

2021

ANNUAL REPORT



Nauru Utilities Corporation

## Letter to the Shareholder

**Hon. Wawani Dowiyogo, MP Minister for Utilities**

**Hon. Martin Hunt, MP Minister for Finance**

Dear Ministers

On behalf of Nauru Utilities Corporation, we are pleased to present to you the corporation's annual report for the period 1 July to 30 June 2021, in accordance with the provisions of section 73 of the *Public Enterprise Act 2019*.

Yours sincerely

Abraham Aremwa

***Chairman and Acting Chief Executive Officer***

11 August 2022

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## Statement by the Chairman of the Board of Directors

Tubwa Kor

As I reflect on 2020-21 and the challenges NUC has faced over the year, I am proud to have been part of a team that has stepped up and taken on those challenges head-on, for itself, its customers and for Nauru.

Firstly, I'd like to welcome Carmine Piantedosi to NUC and Nauru as our new Chief Executive Officer.

Carmine has demonstrated commitment to making ours a great organisation. He is hard-working, dedicated and truly enthusiastic, working every day for the good of our communities. We have great confidence in him and know we are in good hands under his stewardship.

But let us not forget the difficult times we have been through as well.

Nauru saw several communities lose power for extended periods of time due to pole top fires and underground cable faults. Nauru also experienced a prolonged drought period between August 2020 to April 2021 putting pressure on our water supply network.

The impact of COVID-19 has been significant delaying implementation of planned projects and other systems. It has severely damaged some Pacific Island Countries' economies, particularly those highly dependent on tourism, and caused considerable financial stress to some power utilities (as customers cannot easily pay their bills) and to Pacific national airlines.

Power supply interruptions are occasionally inevitable and we take all possible steps to minimise the interruptions, working towards our ongoing goal to provide safe and reliable power to our customers.

I would like to recognise the team's response to the COVID-19 pandemic, the tireless effort of staff to maintain electricity and water services during these challenging times. The Board and I were proud of the efforts to protect our customers and the ongoing dedication of our workforce in delivering electricity and water services as we navigate through these challenges.

There are many great reasons for every NUC employee to reflect on this year with a sense of pride and achievement. In many areas great progress has been made. I hope that as you read through this Annual Report, you too will acknowledge the great work we do for Nauru.

In closing I would like to thank my fellow Board members for their valuable contributions to Nauru Utilities Corporation and the community which we serve.

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 for Utilities, the Honourable Wawani Dowiyogo MP.

**Abraham Aremwa**  
Chairperson



## Chief Executive's Report

When you deliver essential services such as water and electricity within economic and socially diverse conditions, challenges are part of your everyday reality.

However, the last 12 months has brought some particularly unique challenges and opportunities for NUC and its customers.

We saw the final year of our 2015-2020 Strategic Plan and the development of our new 5 year Strategic and Operational Plan 2021-25, our Business Plan and our Statement of Corporate Intent for 2021 and beyond.

We saw our safety culture improve through strong focus on regular and timely communications as well as the establishment of our Health Safety and Security committee; a successful completion of preparation works for the Solar Development Project; a major refurbishment of our water storage facilities; and a reduction in duration and frequency of interruptions to customer supply.

NUC's financial performance for the period reflected a favourable outcome with a positive financial result for the year where NUC's revenue showed that it was able to cover its operating costs including depreciation. This was achieved without changes to the current tariff structure.

During the extended drought period our water and electricity teams took up the challenge in meeting the increased demand for water and attending to network interruptions. The resilience and willingness to roll up our sleeves to get the job done truly embodied the spirit of '*Makur Dogin Naoero*' working for Nauru.

In a personal highlight, in July 2020 I was appointed to the position of CEO. Having worked in the industry for over 35 years across my career, I am looking forward to helping the organisation realise its potential.

We still have some ways to go in becoming a mature, commercially successful and efficient utility which embraces renewable energy sources and customer service excellence, and I am confident we are on the right path and we have the right people on board to realise our vision.

**Carmine Piantedosi**  
Chief Executive Officer

## This Report

### *Purpose of the Report*

The purpose of this Annual Report is to meet the obligations of Nauru Utilities Corporation (NUC) as contained within the *Public Enterprise Act 2019*, namely section 77 whereby a public enterprise must submit to the Responsible Minister and Accountable Minister a report of the operations of the public enterprise for the financial year to which it relates.

NUC is required to submit its Annual Report to the Responsible Minister and Accountable Minister not later than 6 months after the end of that financial year.

This Annual Report states to what extent NUC has achieved the business goals specified in its statement of corporate intent for the current financial year and includes other matters that the Responsible Minister, after consultation with the Accountable Minister, has directed NUC to include under section 74 of the *Public Enterprise Act 2019* (the Act).

### *Objective of the Report*

The objective of this report is to inform the Government of Nauru, as the owner and sole shareholder of Nauru Utilities Corporation, our stakeholders, and our customers, of:

- the audited financial statements for the 2020-21 financial year including the report of the auditor for those financial statements.
- NUC's operations during the financial year and the results of those operations.
- the extent to which NUC has achieved the outcomes specified in the statement of corporate intent for the financial year.
- a statement of the dividend or distribution paid or to be paid by NUC to the Republic for the financial year.
- details of any community service obligation agreement applicable during the financial year including the cost of the community service and services performed under the agreement, and any revenue received or payable by NUC under the agreement.
- significant changes or activities for the 2020-21 financial year, highlighting major projects, key achievements and outcomes, as they relate to the strategic objectives of the corporation contained in the 2015-2020 Strategic Plan.
- details of any breach of the code of conduct on NUC during the financial year.
- any other matter that the Responsible Minister, after consultation with the Accountable Minister, has directed NUC to include in the report.

The Annual Report may omit information that the Board of NUC reasonably considers is likely to materially prejudice the commercial interests of NUC if disclosed.

Where information is omitted, this has been noted in the report.

Nauru Utilities Corporation (NUC) provides services to the communities of Nauru across the entire water and electricity supply chains, in addition to our legislative obligations as the power system controller and water operator.

*OUR BUSINESS*



**Water Production**

**289,807,200 litres produced**



**Water Storage**

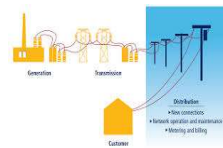
**4,549,256 litres in storage**



**Water Despatch and Delivery**

**247,400,000 litres delivered**

**Delivering 1.5 million litres per day during peak**



**Electricity Generation**

**Total Diesel Generation: 38,758,708 kWh**

**Total Renewable Energy Generation: 3,920,244 kWh**



**Electricity Customers**

**3809 Customers comprising:**  
**3309 Domestic Customers**  
**413 Commercial Customers**  
**30 Industrial Customers**  
**57 Government Customers**



**Water Customers**

**2,055 Customers comprising:**  
**1941 Domestic Customers**  
**27 Commercial Customers**  
**30 Industrial Customers**  
**57 Government Customers**

## Our History

The Nauru Utilities Corporation (NUC) was established under the *Nauru Utilities Act 2011* (the Act) and commenced operations on 1 August 2011. NUC succeeded the Nauru Utilities Authority.

The Act sets out the functions of the Corporation with respect to electricity and water services.

In relation to electricity our functions are:

- (a) to generate, acquire, exchange, transport, distribute, market and otherwise supply electricity;
- (b) to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any function mentioned in paragraph (a); and
- (c) to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).

In relation to water our functions are:

- (a) to acquire, store, treat, distribute, market and otherwise supply water for any purpose;
- (b) to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any purpose mentioned in paragraph (a); and

to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).

More recently, the enactment of the Public Enterprise Act 2021 established the NUC as a State-Owned Enterprise empowering NUC with full powers and capacity to do any act for the purpose of performing its functions subject to the provisions within the Act and any other written law or the Nauru Utilities Corporation Constitution.

Under the Act NUC's primary objectives as a state-owned enterprise is to be a successful business, requiring it to be at least as profitable and efficient as a comparable business in the private sector; and is required to generate a net operating profit after tax that is not less than its weighted average cost of capital prescribed as a percentage.

More specifically, NUC must conduct its business and operations with a view to being a successful business.

## *Vision*

### **"Makur Dogin Naoero"**

Makur Dogin Naoero meaning "Work for Nauru" appeals to the heart of employees, to give meaning to their work and to inspire exceptional performance.

In order to be a high performing organisation, one that delivers exceptional service to the people of Nauru our vision encapsulates that our people are working for their fellow Nauruans, for their families, especially their children, grandchildren and for future generations.

## *Mission*

In line with the vision, the mission of the NUC is:

For Nauru we will **Achieve**, with a **United** effort and doing things **Right** first time, **Utopia**: providing safe, reliable, affordable, secure and sustainable electricity and water supply.

## *Core Values*

In pursuit of its mission, NUC continues to be guided by the following six (6) core values - defining its desired corporate culture:

Core Value	Description
<b>Impartiality</b>	NUC staff shall treat all customers, stakeholders and each other with fairness. NUC provides safe, reliable, affordable and sustainable electricity and water supply to its customers.
<b>Morality</b>	NUC staff shall ensure they uphold standards of right and good conduct.
<b>Professionalism</b>	NUC staff shall perform their duties with the highest degree of competence and skills.
<b>Accountability</b>	NUC staff shall perform their duties in a manner that shows readiness to take full accountability and responsibility for their actions.
<b>Consistency</b>	NUC staff shall ensure uniformity, predictability and coherence in accordance with our Code of Conduct and Core Values.
<b>Transparency</b>	NUC staff shall operate in a fair and open manner and without prejudice in delivering safe, reliable, affordable and sustainable electricity and water services.

## *Motto*

In line with its core values – NUC uses the following motto to rally employees, consumers, suppliers, and stakeholders, in general, behind its vision and mission:

**"Safe reliable, affordable and sustainable services with positive IMPACT"**

## *Business Objectives and Implementation Plan*

During the Annual Report financial year period 1 July 2020 to 30 June 2021, NUC through its Strategic and Annual Work Plan 2020 pursued the following five (5) Business Objectives:

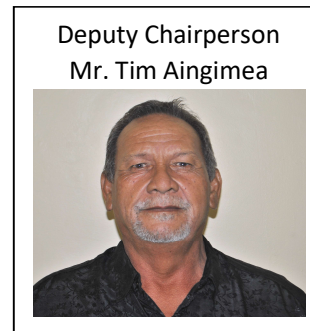
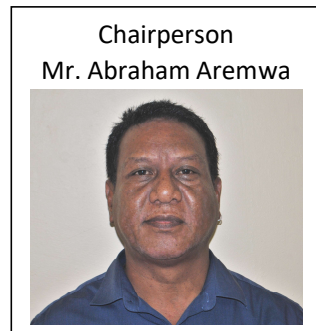
- Customer Focus: NUC implemented strategies to shift from an “operational” focus to a customer centric organisation. NUC is committed to improving our service delivery to benefit our customers and stakeholders. Underpinning our approach are our fundamental commitments which lay the foundation for our strategic priorities and initiatives.

They are:

- Delivering Safe, Reliable, Affordable and Sustainable Electricity and Water Services
  - Communicating and Engaging with Customers and Stakeholders
  - Delivering Customer Outcomes
  - A High Performing Organization
- Human Resources: NUC continued to develop and up-skill leaders and staff to ensure enhanced operational safety, improved operational performance and customer service outcomes.
  - Environment: NUC ensured sustainable use and management of the environment and natural resources for the benefit of present and future generations.
  - Safety: An integral part of delivering electricity and water services to our customers was ensuring that it is carried out in a safe and sustainable way. The health, safety and well-being of our staff and customers are paramount.
  - NUC staff continuously identify hazards, report incidents and learn from mistakes, making changes to operations to ensure safety of personnel and the public. It will become a way of life.
  - Operational Performance: Ensuring a safe reliable, affordable and sustainable provision of electricity and water services in Nauru is a central objective of Government. An efficient electricity and water utility play a primary role in ensuring this objective is met.
  - NUC utilised a range of performance measures and indicator to assess its operational performance. These include, among other things:
    - core indicators such as operating cost per connection;
    - performance scores based on production or cost estimates;
    - benchmarking; and
    - customer survey benchmarking by identifying customer perceptions.

The Annual Report has translated each strategic objective into key outputs and outcomes, Key Performance Indicators (KPIs) as well as operational activities. Accordingly, detailed operational activity schedules have been presented in this report.

