Nauru Utilities Corporation

Annual Report 2019

1st July 2018 to 30th June 2019

Statement by the Minister for Utilities

Hon. Wawani Dowiyogo

The financial year 2019 (1st July 2018 to 30th June 2019) has been another successful year for the Nauru Utilities Corporation.

The trend of improvements over the last four years in both electricity and water supply continue.

- Power outages have reduced by 43% and 26% for SAIDI and SAIFI respectively compared to the previous period.
- Water delivery within 2 days of order has improved from 83.4% for the previous period to 94% for this financial year.
- On time attendance for employees has improved from 68% to 86%.
- Government subsidy for fuel has reduced from $1.7 million for the previous period to $376,222.92.[1]
- Tariffs, rates and fees for electricity and water has remained unchanged.

These improvements were made despite the increased price for diesel fuel and for freight charges.

This outstanding achievement was made possible by the efforts of all stakeholders including the Board of Directors, the Chief Executive, Management team and employees of NUC.

I am especially grateful to the Donor community for their support, especially the Government of Australia, the Asian Development Bank, the European Union, the Government of New Zealand, the Republic of China (Taiwan), USAid, the International Union for the Conservation of Nature (IUCN), SPC and Japan International Cooperation Agency.

I wish to acknowledge my predecessor Hon. Aaron Cook and the previous Board of Directors for their leadership during this period.

Minister for Utilities

Hon. Wawani Dowiyogo MP

[1] To avoid tariff increases due to fuel price increases the Government made arrangements with Vital Energy to maintain fuel prices at $1.1054 per litre for power generation until NUC could bear the increased expense.

Statement by the Chairman of the Board of Directors

Mr. Abraham Aremwa

The financial year 2019 is a step forward in the implementation of the NUC's strategic plan 2014 to 2020 which objective is to place the NUC among the best performing Pacific Island utilities.

All performance indicators show a significant improvement towards the achievement of this overarching objective.

A major challenge faced during this financial year was the increase in the price of fuel by 24%. Had Government not limited the increase NUC would have had to raise tariffs.

I wish to thank the previous Board of Directors of the NUC for their efforts and contribution. I thank also my fellow Board Directors and the previous members of the Board who oversaw the performance during this period, the Chief Executive, Management team, staff and all employees for this achievement.

On behalf of the Board of Directors I would like to thank the Government of the Republic of Nauru for their support and especially the Minister responsible for Utilities, both the previous Minister, Mr Aaron Cook, and the current Minister, the Honourable Wawani Dowiyogo MP.

Finally, I would like to thank the donor partners without whom we would not have been able to achieve the desired results. In particular I would like to thank the Government of Australia, the European Union, The Asian Development Bank, the Government of New Zealand, the Republic of China (Taiwan) and the International Union for the Conservation of Nature, USAid, SPC and JICA for their support for the energy and water sector on Nauru.

Abraham Aremwa

Chairman of the Board of Directors.

Tim Aingimea
Deputy Chairman
of the Board

Ivy Cook
Director
Board Member

John Tagamoun
Director
Board Member

Leo Scotty
Director
Board Member

Statement by the Chief Executive

Mr. Abraham Simpson

The NUC is approaching the end of its strategic planning period 2014 to 2020. The performance results for the financial year 2019 show significant improvements towards the realisation of the objectives of the strategic plan.

The strategic plan envisaged improvements in eight key areas.

1. Transformation of Work Culture & Human Resource Management

Employment Profile:

The number of employees at the end of the year is 176, and increase from 172 at the end of the previous period.

The employee profile at the end of the year is:

Table 1:Employee Profile

Category	Number	Percentage
Male	144	82%
Female	32	18%
Nauruan	149	85%
Refugee	3	2%
Expatriate	24	13%
Total Number of Employees	176	100%

The profile includes 6 expatriates electrical inspectors' contracted specifically for the Installation Review Project, and 7 expatriate linesmen engaged for line construction and upgrade projects funded by the European Union under its EDF 11 program for Nauru.

Capacity Building:

Capacity building is a critical component of the strategic plan. The number of training person days is 953 which is an increase of 463 from 490 for the previous period. This accounts for 2.1% of the total work person days during the year.

The types of training conducted during the year were:

Section	Number of participants
Power, Repair & Maintenance & Renewable Engineering	130
Water	3

Finance, Procurement & ICT	56
HR, Administration & Security	17
Fleet & Building	16
General and Safety.	342
Total	564

Local training programs include Engineering, OHS Induction, Solar Panel Installation & Maintenance, Customer Service, and Project Management.

Short-term overseas training includes Benchmarking, Young Water Professionals, Adobe Photoshop, Water Management, Camera Installation and Safety & Security Cert IV. Sponsors for these training include the Pacific Power Association, the Pacific Water and Waste Association, the Government of Singapore and the NUC.

Six employees are currently on long term study leave as follows:

Number of Employee	Study Program	Institution/Sponsor
2	Certificate IV Electrical Engineering	Fiji National University/ NUC
1	Degree in Management	Fiji National University/ NUC
1	Degree in Management	Toowoomba University/ Australian Aid, NUC
1	Diploma in Accounting	USP Pacific TAFE/NUC
1	Electrical Engineering	Brisbane TAFE/ Australian Aid, NUC

Attendance & Productivity:

On-Time-Attendance (OTA) is an KPI used to track improvement in reporting to work on time and completing the required working hours.

OTA for the 2019 financial year is 86% compared to 68% for the previous year.

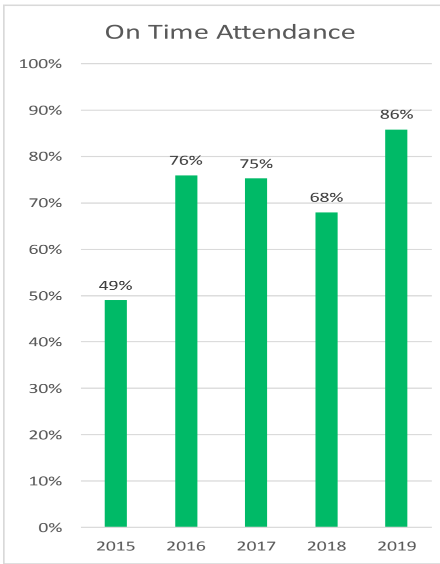


Figure 1: On Time Attendance

Labour Hours	2019	2018
Hours Worked	374,656	346,885
Hours Paid	535,694	492,498
Hours worked/Hours Paid	1.429	1.419
Number of employees	172	176
Hours worked/employee	2,127	2,016
Hours Paid/employee	3,042	2,865

Hours worked and hours paid per employee increase by 5.5% and 6.1% respectively over the previous period even though the number of employees increased by 2.3%.

Figure 2: Summarizes the Work Days. Of the total work person days available, 81.36% was actual work activity days. The rest are leave days of various types as per staff conditions.

Figure 3 illustrates the average leave days per employee for each category of leave taken.

