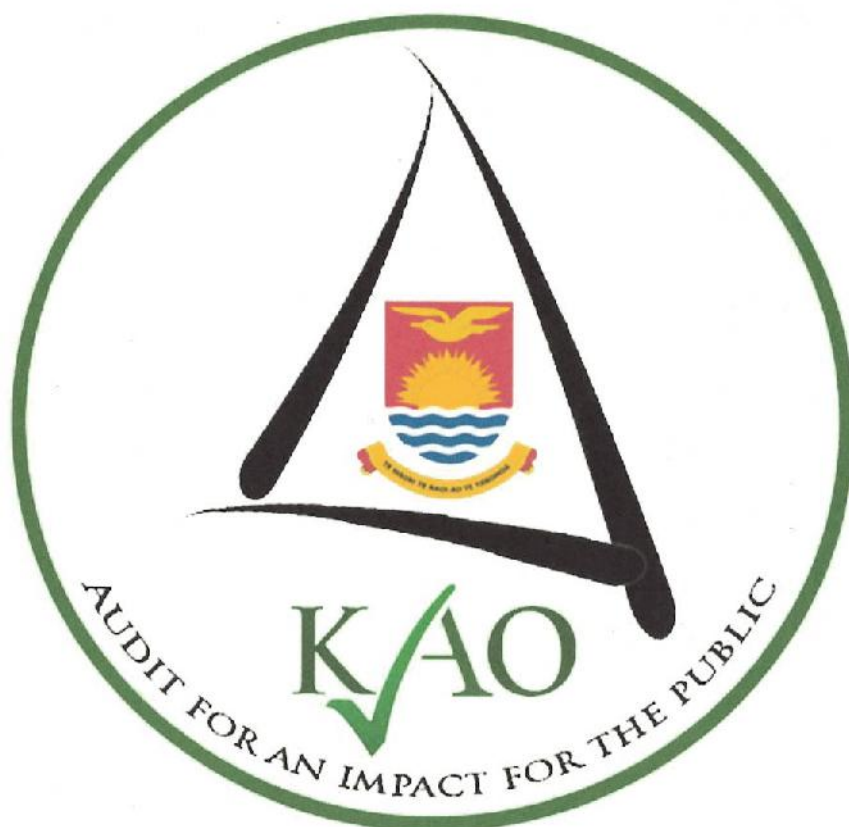


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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Telecom Services Kiribati Limited Financial
Statements
For the Years Ended 31st December, 2014 to 2017**

**Kiribati Audit Office
May 2019**

KIRIBATI AUDIT OFFICE



P.O BOX 63
Bairiki, Tarawa
Kiribati

Tel1: (686)75021118
Tel2: (686)75021335
Email: support@kao.gov.ki

Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

**To the Readers of
Telecom Services Kiribati Limited Financial Statements
for the years ended 31st December, 2014 to 2017**

The Auditor-General, Mr Eriati Tauma Manaima, is the auditor of Telecom Services Kiribati Limited (TSKL).

The audit covered the Company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1976, SOE Act, 2012 that apply to the Financial Statements of the TSKL for the years ended 31st December, 2014 to 2017.

TSKL Board of Director's Responsibility

The Board of Directors and Management are responsible for the preparation and fair presentation of the Financial Statements in accordance with Generally Accepted Accounting Practice in Kiribati, and for such internal control as management determines necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

It is my responsibility to express an independent opinion on these Financial Statements and reporting that opinion to you as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act, 2017. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI)

Basis for Disclaimer Opinion

- There was significant limitation of scope noted as most accounting books, general ledgers and source documents for TSKL were not available.

Disclaimer Opinion

Because of the absence of records that leads to the limitation of scope described in the Basis for Disclaimer Opinion paragraph above, I have not been able to obtain sufficient appropriate audit evidence, and accordingly I **COULD NOT** express an opinion on the Financial Statements of TSKL for the years ended 31st December, 2014 to 2017.

The audit was completed on 28/05/2019, and was the date at which my opinion was expressed.

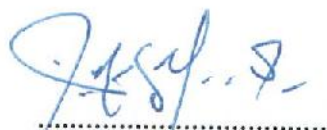
Report on other Legal and Regulatory Requirements

TSKL lodged its 2014 to 2017 Financial Statements for audit on 5th Feb 2019, therefore indicated TSKL's non-compliance with Sec. 20 of SOE Act, 2012.

Independence

We confirm that, for the audit of the Financial Statements of the TSKL for the years ended 31st Dec, 2014 to 2017, we have maintained our independence in accordance with the requirements of the International Standard of Supreme Audit Institutions (ISSAI).

Other than the audit, we have no relationship with or interest in TSKL.


.....
Eriati Tauma Manaima
Auditor General

Date: 28/05/2019

TELECOM SERVICES KIRIBATI LTD

TELEPHONE: (686) 20700
FACSIMILE: (686) 21424
EMAIL: admin@tskl.net.ki



TSKL

Connecting Kiribati and
Serving the Community

P.O. Box 72
BAIRIKI
TARAWA
KIRIBATI
CENTRAL PACIFIC

Ref: F:1/47

Date: 22nd May 2019

The Auditor General
Kiribati Audit Office
Bairiki

Attention: Kataneti Romatoa

Re: TSKL Accounts 2014 to 2017

I kindly write in response to your email of 22 May 2019 where you advised for the needs of getting TSKL Board's confirmation on the absence of the documents/data needed for auditing the above accounts.

The Board hereby confirms that the documents needed for your audit works are not available to produce due to the absence of records from TSKL building at Bikenibeu where all important documents including financial records were kept inside it. For your information, the compilation of the above accounts were done based on the bank statement only as a result of loss of other recommended data sources for the accounts from TSKL building. Also during the process of compiling these accounts, the Board requested ATHKL to provide the financial records/information needed for account's preparation but the response that the Board got from ATHKL was that the old computer that was used to save TSKL financial data was broken and therefore the data were not accessible at all.

Based on the above information, the Board submitted accounts of TSKL in 2018 to your office for auditing as required in the liquidation processes of the company.

I hope the above explanation is sufficient to support the Board's confirmation on the absence of information requested in facilitating issuance of appropriate Audit's opinion for TSKL 2014 to 2017 accounts.

Looking forward to receive your prompt response.

Sincerely,

Wayne Reiher
Chairman of the Board

TELECOM SERVICES KIRIBATI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

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TELECOM SERVICES KIRIBATI LIMITED DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors submit the statements of financial position of Telecom Services Kiribati Limited ("the Company") being the financial statements of the company as at 31st December 2016 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the 12 months period then ended and the accountant's report thereon.

Directors

The names of the Directors of the company in office during the financial period and up to the date of this report were:

Mr. Booti Nauan (Chairman) - appointed April 2012, resigned January 2018

Mr. Baraniko Tonganibeia - appointed April 2012

Mr. Wayne Reiher - appointed April 2012, appointed Chairman, Jan 2018.

Mrs Ereta Bruce - appointed April 2012

Mrs Faitele Mika - appointed January 2018

State of Affairs

In the opinion of the directors:

- i. There is no significant change in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements; and
- ii. The accompanying statements of financial position give a true and fair view of the state of affairs of the company as at 31st December 2016 and the accompanying statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows of the company for the year then ended.

Principal Activities

The principal activities of the company are to develop, expand, operate and manage, on commercial principles, the domestic and international telecommunication services and systems of Kiribati.

The significant change in the nature of the activities of TSKL during the financial year ended 31st December 2016, was the sale of business, including all licenses, to ATH (Fiji) Limited in May 2015.

Operating results for the period

The operating result after income tax for the 12 months period ended 31st December 2016 was a loss \$28,033 (12 months ended 31st December 2015, a loss of \$4,945,630)

Dividends

The Directors recommend that no dividends be paid for the 12 months period ended 31st December 2016 (Dec 2015: Nil).

Reserves

The Directors do not recommend any transfers to or from dividends.

Going Concern

The financial statements of the company have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and liabilities in the ordinary course of business. However, because of the sale of assets to ATHKL, the nature of business was significantly changed.

TELECOM SERVICES KIRIBATI LIMITED
DIRECTORS' REPORT Cont.....

Value of assets

Prior to the completion of the financial statements, the Directors and management took reasonable steps to ascertain whether any assets were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the company. 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 realize. As at the date of this report, the Directors and management are not aware of any circumstances, except for the sale of assets of the company to ATH (Fiji), finalized in May 2015, which would render the values attributed to the assets in the company, misleading.

Events subsequent to balance date

There are no known subsequent events since 31st December, 2015, that in the opinion of the Directors, has a significant effect on the operations of the company or the state of affairs of the company, subsequent to year-ended 31st December 2015, except for the potential to transfer the remaining assets to a new government entity.

Directors' Benefit

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company with the Director or with a firm of which he/she is a member or with a company in which he has a substantial financial interest.

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

Dated this 31st day of January, 2019


Director Wayne Reiter



Director Erez Bruce

In accordance with a resolution of the Board of Directors of Telecom Services Kiribati Limited, we state that, in the opinion of the Directors:

- (i) the accompanying statement of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the company for the 12 months period ended 31st December 2016;
- (ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the company for the 12 months period ended 31st December 2016;
- (iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the company as at 31st December 2016;
- (iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the company for the year then ended; and
- (v) all related party transactions have been adequately recorded in the books of the company.