## *Nauru Utilities Corporation Board*



The *Public Enterprise Act 2019* certified on 11 June 2019 repealed sections of the *Nauru Utilities Corporation Act 2011* and re-established the principles of responsible management of the Board of Directors.

NUC's Board of Directors were appointed by the Responsible Minister and approved by Cabinet.

The NUC Board consists of no more than 7 directors, with the current composition shown above.

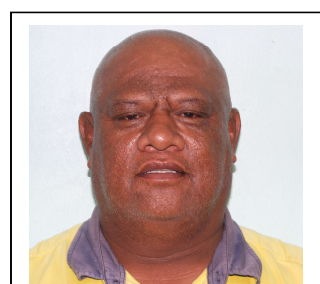
The Board of Directors are required to take all reasonable steps to ensure that NUC achieves its primary objective of being a successful business.

The Act sets out the powers and functions of the Board of Directors and sets out the requirements for directors to act honestly in the best interest of the organisation, act in good faith and proper purpose, comply with NUC's code of conduct and act with reasonable care and diligence.

The Board of Directors met on a monthly basis to review the performance of the organisation and provide strategic leadership and management to the organisation.



*Nauru Utilities Corporation Leadership Team*



## COVID-19 Pandemic

In developing this Annual Report, regard has been given to the current pandemic and its impact on our organisation.

The Asian Development Bank forecast that developing Asia will contract by 0.7% this year, its first contraction in six decades, however growth will rebound to 6.8% in 2021.

According to ADB, the downturn is broad-based—three-fourths of the region's economies are expected to contract this year with the exception of the People's Republic of China (PRC).

ADB has indicated that depressed demand and low oil prices have offset supply disruptions, keeping regional inflation at 2.9% in 2020, and trimming it to 2.3% in 2021.

The threat of a prolonged COVID-19 pandemic is the main risk to our outlook. A return to more stringent containment measures could slow or even derail recovery and possibly trigger financial turmoil.

There remains uncertainty around the cost impact of the pandemic and it is not clear whether those costs could be mitigated by NUC. In addition, NUC is concerned about the adverse effect that the pandemic may have on future prices faced by customers.

COVID-19 has delayed implementation of some planned RE and other systems in Nauru. It has severely damaged some Pacific Island Countries' economies, particularly those highly dependent on tourism, and caused considerable financial stress to some power utilities (as customers cannot easily pay their bills) and to Pacific national airlines.

The longer-term impacts could include a lower 'normal' level of tourism generally, government and aid resources diverted from energy to other sectors, and potentially global recurrences of other pandemics, with serious effects on our economy and the ability to finance investments, including the energy sector.

The COVID-19 pandemic potentially affects all of our operations in NUC and all of our customers. It has become clear that the impacts of COVID-19 are substantial, and further consideration will need to be made during the 2020 – 21 period.

A balanced treatment of all the impacts of the pandemic will require NUC to undertake adequate consultation with affected stakeholders.

Outlook (Source ADB Website)

	2019	2020			2021		
		April	June	Sept	April	June	Sept
<b>Pacific</b>	3.5	-0.3	-4.3	-6.1	2.7	1.6	1.3
<b>Nauru</b>	1.0	0.4	-1.7	-1.7	1.1	0.8	0.5

GDP Growth Rate (% per year). Inflation rate for 2020 is set at 2.9% while 2021 is forecast to be 2.3%

## Financial Performance

While the statutory results of the corporation are required to be presented on a consolidated basis, this commentary focuses on the performance of NUC.

In the view of management, this provides the best basis for explanation given the nature of NUC's operations as a newly established State-Owned Enterprise under the enacted *Public Enterprise Act 2019* which was certified on 11 June 2019 and the fact that transition to meeting the new obligation under the Act did not allow direct comparison with its Statement of Corporate Intent.<sup>1</sup>

The financial performance of NUC is therefore explained in detail in the audited financial statements.

A summary of NUC's underlying performance for 2020-21 and 2019-20 prior corresponding period is provided below.

NUC Results against Budget	2020-21 Actual	2020-21 Budget	2019-20 Actual
	<i>Audited</i>		<i>Audited</i>
<b>Income</b>			
Electricity	\$20,287,730	\$17,113,003	\$17,718,455
Water	\$2,713,890	\$1,753,273	\$1,807,070
Other	\$995,268	\$0	\$884,831
<b>Total Income</b>	<b>\$23,996,888</b>	<b>\$18,866,276</b>	<b>\$20,410,356</b>
<b>Expenditure</b>			
Costs of sales	\$9,647,176	\$10,185,973	\$10,909,718
Finance Cost	\$1,099,740	\$398,154	\$1,126,396
Doubtful debts reversal	\$0	\$0	(982,017)
Employee benefits expenses	\$3,491,290	\$3,281,810	\$3,120,654
Administration and operating expenses	\$4,100,669	\$4,942,965	\$2,775,627
Other expenses	\$114,600		\$280,370
<b>Total Operating Expenditure</b>	<b>\$18,453,475</b>	<b>\$18,808,902</b>	<b>\$17,230,748</b>
<b>EBITDA</b>	<b>\$5,543,413</b>	<b>\$57,374</b>	<b>\$3,179,608</b>
Depreciation	\$3,243,681	\$2,400,000	\$3,115,429
<b>Total Expenditure</b>	<b>\$21,697,156</b>	<b>\$21,208,902</b>	<b>\$20,346,177</b>
<b>Earnings Before Tax (EBT)</b>	<b>\$2,299,732</b>	<b>(2,342,626)</b>	<b>\$64,179</b>

### Revenue

NUC's revenue comprised mainly electricity sales, water sales, and water deliveries. Over the past 12 month to June 30, 2021 there was positive growth as a result of energy and water sales increasing.

Electricity sales grew by 15% and water sales (litres and deliveries) grew by 51.7% when compared with last year's performance; the sum of which have contributed to overall growth in operating revenue of approximately 19%.

### Operating Expenditure

The operating expenditure on the other hand has had its challenges. The past 12 months saw an inventory and written off close to \$0.8m<sup>2</sup> due to an unfortunate fire incident in NUC warehouse. That

<sup>1</sup> NUC Statement of Corporate Intent had not been developed for the 2020-21 financial year.

<sup>2</sup> Refer to page 31 of the audited financial statement for the breakdown of write off.

aside, when compared to the targeted expenditures planned for the year (budget), the overall spending was within the range, by 98%. However, with the inventory written off taken into account, the expenditure this year was up by 6.5%.

### **Earnings before interest and taxation (EBIT)**

The results of operating revenue less operating expenditure and depreciation was encouraging. The net earnings before interest and tax performance for the 12 months period to 30 June saw a 95.4% improvement against last year's performance.

### **Interest**

No interest earnings were made by NUC for the financial year to 30 June 2021.

### **Tax**

NUC's business tax rate is set at 25%.

NUC's business profit tax on its earnings to 30 June 2021 was \$595,269, compared to \$28,857 in the previous financial year.

### **Net profit after tax**

The Net profit after tax is calculated at \$1,704,463 (\$35,322 in 2020).

### **Balance sheet and cashflow**

<b>Balance Sheet Summary</b>	<b>2021</b>	<b>2020</b>
	Audited	Audited
Total current assets	\$ 6,453,237	\$ 5,337,886
Total non-current assets	\$53,920,980	\$54,572,669
<b>Total Assets</b>	<b>\$60,374,217</b>	<b>\$59,910,555</b>
Total current liabilities	\$ 3,201,542	\$ 3,240,911
Total non-current liabilities	\$34,263,686	\$35,465,118
<b>Total Liabilities</b>	<b>\$37,465,228</b>	<b>\$38,706,029</b>
<b>Net Assets</b>	<b>\$22,908,989</b>	<b>\$21,204,526</b>
<b>Total Equity</b>	<b>\$22,908,989</b>	<b>\$21,204,526</b>

Cash and cash equivalent at 30 June 2021 was \$3,312,607 (\$4,043,100 in 2020)<sup>3</sup>

### **Community Service Obligation<sup>4</sup>**

The Government of Nauru has established a Community Service Obligation (CSO) framework that requires NUC to pursue social objectives that undermine the organisation's ability to be fully commercial, and to generate sufficient revenue to comply with the primary objective to be a successful business.

NUC receives the CSO in acknowledgment of the cost of the non-commercial activity, namely through NUC's prepay lifeline tariff of \$0.25 per kilowatt hour, up to 200 kWh, applied to each residential customer capped at \$1,388,213.

<sup>3</sup> Refer to page 13 of the audited financial statement for breakdown.

<sup>4</sup> S74(d) of the Public Enterprise Act 2019

The lifeline tariff covers the minimum monthly electricity requirement for a household. The revenue from the CSO underpins reductions in residential tariff rates.

To be considered a CSO, the following conditions must be evident:

- There needs to be a request from government to NUC, with the CSO negotiated between government and NUC
- The outcome would not be pursued if NUC were operating on a purely commercial basis.
- There is a specified social objective.
- The CSO is costed at 'avoidable cost' (that is the marginal cost of service).
- The agreement is made annually and funded in the budget.

For the financial year ending 30 June 2021 NUC received \$1,388,208 which were fully allocated to the marginal cost of providing the service.

#### **Dividend<sup>5</sup>**

NUC did not provide a dividend to its shareholders in the form of a distribution of profits by the corporation. Although NUC earned a surplus for the financial year, it did not pay a proportion of the profit as a dividend to shareholders.

Any amount not distributed is taken to be re-invested in the business.

#### **Other Matters**

No breaches of the Code of Conduct on NUC were identified or made during the financial year ending 30 June 2021.

There were no other matters that the Responsible Minister, after consultation with the Accountable Minister has directed NUC to include in the Report.

Naibuka Sigasiganavanua  
Corporate Financial Controller

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<sup>5</sup> s74(c) of the Public Enterprise Act 2019

## Key Operational Results

Nauru Utilities Corporation (NUC) provides services to the community of Nauru across the entire water and electricity supply chains, in addition to our legislative obligations as the power system controller and water operator. The following table summarizes NUC's key operational results for the 2020-21 financial year.

Description	2019-20 Actual	2020-21 Actual
<b>Water Division</b>		
Water Production (litres produced)	220,244,600	289,807,200
Average monthly water production (litres/month)	18,353,716	24,037,017
Average monthly Water Storage (litres in storage/month)	4,308,000	4,560,921
Water Despatch and Delivery (Total litres delivered)	183,819,300	247,400,000
Average monthly Water Delivery (litres/month)	15,318,275	20,616,667
Total Water Sales (litres)	95,809,644	119,292,900
Average monthly Water Sales (litres/month)	7,984,137	13,966,064
Total Water Losses (litres)	22,024,600	41,306,517
Average monthly Water Losses (litres/month)	1,835,371	3,442,210
Percentage of Water Losses (%)	11%	14%
<b>Total No. of Customers (Water)</b>	<b>1,681</b>	<b>2,055</b>
Domestic	1,569	1,941
Commercial	25	27
Industrial	30	30
Government	57	57
<b>Energy Division</b>		
Total Electricity Generation (kWh from diesel Generators)	36,147,000	38,758,708
Average Electricity Generated per month (kWh from diesel Generators)	3,012,250	3,229,892
Total diesel fuel used (litres)	9,262,280	9,064,429
Average fuel usage per month (litres)	771,857	799,288
Average Specific fuel consumption (kWh/litre)	3.90	4.04
Total Cost of Diesel Fuel (AUD\$)	10,567,275	9,112,297
Average cost of fuel per month (AUD\$)	880,606	759,358
Average diesel fuel price per month (AUD\$)	1.2079	0.9619
<b>Electricity Generation (kWh – All PV Installed)</b>		
Total Installed Capacity (KW)	2,323	2,473
Total Generated (kWh)	3,004,898	3,920,244
Total Exported to Grid (kWh)	2,358,559	3,103,924
<b>Total No. of Customers (Electricity)</b>	<b>3518</b>	<b>3,809</b>
Domestic	3018	3298
Commercial	413	424
Industrial	30	31
Government	57	56

## Achievements against Key Performance Targets

### Key Performance Indicators

	2020-21 Target	2020-21 Actual
<b>Health and Safety</b>		
Lost time Incidents	Zero	Zero
Non-compliance Indicator <sup>6</sup>	<1000	609
<b>People and Culture</b>		
Labour work hours productivity	<100	96.9
Labour paid hours productivity	<130	128.8
Overtime	<30%	25%
Employee Satisfaction Survey <sup>7</sup>	>75%	74.8%
On time attendance	>95%	67% (89%) <sup>8</sup>
<b>Financial Performance</b>		
Operating surplus - electricity	>5%	29%
Operating surplus – water	>5%	47%
Operating surplus - Corporate	>2.5%	8%
Revenue increase	>10%	13%
Debtor days	<100 days	13
Non-revenue energy (Excludes Losses)	<30%	2.2%
<b>Operational Performance - Electricity</b>		
System Average Interruption Duration Index	<2000	1,497
System Average Interruption Frequency Index	<20	27
Generator availability	>85%	89%
Generator maintenance compliance	>90%	96%
Specific fuel consumption	>3.6	4.04
Specific lubricating oil consumption	>500	982
Electricity losses	<25%	18%
Power station auxiliary energy usage	<2%	1.31%
Renewable Energy Contribution	50%	9.41%
<b>Operational Performance - Water</b>		
Water losses	<10%	18%
Fleet availability	>85%	87%
Water tanker availability	>80%	79%
Reverse osmosis plant availability	>85%	86%

<sup>6</sup> Minor non-compliances include use of PPE and minor breaches of OH&S requirements by staff.

