILITATION	7 - 1
7.3	PHASE II - 300 TONNE SLIPWAY	7 - 1
		7 - 2
<u>8. IMPLEMENTATION</u>		
8.1	GENERAL	
8.2	PHASE I - REHABILITATION	8 - 1
	8.2.1 Programme	8 - 1
8.3	PHASE II - 300 TONNE SLIPWAY	8 - 2
	8.3.1 Programme	8 - 3
		8 - 3
<u>9. TRAINING</u>		
9.1	INTRODUCTION	
9.2	METHOD OF ASSESSMENT	9 - 1
9.3	FINDINGS	9 - 1
	9.3.1 Shipyard	
	9.3.2 Technical Skills	9 - 1
	9.3.3 Nauru	9 - 2
	9.3.4 Training Institutions	9 - 3
	9.3.5 Marine Surveyors	9 - 3
9.4	REQUIREMENTS FOR TRAINING STAFF	9 - 3
	9.4.1 Phase I - Rehabilitation	
	9.4.2 Phase II	9 - 4
		9 - 5
<u>10. MANAGEMENT</u>		
10.1	BACKGROUND	
10.2	MANAGEMENT STRUCTURE	10 - 1
10.3	ORGANISATION	10 - 1
10.4	FINANCIAL CONTROL	10 - 5
	10.4.1 Present Situation	
	10.4.2 Control System	10 - 6
		10 - 8

11. ECONOMIC EVALUATION

11.1	INTRODUCTION	11 - 1
11.2	THE OPTIONS	11 - 1
11.3	BASIS OF EVALUATION	11 - 2
	11.3.1 Time Period	11 - 2
	11.3.2 Prices	11 - 2
	11.3.3 Costs	11 - 2
	11.3.4 Benefits	11 - 3
	11.3.5 Shadow Prices	11 - 3
	11.3.6 Unskilled Labour	11 - 3
	11.3.7 Skilled and Semi Skilled Labour	11 - 4
	11.3.8 Foreign Exchange	11 - 4
	11.3.9 Discount Rate	11 - 5
	11.3.10 Training	11 - 5
11.4	BENEFITS	
	11.4.1 Rehabilitation	11 - 5
	11.4.2 300 Tonne Slipway	11 - 10
11.5	COSTS	
	11.5.1 Capital Costs	11 - 14
	11.5.2 Annual Operating Costs	11 - 15
	11.5.3 Training Costs	11 - 16
11.6	EVALUATION OF OPTIONS	
	11.6.1 Summary	11 - 16
	11.6.2 Sensitivity Tests	11 - 16

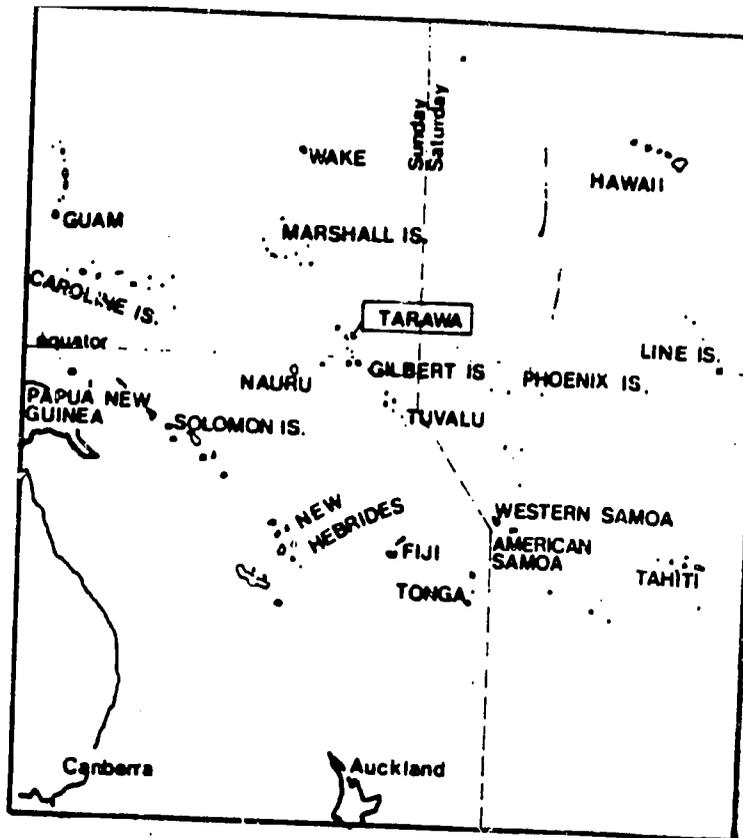
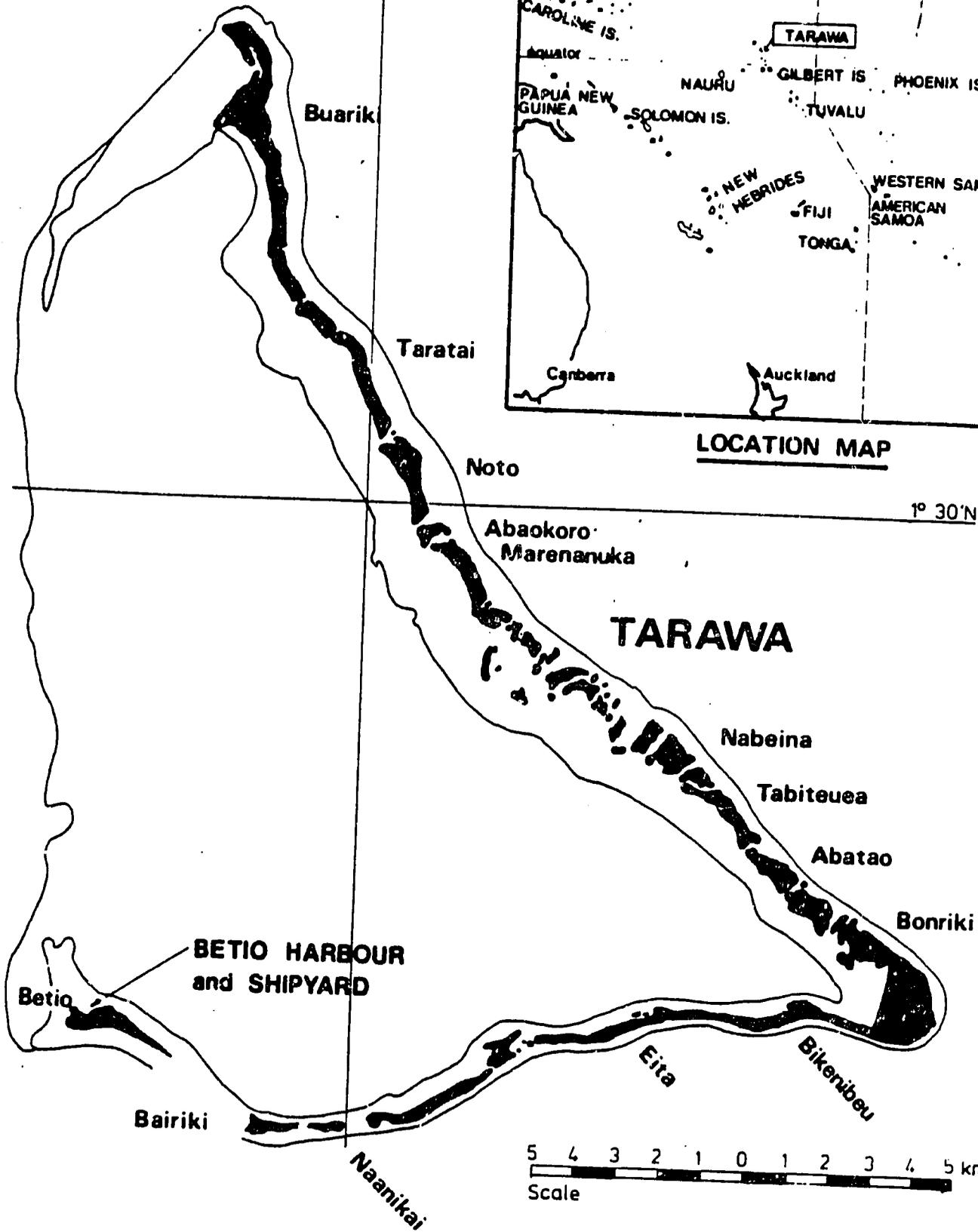
APPENDICES

- A. TERMS OF REFERENCE
- B. REFERENCES
- C. EXISTING BUILDINGS
- D. PLANT AND EQUIPMENT
- E. REPORT ON 25 TONNE SCOTCH DERRICK
- F. COST/BENEFIT ANALYSIS



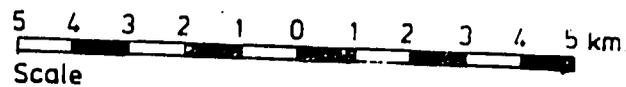
NORTH TARAWA

173° E



LOCATION MAP

1° 30' N



Scale

PLAN OF TARAWA ATOLL

BETIO SHIPYARD IMPROVEMENT PROJECT

T A NO: 519-KIR

FINAL REPORT - SUMMARY

This Report presents the findings of Technical Assistance Project "Betio Shipyards Improvement Project", for the Kiribati Ministry of Communications, commissioned by the Asian Development Bank.

PRESENT SHIPYARD

The Betio Shipyards was constructed in the 1950's with existing buildings and an extension on the slipway being carried out in 1967-1968.

The slipway has a notional capacity to haul vessels up to 250 tonnes weight, however, the largest vessel we could determine had been slipped was in the order of 105 LDT. Due to its present condition and slipping methods, it should be restricted to a weight of approximately 100 tonnes.

Existing buildings with the exception of the administration and stores buildings are in poor condition. In a number of instances, reinforced concrete support structures are in a dangerous condition and require immediate remedial work or demolition.

The shipyard is also occupied by four other government departments or agencies who have supply stores and in one case, offices on the site.

All shipyard sections suffer from a lack of equipment to carry out their functions efficiently.

Present stock is only marginally adequate for the range of work undertaken. Repairs are frequently delayed by the lack of availability of minor components.

While the shipyard has, in the past, constructed a number of 80 tonne barges and other vessels, no major construction has taken place since 1978.

The scotch derrick crane used to handle containers at the Betio Wharf was inspected. The crane was found to be in very good condition with the exception of the base holding down bolts which should be replaced at an early date.

KIRIBATI FLEET

The principle future demand for shipyard services will originate from the Kiribati fleet, particularly vessels of the Kiribati Shipping Corporation and Te Mautari Limited fishing fleet but could be augmented by foreign vessels. At present, vessels are unable to use the present shipyard and must go to a foreign shipyard, mainly Suva, for annual survey and major maintenance.

225

The present Kiribati fleet based at Tarawa is comprised of vessels owned or operated by the following organisation.

- Kiribati Shipping Corporation
- Te Mautari Ltd (fishing vessels)
- Government
- Privately owned passenger and cargo vessels

By the end of 1985, we forecast that the major vessels of the Kiribati Shipping Corporation fleet will be:

- 1 900 tonne ocean-going vessel
- 2 360 tonne inter-island trading vessels
- 2 landing craft

Other corporation vessels include tugs, barges, pontoons and launches.

We forecast that the fleet capacity at the end of 1985 together with replacements, will be adequate to meet the demand for cargo and passenger traffic to the end of the 1990's.

The future development of Te Mautari fishing fleet is dependent on the financial viability of the Corporation and on the most suitable fishing methods to be adopted. At present the Te Mautari fleet comprises:

- 2 pole and line vessels of 250-280 tonnes
- 1 pole and line of 130 tonnes
- 1 pole and line of 30 tonnes

The Corporation plans to expand this fleet by the end of 1988 with:

- 1 mothership pole and line vessel
- 4 additional of 130 tonnes
- 1 purse-seiner of 1200 LDT

The acquisition of these vessels is highly dependent on the availability of foreign development aid we understand that a review of the fleet will be undertaken in mid 1985.

Development of the Te Mautari fleet beyond 1988 is somewhat speculative. We have assumed that, in the absence of alternative resources, the Government and aid donors will continue to accord high priority to the development of the fishing industry. Accordingly, we have projected a the continued growth of the Te Mautari fleet during the 1990's with the acquisition of a second mothership and a further two purse seining vessels.

DEMAND FOR SHIPYARD SERVICES

The Kiribati Shipping Corporation, Te Mautari Ltd and the Government have indicated, in principle, that they would be willing to have their vessels serviced at the shipyard. Private shipping companies have adopted a wait and see policy and have made no commitment to use the shipyard.

Shipowners in countries adjacent to Kiribati, in particular the Marshalls and Tuvalu are potential users of the shipyard. We have provided for some work originating from these sources.

No major work is expected from foreign fishing fleets operating in Kiribati waters. We have made no provision for work from this source.

An improved shipyard would have the capacity to build vessels of up to 100 tonnes. We have assumed that all replacements to the Kiribati fleet, within this limitation, could be built at the improved shipyard provided appropriate plant and equipment is installed. We have made no provision for boatbuilding for foreign owners.

OPTIONS

Providing only partial services at the shipyard would negate the considerable benefits obtained by eliminating the use of overseas shipyards. Overseas vessels are only likely to use a shipyard which provides a full range of services. A full range of facilities should therefore be provided for the vessels to be serviced by the facility.

The majority of the existing and projected fleet is in the 100 to 300 LDT range (8 vessels) with the remaining five vessels ranging in size from 420 LDT to 720 LDT. We consider that with the small number of vessels over 300 LDT the preferred developments should be concentrated on rehabilitation and a 300 tonne slipway.

Three sites were considered for the development of the shipyard - harbour basin, north of the existing shipyard, and at the head of the East Mole. The preferred site is north of the existing shipyard with water access via the existing channel to the harbour basin and the new slipway and fitting out berth formed in a recess in the West Mole, parallel to the channel.

Two slipway systems were evaluated. Firstly, a longitudinal haul slipway and secondly, a side haul slipway. In addition, to a capital cost advantage the side haul slipway has a greater versatility with its ability to be extended without major alterations to the in-place facility.

PROPOSED DEVELOPMENT

The proposed phases in the shipyard development and the vessels they serve are set out below.

Phase I

Rehabilitation of existing yard

Existing fleet below 100 LDT

Phase II

300t capacity side haul slipway, laying up berth, and additional plant & machinery

Existing and projected vessels up to 300 LDT

Phase III

Additional lay up berth, increased slipway capacity, workshops, plant & equipment

Dependant of fleet growth and configuration

It is unlikely that the overall capacity of the slipway will need to be increased above 300t unless more vessels in the 300 - 600 tonne range are acquired.

The Phase II development will not be capable of serving all vessels in the fleet. The implementation of a Phase III must be considered when more vessels unable to be served in Phase II are added to the fleet.

The rehabilitation of the existing shipyard is designed to allow current activities to be carried out more effectively and to a higher standard. Generally it involves upgrading existing buildings which are in an unsafe condition, improving the slipway carriage, providing additional and replacement equipment, and upgrading utilities.

The mechanical workshops will be complimented by the Ministry of Works and Energy's Plant and Vehicle Unit. Electronic work will be carried out by the Ministry of Communications Telecom Division while refrigeration repairs will be the responsibility of Te Mautari Ltd who have an establishment to repair their fleet and land based plant.

Phase II would involve additional work for a 300t slipway and allied facilities.

- * Dredge channel from head of West Mole seaward to a depth of 3.5m below datum. At present this area has a depth of approximately 1.7 - 1.8m below datum.
- * Construct a 38m long fitting-out berth with a deep to 3.5m below datum (designed for final depth of 4.5m below datum).
- * Construct a two finger side haul slipway with each arm having a lifting capacity of 150 tonnes.
- * Form new reclamation.
- * New building for slipmaster and slipway compressors; relocate fitters shop.
- * Extend sewerage and water systems; extend amenities and electrical reticulation.
- * Further equipment in all departments with larger machine tools including equipment to give the shipyard a greater boatbuilding capability.

COST ESTIMATES

The estimated capital costs of the proposed developments in Australian dollars are:

Phase I - Rehabilitation

A. Supervision & Administration	25,000
B. Building	237,000
C. Utilities	67,000
D. Plant & Equipment	85,000
E. Plant Installation	6,300
F. Slipway Carriage	12,000
G. General Cleanup	5,000
H. 15% Escalation	68,800
	TOTAL
	504,500

Phase II - 300T Slipway (Additional to Phase I)

A. Establishment	125,000
B. Civil Engineering	263,000
C. Slipway	355,000
D. Buildings	174,000
E. Plant & Equipment	168,000
F. 20% Escalation	417,000
	TOTAL
	2,502,000

IMPLEMENTATION

Phase I

The nature of the work involved is generally the upgrading of existing building and utilities and the supply of minor plant and equipment items. We consider that there is adequate capability within Government Departments on Tarawa to carry out the civil engineering work. It is therefore proposed that this work is carried out by "Force Account" using the following government agencies.

With the exception of the air compressors and equipment for sand blasting and water jetting it is proposed that plant equipment is obtained by 'International Shopping'. The larger items being obtained in accordance with the Bank's 'Procedure for Procurement of Goods'.

Phase II

The nature of the work involvement in constructing the 300t slipway and lay up berth is beyond the capability of local government resources. Construction of Phase II would therefore be undertaken by an overseas contractor chosen by international competitive bidding under Bank rules.

A contract period of 15 months is envisaged.

TECHNICAL TRAINING

The efficiency and effectiveness of the upgraded shipyard facilities will rely heavily on a well planned training programme and it is of paramount importance that each phase of the development is matched with the implementation of a comprehensive training programme.

There is a need for considerable upgrading of trade skills by way of further training of the present shipyard staff. The management must also acquire additional skills and experience in order to create a productive team.

Initially training should be co-ordinated by an expatriate Technical Training Specialist who should be responsible for setting up long and short term training schemes in consultation with the shipyard, government, and training establishments.

The potential for including suitable trained people into the shipyard does not exist as there is a shortfall in the supply of skilled manpower in all sections of a government workshop on Tarawa.

The Kiribati tradesmen in Nauru have neither the needed skills nor expressed any desire to return to Betio at least for in the near future.

The Tarawa Technical Institute currently runs apprenticeship and other course in General Engineering, Welding and very Elementary Mechanical Drawing. The Institute showed a willingness to provide courses to suit the requirements of the shipyard.

MANAGEMENT

The present shipyard is run as a Government Department on a cash basis. All expenditure is voted annually by the House of Assembly and revenue is credited to the Public Account. This is not a satisfactory organisation structure of a commercial enterprise.

The present shipyard incurs a trading loss. This is due primarily to two factors: under-utilisation of the shipyard's staff and facilities, and to a charge out rate which is inadequate to cover overheads, administrative expenses and a margin for profit. The current level and age of outstanding debtors is unacceptably high.

We believe the shipyard should be independent of the departmental system and understand that since preparing the Interim Report, the Government has given consideration to converting the shipyard into a self financing, commercially orientated operation, possibly as a state-owned enterprise.

We recommend that an expatriate manager either appointed by the shipyard or under a Technical Assistance Programme for at least two years until a local person can be fully trained in all aspects of shipyard management.

ECONOMIC EVALUATION

Internal rates of return have been calculated for two options; rehabilitation of the existing facility and a 300 tonne slipway with allied facilities. An evaluation period of 1985, - 2006 has been adopted and the evaluation includes only direct costs and benefits of the project.

The major benefits accruing to the project are:

- An extension to the useful life of vessels current serviced at the shipyard.
- Value of vessels built at the shipyard
- Savings on avoidance of costs at a foreign shipyard.
- Revenue earned from foreign vessels.

The major cost incurred are:

- capital costs of construction and equipment
- annual operating costs
- costs of training

The internal rates of return for the options evaluated are:

Rehabilitation	11.8%
300t Slip	
a. Fleet of 8 pole & line vessels and 2 motherships	8.3%
b. Fleet of 4 pole & line vessels and 1 mothership	0.3%

Sensitivity tests were carried out and the effects on the IRR for changes in cost estimates are given below:

	Rehabilitation	300 Tonne Slip
Basic Rate of Return	11.8%	8.3%
Capital Costs:		
+10%	10.3%	7.1%
-10%	13.5%	9.8%
Operating Costs:		
+10%	5.3%	5.4%
-10%	18.0%	10.9%
All Costs		
+10%	4.0%	4.3%
-10%	20.1%	12.5%

For the rehabilitation option the analysis shows it is very sensitive to changes in operating costs.

A delay in constructing Phase II for three years marginally raises the IRR from 8.3% to 8.8%.

RECOMMENDATIONS

We would make the following recommendations:

1. That the shipyard be developed in two phases namely

Phase I - rehabilitation

Phase II - 300t side haul slipway with allied facilities

2. That the implementation of Phase I is undertaken by government resources under 'Force Account' for building works and 'International Shopping' for procurement of plant and equipment.
3. That the implementation of Phase II be deferred until the future configuration of the Kiribati fishing fleet is resolved.
4. That the shipyard is made independent of the government departmental system.
5. That a comprehensive training scheme is implemented in conjunction with the development and this should be formulated by an expatriate Technical Training Specialist.
6. That an ^{expatriate accountant} expatriate manager be appointed, preferably under an external aid programme, for a period not less than two years during which time local counterpart staff are trained in shipyard management and financial control.

PHILATELIC BUREAU

237

TABLE L - BASIC DATA

ORGANISATION NAME: GOVERNMENT PHILATELIC BUREAU

TYPE OF BUSINESS: PHILATELY

LOCATION: BETIO, TARAWA, REPUBLIC OF KIRIBATI

YEAR FOUNDED: 1965 (CIRCA) ANNUAL SALES: APPROXIMATELY \$2

OWNERSHIP: GOVERNMENT - OWNED OPERATING PROFIT (8,000)

OPERATING STATUS: FULLY OPERATIONAL AS A DIVISION IN THE MINISTRY OF TRANSPORT AND COMMUNICATIONS NET WORTH: \$600,000 ESTIMATED MARKET VALUE:

NUMBER OF EMPLOYEES: SEVEN (7) ACCUMULATED DEBT \$30,000

POTENTIAL FOR EMPLOYEE OWNERSHIP: VERY LIMITED

1. PRODUCTS/SERVICES: THE PRODUCTION AND SALE OF POSTAGE STAMPS TO COLLECTORS AS A SIGNIFICANT SOURCE OF FOREIGN EXCHANGE.
2. FACILITIES: OFFICE PREMISES AND ARRANGEMENTS WITH PRINTERS FOR THE PRINTING OF POSTAGE STAMPS
3. HUMAN RESOURCES: SKILLED AND EXPERIENCED STAFF WITH MANAGEMENT CAPABILITIES.
4. MARKET TRENDS: SALES IN 1981/82 HAD REACHED A MILLION DOLLARS (\$M). PRESENTLY ANNUAL SALES ARE APPROXIMATELY TWO HUNDRED THOUSANDS DOLLARS (200,000.00)
5. COMPETITORS/MARKET SHARE: THE KIRIBATI PHILATELIC BUREAU WILL CONTINUE TO MAINTAIN A CONSERVATIVE ISSUING POLICY OF FOUR REGULAR ISSUES PLUS ONE SOUVENIR SHEET PER YEAR TO ENSURE ITS GOOD STANDING IN THE LONG RUN AND NOT TO ADOPT TECHNICAL AND POLICIES WHICH COULD CAUSE DETRIMENTAL EFFECTS TO THE OPERATION.
6. LEGAL STATUS: A DIVISION OF THE MINISTRY OF TRANSPORT AND COMMUNICATIONS
7. OTHER DATA: MEASURES TO IMPROVE THE TRADING POSITION, FINANCIALLY IN FORTH-COMING YEARS HAVE ALREADY BEEN ENFORCED AND WILL BE MOST OBVIOUS MAINLY IN STAFF AND PRODUCTION COSTS.

SUBJECT OF SALE: THE SALE OF KIRIBATI POSTAGE STAMPS

ESTIMATED SELLING PRICE:

TABLE II

FINANCIAL HIGHLIGHTS

ORGANIZATION VIETBATH PHILATELIC BUREAU

	Current Year:	Last Year:	
	(U.S. Dollar)	(Local Currency)	(Local Currency)

A. INCOME STATEMENT

~~ALL FIGURES IN THOUSANDS~~

SALES/REVENUES	153 512	120 005
COSTS		
DIRECT/VARIABLE	80 329	46 317
INDIRECT OVERHEAD	78 030	76 777
SUB TOTAL	4 847	3 089
OPERATING PROFIT		
OTHER COSTS/INCOME		
FINANCE COSTS	2 903	602
OTHER EXPENSES	9 051	15 236
(OTHER INCOME)	(4 049)	(6 451)
TAXES	-	-
SUB TOTAL	7 905	9 387
NET INCOME	12 752	12 476

B. BALANCE SHEET

CURRENT ASSETS		
RECEIVABLES	76 853	79 029
INVENTORY	7 945	16 397
TOTAL CURRENT ASSETS	84 798	95 426
TOTAL CURRENT LIABILITIES	96 907	143 079
NET WORKING CAPITAL	12 109	47 653
FIXED ASSETS	1 457	22 633
OTHER ASSETS	13 244	33 339
LONG TERM LIABILITIES		
GOVERNMENT		
COMMERCIAL		
SUB TOTAL		
NET WORTH (BOOK VALUE)	2 592	8 319

AUDITED BY: GOVERNMENT AUDIT DEPARTMENT DATE OF LAST AUDIT: APRIL 1987

2715

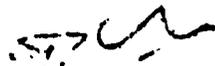
KIRIBATI PHILATELIC BUREAU
YEAR ENDED 31 DECEMBER 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

Under the terms of section 41 of the Public Finance (Control and Audit) Act 1976 and in accordance with approved Auditing Standards, I have examined the financial statements set out on pages 2 to 9, which have been prepared under the historical cost convention.

The Bureau has operated at a loss for the past three and a half years. The financial statements have been prepared on a going concern basis which depends on a return to profitability or support from Government.

Subject to the matter described in the preceding paragraph in my opinion the financial statements give a true and fair view of the state of affairs of the Kiribati Philatelic Bureau at 31 December 1986 and of the loss and source and application of funds for the year then ended.


Teiaramako Teoiaki
Director of Audit
23 March 1987

23/6

REPORT OF THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF KIRIBATI PHILATELIC
BUREAU FOR THE YEAR ENDED DECEMBER

31 1986

I have completed my audit of the Bureau in accordance with the relevant statutory provisions and approved Auditing Standards.

The comments made below are based on the state of affairs at the completion of the audit field work on March 25 1987.

1. General

The Bureau has made a loss for the third successive year and although steps have been taken to reduce staffing and rental expenses it is not clear with the continuing decline in stamp sales if it will ever become a significant contributor to Government revenue.

The Bureau is a "self-accounting" body within the postal service and as such forms part of the consolidated fund. Consideration should be given by the Ministry of Communications as to whether to completely absorb it into the government accounts or to establish a separate legal identity for it, thus regularising its position.

2. Financial Statements

The financial statements do not reflect the "commercial" status of the operation. It is supposed according to the estimates to pay a postal contribution of \$9000 (which is not reflected in the accounts) but on the other hand provides free stamps to the Post Office for its use. These two items need to be properly costed to show the operations of the bureau on a commercial basis.

3. Audit Certificate

I have qualified the audit certificate on a going concern basis as it is clear that if the Bureau continues to make losses it will be financially unviable.

4. Former Management Contract

The former managing company Philatelists (1980) Limited went into receivership in January 1987. My Audit Report for the year ended June 30 1984 and subsequently suggested that claims should be made for debts due from the company for tax, their manager's expenditure of Bureau funds. Additionally that claims should be made under the arbitration clause or otherwise for discounts granted to their related companies and profits derived from inverted watermarks. Also that efforts be made and legal advice sought on breaking the rental payments on the property which the Bureau clearly cannot afford.

237

I hope that these matters will now be followed up as a matter of urgency together with ascertaining what quantity of stamps are still with Philatelists (1980) Limited and possibly with printers.

The accounting records of the Bureau are reasonably well maintained and any adjustments were a result of operations and decisions under the former management agreement, other points are detailed below:-

- (i). The stock of stamps is in excess of that laid down under the Bureau's policy and some items are stored outside the store room.

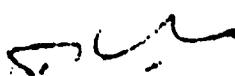
I recommend that excess stocks of withdrawn commemorative issues and related items be destroyed to comply with the Bureau's policy.

- (ii) Loans to two members of staff have been outstanding for a year without repayment.

I recommend that as the Bureau is now part of the Ministry its payroll be done by the Ministry of Finance and repayments of the loans be made.

- (iii) The Bureau failed to pay its under deductions of tax when demanded by Ministry of Finance.

Payment should be made in one lump sum under the regulations and deducted from the employees concerned.