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

Dated this 31st day of January, 2019.


Director Wayne Reiter


Director Erez Bruce

**Accountant's Compilation Report
Baoro & Associates
Certified Practising Accountants
To Telecom Services Kiribati Limited**

Scope

On the basis of information provided by Telecom Services Kiribati Ltd, we have compiled in accordance with requirements of the Companies Ordinance 1979, Cap. 10A, Note 1 to these accounts on pages 8 to 11, and generally accepted accounting practices, the general purpose financial report of the company for the financial year ended 31st December 2016 as set out in the financial statements.

Note that no general ledger was provided by TSKL for the year ended 31st December, 2016, and numerous attempts to obtain information from the Board, ATHKL and even the Bank, has been difficult resulting in these accounts being prepared from incomplete records.

The company and its Directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarize the financial information, which the company provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.



Baoro Laxton Koraua CPA
Baoro & Associates Certified Practising Accountants
Tarawa

Date:

11th February 2019

**TELECOM SERVICES KIRIBATI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2014**

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8	Detailed Profit & Loss Account for the year ended 31st December 2014	Pages 18 to 19

TELECOM SERVICES KIRIBATI LIMITED DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors submit the statements of financial position of Telecom Services Kiribati Limited ("the company") being the financial statements of the company as at 31st December 2014 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the 12 months period then ended and the accountant's report thereon.

Directors

The names of the Directors of the company in office during the financial period and up to the date of this report were:

Mr. Booti Nauan (Chairman) - appointed April 2012, resigned January 2018

Mr. Baraniko Tonganibeia - appointed April 2012

Mr. Wayne Reiher - appointed April 2012, appointed Chairman, Jan 2018.

Mrs Ereta Bruce - appointed April 2012

Mrs Faitele Mika - appointed January 2018

State of Affairs

In the opinion of the Directors:

- i. There is no significant change in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements; and
- ii. The accompanying statements of financial position give a true and fair view of the state of affairs of the Company as at 31st December 2014 and the accompanying statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows of the company for the year then ended.

Principal Activities

The principal activities of the company are to develop, expand, operate and manage, on commercial principles, the domestic and international telecommunication services and systems of Kiribati.

There were no significant changes in the nature of these activities during the the financial period ended 31st December 2014, except for the sale of business, including all licenses, to ATH (Fiji) Limited in May 2015.

Operating results for the period

The operating result after income tax for the 12 months period ended 31st December 2014 was a loss \$1,260,590 (12 months ended 31 December 2013, a profit of \$380,758)

Dividends

The Directors recommend that no dividends be paid for the 18 months period ended 31st December 2014 (Dec 2013: Nil).

Reserves

The Directors do not recommend any transfers to or from dividends.

Going Concern

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

TELECOM SERVICES KIRIBATI LIMITED
DIRECTORS' REPORT Cont.....

Value of assets

Prior to the completion of the financial statements, the Directors and management took reasonable steps to ascertain whether any assets were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the company. 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 realize. As at the date of this report, the Directors and management are not aware of any circumstances, except for the sale of assets of the company to ATH (Fiji), finalized in May 2015, which would render the values attributed to the assets in the company, misleading.

Events subsequent to balance date


Subsequent to 31st December, 2014, the assets of TSKL were sold to ATH (Fiji), on 31st May, 2015. This event, in the opinion of the Directors, has a significant effect on the operations of the company or the state of affairs of the company, subsequent to year-ended 31st December 2014 and has to be disclosed as such.

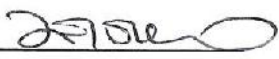
Directors' Benefit

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company with the Director or with a firm of which he/she is a member or with a company in which he has a substantial financial interest.

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

Dated this 31st day of January, 2019


Director Wayne Reihar


Director Eleta Bruce


In accordance with a resolution of the Board of Directors of Telecom Services Kiribati Limited, we state that, in the opinion of the Directors:

- (i) the accompanying statement of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the company for the 12 months period ended 31st December 2014;
- (ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the company for the 18 months period ended 31st December 2014;
- (iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the company as at 31st December 2014;
- (iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the company for the year then ended; and
- (v) all related party transactions have been adequately recorded in the books of the company.

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

Dated this 31st day of January, 2019.


Director Wayne Reihar


Director Eleta Bruce

**Accountant's Compilation Report
Baoro & Associates
Certified Practising Accountants
To Telecom Services Kiribati Limited**

Scope

On the basis of information provided by Telecom Services Kiribati Ltd, we have compiled in accordance with requirements of the Companies Ordinance, Cap. 10A, Note 1 to these accounts on pages 8 to 11, and generally accepted accounting practices, the general purpose financial report of the company for the financial year ended 31st December 2014 as set out in the financial statements.

The company and its Directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarize the financial information, which the company provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.




Baoro Laxton Koraua CPA
Baoro & Associates Certified Practising Accountants
Tarawa

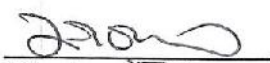
Date: 4th February 2019

TELECOM KIRIBATI SERVICES LTD
BALANCE SHEET AS AT 31ST DECEMBER 2014

	<u>notes</u>	<u>2014</u> \$	<u>2013</u> \$
CURRENT ASSETS			
Cash at bank	4	731,037	1,230,515
Receivables	5	7,113,595	6,371,737
Inventories	6	3,487,765	4,043,214
Total current assets		<u>11,332,397</u>	<u>11,645,466</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	7,798,693	10,221,240
Deferred tax		109,385	109,385
Total non-current assets		<u>7,908,078</u>	<u>10,330,625</u>
TOTAL ASSETS		<u>19,240,475</u>	<u>21,976,091</u>
CURRENT LIABILITIES			
Bank Overdraft	4	5,860	5,860
Other liabilities	8	440,730	256,426
Creditors & Accruals	7	2,549,035	3,146,666
Provisions	9	2,578,084	2,782,724
Total current liabilities		<u>5,573,709</u>	<u>6,191,675</u>
NON-CURRENT LIABILITIES			
Borrowings	10	5,380,097	6,285,078
Total Non-current liabilities		<u>5,380,097</u>	<u>6,285,078</u>
TOTAL LIABILITIES		<u>10,953,806</u>	<u>12,476,754</u>
NET ASSETS		<u>8,286,670</u>	<u>9,499,338</u>
EQUITY			
Issued capital	11 (a)	3,574,533	3,574,533
Retained earnings	11 (a)	4,712,142	5,924,805
		<u>8,286,675</u>	<u>9,499,338</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 7 to 11


Director **Wayne Reiter**
~~31 Dec 2018~~
.. 31 January 2019


Director **Ereta Bruce**
~~31 Dec 2018~~
.. 31 January 2019

TELECOM KIRIBATI SERVICES LTD
PROFIT & LOSS ACCOUNT FOR EIGHTEEN MONTHS TO 31ST DECEMBER 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
Income		
Operating Revenue	6,872,267	7,077,885
Other income	5,100	27,017
	<u>6,877,367</u>	<u>7,104,902</u>
 Cost and expenses		
Costs of goods sold	323,754	376,083
Depreciation and amortisation	2,944,066	1,224,065
Operating expenses	4,870,136	4,926,665
	<u>8,137,956</u>	<u>6,526,813</u>
 Operating profit/(loss) before income tax	(1,260,590)	578,089
 Income tax expense	-	197,331
 Operating profit/(loss) after income tax	<u>(1,260,590)</u>	<u>380,758</u>
 Retained profits at the beginning of the financial year	5,924,806	5,544,047
Prior Year adjustment	47,926	-
Retained profits/(accumulated losses) at the end of the financial year	<u><u>4,712,142</u></u>	<u><u>5,924,806</u></u>

TELECOM KIRIBATI SERVICES LTD
TRADING ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2014

	<u>2014</u> \$	<u>2013</u> \$
REVENUE		
Telephone	1,279,451	1,458,152
Telegram	120,188	100,297
TSKL Fixed Wireless	-	150
Rental	665,156	562,365
Directory sales	-	15
Installation fees	31,690	20,241
Equipment sales	567,081	376,261
Recharge card-CPDI (Prepaid)	1,624,220	89,680
Reconnection fees	19,892	2,462
Maintenance service fees	4,657	9,295
Telegraph stationery	10,434	15,383
Telephone inpayment	1,061,089	845,249
Internet	1,152,429	981,227
Mobile calls	335,980	2,617,108
Total	<u>6,872,267</u>	<u>7,077,885</u>
LESS: COST OF SALES		
Telephone outpayment	67,947	97,975
Cost of Sales	<u>255,807</u>	<u>278,108</u>
	323,754	376,083
GROSS SURPLUS FROM TRADING	<u>6,548,512</u>	<u>6,701,802</u>