<sup>7</sup> Results of NUC survey and feedback from Strategic Planning Workshop held October 2020

<sup>8</sup> Unavailability of verified and validated data for April, May and June. On Time Attendance over the prior 9-month period was 89%.

## Workplace Health and Safety

As NUC moves to a proactive safety culture, this performance is an indicator of our progress on that journey. While our accident and incident indicators are impressive with zero incidents reported during the year, it is evident that we will need to focus on improving leadership, behaviour and personal responsibility. In addition, we are raising awareness of critical risks through behavioural based safety initiatives and continued improvements to our work health and safety procedures.

NUC identified that improved health and safety reporting would assist in further cultivating awareness, behaviours and safety culture.

The introduction of our staff Workplace Occupational Health and Safety Committee with representatives from the various business units within NUC has supported our safety objectives.

The Lost Time Injury (LTI) for the year was zero and days lost due to an incident and /or injury were also zero. However, a serious near miss incident was reported involving inadvertent breach of safety clearance from the 3.3kV bus resulting in electric shock to the employee.

Staff training and awareness was conducted in relation to working on or near live installations without proper access and safety clearances and approvals.

The following table summarises the number of hazards identified and actioned including non-compliances noted during the year.

Month	Hours Worked	No. of Hazards	Incidents Reported	Accidents Reported	LTI	Non-Compliance
July	34,425	0	1	0	0	24
August	34,468	1	0	0	0	7
September	34,798	5	1	1	0	33
October	37,434	15	0	0	0	45
November	37,243	38	0	0	0	34
December	36,252	10	0	0	0	41
January	36,361	8	0	0	0	78
February	37,331	11	0	0	0	63
March	31,066	10	0	0	0	62
April	37,788	7	0	0	0	85
May	53,359	15	0	0	0	72
June	37,524	13	0	0	0	65

There were two incidents reported and 1 accident however, no serious injuries or lost time were recorded. Non-compliance activity included failure to wear appropriate personal protective equipment within the workplace.

Weekly team meetings are held to report on potential hazards and enforce compliance requirements with workplace safety obligations and monthly safety committee meetings were held with various representatives from different departments.

The committee comprises both male and female representatives. The committee reviews OH&S reports and provides updates and communications to all staff on the various safety and security concerns to be addressed on an ongoing basis with NUC management.



## People and Culture

Our culture is a vital and unique part of our organization. It's what makes people decide to join our team and is the biggest reason employees choose to stay or leave. It's the key to gaining (and maintaining) a truly high performing organization—one that makes work a place people want to be.

NUC's desired corporate culture is one characterised by autonomy, where employees are empowered to innovate and work autonomously, without micro-managing or hand-holding where staff have ownership in their work.

An employee engagement survey and score are the result of a number of drivers developed during our Strategic Planning Workshop held in October 2020 and continue to be a key focus of NUC in addressing the impact across the business.

Further, NUC's corporate culture is one that values outputs (the quality of work produced) rather than inputs (the number of hours logged).

The number of employees at the end of June 2021 was 161 a decrease of 15 from 2019 financial year. The employee profile for the year to 30 June 2021 compared to 2019-20 financial year is shown below.

Category	2019-20		2020-21	
	Number	(%)	Number	(%)
Male	144	82	131	81
Female	32	18	30	19
Expatriate (inclusive)	24	13	12	8
<b>Total Number of Employees</b>	<b>176</b>	<b>100</b>	<b>161</b>	<b>100</b>

The reduction in the 2020-21 annual figures reflect a decrease in expatriate staff from 13% to 8%, and a number of vacancies pending recruitment of additional staff.

NUC staff turnover from 1 July 2020 to 30 June 2021 is shown in the following table.

Month	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<b>Turnover</b>	4	3	2	3	0	0	0	1	3	2	7	1

Staff turnover reflects the number or percentage of workers who left NUC and were replaced or being replaced with new employees over the period. This KPI is helpful in understanding the reasons for the turnover and assists in estimating the cost-to-recruit for budget purposes.

Employee turnover for the financial year ending 30 June 2021 increased slightly from 12% in the previous period to 14%

## Gender equality and Social Inclusion

NUC has commenced gender inclusive project employment, creating positions for female technicians within the renewable energy business. NUC's participation in Career Open Days at various Schools encourages young women to consider a career path in the technical and engineering fields relating to the power and water sectors.

Our review of the Human Resource Management Policies and Procedures including the development of a Gender Strategy which includes actions that support women in leadership and technical positions has also been progressed in this period.

### Capacity Building

Our people are an integral part of NUC's achievements. They are key to our successes and enabling the delivery of electricity and water services to customers in a safe, reliable, affordable and secure way.

The development of our staff is fundamental to NUC's objective of becoming a high performing organisation as a whole. Our staff development and capacity building activities are focussed on improving employee performance. Our training and development plans focus on motivating employees by making them feel valued, and is the responsibility given to all managers.

Capacity building is a critical component of our strategic and annual work program. The number of training person days for the financial year was 314. This accounts for around 2% of the total work person days during this period.

The types of training conducted during the financial year to 30 June 2021 was:

Section	Number of participants
<b>Power, Repair &amp; Maintenance &amp; Renewable Engineering</b>	19
<b>Water</b>	1
<b>Finance, Procurement &amp; ICT</b>	24
<b>HR, Administration &amp; Security</b>	25
<b>Fleet &amp; Building</b>	4
<b>General and Safety.</b>	241
<b>Total</b>	<b>314</b>

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

Number of Employee	Study Program	Institution/Sponsor
1	Certificate IV Electrical Engineering	Fiji National University/NUC
1	Certificate IV Electrical Engineering	Fiji National University/NZ MFAT
1	Degree in Management	Fiji National University/ NUC
1	Degree in Management	Toowoomba University/AusAID/NUC
1	Diploma in Accounting	USP Pacific TAFE/NUC
1	Diploma in Mechanical Engineering (Plant Maintenance)	Fiji National University/NZ MFAT
1	Diploma in ICT	USP/ NUC

The organisation's performance is assessed by reviewing and managing a number of key performance indicators.

These include Absent Without Leave (AWOL), Leave Without Pay (LWOP), All Leaves taken (Recreational, Special, Sick, Official, Maternity, Long Service) Attendance, Labour Worked Hours Productive (LWHP), and Labour Paid Hours Productive (LPHP) to manage overtime.

The following table summarizes the Organisations KPI's for the year to 30 June 2021.

Month	Total No. of Employees	Training Days	LWOP (Hrs.)	AWOL (Hrs.)	Attend (%)	Sick Leave (Hrs.)	Spec. Leave (Hrs.)	Rec. Leave (Hrs.)	LWHP (Hrs.)	LPHP (Hrs.)	(%) O/T
July	164	53	400	1,123	92%	560	736	1,456	27,704	36,837	25%
Aug	160	27	212	652	93%	568	854	1,688	26,472	35,692	26%
Sept	166	33	224	981	93%	584	1060	936	26,771	34,000	22%
Oct	166	31	224	981	92%	476	702	904	26,771	34,000	21%
Nov	162	20	424	764	79%	716	896	1,548	43,419	55,954	23%
Dec	161	10	304	1,108	82%	600	712	1,504	27,107	36,511	26%
Jan	163	32	606	1880	N/A	448	718	2388	25,400	36,361	31%
Feb	163	15	600	1162	N/A	628	668	1424	27,452	37,331	26%
March	160	59	228	1561	N/A	428	582	1360	27,142	31,050	13%
April	161	105	344	1338	N/A	404	516	2184	27,477	37,788	28%
May	160	74	540	1146	N/A	852	1648	3580	37,223	53,354	31%
June	161	29	372	1198	N/A	1024	804	1368	27,078	37,524	28%

Attendance Without Leave (AWOL) accounted for 4% of total hours worked while Recreational Leave accounted for 6% of actual hours worked for the year.

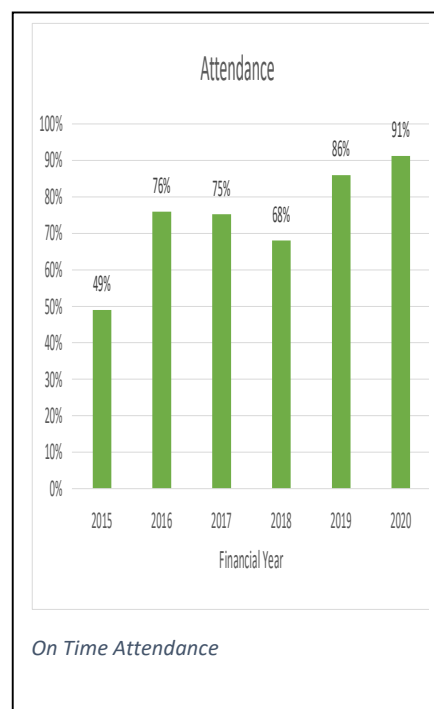
For the same period, Special Leave accounted for 3% of total hours worked and Sick Leave accounted for 2% of total hours worked.

#### Attendance & Productivity

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

OTA for the financial year to 30 June 2021 was 67% compared to 92% forecasted for 2020-21 period. The results were not able to be verified or validated for April, May and June of 2021.

Labour Hours	2019	2020	2020-21 Actual
Hours Worked	374,656	366,732	350,016
Hours Paid	535,694	504,113	466,406
Hours Paid/Hours Worked	1.429	1.375	1.332
Number of employees	172	161	161
Hours worked/employee	2,127	2278	2,174
Hours Paid/employee	3,042	3,131	2,896



Hours worked and hours paid per employee decreased from 31% in 2019 to 28% in 2020. The overtime rate for the financial year to 30 June was 25%.

## *Information and Communication Technology (ICT)*

The management of corporate information, both paper and electronic form is an important function that NUC is required to undertake for it to meet both legal and operational requirements.

ICT functionality has performed well during the year with a number of key activities completed. These activities included:

- Workstation re-cabling, clean-up and hardware 'health' checks
- Installation and maintenance of CCTV at NUC locations to improve and maintain safety, security and surveillance monitoring. This remains an ongoing program of maintenance works.
- Ensured network connectivity to various departments e.g., Procurements and Contracts, Customer Service Centre and Fleet Section.

Importantly, work commenced on NUC's Disaster Recovery Planning and Business Continuity Plan.

The ICT Helpdesk received a total of 1,104 requests for the year with an average of 92 requests per month. The requests ranged from issues relating to hardware (pc's, printers, servers) and software including network related faults. All requests were attended to with no outstanding open tickets for the period.

Month	Open Tickets	Closed Tickets	Total Number of Tickets
July	0	100	100
August	0	92	92
September	0	83	83
October	0	89	89
November	0	87	87
December	0	84	84
January	0	112	112
February	0	66	66
March	0	83	83
April	0	83	83
May	0	79	79
June	0	146	146

Key services availability was fully operational for the period with zero down time.

SMS Power Top-up for the period NUC received a total of 237,375 SMS averaging around 19,782 SMSs per month.

Month	Total SMS
July	19,070
August	19,905
September	18,521
October	19,770
November	18,597
December	16,935
January	19,447
February	18,394
March	21,129
April	20,773
May	23,565
June	21,269

The NUC network for the Main Power Station Office, Water Unit and Power Station performed at 100% availability during the year.

# Electricity Generation

## Diesel Generation

The current installation of diesel generation capacity adequately meets the maximum demand with an N-2 security.