Teiaramako Teoiaki
Director of Audit
25 March 1987

KIRIBATI PHILATELIC BUREAU

FINANCIAL STATEMENTS

31 DECEMBER 1986

KIRIBATI PHILATELIC BUREAU

BALANCE SHEET

31 DECEMBER 1986

	<u>Note</u>	<u>1986</u>	<u>1985</u>
CAPITAL EMPLOYED		\$	\$
Retained earnings		<u>2 592</u>	<u>8 319</u>
EMPLOYMENT OF CAPITAL			
Fixed Assets	3	<u>1 457</u>	<u>22 633</u>
Loan	4	<u>13 244</u>	<u>33 339</u>
Current assets	2		
Stock on Hand Album		7 945	16 397
Trade Debtors		32 511	12 204
Others Debtors and prepayments	5	28 927	34 756
Bank balance and cash		<u>15 415</u>	<u>32 069</u>
		<u>84 798</u>	<u>95 466</u>
Current Liabilities			
Deferred income		67 715	113 841
Trade creditors		<u>29 192</u>	<u>29 238</u>
		<u>96 907</u>	<u>143 079</u>
Net current Liabilities		<u>12 109</u>	<u>47 653</u>
		<u>2 592</u>	<u>8 319</u>

.....
 PATRICK BOUTU
 Bureau Manager

240

KIRIBATI PHILATELIC BUREAU
 INCOME STATEMENT YEAR
 ENDED 31 DECEMBER 1986

	<u>Note</u>	Year ended 31 December <u>1986</u> \$	Year ended 31 December <u>1985</u> \$
Turnover	2	<u>153 512</u>	<u>120 005</u>
Loss for the year	6	12 752	12 476
Exceptional item		7 025	-
Retained earnings 31 December 1985		8 319	<u>20 795</u>
Retained earnings 31 December 1986		<u><u>2 592</u></u>	<u><u>8 319</u></u>

241

KIRIBATI PHILATELIC BUREAU
 SOURCE AND APPLICATION OF FUNDS STATEMENT
 YEAR ENDED 31 DECEMBER 1986

	31 December 1986 \$	31 December 1985 \$
SOURCE OF FUNDS		
Loan repayment	20 095	9 509
	<u>20 095</u>	<u>9 509</u>
APPLICATION OF FUNDS		
Loss for the year	(5 727)	(12 476)
Adjustment for items not involving movement of funds:		
Depreciation	8 321	12 011
Write down of fixed asset	12 820	-
Net book value of assets disposed	35	457
	<u>15 449</u>	<u>(8)</u>
Increase in working Capital	<u>35 544</u>	<u>9 501</u>
Made up as follows:-		
Debtors and prepayments	14 478	(21 412)
Stock	(8 452)	16 397
Deferred Income	46 126	-
Trade Creditors	46	17 849
Cash and bank balance	<u>(16 654)</u>	<u>(3 333)</u>
	<u>35 544</u>	<u>9 501</u>

KIRIBATI PHILATELIC BUREAU
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 1986

1. THE BUREAU

The Bureau was established in Kiribati on 12 July 1979 to co-ordinate the production of Kiribati postage stamps and the sale thereof to philatelists. It is a "self accounting" division of the Ministry of Communications.

2. ACCOUNTING POLICIES

2.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with International accounting standards.

2.2 Currency of financial statements

The financial statements are expressed in Australian dollars.

2.3 Depreciation

Depreciation of fixed assets is calculated to write down the cost of fixed assets by equal annual instalments over their expected useful lives as follows:

Furniture and fittings	5 years
Industrial air-conditioner	7 years
Office equipment	4 years
Vehicle	3 years

2.4 Stocks

Stock of stamps on hand at the balance sheet date are not valued.

2.5 Turnover

Turnover comprises total revenue from sales of stamps, albums and related philatelic items.

2.6 Prepayments

Prepayments comprises costs incurred on stamp production for stamps still in issue at the financial year end or to be issued in the next financial year.

246

KIRIBATI PHILATELIC BUREAU
 NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED
 31 DECEMBER 1986

2.7 Foreign Currency

Foreign currency transactions are converted to Kiribati currency at the rate of exchange ruling at the date of the transaction. Foreign currency balances are converted at the rate ruling at the financial year end. Profit or losses which arise from currency realignment are credited or charged to revenue.

					31 December 1986	31 December 1985
3. FIXED ASSETS						
	<u>Boat and Vehicle</u>	<u>Furniture and fittings</u>	<u>Industrial Air Conditioner</u>	<u>Office Equipment</u>	<u>Total</u>	<u>Total</u>
Cost:						
At 31 December 1985	9 146	15 731	31 748	22 038	78 663	82 938
Disposal	-	(354)	-	(810)	(1 164)	(4 275)
Writedown	-	-	(31 747)	-	(31 747)	-
At 31 December 1986	9 146	15 377	1	21 228	45 752	78 663
Depreciation:						
At 31 December 1985	9 090	11 617	14 266	21 057	56 030	47 837
Charge for year	56	2 750	4 662	853	8 321	12 011
Disposal	-	(319)	-	(810)	(1 129)	(3 818)
Writedown	-	-	(18 927)	-	(18 927)	-
At 31 December 1986	9 146	14 048	1	21 100	44 295	56 030
At book amount:						
At 31 December 1986 \$	-	1 329	-	128	1 457	\$22 633

4. LOAN

The loan to Derek Andrewartha which bears interest at the rate of 12% per annum is to be repaid in annual instalments over five years commencing 1 October 1982. The loan was granted enable the building, in which the Kiribati Philatelic Bureau leases office accommodation, to be completed.

\$13 244 \$33 338

5. PREPAYMENTS

Stamp production costs incurred on stamps on issue at 31 December 1986.

\$ 9 322 \$ 8 436

2/1/86

KIRIBATI PHILATELIC BUREAU
 NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED
 31 DECEMBER 1986

	<u>1986</u>	<u>1985</u>
	\$	\$
PROFIT FOR THE YEAR		
Profit for the year is arrived at after charging the following:		
Depreciation	8 321	12 011
Interest received on long term loan	<u>2 350</u>	<u>3 491</u>

7. CONTINGENT LIABILITY

- (i) The estimates of the Ministry show that a postal contribution of \$9,000 is expected from the Bureau in 1986 and \$- in 1985.
- (ii) Amounts remain in dispute with the former management company. No settlement has been reached since the termination of the agreement in June 1984.

8. EXCEPTIONAL ITEM

Miscellaneous items	5 107
Fixed asset write down	(12 819)
Transactions with former Management company net	1 556
Stock write down	(8 000)
Customers control account adjustment	30 625
Loan adjustment	<u>(9 444)</u>
	<u>7 025</u>

245

KIRIBATI PHILATELIC BUREAU
 INCOME AND EXPENDITURE STATEMENT YEAR
 ENDED 31 DECEMBER 1986

	31 December 1986	31 December 1985
	\$	\$
Sales	153 512	120 005
Cost of Sales	<u>80 329</u>	<u>46 317</u>
Gross Profit	<u>73 183</u>	<u>73 688</u>
Gross Profit %	48%	
Gross Profit % 1985		61%
 Other Income:		
Boat revenue	-	70
Sundry Revenue and sale of fixed assets	1 699	2 890
Interest	<u>2 350</u>	<u>3 491</u>
	<u>4 049</u>	<u>6 451</u>
 Expenditure:		
Advertising	2 139	1 632
Bad debts	4	309
Bank charges	94	155
Commission on stamp sales	13 286	92
Currency realignment	2 809	447
Depreciation	8 321	12 011
Electricity	2 426	6 963
General Expenses	428	371
Insurance	-	518
Motor Vehicle Expenses	85	175
Packing Material	-	1 853
Postage and cables	853	1 134
Printing and stationery	5 385	4 725
Doubtful debt provision	-	<u>2 274</u>
Expenditure carried Forward	<u>35 830</u>	<u>32 639</u>

24/6

KIRIBATI PHILATELIC BUREAU
 INCOME AND EXPENDITURE STATEMENT YEAR
 ENDED 31 DECEMBER 1986

	<u>Note</u>	31 December 1986	31 December 1985
		\$	\$
Expenditure brought forward		35 830	32 639
Rent		13 000	13 000
Staff costs		40 941	46 860
Provident Fund contributions		1 629	1 852
Salaries		88 167	43 164
Sundry staff expenses		1 145	1 844
Travelling		213	116
		89 984	92 615
Loss for the year before exceptional items		12 752	12 476
Exceptional items:			
Items relating to former management contract		7 025	-
Loss for the period after exceptional items		5 727	12 476
Retained earning 31 December 1985		8 319	20 795
Retained earning 31 December 1986		2 592	8 319

KIRIBATI PHILATELIC BUREAU

PHILATELIC SALES OF SPECIAL ISSUES OF STAMPS

31 DECEMBER 1986

			<u>Notes</u>	<u>Sets</u>
1979	July	Independence		90 006
	September	Rowland Hill		69 835
	November	International Year of the Child		88 125
1980	February	Tracking Station		84 040
	April	London Exhibition		82 160
	August	Moths		67 680
	November	Development		54 035
1981	February	Flora		57 702
	May	Islands I		45 395
	July	Royal Wedding		279 484
	November	Tuna Fishing		29 852
1982	February	Air Tanager		30 610
	May	Princess of Wales 21st Birthday		83 270
	July	Royal Baby		45 420
	August	Scouting		30 529
	October	Royal Visit		55 994
1983	March	Commonwealth Day		24 101
	May	Islands II		22 418
	August	Copra		21 222
	November	Battle of Tarawa		21 148
1984	February	Islands III		22 362
	May	Shipping Corporation		17 040
	September	Ausipex 84		19 415
	November	Legends I		16 049
1985	February	Reef Fish		29 452
	May	Islands Part IV		14 906
	August	International Year of the Youth		13 539
	November	Legends II		13 781
1986	January	Transport & Telecommunication		12 405
	April	60th Birthday of HM The Queen		30 462
	June	Islands V		11 216
	August	Geckos	2	10 544
	December	America's Cup	2	6 008

Note 1. Philatelic sales of each denomination in any set of stamps are not identical. The number of sets sold has been arrived at by dividing the total value of sales by the value of sets issued and is therefore only an approximation to give an indication of sales trends.

Note 2. These issues were still on sale at 31 December 1986.

Geckos	withdrawal date	February 1987
America's Cup	withdrawal date	June 1987

246

VISIT - 22 Oct - 3 values
plus S/S

(12c, 25c, 35c)

HEALTH - 14 March - 4 values

2c, 30c, 50c, \$1)

II - 19 May - 4 values

2c, 25c, 35c, 50c)

8 August - 5 values

2c, 25c, 30c, 50c, \$1)

17 November - 5 values

2c, 30c, 35c, 50c, \$1)

III - 14 February - 4 values

2c, 30c, 35c, 50c)

- 9 May - 4 values plus S/S

2c, 35c, 50c, \$1)

IV - 21 September - 4 values

2c, 30c, 35c, 50c)

LEGENDS - 21 November - 4 values

Set (12c, 30c, 35c, 50c)

FDC

P/Pack

1985

REEF FISH - 19 February - 4 values

Set (12c, 25c, 35c, 80c)

FDC

P/Pack

S/S

ISLANDS IV - 9 May - 4 values

Set (12c, 35c, 50c, \$1)

FDC

P/Pack

I.Y.Y. - 5 August - 4 values

Set (15c, 35c, 40c, 55c)

FDC

P/Pack

LEGENDS II - 19 November - 4 values

Set (15c, 35c, 40c, 55c)

FDC

P/Pack

1986

T/TELECOMMUNICATION - 19 Jan 1986
- 2 values

Set (15c, 40c)

FDC Not Available

P/Pack Not Available

60TH BIRTHDAY HM THE QUEEN

21 April 1986 - 5 values

Set (15c, 35c, 40c, 55c, \$1)

FDC

P/Pack

ISLANDS PART 5 - 17 June 1986
- 5 values

Set (15c, 30c, 35c, 40c, 55c)

FDC

P/Pack

GECKOS - 26 August 1986 - 4 values

Set (15c, 35c, 40c, 55c)

FDC

\$ C

1	72	1	27
	92	1	52
	02	1	57
	50		
	80		
1	92	1	52
2	12	1	77
2	22	1	82
		1	52
1	22	1	97
1	47	2	22
1	52	2	27
1	92	1	45
1	82	1	70
1	82	1	75
2	27	1	45
2	52	1	70
2	57	1	75
1	27		55
1	52		
1	57		
1	97	2	45
2	22	2	70
2	27	2	75
1	97		
2	27		
1	27	1	75
1	52	2	00
1	57	2	05
1	27	1	45
1	57	1	50

INITIIVES

DEFINITIVES (CONT'D)

12

\$ C

1985

PERIM DEF 12 July - (14 values not including \$5.00)

5 13
5 73

19 November

55 cent

10

REPRINTS

FINIS

29 December - (10 values)

August - (2 values)

1c, 2c, 4c, 5c, 7c, 15c,
20c, 30c, 40c, 50c.

7c, plus
00 watermarked
FDC

5 12
00

Set
No FDC, No P/Pack

November - (2 values)

1c, 25c
FDC

- 35

11

February - (6 values)

12c, 15c, 20c, \$1, \$2.
FDC

3 50

May - (4 values)

30c, 35c, 50c.
FDC

1 16

TARI DUES - 27 August (9 values)

FDC, No P/Pack

2 58

2

D DEFINITIVE - 18 February -
(17 values)

(including 25c)

10 54
11 04
10 85

ack

3

.G.S. BIRTS - 28 June - (5 values)

3 27
3 52
3 57

ack

PLANT AND VEHICLE UNIT

PLANT AND VEHICLE UNIT

B U D G E T 1 9 8 7

<u>SALES (I: JOME)</u>	<u>AMOUNT</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>REMARKS</u>
	<u>CODE</u>	<u>1986</u>	<u>1986</u>	<u>1987</u>	
A. Permanent Hire	400				
1. Office of Beretitenti	"	29,000	30,636	35,000	
2. Communications	"	21,000	8,016	10,000	
3. Shipyard	"	-	6,972	7,000	
4. Education	"	37,000	10,632	15,000	
5. MTR	"	-	6,672	7,000	
6. Supply Division	"	89,000	88,788	89,000	
7. Housing	"	9,000	-	-	
8. Agriculture	"	122,000	142,152	42,000	
9. Health	"	12,000	27,972	30,000	
10. TW 3	"	7,000	-	-	
11. Fisheries	"	36,000	19,032	29,000	
12. Works & Energy	"	312,000	338,405	310,000	
13. Police	"	200,000	190,872	195,000	
14. PU	"	97,000	87,554	88,000	
15. Land & Survey	"	4,000	4,428	4,000	
16. Air Tungaru	"	9,000	8,556	9,000	
17. KCS	"	10,000	9,660	10,000	
18. Mobil Oil Agency	"	45,000	44,616	45,000	
19. Dai Nippon	"	-	257,040	150,000	
20. NRD Sawmill	"	39,000	-	-	
21. Linnix and Others	"	500,000	-	100,000	
B. Casual Hire	401	170,000	158,702	174,000	
TOTAL HIRE CHARGES:		1,748,000	1,440,715	1,449,000	
C. Workshop Charges	404	100,000	41,609	45,000	
D. Technical Stores	403	-	31,435	35,000	
E. Other Revenue	405	-	13,704	20,000	
		100,000	86,748	100,000	
F. Interest Received	405	-	359,364	350,000	
		1,848,000	1,886,827	1,899,000	

<u>EXPENDITURE</u>	<u>CODE</u>	<u>BUDGET</u> <u>1986</u>	<u>ACTUAL</u> <u>1986</u>	<u>BUDGET</u> <u>1987</u>	<u>REMARKS</u>
Wages		385,000	275,029	307,753	This includes 10% increase
Leave & baggage grant	508	-	15,616	17,178	10% increase
TOTAL PAYROLL COSTS:		385,000	290,645	324,931	
<u>Other Costs</u>					
Electricity and Water	600	136,000	138,628	30,000	
Purchase of spares	602	250,000	380,472	250,000	
Tyres & batteries	603	-	40,596	40,000	
Consumable stores (Expendable stores)	604	-	53,623	55,000	
Staff Transport cost	605	20,000	26,893	25,000	
Fuel cost	606	-	78,380	78,000	
Maintenance of Building	607	-	3,548	5,000	
Office supplies & sundries	608	10,000	31,564	35,000	
Freight, import levy	609	20,000	27,503	20,000	
Sundry Workshop Expenses	610	-	12,968	15,000	
Lube Oil	611	-	20,067	20,000	
Bank Charges	612	-	907	1,000	
Cost of Training	613	-	-	20,000	
Overseas Expenses	614	-	10,027	10,000	
Depreciation		900,000	800,000	800,000	
PVU Vehicle		-	-	12,000	
TOTAL OTHER COSTS:		1,336,000	1,495,396	1,416,000	
TOTAL COSTS:		1,721,000	1,786,041	1,740,931	

NOTE: PVU Board meeting held on 31/12/86 approves the acquisition of one vehicle for the exclusive use of PVU both for Administration and Office Work and also to ensure the efficient operation of the Unit.

The committee approves an estimated figure of \$12,000 to be put aside for this acquisition from operation costs.

This will be treated as a capital expenditure

TABLE 1 - BASIC DATA

Organisation Name: Government Plant and Vehicle Unit

Type of Business : (1) Plants and Vehicles Hire
(2) Maintenance and repair of all Government Plant and Vehicles including those owned privately by Corporations and Individuals.
(3) Precision Machine work for Government and the private sector.

Location : Betio - Hq. Office and Main repairs and maintenance machining and parts centre.
Bairiki - Service and minor repairs centre and main Hire/transport control centre.

Year Founded : 1st Jan 1980

Ownership : Government of Kiribati

Operating Status : Fully operational as a Department of Ministry of Works & Energy with Statutory Special Fund.

Number of Employees: 101

Potential for Employee Ownership : Very Good

1. Products/Services: The following services are carried out in the Unit to earn its revenue.

- i) Repair of all plants and vehicles
- ii) Hire of Plants and Vehicles - i.e. permanent and casual
- iii) Undersealing of new vehicles
- iv) Painting
- v) Machining services
- vi) Engine repairs - all kinds

2. Facilities : The Betio workshop is equipped for all kinds of work including machining. The incorporated gantry crane within the workshop can lift up to 5 tons and such services as fuel injector testing and repair pump calibration and testing, starter motor and alternator repairs, battery, charging, air operated service tools etc. make up the major items of this workshop.

The Bairiki workshop is similarly equipped but only for minor services and repairs.

3. Human Resources: The following is available within the Unit.

Skilled Automobile Mechanics	- 30
Skilled Machinists	- 3
Office Equipmt/Mechanics	- 3
Skilled Welders	- 3
Skilled Painters	- 1
Accountants	- 1
Book keepers (Acc'ts)	- 7
Administrative Staff	- 5
Operators	- 21
Otores Personnel	- 6
Others - i.e. Cleaners, (contd)	

next page

255

4. Market Trends: Operating profit from Audited Accounts:- 1983 - \$301815, 1984 - \$256934, 1985,-1986 - Accounts have not been audited but profits do increase and this trend is expected to continue.
5. Competitors/Market Shares: The only real competitors that do a similar work are:
1. Tarawa Motors
 2. AUCS.
- Since this is a government owned company, its operations are limited to that for government Ministries and government owned companies of which it is fully responsible.
- The Unit however is fully occupied in its machining section as competition in this area is negligible.
6. Legal Status: The Unit was set up by government as a self-financing organisation under the Ministry of Works and Energy.
7. Other Data:

256

Annual Sales: \$1,968,345
Operating Profit: \$256,934
Net Worth: \$5,573,365
Estimated Market Value:
Accumulated Debt: \$1,469,839

TABLE II

GOVERNMENT PLANT AND VEHICLE UNIT

Financial Highlights

<u>A. Income Statement</u>	<u>Current Year (1984)</u>		<u>Last Year (1983)</u>	
	US Dollar	Local Currency	US Dollar	Local Currency
Sales/Revenue		1,968,345		1,550,074
Costs				
Direct/Variables		1,465,177		1,011,598
Indirect Overhead		246,234		236,661
Sub Total		<u>1,711,411</u>		<u>1,248,259</u>
Operating Profit		256,934		301,815
Other costs/Income				
Finance costs/other expenses		(2,700)		(75,173)
Other income		87,749		32,601
Sub Total		<u>85,049</u>		<u>(42,572)</u>
Net Income		341,983		259,243
 <u>B. Balance Sheet</u>				
Current Assets				
Receivables		3,263,301		2,505,359
Inventory		434,649		377,537
Total Current Assets		<u>3,697,950</u>		<u>2,882,896</u>
Total Current Liabilities		395,161		410,815
Net Working Capital		3,302,789		2,472,081
Fixed Assets		2,270,576		2,759,301
Long term Liabilities				
NET WORTH(BOOK VALUE)		5,573,365		5,231,382

Audited by: Office of the Director of Audit

Date of last Audit: Last quarter
1986.

258

A Report on the Study of the Plant & Vehicle Unit

1. Background

The Government Plant & Vehicle Unit (PVU) is operating under a Special Fund governed by the Act, Special Fund (Plant & Vehicles) Cap 95A. The function of the PVU is to *procure maintain and operate plant and vehicles for the use of Government and PRADO and organizations. HAAE is also provided*

PVU charges for the use of the plant and vehicles on the basis of its hire rates in order to cover its operating cost and to maintain a fund for the replacement of the vehicles as necessary.

The benefits of having a separate organization can be summarized as follows:

- i) Individual Ministries provide for the replacement of their plant and vehicles by way of their own budget which effectively sanctions their cash flow fluctuations of capital expenditure.
- ii) There is no duplication of roles viz maintenance and procurement of plant and vehicles by individual ministries.
- iii) Standardisation of plant and vehicles.
- iv) Creation of a pool of expertise

PVU have operated in the past on Kiriritani in several different ways. Recently they have set up a separate independent fund which has not been properly legalized yet. The Kiriritani plant/vehicle fleet has been dealt with separately from the main body of this report at Annex B.

General criticism has been made that hire rates are too high. This criticism has instigated the need for a study of the PVU, to determine if indeed Government is paying too much for its vehicle fleet.

2. Terms of Reference

The terms of reference of this study are to investigate all the relevant factors with a view to:-

- i) Making recommendations for interim hire rates.
- ii) Determine the adequacy of PVU's current level of reserves in relation to the replacement requirements of plant and vehicles.
- iii) Highlight the management systems and information requirements, needed to provide a base for sound decision making.

3. Current Pricing Structure

The current hire rates have been in use since 1.4.81. The structure of these rates purports to be based as follows:-

- i) Landed Cost of Plant/Vehicle.
 - Economic life
 - ii) Estimated inflation on cost of asset to replacement cost at due time. It is unclear whether it is meant to be 15% p.a. or 15% over life of vehicle 0.1502 0.15 $\frac{2}{1}$
 - iii) Cost of maintaining vehicle. Again unclear whether it is meant to be 10%

p.a. of limited cost or 10% during whole life
of asset

= 0.107 or 0.1 $\frac{C}{L}$

- iv) The sum of (i)-(iii) is enhanced by 2% to cover administration overheads.

The current hire rates in use do not tie up with the structure. On this basis the percentage hire rate/capital for all vehicles with the same economic life longer lives should have a lower percentage.

This structure itself is lacking in several departments:-

- i) It ignores interest earned on the Funds / Deposits
- ii) It ignores proceeds from disposal of its useful life.
- iii) There appears to be no basis for the expenses maintenance, administration and inflation.

4. Current Vehicle Fleet

The strength of the current fleet in simplified terms and analysed by user category is shown at appendix I. Vehicles of an equivalent use/type are contained under one level e.g. Land Rovers and Pick Ups.

5. Financial & Economic Data

- i) The relevant factors for calculating the hire rates on the proposed structure are:-
 - a) Replacement cost of vehicles
 - b) Percentage cover of replaceable plant and vehicles by usable reserves.
 - c) Inflation.
 - d) Interest rates on TBO's.
 - e) Operating costs - maintenance and administration
 - f) Economic lives of vehicles
 - g) Proceeds on disposal of assets.

ii) Replacement costs:-

A schedule of replacement costs, showing their basis for calculation is contained at appendix II.

Most of these have been obtained from quotations held by the Manager PVU. Others are based on most recent costs enhanced to current day values.

As the proposed hire rate structure is based on revising prices every year, taking in to consideration the latest replacement costs, it is necessary in future that up to date quotations for the whole of the replaceable fleet are obtained every year (probably circa Sept/Oct).

iii) Adequacy of Reserves:-

The percentage cover of replacement cost by reserves as shown in the following paragraph (6) is 100% and is the basis whereby inflation can be offset by interest.

iv) Inflation & Interest:-

PVU currently invests its funds in Australian Dollars. As Japanese vehicle manufacturers are competing against Australian manufacturers they are tending to reduce their prices in Yen terms in order to maintain competitive prices, in spite of the very strong yen.

For this reason the Australian rate has been used. Published statistics for specific inflation rates on plant and vehicles are not available locally. However the average rate is 7-8% p.a. having ascertained from expatriates involved with plant in Australia that the specific inflation rate for plant & vehicle is greater than the average, I have used 12% p.a. Interest is calculated @ 15% p.a. A model showing the net effect of these two factors is contained at appendix TTT.

In future thought should be given to investing in the currency in which the replacement purchase is to be made.

v) Operating costs:-

A schedule of operating costs is shown in appendix IV.

vi) Economic Lives:-

The economic lives used in the following calculations have been obtained from the Manager PVU, with the exception of:

- a) Pick Ups - I have split into 3 and 4 year vehicles. Agriculture and Fisheries pick-ups have been given 3 years lives in line with their hard working environment. Other pick ups have been given a 4 year life based on actual lives achieved.
- b) Tippers - Previously they were split between 3 yr & 4 yr tippers, (Civil 3 yrs Construction 4 yrs). As these are under the one Customer i.e. Ministry of Works and Energy I have decided to calculate only one rate. The 4 year life is based on the actual lives achieved.

vii) Proceeds on Disposal:-

The proceeds on disposal entered into the proposal hire rate are based on figures obtained during discussion with the Manager PVU.

Adequacy of Reserves

- i) In the past Hayes Allen have declared the PVU Replacement Fund inadequate to replace the whole plant/vehicle fleet. In accordance to their conclusion they compared total replacement cost of whole fleet with the total reserves (including value of economic life outstanding on the fleet); they required 100% cover to prove adequacy of reserves.

This approach ignores several points:

- a) Not all the reserves are available for replacement or part is tied up in working capital.
- b) Replacement of the whole fleet is not required; some plant/vehicles are excess to requirements.
- c) There is no requirement to have 100% cover. The reserves can be considerably less than 100% and still be adequate to provide for replacement, as it is the average depreciated value of the fleet that is being financed; this is dependent on the phasing of the ages/replacement of the individual plant/vehicles.

ii) Capital Cost of Tarawa replaceable fleet
(per Appendix V)

Capital cost of Kiritimati replaceable fleet
(per para 3 to Annex B)

5,316,650

Value of outstanding life of replaceable fleet
on Tarawa (per Appendix VI)

Value of outstanding life of replaceable fleet
on Kiritimati (per Appendix III to Annex B)

517,753

Funds Invested on IBO

3,500,000

5,238,605

iii) It can be seen from the above calculation that there is 100% cover even before considering:

- a) Proceeds on disposal of assets
- b) Future income from vehicles not to be replaced, in particular vehicles currently used by Dai Nippon (which will generate another \$200,000 before their project is finished). Also heavy plant such as dozers/ graders, after the causeway project, will technically be in excess to requirement on account of their low level of use. Their casual hire income has not been included in the above for future income (reserves).
- c) If the Kiritimati fleet is taken out of the calculation (in keeping with the proposals at Annex B) there is a further \$400,000 of excess funds available in the fund (after taking into consideration the \$500,000 transfer to the Kiritimati BTL a/c per para 5 (i) Annex B) viz
\$1,415,500 - \$517,753 - \$500,000

iv) Possible additional requirements for replacement/new purchases

- a) If in future there are projects, such as runway upgrade or road resurfacing for example, there would probably be requirement in addition to the "replaceable fleet" (per Appendix V), of 2 loaders, 3 grader and 2 dozers. These vehicles are already available from the fleet. They are designated as in excess to general requirement and are very little. However on account of their being little they will last quite a lot longer.
- b) The Commissioner of Police has current project submission for vehicles on the outer islands and for another fire tender (presumably in replacement of the Land Rover fire tender)
- c) Replacement costs of these vehicles are:

15 Pick Ups	⊙	10,700	160,500
1 Fire Tender	⊙	152,750	152,750
2 Loaders	⊙	113,500	227,000
3 Grader	⊙	168,804	506,412
2 dozers	⊙	187,630	375,260

Total additional cost

\$1,421,922

- d) However most of these plant/vehicles would be replaced only in the long term. It is also possible that some of these replacements would be under aid, especially the 15 Pick Up and 1 fire tender.

Hire Rates

Contained at Annex A and its appendices are the proposed hire rates and their calculations:

The calculation includes all the factors detailed in para 5 and is based on having annual reviews of hire rates, taking into consideration latest replacement costs.