TELECOM SERVICES KIRIBATI LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		4,724,741	4,985,422
Inpayments		1,061,089	404,063
Interest received		5,100	16,864
Other income		-	3,326,782
		<u>5,790,930</u>	<u>8,733,131</u>
Payments were made for			
Direct costs		(323,755)	(97,975)
Income taxes paid		-	(319,752)
Interest paid		(635,694)	(799,905)
Network costs		(1,061,879)	(1,014,229)
Operating costs		<u>(2,842,170)</u>	<u>(3,944,694)</u>
		<u>(4,863,498)</u>	<u>(6,176,554)</u>
Net cash flows from operating activities		<u>927,431</u>	<u>2,556,576</u>
Cash flows from investing activities			
Payments for plant and equipment		(521,929)	(2,315,517)
Proceeds from sale of non-current assets		-	13,300
Net cash flows from/(used in) investing activities		<u>(521,929)</u>	<u>(2,302,217)</u>
Cash flows from financing activities			
Proceeds from borrowing		-	2,987,000
Reayment of borrowings		(904,981)	(1,600,729)
Net cash flows from financing activities		<u>(904,981)</u>	<u>1,386,271</u>
Net increase in cash and cash equivalents		(499,479)	1,640,630
Cash and cash equivalents at the beginning of the year		<u>1,224,655</u>	<u>(415,975)</u>
Cash and cash equivalents at the end of the year	4	<u><u>725,177</u></u>	<u><u>1,224,655</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the accounts set out on pages 7 to 11

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

a) Statement of compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

b) Basis of preparation

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

c) Foreign currencies

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of transaction.

d) Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Buildings	5%
Plant, machinery and equipment	10-20%
Motor vehicles	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) Subsequent expenditure

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.
The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognized as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognized in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i(i)

(ii) Doubtful debts

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 percent (net of specific provisions) is also brought to account for accounts receivable.

k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharges cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer for calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic recognised as earned.

m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2. Segment reporting

The company's business is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

3. PROPERTY, PLANT AND EQUIPMENT	<u>2014</u> \$	<u>2013</u> \$
Land & Building	309,217	309,217
less: Accumulated depreciation/amortisation	<u>110,764</u>	<u>95,303</u>
Written down value	<u>198,453</u>	<u>213,914</u>
 Plant & Equipment	 20,117,369	 12,941,410
less : Accumulated depreciation	<u>14,390,068</u>	<u>11,682,252</u>
Written down value	<u>5,727,301</u>	<u>1,259,158</u>
 Furniture & Fittings	 94,056	 94,466
less : Accumulated depreciation	<u>75,834</u>	<u>72,249</u>
Written down value	<u>18,222</u>	<u>22,217</u>
 Motor Vehicle	 391,086	 391,086
less : Accumulated depreciation	<u>383,389</u>	<u>370,416</u>
Written down value	<u>7,697</u>	<u>20,670</u>
 Office Equipment	 3,742,523	 3,710,555
less : Accumulated depreciation	<u>2,960,129</u>	<u>2,755,898</u>
Written down value	<u>782,394</u>	<u>954,657</u>
 Work in progress	 1,064,626	 7,750,625
Total written down value	<u><u>7,798,693</u></u>	<u><u>10,221,240</u></u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2014	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	213,914	1,259,158	22,217	20,670	954,656	7,750,625	10,221,240
Additions	-	7,175,959	-	-	31,969	-	7,207,928
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(6,685,999)	(6,685,999)
Disposals	-	-	(410)	-	-	-	(410)
Depreciation	(15,461)	(2,707,810)	(3,585)	(12,973)	(204,231)	-	(2,944,066)
Closing written down value	<u>198,453</u>	<u>5,727,301</u>	<u>18,222</u>	<u>7,697</u>	<u>782,394</u>	<u>1,064,626</u>	<u>7,798,693</u>
2013	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	224,591	2,063,192	25,690	33,790	1,203,803	6,320,918	9,871,984
Additions	4,784	128,769	485	-	25,442	1,429,707	1,589,187
Revaluation	-	-	-	-	-	-	-
Disposals	-	(15,866)	-	(13,120)	-	-	(28,986)
Depreciation	(15,461)	(916,937)	(3,958)	-	(274,589)	-	(1,210,945)
Closing written down value	<u>213,914</u>	<u>1,259,158</u>	<u>22,217</u>	<u>20,670</u>	<u>954,656</u>	<u>7,750,625</u>	<u>10,221,240</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
4. CASH AT BANK		
BOK - Current (A/C 260048)	421,466	230,155
BOK - Project (A/C 617411)	(5,860)	(5,860)
BOK - Credit Card (A/C 502501)	4,937	4,937
BOK - Xmas Current A/C 737475	12,308	243,841
Petty Cash	12	12
Cash in Hand	155	155
Interest bearing deposits	292,159	751,415
	<u>725,177</u>	<u>1,224,655</u>
5. RECEIVABLES		
	<u>2014</u>	<u>2013</u>
	\$	\$
Miscellaneous Debtors	6,029,385	5,464,111
Debtors from last year	(126,002)	(125,156)
Telstra debit	934	31,360
Salary Advances	243,419	115,736
Travel Advances	291,590	293,387
Prepayments	130,784	119,236
Sundry Debtors	184,886	185,819
TSKL Staff-mobile h/purchase	12,078	13,004
Internal Affairs Lan	19,973	19,973
KPA - mobile hire purchase	39,926	39,926
Solar - mobile hire purchase	5,522	5,522
KPF - mobile hire purchase	4,853	4,853
Toyota - mobile hire purchase	3,497	3,497
BTC - mobile hire purchase	45	45
Koil - mobile hire purchase	153	153
PUB - mobile hire purchase	3,881	3,881
TSL - Laptop/Desktop h/purchase	60,226	42,839
TSKL - Modem H/Purchase	4,215	4,166
KSCL - mobile hire purchase	1,240	1,240
BPA - mobile hire purchase	680	680
Peace Corp - mobile hire purchase	14,021	14,021
Neways - Mobile hire purchase	590	590
BOK - Mobile hire purchase	(70)	(70)
Teao Parish - Mobile hire purchase	280	280
RICs - Outer Is Councils	192,151	136,464
RICs - Schools	(4,660)	(3,820)
	<u>7,113,595</u>	<u>6,371,737</u>
6. INVENTORIES		
	<u>2014</u>	<u>2013</u>
	\$	\$
Stock on hand	2,245,181	2,265,886
Goods in transit	1,096,209	1,630,953
Stocktake variance	146,375	146,375
	<u>3,487,765</u>	<u>4,043,214</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

7. CREDITORS & ACCRUALS

	<u>2014</u>	<u>2013</u>
	\$	\$
Trade Creditors	(2,760,729)	(2,440,764)
Creditors not posted last year	(166,501)	(166,504)
Purchase Order liability	1,144,603	1,679,348
Goods received liability	3,215,584	3,167,491
Telecom New Zealand	(145,531)	(145,531)
Accrued Expenses	696,624	500,013
Telephone Special Deposits	492,392	480,169
Internet special deposit	49,277	49,127
Mobile Special Deposit	23,174	23,174
Immarsat Special Deposit	400	400
Deferred Income tax Expense	(258)	(258)
	<u>2,549,035</u>	<u>3,146,666</u>

8. OTHER LIABILITIES

	<u>2014</u>	<u>2013</u>
	\$	\$
Payroll clearing	306,246	304,870
Paye clearing	(45,248)	(35,946)
Tax arrears	(54,764)	(54,764)
KPF clearing	56,779	42,687
Housing rentals	(3,193)	(3,455)
Town Council rates	(1,686)	(1,504)
Staff bank loan	(6,220)	(6,220)
Staff DBK loan	39,201	36,724
Staff KPF loan	(2,845)	2,634
Court Order	(180)	(180)
Ministry of Finance-W/tax	(1,874)	(1,795)
Ministry of Finance-VAT	202,683	-
TKL	(110)	(110)
Staff life insurance	6,542	5,651
Staff Club	(17,738)	(13,061)
Incorrect postings (to fix)	(28,848)	(14,180)
Contra account	(3,090)	-
Debtors to transfer	(126)	(126)
Non stock control account	(4,799)	(4,799)
	<u>440,730</u>	<u>256,426</u>

9. PROVISIONS

	<u>2014</u>	<u>2013</u>
	\$	\$
Recreation leave	63,768	63,768
Tax	(26,174)	209,812
Leave Grant	14,000	14,000
Obsolete Stock	553,249	528,160
Provision for Prev year's Customer Deposits	(233,742)	-
Provision for Doubtful Debts	2,206,984	1,966,984
	<u>2,578,084</u>	<u>2,782,724</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

10. LONG TERM LIABILITIES

	<u>2014</u>	<u>2013</u>
	\$	\$
TAK Loan - dot ki find	93,407	93,407
BOK Loan 3G (A/C 934348)	2,818,878	2,911,375
Bank Loan (A/C 260059)	1,754,441	2,069,353
Bank Loan (A/C 756341)	713,370	1,210,943
	<u>5,380,097</u>	<u>6,285,078</u>

11. SHAREHOLDERS EQUITY

	<u>2014</u>	<u>2013</u>
	\$	\$

a) Reconciliation of movement in shareholders equity

	<u>Share Capital</u>	<u>Retained Proits</u>	<u>Total</u>
	A\$	A\$	A\$
Balance at 1 January 2013	3,574,533	5,544,047	9,118,580
Total recognised gains and losses	-	380,758	380,758
Balance at 31 December 2013	<u>3,574,533</u>	<u>5,924,805</u>	<u>9,499,338</u>
Balance at 1 January 2014	3,574,533	5,924,806	9,499,339
Total recognised gains and losses	-	(1,260,590)	(1,260,590)
Adjustment to prior year Retained earnings	-	47,926	47,926
Balance at 31 December 2014	<u>3,574,533</u>	<u>4,712,142</u>	<u>8,286,675</u>

b) Statement of movement in equity for the year ended 31 December 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
Opening Equity	9,499,339	9,118,580
Surplus/(deficit) for the year	(1,260,590)	380,758
Adjustment to prior year Retained earnings	47,926	-
Closing Equity	<u>8,286,675</u>	<u>9,499,338</u>

12. EARNINGS PER SHARE

	<u>2014</u>	<u>2013</u>
	\$	\$
Net profit	(1,260,590)	380,758
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	(0.35)	0.11
Diluted earnings per share	<u>(0.35)</u>	<u>0.11</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

13. CONTINGENCIES

There are no contingencies for the year.