The current diesel generating capacity status and availability is summarized in the following table.

Generation Data	Station																		
	INSIDE POWER STATION (MEDIUM/LOW SPEED ENGINES)							OUTSIDE HIGH SPEED ENGINES					STANDBY ENGINES AT ESSENTIAL SERVICES						
Set Number	G1	G2	G3	G4	G5	G6	LACKSTAR	G2A	G2B	G3	G5	GON	MENENG	AIRPORT	S/CAMP	RON HOSPITAL	PRISON 1	PRISON 2	
Engine Model	Ruston	MAN	MAN	Ruston	Cummins	Ruston	Cummins	Cummins	Cummins	Cummins	Cummins	Cummins	Cummins	Cummins	Cummins	Cummins	Caterpillar	Caterpillar	Caterpillar
Installed capacity Kw	2.40	2.85	2.85	3.00	1.00	2.40	1.00	1.00	1.00	1.00	1.00	0.50	0.50	0.50	0.32	0.50	0.50	0.10	0.10
Rated Capacity Kw	2000	2500	2500	2800	850	2000	800	800	800	800	850	450	450	450	300	450	450	100	100

The current available capacity for high-speed diesel generators remained at 4 MW. The current available capacity of medium speed diesel generators remained at 15 MW.

The following tables provides NUC Power Operations Key Performance measures for the period 1 July 2020 to 31 December 2020 and 1 January 2021 to 30 June 2021.

Key Performance Indicators (2020)	July	August	September	October	November	December
<b>Generation Capacity</b>						
Total Installed Capacity (MW)	19.7	19.7	19.7	19.7	19.7	19.7
High Speed Installed Capacity (MW)	6.0	6.0	6.0	6.0	6.0	6.0
Medium Speed Installed Capacity (MW)	13.7	13.7	13.7	13.7	13.7	13.7
Total Available Diesel Capacity (MW)	15.75	15.75	15.75	15.75	15.75	15.75
High Speed continuous rated (MW)	4.0	4.0	4.0	4.0	4.0	4.0
Medium Speed continuous rated (MW)	11.75	11.75	11.75	11.75	11.75	11.75
Black-start continuous rated (MW)	0.8	0.8	0.8	0.8	0.8	0.8
<b>Renewable Energy Capacity</b>						
Total Solar PV installed	2.3	2.3	2.3	2.3	2.3	2.456
Total Roof-Top Solar	0.7032	0.7032	0.7032	0.7032	0.7032	0.831
Total Ground mounted	1.625	1.625	1.625	1.625	1.625	1.625
<b>Generator Performance</b>						
Generator Availability (%)	79	88	88	94	94	94
Generator Maintenance Compliance (%)			96	97	98	97
Specific Fuel Consumption (kWh/L)	4.21	4.06	3.94	4.17	4.04	4.02
Specific Lube oil Consumption (kWh/L)	842	1041	1053	709	1004	976
Power Station Auxiliary (% of total energy produced)	1.15	1.20	1.34	1.28	1.34	1.27
<b>Fuel Reports</b>						
Lube oil (MG412) Usage (Litres)	1840	956	1520	2320	1020	1100
Lube Oil (15W40) Usage (Litres)	2257	2022	1361	2319	2075	2315
Diesel Fuel (Litres)	819,835	761,619	770,738	788,931	769,445	829,332
Diesel Price per month (\$)	1.02	1.02	0.98	0.98	0.98	0.98
Cost of Diesel Fuel per month (\$)	913,602	573,296	784,004	825,530	744,160	740,620
<b>Reliability of Supply</b>						
SAIDI (Planned)	2.23	2.03	75	29	8	73
SAIDI (Unplanned)	110	138	31	39	214	56
SAIFI (Planned)	0.07	0.07	0.57	0.10	0.23	1.09
SAIFI (Unplanned)	1.54	1.76	0.35	0.52	5.19	1.09
SAIDI (Total Customer Minutes)	113	140	106	68	222	129
SAIFI (Total Customer Outages)	1.62	1.83	0.91	0.62	5.42	3.08
<b>Energy Losses (Technical &amp; Non-Technical) (%)</b>	21	15	16	20	21	22

Key Performance Indicators	Jan	Feb	Mar	Apr	May	June
<b>Generation Capacity</b>						
Total Installed Capacity (MW)	19.7	19.7	19.7	19.7	19.7	19.7
High Speed Installed Capacity (MW)	6.0	6.0	6.0	6.0	6.0	6.0
Medium Speed Installed Capacity (MW)	13.7	13.7	13.7	13.7	13.7	13.7
Total Available Diesel Capacity (MW)	15.75	15.75	15.75	15.75	15.75	15.75
High Speed continuous rated (MW)	4.0	4.0	4.0	4.0	4.0	4.0
Medium Speed continuous rated (MW)	11.75	11.75	11.75	11.75	11.75	11.75
Black-start continuous rated (MW)	0.8	0.8	0.8	0.8	0.8	0.8
<b>Renewable Energy Capacity</b>						
Total Solar PV installed (MW)	2.4	2.4	2.4	2.4	2.4	2.4
Total Roof-Top Solar (MW)	0.831	0.831	0.831	0.831	0.831	0.831
Total Ground mounted (MW)	1.625	1.625	1.625	1.625	1.625	1.625
<b>Generator Performance</b>						
Generator Availability (%)	88	88	88	84	86	72
Generator Maintenance Compliance (%)	97	96	96	94	94	96
Specific Fuel Consumption (kWh/L)	4.0	4.17	4.01	4.05	3.97	3.89
Specific Lube oil Consumption (kWh/L)	901	895	1057	1139	1133	1318
Power Station Auxiliary (% of total energy produced)	1.33	1.33	1.24	1.37	1.30	1.45
<b>Fuel Reports</b>						
Lube oil (MG412) Usage (Litres)	1211	999	1130	1470	1690	2040
Lube Oil (15W40) Usage (Litres)	2278	2298	2021	1253	1488	509
Diesel Fuel (Litres)	819,835	761,619	770,738	788,931	769,445	829,332
Diesel Price per month (\$)	0.9066	0.9066	0.9254	0.9254	0.9714	0.9655
Diesel Cost per month (\$)	734,346	679,950	749,134	647,780	874,260	845,614
<b>Reliability of Supply</b>						
SAIDI (Planned)	103	21	60	47	10	2
SAIDI (Unplanned)	198	29	60	42	74	72
SAIFI (Planned)	2.23	0.51	0.36	0.20	0.12	0.09
SAIFI (Unplanned)	4.31	0.60	1.48	1.07	1.47	1.38
SAIDI (Total Customer Minutes)	302	49	121	89	84	74
SAIFI (Total Customer Outages)	6.5	1.11	1.84	1.28	1.59	1.47
<b>Energy Losses (Technical &amp; Non-Technical) (%)</b>	19	19	19	12	13	23

SAIDI and SAIFI for the 2020-21 year were within the benchmark target reflecting improvements in reliability of supply due to NUC's prudent maintenance, operations and compliance methodology.

Year	2019 Actual	2020 Actual	2021 Target	2021 Actual	2022 Target
SAIDI (Planned and Unplanned)	2235	2410	<2000	1497	<2000
SAIFI (Planned and Unplanned)	34	30	<30	27	<30

Energy losses for the year was 18% which was above NUC target of 12% for 2020-21. A number of factors contributed to this result such as increase in electricity theft, data errors, unaccounted non-revenue and public lighting services.

## Energy Sales (kWh)

Energy sales in kWh is outlined in the following table.

Energy Sales		July	August	September	October	November	December	January	February	March	April	May	June	2021
	Days	31	31	30	31	30	31	31	28	31	30	31	30	
Domestic prepaid lifeline	kWh	511,828	510,794	517,512	523,620	524,356	535,245	530,702	527,469	542,563	540,820	550,346	511,828	6,327,083
Domestic prepaid regular	kWh	806,682	757,225	726,853	771,479	727,023	857,455	798,932	672,308	835,739	811,701	857,758	806,682	9,429,837
<b>Total Domestic Prepaid</b>	<b>kWh</b>	<b>1,318,510</b>	<b>1,268,019</b>	<b>1,244,365</b>	<b>1,295,099</b>	<b>1,251,379</b>	<b>1,392,700</b>	<b>1,329,634</b>	<b>1,199,777</b>	<b>1,378,302</b>	<b>1,352,521</b>	<b>1,408,104</b>	<b>1,318,510</b>	<b>15,756,920</b>
Domestic - Postpaid	kWh	230,745	224,044	186,826	175,679	172,698	214,297	129,232	163,941	157,452	176,238	189,559	230,745	2,251,456
Commercial - Prepaid	kWh	320,049	344,345	307,154	318,239	273,809	361,573	313,219	257,677	350,164	328,827	323,161	320,049	3,818,266
Commercial - Postpaid	kWh	349,737	335,229	331,562	353,322	377,343	414,048	482,913	397,636	355,857	451,698	504,364	349,737	4,703,446
Government - Prepaid	kWh	53,600	50,342	41,589	75,860	36,232	31,732	33,946	38,903	65,049	35,032	33,475	53,600	549,360
Government - Postpaid	kWh	379,227	346,677	255,454	356,632	328,639	261,548	325,097	394,588	368,409	351,245	666,709	376,227	4,410,452
Industrial - Prepaid	kWh	9,600	16,572	21,586	19,143	17,715	18,857	17,000	16,286	23,715	17,000	13,429	9,600	200,503
Industrial - Postpaid	kWh	59,168	59,168	176,016	179,166	107,809	23,387	34,352	160,034	187,493	130,513	124,171	59,168	1,300,445
<b>Total Domestic</b>	<b>kWh</b>	<b>1,549,255</b>	<b>1,492,063</b>	<b>1,431,191</b>	<b>1,470,778</b>	<b>1,424,077</b>	<b>1,606,997</b>	<b>1,458,866</b>	<b>1,363,718</b>	<b>1,535,754</b>	<b>1,528,759</b>	<b>1,597,663</b>	<b>1,549,255</b>	<b>18,008,376</b>
<b>Total Commercial</b>	<b>kWh</b>	<b>669,786</b>	<b>679,574</b>	<b>638,716</b>	<b>671,561</b>	<b>651,152</b>	<b>775,621</b>	<b>796,132</b>	<b>655,313</b>	<b>706,021</b>	<b>780,525</b>	<b>827,525</b>	<b>669,786</b>	<b>8,521,712</b>
<b>Total Government</b>	<b>kWh</b>	<b>432,827</b>	<b>397,019</b>	<b>297,043</b>	<b>432,492</b>	<b>364,871</b>	<b>293,280</b>	<b>359,043</b>	<b>433,491</b>	<b>433,458</b>	<b>386,277</b>	<b>666,709</b>	<b>376,227</b>	<b>4,872,737</b>
<b>Total Industrial</b>	<b>kWh</b>	<b>68,768</b>	<b>75,740</b>	<b>197,602</b>	<b>198,309</b>	<b>125,524</b>	<b>42,244</b>	<b>51,352</b>	<b>176,320</b>	<b>211,208</b>	<b>147,513</b>	<b>137,600</b>	<b>68,768</b>	<b>1,500,948</b>
<b>Total Energy Sales kWh</b>		<b>2,720,636</b>	<b>2,644,396</b>	<b>2,564,552</b>	<b>2,773,140</b>	<b>2,565,624</b>	<b>2,718,142</b>	<b>2,665,393</b>	<b>2,628,842</b>	<b>2,886,441</b>	<b>2,843,074</b>	<b>3,229,497</b>	<b>2,664,036</b>	<b>32,903,773</b>

The average monthly energy distributed to customers was 2,741,981 kWh for the financial year.

Energy demand per month varied by 8% with the total energy consumption for the period of 32,903,773 kWh.

Overall demand for electricity remained steady over the 12-month period.

Non-revenue electricity accounted for 2.2% of total energy generated in the 12-month period. This included free issue electricity top-up, supply to NUC premises and sites including un-metered public lighting around the island. This excludes technical and non-technical losses such as network losses, electricity theft and meter bypass.

The total energy generated using diesel was 38,758,360 kWh for the year. The total losses which included both technical and non-technical losses equated to 18% of total energy generated for the period to 30 June 2021.

## Renewable Energy Generation

The total renewable energy generated from renewable sources (primarily solar PV installed systems for the year is set out in the table following.