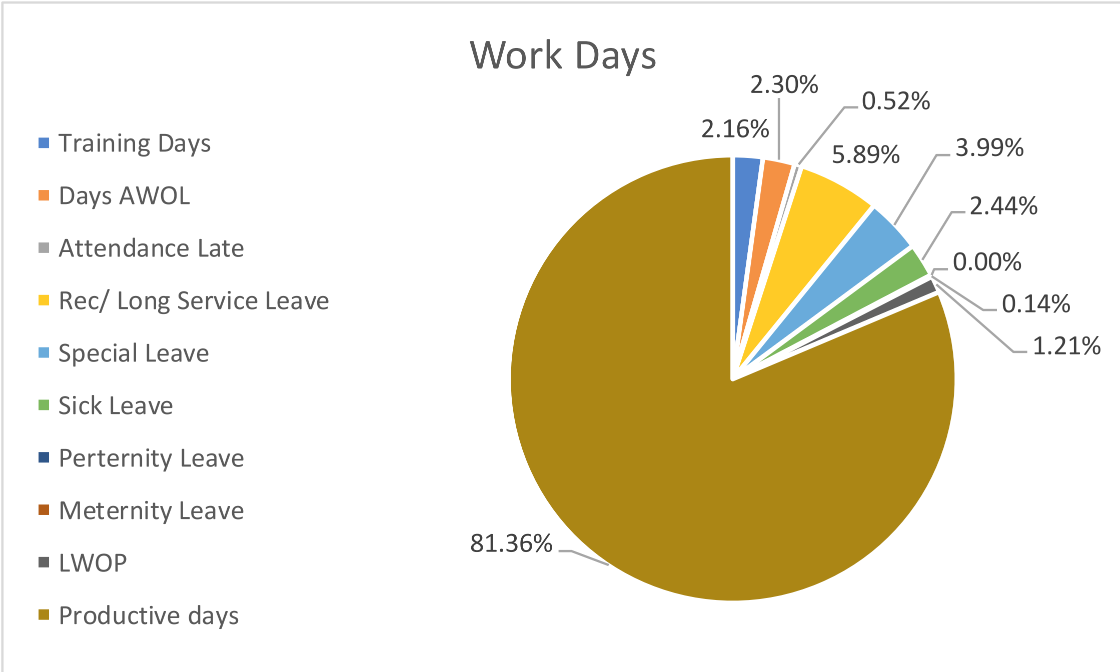
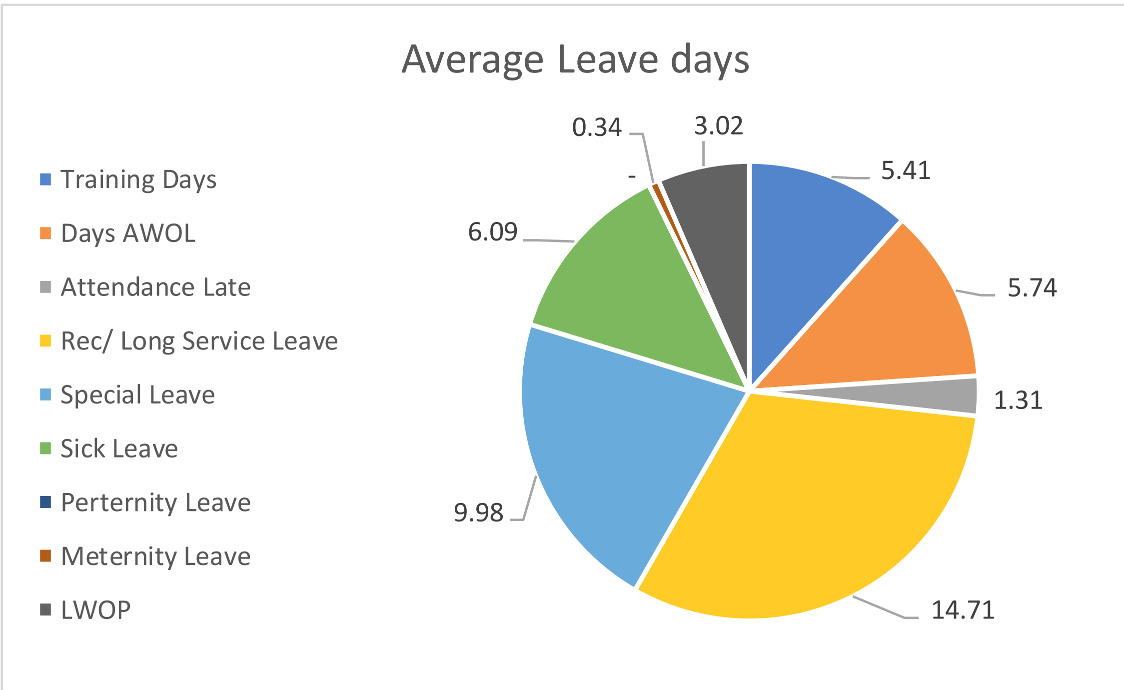


Figure 3: Work Activity Days



2. Security of Production for Electricity and Water

Electricity Security:

Table 2: Power Generation Firm Capacity

Generator	Installed Capacity	Status
G1 Ruston	2.4	Out of Service, Awaiting major overhaul
G2 MAN	2.8	Operational
G3 MAN	2.8	Operational
G4 Ruston	2.8	Installation in Progress
G5 Ruston	1.0	Out of Service.
G6 Ruston	2.4	Major Overhaul in Progress
G7 Cummins	1.0	Operational, Black Start
G2A Cummins	1.0	Operational
G2B Cummins	1.0	Operational
G3 Cummins	1.0	Operational
G5 Cummins	1.0	Operational
G7B Cummins	1.0	Operational

The total firm electricity production capacity comprises 5.6 MW of medium speed diesel generation and 6 MW of high-speed diesel generation for a total firm capacity of 11.6 MW.

The production security criteria are N-2 of firm capacity shall be greater than the maximum demand for the grid. The capacity of the two largest generators are 2.8 MW each, therefore the N-2 firm capacity is 6 MW.

The maximum demand for the period is 5.3 MW thus the N-2 security of supply criteria is satisfied.

Water Security:

The average daily demand for water on Nauru is 490KL. This consist of 279KL and 217 KL for the RPC's and the NUC demand respectively.

While many customers capture rainwater off their roof, the majority of the demand for fresh water is provided by reverse osmosis plants. The capacity of the available plants are:

Table 3: Reverse Osmosis Plant Capacity

SWRO Plant	Capacity (KL/day)	Status
Osmoflo 900	900	Operational
Avenale 800	800	Operational
Avenale 480	480	Operational
Hitachi	120	Operational
Meneng Old	50	Operational
Meneng Avenale 480	480	Installation in progress

3. Improved Asset Maintenance

The maintenance of key assets is tracked with the following indicators:

Table 4: Asset Maintenance Indicators

Indicator (KPI)	FY 2019	FY2018	KPI Description
Generator Maintenance Compliance	97%	96%	Compliance to maintenance schedule based on running hours
Generator Availability	94%	92%	% time available for operations
SWRO Availability	96%	96%	% time available for operations
Water Tanker Availability	78%	68%	% time available for operations
Vehicle Fleet Availability	81%	79%	% time available for operations

The improvement in the maintenance of assets is a major factor in the improved reliability of service.

4. Operational Efficiency

The following non-financial indicators measure business efficiencies.

Table 5: Operational Efficiency Indicators

Indicator (KPI)	FY2019	FY2018	KPI Description
Specific Fuel Consumption	3.87	3.8	kwh per litre diesel fuel
Specific Lubricating Oil Consumption	856	851	kwh per litre lubricating oil
Electricity Losses	12%	22%	% of energy delivered to the grid
Power Station Auxiliary Energy Usage	1.03%	1.04%	% energy generated by diesel engines
NON-Revenue Energy	5%	2%	% energy provided not earning revenue
Reverse Osmosis Plant Efficiency	199	167	Litres per kwh
Water Loss	10%	13%	% water produced
Non-Revenue Water	6%	3%	% water provided not earning revenue

The energy efficiency rebate scheme funded by the IUCN supports the purchase of energy efficient washing machines, refrigerators and freezers by refunding 30% of the price of an item that meets the energy efficient criteria set for that item.

The total payout under this scheme for the period is $ 660.87.

5. Improved Customer Service

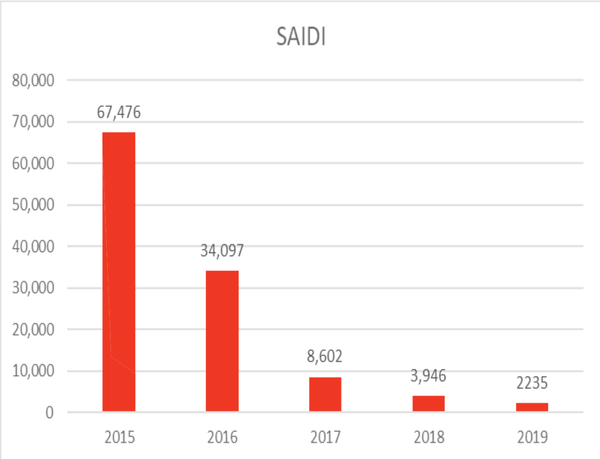
The number of customer installations connected to the electricity grid at the end of the financial year is summarized in Table 6:

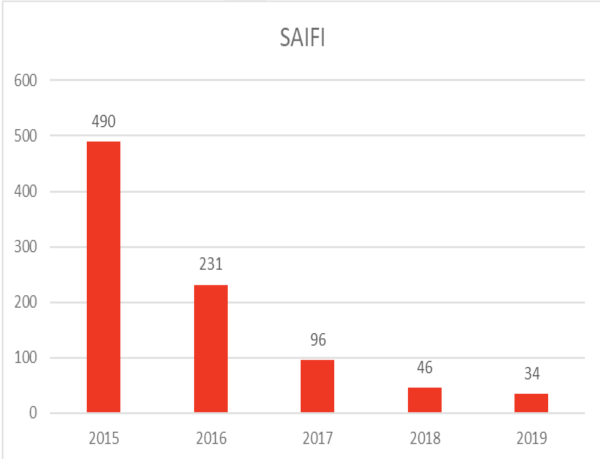
Table 6: Customer Connections

Electrical Connections	Residential	Commercial	Industrial	Government	Total
Post Paid	41	48	5	46	140
Pre-Paid	2,943	365	21	10	3,339
Fixed rate	0	0	4	1	5
Total	2,984	413	30	57	3,484

The key service requirements of reliability and quality of service have improved.