14. RELATED PARTIES

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the Government is the ultimate controlling party of the Company. The following transactions were carried out with related parties during the year.

Purchase of goods and services from TSKL i.e Telephone calls, hire and purchase of equipment by Government \$1.42m (2013:\$1.9m) on normal commercial terms. Th amount outstanding at balance date was \$1.16m (2013:\$1.1m).

The total amount of dividend paid out during the year is nil (2013: \$nil).

The total amount of operating grants received from Government was \$nil (2013:\$nil).

15. COMMITMENTS

Operating leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Due to the unavailability of files for the financial year 2014 and the subsequent sale of assets in May 2015, it is difficult for the Board to ascertain the exact commitments for these leases. For purposes of clarity, our disclosure has kept the 2013 disclosures in the comparative columns but chosen not to disclose the 2014 commitments on the basis of uncertainty. Commitments relating to these contracts are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Within 1 year	-	13,200
1 to 2 years	-	24,000
2 to 5 years	-	887,097
Greater than 5 years	-	3,750
Total	<u> </u>	<u>928,047</u>

16. CAPITAL

TSKL have agreed with the Government of Kiribati to develop mobile, internet and outer island telecommunications of which \$2.9m has been set aside as a reserve. There is work in progress of \$1,064,626 (2013: \$7,750,625) which reflects TSKL's commitment to these projects.

17. SEGMENT INFORMATION

a) Industry Segment

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material.

b) Geographical segment

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.

TELECOM KIRIBATI SERVICES LTD
DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2014

	<u>2014</u>	<u>2013</u>
Gross income from Trading	6,548,512	6,701,802
Other income	-	10,153
Interest income	5,100	16,864
	<hr/> 6,553,612	<hr/> 6,728,819
EXPENDITURE		
Advertising & Promotion	28,194	35,757
Annual leave	-	(16,425)
Bad & doubtful debts	240,000	240,000
Bank charges & Commissions	16,991	17,383
Board expenses	6,994	12,308
Consultancy Expenses	-	910
Cleaning	1,428	3,129
Depreciation	2,944,066	1,224,065
Exchange rate variation	1,700	6,934
External service fees	171,521	234,691
Entertainment	2,635	10
Freight & Handling	829	731
General expenses	337	246
Hire charges	56,598	48,491
Insurance	95,743	63,114
Internet lease	1,061,879	804,827
Loan interest	635,694	799,905
Legal & Professional fees	-	26,445
Land lease	2,895	5,380
Lease fees (space tower rental)	12,100	13,200
License fees	166,200	204,598
Loss on disposal of Assets	1,792	-
Maintenance-Building	19,034	17,461
Maintenance-Office Equip/Machinery	220	70
Maintenance-Plant	94,850	96,891
Maintenance-VHF and HF	34,274	27,623
New recruitment	-	320
On cost expenses	972	5,236
Postage and Delivery	125	810
Power - Electricity	539,285	526,962
Power - fuel	7,022	4,703
Provident fund contribution	-	74,435
Retirement & death benefit	19,043	15,061
Reward & Recognition	1,645	5,440
Satellite rental	251,483	209,402
Stationery & office supplies	15,899	21,866
Stock	25,089	22,275
Subscription an publication	17,362	16,572
Subsidised house rent	11,158	10,607
Salaries & Wages	1,166,510	1,168,074

TELECOM KIRIBATI SERVICES LTD
DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2014

Detailed Profit & Loss Cont.....	<u>2014</u>	<u>2013</u>
Training expenses	4,405	31,001
Travel expenses	98,378	103,417
Vehicle expenses - fuel	22,531	29,249
Vehicle expenses - maintenance	31,669	26,037
Uniform	-	4,194
CEO expenses	5,652	7,324
Total Expense	<u>7,814,202</u>	<u>6,150,730</u>
Operating profit / (loss) before income tax	<u><u>(1,260,590)</u></u>	<u><u>578,089</u></u>

TELECOM SERVICES KIRIBATI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

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8 Detailed Profit & Loss Account for the year ended 31st December 2015	Pages 19 to 20

TELECOM SERVICES KIRIBATI LIMITED DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors submit the statements of financial position of Telecom Services Kiribati Limited ("the Company") being the financial statements of the company as at 31st December 2015 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the 12 months period then ended and the accountant's report thereon.

Directors

The names of the Directors of the company in office during the financial period and up to the date of this report were:

Mr. Booti Nauan (Chairman) - appointed April 2012, resigned January 2018

Mr. Baraniko Tonganibeia - appointed April 2012

Mr. Wayne Reiher - appointed April 2012, appointed Chairman, Jan 2018.

Mrs Ereta Bruce - appointed April 2012

Mrs Faitele Mika - appointed January 2018

State of Affairs

In the opinion of the Directors:

- i. There is no significant change in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements; and
- ii. The accompanying statements of financial position give a true and fair view of the state of affairs of the company as at 31st December 2015 and the accompanying statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows of the company for the year then ended.

Principal Activities

The principal activities of the company are to develop, expand, operate and manage, on commercial principles, the domestic and international telecommunication services and systems of Kiribati.

The significant change in the nature of the activities of TSKL during the the financial year ended 31st December 2015, was the sale of business, including all licenses, to ATH (Fiji) Limited in May 2015.

Operating results for the period

The operating result after income tax for the 12 months period ended 31st December 2015 was a loss \$4,945,631 (12 months ended 31 December 2014, a loss of \$1,260,590). This loss is the net direct result of various write offs of assets and liabilities that were disposed during the sale.

Dividends

The Directors recommend that no dividends be paid for the 12 months period ended 31st December 2015 (Dec 2014: Nil).

Reserves

The Directors do not recommend any transfers to or from dividends.

Going Concern

The financial statements of the company have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and liabilities in the ordinary course of business. However, because of the sale of assets to ATHKL, the nature of business was significantly changed.

TELECOM SERVICES KIRIBATI LIMITED
DIRECTORS' REPORT Cont.....

Value of assets

Prior to the completion of the financial statements, the Directors and management took reasonable steps to ascertain whether any assets were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the company. 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 realize. As at the date of this report, the Directors and management are not aware of any circumstances, except for the sale of assets of the company to ATH (Fiji), finalized in May 2015, which would render the values attributed to the assets in the company, misleading.

Events subsequent to balance date

There are no known subsequent events since 31st December, 2015, that in the opinion of the Directors, has a significant effect on the operations of the company or the state of affairs of the company, subsequent to year-ended 31st December 2015, except for the potential to transfer the remaining assets to a new government entity.

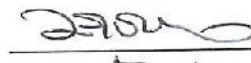
Directors' Benefit

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company with the Director or with a firm of which he/she is a member or with a company in which he has a substantial financial interest.

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

Dated this 31st day of January, 2019


Director Wayne Reiter


Director Ereta Bruce

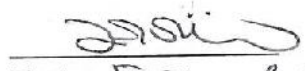
In accordance with a resolution of the Board of Directors of Telecom Services Kiribati Limited, we state that, in the opinion of the Directors:

- (i) the accompanying statement of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the company for the 12 months period ended 31st December 2015;
- (ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the company for the 12 months period ended 31st December 2015;
- (iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the company as at 31st December 2015;
- (iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the company for the year then ended; and
- (v) all related party transactions have been adequately recorded in the books of the company.

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

Dated this 31st day of January, 2019.


Director Wayne Reiter


Director Ereta Bruce

**Accountant's Compilation Report
Baoro & Associates
Certified Practicing Accountants
To Telecom Services Kiribati Limited**

Scope

On the basis of information provided by Telecom Services Kiribati Ltd, we have compiled in accordance with requirements of the Companies Ordinance 1979, Cap. 10A, Note 1 to these accounts on pages 8 to 11, and generally accepted accounting practices, the general purpose financial report of the company for the financial year ended 31st December 2015 as set out in the financial statements.

Note that no general ledger was provided by TSKL for the year ended 31st December, 2015, and numerous attempts to obtain information from the Board, ATHKL and even the Bank, has been difficult resulting in these accounts being prepared from incomplete records.

In 2015 too, all assets and liabilities remaining in the Balance Sheet of TSKL after the sale of assets to ATHKL, were either written off or revalued at a valuation determined by the Board.