Month	July	August	September	October	November	December	January	February	March	April	May	June	Total
Total Grid Connected Solar Energy Generated (kWh)	278,861	296,469	293,441	280,239	237,344	203,076	252,754	208,611	280,109	226,121	238,884	254,518	<b>3,050,427</b>
Total Gov. Solar Energy Generated (kWh)	21,766	19,949	23,003	22,419	20,875	17,795	20,362	18,643	20,904	20,595	16,948	17,494	<b>240,753</b>
Total Private Sector Energy Generated (kWh)	53,302	54,036	59,930	47,958	43,456	35,111	35,761	50,206	46,690	42,327	47,060	44,994	<b>560,831</b>
Total Private Sector Energy Export Grid	12,944	17,360	18,760	13,645	14,702	9,867	15,154	12,981	14,893	13,876	12,369	12,759	<b>169,310</b>

The total energy generated and exported to the grid from NUC's ground mounted solar plant was 2,849,462 kWh for the year. The total solar energy generated and exported to the grid as a percentage of total energy sales for the period was approximately 9.0%.

This equated to potential fuel offset of 971,842 litres of diesel fuel, at an estimate saving of \$934,814.

The total energy generated from solar PV for the year was 3,050,427 kWh of which 1,193,873 kWh was produced from customer rooftop installations. Grid connected customers exported a total of 473,512 kWh to the grid with energy consumed at the premises equating to 648,196 kWh.

## Energy Efficiency and Demand Side Management

NUC administers an energy efficiency rebate scheme funded by the IUCN which supports customers who wish to purchase energy efficient washing machines, refrigerators and freezers by providing a 30% rebate on the purchase price of the item if it meets the energy efficient set for that particular appliance.

A total of 85 LCF rebate customer applications were received during the period 1 July 2020 to 30 June 2021.

Of these 69 applications were processed and approved for rebate, and 16 were declined for non-compliance. For this financial year period a total of \$26,626.79 was paid to customers.

The initial LCF grant was \$176,035.52 of which \$26,626.79 has been paid out to date leaving a balance of \$149,409.03.



Total number of electricity customers at 30 June 2021:

TOTAL NUMBER OF CUSTOMERS					
	Domestic	Commercial	Industrial	Government	Total
Post-paid	35	51	5	50	141
Prepaid	3263	373	21	6	3663
Fixed rate	0	0	5	0	5
Removals	0	0	0	0	0
<b>Total</b>	<b>3298</b>	<b>424</b>	<b>31</b>	<b>56</b>	<b>3809</b>

There was a total of 271 new customer connections for the year comprising primarily of domestic customers. This equates to an average of 24 new customer connections per month over the 12-month period.

#### Public Lighting

A total of 296 LED streetlights are installed along the Island ring road. The total power usage for the 296 installed in circuit is approximately 26.09 kW.

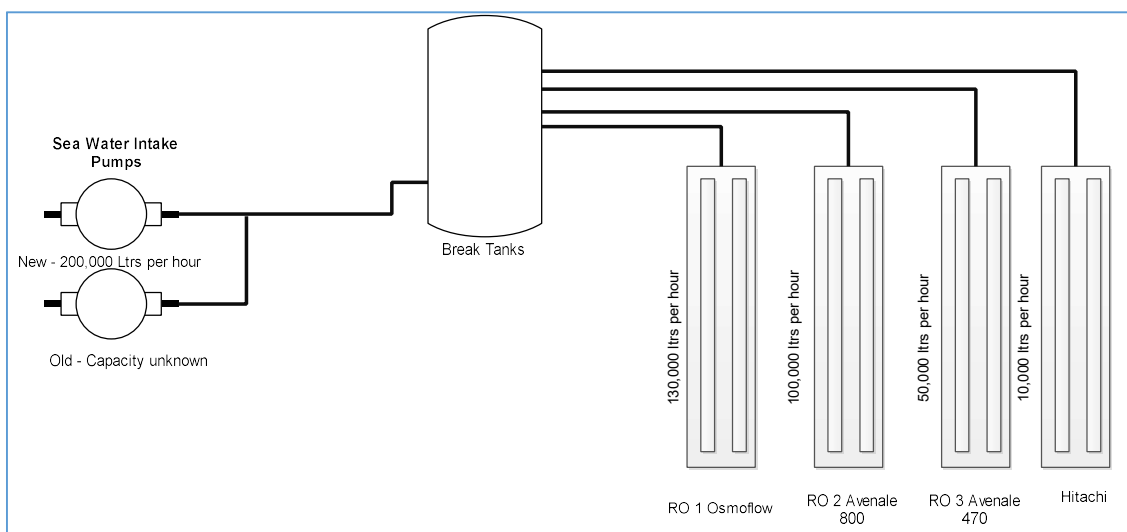
Streetlight Type	Total Installed	No in circuit	Faulty	Lamp ratings	Power (KW)
LED Units	269	261	8	(46*70)(60*120)(74*83)(81*96)	24.34
Bulkhead Units	37	0	37	400W	0.00
Stand-alone Units	66	35	31	50W	1.75
<b>Totals</b>	<b>372</b>	<b>296</b>	<b>76</b>		<b>26.09</b>

## Water Production and Storage

### Reverse Osmosis (RO) Sea Water Piping and Pump Capacities

The four RO plants are fed via sea water intake pumps. A new pump rated at 200 kL per hour has been installed. The current configuration comprises two by 200 kL per hour pumps in parallel as depicted in the following figure. The total intake demand for the RO's is 290 kL per hour.

This installation has been constructed as a temporary arrangement, while the Ports Development Project is being developed. There are plans to re-instate a new sea in-take system as part of the Ports Project. This was to be completed by 2020 however due to delays in the Ports development it's planned completion is due end of 2021.



NUC's current maximum desalination treatment capacity is approximately 2350 kL/day or 2.35 megalitres per day. The current capacities of operational RO's are illustrated in the following table.

Plant No.	Plant Manufacturer	Capacity (kL/day)	Status
1	Osmoflo 900	900	Operational
2	Avenale 800	800	Operational
3	Avenale 480	480	Operational
4	Hitachi	120	Operational
5	Meneng Old	50	Operational
6	Meneng Avenale 480	480	Installation in progress

The Meneng Avenale 480 plant, is being progressed, however is subject to a number of constraints which currently delay the completion of the project in 2021. NUC is working through the issues to finalise the project.

The current Meneng (Old) 50 kL/day plant although operational at reduced capacity, will be unable to meet the increasing demand for Meneng Hotel, which is currently around 250kL/month.

The following tables set out NUC water production and delivery key results for the financial year to 30 June 2021.

Key Performance Indicator	July	August	September	October	November	December
<b>Water Production Unit</b>						
Osmoflow 900 production (Litres)	5,807,400	7,828,300	13,659,400	15,486,100	8,179,800	5,428,300
Avanale 800 production (Litres)	25,421,700	14,620,600	12,866,000	10,952,000	14,567,200	19,584,800
Avanale 480 production (Litres)	0	0	0	0	0	70,200
Hitachi 110 production (Litres)	1,808,000	985,000	145,000	0	0	0
Veolia 45 production (Meneng) (Litres)	1,370,000	1,236,000	1,277,000	1,237,000	1,113,000	1,723,000
Total Water Production (Litres)	34,407,100	21,669,900	26,368,000	27,675,000	23,860,000	26,806,300
Electricity Usage for Water Production (kWh)	135,583	118,365	131,983	128,425	125,595	126,704
Reverse Osmosis Units Availability (%)	87	88	88	88	88	89
<b>Water Delivery Unit</b>						
Water Delivery Ratio (%)	89	91	89	86	89	74
Water Tank Availability (%)	86	82	79	85	77	76
Hired Tanker delivery Ratio (%)	20	19	19	15	26	13
Total Water Deliveries (Litres)	24,367,000	20,418,000	22,369,500	23,667,000	22,010,000	20,613,000
RPC Demand (Litres) (% of total delivered)	7,714,000 (32%)	8,027,000 (39%)	6,838,500 (31%)	5,879,000 (25%)	5,258,000 (24%)	5,409,000 (26%)
NUC Demand (Litres) (% of total delivered)	16,653,000 (68%)	12,391,000 (61%)	15,531,000 (69%)	17,788,000 (75%)	16,752,000 (76%)	15,204,000 (74%)
Total Water Sales (\$)	171,587	127,871	132,092	173,481	188,533	179,838
Daily Consumption (per Capita) (Litres)	72	61	66	70	65	61
Water Losses (% of production)	21	14	14	14	11	20

Key Performance Indicator	Jan	Feb	Mar	Apr	May	June
<b>Water Production Unit</b>						
Osmoflow 900 production (Litres)	5,428,300	901,800	3,251,800	1,572,900	1,568,100	1,707,100
Avanale 800 production (Litres)	19,584,800	5,110,800	7,132,300	6,449,350	6,481,750	12,159,400
Avanale 480 production (Litres)	70,200	10,703,900	11,015,100	8,950,140	7,313,030	8,803,930
Hitachi 110 production (Litres)	0	0	0	0	0	0
Veolia 45 production (Meneng) (Litres)	1,723,000	1,366,000	1,370,000	1,259,000	869,000	1,363,000
Total Water Production (Litres)	26,806,300	18,082,500	22,768,200	18,231,390	16,231,880	22,670,430
Electricity Usage for Water Production (kWh)	127,704	109,899	106,643	96,647	104,889	127,516
Reverse Osmosis Units Availability (%)	89	81	82	84	77	80
<b>Water Delivery Unit</b>						
Water Delivery Ratio (%)	74	83	79	81	89	74
Water Tank Availability (%)	76	78	83	76	79	70
Hired Tanker delivery Ratio (%)	13	21	23	28	18	15
Total Water Deliveries (Litres)	20,613,000	16,854,000	21,850,500	16,490,500	15,754,500	21,185,000
RPC Demand (Litres) (% of total delivered)	5,409,000 (26%)	5,531,000 (33%)	5,932,500 (27%)	6,119,500 (37%)	7,021,500 (45%)	8,741,000 (41%)
NUC Demand (Litres) (% of total delivered)	15,204,000 (74%)	11,322,000 (67%)	15,918,000 (73%)	10,371,000 (63%)	8,733,000 (55%)	12,444,000 (59%)
Total Water Sales (\$)	179,831	163,641	249,274	154,770	154,877	211,173
Daily Consumption (per Capita) (Litres)	65	50	65	49	47	63
Water Losses (% of production)	15	13	12	13	8	11

## Water Tanks Storage Capacity

The current tank capacities available to NUC are set out below.

Tank (ID)	Capacity (kL)	Operational Status
<b>C1</b>	275	Operational
<b>C2</b>	275	Operational
<b>C3</b>	275	Operational
<b>C4</b>	275	Operational
<b>C5</b>	275	Operational
<b>C6</b>	275	Operational
<b>B13</b>	4,000	Operational
<b>B10</b>	3,000	Installation to be progressed
<b>C7</b>	275	Need to assess condition and viable options for refurbishment
<b>C8</b>	275	Need to assess condition and viable options for refurbishment
<b>C9</b>	275	Need to assess condition and viable options for refurbishment
<b>C10</b>	275	Need to assess condition and viable options for refurbishment
<b>C11</b>	275	Need to assess condition and viable options for refurbishment
<b>C12</b>	275	Need to assess condition and viable options for refurbishment

## Water Distribution and Delivery

NUC's current trucking capacity is detailed in the following table.

Vehicle	Capacity (Litres)	Status
Truck 1	4,000	Operating
Truck 2	5,000	Operating
Truck 3	8,000	Operating
Truck 4	8,000	Operating
Truck 5	10,000	Operating
Truck 6	10,000	Operating
<b>Hire Vehicles</b>		
Truck 1	8,000	Operating
Truck 2	7,500	Operating
Truck 3	7,500	Operating
Truck 4	4,500	Operating
Truck 5	5,000	Standby availability for peak demand periods
Truck 6	8,000	Standby availability for peak demand periods

## Achievements against Key Program of Work

The following summarises the key project deliverables for the financial year ending 30 June 2021.

### Power Generation

Power generation work that was completed this period included the decommissioning of the Ruston G8 and the top overhaul and relocation to replace the G8 Ruston inside the power station with G7B Cummins engine.

G5 Cummins top overhaul and MAN Engines Oil purifiers 10000hrs overhauls was accomplished during this FY period.

The civil upgrade of the power station floor and battery room ventilation was also completed this period.

Several major projects in power generations have been delayed due to COVID-19 travel restrictions.

These projects included our plans to upgrade the SCADA system to reflect all current network augmentations.