The power reliability indexes SAIFI and SAIDI continue their downward trend since the commencement of the strategic period. SAIFI and SAIDI has fallen 26% and 43% respectively compared to the previous period.





The installation Review Project was initiated by the widespread defects and complaints with the quality of the electrical wiring in all installations on Nauru. At the end of the financial year 2019 the status of this project is summarized in the Table 7.

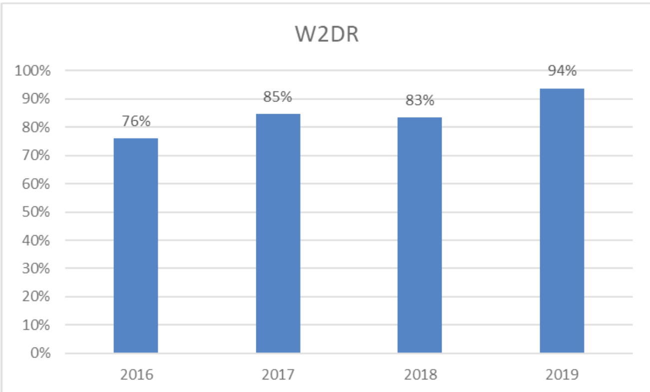
This project entailed inspecting all installation on Nauru and rectifying electrical defects in accordance with AS 3000 Wiring Rules. Major issues encountered were:

a) Poor grounding of circuits;
b) Poor insulation of wires due to aging;
c) Wiring defects;
d) Illegal bypassing of electricity meters;

Table 7:Progress of Installation Review Project

District	# of Cust	Complete	% Complete
Buada	187	140	75%
Aiwo	479	478	100%
Denig	701	12	2%
Nibok	148	148	100%
Baitsi	135	135	100%
Ewa	102	102	100%
Anetan	130	130	100%
Boe	206	202	98%
Yaren	206	206	100%
Uaboe	78	78	100%
Ijuw	49	49	100%
Anabare	60	60	100%
Meneng	394	394	100%
Anabar	117	117	100%
	2992	**2251**	**75%**

The reliability of water delivery is measured by the number of orders delivered within 2 days of payment. For this period the delivery success ratio was 94%. This is an improvement over the previous period when the success ratio was 83.4%.



6. Increased Renewable Energy Contribution

The policy objective of the Government of Nauru is to achieve 50% of grid energy from renewable sources by 2020. The summary of renewable production capacity connected to the grid is as follows:

- NUC Ground Mounted Solar Panels power plant 500 kw 42.2%
- NUC Roof Top Mounted Solar Panels 158 kw 13.3%
- Government Roof Top Solar Panels 129 kw 10.9%
- Private Roof Top Solar Panels 397 kw 33.5%

Total Capacity	**1,184 kw**	**100%**

The total energy produced for the period was 1,332,752 kwh at a capacity factor of 12.8%. This is the lowest capacity factor obtained over the last 4 years, which, in the best years the capacity factor has risen as high as 18%. This result reflects the variability of solar panel energy production, and this financial year production is the lowest in the five years of records kept. This can be explained by the high rainfall experienced during the period.

The total renewable energy delivered to the grid during this period was 992,002 kwh. This represents 2.7% of the energy provided to the grid.

7. Financial Sustainability

NUC recorded a loss of $2,842,738 for the financial year. The contributing factors to this performance compared to the previous year are:

- Electricity income increased by 7%.
- Water income decreased by 12%.
- The elimination of Government subsidy for operations.
- The increase in depreciation expenses by 22% due to significant assets rehabilitation and replacement works.
- Employees benefit increased by 1%.
- Administration & Operating costs increased by 18%. This is attributed to the 24% increase in fuel costs as a result of increased fuel prices and the 77% increase in freight costs..
- The operations related income covers 94% of the operations related expenses. This represents a retreat from a surplus of $ 687,787.00 in the previous financial year to a deficit of $1,214,037.00 in 2019. The major contributing factors to this deficit are the increase in fuel prices and freight costs.

8. Major Activities and Events:

The major activities and events during this period are:

a. Commenced the electricity distribution network upgrade works funded by the European Union under its EDF11 program for Nauru.
b. Commenced the 1.125 MW Solar Panel project funded by the Ministry of Foreign Affairs and Trade, New Zealand and the European Union.
c. Completed the inspection and upgrade of installation wiring for 2,251 out of 2,992 or 75% of the installations on the island.
d. Continued the installation of No 4 Diesel generator and the refurbishment of No 6 Diesel generator.
e. Commenced the upgrade works at the Meneng water production site.

9. Conclusion

The financial year 2019 was financially a challenging year as a result of increased fuel prices and freight charges. All financial benefits from efficiency gains made over the past year were negated by these increased expenses. Nevertheless, it is a credit to NUC that these increased expenses were largely absorbed without increasing tariff and rates.

The NUC is on target towards achieving most of the objectives set out in its Strategic Plan 2014 to 2020 and 2019 was a step towards these goals.

Abraham Simpson

Chief Executive

New Zealand MFAT/ European Union 1.1 MW Solar Farm

Solar Interconnector Overhead Line under Construction

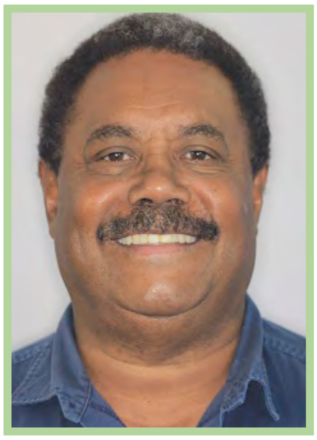
Solar Interconnector / Field Feeder under Construction

2.85 MW MAN Diesel Engines

Solar Installation and Maintenance Training

Nauru Utilities Corporation Management Team


Mohammed R Ali
General Manager Operations


Apenisa Manuduitangi
Renewable Energy and Metering Manager


Dacor Ratabwiy
Safety and Security Manager


Mark Hiram
Water Operations Manager

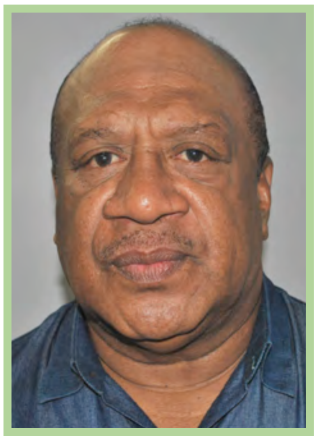

Damasus Ika
Acting Power Generation Manager


Semaema Kunavore
Financial Controller


Sinderina Simon Adeang
Human Resource Manager


Migail Tatum
Budget Manager


Mesha'h Denuga
Acting Procurement and Supply Chain Manager


Timoci Bavadra
Planning and Design Manager


Timoci Nanovo
Acting IT Manager


Sankey Deluckner
Acting Power Distribution Manager

NAURU UTILITIES CORPORATION
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

In accordance with the Nauru Utilities Corporation Act 2011, the Directors herewith submit the statement of financial position of the Nauru Utilities Corporation ("the Corporation") as at 30 June 2019, the related statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and report as follows:

Cabinet

The Minister for Utilities of Nauru at the date of this report is Hon Wawani Dowiyogo, MP.

Directors

The names of the Directors in office at the date of this report are:

Abraham Aremwa (Chairman)
Tim Aingimea
Ivy Cook
Leonard Scotty
John Tagamoun

Principal Activities

The principal activities of the Corporation during the year was that of providing electricity and water delivery to residential, commercial and government entities in Nauru. There were no significant changes in the nature of these activities during the financial year.

Results

The operating loss for the year was $2,842,738 (2018 : profit of $4,623,602) after providing for an income tax credit of $141,844 (2018 : tax expense $63,047).

Bad and Doubtful Debts

Prior to the completion of the Corporation's financial statements, the Directors took reasonable steps to ascertain that action has been taken in relation to writing off of bad debts and the making of allowance for doubtful debts. In the opinion of the Directors, an adequate allowance has been made for doubtful debts.

As at the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for doubtful debts in the Corporation, inadequate to any substantial extent.