The company and its Directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarize the financial information, which the company provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.



Baoro Laxton Koraua CPA

Baoro & Associates Certified Practising Accountants
Tarawa


Date:


14th February 2019

TELECOM KIRIBATI SERVICES LTD
BALANCE SHEET AS AT 31ST DECEMBER 2015

	notes	2015 \$	2014 \$
CURRENT ASSETS			
Cash at bank	4	152,276	731,037
Receivables	5	2,918,769	7,113,597
Inventories	6	-	3,487,765
Total current assets		3,071,045	11,332,399
NON-CURRENT ASSETS			
Property, plant and equipment	3	270,000	7,798,698
Deferred tax		-	109,385
Total non-current assets		270,000	7,908,083
TOTAL ASSETS		3,341,045	19,240,482
CURRENT LIABILITIES			
Bank Overdraft	4	-	5,860
Other liabilities	8	-	440,730
Creditors & Accruals	7	-	2,549,035
Provisions	9	-	2,578,084
Total current liabilities		-	5,573,709
NON-CURRENT LIABILITIES			
Borrowings	10	-	5,380,097
Total Non-current liabilities		-	5,380,097
TOTAL LIABILITIES		-	10,953,806
NET ASSETS		3,341,045	8,286,676
EQUITY			
Issued capital	11 (a)	3,574,533	3,574,533
Retained earnings	11 (a)	(233,488)	4,712,143
		3,341,045	8,286,676

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 18


Director **Wayne Reiter**
~~31 Dec 2018~~
31 January 2019


Director **Eleta Bance**
~~31 Dec 2018~~
31 January 2019

TELECOM KIRIBATI SERVICES LTD
PROFIT & LOSS ACCOUNT FOR EIGHTEEN MONTHS TO 31ST DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Income		
Operating Revenue	3,123,151	6,872,267
Other income	1,311	5,100
	<u>3,124,462</u>	<u>6,877,367</u>
 Cost and expenses		
Costs of goods sold	3,139,076	323,754
Depreciation and amortisation	30,000	2,944,066
Operating expenses	431,421	4,870,136
Purchase/Sale of Assets	4,469,595	-
	<u>8,070,092</u>	<u>8,137,956</u>
 Operating profit/(loss) before income tax	(4,945,631)	(1,260,589)
 Operating profit/(loss) after income tax	<u>(4,945,631)</u>	<u>(1,260,589)</u>
 Retained profits at the beginning of the financial year	4,712,143	5,924,806
Prior Year adjustment	-	47,926
Retained profits/(accumulated losses) at the end of the financial year	<u>(233,488)</u>	<u>4,712,143</u>

TELECOM KIRIBATI SERVICES LTD
TRADING ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2015

	<u>2015</u> \$	<u>2014</u> \$
REVENUE		
Telephone	3,123,151	1,279,451
Telegram	-	120,188
Rental	-	665,156
Installation fees	-	31,690
Equipment sales	-	567,081
Recharge card-CPDI (Prepaid)	-	1,624,220
Reconnection fees	-	19,892
Maintenance service fees	-	4,657
Telegraph stationery	-	10,434
Telephone inpayment	-	1,061,089
Internet	-	1,152,429
Mobile calls	-	335,980
Total	<u>3,123,151</u>	<u>6,872,267</u>
LESS: COST OF SALES		
Telephone outpayment	-	67,947
Cost of Sales	<u>3,139,076</u>	<u>255,807</u>
	<u>3,139,076</u>	<u>323,754</u>
GROSS SURPLUS FROM TRADING	<u>(15,925)</u>	<u>6,548,513</u>

TELECOM SERVICES KIRIBATI LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2015

	<u>Note</u>	<u>2015</u> \$	<u>2014</u> \$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		3,123,151	4,724,741
Inpayments		-	1,061,089
Interest received		1,311	5,100
		<u>3,124,462</u>	<u>5,790,930</u>
Payments were made for			
Direct costs		(3,153,099)	(323,755)
Income taxes paid		-	-
Interest paid		(417,399)	(635,694)
Network costs		-	(1,061,879)
Operating costs		-	(2,842,170)
		<u>(3,570,498)</u>	<u>(4,863,498)</u>
Net cash flows from operating activities		<u>(446,036)</u>	<u>927,432</u>
Cash flows from investing activities			
Payments for plant and equipment		-	(521,929)
Proceeds from sale of non-current assets		-	-
Net cash flows from/(used in) investing activities		<u>-</u>	<u>(521,929)</u>
Cash flows from financing activities			
Proceeds from borrowing		-	-
Reayment of borrowings		(126,865)	(904,981)
Net cash flows from financing activities		<u>(126,865)</u>	<u>(904,981)</u>
Net increase in cash and cash equivalents		(572,901)	(499,478)
Cash and cash equivalents at the beginning of the year		<u>725,177</u>	<u>1,224,655</u>
Cash and cash equivalents at the end of the year	4	<u><u>152,276</u></u>	<u><u>725,177</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 18

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

a) Statement of compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

b) Basis of preparation

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

c) Foreign currencies

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of transaction.

d) Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Buildings	5%
Plant, machinery and equipment	10-20%
Motor vehicles	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) Subsequent expenditure

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.
The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognized as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognized in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i(i)

(ii) Doubtful debts

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 percent (net of specific provisions) is also brought to account for accounts receivable.

k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharges cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer. For calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic recognised as earned.

m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2. Segment reporting

The company's business is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

3. PROPERTY, PLANT AND EQUIPMENT	<u>2015</u> \$	<u>2014</u> \$
Land & Building	40,000	309,221
less: Accumulated depreciation/amortisation	<u>4,000</u>	<u>110,764</u>
Written down value	<u>36,000</u>	<u>198,457</u>
 Plant & Equipment	 260,000	 20,117,369
less : Accumulated depreciation	<u>26,000</u>	<u>14,390,068</u>
Written down value	<u>234,000</u>	<u>5,727,301</u>
 Furniture & Fittings	 -	 94,056
less : Accumulated depreciation	<u>-</u>	<u>75,834</u>
Written down value	<u>-</u>	<u>18,222</u>
 Motor Vehicle	 -	 391,086
less : Accumulated depreciation	<u>-</u>	<u>383,389</u>
Written down value	<u>-</u>	<u>7,697</u>
 Office Equipment	 -	 3,742,524
less : Accumulated depreciation	<u>-</u>	<u>2,960,129</u>
Written down value	<u>-</u>	<u>782,395</u>
 Work in progress	 -	 1,064,626
 Total written down value	 <u>270,000</u>	 <u>7,798,698</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2015	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	198,453	5,727,301	18,222	7,697	782,394	1,064,626	7,798,693
Additions	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	(158,453)	(5,467,301)	(18,222)	(7,697)	(782,394)	(1,064,626)	(7,498,693)
Depreciation	(4,000)	(26,000)	-	-	-	-	(30,000)
Closing written down value	<u>36,000</u>	<u>234,000</u>	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>0</u>	<u>270,000</u>

2014	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	213,914	1,259,158	22,217	20,670	954,656	7,750,625	10,221,240
Additions	-	7,175,959	-	-	31,969	-	7,207,928
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(6,685,999)	(6,685,999)
Disposals	-	-	(410)	-	-	-	(410)
Depreciation	(15,461)	(2,707,816)	(3,585)	(12,973)	(204,231)	-	(2,944,066)
Closing written down value	<u>198,453</u>	<u>5,727,301</u>	<u>18,222</u>	<u>7,697</u>	<u>782,394</u>	<u>1,064,626</u>	<u>7,798,693</u>

The assets that have been disposed through the sale of assets to ATHKL have been accounted for based on the Sale and Purchase of Assets Agreement between the Government of Kiribati and ATH of Fiji. No individual asset sold has been attached with a value, making it difficult to assign a value to each class of asset disposed, or assets retained. In order to determine the value of the towers and assets left with TSKL after the Sale of Assets, we relied on valuation provided by external experts on the advise of the Board of Directors.

But based on the valuation provided by the Board of Directors, the following remaining assets were valued as follows:

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
4. CASH AT BANK		
BOK - Current (A/C 260048)	58,991	421,466
BOK - Project (A/C 617411)	-	(5,860)
BOK - Credit Card (A/C 502501)	401	4,937
BOK - Xmas Current A/C 737475	948	12,308
Petty Cash	-	12
Cash in Hand	-	155
Interest bearing deposits	91,936	292,159
	<u>152,276</u>	<u>725,177</u>
5. RECEIVABLES		
	<u>2015</u>	<u>2014</u>
	\$	\$
Miscellaneous Debtors	-	6,029,385
Debtors from last year	-	(126,002)
Telstra debit	-	934
Salary Advances	-	243,419
Travel Advances	-	291,590
Prepayments	-	130,784
Sundry Debtors	1,033	184,886
TSKL Staff-mobile h/purchase	-	12,078
Internal Affairs Lan	-	19,973
KPA - mobile hire purchase	-	39,926
Solar - mobile hire purchase	-	5,522
KPF - mobile hire purchase	-	4,853
Toyota - mobile hire purchase	-	3,497
BTC - mobile hire purchase	-	45
Koil - mobile hire purchase	-	153
PUB - mobile hire purchase	-	3,881
TSL - Laptop/Desktop h/purchase	-	60,226
TSKL - Modem H/Purchase	-	4,215
KSCL - mobile hire purchase	-	1,240
BPA - mobile hire purchase	-	680
Peace Corp - mobile hire purchase	-	14,021
Neways - Mobile hire purchase	-	590
BOK - Mobile hire purchase	-	(70)
Teao Parish - Mobile hire purchase	-	280
RICs - Outer Is Councils	-	192,151
RICs - Schools	-	(4,660)
Owing by Kiribati Government-purchase of TSKL	2,917,736	-
	<u>2,918,769</u>	<u>7,113,597</u>

Note that all the receivables not transferred to ATHKL were all written off on the basis that there has been no movement in these receivables since the disposal of assets, and with the total loss of financial records of the company, except for bank statements, it is hard to determine which receivables are recoverable and which ones are not. However, it is the belief of the Board that these receivables, if any will be difficult to identify or recover.