The calculated rates show increases and decreases on individual vehicle types, overall however it shows an increase of 28%. I feel that it would be unjustified to increase rates by this much in the light of the fact that some cost data may be unreliable e.g. spares usage, and that replacement costs have not been supported by a sufficient number of quotes, or costing data for standardization on more costly vehicle

I therefore propose that the calculated rates be reduced by 28% so that there is no overall increase. I propose that the full official rate if proven, should only be introduced, once the systems per para 9 are operational and accurate data is received.

The effects on customers of the calculated and proposed Permanent rates are shown at appendix II.

The proposed casual hire hourly rates shown on page 2 of Annex A, based on 50% utilization i.e. 1,000 hours p.a. usage. This is in line with the utilization factor currently used. However it is likely that utilization is lower than this figure (See para 9 (v) (c) and appendix VII). Increasing the hourly hire rate would probably result in a reduction in utilization. I propose that failure to achieve 50% utilization would be grounds for dropping those vehicles from the fleet when replacement becomes due.

I propose that the temporary hire (i.e. hire periods of 1-6 months) be dropped. Either a vehicle is on permanent hire or casual hire.

I propose that on casual hire the minimum period of hire for heavy equipment such as Graders, Dozers, Loaders, Rollers, Cables Cranes and 22 TB Draglines, should be one day i.e. 8 hours. Vehicles and drivers should be charged out on attendance time not working time. i.e. if the vehicle plus driver is on site for 3 hours but only operates for one then the charge is for 3 hours (excluding of course breakdowns).

The hourly rate for drivers of 2.00/hr does not seem adequate if the utilization factor of 1,000 hrs p.a. is used. This gives an hourly rate of \$2.83 (i.e. \$51,000 ÷ 18 = \$2833 per appendix IV, \$2,833 ÷ 1000 = \$2.83).

I propose that fuel should be charged as used i.e. the vehicle goes out full and is topped back up when returned, the amount required for topping up is charged to the customer.

I propose that the hire rates for Dai Nippon remain unchanged as the proposed rates would reduce their charge. They have agreed to current rates, and their usage is higher & utilization higher than costed into the proposed rate.

8. Review of Policies

Several areas of policy need to be reviewed:-

i) Replacement Policy:-

The current policy is to only replace vehicles that have "fallen for themselves" i.e. where the replacement element of actual

received for that vehicle plus any proceeds is equal to the replacement cost. This policy is adhered to even if it is more costly to repair rather than replace, which is causing the unnecessary expense.

The policy should be based on replacing vehicles when it becomes uneconomic to repair ie when the repair costs exceed the cost of replacement. It does not matter if an individual vehicle does not fully recover its replacement cost as long as eventually the replacement cost is recovered. (viz: Cap 95A para 7 "It is one year with another the income of the fund is not less than sufficient to meet its outgoings"). It also means that some vehicles will remain in operational service after its designed life and make recovery in excess of the replacement cost.

ii) Purchasing Policy:-

The policy for purchasing Plant/Vehicles and stores is based on standardization of vehicle type where possible. The decision to standardize in spite of higher capital cost is based on subjective judgement. These purchasing decisions should be substantiated by objective information obtained from the supplier para 9. Ideally the PVU committee should act as a Tender Board, review the information and propose the purchasing source.

iii) Disposal Policy:-

The current disposal policy is not clearly defined. After a vehicle is replaced the old vehicle is kept on in the pool as "back-up" to the permanent fleet. (The last tender of disposal vehicles was in 1984). If the vehicle has been replaced because it is no longer economic to run then likewise it is uneconomic to have it as a back up; further more there is no approved policy for providing for back-up vehicles nor is it posted in to hire rates.

The policy should be to dispose of vehicles via tender as soon as they are replaced.

iv) Investment Policy:-

Currently all investable funds are held on bank deposit in Australian currency. Thought should be given to investing in the currencies in which the replacement purchases are to be made i.e. currently Japanese Yen (majority) and Australian dollars (minority).

v) Sundry Plant/Vehicle minor policies:-

1) Currently PVU uses vehicles from the pool in the course of its daily operations. This distorts the true overhead picture. It is proposed that the PVU has its own vehicle for which it is charged the same way as one of its customer. Likewise casual hire should also be charged up.

2) PVU should not get involved on small items under say \$2,000 (eg chainsaws). These items could easily be accommodated within the Government vote system as they are of small value and the problem of cash flow fluctuation is not experienced.

of the left 1)
PVU to look
into this and
9. proposals

System Requirements

First and foremost of all requirements the Accounts need to be brought up to date, and the general accounting and bookkeeping need to be improved. The expatriate Senior Accountant, when he arrives short

should be able to put this in order in a short time.

There is also a need for a wide range of information, necessary for sound decision making. It is important that the Senior Accountant installs costing systems to provide this information, as soon as possible.

Systems required are:-

i) Labour Costing System:-

On the face of it the level of the PVU work force seems extremely high considering the number of vehicles involved (almost a 1 : 1 ratio). It is important to introduce a fully integrated labour costing system in order to ascertain how efficiently the work force is being used. It should also show actual labour costed to jobs/vehicles, as part of the input to the life cycle costing system.

ii) Spares Costing System:-

Because of poorly executed stock takes in the past, and there being no accurate book records for stock, it has not been possible to place much reliance in spares usage figures extracted from previous Annual Accounts.

It is necessary to introduce an integrated stock control and spares costing system. This will provide a more reliable figure for the purpose of setting hire rates. It will also provide information as part of the input to the life cycle costing.

iii) Life Cycle Costing:-

Replacement policy needs to be based on the economics of cost of replacing/cost of repairing. A life cycle costing system maintaining a file for each vehicle, containing a full history of repair/maintenance costs etc (Labour and spares), down time and through put times in the workshop etc. This system will also show on average how the maintenance costs are split i.e. if the larger vehicles incur the greater proportion of cost relative to capital costs.

iv) Purchasing of Vehicles:-

There is a policy within PVU for standardization of vehicle type which can be a good thing. However when the standard vehicle is more expensive, it is important to determine the cost of standardizing/Changing vehicles. This will involve determining the cost of spares for the new vehicles, the cost of the standard spares held, the proceeds obtainable on disposal of the "standard" spares (if any) and the settling in time for maintenance workers. Regular quotes should be obtained for all vehicles even if they are not ready for replacement (especially for setting of the hire rates). When a vehicle is actually to be replaced it should be supported by several quotes, with a costed explanation if the cheapest is not to be accepted. It is proposed that the PVU committee acts as a Tender Board.

v) Other Information:-

Some minor accounting changes are necessary in order to present information in a more useful manner.

a) Vehicles used by PVU should be charged up through the sales ledger, so that this cost is not lost within all the other cost headings.

b) The unrecovered element of vehicles written off and the

cost of vehicles repaired, due to crashes and accidental damage, should be shown so that the true cost of self insuring can be seen. Currently it is merely reflected in a reduction in the Replacement Fund and is unquantifiable.

- c) Information on casual hire should be produced, showing all the costs of casual hire, fuel, drivers and replacement costs, casual hire income and vehicle utilization in order to justify the existence of the Pool fleet and their drivers, and show the adequacy of utilization rates built into the casual hire rates.
- d) Vehicle lives should be constantly reviewed to ensure that the lives built into hire rates conform to the actual lives achieved. It should also be remembered that the lives are based on an 8 hr day. If 40% customers were to work 24 hr days then hire rates would need adjusting accordingly. Note that "Old Nissan construction vans given 1 $\frac{2}{3}$ discount on permanent hire rates, and their high level of usage is likely to wear the vehicles out at a quicker rate than normal, and incur a high rate of maintenance.
- e) A monthly schedule should be produced to show details of breakdowns during the month, cause of breakdown, duration of downtime on individual vehicles, and reasons for periods of excessive downtime eg lack of spares etc.

10. Conclusion & Summary

One of the main instigations for this study was the criticism that hire rates were too high. In this report I have shown that overall on a full recovery of costs basis this appears not to be the case. However it appears generally that the larger equipments were overpriced and the smaller vehicles underpriced.

The efficiency of the organization may be questioned in the light of the ratio nearly 1:1 total staff to vehicles, and a 9 $\frac{1}{2}$ % maintenance add on cost, for this reason I have reduced down the calculated rates by 22% to result in no overall increase for my proposed rates.

The systems highlighted in this report once installed will show up these inefficiencies, and by corrective action economies can be made. This may then result in the calculated rate coming down; however it is unlikely that there will be a substantial reduction below the proposed rate. If accepted the changes in procedures for charging will require the hire agreement to be amended, viz basis charging for fuel, casual hire daily minimum for heavy plant, and reduction to two categories of hire.

Current Vehicle Fleet

<u>Plant/Vehicle Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
Pick Up S/C	18	7	5	-	-	2
Pick Up D/C	30	30	16	2	12	-
L/R Fire Tender	1	1	1	-	-	-
Cedric Brougham	1	1	1	-	-	-
SGL Saloon	3	3	3	-	-	-
Minibus	8	7	2	-	4	-
Ambulance	4	3	3	-	-	-
Cabstar 2.75	5	3	2	-	-	-
1.50	3	3	2	-	-	-
Breakdown Truck	1	1	-	1	-	-
Garbage Truck	1	-	-	-	-	-
Flat Bed w/Hiab	10	9	4	-	3	2
Flat Bed only	3	1	1	-	-	-
Tipplers	13	10	4	-	-	4
Water Tanker	5	4	4	-	-	-
Fuel Tanker	3	2	2	-	-	-
Septic Tanker	2	1	1	-	-	-
Coles Tender	4	2	2	-	-	-
Mack Truck	1	1	-	1	-	-
Tractors	25	25	22	-	-	-
Dump Truck	1	1	1	-	-	-
Trailers	27	27	22	-	-	-
Loaders/Backhoes	5	3	1	-	-	2
Dozers D6D	2	2	-	-	-	2
Graders	3	3	-	-	-	1
Rollers	4	4	1	-	-	-
Forklifts	8	7	3	2	-	-
Cranes, Coles	3	3	1	-	-	1
Draglines	4	4	-	-	-	-
Dumpers 22.5. cwt	2	1	1	-	-	-
Crusher/Feeder	1	1	1	-	-	-
Compressors	8	7	-	-	4	1
Pumps 2"	5	5	1	-	4	-
Sykes	2	2	-	-	-	-
Welders 300+	5	5	-	4	1	-
Welders 300-	2	2	1	-	-	1
Generators	11	6	-	-	6	-
Motor Cycles 125CC	11	6	6	-	-	-

Key to Columns:

- 1) Total Vehicle Fleet including Kirittmati
- 2) Total Vehicle Fleet ex Tarawa (ie incl outer Gilbert Islands)
- 3) Vehicles required on permanent hire
- 4) Vehicles required by PVU (Chargeable to overheads)
- 5) Vehicles required for casual hire i.e. Pool Vehicles
- 6) Permanent hire due to cease shortly eg Dai Nippon.
- 7) Vehicles excess to requirements.

Notes

- i) Land Rover Fire Tender not to be replaced
- ii) PVU require an increase to two breakdown trucks
- iii) Only one of the four water tankers is to be replaced.
- iv) There is a possibility that Mobil will purchase their own tankers in the future as soon as they have the available funds.
- v) 1 Septic tanker not to be replaced.
- vi) 1 Coles Crane currently used by Supply Division, no longer required after causeway is completed.
- vii) Pumps 2" are not to be replaced

Replacement Costs

1. Pick Up S/C	\$7,324 FOB + \$210/cm = 16 x 210 =	3,360	=	\$10,700
2. O/C	\$8,950	=	3,360	12,300
3. Ce-lic Broom	10,320 - 12% (18 Months infl)	=		21,650
4. SGL	17,248 + 12%	=		19,300
5. Minibus	Y1,712,000 ÷ 105 + \$50/cm (30cm)	=		17,900
6. Ambulance	Y2,561,000 ÷ 105 + \$50/cm (30cm)	=		25,900
7. Cabstar 2.75	Y2,506,000 ÷ 105 + \$50/cm (35cm)	=		27,600
8. 1.50	(30cm)	=		25,950
9. Breakdown Truck	Y4,041,000 ÷ 105 + \$50 x 30cm	=		40,000
10. Flat Bed W/Hub	Y7,070,000 ÷ 105 + 50 x 44cm	=		68,850
11. Flat Bed Only	Y5,500,000 ÷ 105 + 50 x 44cm	=		54,600
12. Tippers	Y5,783,000 ÷ 105 + 50 x 44cm	=		57,300
13. Water Tanker	Y5,800,000 ÷ 105 + \$50 x 44cm	=		57,400
14. Fuel Tanker	Y7,250,000 ÷ 105 + \$50 x 44cm	=		71,250
15. Fire Tender	Y15,807,000 ÷ 105 + \$50 x 44cm	=		152,750
16. Tractors	£9,307 x 2.2. + \$50 x 12cm	=		21,100
17. Trailers	Estimate	=		10,000
18. Dump Truck	estimate based on previous cost	=		140,000
19. Loaders	US\$71,220 x 1.57 + \$50 x 35cm	=		119,500
20. Rollers	Est based on previous \$10,000 + 35%	=		57,000
21. Forklifts	Est based on previous cost	=		50,000
22. Crusher/Feeder	Est \$130,000 + 25%	=		162,500
23. Compressors	\$17,000 + 25%	=		21,250
24. Pumps		=		3,500
25. Welders	300+ } 4,629 + 300 wharfage etc	=		4,900
26. 300-	}	=		
27. Mixer	10 x 7' Slug \$8,000 ÷ 1.10 + \$250 x 6	=		7,200
28. Mixers	1 x 5' £1,241 x 2.2. \$250 x 4	=		3,750
29. Motor Cycles	Y306,000 ÷ 105 + 50/cm x 2cm	=		3,000
30. Mack Truck	2 x Cost of Flat bed	=		109,200
31. Grader	105,245 x 1.57 + \$50 x 40cm	=		168,800
32. Dozer	118,235 x 1.57 + \$50 x 40cm	=		187,630
33. Dragline	Estimate \$150,000	=		150,000
34. Coles Crane	Estimate \$100,000	=		100,000

Best Available Document

Inflation & Interest

In most developed countries today interest rates and inflation are related e.g. Australia, high interest rates high inflation rate and Japan low interest rates low or negative inflation. For this reason I have combined these two elements to show the net effect, taking as an example a vehicle costing \$5,000 with a life of 5 years.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<u>Replacement Cost</u>	<u>5,000</u>	<u>5,600</u>	<u>6,272</u>	<u>7,025</u>	<u>7,867</u>
<u>Replacement Fund</u>					
B/P		1,075	2,440	4,154	6,287
Hire Income	1,000	1,120	1,254	1,405	1,573
Interest Income	75	245	460	728	1,061
	<u>1,075</u>	<u>2,440</u>	<u>4,154</u>	<u>6,287</u>	<u>8,921</u>

The net effect of interest and inflation at these rates is minimal.

- Note: i) Hire income shows replacement element only, based upon successive reviews, taking into consideration new replacement costs.
- ii) Interest is calculated on the total replacement fund assuming hire income is received evenly throughout the year.

Operating Costs

Salaries & Wages

i) Salaries and Wages figures shown below are based on the first half year 1986 figures extracted from the payrolls. This effectively excludes the distortions caused by usage of driver etc by Dai Nippon (Hire Income from Dai Nippon has not been taken into consideration for overhead absorption rates as it is relatively short term).

ii)	No. Staff	Cost	Admin	Maintenar
Direct (Maintenance)	37	101,000	-	101,000
Indirect (note)	28	64,000	43,000	21,000
Technical Stores	10	23,000	-	23,000
Drivers	13	51,000	5,000	-
Office	13	52,000	52,000	-
	<u>106</u>	<u>291,000</u>	<u>101,000</u>	<u>145,000</u>

Note: Indirect includes:

- a) 8 Watchmen
- b) 7 Foremen/Leading hands
- c) 7 Clerks
- d) 2 Storemen
- e) 2 Cleaners
- f) 2 Senior Officers transport/superintendents.

Cost of Spares

Cost of spares 1984 (incl spares used on outside jobs i.e. recoverable) = 331,000

1984 recoveries = 192,000

1986 " = 72,000

Reduction in real terms = 72%

At 1987 Spares/Labour + OHD, reduction = 69,000

Current usage @ 1984 values = 262,000

Spares Usage @ 1987 values = 307,000

Riel

Current Usage = 278,000

Resold = 28,000

used in Casual Hire = 30,000

Overhead = 30,000

Electricity

Current electricity cost = 110,000

Administration electricity costs = 10,000

Maintenance electricity costs = 30,000

Insurance

Currently the PVU is self insuring, however no records are maintained to ascertain the true cost of this. After discussion with the KI

Insurance Corporation I have taken their rate of 3% p.a. on value Plant/Vehicle. This overages out, as the vehicle is depreciated about 2% of the full replacement cost.

Shipping Costs

These should be costed into the landed cost of vehicles/spares, have therefore been excluded from the overhead calculations.

Overhead Cost of Vehicles used by PVU

In the 1984 Accounts the overhead cost of the vehicle usage of PVU is lost within other figures.

The Manager PVU has stated his requirements as being: Tire Cost

	<u>Admin</u>	<u>Maintenance</u>
2 Pick Ups	6,599	6,599
2 Fork Lifts		33,138
1 Mack Truck	25,989	
2 Breakdown Trucks		36,180
4 Welders.		4,272
	<u>32,588</u>	<u>80,189</u>

8. Other Costs

As there is no real need for overseas travel, now that the Kirit operation has been separated from the main body of PVU, this overhead has been dropped from the calculation.

Sundry expenses at \$50,000 p.a. Include \$30,000 staff costs leave grants/travel etc. shown separately in the summary.

9. Summary of overheads

	<u>Totals</u>	<u>Admin</u>	<u>Maintenance</u>	<u>Trading Account</u>
Wages	291,000	101,000	145,000	45,000
Staff Costs	30,000	10,000	15,000	5,000
Cost of Spares	367,000	-	367,000	-
Electricity	40,000	10,000	30,000	-
Fuel & Lubricants	78,000	-	20,000	58,000
Vehicle Hire	112,000	32,000	80,000	-
Other	20,000	20,000	-	-
	<u>938,000</u>	<u>173,000</u>	<u>657,000</u>	<u>108,000</u>
Overhead			72,000	
Net Costs		<u>173,000</u>	<u>585,000</u>	
Percentage		14%	94%	

Vehicles to be replaced (excl Kiritimati)

<u>No.</u>	<u>Replacement Cost</u>	<u>Life</u>	<u>Outstanding (Yrs)</u>
5	10,700	4 yrs	
30	13,300	3/4 yrs	
1	21,650	4 yrs	
3	19,300	4 yrs	
6	17,800	4 yrs	
3	25,900	4 yrs	
2	25,350	4 yrs	
2	23,950	4 yrs	
2	40,000	5 yrs	
7	68,850	5 yrs	
1	54,600	5 yrs	
4	57,300	5 yrs	
1	57,400	5 yrs	
2	71,250	5 yrs	
2	152,750	7 yrs	
1	109,200	10 yrs	
23	21,100	7 yrs	
23	10,000	5 yrs	
1	140,000	10 yrs	
1	113,500	10 yrs	
1	54,000	7 yrs	
5	50,000	7 yrs	
1	162,500	10 yrs	
4	21,250	5 yrs	
4	3,500	3 yrs	
5	14,900	5 yrs	
1	4,900	5 yrs	
1	7,200	4 yrs	
5	18,750	4 yrs	
10	3,000	3 yrs	

Casual Hire Usage

Casual hire rates are based on 50% utilization of vehicles. In reality it appears utilization is a lot less. However if the hire rates are increased to cover the lower utilization it would act as a disincentive to hire. Also any income from vehicles which are in excess to requirement is a "bonus".

The manager DWI indicated which vehicles he required as a "Pool" requirement for casual hire. It is shown below that this size of pool fleet cannot be justified within the 50% utilization factor.

(a) Casual Hire Income 1986 \$160,000
(includes recovery of fuel @ drivers)

(b) Hire Income due on required Pool:

Land Rovers	10	@	6,972	69,720
Pickups	2	@	4,428	8,856
Minibus	4	@	6,204	24,816
Compressors	4	@	8,076	32,304
Pumps 2"	4	@	960	3,840
Welders	1	@	5,700	5,700
Mixers	6	@	1,896	11,376
				<u>156,612</u>

(c) Fuel 58,000
(d) Drivers 45,000
259,612

In para 2 it shows that the casual hire operation has under recovered its costs by about \$100,000. However the hire income in Para 2(a) include income on vehicles in "excess to requirement" of dozers, draglines etc. If this is taken out of the calculation the under recovery is even higher.

There is currently no system to show how efficient the casual hire operation is, viz utilization, vehicles, utilization, drivers, recovery of fuel used. There is a desperate need for a system in this area. However in my opinion utilization of less than 50% is an argument for dropping the vehicle from the fleet rather than costing in lower utilization factors which will ultimately reduce further the utilization.

ANNEX A

Proposed Hire Rates - Permanent Hire

Vehicle Type	Current Rate per month	Proposed Rate per month	Proposed Rate per month
Pick Ups D/C 3 yrs	2120	5578	85,910
Pick Ups S/C	369	374	4,488
Pick Ups D/C	420	430	5,155
Cedric Brougham	756	757	9,085
SGL Saloon	756	670	8,050
Minibus	517	641	7,700
Ambulance	654	939	11,275
Cabstar 2.75	556	920	11,070
1.50	456	870	10,451
Breakdown Trucks	-	1178	14,132
Flat Bed W/Hab	1845	2034	24,409
Flat Bed Only	1311	1611	19,332
Flippers	1308/1818	1,701	20,412
Water Tankers	1670	1,704	20,448
Fuel Tanker	1818	2,115	25,382
Fire Tender	4,240	3,296	39,519
Jack Truck	-	1,692	20,303
Tractors	470	455	5,462
Trailer	115	297	3,562
Dump Truck	3,000	2,169	26,031
Loaders	3,600	1,758	21,103
Walers	852	1,165	13,981
Boles Crane	2,996	1,816	21,800
Forklifts	713	1,079	12,944
Crusher/Feeder	4,256	2,517	30,214
Compressors	673	631	7,570
Ramps 12"	80	165	1,985
Folders	475	139	1,668
Hixers 10 x 7	396	255	3,065
Hixers 7 x 5	158	133	1,595
Motor Cycles	39	138	1,656
Land Rover S/W	668	668	8,016
Land Rover P/U	581	581	6,972
Range Rover	672	672	8,064
Land Rover Fire Tender	1274	1274	15,288
Ringet Dumper	277	277	3,324

Proposed Hire Rates - Permanent Hire (Self Maintain)

Vehicle Type	Current Rate per month	Proposed Rate per Month	Proposed Rate per annum
Tractors	370.00	347	4,159
Trailers	90.50	223	2,680
Pick Ups	299.00	436	5,230

Proposed Hire Rates - Casual Hire

~~24/1/14~~
To be implemented

Vehicle Type	Current hourly Rate	Proposed hourly Rate
Pick Ups S/C	4.40	4.40
Pick Ups S/C	5.04	5.16
Minibus	6.20	7.60
Substar 2.75	7.84	11.06
1.50	6.67	10.44
Flat Bed W/High	22.14	24.41
Tippers	15.70/17.82	20.41
Tractors	5.44	5.46
Trailers	1.28/5.26	2.56
Loaders	42.20	21.10
Dozers	78.24	37.90
Graders	78.72	33.80
Rollers	10.22	13.98
Forklifts	9.66	12.94
Coles-Crane	35.95	21.80
Dragline 2200	67.02	32.70
Compressors	8.28	7.57
Pumps 2"	2.03	1.98
Pumps 4"	5.70	5.70
Welders	5.70	1.67
Mixers 10 x 7	4.75	3.06
Mixers 7 x 5	1.90	1.60
Land Rover S/W	8.00	8.00
Land Rover P/U	6.97	6.97
Range Rover	8.06	8.06

Calculation of Hire Rates

	<u>FVU Maintained</u>	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Pick Ups D/C (3yrs)	2	4,100	8,200	3,854	984	246	(300)	8894	59	
Pick Ups S/C	5	2,675	13,375	2,514	610	214	(200)	5,745	14	
D/C	2.5	3,075	76,875	2,800	730	266	(350)	6,590	51	
Ceclin Brougham	1	5,412	5,412	3,087	1,398	132	(600)	11,620	90	
SGL Saloon	3	1,825	14,175	4,535	1,138	386	(600)	10,304	8,0	
Minibus	6	4,150	26,700	4,183	1,068	376	(200)	9,857	7,79	
Ambulance	3	6,475	19,425	6,986	1,554	516	(300)	14,433	11,25	
Cabstar 2.75	2	6,307	12,614	5,956	1,320	307	(150)	14,170	11,07	
1.50	2	5,987	11,974	5,627	1,436	479	(150)	13,372	10,45	
Breakdown Trucks	2	8,000	16,000	7,520	1,920	800	(150)	18,000	14,15	
Flat Bed W/Hub	7	13,770	96,390	12,943	3,234	1,377	(150)	31,244	24,46	
Flat 1 Only	1	10,920	10,920	10,264	2,620	1,092	(150)	24,746	19,33	
Hippers	4	11,460	45,840	10,772	2,750	1,146	-	26,128	20,41	
Water Tankers	1	11,480	11,480	10,791	2,755	1,148	-	26,174	20,44	
Fuel Tanker	2	14,250	28,500	13,395	3,420	1,425	-	32,400	25,38	
Fire Tender	2	21,821	43,642	20,511	5,237	3,054	-	50,623	39,54	
Jack Truck	1	10,920	10,920	10,265	2,620	2,184	-	25,989	20,30	
Tractors	7	3,014	21,098	2,833	723	422	-	6,992	5,46	
Trailers	7	2,000	14,000	1,880	480	300	-	4,560	3,56	
Dump Truck	1	14,000	14,000	13,160	3,260	2,810	-	33,330	25,02	
Loaders	1	11,350	11,350	10,669	2,724	2,270	-	27,013	21,10	
Rollers	1	7,714	7,714	7,251	1,851	1,080	-	17,896	13,98	
Forklifts	5	7,142	35,710	6,713	1,714	1,000	-	16,560	12,94	
Crusher/Feeder	1	16,250	16,250	15,275	3,900	3,250	-	38,675	30,21	
Compactors	4	4,250	17,000	3,995	1,020	625	-	9,600	7,77	
Pumps 2"	4	1,166	4,664	1,096	380	-	-	2,512	1,98	
Welders	6	980	5,880	921	235	-	-	2,136	1,66	
Fixers 10 x 7	1	1,800	1,800	1,692	432	-	-	3,924	3,06	
" 7 x 5	5	937	4,685	880	225	-	-	2,042	1,59	
Motor Cycles	10	1,000	10,000	940	240	20	(150)	2,120	1,65	
			<u>616953</u>							

LC

61,6953

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Self Maintained

tractors	16	3,014	48,224	-	723	422	-	4,159
Trailers	16	2,000	32,000	-	480	300	-	2,680
Pick Ups D/C (3yrs)	3	4,100	12,300	-	984	246	(100)	5,230
								709,477

Graders (10yrs Life)	16,800	-	15,867	4,031	-	(3,000)	33,758
Dozers "	18,763	-	17,637	4,503	-	(2,000)	37,903
Draglines "	15,000	-	14,100	2,600	-	-	32,700
Colos Crane "	10,000	-	9,400	2,400	-	-	21,800

Key to Columns:

- a) Number of vehicles
- b) Replacement cost ÷ Life
- c) (a) x (b)
- d) Maintenance cost i.e. 94% of col (a) (b)
- e) Administration cost i.e. 24% of column (b)
- f) Insurance 2% of replacement cost.
- g) Estimated proceeds on disposal ÷ Life of vehicle
- h) Calculated hire rate i.e. (b) + (d) + (e) + (f) - (g)
- j) Proposed hire rate i.e. (h) ÷ 1.28.

- Notes:
- i) I suggest no change on Land Rover/Ruge Rover hire rates as these vehicles are gradually being phased out, and are being replaced by pick ups.
 - ii) I propose that the actual calculated rate be used for self maintained vehicles as the high level of maintenance costs is not included in the calculation. I also propose, that the actual calculated rate for heavy equipment (Graders, Dozers, Draglines and Colos Cranes) be used. These equipments are not required on a permanent basis and incur a high maintenance relative to their usage.