Non-Current Assets

Prior to the completion of the financial statements of the Corporation, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Corporation. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to non-current assets in the Corporation's financial statements misleading.

Significant Events

There were no significant events noted during the financial year that significantly affected the operations of the Company, the results of those operations, or the state of affairs of the Company.

Unusual Transactions

In the opinion of the Directors, the results of the operations of Nauru Utilities Corporation during the financial year was not substantially affected by any item, transaction or event of a material and unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the management, to affect substantially the results of the operations of the Corporation in the current financial year, other than those reflected in the financial statements.

Events Subsequent To Balance Date

Subsequent to balance date, the Nauru Government has committed to invest $5.4 Million into the solar site preparation for the solar farm. The amount is being received progressively, with the initial amount being received in July 2019.

Furthermore, the World Health Organisation (WHO) declared the coronavirus (Covid 19) a "Public Health Emergency of International Concern". Whilst measures and policies have been taken by the national government and nearby trading countries to prevent the spread of the virus, the impact of the virus on amounts and estimates reported or used in the preparation of these financial statements is not expected to be material.

Apart from the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Corporation has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the Corporation could become liable; and

(iii) no contingent liabilities or other liabilities of the Corporation have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Corporation, will or may substantially affect the ability of the Corporation to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Corporation's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Corporation misleading or inappropriate.

For and on behalf of Nauru Utilities Corporation.

Dated this 16th day of April 2020.

....
Director

NAURU UTILITIES CORPORATION
STATEMENT BY THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019

In the opinion of the Directors:

(i) the accompanying statement of comprehensive income of the Corporation is drawn up so as to give a true and fair view of the results of the Corporation for the year ended 30 June 2019;

(ii) the accompanying statement of changes in equity of the Corporation is drawn up so as to give a true and fair view of the changes in equity and share capital of the Corporation for the year ended 30 June 2019;

(iii) the accompanying statement of financial position of the Corporation is drawn up so as to give a true and fair view of the state of affairs of the Corporation as at 30 June 2019;

(iv) the accompanying statement of cash flows of the Corporation is drawn up so as to give a true and fair view of the cash flows of the Corporation for the year ended 30 June 2019;

(v) at the date of this statement there are reasonable grounds to believe the Corporation will be able to pay its debts as and when they fall due; and

(vi) all related party transactions have been adequately recorded in the books of the Corporation.

Dated this 16th day of April 2020.

....
Director

Building a better working world

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Fax: +679 330 0612
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INDEPENDENT AUDITOR'S REPORT

To the Minister for Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nauru Utilities Corporation (" the Corporation"), which comprise of the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 30 June 2019, and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nauru and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter: Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 17 of the financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 30 June 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 17, no adjustments have been made to financial statements as at 30 June 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

Responsibilities of management and the Directors for the Financial Statements

Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management and the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and the Directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

The Directors and Management are responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITOR'S REPORT continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Directors and Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors and Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Directors and Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT continued

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the requirements of the Nauru Utilities Corporation Act 2011 in all material respects, and;

a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and

b) the Corporation has kept financial records sufficient to enable the financial statements to be prepared and audited.

Ernst & Young
Chartered Accountants

Steven Pickering
Partner
Suva, Fiji

16 April 2020

NAURU UTILITIES CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Electricity income		16,810,582	15,761,653
Water income		1,837,429	2,088,422
Release of deferred income		632,164	363,528
Other operating revenue	2.1	13,441	256,866
Government subsidy income	14(d)	-	1,700,004
		19,293,616	20,170,473
Depreciation expense		2,389,891	1,961,467
Doubtful debts reversal		(20,035)	(3,897,797)
Stock obsolescence		32,853	-
Employee benefits expense	2.2	4,081,992	4,042,563
Administration and operating expenses	2.3	15,793,497	11,677,587
Government subsidy expense	14(d)	-	1,700,004
		22,278,198	15,483,824
(Loss)/profit before income tax		**(2,984,582)**	**4,686,649**
Income tax (credit)/expense	3	(141,844)	63,047
Net (loss)/profit for the year		**(2,842,738)**	**4,623,602**
Add: Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(2,842,738)	4,623,602

The accompanying notes form an integral part of this Statement of Comprehensive Income.

NAURU UTILITIES CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	$	$
Retained earnings		
Opening balance	15,390,772	10,767,170
Net (loss)/profit for the year ended	(2,842,738)	4,623,602
Closing balance	12,548,034	15,390,772
Capital contribution		
Opening balance	3,541,138	3,541,138
Movement during the year	-	-
Closing balance	3,541,138	3,541,138
Total equity	16,089,172	18,931,910

The accompanying notes form an integral part of this Statement of Changes in Equity.

NAURU UTILITIES CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	4	28,672	391,552
Trade and other receivables	5(a)	782,503	3,086,249
Inventories	6	1,090,907	1,811,884
Other assets	7	112,555	91,450
Total current assets		2,014,637	5,381,135
Non-current assets			
Property, plant and equipment	8	32,100,695	31,231,326
Deferred tax asset	3	1,586,715	676,813
Total non-current assets		33,687,410	31,908,139
Total Assets		35,702,047	37,289,274
Current liabilities			
Current tax payable	3	249,132	91,833
Trade and other payables	9	2,457,794	738,252
Employee entitlements	10	329,419	318,585
Total current liabilities		3,036,345	1,148,670
Non-Current liabilities			
Deferred income	11	16,576,530	17,208,694
Total non-current liabilities		16,576,530	17,208,694
Total liabilities		19,612,875	18,357,364
Net assets		16,089,172	18,931,910
Equity			
Contributed capital		3,541,138	3,541,138
Retained earnings		12,548,034	15,390,772
Total equity		16,089,172	18,931,910

For and on behalf of Nauru Utilities Corporation.

....
Director

The accompanying notes form an integral part of this Statement of Financial Position.

NAURU UTILITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		20,979,081	19,651,670
Payments to suppliers and employees		(17,439,087)	(16,886,629)
Income taxes paid		(387,300)	(387,300)
Net cash from operating activities		3,152,694	2,377,741
Cash flows from investing activities			
Payments for property, plant and equipment		(3,259,260)	(2,815,602)
Net cash used in investing activities		(3,259,260)	(2,815,602)
Net decrease in cash and cash equivalents		(106,566)	(437,861)
Cash and cash equivalents at the beginning of the year		391,552	829,413
Cash and cash equivalents at the end of the year	4	28,672	391,552

The accompanying notes form an integral part of this Statement of Cash Flows.

1.1 Corporate Information

Nauru Utilities Corporation ("the Corporation") is a public entity established under the Nauru Utilities Corporation Act 2011, incorporated on 24 June 2011 and domiciled in the Republic of Nauru. Its registered office at Aiwo District, Nauru. These financial statements were authorised for issue by the Minister for Utilities on ______________________ 2020.

The principal activities of the Corporation during the year were that of providing electricity and water delivery to residential, commercial and government entities in Nauru. There were no significant changes in the nature of these activities during the financial year.

1.2 Basis of Preparation

(a) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of Accounting

The financial statements have been prepared on a historical cost basis and on the assumption of going concern. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar, except when otherwise indicated.

1.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Corporation's financial statements requires management to make judgements, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments to the carrying amount of the asset or liability affected in future periods.

(a) Judgements

In applying the Corporation's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of accounts receivable

Impairment of accounts receivable is assessed at an individual account level as well as on a collective level. At collective level, all debtors in the 120 days category (excluding those covered by specific impairment provisions and those covered by collateral) are estimated to have been impaired and are accordingly provided for.

Impairment of property, plant and equipment and intangible assets

The Corporation assesses whether there are any indicators of impairment of all property, plant and equipment and intangible assets at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable, a reasonable provision for impairment is created. For the year ended 30 June 2019, no additional provision for impairment has been made as the Corporation believes that no indicators for impairment exist.

Provision for stock obsolescence

Provision for stock obsolescence is assessed and raised on a specific basis based on a review of inventories. Inventories considered obsolete or un-serviceable are written off in the period in which they are identified.

1.4 Changes in Accounting Policies and Disclosures

The Corporation applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial Instruments: classification and measurement; impairment; and hedge accounting.

The Corporation has opted to use the modified retrospective approach when implementing IFRS 9. Relevant balances were recalculated at initial application date of 1 July 2018.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Corporation's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Corporation's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Corporation. There were no changes in the designation and measurement basis of debt and equity instruments held by the Corporation which come into the scope of IFRS 9.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Corporation's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Corporation to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Based on Corporation's assessment, there is no impact from IFRS 9 in the statement of financial position as at 1 July 2018 and 30 June 2019 and no impact in the statement of Financial Statements for the year ended 30 June 2018.