The \$2.9 million new receivable from the Kiribati Government is the result of all the movements in assets and liabilities upon disposal, given that the disposal proceeds were received by the Government, and not the company.

The Board noted that \$7,268,598.34 was received from ATH by the Kiribati Govt Account No: 4 on 26th May, 2015. the Board noted from the Asset purchase Agreement that TSKL was sold for \$7.5 million.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

6. INVENTORIES	<u>2015</u>	<u>2014</u>
	\$	\$
Stock on hand	-	2,245,181
Goods in transit	-	1,096,209
Stocktake variance	-	146,375
	<u>-</u>	<u>3,487,765</u>

All inventories held by TSKL were sold as part of the Sale of Asset Agreement.

7. CREDITORS & ACCRUALS	<u>2015</u>	<u>2014</u>
	\$	\$
Trade Creditors	-	(2,760,729)
Creditors not posted last year	-	(166,501)
Purchase Order liability	-	1,144,603
Goods received liability	-	3,215,584
Telecom New Zealand	-	(145,531)
Accrued Expenses	-	696,624
Telephone Special Deposits	-	492,392
Internet special deposit	-	49,277
Mobile Special Deposit	-	23,174
Immarsat Special Deposit	-	400
Deferred Income tax Expense	-	(258)
	<u>-</u>	<u>2,549,035</u>

The board determined that all accounts payables not transferred during the sale of assets are now time-barred and can no longer be payable. These have been written off on this basis. The Board noted that if these creditors were payable, these creditors would have been asking for it.

8. OTHER LIABILITIES	<u>2015</u>	<u>2014</u>
	\$	\$
Payroll clearing	-	306,246
Paye clearing	-	(45,248)
Tax arrears	-	(54,764)
KPF clearing	-	56,779
Housing rentals	-	(3,193)
Town Council rates	-	(1,686)
Staff bank loan	-	(6,220)
Staff DBK loan	-	39,201
Staff KPF loan	-	(2,845)
Court Order	-	(180)

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

8. OTHER LIABILITIES Cont.....	<u>2015</u> \$	<u>2014</u> \$
Ministry of Finance-W/tax	-	(1,874)
Ministry of Finance-VAT	-	202,683
TKL	-	(110)
Staff life insurance	-	6,542
Staff Club	-	(17,738)
Incorrect postings (to fix)	-	(28,848)
Contra account	-	(3,090)
Debtors to transfer	-	(126)
Non stock control account	-	(4,799)
	<u>-</u>	<u>440,730</u>

The Board determined that all liabilities not transferred during the sale of assets are now time-barred and can no longer be payable. Given the lack of accounting records, these have been written off on this basis.

9. PROVISIONS	<u>2015</u> \$	<u>2014</u> \$
Recreation leave	-	63,768
Tax	-	(26,174)
Leave Grant	-	14,000
Obsolete Stock	-	553,249
Provision for Prev year's Customer Deposits	-	(233,742)
Provision for Doubtful Debts	-	2,206,984
	<u>-</u>	<u>2,578,084</u>

The Board determined that all provisions are no longer required and given the lack of accounting records and the change in nature of the business, all these provisions have been written off.

10. LONG TERM LIABILITIES	<u>2015</u> \$	<u>2014</u> \$
TAK Loan - dot ki fnd	-	93,407
BOK Loan 3G (A/C 934348)	-	2,818,878
Bank Loan (A/C 260059)	-	1,754,441
Bank Loan (A/C 756341)	-	713,370
	<u>-</u>	<u>5,380,097</u>

All loans held by TSKL were either transferred as part of the sale or paid off by the Government as part of the settlement deal. Accordingly, all loans have been written off.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

11. SHAREHOLDERS EQUITY

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
a) Reconciliation of movement in shareholders equity		
	<u>Share Capital</u>	<u>Retained Proits</u>
	<u>A\$</u>	<u>A\$</u>
Balance at 1 January 2014	3,574,533	5,924,806
Total recognised gains and losses	-	(1,260,589)
Adjustment to prior year Retained earnings	47,926	47,926
Balance at 31 December 2014	<u>3,574,533</u>	<u>4,712,143</u>
Balance at 1 January 2015	3,574,533	4,712,143
Total recognised gains and losses	-	(4,945,631)
Adjustment to prior year Retained earnings	-	-
Balance at 31 December 2015	<u>3,574,533</u>	<u>(233,488)</u>

b) Statement of movement in equity for the year ended 31 December 2014

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Opening Equity	8,286,676	9,499,339
Surplus/(deficit) for the year	(4,945,631)	(1,260,589)
Adjustment to prior year Retained earnings	-	47,926
Closing Equity	<u>3,341,045</u>	<u>8,286,676</u>

12. EARNINGS PER SHARE

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Net profit	(4,945,631)	(1,260,589)
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	(1.38)	(0.35)
Diluted earnings per share	<u>(1.38)</u>	<u>(0.35)</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

13. CONTINGENCIES

There are no contingencies for the year.

14. RELATED PARTIES

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the Government is the ultimate controlling party of the Company. The following transactions were carried out with related parties during the year.

Purchase of goods and services from TSKL i.e Telephone calls, hire and purchase of equipment by Government \$Nil (2014:\$1.42m) on normal commercial terms until 31st May 2015. The amount outstanding at balance of date was \$Nil (2014:\$1.16m).

The Government was the ultimate recipient of the monies received for the sale of assets to ATHKL of \$7.5million which was partly used to pay off borrowings remaining with TSKL after the sale of Assets to ATHKL. The Board noted that only \$7.268 million was received by the Govet of Kiribati into Account No: 4.

The total amount of dividend paid out during the year is nil (2014: \$nil).

The total amount of operating grants received from Government was \$nil (2014:\$nil).

15. COMMITMENTS

Operating leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Due to the unavailability of files for the financial year 2015 and the fact that the company stopped trading as of end of May 2015, it is difficult for the Board to ascertain the exact commitments for these leases.

The Board noted that if there were liabilities arising out of these operating leases, TSKL will no longer be liable under the Six year rule.

16. CAPITAL

Due to the sale of assets of TSKL to ATH of Fiji as at 31st May 2015, no capital commitments were envisaged and all work-in-progress up to May 2015 were transferred to ATHKL along with the borrowings associated with these work in progress.

17. SEGMENT INFORMATION

a) Industry Segment

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material. The company stopped trading on 31st May 2015.

b) Geographical segment

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.

TELECOM KIRIBATI SERVICES LTD
DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2015

	<u>2015</u>	<u>2014</u>
Gross income from Trading	(15,925)	6,548,512
Other income	-	
Interest income	1,311	5,100
	<u>(14,614)</u>	<u>6,553,612</u>
EXPENDITURE		
Advertising & Promotion	-	28,194
Bad & doubtful debts	-	240,000
Bank charges & Commissions	7,665	16,991
Board expenses	-	6,994
Cleaning	-	1,428
Depreciation	30,000	2,944,066
Exchange rate variation	-	1,700
External service fees	-	171,521
Entertainment	-	2,635
Freight & Handling	-	829
General expenses	-	337
Hire charges	-	56,598
Insurance	-	95,743
Internet lease	-	1,061,879
Loan interest	417,399	635,694
Land lease	-	2,895
Lease fees (space tower rental)	-	12,100
License fees	420	166,200
Loss on disposal of Assets	-	1,792
Maintenance-Building	-	19,034
Maintenance-Office Equip/Machinery	-	220
Maintenance-Plant	-	94,850
Maintenance-VHF and HF	-	34,274
On cost expenses	-	972
Postage and Delivery	-	125
Power - Electricity	-	539,285
Power - fuel	-	7,022
Retirement & death benefit	-	19,043
Reward & Recognition	-	1,645
Satellite rental	-	251,483
Stationery & office supplies	-	15,899
Stock	-	25,089
Subscription an publication	-	17,362
Subsidised house rent	-	11,158
Salaries & Wages	3,123	1,166,510

TELECOM KIRIBATI SERVICES LTD
DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2015

Detailed Profit & Loss Cont.....	<u>2015</u>	<u>2014</u>
Training expenses	-	4,405
Travel expenses	1,268	98,378
Vehicle expenses - fuel	-	22,531
Vehicle expenses - maintenance	1,547	31,669
CEO expenses	-	5,652
Total Expense	<u>461,422</u>	<u>7,814,202</u>
Purchase /Sale of Assets	4,469,595	-
Operating profit / (loss) before income tax	<u>(4,945,631)</u>	<u>(1,260,590)</u>

TELECOM SERVICES KIRIBATI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

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TELECOM SERVICES KIRIBATI LIMITED DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors submit the statements of financial position of Telecom Services Kiribati Limited ("the Company") being the financial statements of the company as at 31st December 2016 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the 12 months period then ended and the accountant's report thereon.