Effect of Proposed Rates on Permanent Hire Customers

<u>Customer</u>	<u>Vehicle Type</u>	<u>At Current Rate</u>	<u>At Calculated Rate</u>	<u>Proposed Rate</u>
Beretitenti:	Cedric B (1)	9,072	11,629	
	Siloon (2)	17,136	21,608	
	Pick Ups (1)	4,428	6,500	
<u>Total Beretitenti</u>		<u>30,636</u>	<u>39,736</u>	30,210
ii)	Communications Land Rover S/W	8,016	6,500	5,155
iii)	Shipyard Land Rover P/U	6,972	6,500	5,155
iv)	Education: Minibus	6,204	9,877	
	Pick Up D/C	4,424	6,500	
<u>Total Education</u>		<u>10,628</u>	<u>16,376</u>	12,856
M.T.S	Cabstar	6,672	14,170	11,070
vi)	Supply Division:			
	Flat Bed W/Hub (2)	44,280	62,488	
	Coles Crane	35,952	21,800	
	Forklift	8,556	16,569	
		<u>88,788</u>	<u>100,857</u>	
	Less Crane, after causway	35,952	21,800	
	<u>Total Supply Division</u>	<u>52,836</u>	<u>79,057</u>	61,763
vii)	Agriculture:			
	Pick Up (3)	10,764	15,600	
	Land Rover	6,972	8,884	
	Tractor (16)	75,840	77,876	
	Trailer (16)	18,552	20,400	
	2 Ton Truck	9,000	14,170	
	Flat Bed W/Hub	19,008	31,244	
	<u>Total Agriculture</u>	<u>170,136</u>	<u>198,264</u>	151,893
viii)	Health:			
	Ambulance	23,344	40,209	
	Datsun pick up D/C	4,428	6,500	
	<u>Total Health</u>	<u>27,972</u>	<u>46,708</u>	38,982
ix)	Fisheries:			
	Tractor	5,640	6,902	
	Trailer	1,380	1,500	
	Datsun Pick Up	5,040	8,884	
	Land Rover	6,972	8,884	
	<u>Total Fisheries</u>	<u>19,032</u>	<u>26,224</u>	22,006

x) Works & Energy:			
Stone Crusher		51,072	38,675
Loader		42,200	27,013
Roller		10,224	17,896
UM		45,800	33,330
Tractors	(7)	25,200	21,060
Trillers	(1)	7,700	5,000
Trigons	(1)	7,700	5,000
Coal Tower/Plck Up (7)		22,772	15,700
Plck Up		15,732	11,200
Total Works & Energy		<u>266,024</u>	<u>200,115</u>
			264,977
xi) Police:			
Plck Up		15,732	24,746
Coal Tower/Plck Up (7)		46,284	30,504
Wire Tenders	(2)	101,760	101,210
L/A Fire Tender		15,288	15,288
Motorcycles	(10)	4,680	11,200
Saloon Car		8,064	12,200
Total Police		<u>191,808</u>	<u>212,378</u>
			165,920
xii) RM:			
Water Tankers	(4)	72,192	104,606
Calstar 1.5	(2)	10,944	26,750
Plck Up D/C		4,428	6,500
		<u>87,564</u>	<u>138,056</u>
Less Tankers to be dropped		52,152	78,522
Total RM		<u>35,412</u>	<u>59,534</u>
			46,537
xiii) Lands & Survey:			
Plck Up D/C		4,428	6,500
			3,155
xiv) Air Transport:			
Forklift		8,556	16,560
			12,045
xv) KCMS:			
Forklift		9,660	16,560
			12,045
xvi) Mobil Oil:			
Oil Tankers (2)		44,616	64,000
			50,766
Grand Total Movement Hire		<u>904,344</u>	<u>1154,968</u>
			902,313
Percentage Overall Increase	=	<u>28%</u>	

Plant & Vehicle Unit Kiriritimati1. Background

The Government requires the availability of plant and vehicles on Kiriritimati in order to carry out its operations. These vehicles have been supplied by the Plant & Vehicle Unit. For the past three years P&V has administered the Kiriritimati operation in three different ways. Firstly plant and vehicles were hired to the Government on Kiriritimati i.e. Linix, on a self-maintaining basis. Linix was charged by way of hire rate the replacement and administration costs. This changed in 1985 when the maintenance operation on Kiriritimati including staff etc was transferred from Linix to P&V. P&V charged Linix the full rate (incl maintenance). All maintenance and administration was carried out on Kiriritimati; income was remitted to Tarawa for investment in the main P&V fund. Early in 1986 it changed again. This time P&V Kiriritimati went self-accounting. The idea was to fully administer and maintain the vehicles on Kiriritimati under the self-accounting body P&V Kiriritimati; hire income was to be split into the replacement and administration and maintenance elements i.e. 59% to replacement cost 31% + 10% to administration and maintenance costs.

The 42% was to be kept by P&V Kiriritimati to cover their operating costs; the 58% was to be remitted to the main P&V fund. Because of argument over replacing of vehicles on Kiriritimati, P&V Kiriritimati has not remitted this money and is currently holding TD's worth \$200,000. Technically and in the eyes of the law this money is part of the main P&V fund as is the whole P&V Kiriritimati operation. Before P&V Kiriritimati can be separated from the main P&V fund it has to be set up properly in accordance with the laws. Until this is done P&V Kiriritimati has to be accounted for, with the main P&V fund, in accordance with the Special Fund Act.

As many vehicles on Kiriritimati are hired out on a casual or semi-permanent basis, this latest system leaves P&V on Tarawa with no control.

In short, it has been very unsatisfactory from Linix point of view for plant and vehicles to be controlled from Tarawa. It is even more unsatisfactory to both parties, for replacement decisions to come from Tarawa whilst day to day control is carried out on Kiriritimati.

2. Major Problems

Current major problems are:-

- a) Poor communications between Kiriritimati and Tarawa, making control difficult.
- b) Different environmental conditions between Kiriritimati and Tarawa.
- c) Spares available ex Honolulu are not suitable for the vehicles purchased ex Australia/Japan.
- d) Transhipment of vehicles and spares ex Tarawa is costly and very infrequent.

3. Kiritimati Vehicle Requirement (for Replacement Purposes)

<u>Vehicle Type</u>	<u>No</u>	<u>Replacement Cost each A\$</u>	<u>Total Replacement Cost</u>	<u>Economic Life</u>
Pick Ups	17	13,500	229,500	3
Minibus	1	23,000	23,000	3
Garbage	1	31,550	31,550	4
Flat Bed Truck	2	94,000	188,000	5
Trucks	2	82,000	164,000	4
Water Tanker	1	82,000	82,000	4
Fire Tender	2	160,000	320,000	7
Motorcycles	2	2,250	4,500	3
Loader	2	110,500	221,000	10
Compressors	1	21,100	21,100	5
Mixer	1	7,250	7,250	-
			<u>1,431,700</u>	

Vehicle Capital cost per year of economic life

1802715

(A schedule showing calculations of replacement costs is contained at appendix T)

4. Proposed Accounting for plant & vehicles on Kiritimati

I have considered various ways of accounting for plant and vehicles on Kiritimati. I feel the simplest and therefore most appropriate way for Kiritimati is as follows:-

- i) All the "JWU staff" on Kiritimati should be transferred to Linia, chargeable under Head 260-04.
- ii) Spares should be purchased by Linia and charged directly against recurrent expenditure
- iii) A below the line Account should be opened out of which payments for the purchases of replacement vehicles should be made
- iv) Permanent hire rate charges should be made for all Government vehicles on Kiritimati, charging recurrent expenditure, crediting the BTL A/C in (iii) above.
- v) The BTL A/C should be kept in credit at all times.
- vi) Capital expenditure paid out of the BTL A/C should be authorized on an annual basis by the Chief Accountant preferably in the form of a warrant.
- vii) Annual reviews of the adequacy of hire rates and the BTL A/C balance should be undertaken prior to the issuing of annual "warrants" for capital expenditure
- viii) Casual hire income should be credited to Recurrent Revenue.

I propose that the above is brought into effect w.e.f. 1.1.88.

5. Necessary Action

In order to facilitate the proposed accounting arrangements per para 4. there are several areas of necessary action.

i) **Legality of transfer:-**

Existing plant and vehicles and spares etc need to be transferred from PVU to Central Government. This will involve PVU writing out the values of these vehicles from their books. This will effect no accounting entry in the books of Government. In order to keep the BTL a/c in credit, it will also be necessary to make a transfer of funds from PVU to the Central Government Fund (for credit to BTL a/c) to the value of \$50,000 in order to set up the BTL a/c and cover the cost of the first years purchases (see appendix II). The Minister for Finance may effect these transfers in accordance with the Amendment to the Special Fund Act.

ii) **Purchase of vehicles:-**

A capital Expenditure Budget for 1988 should be submitted by Secretary Linnix to Chief Accountant. This should be supported by recent supplier quotations for the various vehicles to be replaced. The Chief Accountant will then give his authority by way of a warrant to purchase these capital items against the BTL A/C.

iii) **Plant/Vehicle Prices:-**

Linnix should obtain regular suppliers quotations for all vehicles in the Kiriritimati Fleet so that each year circa Sept/Oct up to date replacement costs can be calculated into the hire rates. Each type of plant/vehicle should have several quotations so that the cheapest source can be identified.

iv) **Setting of Hire Rates:-**

During Sept/Oct 1987 it will be necessary to calculate the hire rates to be operative w.e.f. 1.1.88. This will then become an annual exercise. Factors to be taken into account are:-

- i) Replacement costs
- ii) Estimated inflation
- iii) Economic Lives
- iv) BTL a/c balance

Inflation should be based on the increases in the prices on the quotations. Economic lives will be based on actual lives achieved on Kiriritimati. It will be necessary to review the BTL balance to assess its adequacy; Hire rates should be enhanced in order to recoup any shortfall. A schedule of hire rates and their calculations should be sent to the Chief Accountant who will determine their adequacy.

v) **Vote Estimates:-**

As hire rates will be increasing each year due to inflation it is important to take this into consideration. Estimates will soon have to be produced; i.e. before the hire rate calculation mentioned in (iv) above.

Contained at appendix, III is a schedule showing estimated hire rates. These figures can be use for 1988 estimate purposes. However for actual rates to be used in 1988 these figures should be reworked with up to date information towards the end of this year. It can be seen that the current levels of estimated expenditure are totally inadequate, but it should also be considered that casual hire income will accrue to Linnix's Government Revenue; this should be taken into consideration when preparing the 1989 estimates.

6. Conclusion,

It is important that there is liaison between Linix and Ministry of Finance on the proposals above in order to ensure that the necessary decisions are taken in relation to 1,1,88. The possible application of the appropriate service Accounting system is in this, but there may also be a necessity for liaison with a member of the Ministry of Finance to set up the appropriate procedures.

Prices ex HNL

1. Pick Ups: US\$6,800 x 1.57 = A\$10,600 + Freight & Wharfage
 10cm x 180 2,000 Total Landed Cost = A\$13,500

2. Minibus: Pick up cost plus 70% (cost based on low end of
 10cm Minibus is on TRV) A\$21,000

3. Substans: 1,500,000 ex TRV = \$20,950 plus freight etc.
 35cm x 220 = 7,700 A\$21,570

4. Star Bed 1,100: US\$55,426 x 1.57 = A\$87,020 + freight & wharfage
 10cm x 180 = \$7,000 Total Landed Cost = A\$94,000

5. Tipper: Estimate = 1,400,000 ex TRV plus freight etc.
 with 10cm if same base truck used. A\$21,000

6. Water tanker: None conversion on tipper! A\$21,900

7. Fire Tender: 15,807,000 ex TRV = A\$150,500 plus freight etc.
 10cm x 220 = 1,700
 Total Landed Cost = A\$150,300

8. Motor Cycles: US\$1,821 x 1.57 = 2,850 plus freight etc.
 2cm x 180 = 350
 Total Landed Cost = A\$2,900

9. Loaders: US\$71,200 ex TRV = A\$111,300 plus freight etc.
 35cm 1\$7,700
 Total L/C A\$119,500

10. Compressors: Estimate A\$20,000 ex TRV plus
 5cm @ 220 = 1,100 A\$21,100

11. Mixers: 667,000 ex TRV = \$6,350 plus freight
 cost 1,000 \$7,350

Projected Position as at 31.12.87

	<u>Value of Outstanding Life</u>	<u>Value of Life used</u>	
Pick Ups	90,000	129,500	(10) 125,000 x 3/5
Minibus	7,000	15,200	20,000 x 3/5
Cabstar	-	31,500	full life used
Flat Bed Vehicle	70,000	110,000	(1) full life used (1) 20,000 x 4/5
Tipper	80,000	165,800	(2) 165,800 x 1/2 (1) full life used
Water Tanker	11,000	41,000	20,000 x 3/5
Fire Tender	68,000	251,700	(1) 160,000 x 1/7 (1) 160,000 x 2/7
Motorcycles	10,000	16,000	(2) 16,000 x 4/5 (1) full life used
Loader	95,600	140,000	(1) 119,500 x 8/10 (1) full life used
Compressors	10,000	8,000	21,000 x 3/5
Mixers	26,000	10,000	(2) 22,000 x 4/5 (2) 14,000 x 3/5
	<u>514,113</u>	<u>937,387</u>	

Notes:

- (i) value of life used is calculated by subtracting life outstanding from total cost, it does not refer to money collected.
- (ii) The period of life outstanding is based on discussion with Manager PWT Kiritimati.

Calculation: value of outstanding life as at 31.12.86

=	514,113	
	<u>106,300</u>	Less vehicles replaced 1987
	317,753	
	<u>200,000</u>	Plus voted expenditure on vehicles ex. Annex 1987
	517,753	

Calculation of Hire Rates (For Vote Purposes)

	<u>Replacement Cost 1.1.87</u>	<u>Est. Replacement Cost 1.1.88</u>	<u>Life</u>	<u>Replacement Element</u>	<u>Inflation Element</u>	<u>Hire Rate</u>	<u>No Vehicles</u>	<u>Total Charge</u>
Pick Ups	13,500	14,580	3	4860	778	5638	17	95,846
Minibus	23,000	24,840	3	8280	1,375	9655	1	9,605
Substar	31,550	34,074	4	8,518	1,703	10,221	1	10,221
Flat Bed W/Hab	94,900	102,492	5	20,498	3,125	23,623	2	51,246
Tipper	82,900	89,532	4	22,383	4,476	26,859	3	80,577
Water Tanker	82,900	89,532	4	22,383	4,476	26,859	3	80,577
Fire Tanker	160,200	173,016	7	24,717	8,658	33,375	1	26,859
Motor Cycles	3,200	3,456	3	1,152	184	1,336	2	66,736
Loader	119,700	129,060	10	12,906	6,453	19,359	3	12,024
Compressor	21,100	22,788	5	4,558	1139	5,697	1	38,718
Mixers	7,350	7,938	5	1,588	1139	2,727	1	5,697
								13,635
								<u>411,164</u>

Notes: i) Inflation has been estimated at 8% p.a. out of the US; this has been applied to calculate estimated cost 1.1.88.

ii) The inflation element is based on 8% p.a. on total replacement cost. The net effects taking into consideration annual increases in replacement cost are:

- a) 3 yr 16% of replacement cost/Life
- b) 4 yr 20% of replacement cost/Life
- c) 5 yr 25% of replacement cost/Life
- d) 7 yr 35% of replacement cost/Life
- e) 10 yr 50% of replacement cost/Life

*Self
w/p copy*

REPORT OF THE DIRECTOR OF AUDIT ON THE
GOVERNMENT PLANT AND VEHICLE FUND FOR
THE YEARS ENDED 31 DECEMBER 1993 AND
THE YEAR ENDED 31 DECEMBER 1994

I have completed my audit of the Fund for the periods indicated above and have the following comments on its operations and financial statements.

Since the inception of self accounting at the Fund it has failed to produce its own financial statements within the six month lead line and in the format laid down under section 39(2) of the Public Finance (Control and Audit) Act 1976. The quality of the financial statements and supporting records were, for the above periods even worse than the inadequate results of previous years.

(i) Statutory Provisions

The Fund appears to have contravened or not complied with the following statutory provisions:-

- (a) I was not able to locate any rules under section 13(2)(c) of the Public Finance, (Control and Audit) Act 1976 which would greatly assist me in assessing the weight of the decisions of the Asset Replacement Fund Committee and policies adopted by the Fund.
- (b) The present maintenance of photocopying machines appears to fall outside its Act.
- (c) It has transferred two elevators, a fuel tanker and motor cycles to various organisations which probably have a value in excess of \$5000 each without following the correct procedure.
- (d) It is doubtful, bearing in mind the condition of the Fund's accounting records, that any statements submitted under section 8 (1)(a) and (b) of the Special Fund (Plant and Vehicles) Act were of any practical use. The same is applicable to the returns made under section 39(1) of the Public Finance (Control and Audit) Act.
- (e) Under section 5(1)(2) of the Special Fund (Plant and Vehicles) money may only be paid out under warrant. No effort was made by the fund to ensure that this was done and errors in its cash book make it difficult to see how it could be done.
- (f) Section 10(3) of the Constitution states basically that monies shall not be paid out of Special Funds into the consolidated fund. Legislation passed seeks to allow money to be taken from the fund. There is a conflict here.

ii) Budgets and accounts

Basic budgets covering cash flow and capital expenditure are not produced and due to the poor quality of the accounts the operating budget is not reliable and has no supporting documentation.

Charges for repairs and maintenance must be considered as estimates as there is no basic costing data available with regard to overhead rates to be charged.

The charge out rates for permanent vehicle hire seem to be too high. This is borne out by the fact that three statutory corporations have wholly or partly withdrawn from the Fund and bought their own vehicles.

I recommend that charge out rates be reviewed especially in comparison with commercial rates, charged by similar vehicle rental companies.

As in previous years the accounts were inadequately prepared and the basic records supporting them were poor. I have made no specific recommendations for improvements as the Fund now has a new accountant and they are aware of the shortcomings which cover most areas of the accounts.

(iii) Other Matters

- (a) Points raised in our previous report do not appear to have been dealt with, a summary of the major points follows:-

The net balance transferred to the self accounting records on their inception (31/3/81) differed from the balance on the Ministry of Finance records by \$75,034.55.

An amount of \$149,304 is in dispute between the Fund and the Ministry of Finance which apparently relates to the 1979 Government vehicles and plant replacement project.

It was noted that certain Ministry debtors accounts could not be paid out of their estimates. In 1985 it proved necessary to raise the Ministry of Line and Phoenix estimate to \$566,272 to enable it to pay off prior years debts. I recommend that when the Fund's budget is constructed close attention be given to the estimates.

There is a large provision for obsolete parts most of which dates back to the inception of the fund. If it is not possible to sell any of these parts I recommend that they be scrapped, following the correct procedures, as counting them year after year is time consuming and is of little practical value.

The Fund became self insuring during the last year audited as the premium increase proposed by the Kiribati Insurance Corporation was not acceptable. However it has failed to maintain records, as requested by the Asset Replacement Fund Committee, so it is not possible to judge if this method is more economical or whether the accidental damage to vehicles has increased or decreased. I recommend that this be done to judge the performance of the Fund in this respect.

(b) Miscellaneous items

There appears to be a lack of proper controls over payroll and related costs and advances the following points came to my attention.

Several employees had phones installed in their residences and certain bills paid by the Fund. All except one were transferred to the employees advance accounts. I am not sure why this practise was adopted and of the necessity of these phones.

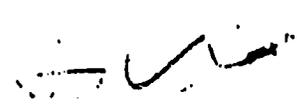
An employee had tax deducted at a lower rate than his salary and allowances indicated. Two employees have house rent deducted at a lower rate than the house occupied.

One employee was given an ex gratia payment of \$900 on top of his entitlements under NCS for a training visit abroad.

In excess of \$700 was spent on a party on the transfer of the Kiritimati unit to the administration of the Ministry of Line and Phoenix. I am not convinced of the necessity of expenditure of this type.

As noted in my previous report Loans/Advances are granted by the Fund to employees. I believe that approval should be sought from the Ministry of Finance first under NCS E62.

I could not verify that expenses advanced out of petty cash amounting to \$290 at April 1986 had been repaid.



Director of Audit

November 17, 1986

202

GOVERNMENT PLANT AND VEHICLE FUND
NINE MONTHS ENDED 31 DECEMBER 1983

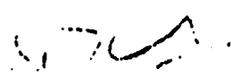
CERTIFICATE OF THE DIRECTOR OF AUDIT

I have examined the financial statements set out on pages 1 to 6, which have been prepared in accordance with section 39(2) of the Public Finance (Control and Audit) Act 1976.

The accounting books and records of the Fund were incomplete and there were significant deficiencies in the system of internal control. The financial statements were reconstructed by me from the information available.

The corresponding amounts in the financial statements are for one year and I disclaimed an opinion on them. Accordingly the figures are not comparable.

Due to the matters described in the preceding paragraphs, in my opinion, the financial statements do not give a true and fair view of the state of affairs of the Fund at 31 December 1983 and of the profit and source and application of funds for the year then ended.


Teiaramako Teoiaki
Director of Audit
November 10, 1986

GOVERNMENT PLANT AND VEHICLE FUND
YEAR ENDED 31 DECEMBER 1984

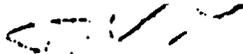
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Due to the matters described in the preceding paragraphs, in my opinion, the financial statements do not give a true and fair view of the state of affairs of the Fund at 31 December 1984 and of the profit and source and application of funds for the year then ended.


Teiaramako Teoiaki
Director of Audit
November 10. 1986

GOVERNMENT PLANT AND VEHICLE FUND

FINANCIAL STATEMENTS

Year ended 31 December 1984

GOVERNMENT PLANT AND VEHICLE FUND
 OPERATING STATEMENT
 YEAR ENDED 31 DECEMBER 1984

	<u>NOTE</u>	<u>1984</u>	Nine Months ended 31 December <u>1983</u>
		\$	\$
Income			
Hire charges	3	1,775,873	1,423,726
Workshop charges etc.		<u>192,472</u>	<u>126,348</u>
		<u>1,968,345</u>	<u>1,550,074</u>
 Operating Expenditure			
Spares		331,233	203,520
Wages		352,857	241,892
Depreciation		781,087	566,186
Fuel and Electricity		111,107	96,964
Insurance		24,272	53,311
Travel expenses		20,950	26,495
Sundry expenses		48,218	26,031
Shipping		<u>41,687</u>	<u>33,860</u>
		<u>1,711,411</u>	<u>1,248,259</u>
 Operating Profit		256,934	301,815
Other Income			
Interest received		87,749	32,601
Loss on disposal of vehicles		<u>(2,700)</u>	<u>(75,173)</u>
Net Profit		341,983	259,243
Deferred Income (Aid) released		296,462	222,347
Asset Valuation Reserve released		<u>203,165</u>	<u>152,373</u>
		<u>841,610</u>	<u>633,963</u>

The Notes on pages 4 to 6 form part of these financial statements

292

GOVERNMENT PLANT AND VEHICLE FUND
BALANCE SHEET
YEAR ENDED 31 December 1984

	<u>NOTE</u>	<u>1984</u> \$	Nine Months end 31 December <u>1983</u> \$
EMPLOYMENT OF CAPITAL	3		
Fixed Assets	4	2,270,576	2,759,301
Current Assets			
Stock	5	434,649	377,537
Debtors	6	1,469,839	1,257,243
Prepayments and advances		11,889	45,738
Interest bearing deposits		1,244,087	714,301
Cash at bank and on hand		<u>537,486</u>	<u>488,077</u>
		<u>3,697,950</u>	<u>2,882,896</u>
Current Liabilities			
Trade creditors		395,161	410,815
		<u>395,161</u>	<u>410,815</u>
Net Current Assets		<u>3,302,789</u>	<u>2,472,081</u>
		<u>5,573,365</u>	<u>5,231,382</u>
CAPITAL EMPLOYED			
Capital Reserve			
Retained Earnings	7	588,802	588,802
Deferred Income (Aid)	8	4,745,052	3,903,442
Asset Valuation Reserve	9	141,760	438,222
	10	<u>97,751</u>	<u>300,916</u>
		<u>5,573,365</u>	<u>5,231,382</u>
Manager			

The notes on pages 4 to 6 form part of these financial statements

203

GOVERNMENT PLANT AND VEHICLE FUND
SOURCE AND APPLICATION OF FUNDS STATEMENT
YEAR ENDED 31 DECEMBER 1984.

	<u>NOTE</u>	<u>1984</u> \$	Nine Months ended 31 December <u>1983</u>
SOURCE OF FUNDS			
Net Profit	3	341,983	259,243
Items not involving the movement of funds:-			
Depreciation		<u>781,087</u>	<u>566,186</u>
		1,123,070	825,429
TOTAL FROM OPERATIONS			
FUNDS FROM OTHER SOURCES			
Book value of assets disposal		<u>9,700</u>	<u>117,499</u>
		1,132,770	942,928
APPLICATION OF FUNDS			
Purchase of Fixed assets		<u>302,662</u>	<u>42,567</u>
INCREASE IN WORKING CAPITAL			
		<u>830,708</u>	<u>900,361</u>
Made up as follows:-			
Stock		57,112	59,052
Debtors		212,596	(136,681)
Creditors		15,654	5,107
Prepayments		(33,849)	(140,339)
Interest Bearing Deposits		529,786	613,271
Cash at Bank		<u>49,409</u>	<u>499,951</u>
		<u>830,708</u>	<u>900,361</u>

204

1. Principal accounting policies

The financial Statements are prepared in accordance with the historical cost convention, including the valuation of certain of the vehicles. The following is a summary of the more important accounting policies used by the fund.

a) Depreciation

Depreciation is calculated to write off the cost or amount of valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

	Per cent
Pickups, light vehicles, generators, saws and welding sets	33 $\frac{1}{2}$
Medium trucks, forklifts, pumps, compressor Landrovers	20
Tractors, trailers, heavy equipment and concrete mixers	14 $\frac{1}{2}$

b) Grants in Aid

Grants received in kind are recorded at fair valuation and are taken to deferred income and credited to revenue over the expected useful life, or usage, of the related asset.

c) Stock

Stock is stated at the lower of cost and net realisable value cost is determined on a first in first out basis and includes freight and handling costs. Provision is made for obsolescent slow moving and defective stock.

2. The Special Fund

The Special Fund was set up in accordance with section 13 of the Public Finance (Control and Audit) Act 1976 and Special Fund (Plant and Vehicles) Act 1980 to finance the provision and maintenance of Government plant and Vehicles.

3. Comparative Figures

The fund changed its year end in 1983 to 31 December with that of the Consolidated Fund. The comparative figures are therefore for the 9 months ended 31 December 1983.

4. Fixed Assets

	<u>Light Vehicles</u>	<u>Medium Vehicles</u>	<u>Heavy Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
	\$	\$	\$	\$	\$
At 1 January					
Cost or valuation					
Cost	161,740	1,169,514	787,373	77,310	2,195,937
Valuation	<u>16,831</u>	<u>777,850</u>	<u>963,346</u>	<u>51,741</u>	<u>1,809,768</u>
	178,571	1,947,364	1,750,719	129,051	4,005,705
Additions	100,299	124,255	29,693	47,815	302,062
Disposals	-	(23,758)	-	(400)	24,158
At 31 December 1984					
Cost	262,039	1,293,769	817,066	125,125	2,497,999
Valuation	<u>16,831</u>	<u>754,092</u>	<u>963,346</u>	<u>51,341</u>	<u>1,785,610</u>
	<u>278,870</u>	<u>2,047,861</u>	<u>1,780,412</u>	<u>176,466</u>	<u>4,283,609</u>
Depreciation					
At 1 January	66,850	696,467	434,261	48,826	1,246,404
Disposals	-	(14,258)	-	(200)	(14,458)
Charge for period	<u>60,458</u>	<u>444,246</u>	<u>242,368</u>	<u>34,015</u>	<u>781,087</u>
At 31 December 1984	<u>127,308</u>	<u>1,126,455</u>	<u>676,529</u>	<u>82,641</u>	<u>2,013,033</u>
Net book value:-					
At 31 December 1984	<u>151,562</u>	<u>921,406</u>	<u>1,103,783</u>	<u>93,825</u>	<u>2,270,576</u>
At 31 December 1983	<u>111,721</u>	<u>1,250,897</u>	<u>1,316,458</u>	<u>80,225</u>	<u>2,759,301</u>

5. Stocks

	\$	\$
Spares and maintenance supplies	771,016	742,561
Provision for obsolete and slow moving stock	(336,367)	(365,024)
	<u>434,649</u>	<u>372,537</u>

6. Debtors

The amounts attributable to different sectors are as follows:

	\$	\$
Government		
Ministries etc.	1,138,725	920,459
Statutory Bodies	517,783	519,280
Private	<u>33,331</u>	<u>37,504</u>
	1,689,839	
Provision for bad debts	(220,000)	(220,000)
	<u>1,469,839</u>	<u>1,257,243</u>

7. Capital Reserve

At 31 December	<u>588,802</u>	<u>588,802</u>
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Being money appropriated for the Special Fund \$411,645 and the written down value of spares transferred from the Ministry of Works and Energy \$177,157.