1.4 Changes in Accounting Policies and Disclosures *continued*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Based on Corporation's assessment, there is no impact from IFRS 15 in the statement of financial position as at 1 July 2018 and 30 June 2019 and no impact in the statement of Financial Statements for the year ended 30 June 2019.

1.5 Summary of Significant Accounting Policies

(a) Inventories

Inventories are measured at lower of cost or net realisable value. Costs incurred in bringing such products into its present location and condition are incorporated into the inventory cost value. Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated costs necessary to make the sale.

(b) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less.

(c) Comparatives

Where necessary, comparative figures have been re-grouped to conform with changes in presentation in the current year. Certain amounts have been restated and appropriate disclosures have been made to clarify these adjustments and corrections.

(d) Trade and Other Receivables

Trade receivables are recognised at original invoice amount (inclusive of any indirect taxes) less any provision for uncollectible debts. Bad debts are written off during the period in which they become known. A specific provision is raised for any doubtful debts.

(e) Trade and Other Payables

Liabilities for trade payables and other amounts are carried at cost (inclusive of indirect taxes where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Corporation.

1.5 Summary of Significant Accounting Policies *continued*

(f) Financial instruments

i) Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Corporation becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and measurement

Financial assets – policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment - Policy applicable from 1 July 2018

The Corporation makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Corporation's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

1.5 Summary of Significant Accounting Policies *continued*

(f) Financial instruments *continued*

ii) Classification and measurement *continued*

Financial assets: Business model assessment - Policy applicable from 1 July 2018 *continued*

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and demonstrate why those sales do not reflect a change in the Corporation's business model.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Corporation's continuing recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Corporation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Corporation considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Corporation's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Subsequent measurement and gains and loss- Policy applicable from 1 July 2018

Financial assets that are measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets – policy applicable before 1 July 2018

The Corporation classified its financial assets as loans and receivable.

Financial assets: Subsequent measurement and gains and loss- Policy applicable before 1 July 2018

Loans and receivables - measured at amortised cost using the effective interest method.

1.5 Summary of Significant Accounting Policies *continued*

(f) Financial instruments *continued*

ii) Classification and measurement *continued*

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gains or loss on derecognition is also recognised in profit or loss.

iii) Derecognition

Financial assets

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Corporation enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets In these cases the transferred assets are not derecognised.

Financial liabilities

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Corporation also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

1.5 Summary of Significant Accounting Policies *continued*

(g) Impairment

i) Non-derivative financial assets

Policy applicable from 1 July 2018

The Corporation recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- other receivables and cash at bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and including forward-looking information.

The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Corporation considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Corporation considers another receivable or cash balance to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Corporation considers this to be Aaa3 or a higher rating per Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Corporation is exposed to credit risk.

<u>Measurement of ECLs</u>

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Corporation assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1.5 Summary of Significant Accounting Policies *continued*

(g) Impairment *continued*

i) Non-derivative financial assets *continued*

Policy applicable from 1 July 2018 *continued*

Credit-impaired financial assets

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Corporation on terms that the Corporation would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise and indications that a debtor will enter bankruptcy.

The Corporation considers evidence of impairment for receivables at a specific asset level.

1.5 Summary of Significant Accounting Policies *continued*

(g) Impairment *continued*

i) Non-derivative financial assets *continued*

Policy applicable before 1 July 2018 ***continued***

In assessing impairment the Corporation uses historical information of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss with respect to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non - financial assets

At each reporting date, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.5 Summary of Significant Accounting Policies *continued*

(h) Property, plant and equipment

All property, plant and equipment are shown at cost less accumulated depreciation. Costs include expenditure that is directly attributable to acquisition of the items.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives using the following rates:

Building on freehold land	2.5%
Pumps and tanks	8 - 17%
Furniture, fittings and office equipment	10 – 33.33%
Motor vehicles	13%
Low cost assets	33%
Transformers	5%
Medium speed diesel generators	3.33%
High Speed Diesel generators	10%
Solar Power Plant panel	4%
Solar Inverters	10%

Gains and losses on disposal of property, plant and equipment are taken into account in determining the results for the year. Capital work in progress is not depreciated. If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

(i) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the period the benefit is expected to be realised from their use.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(j) Employee Benefits

Provision is made for the Corporation's liability to employees for annual and special leave on the basis of statutory or contractual requirements.

The cost of sick leave is met as it emerges and, as unused annual entitlements lapse, no provision is made in the financial statements for any unused entitlements.

1.5 Summary of Significant Accounting Policies *continued*

(k) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of the a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expenses relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to that liability.

(l) Revenue Recognition

Policy applicable from 1 July 2018

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognises revenue when it transfers control over a product or service to a customer.

The Corporation principally generates revenue from the sale of electricity and water which is recognised at point of sale.

Policy applicable before 1 July 2018

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured and collectability of the related receivables is reasonably assured. Risk and rewards are considered to have passed to buyers when goods and services are delivered to customers.

Sale of electricity and water is recognised at point of sale. Allowance is not made for the amount of prepaid revenue received as no refund would be issued if the goods and services were not consumed.

Donor funding consist of fuel subsidy received from the Government of the Republic of Nauru and grants received from international agencies and foreign government donors.

(m) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed in each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in the statement of comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

1.5 Summary of Significant Accounting Policies *continued*

(m) Income Tax *continued*

Tax-effect accounting is applied whereby income tax expense in the statement of comprehensive income is matched with the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the accounts and till when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or provision for deferred income tax. The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

1.6 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Corporation's policy is in line with these amendments and no impact is anticipated when this becomes effective on 1 January 2019.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Corporation's current practice is in line with these amendments, the Corporation does not expect any effect on its financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, however early adoption is permitted. The Corporation expects the impact of adopting this standard to be nil.

		2019	2018
2.	**Operating Revenue and Expenses**	$	$

2.1 Other Operating Revenue

	2019	2018
Inventory sales	8,951	230,846
Labour and equipment rental	4,140	26,020
Gain on disposal of asset	350	-
	13,441	256,866

2.2 Employee Benefits Expense

	$	$
Salaries and wages	2,328,441	2,206,036
Training costs	193,789	348,057
Expatriate salaries and accommodation costs	1,219,442	1,040,727
Other employee costs	340,320	447,743
	4,081,992	4,042,563

2.3 Administration and Operating Expense

	$	$
Repairs and maintenance	1,837,497	1,969,940
Freight	474,133	267,495
Motor vehicle rental and fuel	573,774	482,627
Land lease rental	1,125,722	1,015,666
Fuel and oil for energy production	9,957,955	6,342,341
Other administration costs	1,824,416	1,599,518
	15,793,497	11,677,587

3. Income Tax

The prima facie tax expense on the operating profit differs from the income tax provided in the accounts and is reconciled as follows:

	$	$
Operating profit before income tax	(2,984,582)	4,686,649
Prima facie tax expense/(benefit) thereon at 25% (2018: 20%)	(746,146)	937,330
Tax effect of non-deductible items	54,033	960
Effect of change in tax rate	(217,790)	(1,115,719)
Tax effect of adjustment of temporary differences	768,059	240,476
Income tax expense attributable to operating profit	(141,844)	63,047

Deferred income tax assets at 30 June relates to the following:		
Doubtful debts	808,345	813,353
Employee entitlements	82,355	79,646
Accelerated depreciation	(448,637)	(245,834)
Obsolete stock	8,213	-
Tax losses	1,136,440	29,648
Deferred Tax Asset (net)	1,586,715	676,813

Current tax payable is comprised of:		
Under provision/(over) in prior year	249,132	314,429
Provision attributable to current year	-	(222,596)
Current Tax Payable (net)	249,132	91,833

		2019	2018
4.	**Cash and Cash Equivalents**	$	$

Cash and cash equivalents consist of cash on hand and at banks. Cash and cash equivalents included in the statement of cash flows and the statement of financial position, comprise the following:

	2019	2018
Cash at bank	25,672	391,637
Petty cash	3,000	(85)
	28,672	391,552

			2019	2018
5.	**Trade and Other Receivables**		$	$
a)	Trade and other receivables		3,988,305	6,327,040
	Less: allowance for doubtful debts	(b)	(3,233,378)	(3,253,413)
			754,927	3,073,627
	Salaries paid in advance		27,576	12,622
	Total trade and other receivables, net		782,503	3,086,249
b)	Allowance for Doubtful Debts			
	Opening balance		3,253,413	7,151,210
	Net charge/(reversals) for the current year:			
		Meneng Hotel	-	(2,151,695)
		RON Government departments	-	(1,457,864)
		Other trade debtors	(20,035)	(288,238)
	Closing balance		3,233,378	3,253,413