Directors

The names of the Directors of the company in office during the financial period and up to the date of this report were:

Mr. Booti Nauan (Chairman) - appointed April 2012, resigned January 2018

Mr. Baraniko Tonganibeia - appointed April 2012

Mr. Wayne Reiher - appointed April 2012, appointed Chairman, Jan 2018.

Mrs Ereta Bruce - appointed April 2012

Mrs Faitele Mika - appointed January 2018

State of Affairs

In the opinion of the directors:

- i. There is no significant change in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements; and
- ii. The accompanying statements of financial position give a true and fair view of the state of affairs of the company as at 31st December 2016 and the accompanying statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows of the company for the year then ended.

Principal Activities

The principal activities of the company are to develop, expand, operate and manage, on commercial principles, the domestic and international telecommunication services and systems of Kiribati.

The significant change in the nature of the activities of TSKL during the financial year ended 31st December 2016, was the sale of business, including all licenses, to ATH (Fiji) Limited in May 2015.

Operating results for the period

The operating result after income tax for the 12 months period ended 31st December 2016 was a loss \$28,033 (12 months ended 31st December 2015, a loss of \$4,945,630)

Dividends

The Directors recommend that no dividends be paid for the 12 months period ended 31st December 2016 (Dec 2015: Nil).

Reserves

The Directors do not recommend any transfers to or from dividends.

Going Concern

The financial statements of the company have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and liabilities in the ordinary course of business. However, because of the sale of assets to ATHKL, the nature of business was significantly changed.

TELECOM SERVICES KIRIBATI LIMITED
DIRECTORS' REPORT Cont.....

Value of assets

Prior to the completion of the financial statements, the Directors and management took reasonable steps to ascertain whether any assets were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the company. 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 realize. As at the date of this report, the Directors and management are not aware of any circumstances, except for the sale of assets of the company to ATH (Fiji), finalized in May 2015, which would render the values attributed to the assets in the company, misleading.

Events subsequent to balance date

There are no known subsequent events since 31st December, 2015, that in the opinion of the Directors, has a significant effect on the operations of the company or the state of affairs of the company, subsequent to year-ended 31st December 2015, except for the potential to transfer the remaining assets to a new government entity.

Directors' Benefit

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company with the Director or with a firm of which he/she is a member or with a company in which he has a substantial financial interest.

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

Dated this 31st day of January, 2019


Director Wayne Reiter



Director Erez Bruce

In accordance with a resolution of the Board of Directors of Telecom Services Kiribati Limited, we state that, in the opinion of the Directors:

- (i) the accompanying statement of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the company for the 12 months period ended 31st December 2016;
- (ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the company for the 12 months period ended 31st December 2016;
- (iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the company as at 31st December 2016;
- (iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the company for the year then ended; and
- (v) all related party transactions have been adequately recorded in the books of the company.

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

Dated this 31st day of January, 2019.


Director Wayne Reiter


Director Erez Bruce

**Accountant's Compilation Report
Baoro & Associates
Certified Practising Accountants
To Telecom Services Kiribati Limited**

Scope

On the basis of information provided by Telecom Services Kiribati Ltd, we have compiled in accordance with requirements of the Companies Ordinance 1979, Cap. 10A, Note 1 to these accounts on pages 8 to 11, and generally accepted accounting practices, the general purpose financial report of the company for the financial year ended 31st December 2016 as set out in the financial statements.

Note that no general ledger was provided by TSKL for the year ended 31st December, 2016, and numerous attempts to obtain information from the Board, ATHKL and even the Bank, has been difficult resulting in these accounts being prepared from incomplete records.

The company and its Directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarize the financial information, which the company provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.



Baoro Laxton Koraua CPA

Baoro & Associates Certified Practising Accountants
Tarawa


Date:

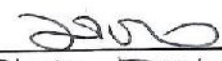
11th February 2019

TELECOM KIRIBATI SERVICES LTD
BALANCE SHEET AS AT 31ST DECEMBER 2016

	notes	<u>2016</u> \$	<u>2015</u> \$
CURRENT ASSETS			
Cash at bank	4	151,243	152,276
Receivables	5	<u>2,918,769</u>	<u>2,918,769</u>
Total current assets		<u>3,070,012</u>	<u>3,071,045</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	<u>243,000</u>	<u>270,000</u>
Total non-current assets		<u>243,000</u>	<u>270,000</u>
TOTAL ASSETS		<u>3,313,012</u>	<u>3,341,045</u>
CURRENT LIABILITIES			
Creditors & Accruals		<u>-</u>	<u>-</u>
Total current liabilities		<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES			
Total Non-current liabilities		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>-</u>	<u>-</u>
NET ASSETS		<u>3,313,012</u>	<u>3,341,045</u>
EQUITY			
Issued capital	6 (a)	3,574,533	3,574,533
Retained earnings	6 (a)	<u>(261,521)</u>	<u>(233,488)</u>
		<u>3,313,012</u>	<u>3,341,045</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 14


Director **Wayne Reiter**
~~31.12.18~~
31 January 2019


Director **Eret Bruce**
~~31.12.18~~
31 January 2019

TELECOM KIRIBATI SERVICES LTD
PROFIT & LOSS ACCOUNT FOR EIGHTEEN MONTHS TO 31ST DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
Income		
Operating Revenue	-	3,123,151
Other income	652	1,311
	<u>652</u>	<u>3,124,462</u>
 Cost and expenses		
Costs of goods sold	-	3,139,076
Depreciation and amortisation	27,000	30,000
Operating expenses	1,685	431,422
Purchase/Sale of Assets	-	4,469,595
	<u>28,685</u>	<u>8,070,093</u>
 Operating profit/(loss) before income tax	(28,033)	(4,945,631)
 Income tax expense	-	-
Operating profit/(loss) after income tax	<u>(28,033)</u>	<u>(4,945,631)</u>
 Retained profits at the beginning of the financial year	(233,488)	4,712,143
 Retained profits/(accumulated losses) at the end of the financial year	<u><u>(261,521)</u></u>	<u><u>(233,488)</u></u>

TELECOM KIRIBATI SERVICES LTD
TRADING ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2016

	<u>2016</u> \$	<u>2015</u> \$
REVENUE		
Telephone	-	3,123,151
Total	<u>-</u>	<u>3,123,151</u>
LESS: COST OF SALES		
Cost of Sales	<u>-</u>	<u>3,139,076</u>
	-	3,139,076
GROSS SURPLUS FROM TRADING	<u>-</u>	<u>(15,925)</u>

TELECOM SERVICES KIRIBATI LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2016

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		-	3,123,151
Inpayments		-	-
Interest received		652	1,311
		<u>652</u>	<u>3,124,462</u>
Payments were made for			
Direct costs		(1,685)	(3,153,099)
Interest paid		-	(417,399)
		<u>(1,685)</u>	<u>(3,570,498)</u>
Net cash flows from operating activities		<u>(1,033)</u>	<u>(446,036)</u>
Cash flows from investing activities			
Payments for plant and equipment		-	-
Proceeds from sale of non-current assets		-	-
		<u>-</u>	<u>-</u>
Net cash flows from/(used in) investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowing		-	-
Reayment of borrowings		-	(126,865)
		<u>-</u>	<u>(126,865)</u>
Net cash flows from financing activities		<u>-</u>	<u>(126,865)</u>
Net increase in cash and cash equivalents		(1,033)	(572,901)
Cash and cash equivalents at the beginning of the year		<u>152,276</u>	<u>725,177</u>
Cash and cash equivalents at the end of the year	4	<u><u>151,243</u></u>	<u><u>152,276</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 14

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

a) Statement of compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

b) Basis of preparation

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

c) Foreign currencies

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of transaction.

d) Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Buildings	5%
Plant, machinery and equipment	10-20%
Motor vehicles	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) Subsequent expenditure

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.
The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognized as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognized in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i(i)

(ii) Doubtful debts

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 percent (net of specific provisions) is also brought to account for accounts receivable.

k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharges cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer for calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic recognised as earned.

m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2. Segment reporting

The company's business is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

	<u>2016</u> \$	<u>2015</u> \$
3. PROPERTY, PLANT AND EQUIPMENT		
Land & Building	40,000	40,000
less: Accumulated depreciation/amortisation	<u>7,600</u>	<u>4,000</u>
Written down value	<u>32,400</u>	<u>36,000</u>
 Plant & Equipment	 260,000	 260,000
less : Accumulated depreciation	<u>49,400</u>	<u>26,000</u>
Written down value	<u>210,600</u>	<u>234,000</u>
 Total written down value	 <u>243,000</u>	 <u>270,000</u>