NOTES TO FINANCIAL STATEMENTS (contd)

	\$	\$
8. Retained Earnings		
At begining of period	3,903,442	3,269,479
Profit for the period	<u>841,610</u>	<u>633,963</u>
At 31 December	<u>4,745,052</u>	<u>3,903,442</u>
9. Deferred Income (Aid)		
At begining of period	438,222	660,569
Released during period	<u>(296,462)</u>	<u>(222,347)</u>
At 31 December	<u>141,760</u>	<u>438,222</u>
10. Asset Valuation Reserve		
At begining of period	300,916	453,289
Released during period	<u>(203,165)</u>	<u>(152,373)</u>
At 31 December	<u>97,751</u>	<u>300,916</u>

GOVERNMENT PLANT AND VEHICLE FUND

FINANCIAL STATEMENTS

NINE MONTHS ENDED 31 DECEMBER 1983

GOVERNMENT PLANT AND VEHICLE FUND

OPERATING STATEMENT

Nine months ended 31 December 1983

<u>Income</u>	<u>Note</u>	<u>Nine months ended 1983</u> \$	<u>Year ended 31 March 1983</u> \$
Hire charges	3	1,423,726	2,134,348
Workshop charges etc.		<u>126,348</u>	<u>162,114</u>
		<u>1,550,074</u>	<u>2,296,462</u>
 Operating Expenditure			
Repairs		203,520	101,891
Wages		241,892	322,242
Depreciation		566,186	700,946
Fuel and Electricity		96,964	98,787
Provision for bad debts		-	50,000
Insurance		53,311	51,950
Travel Expenses		26,495	29,349
Sundry Expenses		26,031	7,240
Shipping		<u>33,860</u>	<u>16,808</u>
		<u>1,248,259</u>	<u>1,379,213</u>
 Operating Profit		 301,815	 917,249
 Other Income			
Interest received		32,601	83,384
Loss/Profit disposal vehicles		<u>(75,173)</u>	<u>21,434</u>
Net Profit		1,022,067	259,243
Deferred Income (Aid) released	9	222,347	296,462
Asset Valuation Reserve released	10	<u>152,373</u>	<u>203,165</u>
Profit retained	8	<u>633,963</u>	<u>1,521,694</u>

The notes on pages 4 to 6 form part of these accounts

GOVERNMENT PLANT AND VEHICLE FUND

BALANCE SHEET

Nine months ended 31 December 1983

	<u>Note</u>	<u>Nine months ended</u> <u>31 December</u> \$	<u>Year ended</u> <u>31 March</u> \$
EMPLOYMENT OF CAPITAL	3		
Fixed Assets	4	2,759,301	3,400,419
Current Assets			
Stock	5	377,537	318,485
Debtors	6	1,257,243	1,393,924
Prepayments and advances		45,738	186,077
Interest bearing deposits		714,301	101,030
Cash at bank and on hand		<u>488,077</u>	<u>597</u>
		<u>2,882,896</u>	<u>2,000,113</u>
Current Liabilities			
Trade creditors		410,815	415,922
Bank overdraft		<u>-</u>	<u>12,471</u>
		<u>410,815</u>	<u>428,393</u>
Net Current Assets		<u>2,472,081</u>	<u>1,571,720</u>
		<u>5,231,382</u>	<u>4,972,139</u>
CAPITAL EMPLOYED			
Capital Reserve	7	588,802	588,802
Retained Earnings	8	3,903,442	3,269,479
Deferred Income (Aid)	9	438,222	660,569
Asset Valuation Reserve	10	<u>300,916</u>	<u>453,289</u>
		<u>5,231,382</u>	<u>4,972,139</u>

The Notes on pages 4 to 6 form part of these financial statements

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Manager

GOVERNMENT PLANT AND VEHICLE FUND

SOURCE AND APPLICATION OF FUNDS STATEMENT

Nine months ended 31 December 1983

	<u>Note</u>	<u>1983</u> \$
SOURCE OF FUNDS		
Net Profit	3	259,243
Items not involving the movement of funds:-		
Depreciation		<u>566,186</u>
TOTAL FROM OPERATIONS		825,429
Funds from other sources		
Book value of assets disposed		<u>117,499</u>
		942,928
Application of funds		
Purchase of Fixed assets		<u>42,567</u>
INCREASE IN WORKING CAPITAL		<u>900,361</u>
Made up as follows:-		
Stock		59,052
Debtors		(136,681)
Creditors		5,107
Prepayments		(140,339)
Interest Bearing Deposits		613,271
Cash at Bank		<u>499,951</u>
		<u>900,361</u>

GOVERNMENT PLANT AND VEHICLE FUND

NOTES TO THE FINANCIAL STATEMENTS

Nine months ended 31 December 1983

1. Principal accounting policies

The financial statements are prepared in accordance with the historical cost convention, including the valuation of certain of the vehicles. The following is a summary of the more important accounting policies used by the fund.

a) Depreciation

Depreciation is calculated to write off the cost or amount of valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

	Per cent
Pickups, light vehicles, generators, saws and welding sets	33 $\frac{1}{2}$
Medium trucks, forklifts, pumps, compressors and Landrovers	20
Tractors, trailers, heavy equipment and concrete mixers	14 $\frac{1}{2}$

b) Grants in Aid

Grants received in kind are recorded at fair valuation and are taken to deferred income and credited to revenue over the expected useful life, or usage, of the related asset.

c) Stock

Stock is stated at the lower of cost and net realisable value, cost is determined on a first in first out basis and includes freight and handling costs. Provision is made for obsolescent slow moving and defective stock.

2. The Special Fund

The Special Fund was set up in accordance with section 13 of the Public Finance (Control and Audit) Act 1976 and Special Fund (Plant and Vehicles) Act 1980 to finance the provision and maintenance of Government Plant and Vehicles.

3. Comparative Figures

The Fund changed its year end to 31 December to co-incide with that of the consolidated Fund.

It is not possible to present comparative information on the Source and Application of Funds as the financial statements were drawn up on a different basis for the year ended 31 March 1982.

302

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

4. Fixed Assets

	<u>Light Vehicles</u> \$	<u>Medium Vehicles</u> \$	<u>Heavy Equipment</u> \$	<u>Other Equipment</u> \$	<u>Total</u> \$
At April 1983					
Cost or valuation					
Cost	251,757	1,169,514	787,373	61,578	2,270,222
Valuation	<u>17,831</u>	<u>798,225</u>	<u>963,346</u>	<u>51,741</u>	<u>1,831,143</u>
	269,588	1,967,739	1,750,719	113,319	4,101,365
Additions	26,835	-	-	15,732	42,567
Disposals	(117,852)	(20,375)	-	-	(138,227)
At 31 December 1983					
Cost	161,740	1,169,514	787,373	77,310	2,195,937
Valuation	<u>16,831</u>	<u>777,850</u>	<u>963,346</u>	<u>51,741</u>	<u>1,809,768</u>
	<u>178,571</u>	<u>1,947,364</u>	<u>1,750,719</u>	<u>129,051</u>	<u>4,005,705</u>
Depreciation					
At 1 April 1983	37,746	382,227	254,072	26,901	700,946
Disposals	(11,103)	(9,625)	-	-	(207,728)
Charge for period	<u>40,207</u>	<u>323,865</u>	<u>180,189</u>	<u>21,925</u>	<u>566,186</u>
At 31 December 1983	<u>66,850</u>	<u>696,467</u>	<u>434,261</u>	<u>48,826</u>	<u>1,246,404</u>
Net book value:-					
At 31 December 1983	<u>111,721</u>	<u>1,250,897</u>	<u>1,316,458</u>	<u>80,225</u>	<u>2,759,301</u>
At 31 March 1983	<u>231,842</u>	<u>1,585,512</u>	<u>1,496,647</u>	<u>86,418</u>	<u>3,400,419</u>
5. Stocks					
				\$	\$
Spares and maintenance supplies				742,561	798,424
Provision for obsolete and slow moving Stock				<u>(365,024)</u>	<u>(479,939)</u>
				<u>377,537</u>	<u>318,485</u>
6. Debtors					
The amounts attributable to different sectors are as follows:					
				\$	\$
Government					
Ministries etc.				920,459	1,506,404
Statutory Bodies				519,280	328,051
Private				<u>37,504</u>	<u>29,067</u>
				<u>1,477,243</u>	<u>1,863,522</u>
Provision for bad debts				<u>(220,000)</u>	<u>(469,598)</u>
				<u>1,257,243</u>	<u>1,393,924</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

	\$	\$
7. Capital Reserve		
At 1 April	588,802	1,000,912
To reverse double recording of appropriation	<u>-</u>	<u>(412,110)</u>
At period end	<u>588,802</u>	<u>588,802</u>

Being money appropriated for the Special Fund \$411,645 and the written down value of spares transferred from the Ministry of Works and Energy \$177,157.

	\$	\$
8. Retained Earnings		
At 1 April	3,269,479	1,819,466
Adjustment to balance transferred from Ministry of Finance	<u>-</u>	<u>(71,681)</u>
Profit for the period	<u>633,963</u>	<u>1,521,694</u>
At period end	<u>3,903,442</u>	<u>3,269,479</u>

9. Deferred Income (Aid)		
At 1 April	660,569	950,200
Additions during period	<u>-</u>	<u>6,831</u>
Released during period	<u>(222,347)</u>	<u>(296,462)</u>
At period end	<u>438,222</u>	<u>660,569</u>

10. Asset Valuation Reserve		
At 1 April	453,289	656,454
Released during period	<u>(152,373)</u>	<u>(203,165)</u>
At period end	<u>300,916</u>	<u>453,289</u>

SUPPLY DIVISION

SUPPLY DIVISION

Balance Sheet as at 31.12.86

<u>1985</u>		<u>1984</u>	<u>1983</u>
18,588	Fixed Assets		16,069
	Current Assets:		
1,889,984	Stock (Incl Stock in Transit)	1,618,592	
1,010,195	Debtors-Sales Ledger	597,399	
111,719	Debtors-Sundry & Prepayments	146,612	
133,531	Bank & Cash	217,541	
452,354	Interest Bearing Deposit	824,105	
<u>3,597,783</u>			<u>3,424,349</u>
	<u>Current Liabilities</u>		
(356,236)	Creditors-Purchase Ledger	(140,293)	
(498,215)	Creditors-Sundry & Accruals	(394,150)	
<u>(854,451)</u>			<u>(534,443)</u>
<u>2,841,920</u>			<u>2,915,975</u>
	<u>Financed by:</u>		
1,772,584	Opening Capital	1,772,584	
165,778	Items relating to pre 1982	165,778	
314,313	Receipts from Pre 1982 Debtors	317,174	
24,727	Capital Reserve	24,727	
564,518	Reserved Profits	635,712	
<u>2,841,920</u>			<u>2,915,975</u>

Supply Division

Profit & Loss Account for the Year Ended 31.12.86

		As	As
	Credit Sales		
1,061,238	Bairiki	1,071,161	
328,877	Betio	359,478	
<u>1,390,115</u>			1,430,639
	Cash Sales		
427,535	Bairiki	583,882	
121,520	Betio	367,512	
216,282	Kiritimati	280,444	
<u>835,337</u>			1,231,838
<u>1,325,049</u>	Special Indent Sales		1,230,773
<u>1,550,501</u>			<u>3,893,250</u>
<u>(484,433)</u>	Gross Profit		460,018
	Expenses		
200,686	Salaries & Wages—Normal Time	202,961	
12,623	- Overtime	20,444	
26,745	Staff Expenses	28,983	
26,895	Electricity	31,956	
20,430	Insurance	22,558	
9,038	Telex & Telecommunications	21,644	
9,693	Stationery	8,949	
2,265	Miscellaneous	5,031	
93,326	Vehicle Hire	87,871	
6,361	Fuel	6,926	
6,679	Repairs & Maintenance	7,615	
5,399	Depreciation	11,277	
(12,956)	Handling Recoveries	(14,781)	
<u>407,184</u>	Total Expenses		441,434
77,249	Trading Profit for the Year		18,584
68,267	IBD Interest Received		52,610
<u>145,516</u>	Profit for the Year		71,194
<u>419,002</u>	Total Revenue Reserves B/T		<u>564,518</u>
<u>554,518</u>	Total Reserved Profits		<u>635,712</u>

307

Supply Division

Sources & Applications of Funds for the Year Ended - 31.12.86

1985	<u>Sources</u>		
145,516	Profit for the Year	71,194	
5,399	Add Back: Depreciation	11,277	
<u>150,915</u>			82,471
35,206	Receipts from Pre 82 Debtors		2,861
<u>186,121</u>			<u>85,332</u>
	<u>Applications</u>		
(7,595)	Purchases of Fixed Assets		(8,758)
-	Payments Relating to pre 1982		-
<u>(7,595)</u>			
	<u>Movements in Working Capital</u>		
(684,193)	Decrease in Debtors	377,903	
(4,691)	Decrease in Creditors	(240,008)	
164,550	Decrease in Stock	271,292	
<u>(524,334)</u>			409,187
<u>(345,808)</u>	Increase in Cash & Bank		<u>485,761</u>

Supply Division

Notes to the Accounts

1. Background

The Supply Division became self-accounting on 1.1.82. In September, 1982 an act was passed establishing a SPECIAL FUND under which the Supply Division will operate. An appropriation, covering value of the Supply Division's total net assets, is now required in order that the activities of the Division come under Special Fund.

2. Accounting Policies

2.1. The accounts have been prepared on a commercial basis under the historical cost convention, this being the requirement of Special Fund Act.

2.2. Depreciation

Depreciation has been provided on the following basis
Furnitures, i.e. desks, chairs, ladders, Ratio Office
10% Equipment & calculators, typewriters 25% Equipment
for Stock Control Accounting 33 1/3%.

2.3. Stock

Stock is valued at landed cost.

3. Fixed Assets

3.1.	<u>Cost</u>	<u>Cumulative Depreciation 1.1.86</u>	<u>Depreciation in Yr</u>	<u>Net Book Value</u>
1.1.86	54,982	36,394	10,343	8,245
Deletion	(1,070)	(1,070)	-	-
Additions	8,758	-	934	7,824
	<u>62,670</u>	<u>35,324</u>	<u>11,277</u>	<u>16,069</u>

3.2. All other Fixed Assets used by this division during the year was owned by other bodies.

4. Debtors

Sales Ledger balances relate to post self accounting balances.

SUPPLY DIVISIONBalance Sheet as at 31.12.86

<u>1985</u>			
18,588	Fixed Assets		16,069
	Current Assets:		
1,889,984	Stock (incl Stock in Transit)	1,618,692	
1,010,195	Debtors-Sales Ledger	597,399	
111,719	Debtors-Sundries & Prepayments	146,612	
133,531	Bank & Cash	247,541	
452,354	Interest Bearing Deposit	824,105	
<u>3,597,783</u>			<u>3,434,349</u>
	<u>Current Liabilities</u>		
(356,236)	Creditors-Purchase Ledger	(140,293)	
(488,215)	Creditors-Sundries & Accruals	(394,150)	
<u>(774,451)</u>			<u>(534,443)</u>
<u>2,841,920</u>			<u>2,915,975</u>
	Financed by:		
772,584	Opening Capital	1,772,584	
165,778	Items relating to pre 1982	165,778	
314,313	Receipts from Pre 1982 Debtors	317,174	
24,727	Capital Reserve	24,727	
564,518	Reserved Profits	635,712	
<u>2,841,920</u>			<u>2,915,975</u>

Supply Division

Profit & Loss Account for the Year Ended 31.12.86

1985		A\$	A\$
	Credit Sales		
1,061,238	Bairiki	1,071,161	
328,877	Netto	354,478	
<u>1,390,115</u>			1,425,639
	Cash Sales		
427,535	Bairiki	583,882	
191,520	Netto	367,512	
216,282	Kiritimati	280,144	
<u>835,337</u>			1,231,538
1,325,049	Special Indent Sales		1,230,773
<u>3,550,501</u>			<u>3,893,250</u>
<u>(484,433)</u>	Gross Profit		460,018
	Expenses		
200,686	Salaries & Wages-Normal Time	202,961	
(12,623)	- Overtime	20,444	
26,745	Staff Expenses	28,983	
26,895	Electricity	31,956	
20,430	Insurance	22,558	
9,038	Telex & Telecommunications	21,644	
9,693	Stationery	8,949	
2,265	Miscellaneous	5,031	
93,326	Vehicle Hire	87,871	
6,361	Fuel	6,926	
6,679	Repairs & Maintenance	7,615	
5,399	Depreciation	11,277	
(12,956)	Handling Recoveries	(14,781)	
<u>407,184</u>	Total Expenses		<u>441,434</u>
77,249	Trading Profit for the Year		18,584
68,267	IBD Interest Received		52,610
<u>145,516</u>	Profit for the Year		71,194
419,002	Total Revenue Reserves B/F		<u>564,518</u>
<u>564,518</u>	Total Reserved Profits		<u>635,712</u>

311

Supply Division

Sources & Applications of Funds for the Year Ended - 31.12.86

1985	<u>Sources</u>	A/R	
145,516	Profit for the Year	71,194	
5,399	Add Back: Depreciation	11,277	
<u>150,915</u>			89,471
35,206	Receipts from Pre 82 Debtors		2,841
<u>186,121</u>			<u>92,312</u>
	<u>Applications</u>		
(7,595)	Purchases of Fixed Assets		(8,758)
-	Payments Relating to pre 1982		
<u>(7,595)</u>			
	<u>Movements in Working Capital</u>		
(684,193)	Decrease in Debtors	377,903	
(4,691)	Decrease in Creditors	(240,008)	
164,550	Decrease in Stock	271,292	
<u>(524,334)</u>			409,187
<u>345,808</u>	Increase in Cash & Bank		<u>485,761</u>

3/2

Supply Division

Notes to the Accounts

1. Background

The Supply Division became self-accounting on 1.1.82. In September, 1982 an act was passed establishing a SPECIAL FUND under which the Supply Division will operate. An appropriation, covering value of the Supply Division's total net assets, is now required in order that the activities of the Division come under Special Fund.

2. Accounting Policies

2.1. The accounts have been prepared on a commercial basis and on the historical cost convention, this being the requirement of Special Fund Act.

2.2. Depreciation

Depreciation has been provided on the following basis
Furnitures, i.e. desks, chairs, ladders, Betio Office
10% Equipment & calculators, typewriters 25% Equipment
for Stock Control Accounting 33%.

2.3. Stock

Stock is valued at landed cost.

3. Fixed Assets

3.1.	<u>Cost</u>	<u>Cumulative Depreciation 1.1.86</u>	<u>Depreciation in Yr</u>	<u>Net Book Value</u>
1.1.86	54,982	36,394	10,343	8,245
Deletion	(1,070)	(1,070)	-	-
Additions	8,758	-	934	7,824
	<u>62,670</u>	<u>35,324</u>	<u>11,277</u>	<u>16,069</u>
	=====	=====	=====	=====

3.2. All other Fixed Assets used by this division during the year was owned by other bodies.

4. Debtors

Sales Ledger balances relate to post self accounting balances.

REPORT OF THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE KIRIBATI GOVERNMENT SUPPLY DIVISION
FOR THE YEAR ENDED 31ST DECEMBER 1985

I have completed my audit of the Kiribati Government Supply Division in accordance with approved auditing standards, Section 39(2) of the Public Finance (Control and Audit) Act 1976 and the act to establish a special fund to finance the procurement and provision of government supplies which was passed by the Maneaba ni Maungatabu in September 1985.

The comments below are based on the state of affairs at the completion of the audit field work on 23rd October 1986.

1. Stock

Stock levels appear well maintained even though the total fell by \$164,500 compared with the previous year. No evidence came to my notice of prospective customers obtaining their requirements elsewhere, because of the inability of the division to supply them, as was mentioned in my report for the year ended 31st December 1984.

The stock takes on Tarawa were attended by members of my staff and appeared to be well organised. My office had no representative at the Kiritimati stock take but the instructions were the same and I have no reason to doubt that they were carried out.

However a test check of the Stock Sheets extensions and additions revealed the necessity to examine them in depth which resulted in errors totalling almost \$40,000 under stated. This has been adjusted in the final accounts.

I recommend that in future years the stock sheets be checked by another member of the Division's staff after the initial compilation.

The incorporating act, section 7 requires depreciation of Government Supplies. It is most unusual to depreciate stock as this is effected by providing for, or writing off, old, damaged and obsolete stock which has been done. I recommend that this requirement of the Act be reviewed.

Cash on Hand and at Bank

At the date of this report I have not received the Bank Certificate requested. This is entirely due to the slowness of the Bank of Kiribati in issuing these certificates in general.

The audit check on Betio branch revealed cash and cheques on hand in excess of \$27,000 which was accumulated over three weeks. There is no permanent cashier at the depot and this duty is shared between the officer in charge and the other two members of his staff. Shortages are shared between them and as there is no evidence of surpluses it is presumed that these are similarly treated.

I recommend that a permanent cashier be appointed who could be held responsible for any discrepancies.

I recommend that the present practice of adjusting discrepancies cease immediately and that banking be done daily.

I made a surprise inspection of the cash on hand at Bairiki after completion of the field work. The amount on hand was in excess of \$15,000 accumulated over a period of four working days. There were negligible surpluses between the receipts and cash count and in the Petty Cash.

I again recommend that banking be done more frequently.

Debtors and Prepayments

There is no provision in the accounts for bad or doubtful debts and I am assured by the Senior Accountant that none is necessary as most of the debtors are from the Government Sector. However there are many small amounts owing from the private sector.

I accept the assurance but with reservations.

There were substantial adjustments to prepayments during the course of my audit. These were caused in the main by factors coming to light during the nine months since the close of the financial year.

These have been adjusted in the financial accounts and materially offset the understatement of stock.

Wages

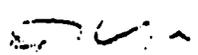
The overpayments referred to in my last report have not been resolved. The amount is \$8636.44. During the year unaccounted wages payment of \$1062.02 were revealed by an examination of the records by the Senior Accountant. These have been reported to the Secretary for Finance, the police and myself.

Personal Advances

These ceased during the year and the problems mentioned in my report of last year have disappeared. There are existing staff loans which are naturally reducing. An interest charge of 10% amounting to \$640 has been included in the loan records, and will presumably be collected, but this has not been brought into the financial accounts.

Pre 1982 Debtors

Receipts from pre 1982 increased by \$35,206 but are becoming increasingly difficult to collect.


Teiaramako Teoiaki
Director of Audit
23rd October 1986

315

KIRIBATI GOVERNMENT SUPPLY DIVISION

ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER, 1985.

CERTIFICATE OF THE DIRECTOR OF AUDIT
OF THE ACCOUNTS OF THE KIRIBATI
GOVERNMENT SUPPLY DIVISION FOR THE
YEAR ENDED 31ST DECEMBER 1985

In accordance with Section 39(2) of the Public Finance (Control and Audit) Ordinance Cap 79 and Approved Auditing Standards I have examined the financial accounts set out on pages 1 to 4 which have been prepared on a commercial basis under the historic cost convention as required by the Special Fund Act. The appropriation required under Section 13(1) of the Public Finance (Control and Audit) Ordinance Cap.79 has not been made at the date of this certificate.

In my opinion the profit and loss account and Source & Application of Funds Statement show a true and fair result of the operations of the Division for the year ended 31 December 1985 and the Balance Sheet gives a true and fair view of the position of the Division as at that date.


Teiaramako Teoiaki
Director of Audit
23rd October 1986

SUPPLY DIVISION

Balance Sheet as at 31/12/85

<u>1984</u>		<u>A\$</u>	<u>A\$</u>
16,392	Fixed Assets		18,588
	Current Assets:		
2,054,534	Stock (incl Stock in Transit)	1,889,984	
344,272	Debtors-Sales Ledger	1,010,195	
93,449	Debtors-Sundries & Prepayments	111,719	
376,742	Bank & Cash	133,531	
554,951	Interest Bearing Deposit	452,354	
<u>3,423,948</u>			<u>3,597,783</u>
	<u>Current Liabilities</u>		
(303,685)	Creditors-Purchase Ledger	(356,236)	
(475,457)	Creditors-Sundries & Accruals	(418,215)	
<u>(779,142)</u>			<u>(774,451)</u>
<u>\$2,661,198</u>			<u>\$2,841,920</u>
	Financed by:	<u>A\$</u>	<u>A\$</u>
1,772,584	Opening Capital	1,772,584	
165,778	Items relating to pre 1982	165,778	
279,107	Receipts from Pre 1982 Debtors	314,313	
24,727	Capital Reserve	24,727	
419,002	Reserved Profits	564,518	
<u>\$2,661,198</u>			<u>\$2,841,920</u>

.....
T. Tunkai
Chief Supply Officer

.....
P.G. Seeds
Senior Accountant

Supply Division

Profit & Loss Account for the Year Ended 31.12.85

1984		A\$	A\$
	Credit Sales:		
950,669	Bairild	1,061,238	
319,880	Betio	328,877	
<u>1,270,549</u>			1,390,115
	Cash Sales:		
449,334	Bairild	427,535	
221,529	Betio	191,520	
194,810	Kiritimati	216,282	
<u>865,673</u>			835,337
1,575,059	Special Indent Sales		1,325,049
<u>3,711,281</u>			<u>3,550,501</u>
	<u>Gross Profit</u>		484,433
	<u>Expenses</u>		
469,340	Salaries & Wages-Normal Time	200,686	
	- overtime	12,623	
206,189	Staff Expenses	26,745	
6,417	Electricity	26,895	
35,078	Insurance	20,430	
27,893	Telex & Telecommunications	9,038	
20,475	Stationary	9,693	
7,741	Miscellaneous	2,265	
8,516	Vehicle Hire	93,326	
678	Fuel	6,361	
97,223	Repairs & Maintenance	6,679	
6,048	Depreciation	5,399	
23,447	Handling Recoveries	(12,956)	
7,830	<u>Total Expenses</u>		<u>407,184</u>
(19,738)	Trading Profit for the Year		77,249
<u>428,395</u>	IBD Interest Received		68,267
40,945	<u>Profit for the Year</u>		145,516
28,919	Total Revenue Reserves B/F		419,002
69,864	<u>Total Reserved Profits</u>		<u>8564,518</u>
349,138			
<u>8419,002</u>			

259

Supply Division

Sources & Applications of Funds for the Year Ended 31.12.85

1984	<u>Sources</u>	A\$	A\$
69,864	Profit for the Year	145,516	
7,830	Add Back: Depreciation	5,399	
<u>77,694</u>			150,915
5,253	Receipt from pre 1982 debts		<u>35,206</u>
<u>82,947</u>			186,121
	 <u>Applications</u>		
(1,057)	Purchases of Fixed Assets		(7,595)
(1,304)	Payments relating to pre 1982		-
<u>(2,361)</u>			
	 <u>Movements in Working Capital</u>		
263,656	Increase in Debtors	(684,193)	
155,942	Decrease in Creditors	(4,691)	
190,288	Decrease in Stock	164,530	
<u>609,886</u>			(524,334)
 <u>\$690,472</u>			 <u>\$345,808</u>

Supply Division

Notes to the Accounts

1. Back-ground

The Supply Division became self accounting and self financing on 1.1.82. In September 1985 an act was passed establishing a Special Fund under which the Supply Division will operate. An appropriation, covering the value of the Supply Division's total net assets, is now required in order that the activities of the Division come under the Special Fund Act.

2. Accounting Policies

2.1. The Accounts have been prepared on a commercial basis under the historic cost convention, this being the requirement of the Special Fund Act.

2.2. In previous years the revenue reserve was split to provide a reserve to cover the extra cost of stock-holding caused by inflation. This year the revenue reserve and appropriation reserve have been consolidated. Inflation on the cost of stock items has been high this year due to a very weak Australian Dollar. Again profits are insufficient to cover the inflation element.

2.3. Depreciation

Depreciation has been provided on the following basis

Furniture, e.g. desks chairs etc.	10%
Equipment e.g. calculators typewriters	25%
Equipment for Stock Control Accounting	33 1/3%

2.4. Stock

Stock is valued at landed cost.

3. Fixed Assets

	3.1. Cost	Depreciation 1.1.85	Depreciation in year	Net Book value
Balance 1.1.85	47,387	30,995	2,887	13,505
Additions	7,595	-	2,512	5,083
	<u>54,982</u>	<u>30,995</u>	<u>5,399</u>	<u>18,588</u>

3.2. There were no deletions during the year.

3.3. All other fixed assets used by the Division are owned by other bodies.

4. Debtors

Sales ledger debtor balances relate to post self-accounting balances.