At balance date, the ageing analysis of trade receivables for the Corporation, including the impaired accounts are as follows:

	2019	2018
Current (0 - 30 days)	760,512	398,498
30 - 60 days	308,109	190,158
60+ days	2,919,684	5,738,384
	3,988,305	6,327,040

		2019	2018
6.	**Inventories**	$	$
	Consumables	738,717	1,181,430
	Fuel stock	211,508	384,461
	Oil stock	67,182	119,366
	Goods in transit	106,353	126,627
	Provision for obsolete stock	(32,853)	-
		1,090,907	1,811,884

		2019	2018
7.	**Other Assets**	$	$
	Prepayments	30,905	9,800
	Deposits	81,650	81,650
	Total other assets	112,555	91,450

8. Property, plant and equipment

	Buildings	Plant and Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Work in Progress	Total
Cost	$	$	$	$	$	$	$
At 1 July 2017	3,175,190	13,287,680	31,611	148,588	1,954,466	11,806,134	30,403,669
Additions	1,327,170	15,532,357	9,513	636,657	194,322	1,331,105	19,031,124
Transfers	-	-	-	-	-	(10,323,029)	(10,323,029)
Disposals	-	(3,000)	-	-	-	-	(3,000)
At 30 June 2018	**4,502,360**	**28,817,037**	**41,124**	**785,245**	**2,148,788**	**2,814,210**	**39,108,764**
Additions	139,570	471,446	-	318,210	308,000	2,066,266	3,303,492
Transfers	180,260	433,727	-	177,533	-	(835,180)	(43,660)
Disposals	-	-	-	-	-	-	-
At 30 June 2019	**4,822,190**	**29,722,210**	**41,124**	**1,280,988**	**2,456,788**	**4,045,296**	**42,368,596**
Depreciation							
At 1 July 2017	(430,300)	(4,507,555)	(14,383)	(65,222)	(899,113)	-	(5,916,573)
Depreciation charge for the year	(97,459)	(1,466,850)	(4,127)	(120,195)	(272,834)	-	(1,961,465)
Disposals	-	600	-	-	-	-	600
At 30 June 2018	**(527,759)**	**(5,973,805)**	**(18,510)**	**(185,417)**	**(1,171,947)**	**-**	**(7,877,438)**
Depreciation charge for the year	(130,542)	(1,712,822)	(5,858)	(308,476)	(232,765)	-	(2,390,463)
At 30 June 2019	**(658,301)**	**(7,686,627)**	**(24,368)**	**(493,893)**	**(1,404,712)**	**-**	**(10,267,901)**
Net book value							
At 30 June 2019	4,163,889	22,035,583	16,756	787,095	1,052,076	4,045,296	32,100,695
At 30 June 2018	3,974,601	22,843,232	22,614	599,828	976,841	2,814,210	31,231,326

		2019	2018
9.	**Trade and Other Payables**	$	$
	Trade and other payables	2,157,233	520,552
	Accrued expenses	170,234	67,152
	Land lease accrual	130,327	150,548
	Total trade and other payables	2,457,794	738,252

10.	**Employee Entitlements**	$	$
	Opening balance	318,585	247,382
	Net amount charged/(utilised)	10,834	71,203
	Closing balance	329,419	318,585

As at balance date, a total of 160 employees were employed by the Corporation (2018: 193).

11.	**Deferred Income**	$	$
	Opening balance	17,208,694	11,682,127
	Additions	-	5,890,094
	Release to profit and loss	(632,164)	(363,527)
	Closing balance	16,576,530	17,208,694

Deferred income consists of donor projects funded by Asian Development Bank ("ADB"), European Union ("EU"), AusAid, MASDAR and USAID.

12.	**Commitments**	$	$

a) Operating lease commitments contracted for land lease.
Future operating lease rentals not provided for in the financial statements:

Within one year	1,550,269	1,700,138
Later than one year but no later than two years	1,030,298	1,700,138
Later than two years but no later than five years	3,090,894	2,859,812
Minimum lease payments	5,671,461	6,260,088

The Corporation acquired 12 parcels of leasehold land. While the lease agreements have yet to be signed, the proposed lease commitments have been included in the above disclosure.

b) Operating lease commitments contracted for housing rentals for staff

Future operating lease rentals not provided for in the financial statements:

	$	$
Within one year	149,145	139,447
Later than one year but no later than two years	45,245	-
Minimum lease payments	194,390	139,447

c) Capital commitments approved for next financial year - $43.8 million (2018: $7.5 million).

13. Contingent Liabilities

There are no contingent liabilities as at the date of this report (2018: nil).

14. Related Party Transactions

a) Directors

The Directors of Nauru Utilities Corporation during the financial year were:

Jinnie Jeremiah (Chairperson)
Joan Detenamo
Tim Aingimea
Sinderina Adeang
Leonard Scotty
Quincy Cook
Liluv Itsimaera

b) Key Management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Corporation.

Name	Position
Abraham Simpson	Chief Executive Officer
Mohammed R Ali	General Manager Operations
Semaema Kunavore	Financial Controller
Sinderina Adeang	Manager Human Resources
John Stuart Mackay	Manager Supply Chain
Deakin Temaki	Manager ITC
Timoci Nanovo	Acting Manager ITC (wef 26 June 2019)
Dacor Ratabwiy	Manager Safety and Security
Ken Blake	Power Generation Manager
Damasus Ika	Acting Power Generation Manager (wef 1 January 2019)

Transactions with related parties during the year ended 30 June 2019 with approximate transaction values are summarised as follows:

	2019 $	2018 $
Short-term employee benefits for key management (excluding CEO remuneration)	560,968	595,063

The CEO's remuneration is paid directly by the Pacific Technical Assistance Mechanism (PACTAM), a branch of Australian Aid. The CEO does not receive any form of remuneration from NUC and the payments by PACTAM are not reflected in these financial statements.

14. Related Party Transactions *continued*

c) Transactions with Republic of Nauru (RON) Government

	2019	2018
The related party transactions during the year were as follows:	$	$
Sales to RON Government		
Electricity usage	2,807,749	2,793,452
Water delivery	746,281	740,011
	3,554,030	3,533,463
Payments to RON Government		
Employee tax	91,268	92,950
Amounts owed by RON Government		
RON Government hospitals	178,412	1,379,800
RON Government schools	130,782	332,553
RON Government chief secretary	150,702	26,696
RON Government NFMRA	10,062	73,448
RON Government fire department	68,974	95,692
RON Government police	87,917	78,484
Other RON Government departments	454,662	550,186
	1,081,511	2,536,859
Amounts owed to RON Government		
Employee tax	-	7,228
Land rental board-lease rental	130,326	150,548
	130,326	157,776

d) Fuel Subsidy

	2019	2018
Fuel subsidy received from RON Government	-	1,700,004
Fuel subsidy utilised during the year	-	(1,700,004)
	-	-

15. Financial Risk Management

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Risk management is carried out by finance executives and management of controlled entities of the Corporation. Management and finance executives identify, and evaluate financial risks in close co-operation with the Corporation's operating units. The Board of Directors provides direction for overall risk management covering specific areas, such as mitigating credit risks, and investment of excess liquidity.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(b) Political climate

The Corporation operates in Nauru and changes to governments and the policies they implement affect economic situation and ultimately the revenues of the Corporation. To address this, the Corporation reviews its pricing and product range regularly and responds to change in policies appropriately.

(c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

The Corporation has no significant concentrations of credit risk as its services are to the entire population of Nauru. There are a few significant debtors which have been specifically provided for and disclosed in Note 5(b) - Meneng Hotel, RON Government and RonPhos. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit levels accorded to customers are regularly reviewed to reduce the exposure to risk of bad debts.

The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying Amount	
	Notes	2019	2018
		$	$
Cash and cash equivalents		28,672	391,552
Trade and other receivables	5	3,988,305	6,327,040
		4,016,977	6,718,592

15. Financial Risk Management ***continued***

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business of the Corporation, management has deposits held at call.

(e) Capital risk management

The Corporation's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Corporation’s objectives when obtaining and managing capital are to safeguard the Corporation’s ability to continue as a going concern and provide shareholders with a consistent level of returns and to maintain an optimal capital structure to reduce the cost of capital.