The work on major overhaul of G1 – 2.5 MW, G6-2.0 MW Ruston and the electrical installation and commissioning of the G4 – 3.0 MW Ruston was further progressed in the second half of 2020-21 period

### Distribution

A number of key projects remain ongoing and will be progressed in the second half. These include:

- Re-routing RMS and HV/LV mains at Antina
- Buada HV security of supply
- HV grid extension to connect and commissioned RPC 1- 0.8MW demand

The following works are yet to commence, due to reprioritisation of our work program. These include:

- Fresh Centre RMU – RMS back feed alterations
- Boe – Poe/D4/D5 Compact Transformer Upgrade

Several low voltage feeder upgrades have been identified for augmentation to improve voltage supply quality and reliability in a number of areas that will need to be prioritised in the next period.

### Water Operations

Three key projects have been delayed due to COVID-19 travel restrictions. These include:

- 3ML and 300 kL Water Storage and Treatment Tank to be installed at the B13 site
- 300kL treatment tank – Meneng Water Production Site. However, the Meneng Water Production Site has not commenced with the installation of an alternative 480kL reverse osmosis unit to improve water security for Nauru.
- Construction and commissioning of new seawater intake system at Aiwo Water Operations site.

## *Contracts and Procurement*

An update of NUC's current tenders and contracts for the period 1 July to 31 December 2020 is set out below.

<b>PROJECT/CONTRACT</b>	<b>CONTRACT SUM</b>	<b>WORKS STATUS</b>
<b>Water Office Building (Ames Construction) – Donor Funded</b>	\$285,987.00	Construction of main building underway and in progress.
<b>Lavatory Project (Spectrum Construction)</b>	\$37,225.95	Construction delayed.
<b>Training Room, Finance (Spectrum Construction)</b>	\$89,210.65	Design completed. Construction not commenced.
<b>Parking Lot (Jadhav Construction)</b>	\$23,853.50	Contract terminated due to non-performance by Contractor.
<b>Generation office (Rephidim Construction)</b>	\$52,645.00	Progressing design and layout. Pending construction.
<b>Warehouse refurbishment &amp; Office building (Aidon Construction)</b>	\$32,059.60	Refurbishment work progressing. Nearing completion.
<b>Security Services Contract</b>	\$663,561.60	Awarded to Kelly Chance Security Guard Services

## Appendix 1: Current Electricity and Water Charges 2020-21

Electricity & Water Fees and Charges			
	Note	Tariff/ Rate	Unit
<b>Electricity</b>			
Residential Lifeline	A	\$ 0.22	kWh
Residential Prepaid	A	\$ 0.47	kWh
Residential Postpaid	A	\$ 0.48	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
<b>Water</b>			
Residential		\$ 0.0084	Litre
Commercial/ Industrial		\$ 0.0118	Litre
Government		\$ 0.01553	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		\$ 165.00	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
<b>Corporate</b>			
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 200kWh per month at the residential life line tariff. Usage in excess of 200kWh during the month is charged at 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 Statements & Explanatory Statements**



**Nauru Utilities Corporation**  
**Financial Statements**  
**For the year ended 30 June 2021**

# **Nauru Utilities Corporation**

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# **Nauru Utilities Corporation**

## **Directors' report**

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 2021, the related statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and report as follows:

The Director's of Nauru Utilities Corporation ("the Corporation") present their report together with the financial statements for the year ended 30 June 2021 and the auditors' report thereon.

### **Cabinet**

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

### **Directors**

The Directors of the Corporation during the year and at the date of this report are:

Abraham Aremwa (Chairman)

Tim Aingimea (Deputy Chairman) - deceased on 21/7/21

Ivy Cook

John Tagamoun

Leonard Scotty

### **State of affairs**

In the opinion of the Directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the Corporation as at 30 June 2021 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Corporation for the year then ended.

### **Results**

The profit after income tax expense of \$595,269 (2020: \$28,857) amounted to \$1,704,463 (2020: profit of \$35,322).

### **Principal activity**

The principal activity of the Corporation during the year was generation, distribution and sale of electricity and water in Nauru. There were no significant changes in the nature of these activities during the financial year.

### **Current assets**

The directors took reasonable steps before the Corporation's financial statements were made out to ascertain that action had been taken in relation to writing off of all known bad debts and allowance made for impairment losses.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

# **Nauru Utilities Corporation**

## **Directors' report (continued)**

### **Non current assets**

The Directors took reasonable steps before the Corporation's financial statements were made out to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Corporation. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise. The Directors also took reasonable steps to assess useful life of items of property, plant and equipment to reflect the current use of assets as shown in the accounting records of the Corporation.

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.

### **Receivables**

The Directors took reasonable steps before the Corporation's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

### **Related party transactions**

All related party transactions have been adequately recorded and disclosed in the financial statements.

### **Other circumstances**

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.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements to be misleading.

### **Unusual circumstances**

The results of the Corporation's operations during the financial year have not, in the opinion of the Directors, been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

## **Nauru Utilities Corporation**

### **Directors' report (continued)**

#### **Going concern**

The financial statements of the Corporation have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

#### **Subsequent events**


On 17 June 2022, the Government of Nauru announced level 3 restrictions as a result of COVID-19 breach into the community of Nauru. Subsequently, inter-island passenger travelling was also put to a halt. The new COVID-19 cases and the recent lockdowns have brought uncertainties on the timing of the opening of the international borders and travel bubble between Nauru and other countries. As such, the Corporation is actively monitoring the extent of the impact to its operations, financial accounting and reporting.

The Corporation has considered whether events subsequent to the reporting date have confirmed conditions existing as at balance date and has not identified any COVID-19 related developments which would require adjustments to the amounts or disclosures contained in the financial statements. Future economic conditions may differ to the assumptions and scenarios used in the financial statements, the impact of which will be reflected in the future accounting periods.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in subsequent years.

Dated this 11th day of August 2022.

For and on behalf of the Board and in accordance with a resolution of the Directors.

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Director**

## **Nauru Utilities Corporation**


### **Statement by Directors**

In the opinion of the Directors of Nauru Utilities Corporation:

- (a) the accompanying statement of profit or loss and other 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 2021;
- (b) the accompanying statement of changes in equity of the Corporation is drawn up so as to give a true and fair view of changes in equity of the Corporation for the year ended 30 June 2021;
- (c) 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 2021;
- (d) 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 2021;
- (e) 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
- (f) all related party transactions have been adequately recorded in the books of the Corporation.

Dated at Aiwo District, Nauru this 11th day of August 2022.

For and on behalf of the Board and in accordance with a resolution of the Directors.

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Director**



## Independent Auditors' Report

To the Shareholders of Nauru Utilities Corporation

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Nauru Utilities Corporation (“the Corporation”), which comprise the statement of financial position as of 30 June 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 25.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Qualified Opinion

##### 1. Inventory and related accounts

We were appointed as the auditors of the Corporation on 27 October 2020 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 2020. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of cost of sales and the profit for the year reported in the statement of profit or loss and other comprehensive income, and the net cash flows from operating activities reported in the statement of cash flows.

##### 2. Accuracy and valuation of trade and other receivables

As at 30 June 2021, net trade and other receivables disclosed in Note 13 of the financial statements is \$2,188,342. The account balance includes receipts of \$550,894 (2020: \$892,317) which the Corporation was unable to substantiate to which outstanding debtor invoices it relates. As of the date of our report, management was still in the process of identifying and rectifying these debtor remittances. We were thus unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the accuracy of the trade and other receivables balance.

Additionally, we were also unable to confirm or verify the recoverability of trade and other receivables as at 30 June 2021 as a result of the above. This is because the Corporation applies a provision matrix to measure the allowance for doubtful debts on trade and other receivables. The losses under this approach are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency till the debt is wrote-off as bad debt. Since, the trade and other balance includes receipts of \$550,894 (2020: \$892,317) which the Corporation was unable to substantiate to which outstanding debtor invoices it relates, this thus renders the roll rates determined and applied by the Corporation to estimate the allowance for doubtful debts on trade and other receivables balance as inappropriate. As of the date of our report, management was still in the process of identifying and rectifying these debtor remittances. Accordingly, we were not able to determine whether any adjustments might be necessary in respect to the valuation of trade and other receivables, expected credit losses and net profit.



## Independent Auditors' Report

To the Shareholders of Nauru Utilities Corporation

### Report on the Audit of the Financial Statements (continued)

#### Basis for Qualified Opinion (continued)

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

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to matters described in the Basis of Qualified Opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and Nauru Utilities Corporation Act 2011, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.





## Independent Auditors' Report

To the Shareholders of Nauru Utilities Corporation

### Report on the Audit of the Financial Statements (continued)

#### Auditors' 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 auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 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 a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.



## Independent Auditors' Report

To the Shareholders of Nauru Utilities Corporation

### Report on the Audit of the Financial Statements (continued)

#### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 those charged with governance 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.

*KPMG.*

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**KPMG**

**Chartered Accountants**

**Nadi, Fiji**

**11 August, 2022**

**Nauru Utilities Corporation**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
Electricity income	5	20,287,730	17,436,390
Water income	6	2,713,890	1,807,070
Release of deferred income	20	874,988	782,667
Other operating revenue	7	5,680	102,164
Other income	24(e)	114,600	282,065
		<u>23,996,888</u>	<u>20,410,356</u>
Cost of sales		9,647,176	10,909,718
Finance cost	8	1,099,740	1,126,396
Depreciation expense	16, 17(a)(ii)	3,243,681	3,115,429
Doubtful debts reversal	13	-	(982,017)
Employee benefits expense	9	3,491,290	3,120,654
Administration and operating expenses	10	4,100,669	2,775,627
Other expense	24(e)	114,600	280,370
		<u>21,697,156</u>	<u>20,346,177</u>
<b>Profit before income tax</b>		<u>2,299,732</u>	<u>64,179</u>
Income tax expense	11(a)	595,269	28,857
<b>Net profit for the year</b>		1,704,463	35,322
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive profit for the year</b>		<u><u>1,704,463</u></u>	<u><u>35,322</u></u>

The notes on pages 14 to 39 are an integral part of these financial statements.

**Nauru Utilities Corporation**  
**Statement of changes in equity**  
**For the year ended 30 June 2021**

	<b>Capital contribution</b>	<b>Retained earnings</b>	<b>Total equity</b>
	\$	\$	\$
Restated balance at 1 July 2019	3,541,138	12,228,066	15,769,204
<b>Total comprehensive income for the year</b>			
Profit for the year	-	35,322	35,322
Additional equity contributed during the year	5,400,000	-	5,400,000
<b>Total comprehensive income</b>	5,400,000	35,322	5,435,322
<b>Balance at 30 June 2020</b>	<u>8,941,138</u>	<u>12,263,388</u>	<u>21,204,526</u>
<b>Balance at 1 July 2020</b>	8,941,138	12,263,388	21,204,526
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,704,463	1,704,463
Other comprehensive income, net of income tax	-	-	-
Additional equity contributed during the year	-	-	-
<b>Total comprehensive income</b>	-	1,704,463	1,704,463
<b>Balance at 30 June 2021</b>	<u>8,941,138</u>	<u>13,967,851</u>	<u>22,908,989</u>

The notes on pages 14 to 39 are an integral part of these financial statements.

**Nauru Utilities Corporation**  
**Statement of financial position**  
**As at 30 June 2021**

Assets	Note	2021 \$	2020 \$
<b>Current assets</b>			
Cash and cash equivalents	12	3,312,607	4,043,100
Income tax receivable	11(c)	80,458	80,458
Trade and other receivables	13	2,188,342	146,684
Inventories	14	465,236	960,169
Other assets	15	406,594	400,843
<b>Total current assets</b>		<u>6,453,237</u>	<u>5,337,886</u>
<b>Non-current assets</b>			
Property, plant and equipment	16	39,871,398	39,280,057
Right of use asset	17	12,959,640	13,607,401
Deferred tax asset	11(b)	1,089,942	1,685,211
<b>Total non-current assets</b>		<u>53,920,980</u>	<u>54,572,669</u>
<b>Total Assets</b>		<b>60,374,217</b>	<b>59,910,555</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Contract liability		108,021	97,599
Trade and other payables	18	1,567,023	1,681,889
Employee entitlements	19	268,576	268,576
Deferred income	20	874,988	782,667
Lease liability	17(a)(ii)	382,934	410,180
<b>Total current liabilities</b>		<u>3,201,542</u>	<u>3,240,911</u>
<b>Non-Current liabilities</b>			
Employee entitlements	19	104,803	104,803
Deferred income	20	20,812,523	21,779,832
Lease liability	17(a)(ii)	13,346,360	13,580,483
<b>Total non-current liabilities</b>		<u>34,263,686</u>	<u>35,465,118</u>
<b>Total liabilities</b>		<b>37,465,228</b>	<b>38,706,029</b>
<b>Net assets</b>		<u><u>22,908,989</u></u>	<u><u>21,204,526</u></u>

**Nauru Utilities Corporation**  
**Statement of financial position (continued)**  
**As at 30 June 2021**

	Note	2021 \$	2020 \$
<b>Equity</b>			
Contributed capital	21	8,941,138	8,941,138
Retained earnings		<u>13,967,851</u>	<u>12,263,388</u>
<b>Total equity</b>		<u><u>22,908,989</u></u>	<u><u>21,204,526</u></u>

Signed on behalf of the Board of Directors.