PRINTERY

300

HEAD 215: GOVERNMENT PRINTING DIVISION

ESTIMATE 1988

Subhead	Service	1987	1988	Increase Decrease	Note
	<u>Personal Emoluments</u>				
01	Salaries	58135,15	58174.04	39.84	
02	Allowance	401.00	400.00	1.00	
03	Temporary Assistant Overtime	5001.00	5500.00	498.33	Increase urgent printing work
	<u>Other Charges</u>				
12	Office Expenses & Incidentals	1000.00	3000.00	3000.00	
13	Travelling and Transport	4729,17	12000.00	7270,83	Increase due to Printery staff air fare to their home islands
15	H ire of Vehicles and Plants	4850.90	5000.00	149.10	
16	Utilities	16440.00	20000.00	3560.00	Increase overload of printing work
18	Volunteer Assistant	2146.67	2146.67	-	
20	Specialised Books	-	300.00	300.00	To meet cost of printing
24	Maintenance of Equipment	1000.00	3000.00	2000.00	Increase due to air- condition spare parts.
60	BPA Charge	496.00	700.00	204.00	
61	Telecom Charge	1250.00	1500.00	250.00	
	TOTAL	\$165449.89	\$191720.71	\$26273.10	

GOVERNMENT PRINTING DIVISION

ESTIMATE

Sub-Head	Service	Actual 1985	Approved Estimate 1986	Revised Estimate 1986	Estimate 1987	Increase	Decrease	Notes
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18	Volunteer Salaries	-	2680.00	2680.00	3770	-	-	
			2860.00	2860.00	2860.00	-	-	
24	Maintenance of Equipments	1596.00	4875.00	4875.00	5000	-	-	1137.
36	Production cost	51658.26	70000.00		70000			
60	RPA Charges	536.00	200.00	200.00	200.00	-	-	
61	Telecom Charges	-	1000.00	1000.00	1000.00	-	-	300.
12	Office Expenses and Incidentals	1095.00	1000.00	1000.00	1000.00	-	-	
13	Traveling/Transport	6225.00	500.00	500.00	500.00			800
					350.00			
	Utilities	10500.00	10400.00	10400.00	10400.00	-	-	2000

2000
2000
elect. line

GOVERNMENT PRINTING DIVISION

ESTIMATE

Sub-Head	Service	Actual 1985	Approved Estimate 1986	Revised Estimate 1986	Estimate 1987	Increase	Decrease	Notes
<u>EXPENDITURE - HEAD 215</u>								
<u>Personal Emoluments</u>								
01	Salaries	52867.00	52724.00	52724.00	52766.00	-	958	
02	Allowances	338.00	400.00	400.00	400.00	-	-	
03	Maintenance of Equipment	7449.00	3000.00	3000.00	5000.00	2000.00	-	
04	Temporary Assistance & Overtime	525.00	200.00	200.00	-	-	-	
<u>Other Charges</u>								
12	Office Expenses and Incidentals	1099.00	800.00	800.00	1000.00	200.00	-	
13	Travelling/transport	6225.00	8875.00	8875.00	8875.00	-	800	
15	Hire of Vehicles and Plant	5319.00	4850.00	4850.00	4850.00	-	-	
16	Utilities	10509.00	16440.00	16440.00	16440.00	-	-	800 To meet cost of new rate electricity

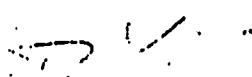
52

KIRIBATI PROVIDENT FUND

CERTIFICATE OF THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE KIRIBATI PROVIDENT FUND FOR
THE YEAR ENDED 31ST DECEMBER 1985

In compliance with Section 12 of the Kiribati Provident Fund Ordinance Cap. 78A and Section 42 Part VII of the Public Finance (Control and Audit) Ordinance Cap. 79 the Fund has prepared and submitted for my examination the financial statements for the year ended 31 December 1985.

I have examined these statements in accordance with approved auditing standards and in my opinion the Income and Expenditure and Source and Application of Funds Statements show a true and fair result of the operations of the fund for the year ending 31st December 1985 and the Balance Sheet shows the true and fair position of the Fund as at that date.


Teisamako Teoiake
Director of Audit
26th May 1986

REPORT OF THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE
KIRIBATI PROVIDENT FUND FOR
THE YEAR ENDED 31ST DECEMBER 1985

I have completed my audit of the Accounts of the Kiribati Provident Fund for the year ended 31st December 1985 in accordance with Section 12 of the Kiribati Provident Fund Ordinance Cap 78A and Section 42 Part VII of the Public Finance (Control and Audit) Ordinance Cap. 79. My report on this audit is as follows:

Interest on Members Accounts

Out of a net income of \$1,285,140 an amount of \$516,644 (40.2%) was transferred to contributors accounts. This represented 8% interest on the balances as at 1st January 1985 and equates to the bank rate of interest for a similar term which is not meant to be any criteria. The Board of Directors for the fund have recorded that this is an interim payment which will presumably be reviewed on receipt of an actuarial review of the Fund's operations and investments consequent to the transfer of the investment portfolio to Westpac Bank, Sydney Australia.

In view of the already substantial reserves and the large amount on possibly low yielding Short Term Deposits it could reasonably be assumed that the members could anticipate a higher return in the future. Reserves in this type of operation are very difficult to assess, and the actuarial report may well assist in this, but they would appear to be more than adequate related to the size of the fund.

Short Term Investments

The substantial amount under this heading has been referred to in previous reports and contributors would be satisfied that the Board of Directors of the fund are now taking this matter under advisement.

Personal Advances

In my opinion more control could be exercised over this form of staff assistance. The loans themselves are not substantial, including bank guarantees, but in some cases individual balances tend to increase rather than decrease.

Other matters inconsistent with normal practice are that interest on personal advances for the year has been charged to sundry debtors whereas it should have been properly debited to the individual loan accounts, the corresponding entry was made to interest on short term deposit and should really be to a separate account or sundry income. It was not apparent how this item was treated in previous years.

There were instances where the excess of expenses drawn for overseas visits were debited to the individual's personal loan account instead of more properly being refunded in cash.

These expenses were supported by a statement of account without any supporting vouchers. I consider it reasonable that receipts are obtained where possible which would be for most items of expenditure.

The matter referred to in last years report of effectively an advance against subscriptions has been corrected.

Accountant's Regrading

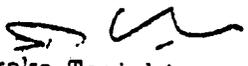
It was mentioned in last year's report that this officer was being paid on an apparently incorrect salary scale with the result that he was overpaid. This has not been corrected as at the date of this report.

General

Several Board minutes, including the declaration of the interim interest payment referred to earlier in this report, had not been signed as correct by the Chairman as at the close of this audit.

Conclusion

In the absence of the Manager during the audit I wish to record my appreciation of the considerable assistance rendered to me by the Inspector and other members of the staff.


Teiaramako Teoiaki
Director of Audit
26th May 1986



KIRIDATI PROVIDENT FUND

9TH ANNUAL REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1985

KIRIBATI PROVIDENT FUND BOARD

INTRODUCTION

- 1.1 The Fund was established on 1 July 1977 under the Kiribati Provident Fund Ordinance (Cap.78A) to provide a social security scheme for all I-Kiribati employees in the country. It replaced the Pension and Gratuity scheme operated by government prior to that date.
- 1.2 Because of its non-acceptability by all employees the scheme was initially set up to cover the following classes of employees only:-
- (i) persons employed by the government;
 - (ii) persons employed in Kiribati by the Bank of New South Wales (now Bank of Kiribati Ltd);
 - (iii) persons employed by either Teinainano Urban Council or the Betio Town Council;
 - (iv) persons employed by the Kiribati Co-operative Wholesale Society;
 - (v) persons employed by the Public Utilities Board;
 - (vi) persons employed by the Kiribati Provident Fund Board;
 - (vii) persons employed by the National Loans Board and its subsidiary companies; and
 - (viii) persons employed by the Kiribati Housing Corporation.
- 1.3 With effect from 1 January 1978, the scheme was extended to all classes of employees in the Country other than those exempted under the law viz:-
- (i) persons employed by the government and who are either _____

- (a) employed in a pensionable office under the old pension scheme and do not opt to retire in order to convert their services to non-pensionable employment and became employees for the purposes of the Provident Fund Ordinance; or
- (b) recruited from any overseas territory under any scheme of agreement whereby the whole or part of such person's total emoluments in respect of employment by the Kiribati Government is paid by or on behalf of the government of such territory;
 - (i) persons employed in Kiribati by any other employees to whom the operation of the scheme extends but recruited from outside Kiribati;
 - (ii) employees whose normal monthly earnings amount to less than \$10.

It is the legal requirement for all employers to register their business and their employees with the Fund.

THE BOARD

In terms of Section 3(1) of the Provident Fund Ordinance Cap.78A, membership of the Board should consist of 2 public officers, 2 representatives of employers not being public officers, and 2 representatives of employees. In December 1985 the term of office of certain Board members expired and new members were appointed in their place.

The members of the Board during the year were:-

Geniemina Tinga	Chairman
Secretary for Finance	
Representating Government	

332

- Ata T. Teasdale
Secretary to the Cabinet
Representing Government
Deputy Chairman
- Mr L. Mackintosh (to 22/12/85)
Member
- Mr. D. Loylan
General Manager
Abamakoro Trading Co.,
Representing employers
Member
- Ngutu Awina
General Secretary, CNU
Representing employees
Member
- Tooki Teraki (to 28/12/85)
Member
- Iote Malua (from 28/12/85)
Treasurer, CNU
Representing employees
Member
- Willie Moon (from 28/12/85)
Personnel Officer, Public
Utilities Board
Representing employees
Member

2.3 There were 3 regular and 3 special meetings of the Board held during the year.

3. STAFF

(a) Size

There were 7 staff members at the year end, the same number employed in the previous year;

- | | | |
|------------------------------|---|---------------------|
| General Manager | - | Bareniko Sakarereua |
| Inspector/Compliance Officer | - | Thomas T. Teoiaki |
| Accountant | - | Under recruitment |
| Personal Assistant | - | Tirikau Matita |
| Employers Section | - | Tabanou Tiimon |
| " | - | Touota Matai |
| Employees Section | - | Airin Ariera |
| Secretary/Receptionist | - | Materena Bareniko |

(a) Training
The training of junior staff members at short terms English Courses offered by the Tarawa Technical Institute continued throughout the year.

(c) Accommodation
It is the intention of the Board to build own houses for its staff, but this depends on the availability of land in the Bikenibeu/Bairiki area. The Board has also agreed to allocate the sum of \$170,000 for this project.

4. INVESTMENT OF FUNDS

- 4.1 In terms of Section 7(2) of the Provident Fund Ordinance Cap.78A, the Board is assigned with the responsibility for the investment of funds.
- 4.2 During the course of the year, a meeting was held with Mr Jim Church to discuss matters related to the funds investment managed by James Capel & Co., in London. A similar meeting was held with a representative from the Westpac Banking Corporation in Sydney, Mr Peter Joyner, where the Board unanimously agreed to transfer the management of the funds investments to Westpac Sydney.
- 4.3 At the year end, the investment held in foreign countries totalled \$7.4 million of which:-
- \$5,421,284 - was in quoted government stocks held by James Capel & Co.;
 - \$912,214 - in short term deposit with James Capel & Co.;
 - \$1,093,690 - in long term deposits with Westpac in Sydney.
- 4.4 The amount invested on short term deposits with Bank of Kiribati at the year end totalled \$2.3 million.

Those deposits earned a varied interest rates ranging from 12% - 16.675% p.a. and have maturity dates of 60 - 90 days.

5. ACCOUNTING SYSTEMS

The Fund still uses the Kalamazoo manual system in posting contributions to members' accounts and no further modifications to the systems are envisaged at present or in the near future.

6. MEMBERS' STATEMENT

The statements in respect of the year ended 31 December 1985 were completed and distributed in March 1986. This had enabled the members to know ^{as soon as possible} how much have been credited to their accounts during the year and at the same time given management good time to investigate their queries.

7. OFFICE ACCOMMODATION

Towards the end of the year, the Provident Fund Office accommodation was shifted from the Ministry of Finance building to an office formerly occupied by the Census. The move was considered necessary in view of the limited space available in the former building. Additional expenses were therefore incurred in the renovation of the new building.

8. ADMINISTRATIVE EXPENSES

The comparison in the percentage of administrative expenses to contribution income has always been considered by most provident funds organisation the best method in measuring the efficiency of the Fund. The table on page 6 compares the trend during the last 3 years.

<u>Year ended 31 December</u>	<u>Contribution Income</u>	<u>Administrative Expenses</u>	<u>Percentage</u>
1982	793495	47238	5.95
1983	950601	44628	4.69
1984	997956	37537	3.76
1985	1020917	55644	5.45

9. INTERNATIONAL SOCIAL SECURITY ASSOCIATION

The Kiribati Provident Fund was represented at the eighth meeting of the ISSA Committee on Provident Fund held in Mbabane, Swaziland from 23 to 25 July 1985 by the Manager. The Seventh ISSA Regional Conference for Asia and Oceania, held in Kuala Lumpur from 4 - 8 November 1985 was also attended by the Manager.

Amongst other things examined by the Committee at the Swaziland meeting were:

- Development of research for the purpose of improving provident fund benefits and services;
- Investment strategies for the protection of the value of provident fund balances;
- Problems and techniques in the maintenance of long - term records by provident fund schemes.

10. MEMBERS OF THE FUND

10.1 The number of members of the Fund at 31 December 1985 was 8326 as compared to 8046 last year.

10.2 An analysis of members by age, and by sex with corresponding sums for each of these groups is given on page 9.

11. EMPLOYERS

The number of active employers at the close of the year was 159 as compared to 111 last year.

12. ACCOUNTS

The accounts for the year ended 31 December 1985 together with the Report of the Director of Audit are set out on pages 10 to 20.

13. INTEREST

13.1 The Board, after having considered the recommendations of the Manager, increased the interest rate to 8% as compared to 7% the previous year.

13.2 Actual interest credited to members's accounts totalled \$516,644 compared to \$408,736 an increase of 26.4% over last year.

14. CONTRIBUTIONS

14.1 During the year contributions received and credited to members accounts totalled \$1,020,917 as compared to \$997,956 last year, an increase of 0.20%. Of this amount \$23,915 represented last years' contributions not reported because of non-receipt of Forms 'A'.

14.2 There were no general pay increase during the year.

15. UNIDENTIFIED CONTRIBUTIONS

15.1 The balance of this account at the year end was \$38,179 compared to \$80,892 last year.

15.2 The current balance represents the contributions of 768 employees, as compared to 1198 employees last year, who had failed to fill in a registration form on taking up employment. The problem is still being pursued by staff of the Fund.

16. WITHDRAWALS

16.1 There were 317 withdrawals during the year totalling \$219,994 compared to \$247,160 last year. The analysis

Type of withdrawals	<u>1985</u>		<u>1984</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
(a) Attaining age 50 years	190	128,115	198	176,496
(b) death (including special death benefit)	34	72,533	60	88,198
(c) leaving Kiribati with no intention of returning	14	12,312	16	12,661
(d) incapacity for further employment	18	22,247	11	6,674
(e) permanent retirement at age 45 years	<u>61</u>	<u>16,387</u>	<u>4</u>	<u>5,861</u>
	<u>317</u>	<u>251,594</u>	<u>289</u>	<u>289,890</u>
	===	=====	===	=====

16.2 The amount at (b) includes a figure of \$31,600 in respect of special death benefit paid to dependents of deceased members.

17. CONCLUSION

17.1 The Funds general reserve has grown to \$1.9 million at the close of the year. The increase has been brought about from the income realised during the year from investments abroad and within the country. In recognition of this fact, the Board increased the interest payable on members accounts from 7% to 8% subject to further actuarial review to be undertaken in the new year.

17.2 Such an achievement could not have been attained without the continuous support of my fellow colleagues on the Board.

17.3 To each one of them, to the Manager and his staff, I extend to you all my thanks and look forward to another prosperous year.

G..Tinga
Chairman
Kiribati Provident Fund Board

238

1. DISTRIBUTION OF MEMBERS BY AGE BY SEX AT 31 DECEMBER 1985

Age Group	Male	Female	Sex Unknown	Total	Balance \$
.?			908	908	176,580.88
14 or less	292	57		349	155,281.86
15 - 19	29	38		67	6,930.70
20 - 24	459	413		872	320,093.12
25 - 29	1090	595		1685	1,245,265.60
30 - 34	1100	367		1467	1,671,141.13
35 - 39	878	246		1124	1,736,407.26
40 - 44	665	98		763	1,281,335.18
45 - 49	501	78		579	1,101,211.12
50 and over	461	51		512	242,130.81
TOTAL	5475	1943	908	8326	7,936,377.75

2. DISTRIBUTION OF MEMBERS BY BALANCE BY SEX AT 31 DECEMBER 1985

Balance \$	Male	Female	Sex Unknown	Total
0 - 1,000	3401	1448	887	5736
1,001 - 2,000	1190	336	20	1546
2,001 - 3,000	432	88	1	521
3,001 - 4,000	175	39		214
4,001 - 5,000	86	17		103
5,001 - 6,000	52	6		58
6,001 - 7,000	49	3		52
7,001 - 8,000	28	4		32
8,001 - 9,000	24	-		24
9,001 - 10,000	11	2		13
10,001 - 11,000	8	-		8
11,001 - 12,000	3	-		3
12,001 - 15,000	8	-		8
15,001 - 20,000	6	-		6
20,001 - 25,000	1	-		1
25,001 - 30,000	1	-		1
TOTAL	5475	1943	908	8326

339

CERTIFICATE OF THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE KIRIBATI PROVIDENT FUND FOR
THE YEAR ENDED 31ST DECEMBER 1985

In compliance with Section 12 of the Kiribati Provident Fund Ordinance Cap.78A and Section 42 Part VII of the Public Finance (Control and Audit) Ordinance Cap.79 the Fund has prepared and submitted for my examination the financial statements for the year ended 31 December 1985.

I have examined these statements in accordance with approved auditing standards and in my opinion the Income and Expenditure and Source and Application of Funds Statements show a true and fair result of the operations of the Fund for the year ending 31st December 1985 and the balance sheet shows the true and fair position of the Fund as at that date.

Teisramako Teoiaki
Director of Audit
26th May 1986

KIRIOATI PROVIDENT FUND BOARD
 BALANCE SHEET
 31 DECEMBER 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
<u>FUNDS EMPLOYED</u>			
Members' contribution accounts	3	7,980,740	6,693,310
Interest stabilisation reserve	4	430,517	368,848
Special death benefit reserve	5	140,161	77,699
General reserve		<u>1,904,609</u>	<u>1,262,164</u>
		<u>10,456,027</u>	<u>8,402,021</u>
		=====	=====
 <u>EMPLOYMENT OF FUNDS</u>			
Fixed assets less depreciation	6	<u>3,600</u>	<u>3,678</u>
Long term loan	7	<u>250,000</u>	<u>500,000</u>
Investments	8 and 9	<u>6,514,974</u>	<u>5,953,379</u>
Current assets	10	3,714,630	1,368,171
Current liabilities	11	<u>27,177</u>	<u>23,207</u>
Net current assets		<u>3,687,453</u>	<u>1,944,964</u>
		<u>10,456,027</u>	<u>8,402,021</u>
		=====	=====

D TINGA
 CHAIRMAN

D OAKAPEREUA
 MANAGER

KIRIDATI PROVIDENT FUND BOARD
 INCOME STATEMENT
 YEAR ENDED 31 DECEMBER 1985

	<u>1985</u>	<u>1984</u>
Net Income for the year	1,285,140	829,150
Transferred from contribution accounts	-	1,450
General reserve 31 December 1984	<u>1,262,164</u>	<u>1,219,433</u>
Funds available for distribution	<u>2,547,304</u> =====	<u>2,050,042</u> =====
Distribution:		
Transferred to:		
Contributions account	125	177
Interest stabilisation reserve	578,313	746,243
Special death benefit reserve	<u>64,257</u>	<u>41,458</u>
	<u>642,695</u> =====	<u>787,878</u> =====
General reserve 31 December 1985	<u>1,904,609</u> =====	<u>1,262,164</u> =====

KIRIDATI PROVIDENT FUND BOARD
 SOURCE AND APPLICATION OF FUNDS STATEMENT
 YEAR ENDED 31 DECEMBER 1985

	<u>1985</u>	<u>1984</u>
<u>SOURCE OF FUNDS</u>		
Net income for the year	1,285,140	829,159
Items not involving the movement of funds:		
Depreciation	933	1,079
Loss on disposal of fixed assets	-	480
Doubtful debts recovered - members	(192)	(182)
Operating income	1,285,881	830,536
Members contributions	1,020,917	997,956
Proceeds from disposal or withdrawal of investments	25,207	20,155
Proceeds from repayment of long term loan	250,000	-
	<u>2,582,005</u>	<u>1,848,647</u>
	=====	=====
<u>APPLICATION OF FUNDS</u>		
Purchase of investments	586,803	670,646
Purchase of fixed assets	855	1,369
Members' withdrawal of funds	219,994	247,160
Members' special death benefits	31,600	42,730
Increase in working capital	1,742,753	886,742
	<u>2,582,005</u>	<u>1,848,647</u>
	=====	=====
<u>WORKING CAPITAL</u>		
Increase in working capital:		
Increase in debtors	165,858	-
Increase in cash and short term deposits	1,580,865	897,983
Decrease in creditors	-	17,573
	<u>1,746,723</u>	<u>915,556</u>
	=====	=====
Decrease in working capital:		
Decrease in debtors	-	28,814
Increase in creditors	3,970	-
	<u>1,742,753</u>	<u>886,742</u>
	=====	=====

TE MAUTARI LTD
YEAR ENDED 31 DECEMBER 1986
DIRECTORS REPORT

The results of the company's activities in 1986 showed considerable improvement over those achieved in 1985. Vessel catches were up by 89% on 1985 catches and a total of 1579 short tons of fish were exported during the year, compared with 1,048 short tons in 1985. However 1985's results were themselves very poor, and while the improvement is encouraging it must be maintained in order that the company may have any prospect of attaining profitability.

The company received a cash grant of \$800,000 in 1986 from the Government of Kiribati, which enabled it to continue trading despite heavy losses incurred in 1985. Strenuous efforts were made by the Board, Management and staff in 1986 to reverse the poor position of the company at the beginning of the year, including reduction of staff, improved maintenance for equipment and vessels, training of crews and the reduction of fishing vessel crews wages with an associated increase in bonus payments based on catches. Two of the company's fishing vessels have been completely overhauled in 1986 and the early part of 1987 and while this has resulted in a considerably increased charge in respect of slipping provisions made, it is hoped that these charges will be fully justified by the reduction in fishing days lost due to repairs in 1987.

An additional two pole and line vessels are to be constructed in 1987, financed by E.E.C. aid and it is hoped that these vessels will further contribute to an improvement in results.

In October 1986 a Fleet Engineer funded by JICA, Mr. Oka, took up his duties with the company. The Board welcome him and are confident that his expertise and advice will further assist the company.

The Directors would like to thank all the company's staff for their efforts during the year, and to remind them that efficiency and output must still be considerably increased in order that the company's position as a major export producer of Kiribati be maintained and improved.

Signed T.D. MURDOCH
..... Director

 DR. T. FLOOD
..... Director

5 February 1987

TE MAUTARI LIMITED

REPORT OF THE AUDITOR TO THE MEMBERS

I have audited the accounts on pages 3 to 9, which have been prepared under the historical cost convention, in accordance with approved Auditing Standards.

In my opinion the accounts on pages 3 to 9 give, under the convention stated above, a true and fair view of the state of affairs of the company at 31 December 1986 and of the loss and source and application of funds of the company for the year then ended and comply with the Companies Act 1979.

Minutes have been properly kept of proceedings at meetings of the company's members and directors.

T. TEOIAKI

Iaramako Teoiaki

Director of Audit

January 20 1987

THE MAUTANI LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1986

<u>1985</u>		<u>Note</u>	<u>1986</u>
\$			\$
<u>1,196,915</u>	TURNOVER	2	<u>1,738,558</u>
(586,462)	OPERATING LOSS	8	(151,383)
	<u>Before charging</u>		
(508,985)	Depreciation	7	(638,213)
(599)	Bank Interest		(-)
(-)	Loan Interest	13	(9,315)
(674)	Auditors Remuneration		(742)
<u>(1,056,720)</u>	LOSS BEFORE TAX		<u>(799,653)</u>
-	TAXATION	6	-
<u>(1,096,720)</u>	LOSS FOR THE YEAR		<u>(799,653)</u>

STATEMENT OF ACCUMULATED DEFICIT

\$		\$
(1,096,720)	LOSS FOR THE YEAR	(799,653)
<u>(2,044,087)</u>	ACCUMULATED DEFICIT AT 1 JANUARY	<u>(3,140,807)</u>
<u>(3,140,807)</u>	ACCUMULATED DEFICIT AT 31 DECEMBER	<u>(3,940,460)</u>

The notes on pages 6 to 9 form part of these accounts.

TE MAUTARI LTD
BALANCE SHEET
31 DECEMBER 1986

<u>1985</u> \$	CAPITAL EMPLOYED:	<u>NOTE</u>	\$	<u>1986</u> \$
6,599,211	FIXED ASSETS	7		5960,997
	CURRENT ASSETS			
95,091	Stock	9	121,858	
27,910	Debtors & Prepayments		41,930	
1,405	Cash at Bank & in Hand		866,914	
<u>124,406</u>			<u>1,030,702</u>	
	<u>LESS CURRENT LIABILITIES</u>			
(129,860)	Creditors & Accruals		(102,143)	
(87,610)	Provision for slipping		(411,936)	
(12,208)	Bank overdraft (secured)		-	
<u>(105,272)</u>	NET CURRENT ASSETS (LIABILITIES)		<u>(514,079)</u>	516,623
<u>6,493,939</u>				<u>6,477,620</u>
	FINANCED BY:			
4,900,005	SHARE CAPITAL	10		4,900,005
(3,140,807)	ACCUMULATED DEFICIT			(3,940,460)
1,759,198				(959,545)
984,741	CAPITAL RESERVE	11		1,784,741
3,500,000	CONVERTIBLE DEBENTURE	12		3,500,000
250,000	LONG TERM LOAN	13		233,334
<u>6,493,939</u>				<u>6,477,620</u>

The notes on pages 6 to 9 form part of these accounts.

Signed T. D. MURDOCH Director

..... DR. T. FLOOD Director

247

THE MAUTAPU LTD
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED 31 DECEMBER 1986

<u>1985</u>		<u>1986</u>
<u>\$</u>		<u>\$</u>
(1,095,720)	LOSS FOR THE YEAR	(799,653)
	Adjustment for items not involving the movement of funds:	
508,985	Depreciation	638,213
-	Transfer current portion of long term loan	(16,666)
<u>(587,735)</u>	TOTAL (DEFICIT) ON OPERATIONS	<u>(178,106)</u>
	FUNDS FROM OTHER SOURCES	
..	Aid grants for working capital	800,000
-	Book value of fixed assets sold	1
3,500,000	Issue of debenture	-
	<u>APPLICATION OF FUNDS</u>	
<u>(3,501,605)</u>	Purchase of fixed assets	<u>-</u>
<u>(589,340)</u>	INCREASE (DECREASE) IN WORKING CAPITAL	<u>621,895</u>
	Made up as follows:	
19,975	Stock	26,767
(248,325)	Debtors & Prepayments	14,020
14,725	Creditors & Accruals	(296,609)
(12,208)	Bank overdraft	-
<u>(226,833)</u>		<u>(255,822)</u>
	Movement in net liquid funds:	
<u>(362,507)</u>	Bank and cash balances	<u>877,717</u>
<u>(589,340)</u>		<u>621,895</u>

The notes on pages 6 to 9 form part of these accounts.

348

TE MAUTARI LTD
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 1986

1. PRINCIPAL ACCOUNTING POLICIES

The accounts of the company are prepared in accordance with the historical cost convention and comply with International Accounting Standards. The following is a summary of the more important accounting policies used:

(a) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their expected useful lives. The principal annual rates used for this purpose are:

	<u>Per Cent</u>
Building -- Head Office	10
-- Market, Ice Factory & Cold Store	8½
Fishing Vessels	10
Mothership	5
Boats	33½
Equipment and Furniture	20-50
Motor vehicles	50

(b) Grants

Cash grants received for working capital are shown under the Capital Reserve account in the Balance Sheet.

Cash grants received as reimbursement of specific items are offset against the cost of those items.

(c) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated to Australian dollars at the rate of exchange ruling at the end of the financial year. Differences on exchange are included in the profit and loss account.

(d) Stock

Stock is stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis, and includes duty, freight and handling charges. The value of tuna stocks is estimated based on the weights and types reported in the shipment in which they were contained, or if not available, the years average net realisable value. Provision is made for obsolete, slow moving and defective stock.

(e) Slipping

Provision for the estimated biennial slipping costs of the vessels is accrued for evenly over the two year period.

2. TURNOVER

Turnover has been arrived at as follows:

(a) Export Sales are recognised at the time the shipment is made, and recorded at the value received from the shipment.

PE MAUTARI LTD
NOTES TO THE ACCOUNTS (cont'd)
YEAR ENDED 31 DECEMBER 1986

(b). Local sales are recorded at invoiced value.

3. THE COMPANY

The company was incorporated on 2 February 1981 with the primary objectives of exploiting the marine resources of the Republic of Kiribati.

4. DIRECTORS REMUNERATION

No remuneration or other emoluments was paid to Directors for their services.

5. LOANS TO EMPLOYEES AND DIRECTORS

The following loans were made by the company during the year.

		<u>1986</u>	<u>1985</u>
(a) To employees	Made during year	\$5,633	\$21,967
	Repaid during year	\$5,752	\$23,745
	Outstanding at 31 December	\$ 261	\$ 380
(b) To Directors	Made during year	Nil	Nil
	Outstanding at 31 Dec.	Nil	Nil

6. TAXATION

No liability for taxation is expected to arise based on the results for the year. Losses for tax purposes available for set off against future years profits have been calculated at \$6,645,758 (1985 - \$5,649,388) at the year end, of this amount \$96,380 may only be carried forward for three years.