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including ‘current and non- current borrowing’ as shown in the Corporation's statement of financial position) less cash and cash equivalent. Total capital is calculated as ‘equity’ as shown in the Corporation's statement of financial position plus net debt.

	2019	2018
	$	$
Trade and other payables	2,457,794	738,252
Less: cash and cash equivalents	(28,672)	(391,552)
Net debt	2,429,122	346,700
Equity	16,089,172	18,931,910
Capital and net debt	18,518,294	19,278,610
Gearing ratio	13%	2%

16. Significant Events

There were no significant events noted during the financial year that significantly affected the operations of the Company, the results of those operations, or the state of affairs of the Company.

17. Subsequent Events

Subsequent to balance date, the Nauru Government has committed to invest $5.4 Million into the solar site preparation for the solar farm. The amount is being received progressively, with the initial amount being received in July 2019.

Furthermore, the World Health Organisation (WHO) declared the coronavirus (Covid 19) a “Public Health Emergency of International Concern”. Whilst measures and policies have been taken by the national government and nearby trading countries to prevent the spread of the virus, the impact of the virus on amounts and estimates reported or used in the preparation of these financial statements is not expected to be material.

Apart from the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

Disclaimer on additional financial information

The additional financial information, being the attached detailed statement of comprehensive income has been compiled by the management of Nauru Utilities Corporation.

To the extent, permitted by law, Ernst & Young does not accept liability for any loss or damage which any person, other than Nauru Utilities Corporation may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

NAURU UTILITIES CORPORATION

DETAILED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

Revenue	2019 $	2018 $
Electricity Income		
Domestic	6,592,927	6,378,158
Commercial	5,974,133	5,879,479
Industrial	1,253,432	609,738
Government	2,807,750	2,793,453
Other	182,340	100,825
	16,810,582	15,761,653
Water Income		
Domestic	385,295	611,358
Commercial	550,826	325,937
Industrial	42,682	230,122
Government	348,855	288,894
Delivery	509,771	632,111
Total water sales	1,837,429	2,088,422
Government subsidy income	-	1,700,004
Add: other operating revenue	13,441	256,866
Total income	18,661,452	19,806,945
Depreciation	2,389,891	1,961,467
Doubtful debts (reversal)/expense	(20,035)	(3,897,797)
Employee benefits	4,081,992	4,042,563
General and administrative expense	15,793,497	11,677,587
Government subsidy expense	-	1,700,004
Stock obsolescence	32,853	-
	22,278,198	15,483,824
Profit from operations	(3,616,746)	4,323,121
Release of deferred income	632,164	363,528
Net (loss)/profit	(2,984,582)	4,686,649

The Detailed Statement of Comprehensive Income is to be read in conjunction with the disclaimer set out on page 32.

NAURU UTILITIES CORPORATION
DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 $	2018 $
General and administrative expense		
Accounting and auditing fees	15,380	30,065
Annual report	4,952	-
Annual and long service leave	48,807	70,155
Bank fees and charges	4,229	1,470
Board expenses	49,603	25,816
Buying commission	4,446	-
Community education and awareness	1,144	41,539
Consultants	208,476	57,506
Donations	7,656	4,800
Electricity and water	24,729	303
Entertainment	12,734	38,770
Equipment hire	1,902	8,880
Freight/duty/taxes paid	474,133	267,495
Land lease rental	1,125,722	1,015,666
Loss on sale of fixed assets	-	1,411
Motor vehicle rental and fuel	573,774	482,627
Office supplies	77,822	40,273
Fuel and oil for energy production	9,957,955	6,342,341
Rental others	(3,680)	13,538
Repairs and maintenance	1,837,497	1,969,940
Security	924,339	784,951
Seminars and conferences	50,228	-
Specialised tools	50,839	20,872
Sponsorship	-	51,535
Subscriptions	15,148	19,503
Telephone, fax and internet	182,930	227,155
Travel- business	123,260	139,506
Uniforms and safety gears	15,446	21,470
Waste removal	4,026	-
Total administration and operating expenses	15,793,497	11,677,587

The Detailed Statement of Comprehensive Income is to be read in conjunction with the disclaimer set out on page 32.

Operations Statistics:

Energy Sales	**Unit**	**Note**	**2019**	**2018**
Residential	kwh	A	15,001,625	13,621,118
Commercial	kwh	A	8,936,337	9,050,199
Industrial	kwh	A	1,931,291	962,557
Government	kwh		4,152,479	3,717,647
Total Energy Sales	**kwh**		**30,021,732**	**27,351,521**
Non-Revenue Energy	kwh	B	1,779,977	738,305
Energy Production				
Net Diesel Energy delivered to the grid	kwh	C	35,137,000	34,636,410
Net Solar Energy delivered to the grid	kwh	D	992,002	1,176,667
Total Energy delivered to the grid	**kwh**		**36,129,002**	**35,813,077**
Total System Losses	kwh		4,327,292	7,723,251
Maximum Demand	MW		5.30	5.30

Fuel, Oil & Water Used for Diesel Power Generation

	Unit	**2019**	**2018**
Diesel Fuel Used	litres	9,174,031	9,207,805
Lubricating Oil Used	litres	41,454	41,131
Water Used	litres	1,644,510	1,898,132

Efficiency KPI's for Diesel Power Generation

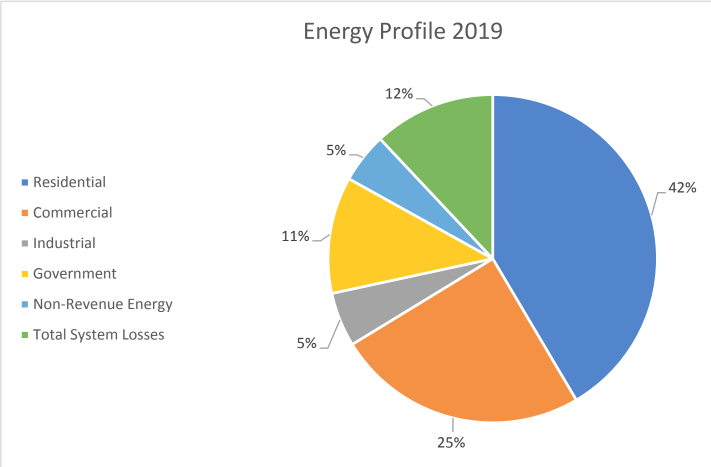
	Unit	**2019**	**2018**
Specific Fuel Consumption	kwh/Litre	3.87	3.76
Specific Lubricating Oil Consumption	kwh/Litre	856	842
Specific Water Consumption	kwh/Litre	21.59	18.25

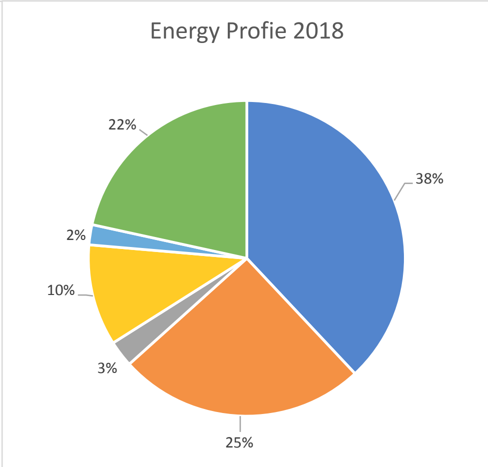
Note A		2019	2018
Residential Pre-paid Lifeline	kwh	5,125,886	4,591,928
Residential Pre-paid Regular	kwh	7,229,749	6,661,502
Residential Post-paid	kwh	2,645,990	2,367,688
Commercial Pre-paid	kwh	4,148,735	4,501,145
Commercial Post-paid	kwh	4,787,602	4,549,054
Industrial Pre-paid	kwh	117,042	136,244
Industrial Post-paid	kwh	1,814,249	826,313

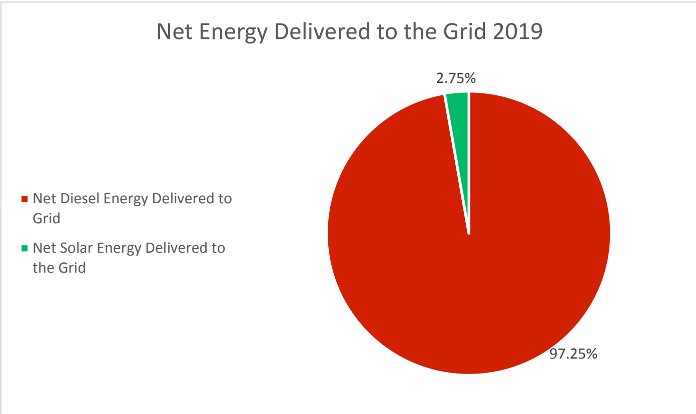
Note B		2019	2018
NUC Offices	kwh	149,201	111,008
Board and Employees Electricity top up Benefits	kwh	334,100	320,500
Expartriates houses	kwh	109,004	144,374
Power Station Clean Air compensation	kwh	-	60,200
Water Production Usage	kwh	1,098,576	28,440
Street Lights	kwh	89,096	73,783