  
 \_\_\_\_\_  
**Director**

  
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**Director**

The notes on pages 14 to 39 are an integral part of these financial statements.

**Nauru Utilities Corporation**  
**Statement of cash flows**  
**For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		20,686,514	20,857,853
Cash payments to suppliers and employees		(16,660,459)	(17,662,536)
Income tax paid during the year	11(c)	-	(346,747)
<b>Net cash from operating activities</b>		<u>4,026,055</u>	<u>2,848,570</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	16	<u>(3,238,898)</u>	<u>(2,802,325)</u>
<b>Net cash used in investing activities</b>		<u>(3,238,898)</u>	<u>(2,802,325)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liability	17(a)(ii)	(1,517,650)	(1,516,000)
Proceeds of capital contribution		-	5,400,000
Net cash (used in) / from financing activities		<u>(1,517,650)</u>	<u>3,884,000</u>
Net (decrease) / increase in cash and cash equivalents		(730,493)	3,930,245
Cash and cash equivalents at 1 July		<u>4,043,100</u>	<u>112,855</u>
<b>Cash and cash equivalents at 30 June</b>		<u><u>3,312,607</u></u>	<u><u>4,043,100</u></u>

The notes on pages 14 to 39 are an integral part of these financial statements.

# **Nauru Utilities Corporation**

## **Notes to the financial statements**

### **For the year ended 30 June 2021**

#### **1. Reporting entity**

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.

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.

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

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

The financial statements were approved by the Board of the Directors on 11 August ,2022.

##### **(b) Basis of measurement**

The financial statements have been prepared on a historical cost basis and on the assumption of going concern.

##### **(c) Functional and presentation currency**

The financial statements are presented in Australian Dollars (\$) rounded to the nearest Dollar, which is the Corporation's functional currency.

##### **(d) Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There were no critical judgements made in the application of accounting policies.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 3(a): Provision for stock obsolescence
- Note 3(e): Impairment of financial assets
- Note 3(f) - Useful life of property, plant and equipment
- Note 3(g): Assessment of Lease term
- Note 3(h): probability of employment rate and discount rate



**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**2. Basis of preparation (continued)**

**(e) New standards and interpretations not adopted**

A number of new standards and amendments to standards are available for early adoption for annual periods beginning in 1 July 2021 and earlier application is permitted, however, the Corporation has not adopted the following new or amended standards in preparing these financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Interest rate benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID 19- Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

**3. Significant accounting policies**

The accounting policies set out below have been consistently applied by the Corporation to all periods presented in these financial statements.

**(a) Inventories**

Inventories are measured at lower of cost or net realisable 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. Costs incurred in bringing inventory into its intended location and condition are included. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their present condition and location.

**(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.

# **Nauru Utilities Corporation**

## **Notes to the financial statements**

### **For the year ended 30 June 2021**

#### **3. Significant accounting policies (continued)**

##### **(d) Financial instruments**

###### **(i) Recognition and measurement**

Trade receivables and debt securities issued 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 Fair Value through Profit and Loss (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

On initial recognition, a financial asset is classified as measured at amortised cost, Fair Value through Other Comprehensive Income (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 model.

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

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.

# Nauru Utilities Corporation

## Notes to the financial statements

### For the year ended 30 June 2021

#### 3. Significant accounting policies (continued)

##### (d) Financial instruments (continued)

##### (ii) Classification and measurement (continued)

###### Financial assets: Business model assessment (continued)

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
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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 that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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).

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(d) Financial instruments (continued)**

**(ii) Classification and measurement (continued)**

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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

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.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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. The Corporation's financial liabilities include trade and other payables and borrowings.

**(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.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(d) Financial instruments (continued)**

**(iii) Derecognition (continued)**

Financial assets (continued)

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.

**(e) Impairment**

**(i) Non-derivative financial assets**

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 ECLs:

- debt securities 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 or have low credit risk at reporting date.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(e) Impairment (continued)**

**(i) *Non-derivative financial assets (continued)***

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 a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be BBB+ or higher per rating agency Standards & Poor'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 Society is exposed to credit risk.

*Measurement of ECLs*

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 entity in accordance with the contract and the cash flows that the Society expects to receive).

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

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(e) Impairment (continued)**

**(i) *Non-derivative financial assets (continued)***

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.

*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.

**(ii) *Non - financial assets***

The carrying amounts of the Corporation's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(e) Impairment (continued)**

**(ii) Non - financial assets (continued)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU.

Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(f) Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are recognised in profit or loss.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Corporation and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment is recognised in profit or loss as incurred.



**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(f) Property, plant and equipment (continued)**

Depreciation

Items of plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Items of plant and equipment are depreciated from the date they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and is ready for use.

The depreciation rates for the current and comparative year are as follows:

Building on freehold land	2.5%
Pumps and tanks	8 - 17%
Furniture, fittings and office equipment	10 – 33.33%
Motor vehicles	12.5%
Low cost assets	33.0%
Transformers	5.0%
Medium speed diesel generators	3.3%
High Speed Diesel generators	10.0%
Solar Power Plant panel	4.0%
Solar Inverters	10.0%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(g) Leases**

At inception or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**i. As a lessee**

The Corporation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

# **Nauru Utilities Corporation**

## **Notes to the financial statements**

### **For the year ended 30 June 2021**

#### **3. Significant accounting policies (continued)**

##### **(g) Leases (continued)**

###### **i. As a lessee (continued)**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Corporation determines its incremental borrowing rate by obtaining interest rates from its external financing source.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets and lease liabilities separately in the statement of financial position.

###### Short term leases and leases of low-value assets

The Corporation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Corporation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(g) Leases (continued)**

**ii. As a lessor**

When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract.

The Corporation recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating revenue'.

The accounting policies applicable to the Corporation as a lessor in the comparative period were not different from IFRS 16. However, when the Corporation was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

**(h) Employee benefits**

Provision is made for benefits accruing to employees when it is probable that settlement will be required and they are capable of being measured reliably.

*Short-term benefits*

Short-term benefits comprises of accrued salaries and wages, bonus, annual leave, and entitlement to Nauru Super are expenses as the related service is provided.

*Long-term benefits*

Long service leave is a long-term benefit provided by the Corporation to its employees.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(i) 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. When the Corporation expects some or all of 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 expense relating to a provision is presented in the statement of 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(j) Revenue from contracts with customers**

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.

Generation, distribution and Sale of electricity

There is an implied contract between a customer and the Corporation for the purchase, delivery, and sale of electricity. This represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The customer obtains control of the good (electricity) when delivered and consumed by them over time.

Invoices are issued monthly and are usually payable within 30 days thus there is no significant financing component.

Treatment and sale of water

The Corporation recognises revenue when it transfers control over a product to a customer.

Customers obtain control of water when the goods are delivered to them. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided and the prices are fixed. Revenue is recognised when water is delivered to the customer.

Donor funding

Donor funding consists income received from the Government of the Republic of Nauru and grants received from international agencies and foreign government donors.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**3. Significant accounting policies (continued)**

**(k) 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 profit or loss.

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.

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.

**4. 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.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**4. Financial risk management (continued)**

**(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.

Currency risk

The Corporation is exposed to currency risk to the extent that there is mismatch between the currencies in which purchases are denominated and the respective functional currencies. The Corporation does not have significant exposure to currency 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 through Nauru Government Cabinet approval.

**(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 cash at bank, receivables from customers, amounts receivables from related parties and other assets. The carrying amounts of financial assets represents the maximum credit exposure:

	Note	2021 \$	2020 \$
Cash at bank	12	3,311,668	4,040,100
Trade receivables (including receivables from related parties)	13	3,970,263	1,639,055
Other assets (excluding prepayments)	15	375,295	375,295
		7,657,226	6,054,450

Trade and other receivables

Credit sales are to approved customers of the Corporation. 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 has minimal credit risk. The Corporation does not require collateral in respect of trade and other receivables.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**4. Financial risk management (continued)**

**(c) Credit risk (continued)**

Expected credit losses assessment for trade receivables

The Corporation uses an allowance matrix to measure ECLs of trade receivables from individual customers. Losses are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates were calculated based on actual credit loss experience over the current and past year. These rates were multiplied by scalar factors to reflect differences between economic conditions and the Corporation's view of economic conditions over the expected lives of the receivables. Scalar factors used are based on actual and forecasted GDP growth rate.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 30 June.

	<b>Weighted- average loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Credit impaired</b>
	\$	\$	\$	\$
<b>30 June 2021</b>				
Current (not past due)	10.73%	1,257,043	134,941	1,122,102
31 to 61 days past due	30.74%	554,510	64,450	490,060
62 to 89 days past due	70.77%	222,100	42,655	179,445
90 to 120 days past due	83.18%	153,861	20,654	133,207
More than 120 days past due	89.52%	2,333,643	1,535,087	798,556
		4,521,157	1,797,787	2,723,370

Cash and cash equivalents and debt securities

The Corporation held cash at bank of \$3,311,668 (2020: \$4,040,100). Cash at bank is held with a bank which is rated BBB+ based on Standard and Poor's ratings.

Impairment on cash at bank has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Corporation considers its cash at bank has a low credit risk based on external credit ratings of the counterparties.

Accordingly, the Corporation did not recognise an impairment allowance against cash at bank held with the bank (2020: \$nil).

**(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.

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**4. Financial Risk Management (continued)**

**(d) Liquidity risk (continued)**

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.

The following are the maturities of non-derivative financial liabilities:

	Note	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	More than 1 year \$
<b>30 June 2021</b>					
Trade and other payables	18	1,567,023	1,567,023	1,567,023	-
Lease liabilities	17	13,729,294	31,723,713	1,461,799	30,261,914
		<u>15,296,317</u>	<u>33,290,736</u>	<u>3,028,822</u>	<u>30,261,914</u>
<b>30 June 2020</b>					
Trade and other payables	18	1,681,889	1,681,889	1,681,889	-
Lease liabilities	17	13,990,663	33,071,861	1,508,649	31,563,212
		<u>15,672,552</u>	<u>34,753,750</u>	<u>3,190,538</u>	<u>31,563,212</u>

Overall, the Corporation does not see liquidity risk as high given the existing good working capital position.