7. FIXED ASSETS

	<u>TOTAL</u>	<u>BUILDING</u>	<u>VESSELS</u>	<u>BOATS</u>	<u>EQUIPMENT/ FURNITURE</u>	<u>VEHICLE</u>
	\$	\$	\$	\$	\$	\$
Cost						
At 1 January 1986	8,355,892	1,977,879	6,300,000	21,320	36,693	15,000
Additions during year	-	-	-	-	-	-
Disposals during year	(15,000)	-	-	-	-	(15,000)
	<u>8,340,892</u>	<u>1,977,879</u>	<u>6,305,000</u>	<u>21,320</u>	<u>36,693</u>	<u>-</u>
<u>Depreciation</u>						
At 1 January 1986	1,756,681	461,191	1,224,750	19,169	36,572	14,999
Disposals during year	(14,999)	-	-	-	-	(14,999)
Charge for year	538,213	165,455	470,500	2,144	114	-
	<u>2,379,895</u>	<u>626,646</u>	<u>1,695,250</u>	<u>21,313</u>	<u>36,686</u>	<u>-</u>
<u>Net book value at</u>						
<u>December 1986</u>	<u>5,960,997</u>	<u>1,351,233</u>	<u>4,609,750</u>	<u>7</u>	<u>7</u>	<u>-</u>
Net book value at						
31 December 1985	6,599,214	1,516,688	5,080,250	2,151	121	1

TE MAUTARI LTD
NOTES TO THE ACCOUNTS (cont'd)
YEAR ENDED 31 DECEMBER 1986

8. EXCEPTIONAL ITEM

The operating loss for 1985 is stated not of an exceptional item of \$123,264 (1986-Nil) being a write-back of provisions made in previous years no longer required.

9. STOCK

The amounts attributable to the different categories are as follows:

	<u>1986</u>	<u>1985</u>
	\$	\$
Fish	68,000	51,750
Fuel	34,968	39,450
Stores	18,890	3,891
	<u>121,858</u>	<u>95,091</u>

10. SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and fully paid</u>	
	<u>1986 & 1985</u>	<u>1986</u>	<u>1985</u>
		\$	\$
Ordinary shares of A\$1 each	<u>6,000,000</u>	<u>4,900,005</u>	<u>4,900,005</u>

11. CAPITAL RESERVE

	<u>1986</u>	<u>1985</u>
	\$	\$
Balance 1 January	984,741	984,741
Working capital grants received	800,000	-
	<u>1,784,741</u>	<u>984,741</u>

12. CONVERTIBLE DEBENTURE

The debenture was issued as consideration for fixed assets acquired. It is unsecured and interest is due at the same rate that a dividend is paid on ordinary shares. The debenture is convertible to ordinary shares at the rate of 1 ordinary share per \$1 debenture at the option of the company and shall be converted to ordinary shares when a dividend is paid on such shares.

13. LONG TERM LOAN

	<u>1986</u>	<u>1985</u>
	\$	\$
Principal payable by equal annual instalments over 15 years commencing 17 August 1987 with interest at 10% with effect from 17 August 1986	250,000	250,000
Less: Repayments due within twelve months (included in current liabilities)	(16,666)	-
	<u>233,334</u>	<u>250,000</u>

351

TE MAUTARI LTD
NOTES TO THE ACCOUNTS (cont'd)
YEAR ENDED 31 DECEMBER 1986

14. CONTINGENT LIABILITY

A contingent liability exists for \$70,965 in respect of bait fish purchases. It is the intention of the supplier to waive the debt when the relevant statutory requirements have been met.

15. CAPITAL COMMITMENTS

	<u>1986</u> \$	<u>1985</u> \$
Commitments in respect of contracts	1,200,000	1,200,000

TELCOM KIRIBATI

TELECOMMUNICATION DIVISION OF THE MINISTRY OF COMMUNICATION

Trading as

TELECOM KIRIBATI

FINANCIAL STATEMENTS

31 DECEMBER 1986

351

TELECOM KIRIBATI - A DIVISION OF THE MINISTRY OF COMMUNICATION
YEAR ENDED 31 DECEMBER 1986

CERTIFICATE OF THE DIRECTOR OF AUDIT

Note: The financial statements have still to be audited

TELECOM KIRIBATI
BALANCE SHEET
31 December 1986

<u>CAPITAL</u>	<u>NOTE</u>		<u>1985</u>
CAPITAL RESERVE	3	7 245 453	6 779 912
REVENUE RESERVE			
Accumulated deficit		<u>976 761</u>	<u>515 981</u>
		\$ 6 268 692	\$ 6 263 931
		=====	=====
 <u>EMPLOYMENT OF CAPITAL</u>			
FIXED ASSETS	4	<u>5 743 951</u>	<u>5 853 898</u>
INVENTORIES	5	<u>418 751</u>	<u>501 710</u>
<u>CURRENT ASSETS</u>			
Trade debtors - governments	2	156 256	71 326
- general	6	70 006	68 059
Other debtors - government	2	40 078	49 255
- general		21 207	11 340
Cash		<u>313 332</u>	<u>84 126</u>
		600 879	284 106
		=====	=====
 <u>CURRENT LIABILITIES</u>			
Trade creditors - government	2	386 540	263 578
- general		100 606	89 049
Other creditors - government	2	3 622	22 211
- general		<u>4 121</u>	<u>945</u>
		494 889	375 783
		=====	=====
 NET CURRENT ASSETS/(LIABILITIES)		 <u>105 990</u>	 (<u>91 677</u>)
		=====	=====
		\$ 6 268 692	\$ 6 263 931
		=====	=====
 CAPITAL COMMITMENTS	7		
CONTINGENT LIABILITIES	8		

INATIO TEANAHO
Director

JOHN IKAKEAU TONGANIBEIA
Secretary for Communication

TELECOM KIRIBATI
 PROFIT AND LOSS STATEMENT
 Year ended 31 December 1986

	<u>Note</u>		<u>1985</u>
Turnover	2	1224906 \$ 135 919 -----	\$ 687 447 -----
EARNINGS			
Telecommunication service earnings			
International		381 799	243 438
National		<u>426 614</u>	<u>184 251</u>
Other earnings		808 413 <u>14 418</u>	427 689 <u>19 317</u>
		<u>822 831</u>	<u>447 006</u>
EXPENDITURE BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS			
Administrative		185 525	97 852
Operating		522 436	538 017
Maintenance		301 194	223 483
Depreciation		<u>624 456</u>	<u>439 867</u>
		<u>1 633 611</u>	<u>1 299 219</u>
LOSS BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS		<u>810 780</u>	<u>852 213</u>
EXCEPTIONAL ITEMS			
Expenditure funded by grants and aid	10	<u>260 165</u>	<u>272 023</u>
LOSS BEFORE EXTRAORDINARY ITEMS		<u>1 070 945</u>	<u>1 124 236</u>
EXTRAORDINARY ITEMS			
Subsidy	9	350 000	336 232
Grants and aid	10	<u>260 165</u>	<u>272 023</u>
		<u>610 165</u>	<u>608 255</u>
LOSS FOR THE YEAR		460 780	515 981
Accumulated deficit 31 December 1985		515 981	-
ACCUMULATED DEFICIT 31 DECEMBER 1986		\$ <u>976 761</u> -----	\$ <u>515 981</u> -----

351

TELECOM KIRIBATI
 SOURCE AND APPLICATION OF FUNDS STATEMENT
 Year ended 31 December 1986

	<u>Note</u>	<u>1986</u>	<u>1985</u>
SOURCE OF FUNDS			
Subsidy	9	350 000	336 232
Grants and aid			
- for assets capitalised	3	467 894	5 658 106
- for expenditure incurred during the year	10	258 504	272 023
Proceeds from disposal of fixed assets		<u>6 900</u>	<u>-</u>
		<u>\$ 1 083 298</u>	<u>\$ 6 266 361</u>
APPLICATION OF FUNDS			
Operating loss		1 050 945	1 124 236
Items not involving the movement of funds			
- depreciation		(624 456)	(439 867)
- disposal of fixed asset surplus		<u>6 334</u>	<u>-</u>
Funds for operations		432 823	684 369
Increase in fixed assets		515 767	5 360 696
Increase in working capital		<u>134 708</u>	<u>221 296</u>
		<u>\$ 1 083 298</u>	<u>\$ 6 266 361</u>
WORKING CAPITAL			
Increase in working capital:			
Increase in inventories		-	314 292
Increase in debtors		87 567	198 661
Increase in cash		<u>229 206</u>	<u>84 126</u>
		<u>316 773</u>	<u>597 079</u>
Decrease in working capital:			
Decrease in inventories		82 959	-
Increase in creditors		<u>99 106</u>	<u>375 783</u>
		<u>182 065</u>	<u>375 783</u>
Net increase in working capital		<u>\$ 134 708</u>	<u>\$ 221 296</u>

1. COUNTRY OF INCORPORATION AND MAIN ACTIVITY

Telecom Kiribati was established as a self-accounting division of government by a decision of the Cabinet of the government of the Republic of Kiribati on 1 January 1985. It is proposed that Telecom Kiribati is granted independent status and be controlled by an Act of Parliament. A final decision has not been made as to the form of independent status. It is responsible for providing all telecommunication services within the Republic of Kiribati and international telecommunication services.

2. ACCOUNTING POLICIES

2.1 General basis of accounting

The financial statements have been prepared in conformity with international accounting standards and in accordance with historical cost principles with the exception of certain fixed assets handed over to Telecom Kiribati by the telecommunication division of the Ministry of Communication which have been included at valuation.

2.2 Currency of financial statements

The financial statements are expressed in Australian dollars.

2.3 Depreciation

Depreciation has been calculated on a straight line basis to write off fixed assets over their anticipated economic life. The anticipated economic life of the main categories of fixed assets are as follows:

Leasehold buildings	20 years
Communication plant	
Satellite earth station	15 years
Telephone exchanges	20 years
Radio plant	10 years
Transmission carrier equipment	20 years
Cables	20 years
Vehicles	5 years
Air conditioners and office equipment	5 years
Furniture and fittings	10 years

2.4 Inventories

Inventories are valued at cost on a first in first out basis with the exception of inventories handed over to Telecom Kiribati by the telecommunication division of the Ministry of Communication on 1 January 1985 which have been included at valuation. Inventories consist of materials and supplies used for construction and maintenance.

2.5 Government debtors and creditors

Amounts due to and by Kiribati government ministries and self-accounting divisions, statutory bodies and companies in which the Kiribati government has a majority shareholding are disclosed in the balance sheet as government debt.

2.6 Debtors

A review of all debtors' accounts is carried out during the year. Bad debts are written off against revenue as they become known and at the end of the year provision is made for doubtful debts.

2.7 Foreign currency

Foreign currency transactions are converted to Kiribati currency at the rate of exchange ruling at the date of the transaction. Foreign currency balances are adjusted to reflect the rate of exchange ruling at the balance sheet date. Gains and losses which arise from currency realignment are brought to account during the financial year in which they are realised.

2.8 Employee recreation leave

No provision is made in the accounts for the accrued liability in respect of employees' leave entitlement for annual recreation leave as it is not the general policy of the Kiribati government with the exception of payments to persons leaving the government's employ, to make such payments. The amount involved is identified as a contingent liability.

2.9 Turnover

Turnover comprises gross telecommunication service earnings and all other miscellaneous earnings.

3. CAPITAL RESERVE

		1985
Capital reserve at 31 December 1985	6 779 912	
Fixed assets, inventories and current assets handed over to Telecom Kiribati by the former telecommunication division of the Ministry of Communication at 1 January 1985	<u>8 986</u>	<u>1 121 800</u>
Assets funded by grants and aid		
Satellite earth station		
European Economic Community regional	(9 678)	2 377 800
Exchange plant, radio and multiplex equipment		
subscribers equipment, vehicles and equipment		
spares for the rehabilitation of the South		
Tarawa telecommunication network		
European Economic Community national	418 970	3 149 600
Radio equipment and spares for upgrading of the		
outer island network		
Canada	46 813	53 100
Telex machines		
New Zealand	-	23 600
United Kingdom	-	38 800
Onshore costs Betio radio tower		
Kiribati government	-	13 000
Stock accounting equipment	-	
Japan		1 900
Office equipment		
International Telecommunication Union	<u>450</u>	
	<u>456 555</u>	<u>5 658 100</u>
Capital reserve at 31 December 1986	<u>\$ 7 245 453</u>	<u>\$ 6 779 912</u>

73/60

TELECOM KIRIBATI
 NOTES TO THE FINANCIAL STATEMENTS
 31 December 1986

4. FIXED ASSETS

	Leasehold buildings	Communication plant	Other fixed assets	Total	Total
Cost:					
31 December 1985	922 839	4 375 012	62 845	5 360 696	
Additions	76 970	418 509	20 288	515 767	5 360 69
Disposals	-	-	-	-	
31 December 1986	<u>999 809</u>	<u>4 793 521</u>	<u>83 133</u>	<u>5 876 463</u>	<u>5 360 69</u>
Valuation:					
31 December 1985	-	873 893	59 176	933 069	933 06
1985 adjustment	-	9 522	(10 214)	(692)	
Additions	-	-	-	-	
Disposals	-	-	(6 800)	(6 800)	
31 December 1986	<u>-</u>	<u>883 415</u>	<u>42 162</u>	<u>925 577</u>	<u>933 06</u>
Depreciation:					
31 December 1985	46 142	371 963	21 762	439 867	
Charge for the year	53 842	543 067	27 547	624 456	439 86
Eliminated on disposal	-	-	(6 234)	(6 234)	
31 December 1986	<u>99 984</u>	<u>915 030</u>	<u>43 075</u>	<u>1 058 089</u>	<u>439 86</u>
Net book amount:					
31 December 1986	<u>\$ 899 825</u>	<u>4 761 906</u>	<u>82 220</u>	<u>5 743 951</u>	<u>\$ 5 853 89</u>

Fixed assets valued at \$933 069 at 1 January 1985 were handed over to Telecom Kiribati by the former telecommunication division of the Ministry of Communication for which no payment was made.

The valuation was carried out by the Director and a senior member of Telecom Kiribati technical staff.

1985

5. INVENTORIES

Inventories comprise materials and supplies used for construction and maintenance	\$ 418 751 -----	\$ 501 710 -----
---	---------------------	---------------------

Inventories valued at \$187 418 at 1 January 1985 were handed over to Telecom Kiribati by the former telecommunication division of the Ministry of Communication for which no payment was made.

Inventories valued at \$308 344 representing an estimated three years supply for the new South Tarawa telephone network and the outer island radio network, were funded by aid from the European Economic Community and Canada.

6. TRADE DEBTORS

Trade debtors general	97 696	76 990
Total amount due	<u>27 690</u>	<u>8 931</u>
Provision for doubtful debts	\$ 70 006 -----	\$ 68 059 -----

7. CAPITAL COMMITMENTS

Outer island radio link	-	45 000
South Tarawa telephone network	117 000	347 000
Telex machines	<u>28 000</u>	<u>28 000</u>
	\$ 145 000 -----	\$ 420 000 -----

All capital commitments are to be funded by aid donors

8. CONTINGENT LIABILITIES

Employees' leave entitlement at 31 December 1985		11 008
Loans made by the Bank of Kiribati to employees of Telecom Kiribati which are guaranteed by the Kiribati government	<u>936</u>	<u>1 862</u>
	\$ -----	\$ 12 870 -----

		<u>1985</u>
9. SUBSIDY φ		
Total amount received from the Kiribati government from which had to be deducted the total debt of all government Ministries for telecommunication services for the year	350 000	500 000
	<u> -</u>	<u>163 768</u>
	\$ 350 000	\$ 336 232
	-----	-----
10. GRANTS AND AID		
Grants and aid received for expenditure incurred during the year		
Employee costs - salaries		
Kiribati government	-	6 447
United Kingdom	<u>3 224</u>	<u>6 447</u>
	<u>3 224</u>	<u>12 894</u>
Maintenance services plant		
European Economic Community national φ	<u>84 378</u>	<u>42 189</u>
Maintenance spares and materials		
European Economic Community national φ	-	48 797
New Zealand	-	5 216
International Telecommunication Union	<u>11 542</u>	<u> -</u>
	<u>11 542</u>	<u>54 013</u>
Office Stationery		
Japan	<u> -</u>	<u>2 471</u>
Training		
European Economic Community national	113 029	60 309
Australian Development Assistance Board	15 514	31 846
International Telecommunication Union	9 729	17 555
Japan	9 637	38 116
Commonwealth Fund for Technical Co-operation	<u> -</u>	<u>7 128</u>
	<u>147 909</u>	<u>154 954</u>
Travel costs		
International Telecommunication Union	1 595	5 502
South Pacific Economic Community	<u>9 856</u>	<u> -</u>
	<u>11 451</u>	<u>5 502</u>
	<u> -</u>	<u> -</u>
	\$ 258 504	\$ 272 023
	-----	-----

TELECOM KIRIBATI
NOTES TO THE FINANCIAL STATEMENT
31 December 1986

1985

11. INSURANCE

Only potential losses deemed to be of a catastrophic nature and employee related claims are covered by insurance. Fixed assets not covered by insurance at 31 December 1986 were valued at

\$ 2 427 476	\$ 2 553 898
*****	*****

12. INCOME TAX

Telecom Kiribati is not subject to income tax.

13. EMPLOYEE RETIREMENT BENEFITS

In accordance with the requirements of the Kiribati Provident Fund Ordinance (Cap 78A) 1979, Telecom Kiribati contributes to the fund 5% of basic salary of all permanent employees. No other provision is made or is required by law for staff retirement benefits.

TELECOM KIRIBATI
EARNINGS STATEMENT
Year ended 31 December 1986

		<u>1985</u>
TELECOMMUNICATION SERVICE EARNINGS		
International telecommunication outwards earnings		
Telephone calls	242 778	112 000
Telex calls	250 992	132 037
Telegrams	24 703	49 094
Telefax	<u>2 313</u>	<u>-</u>
	520 786	293 131
Cost of international telecommunication outward earnings	<u>402 075</u>	<u>240 441</u>
Gross profit 22.79% (1985 17.97%)	118 711	52 690
International telecommunication inward earnings	<u>263 088</u>	<u>190 748</u>
Total international telecommunication earnings	<u>381 799</u>	<u>243 438</u>
National telecommunication earnings:		
Radio telephone calls	20 430	9 607
Telephone metered calls	161 809	28 424
Telegrams	43 044	37 641
Telephone rental	123 456	75 181
Telex rental	61 391	17 828
Telephone installation	14 704	15 360
Telex installation	550	210
Telephone reconnection fees	<u>1 230</u>	<u>-</u>
Total national telecommunication earnings	<u>426 614</u>	<u>184 251</u>
OTHER EARNINGS		
Radio transmitting licence fees	7 945	7 045
Maintenance services	3 291	5 696
Miscellaneous	<u>3 182</u>	<u>6 576</u>
Total other earnings	<u>14 418</u>	<u>19 317</u>
TOTAL EARNINGS	<u>\$ 822 831</u>	<u>\$ 447 006</u>
	-----	-----

APPENDIX III
SAMPLE AGREEMENTS

2/6/6

A Procedural Agreement on Redundancy
between the Government of Kiribati
and the FKATA Union

A. Intention

(a) The parties to the agreement recognise that a prosperous and expanding economy, coupled with forward planning of labour requirements, are the surest guarantees of security of employment. Nevertheless circumstances arise, e.g. closure of partial closure of an operation due to a fall in demand, discontinuation of a service, the ending of an aid financed project, reorganisation following the introduction of new methods, which give rise to the redundancy.

(b) The entitlements of an unestablished employee who is laid off through redundancy are specified in the agreement. The object of the present agreement is:

(i) to set up a procedure for dealing with a redundancy situation when it arises, and

(ii) to indicate the main entitlement of the employee under the agreement.

B. Eligibility for redundancy treatment

An unestablished employee on hourly rates of pay as a classified worker whose continuous service with the government exceeds six months, who is 18 years of age or over but under 55 years and who works at least 36½ hours a week is eligible for the benefits prescribed by the Agreement. Benefits become due if he has been paid off because the need for the kind of work which he is employed to do has ceased or diminished through discontinuation of services, reorganisation, completion of projects and changes in methods of work or operation of services.

Note: An employee is not redundant who completes a specific contract period of employment, is dismissed or discharged for some other cause e.g. inefficiency, unsuitability or health reasons or failure to pass prescribed tests, or who is summarily dismissed for misconduct.

C. Prevention and consultation in the event of redundancy

If the likelihood of redundancy is foreseen the Secretary of the employing Ministry will inform the Secretary to the Chief Minister and the Union at least 3 months in advance of those anticipated explaining the reason, and will give consideration to taking appropriate measures to prevent redundancy, e.g. redeployment within Government and voluntary redundancies. If, despite these measures, redundancy arises, or if the measures proposed are not practicable, the Secretary to the Chief Minister will consult the union(s) at the earliest opportunity in order to reach agreement on which group of employees are liable to be made redundant according to division, job grades, or other categories. If at this stage the Secretary to the Chief Minister and Union are unable to agree on the need for, or extent of, the redundancy proposed the

Union may ask the Minister for Labour affairs to appoint a Board of Inquiry, whose membership is acceptable to both parties, to investigate the matter and such Board's findings shall be binding to both sides. It is agreed that no redundancies will take place until the Board's findings are made known.

D. Selection of redundant employees

Following the action in Clause C and at the earliest opportunity, notification will be given to the employees concerned that redundancy is imminent. Redundant employees will be selected by joint consultation between the Secretary of the employing Ministry and the Union within the categories agreed on the basis of 'last in, first out.' This principle may be departed from in the case of certain employees by agreement between the Secretary of the employing Ministry and the Union.

E. Offer of other work:

The Secretary of the employing Ministry will, wherever possible, offer other work. The alternative work will be suitable in relation to the employee, it will take effect without a break from the previous employment (or within four weeks of the expiration of the previous employment) and the offer will be made in writing before the date of termination of the employee's employment. If the employee refuses an offer of other work which meets these conditions he will forfeit his entitlement to a redundancy payment. At the time the employees are engaged by the government it will be the responsibility of the Secretaries of the Ministries concerned to arrange explanation to these employees in their own language their contract or terms and conditions of service and to obtain a signature from the employees that such an explanation has been given.

F. Acceptance of other work

An employee accepting another job will be regarded as redeployed.

G. Alternative employment

Employees for whom no work is available will be given all reasonable opportunities to look for alternative employment. In the event of employment opportunities occurring with the employing Ministry at a later date government undertakes to consider giving suitable persons previously made redundant, priority in the filling of these vacancies.

H. Notice of termination of employment

This will be as follows:-

Up to two years service	-	two weeks.
After two years service	-	four weeks.

To be given after the joint consultation described in section C above.

363

I. Redundancy payments

These may be offered as follows in addition to gratuity and/or leave pay entitlement:-

Up to six months - no entitlement
From 1 year onwards - 2 weeks pay (a week is calculated as 7 days) for each years service. Periods of service of under 6 months duration will not count towards calculating service, but periods of 6 months or over will count as a years. In addition to the above the employee will be offered a free passage for himself and his family to his home island, provided he takes this with one month of the first available ship.

J. Review

This agreement can be reviewed, in whole or in part, by either party giving three months notice in writing to the other party that they wish a review to be undertaken. Such notice should state the reasons for requiring the review.

This agreement has been signed 1975,
between both parties and the B.M.T.U. Union agrees to publicise the contents of this agreement for information of its members.

For Government

For B.M.T.U. Union

.....
.....
.....

.....
.....
.....

REPUBLIC OF KIRIBATI
AGREEMENT OF SERVICE

By this Agreement made this
Between the Government of Kiribati (hereinafter called
"the Government") not (hereinafter
called "the employee")

It is hereby agreed as follows:-

- Period of service and assumption of duty.
- Duties
- Salary
- Provident Fund.
1. The employee will diligently perform the duties of or such other duties as the Government may reasonably require for a period of with effect from
 2. The employee will -
 - (a) Act in all respects according to the directions given to him by the Government or his superior officers;
 - (b) place his whole time at the disposal of the Government and will not engage or be concerned in any other business.
 - (c) save in so far as is otherwise provided herein or may be inconsistent herewith, be subject to and entitled to the benefits of the National Conditions of Service or other Government or Ministerial orders or instructions for the time being in force in so far as the same are applicable.
 - 3.(1) The salary scale attributable to the office is Level the salary points of which are shown on the last page of this document.
 - (2) The employee shall, however, commence to draw salary at the rate of Australian dollars (\$A. a year and will progress, if his work and conduct are in all respects satisfactory, by annual increments to the maximum of the above Level(s).

The salary shall be payable monthly in arrears by the Government.
 - 4.(1) The employee will be required to join the Gilbert Islands Provident Fund (or continue as a member if previously registered with the Fund). Government will pay into the Fund on behalf of the employee a sum equal to 10% of employee's annual basic salary at the time such salary is paid in accordance with paragraph 3.(2) above. Both the Government and the employee shall be bound by the provisions of the Gilbert Islands Provident Fund Ordinance as enacted and any amendments that may be lawfully made thereto.

Leave and Terminal Payment

5. If the service of the employee is in all respects satisfactory and he is to be re-engaged for further service in accordance with Clause 9, he will be granted leave at the rate of _____ days for each completed month of service on the completion of his tour. If the employee is not being re-engaged for further service on completion of the tour of service under this Agreement; or if the engagement is terminated he will not be granted leave, but, subject to the service rendered by the employee having been in all respects to the satisfaction of the Government, the employee may be granted a payment (hereinafter called a "terminal payment") calculated at the rate of _____ days salary for each completed month of service.

Quarters.

Ref. L. 25/64
of Circular N 24/56

6. The employee may be allowed or required to occupy ~~partly furnished~~ Government quarters at a rent assessed according to the type of quarters occupied and according to the rules and regulations in force from time to time.

Termination of Agreement by Government.

7. Without prejudice to the provisions of National conditions of Service relating to dismissal, the Government may terminate this Agreement -

- (a) by giving the employee not less than one month's notice in writing of the date upon which the Agreement will be terminated.
- (b) at any time by giving the employee one month's salary in lieu of the notice aforesaid.
- (c) in the event of the employee being certified by a Government medical officer as medically unfit for service under this Agreement (for reasons other than his own misconduct) by giving him one month's notice in writing of the date upon which the Agreement will be terminated.

Termination of Agreement by Employee.

8. (1) The employee may, after the expiration of three months' service, determine this Agreement-

- (a) by giving not less than one month's notice in writing of the date upon which he proposes to terminate the Agreement; or
- (b) at any time by paying to the Government one month's salary.

(2) If the employee terminates his engagement otherwise than in accordance with this Agreement he shall be liable to pay to the Government as liquidated damage one month's salary.

11

Further
engagement

9. Six months prior to the completion of a tour of service under this agreement the employee shall give notice in writing to the Government whether he desires to remain in its employment and the Government shall thereupon decide whether it will offer him further employment in which case the re-engagement will be on such terms and for such period as may be mutually agreed.

National
Conditions
of Service

10. Matters not covered by the terms of this Agreement shall be governed by the National Conditions of Service and Regulations of the Country for the time being in force.

Interpretation

11. This Agreement is to be interpreted in accordance with the laws of Kiribati. In this Agreement words importing the masculine gender shall be deemed to include females unless the context otherwise requires.

As witness our hands the day and year above written.

Signed _____)
(on behalf of the Government _____)

In the presence of _____)

Signed by _____)

In the presence of _____)

(Signature _____)

(Address _____)

(of the _____)

(witness _____)

(_____)

(Occupation _____)

Signature of
Employee

APPENDIX IV
LETTERS OF TRANSMITTAL

44.

26 September, 1987

Mr. Louis Kuhn
Programme Officer
USAID
American Embassy
Suva
Fiji

Dear Louis,

Re: Privatisation in Kiribati

Mrs. Mifat Barokas and Steve Rubin have left Kiribati September 26, 1987 after appropriate briefings with the President of the Republic, the Cabinet Secretary and the Attorney General. They were not able to brief the Minister of Finance - Vice President due to his attending World Bank/IMF Consultations at Washington D.C.

2. The Privatization Team was given support and documentation by Ministry of Finance and other Ministries and Agencies. We regret the brevity of the Team's stay here since their knowledge and experience would be of further value if they could have stayed the original period of 6 weeks initially proposed.

3. Despite the brevity of their stay the team was able to meet with various Government officials and Private Sector businessmen to determine potential courses of action in Privatization. They also visited the facilities of the 12 entities initially identified by the Government.

4. The Government of Kiribati appreciates the U.S. Government's provision of a Privatization Team composed of Knowledgeable and Experienced Professionals who have demonstrated understanding of our culture and developmental constraints. We look forward to receiving their full Report in the near future and continue our effort in Privatization and the Development of our Private Sector.