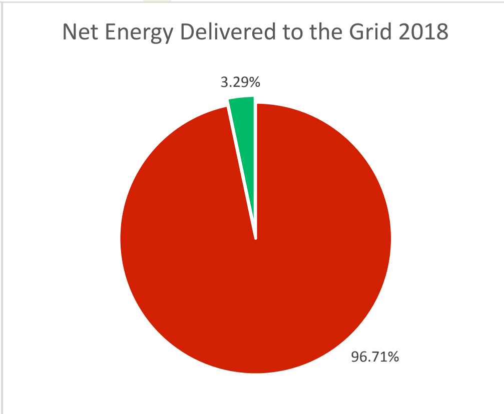
Note C		2019	2018
Total Diesel Energy Produced	kwh	35,503,000	34,998,930
Power Station Energy Usage	kwh	366,000	362,520
Power Station Energy Usage	%	1.03%	1.04%
Net Diesel Energy delivered to the Grid	**kwh**	**35,137,000**	**34,636,410**

Note D		2019	2018
Ground Mounted Solar Energy Produced	kwh	738,469	862,304
Roof Top Solar Energy Produced	kwh	594,283	444,196
Roof Top Solar Energy delivered to the Grid	kwh	253,533	223,499
Roof Top Solar Energy consumed on Premises	kwh	340,750	220,697


Energy Profile 2019
Residential
Commercial
Industrial
Government
Non-Revenue Energy
Total System Losses
12%
5%
42%
11%
5%
25%


Energy Profie 2018
22%
38%
2%
10%
3%
25%


Net Energy Delivered to the Grid 2019
2.75%
Net Diesel Energy Delivered to Grid
Net Solar Energy Delivered to the Grid
97.25%

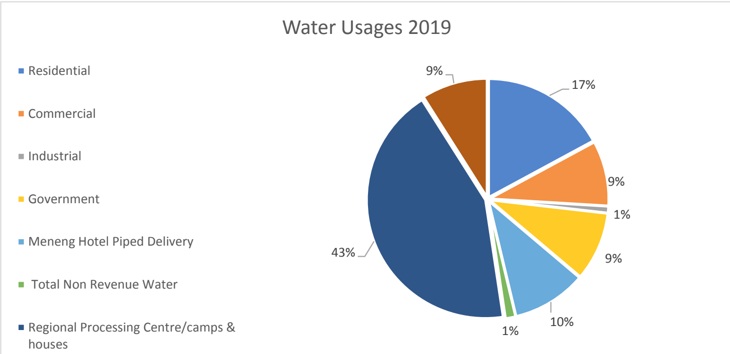

Net Energy Delivered to the Grid 2018
3.29%
96.71%

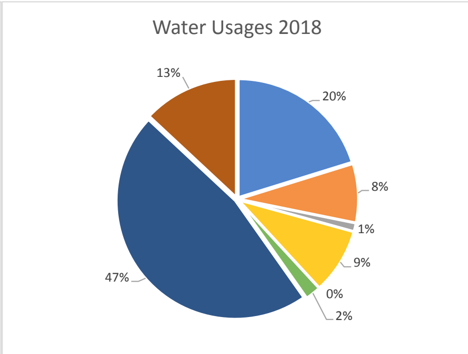
Water Operations Statistics:

	Unit	Note	2019	2018
Fresh Water Volume & Delivery Sales				
Residential	Litres		40,088,610	61,447,000
Commercial	Litres		20,774,087	24,375,000
Industrial	Litres		2,032,932	3,348,000
Government	Litres		21,978,629	27,060,000
Meneng Hotel Piped Delivery	Litres		23,678,786	
Total Fresh Water Volume Sales	**Litres**		**108,553,044**	**116,230,000**
Residential Deliveries	#		6,019	13,080
Commercial Deliveries	#		338	290
Industrial Deliveries	#		-	-
Government Deliveries	#		2,329	2,507
Private Uplift	#		2,045	3,552
Total Truck Trips	**#**		**10,731**	**19,429**
Total Non Revenue Water	Litres	E	3,126,112	6,273,000
Regional Processing Centre/camps & houses	Litres	F	101,802,500	142,199,000
Water Losses	Litres		21,019,356	39,621,000
Water Storage @ period end	Litres		4,120,000	2,169,000
Total Water produced by RO Plants	**Litres**		**218,958,226**	**306,491,000**
Meneng Hotel Sea water Sales	Litres		20,570,650	
Note E				
NUC Staff Housing	Litres		617,000	1,220,000
NUC Office & Power Station	Litres		1,683,112	2,215,755
Fire Station Emergency Water	Litres		826,000	2,837,500

Note F

NUC and Nauru Support Team jointly operate the Aiwo Water Production facilities to produce water for both Parties.





Electricity & Water Tariff and Rates

	Note	Tariff/ Rate		Unit
Electricity				
Residential Lifeline	a	$	0.25	kwh
Residential	a	$	0.50	kwh
Commercial		$	0.70	kwh
Industrial		$	0.70	kwh
Government		$	0.70	kwh
Feed In Tariff	b	$	0.20	kwh
Reconnection Fee		$	15.00	per event
Meter Tampering/ By Pass Fine Residential		$	1,000.00	per meter
Meter Tampering/ By Pass Fine Commercial		$	10,000.00	per meter
Reconnection after Tampering		$	100.00	per meter
Single Phase meter		$	120.00	per meter
Three phase meter		$	445.00	per meter
New Single Phase Pole Connection		$	50.00	per connection
New Three Phase Pole Connection		$	100.00	per connection
New Connection Single Phase		$	50.00	per connection
New Connection Three Phase		$	150.00	per connection
Water				
Residential		$	0.0084	Litre
Commercial/ Industrial		$	0.0118	Litre
Government		$	0.0097	Litre
Residential Delivery < 5,000 L		$	5.00	per truck
Residential Delivery > 5,000 L		$	10.00	per truck
Commercial Delivery		$	263.49	per truck
Government Delivery		$	217.47	per truck
Truck Owner Delivery		$	117.25	per truck
Fresh Water Delivery via Pipe		$	0.0118	Litre
Sea Water Delivery via Pipe		$	0.0030	Litre
Corporate				
Cash Power After Hours		$	15.00	per Top Up
Labour Hire		$	15.00	per man hour
Cherry Picker Hire		$	90.00	per hour
Crane Truck Hire		$	100.00	per hour
Excavator Hire		$	90.00	per hour
Fork Lift 3.5T Hire		$	60.00	per hour
Fork Lift 2.5T Hire		$	45.00	per hour

Note a

Each Residential pre-paid customer is provided 200 kwh per month at the residential lifeline tariff. Usage in excess of 200 kwh during the month is charged the residential tariff

Note b

Feed-In tariff applies to excess energy supplied to the grid by customers who have installed grid connected roof top solar panels.

Financial Expenses Breakdown into Divisions

		Total	Power	Water	Corporate
Note 2.2	Employee Benefits Expenses				
	Salaries and Wages	2,328,441	1,140,936	488,973	698,532
	Training Costs	193,789	-	-	193,789
	Expatriates and accommodation costs	1,219,442	709,205	-	510,237
	Other employee costs	340,320	203,543	1,168	135,609
		4,081,992	**2,053,684**	**490,141**	**1,538,167**
Note 2.3	Administration and Operating Expenses				
	Repairs and Maintenance	1,837,497	1,688,450	92,521	56,526
	Freight	474,133	-	-	474,133
	Motor Vehicle rental and fuel	573,774	180,436	270,143	123,195
	Land lease rental	1,125,722	-	-	1,125,722
	Other administration Costs	1,824,416	57,432	89,601	1,677,383
		5,835,542	1,926,319	452,266	3,456,958
	Fuel and Oil for energy production	9,957,955	9,957,955	-	-
		15,793,497	**11,884,274**	**226,136**	**224,744**
	Depreciation Expenses	**2,389,891**	**1,939,011**	**226,136**	**224,744**