**(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.

	2021 \$	2020 \$
Trade and other payables	1,567,023	1,681,889
Less: cash and cash equivalents	(3,312,607)	(4,043,100)
Net debt	<u>(1,745,584)</u>	<u>(2,361,211)</u>
Equity	22,908,989	21,204,526
Capital and net debt	<u>21,163,405</u>	<u>18,843,315</u>
Gearing ratio	-8%	-13%



**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>5. Electricity Income</b>		
Commercial	6,072,514	5,662,572
Domestic	8,273,511	7,077,833
Government	4,145,392	3,147,163
Industrial	1,208,111	764,701
Other	588,202	784,121
	<u>20,287,730</u>	<u>17,436,390</u>
<b>6. Water income</b>		
Commercial	478,173	493,048
Delivery	737,021	464,173
Domestic	936,968	475,385
Government	480,147	314,876
Industrial	81,581	59,588
	<u>2,713,890</u>	<u>1,807,070</u>
<b>7. Other operating revenue</b>		
Inventory sales	3,200	480
Labour and equipment rental	2,480	20,060
Miscellaneous income	-	81,624
	<u>5,680</u>	<u>102,164</u>
<b>8. Finance cost</b>		
Interest on lease liability	1,099,740	1,126,396
	<u>1,099,740</u>	<u>1,126,396</u>
<b>9. Employee benefits</b>		
Expatriate salaries and associated costs	838,008	749,787
Other employee costs	243,837	271,200
Salaries and wages	2,177,729	1,800,091
Superannuation contribution	149,499	134,038
Training cost	82,217	165,538
	<u>3,491,290</u>	<u>3,120,654</u>
<b>10. Administrative and other expenses</b>		
Repairs and maintenance	989,087	811,528
Freight	254,758	223,956
Motor vehicle rental and fuel	636,429	259,792
Land lease rental	5,374	7,458
Loss due to fire incident - inventories	593,079	-
- property, plant and equipment	182,693	-
Loss on disposal of fixed assets	25,485	-
Other administration costs	1,413,764	1,472,893
	<u>4,100,669</u>	<u>2,775,627</u>

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**11. 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:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Recognised in profit or loss</b>		
Operating profit before income tax	2,299,732	64,179
Prima facie tax expense/(benefit) thereon at 25% (2020: 25%)	574,933	16,045
Tax effect of non-deductible items	20,336	12,812
Effect of change in tax rate	-	-
Tax effect of adjustment of temporary differences	-	-
Income tax expense/(loss) attributable to operating profit	<u>595,269</u>	<u>28,857</u>

**(b) Deferred taxes**

Deferred income tax assets at 30 June relates to the following:

Doubtful debts	449,447	449,447
Employee entitlements	93,345	93,345
Accelerated depreciation	(1,569,461)	(989,141)
Obsolete stock	8,213	8,213
Right of use assets	(3,239,910)	(3,401,850)
Lease liability	3,432,324	3,497,666
Tax losses	1,915,984	2,027,531
Deferred Tax Asset (net)	<u>1,089,942</u>	<u>1,685,211</u>

Tax losses carried forward

Tax losses for which deferred tax asset was recognised expires as follows:

	<b>\$</b>	<b>Expiry</b>	<b>Utilized</b>	<b>Closing</b>
<b>Tax losses</b>			<b>2021</b>	<b>Accumulated</b>
30 June 2018	144,735	2021	(144,735)	-
30 June 2019	4,910,438	2022	(2,236,343)	2,674,095
30 June 2020	3,054,957	2023	-	5,729,052

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Income tax receivable</b>		
Balance at 1 January	80,458	(266,289)
Income tax paid	-	346,747
Current Tax Receivable	<u>80,458</u>	<u>80,458</u>

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

	<b>2021</b>	<b>2020</b>
<b>12. Cash and cash equivalents</b>	<b>\$</b>	<b>\$</b>
Cash at bank	3,311,668	4,040,100
Cash on hand	939	3,000
	<u>3,312,607</u>	<u>4,043,100</u>
<b>13. Trade and other receivables</b>		
Trade receivables	3,970,263	1,639,055
Provision for impairment of receivables	(1,797,787)	(1,797,787)
Net trade receivables	<u>2,172,476</u>	<u>(158,732)</u>
Salaries paid in advance	15,866	12,048
Total trade and other receivables, net	<u>2,188,342</u>	<u>(146,684)</u>
Movement in provision for impairment of receivables were as follows:		
Opening balance	1,797,787	3,233,378
Remeasurement of expected credit losses during the year	-	(982,017)
Written-off during the year	-	(453,574)
Closing balance	<u>1,797,787</u>	<u>1,797,787</u>
<b>14. Inventories</b>		
Consumables	228,915	750,104
Fuel stock	70,207	220,815
Goods in transit	52,345	17,665
Oil stock	146,622	4,438
Provision for obsolete stock	(32,853)	(32,853)
	<u>465,236</u>	<u>960,169</u>
<u>Provision for inventory obsolescence</u>		
Balance at 1 July	32,853	32,853
Provision created during the year	-	-
Balance at 30 June	<u>32,853</u>	<u>32,853</u>
<b>15. Other assets</b>		
Deposits	375,295	375,295
Prepayments	31,299	25,548
	<u>406,594</u>	<u>400,843</u>

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**16. Property, plant and equipment**

<b>Cost</b>	<b>Buildings</b>	<b>Plant and Equipment</b>	<b>Furniture and Fittings</b>	<b>Office Equipment</b>	<b>Motor Vehicles</b>	<b>Work in Progress</b>	<b>Total</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2019	4,822,190	29,722,210	41,124	1,280,988	2,456,788	4,045,296	42,368,596
Additions	17,926	6,755,128	-	16,497	-	3,089,743	9,879,294
Transfers	67,394	300,987	-	15,888	100,000	(484,269)	-
Disposals	-	-	-	-	-	(357,369)	(357,369)
Balance at 30 June 2020	4,907,510	36,778,325	41,124	1,313,373	2,556,788	6,293,401	51,890,521
Additions	-	42,087	-	13,122	92,872	3,090,817	3,238,898
Disposals	(182,937)	(31,888)	-	-	(43,688)	-	(258,513)
Balance at 30 June 2021	4,724,573	36,788,524	41,124	1,326,495	2,605,972	9,384,218	54,870,906
<b>Depreciation</b>							
Balance at 1 July 2019	658,301	7,686,627	24,368	493,893	1,404,712	-	10,267,901
Depreciation charge for the year	134,957	1,644,410	5,858	308,092	249,246	-	2,342,563
Balance at 30 June 2020	793,258	9,331,037	30,226	801,985	1,653,958	-	12,610,464
Depreciation charge for the year	134,589	1,815,710	5,748	282,272	201,060	-	2,439,379
Disposals	(15,023)	(17,109)	-	-	(18,203)	-	(50,335)
Balance at 30 June 2021	912,824	11,129,638	35,974	1,084,257	1,836,815	-	14,999,508
<b>Net book value</b>							
At 30 June 2020	4,114,252	27,447,288	10,898	511,388	902,830	6,293,401	39,280,057
At 30 June 2021	3,811,749	25,658,886	5,150	242,238	769,157	9,384,218	39,871,398

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**17. Leases**

**(a) As a lessee**

The Corporation leases assets including houses and land for its depot and water source and storage locations. Information about leases for which the Corporation is a lessee is presented below.

**(i) Right-of-use assets**

	<b>2021</b>	<b>2020</b>
	\$	\$
Balance at 1 July	13,607,401	14,251,039
Additions during the year	156,541	129,228
Depreciation charge during the year	(804,302)	(772,866)
Balance at 30 June	<u>12,959,640</u>	<u>13,607,401</u>

**(ii) Lease liabilities**

**Maturity analysis - contractual undiscounted cash flows**

Less than one year	1,461,799	1,508,649
One to five years	1,349,299	1,378,299
Three to five years	3,722,096	3,765,696
More than five years	25,190,519	26,419,217
<b>Total undiscounted liabilities at 30 June</b>	<u>31,723,713</u>	<u>33,071,861</u>

**Lease liabilities included in the statement of financial position at 30 June**

Current	382,934	410,180
Non-current	13,346,360	13,580,483
	<u>13,729,294</u>	<u>13,990,663</u>

**Amounts recognised in profit or loss**

Interest on lease liabilities	1,099,740	1,126,396
Depreciation on ROU Assets	804,302	772,866
Expenses relating to short-term leases	3,928	74,024
	<u>1,907,970</u>	<u>1,973,286</u>

**Amounts recognised in the statement of cash flows**

Total cash outflow for leases	<u>1,517,650</u>	<u>1,516,000</u>
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**Nauru Utilities Corporation**  
**Notes to the financial statements**  
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	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>18. Trade and other payables</b>		
Accrued expenses	159,940	138,035
Land lease accrual	13,566	106,632
Trade and other payables	1,393,517	1,437,222
Total trade and other payables	<u>1,567,023</u>	<u>1,681,889</u>
<b>19. Employee entitlements</b>		
Annual leave	144,992	144,992
Long service leave	228,387	228,387
	<u>373,379</u>	<u>373,379</u>
Opening balance	373,379	329,419
Net amount charged/(utilised)	-	43,960
Closing balance	<u>373,379</u>	<u>373,379</u>
<u>Long service leave</u>		
Current	123,584	123,584
Non-current	104,803	104,803
	<u>228,387</u>	<u>228,387</u>
<b>20. Deferred Income</b>		
Opening balance	22,562,499	16,625,566
Additions	-	6,719,600
Release to profit and loss	(874,988)	(782,667)
Closing balance	<u>21,687,511</u>	<u>22,562,499</u>

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Current	874,988	782,667
Non-current	20,812,523	21,779,832
	<u>21,687,511</u>	<u>22,562,499</u>

**21. Contributed capital**

Contributed capital	<u>8,941,138</u>	<u>8,941,138</u>
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Capital represents Government's contribution on the establishment of Nauru Utilities Corporation.

**22. Commitments**

Capital commitments at balance date was \$32.5 million (2020: \$43.8 million).

**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**23. Contingent liabilities**

There are no contingent liabilities as at the date of this report (2020: nil).

**24. Related party transactions**

**(a) Directors**

The names of persons who were directors of Nauru Utilities Corporation at any time during the financial year are as follows:

Abraham Aremwa (Chairman)

Tim Aingimea (Deputy Chairman) - deceased on 21/7/21

Ivy Cook

John Tagamoun

Leonard Scotty

**(b) Key management personnel**

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.

<u>Name</u>	<u>Position</u>
Abraham Simpson	Chief Executive Officer (exited 31 December 2020)
Carmine Piantedosi	Chief Executive Officer (appointed 1 July 2020)
Mohammed R Ali	General Manager Operations
Semaema Kunavore	Financial Controller (contract ended 19 February 2021)
Naibuka Sigasiganavanua	Financial Controller (appointed 7 January 2021)
Sinderina Adeang	Manager Human Resources
Ratabwiy, Dacor	Manager Safety and Security
Denuga, Meshah	Assistant Manager Supply Chain & Procurement
Nanovo, Timoci	Acting Manager ITC
Ika, Damasus	Assistant Manager Power Generation
Manuduitagi, Apenisa	Manager Metering, regulatory and Renewable Energy
Bukasogo, Timoci	Installation Inspector
Bavadra, Timoci	Manager Planning and Design
Haulangi, Taumanu	Assistant Distribution Manager
Hiram, Mark	Manager Water Production

Transactions with related parties during the year ended 30 June 2021 with approximate transaction values are summarised as follows:

	<b>2021</b>	<b>2020</b>
	\$	\$
Short-term employee benefits for key management (excluding CEO remuneration)	824,731	663,430

**Nauru Utilities Corporation**  
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**24. Related party transactions (continued)**

**(b) Key management personnel (continued)**

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.

**(c) Balances with related parties**

	<b>2021</b>	<b>2020</b>
<b>(i) Amounts owed by Republic of Nauru (RON) Government</b>	<b>\$</b>	<b>\$</b>
RON Government hospitals	168,773	141,667
RON Government schools	207,759	191,239
RON Government chief secretary	856,368	225,072
RON Government NFMRA	267	10,359
RON Government fire department	5,376	77,864
RON Government police	51,281	115,073
Other RON Government departments	43,505	651,083
	<u>1,333,329</u>	<u>1,412,357</u>
<b>(ii) Amounts owed to Republic of Nauru (RON) Government</b>		
Employee tax	-	14,502
	<u>-</u>	<u>14,502</u>

**(d) Transactions with related parties**

The related party transactions during the year were as follows:

**Sales to RON Government**

Electricity usage	4,145,392	3,146,221
Water delivery	1,022,991	674,516
	<u>5,168,383</u>	<u>3,820,737</u>

**(e) Other income from Government**

COVID 19 ex-gratia payment received from RON Government	114,600	282,065
Income utilised during the year - payout to local employees	(114,600)	(280,370)
	<u>-</u>	<u>1,695</u>



**Nauru Utilities Corporation**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**25. Subsequent events**

On 17 June 2022, the Government of Nauru announced level 3 restrictions as a result of COVID-19 breach into the community of Nauru. Subsequently, inter-island passenger travelling was also put to a halt. The new COVID-19 cases and the recent lockdowns have brought uncertainties on the timing of the opening of the international borders and travel bubble between Nauru and other countries. As such, the Corporation is actively monitoring the extent of the impact to its operations, financial accounting and reporting.

The Corporation has considered whether events subsequent to the reporting date have confirmed conditions existing as at balance date and has not identified any COVID-19 related developments which would require adjustments to the amounts or disclosures contained in the financial statements. Future economic conditions may differ to the assumptions and scenarios used in the financial statements, the impact of which will be reflected in the future accounting periods.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in subsequent years.