Ben Tinga

Dr Rifat Barokas
Dr Steven Rubin

c/o Otintai Hotel
Bikenibeu
TARAWA

September 25, 1987

Beniamina Tinga
Secretary for Finance
Ministry of Finance
Bairiki
Tarawa
Republic of Kiribati

RE: PRIVATIZATION TASK ASSIGNMENT - KIRIBATI

Dear Mr Tinga,

We acknowledge with much appreciation the support provided by you and officers of your Ministry in regard to our two-week assignment under the sponsorship of USAID, Suva (Fiji) on the subject captioned above. We are particularly grateful for Mr N K "Simon" Koomar's full-time participation, which has been invaluable to this project.

As you would be aware, this two-week assignment is primarily one in the nature of an initial survey or "reconnaissance" on the prospects of Privatization in Kiribati. We shall be writing our formal Report in Washington D.C. after leaving Tarawa tomorrow on our way to the United States. Since it would be some time, however, before you receive the formal Report, we felt that you and members of your Government might find useful a "debriefing" session prior to our departure. In this context we are pleased to attach a draft outline of the Report that we propose to write upon our return to the U.S.

A list of twelve state-owned enterprises was presented for our study. It may be observed from the itemised details of the draft outline that we have identified six State-Owned Enterprises (SOE) or entities as having scope for early privatization i.e. within 6 to 12 months from now. Under the guidelines presented in our outline, we believe that the Government of Kiribati would be able to decide upon and implement the privatization of these six entities within a time frame of 12 months. We have placed in the second priority group, two entities that can be divested in a period of two years (or less if possible). In the third priority group we have ranked one entity that could be privatized in a span of two to four years. The statutory corporations comprise the fourth and last priority group that could be considered for privatization between four to eight years hence.

A chapter on strategies and policies provides a starting point for government planning for privatization. An analysis of the legal issues related to privatization is followed by chapters on the availability of Financial Manpower and Institutional Resources.

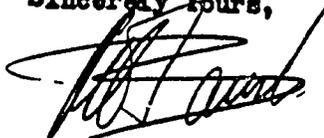
In the last section of our Report we propose an implementation program including Technical Assistance options for the consideration of the Government as well as potential Donors. Our Report ends with a chapter on conclusions and recommendations and an Appendix section containing extracts from copies of certain vital documents and additional information and analysis.

In our recommendations we have done our best to address the many constraints that affect a developing island nation such as Kiribati, taking into account the need to respect and preserve its unique traditions and culture. We do hope that in some small way our recommendations will stimulate and contribute to your Government's efforts to improve the standard of living of the population without deviating from the course of 'Te Kato ni Kiribati'.

It has been a pleasure to work with you on this assignment. Please accept in our behalf and in behalf of USAID and the Center for Privatization our thanks for your interest and support, the assistance of your staff and the collaboration of the various Government officials, expatriate technical assistance staff and local businessmen. They have in one way or another helped make our stay in Kiribati both enjoyable and instructive.

"Ko rabwa" and "Tiabo".

Sincerely Yours,



Rifat Barckas, Ph.D
President
International Phoenix Corporation
Herndon, Virginia, USA



Steven M Rubin, J.D.
Attorney at Law
Washington D.C., USA

Corporate Member
A G I Center for Privatization
Washington D.C. USA

cc: Mr John Howard, USAID, Fiji
Mr Lou Faero, USAID/Washington D.C. USA
Mr Alex Tomlinson, Director, Center for Privatization, USA

REPUBLIC OF KIRIBATI

REPORT ON OPPORTUNITIES IN PRIVATISATION OF STATE OWNED
ENTERPRISES AND PRIVATE SECTOR DEVELOPMENT

TE KATEI NI KIRIBATI
DRAFT 4 REPORT OUTLINE
SEPTEMBER 24, 1987

- I. EXECUTIVE SUMMARY
- II. INTRODUCTION
 - 2.1 Mission Background

GOK request of TA to USAID/Suva March 1987
Subsequent Regional Privatisation Conference.
USAID/Suva communication to USAID/W, Private Enterprise Bureau and Center for Privatisation
Two person Team, two weeks in Kiribati and Briefings in Suva before and after Tarawa.
 - 2.2 Country Profile
 - 2.2.1 Geography
 - 2.2.2 History
 - 2.2.3 Culture
 - 2.2.4 Economy
 - 2.2.5 Political Framework
- III. THE ROLE OF THE PUBLIC AND PRIVATE SECTORS IN THE ECONOMY
 - 3.1 Past and Present Public Sector Involvement in the Economy
 - 3.1.1 Colonial Administration
 - 3.1.2 Kiribati Since Independence
 - Social Objectives
 - Capital Formation
 - Statutory and Registered Companies
 - Government Divisions and Departments
 - 3.2 The Emerging Private Sector
 - 3.2.1 Past Developments: Subsistence vs Cash Economy
 - 3.2.2 Current Entrepreneurial Activities
 - Subsistence Sector
 - Cooperative Sector
 - Small Business Sector

3.2.3 Private Sector's Perception of GOK Policies

- Continuing Public Sector Control of economy
- Ambivalence in allowing further Private Sector Development
- Lack of incentives

3.2.4 Constraints to Private Sector Development

- Cultural Dichotomy
- Small Entrepreneurial Pool and its composition
- Limited Management and other Skilled Resources
- Limited Markets - Domestic and Export
- Limited National Resources
- GOK Policies, Attitudes and Procedures

3.3 Institutional and Policy Framework for Privatisation and Private Sector Development

3.3.1 Ministry of Finance and Planning

- ~~Office of Planning~~ ^{National} National Planning Office

- Director of Audit

- Development Bank of Kiribati
- Bank of Kiribati
- Kiribati Provident Fund
- Special Funds

3.3.2 → Director of Audit

3.3.3 Ministry of Trade, Industry and Labour

3.3.4 Ministry of Natural Resource Development

3.3.5 Other Ministries and Agencies

3.4 Government Objectives for Privatisation - Reference to National Plan

- 3.4.1 State Owned Enterprises - Barriers to Market Entry
- 3.4.2 Reduction Budget Deficits/Subsidies
- 3.4.3 Improved Resource Allocation
- 3.4.4 Improved Productivity

- 3.4.5 Pricing and Tariffs
- 3.4.6 Increased Social Benefits by Optimising Factors of Production

IV. THE NEED FOR PLANNED PRIVATISATION: STRATEGY AND POLICY OPTIONS FOR GOK CONSIDERATION

4.1 Strategy

- A Political ^{Pro cess.} Progress with Social & Economic Implications

4.1.1 Demonstration of Commitment to Privatisation by Government and Political Leadership

- Speeches and Articles
- Workshops and Seminars
- Discussions in Cabinet
- Discussion in Maneaba ni Maungatabu
- Discussion in Island and Village Maneabas

4.1.2 Public Education

- Radio: News Reports Interviews
- Newspaper: News, Articles
- Presentations in Maneabas
- Information Dissemination

4.1.3 Establish Institutional Framework

- New Legal Entity: Privatisation Task Force
- Assign Local and Expatriate Specialists
- Assign Authority and Responsibility for Specific Privatisation Tasks (~~PTF~~)

4.1.4 Provide PTF with Manpower and Financial Resources

- Full time and Part time Professional and Support Staff
- Adequate space, Equipment, Fixtures and Furniture
- Adequate Funds to achieve its objectives

4.1.5 Privatisation Options Suitable for GOK SOEs

- Immediate Short Term Liquidation
- Immediate full divestiture of up to 49% and to 100% in Medium Term.
- Convert Department/Division with No separate accounting to Self Accounting Status
- Convert entity with Self Accounting Status to Registered Company
- Split Existing Entity into different component and Privatise (immediate Short-Medium-Long Term) as different Registered and Operating Companies
- Leasing Contracts as Preparatory Stage to Divestiture
- Management Contracts with or without Equity Options leading to divestiture with or without an Intermediate stage of leasing

4.2 Policy

- Reference to National Development Plan

4.2.1 Maintenance of Public Interest

- Source of Definition of Public Interest
- Enforcement of Public interest
- Public vs Private Monopoly, Oligopoly, Competition

4.2.2 Maintenance of Te Katei ni Kiribati

- Impact on Traditional Culture
- Changes in Employment: Wage vs Subsistence
- Changes in Housing: Urban vs Rural
- Changes in Education: School vs Extended Family
- Changes in Status: Equal vs Prominent
- Changes in Politics: Unimane vs *Younger Leadership*

4.2.3 Alternative Investment Policies

- Utilisation of General Government Funds
- Special Funds
- Kiribati Provident Fund
- Development Bank of Kiribati
- Bank of Kiribati
- Receipts from Sale of SOE

V. LEGAL FRAMEWORK

5.1 Legal Power and Authority to Privatise

- Liquidation
- Full/Partial Divestiture
- Leasing Contracts
- Management Contracts

5.1.1 Statutory Corporations

- Appropriate Process of Divestiture
- Constraints to Divestiture

5.1.2 Company Law - Cap 10A Companies

- Appropriate Process of Divestiture
- Constraints to Divestiture

5.1.3 Government Ministry Departments and Divisions

- Appropriate Progress of Divestiture of Cap 79 Entities
- Constraints to Divestiture

5.2 Labour Aspects of Privatisation

5.2.1 Trade Unions in Public and Private Sectors

5.2.2 Reductions in force in Privatisations SOEs

- Ramifications
- Manpower Redeployment

5.3 Land Aspects of Privatisation

5.3.1 Scarcity of Land Resources in Kiribati - Legal, Socio-economic Implications

5.3.2 Land Ownership by Citizens and Foreigners

5.3.3 Legal Constraints of Land Ownership as it impacts on Foreign Investment

5.4 Foreign Investment Legislation

5.4.1 Description of Legislation

5.4.2 Foreign Investment Board

5.4.3 Registration and Approval

5.5 Tax Aspects of Privatisation

- Taxation Framework and Legislation

5.5.1 Corporate Income Tax

5.5.2 Withholding Tax

5.5.3 Individual Income Tax

5.5.4 Dividend Tax

5.5.5 Duties, Tariffs and Other Taxes

5.6 Fiscal Incentives to Investment and Impact on Privatisation

5.6.1 Pioneer Relief Act

5.6.2 Other Exemptions and Incentives

VI. FINANCIAL RESOURCES FOR PRIVATISATION

6.1 Capital Sources Potentially Available from Institutions

6.1.1 Development Bank of Kiribati

6.1.2 Bank of Kiribati

6.1.3 Government Special Funds

6.1.4 Kiribati Provident Fund

6.2 Capital Sources of Kiribati Entrepreneurs

6.2.1 Individual
Extended Families
Partnerships

1186

- 6.2.2 Island Councils 42
- 6.2.3 Urban Councils 42
- 6.2.4 Religious Groups
- 6.2.5 Cooperatives
 - Formal
 - Informal
- 6.2.6 Business Organisations
 - Chamber of Commerce

VII. MANPOWER AND INSTITUTIONAL RESOURCES FOR PRIVATISATION

7.1 Manpower Resources

7.1.1 In the Public Sector

- Ministries
- Departments and Divisions
- Statutory Corporations
- Registered Companies

7.1.2 In the Private Sector

- Businesses and Business Organisations
- Cooperatives
- Religious Groups
- Island and Urban Councils

7.1.3 For the Privatisation Task Force

- Immediate Needs
- Future Needs

7.2 Institutional Resources

7.2.1 Ministry of Finance *and Planning*

- Privatisation Task Force

7.2.2 Ministry of Trade, Industry and Labour

- Small Business Development

7.2.3 *Ministry of Natural Resource Development*

VIII. ANALYSIS OF SELECT STATE ENTERPRISES

8.1 Company Profiles: Background and Description of GOK State

Owned Enterprises

- 8.1.1 Abemakoro Trading Ltd
- 8.1.2 Atoll Motor and Marine Services Ltd
- 8.1.3 Otintai Hotel
- 8.1.4 Shipping Corporation of Kiribati
- 8.1.5 Kiribati Insurance Corporation
- 8.1.6 Public Utilities Board
- 8.1.7 Shipyard
- 8.1.8 Government Philatelic Bureau
- 8.1.9 Government Plant and Vehicle Unit
- 8.1.10 Government Supply Division
- 8.1.11 Public Works Department
- 8.1.12 Government Printery

8.2 Criteria for Privatisation

8.2.1 Government Objectives

- Increase in economic efficiency
- Elimination/Reduction of Govt Deficits/Subsidies
- Public Interest
- Foster Private Sector Activity where public sector activity not essential

8.2.2 Ease of Privatisation

- Commercial Viability
- Transferability of ownership
- Political Acceptability

8.3 Ranking Approach and Justification

Priority One	6-12 months	Immediate
Priority Two	1-2 Years	Short Term
Priority Three	2-4 Years	Medium Term
Priority Four	4-8 Years	Long Term

8.3.1 Priority One Group ^{4*}

8.3.1.1 DBK Holdings ^{4*}

- Abamakoro Trading Ltd ✓
- Otintai Hotel ✓
- Atoll Motor Marine Services ✓

8.3.1.2 Ministry of Finance Holdings

- Government Supply Division ✓

8.3.1.3 Ministry of ~~Home Affairs & Decentralisation~~ ^{Transport and Communications}
Holdings

- Government Philatelic Bureau

8.3.1.4 - Ministry of Home Affairs & Decentralisation ^{Government Printing}

8.3.2 Priority Two Group

- Government Plant and Vehicle Unit
- Shipyard

8.3.3 Priority Three Group

- Public Works Department

8.3.4 Priority Four Group

- Shipping Corporation of Kiribati
- Kiribati Insurance Corporation
- Public Utility Board

8.4 Enterprise Ranking and Justification

8.4.1 Priority One Group

8.4.1.1 Abamakoro Trading Ltd

- Economic Efficiency: Improved sourcing, pricing and distribution
- Alternative Resource Allocation in line with Public interest
- Government involvement not essential
- Profitable Company
- Ownership Easily Transferable
- Politically Acceptable

8.4.1.2 Atoll Motor & Marine Services Ltd

- Big drain on public finance
- Government involvement not essential
- Need for improvements in Management
- Need for Economic Efficiencies
- Ownership easily transferable

8.4.1.3 Otintai Hotel

- Government involvement not essential
- Impact on Tourism and National Image
- Need for Management & Economic Efficiencies
- Ownership easily transferable
- Politically acceptable

8.4.1.4 Government Supply Division

- Government involvement not essential
- Improve management of operations
inventory and Product mix
- Country to Registered Company for relative
ease of transfer
- Presence of Effective Competitive
- Domestic Market
- Relatively Acceptable from Political view

8.4.1.5 Government Printery

- Need for better and faster service
- Need for economic efficiencies
- Reduction of Public Expenditure
- Divestiture through management contract and/or
Employee ownership
- Politically acceptable

8.4.1.6 Government Philatelic Bureau

- Government Involvement not essential
- Re-establish increased Stamp Sales and Revenues
- Liquidation of Bureau relatively easy
- Ability to sell assets to New Private Sector Company
- Liquidation only after Successor arranged for.

8.4.2 Priority Group Two

8.4.2.1 Government Plant & Vehicle Unit

- Change Department to Registered Company for more efficient management of public finance
- Better and Timely Service and Pricing
- Relatively difficult to transfer ownership
- Public Monopoly in Heavy Equipment and Oligopoly in General purpose Vehicles
- Candidate for Management Contracting as Intermediate Phase to Partial Divestiture

8.4.2.2 Shipyard

- Commercial Viability in Doubt
- Rehabilitation may necessitate Yard's staffing in public sector
- Japanese aid and AOB involvement urge conversion to Government owned Registered Company
- Self Reliance and Public Interest require further study

8.4.3 Priority Three Group

8.4.3.1 Public Works Department

- Commercial Viability in Doubt
- Some activities of PWD Candidate for contract

out and eventual privatisation

- Project Scale gives rise to natural monopoly

8.4.4 Priority Four Group

8.4.4.1 Shipping Corporation of Kiribati

- Public interest dictates commercially uneconomic operations
- Market size too small for Competition
- Resource requirements make 17 unattractive for private investors

8.4.4.2 Kiribati Insurance Corporation

- High public interest to keep premium cost under control and assurance of claims payment precludes competitive environment in near future

8.4.4.3 Public Utility Board

- Essential Government Monopoly Service
- Capital Intensive
- High level of technical and management resources required makes it unattractive to local investors
- Needs donor resources
- Tariff considerations preclude foreign investors

IX. RECOMMENDATIONS FOR THE IMPLEMENTATION OF A PHASED PRIVATISATION PROGRAM

9.1 Generate Positive public interest and consensus

- Enunciate, publish, disseminate Government strategies, Policies and Plans for privatisation

9.2 Establish Privatisation Task Force (PTF) Reporting to Cabinet through Minister of Finance and Vice President

- Minister of Finance and Vice President - Chairman
- Secretary to the Cabinet - *By Chairman*
- Secretary of Finance
- Ben-Tinga Task Force Coordinator

115

- Two Kiribati Technicians full ^{all} time
- Two expatriate long term technicians
- 9.3 Establish Privatisation Advisory Board consisting of ^{all} 8 Permanent Secretaries and Senior State Advocate and ^{Private Sector} 4 Businessmen
 - To meet once a month, Review Task Force work in progress, provide guidelines, Remove bottlenecks.
- 9.4 Establish Detailed Terms of Reference and Work Plan for Two Year Level of Effort for PTF to complete Privatisation of Group 1 and 2 Enterprises. TOR to include Short and Long Term Foreign Technical Assistance provided by Donors.
- 9.5 Illustrative List of Selected Activities to be undertaken/ coordination by PTF
 - 9.5.1 Expedite legal, accounting, financial and managerial restructuring leading to the Creation of an Entity which can be sold, contracted out or leased.
 - 9.5.2 Confirm appropriate legal authority to sell ensuring:
 - Consistency with Construction and Current Laws
 - No Laws or Decrees against sale
 - No outstanding liens or other encumbrances
 - 9.5.3 Undertake a valuation analysis of Group One and Two Companies and establish Narrow Range of Sale Price and Options on Terms and Conditions of Sale.
 - 9.5.4 Determine for each entity to be sold optimum method of Sale such as
 - Closed Bid
 - Public Auction
 - Direct Negotiation

9.5.5 Design and Promulgate Transparent Procedures and Regulations to Evaluate Offers and Conclude Sale

9.5.6 Undertake a Management Audit to prepare prospectus and determine employee participation in Equity to be divested.

9.5.7 Initiate Conversion Process

- Government Divisions and Departments to be privatised in entirety or several components to Registered Companies with Government Divisions at least up to 49% of Equity at time of Conversion and the rest within 1 year subsequence.
- Statutory Companies Converted to Registered Companies
- Appropriate measures implemented for devolution of Special Funds.

9.5.8 Management Services Contracts

- Expedite clean up process in accounting, financial and legal matters establishing a clean entity whose services can be contradicted out
- Design competitive bidding process or negotiation procedures to Solicit, evaluate, select and award Management Services Contracts.

9.6 Illustrative Schedule of Events

9.6.1 Barokas & Rubin assignment November 1987

Reviews of Reports by GOI & Aid December 1987

9.6.2 Strategies and Policies on Privatisation as modified by GOK adopted by Cabinet and Maneaba ni Maungatabu January 1988

- PTF established in Name and Staffed February 1988

- 9.6.3 GOK request to donor (e.g. USAID) for follow up task
assignment on Privatisation and Private Sector
Development February 1988
- 9.6.4 Second Privatisation TA Team arrives in
Tarawa March 1988
- Configuration of TA Team
 - Team Leader/Coordinator - Privatisation Specialist
 - Financial Analyst/CA/CPA Valuation Specialist
 - Privatisation Attorney
 - Investment Banker
 - Total Estimated Level of Effort
 - including Orientation, Briefings, Travel, on site
 - analysis and Draft Report Preparation 8 person
 - months over 3 calendar months July 1988

X. CONCLUSIONS AND RECOMMENDATIONS

- 10.1 Summary of Findings and Conclusions
- 10.2 Summary of Constraints
- 10.3 Summary of Recommendations

ILLUSTRATIVE LIST OF APPENDICES

- A1 : Country Check List
- A2 : Enterprise Checklists and Audited Financial Reports
- A3 : Additional Notes on Geography, History, Economy and Culture of Kiribati with Special Emphasis on Cultural Constraints and inhibitions to Privatisation and Private Sector Development
- A4 : Trip Itinerary
- A5 : Individuals Met/Interviewed
- A6 : Draft Privatisation Strategy and Policy Statement for Consideration, Modification and Adoption by GOK
- A7 : Legal Excerpts relevant to Privatisation
- A8 : Draft Project Identification Document outlines for Technical Assistance for Privatisation and Private Sector Development
- A9 : Statistical Abstracts
- A10: Bibliography and References

APPENDIX V
INDIVIDUALS MET

1.3 I-Matang - Expatriates

N.K. Koomar: Corporate Financial Advisor
Patrick Spread: Chief Planning Officer
Peter Poulsen: Project Managing Director
Tony Burns: Government Accounts Advisor
Peter Jackson: Principal Accountant
Paul Seeds: Senior Accountant Supply Division
Kieran Holms: Internal Revenue Inspector
Peter Gee: Auditor/Office of Director of Audit
Alex Osei-Gyau: Senior State Advocate
Rey Feria: Asian Development Bank Consultant assigned to reorganization of the Development Bank of Kiribati

Peter Jackson: General Manager Bank of Kiribati Ltd.
Charles McFadden: Republic Statistician Ministry of Finance
Mahle Aye: UNDP Consultant to Betio Shipyard
Wong Kong Sang: ACIS Marine Engineering Training Supervisor Betio Shipyard
Brian Schurr: Australian AID Consultant (ASAS) on Procurement and Purchasing, Government Supply Division
Deva Hapugoda: Un Volunteer Rural Water Engineer, PWD

II. FIJI

2.1. U.S. Government

Edrich Sherman: DCM/Charge D'Affairs, U.S. Embassy
Louis Kuhn: USAID/Suba Program Officer
William Paube: USAID/RDO Mission Director
John Howard: USAID/Suva Private Sector Advisor
Rala Dayai: Economic/Commercial specialist, US Embassy

2.2 International Organizations and Private Sector

Jerrold Berke: UNDP Representative
Sao Hso Mom: UNDP Assistant Resident Representative
Richard Elsy: Pacific Business Associates Ltd.
Peter J.S. Elvey: Sr. Trade Officer, South Pacific Bureau for Economic Co-operation (SPC)
J.L. Tinien: Trade Officer (SPEC)

APPENDIX V: LIST OF INDIVIDUALS MET

I. Republic of Kiribati

1.1 I-Kiribati - Public Sector

- How Ieremia Tabai	-	President
- How Ata Teatao	-	Cabinet Secretary
- How Teatao Teannaki	-	Minister of Finance and Vice President
- How Michael Tekabwebwe	-	Attorney General
- Beniamina Tinga	-	Secretary of Finance
- Nakibae Tevtabo	-	Secretary of Home Affairs and Decentralization
- Mikaere Baraniko	-	S.R. Planning Officer - Ministry of Finance
- Natara T. Biribo	-	General Manager, Public Utilities Board
- Capt. T.D. Murdoch	-	General Manager Shipping Corp. of Kiribati
- Ratintera Banki	-	Deputy Secretary of Resources
- Tanezi Marmau	-	Assistant Secretary - Ministry of Finance
- Bob Beta	-	Manager, Betio Shipyard
- Patrick Bouti	-	Manager, Philatelic Bureau
- Manradi Katea	-	General Manager, Plant Vehicle Unit
- Tokaata Niata	-	Accountant, Plant Vehicle Unit
- Peter Teraatake	-	Assistant General Manager Government Supply Division
- Kabiri Kokia	-	Accountant Government Supply Division
- Tiaon Kabaua	-	Estimator, Public Works Department
- Titaake Binataake	-	Sr. Estimator PWD
- Inatio Tanerto	-	Engineer PWD

I-Kiribati - Private Sector

Billy Schutz
Tony Moi
George Rumkee
Moti Kumke
Bate Teannako
Paul McClaughlin
Matang Kamatie
Cliff Faarr
Tim Takiti
Teitia Redfern

KIRIBATI CHAMBER OF COMMERCEDATE OF COMMENCEMENT: 20. 6. 1974.

<u>NAME OF BUSINESS</u>		<u>OWNER</u>
1. FERN TRADING CO. LTD.	P.O. BOX 470 BETIO.	TEITIA & TAMM REDFERN
2. ANGITAN TE WAAKI	P.O. BOX BETIO.	TIAON TEETU
3. RHAIBONG TRADING	P.O. BOX 481 BETIO.	MATIERA AMITONG
4. DAISY NAMAKIN STORE	BETIO	DAISY & NAMAKIN
5. BAIE ENTERPRISES	P.O. BOX 16 BAIRIKI.	BAIE TEANAKO
6. JONG KUM KEE STORE	P.O. BOX 504 BETIO	BONG & MOTI KUM KEE
7. AKANTA TRADING CO. LTD.	P.O. BOX 407 BETIO.	BARANIKO NAKAREKE & BRUNO REIHER
8. BETIO MINI STORE	P.O. BOX 416 BETIO.	BITIN MAITINARA
9. TEUBARAKE STORE	P.O. BOX 417 BETIO.	TEIWAKI
10. TANGIRAKI TRADING	P.O. BOX BETIO.	SAM & MINA HIGHLAND
11. MANGARITA STORE	BETIO	MANGARITA
12. WANIKATE STORE	BIKENIBEU	WANIKATE
13. TEARIKI STORE	BIKENIBEU	TEARIKI
14. K.T. METAL WORKS	P.O. BOX 3 BAIRIKI.	KAOTIA TATE
15. TENINGO STORE	BIKENIBEU	TENINGO
16. RAIMON STORE	BIKENIBEU	RAIMON
17. HULLO STORE	BIKENIBEU	HULLO
18. NATIREREI STORE	BIKENIBEU	TUREKAU RERETA
19. UTIRE STORE	BIKENIBEU	UTIRE
20. CHRISTMAS IS. CO-OP	CHRISTMAS IS.	SHARE HOLDERS
21. SHIPPING CORPORATION OF KIRIBATI	P.O. BOX 495 BETIO.	KIRIBATI GOVT.
22. TARIBO STORE	BETIO	TARIBO
23. MAT TRADING	XMAS IS.	MOTE & ARITI TERAOI

NON PAID UP MEMBERS

1. KAUNA STORE	P.O. BOX 205, BIKENIBEU	RUATA AMBO
2. CAUSEWAY TRADER LTD.	P.O. BOX 280, BIKENIBEU	HENRY SCHUTZ
3. TEITI STORE	BANRAEABA	TEITI
4. TERUKABANE STORE	ANTENON	TEETA KAMORIKI
5. UEN MAUNGATABU	BIKENIBEU	KANERE KORU
6. PINE STORE	P.O. BOX 414, BETIO	IVY PINE
7. TABOKAI BROTHERS STORE	P.O. BOX 233, BIKENIBEU	TEKINENE TABOKAI
8. UEN TEMAURI ENTERPRISES	P.O. BOX 14, BAIRIKI	BORATA KIAUA
9. ROUTANI TRADING CO.	P.O. BOX 37, BAIRIKI	KATAOTAO AMITONG
10. BANRIA STORE	P.O. BOX 202, BIKENIBEU	LETERA STORE
11. AUE STORE	BANRAEABA	AIRAN TAKARIA
12. BANIMANEKA ENTERPRISES	P.O. BOX 9, BAIRIKI	ROTARIA ATATA
13. SUNLIGHT STORE	BAIRIKI	IOSEFA KWONG
14. SUSIE TRADING	BAIRIKI	ANNIE REO
15. AKOIA STORE	TEAORAEREKE	AKOIA IRANO
16. I. OMARA STORE	BANRAEABA	NEI MANANGA
17. UEN TE ROTI STORE	BAIRIKI	N. ANNA
18. KABWEBWETAKE STORE	BANRAEABA	KAUKEA TENTOA
19. MALANGO STORE	BANRAEABA	TIRIBO
20. T.F. BUOKIKO STORE	P.O. BOX 224, BIKENIBEU	N. TERIRA
21. R.T. STORE	P.O. BOX 10, BAIRIKI	ROIA UATIOA
22. COCONUT PRODUCT LTD.	P.O. BOX 280, BIKENIBEU	BILLY SCHUTZ
23. ETIRA STORE	ETITA	ETIRA TEANGANA
24. MARKET STORE	BETIO	TATE KWONG
25. HIBISCUS STORE	BETIO	KWONG KWONG
26. TEKIMATORE STORE	BETIO	T. BURENTARAWA
27. TEWETI STORE	BETIO	T. TERAOTI
28. TEMAKIN MINI STORE	BETIO	RIBUA MIKAERE
29. TUANGAONA STORE	BETIO	TEMOTI KAEGA
30. NEI KAM STORE	BETIO	NEI KAM
31. TAKE AWAY STORE	BETIO	BONOBATIO IATA
32. BUREAUA STORE	BETIO	BUREAUA


Teitia Redfern,
CHAIRMAN
CHAMBER OF COMMERCE

APPENDIX. VI

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APPENDIX VI: BIBLIOGRAPHY AND REFERENCES

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