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2016	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	36,000	234,000	0	(0)	0	0	270,000
Additions	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation	<u>(3,600)</u>	<u>(23,400)</u>	-	-	-	-	<u>(27,000)</u>
Closing written down value	<u>32,400</u>	<u>210,600</u>	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>0</u>	<u>243,000</u>
 2015	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	198,453	5,727,301	18,222	7,697	782,394	1,064,626	7,798,693
Additions	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	<u>(158,453)</u>	<u>(5,467,301)</u>	<u>(18,222)</u>	<u>(7,697)</u>	<u>(782,394)</u>	<u>(1,064,626)</u>	<u>(7,498,693)</u>
Depreciation	<u>(4,000)</u>	<u>(26,000)</u>	-	-	-	-	<u>(30,000)</u>
Closing written down value	<u>36,000</u>	<u>234,000</u>	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>0</u>	<u>270,000</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

4. CASH AT BANK	<u>2016</u>	<u>2015</u>
	\$	\$
BOK - Current (A/C 260048)	58,374	58,991
BOK - Credit Card (A/C 502501)	281	401
BOK - Xmas Current A/C 737475	-	948
Interest bearing depositions	92,588	91,936
	<u>151,243</u>	<u>152,276</u>

5. RECEIVABLES	<u>2016</u>	<u>2015</u>
	\$	\$
Sundry Debtors	1,033	1,033
Owing by Kiribati Government-purchase of TSKL	2,917,736	2,917,736
	<u>2,918,769</u>	<u>2,918,769</u>

6. SHAREHOLDERS EQUITY	<u>2016</u>	<u>2015</u>
	\$	\$

a) Reconciliation of movement in shareholders equity

	<u>Share Capital</u>	<u>Retained Proits</u>	<u>Total</u>
	AS	AS	AS
Balance at 1 January 2015	3,574,533	4,712,143	8,286,676
Total recognised gains and losses	-	(4,945,631)	(4,945,631)
Adjustment to prior year Retained earnings	-	-	-
Balance at 31 December 2015	<u>3,574,533</u>	<u>(233,488)</u>	<u>3,341,045</u>
Balance at 1 January 2016	3,574,533	(233,488)	3,341,045
Total recognised gains and losses	-	(28,033)	(28,033)
Balance at 31 December 2016	<u>3,574,533</u>	<u>(261,521)</u>	<u>3,313,012</u>

b) Statement of movement in equity for the year ended 31 December 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
Opening Equity	3,341,045	8,286,676
Surplus/(deficit) for the year	<u>(28,033)</u>	<u>(4,945,631)</u>
Closing Equity	<u>3,313,012</u>	<u>3,341,045</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

7. EARNINGS PER SHARE	<u>2016</u> \$	<u>2015</u> \$
Net profit	(28,033)	(4,945,631)
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	(0.01)	(1.38)
Diluted earnings per share	<u>(0.01)</u>	<u>(1.38)</u>

8. CONTINGENCIES

There are no contingencies for the year.

9. RELATED PARTIES

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the Government is the ultimate controlling party of the Company. No transactions were carried out with related parties during the year.

The total amount of dividend paid out during the year is nil (2015: \$nil).

The total amount of operating grants received from Government was \$nil (2015:\$nil).

10. COMMITMENTS

Operating leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Due to the unavailability of files for the financial year 2016 and the fact that the company stopped trading as of end of May 2015, it is difficult for the Board to ascertain the exact commitments for these leases.

The Board noted that if there were liabilities arising out of these operating leases, TSKL will no longer be liable under the Six year rule.

11. CAPITAL

Due to the sale of assets of TSKL to ATH of Fiji as at 31st May 2015, no capital commitments were envisaged and all work-in-progress up to May 2015 were transferred to ATHKL along with the borrowings associated with these work in progress.

12. SEGMENT INFORMATION

a) Industry segment

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material. The company stopped trading on 31st May 2015.

b) Geographical segment

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.

TELECOM KIRIBATI SERVICES LTD
DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2016

	<u>2016</u>	<u>2015</u>
Gross income from Trading	-	(15,925)
Interest income	652	1,311
	<u>652</u>	<u>(14,614)</u>
EXPENDITURE		
Bank charges & Commissions	1,685	7,664
Depreciation	27,000	30,000
Loan interest	-	417,399
License fees	-	420
Salaries & Wages	-	3,123
Travel expenses	-	1,268
Vehicle expenses - maintenance	-	1,547
Total Expense	<u>28,685</u>	<u>461,421</u>
Purchase /Sale of Assets	-	4,469,595
Operating profit / (loss) before income tax	<u>(28,033)</u>	<u>(4,945,630)</u>

TELECOM SERVICES KIRIBATI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

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1 Director's Report	Page 1 to 2
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6 Cash flow statement for the year ended 31st December 2017	Page 7
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8 Detailed Profit & Loss Account for the year ended 31st December 2017	Pages 15

TELECOM SERVICES KIRIBATI LIMITED DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors submit the statements of financial position of Telecom Services Kiribati Limited ("the Company") being the financial statements of the company as at 31st December 2017 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the 12 months period then ended and the accountant's report thereon.

Directors

The names of the Directors of the company in office during the financial period and up to the date of this report were:

Mr. Booti Nauan (Chairman) - appointed April 2012, resigned January 2018

Mr. Baraniko Tonganibeia - appointed April 2012

Mr. Wayne Reiher - appointed April 2012, appointed Chairman, Jan 2018.

Mrs Ereta Bruce - appointed April 2012

Mrs Faitele Mika - appointed January 2018

State of Affairs

In the opinion of the directors:

- i. There is no significant change in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements; and
- ii. The accompanying statements of financial position give a true and fair view of the state of affairs of the company as at 31st December 2017 and the accompanying statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows of the company for the year then ended.

Principal Activities

The principal activities of the company are to develop, expand, operate and manage, on commercial principles, the domestic and international telecommunication services and systems of Kiribati.

The significant change in the nature of the activities of TSKL during the the financial year ended 31st December 2017, was the sale of business, including all licenses, to ATH (Fiji) Limited in May 2015.

Operating results for the period

The operating result after income tax for the 12 months period ended 31st December 2017 was a loss \$23,763 (12 months ended 31 December 2016, a loss of \$28,033)

Dividends

The directors recommend that no dividends be paid for the 12 months period ended 31st December 2017 (Dec 2016: Nil).

Reserves

The Directors do not recommend any transfers to or from dividends.

Going Concern

The financial statements of the company have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and liabilities in the ordinary course of business. However, because of the sale of assets to ATHKL, the nature of business was significantly changed.

TELECOM SERVICES KIRIBATI LIMITED
DIRECTORS' REPORT Cont.....

Value of assets

Prior to the completion of the financial statements, the Directors and management took reasonable steps to ascertain whether any assets were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the company. 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 realize. As at the date of this report, the Directors and management are not aware of any circumstances, except for the sale of assets of the company to ATH (Fiji), finalized in May 2015, which would render the values attributed to the assets in the Company, misleading.

Events subsequent to balance date

There are no known subsequent events since 31st December, 2017, that in the opinion of the directors, has a significant effect on the operations of the company or the state of affairs of the company, subsequent to year-ended 31st December 2015, except for the potential to transfer the remaining assets to a new government entity.

Directors' Benefit

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company with the Director or with a firm of which he/she is a member or with a company in which he has a substantial financial interest.

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

Dated this 31st day of January, 2019


Director Wayne Reicher



Director Elek Bruce

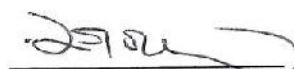
In accordance with a resolution of the Board of Directors of Telecom Services Kiribati Limited, we state that, in the opinion of the directors:

- (i) the accompanying statement of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the company for the 12 months period ended 31st December 2017;
- (ii) the accompanying statement of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the company for the 12 months period ended 31st December 2017;
- (iii) the accompanying statement of financial position are drawn up so as to give a true and fair view of the state of affairs of the company as at 31st December 2017;
- (iv) the accompanying statement of cash flows are drawn up so as to give a true and fair view of the cash flows of the company for the year then ended; and
- (v) all related party transactions have been adequately recorded in the books of the company.

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

Dated this 31st day of January, 2019.


Director Wayne Reicher


Director Elek Bruce

**Accountant's Compilation Report
Baoro & Associates
Certified Practising Accountants
To Telecom Services Kiribati Limited**

Scope

On the basis of information provided by Telecom Services Kiribati Ltd, we have compiled in accordance with requirements of the Companies Ordinance 1979, Cap. 10A, Note 1 to these accounts on pages 8 to 11, and generally accepted accounting practices, the general purpose financial report of the company for the financial year ended 31st December 2017 as set out in the financial statements.

Note that no general ledger was provided by TSKL for the year ended 31st December, 2017, and numerous attempts to obtain information from the Board, ATHKL and even the Bank, has been difficult resulting in these accounts being prepared from incomplete records.

The company and its Directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarize the financial information, which the company provided, into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the company, may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.




Baoro Laxton Koraua CPA
Baoro & Associates Certified Practising Accountants
Tarawa

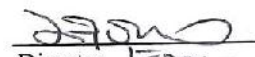
Date: 4th February 2019

TELECOM KIRIBATI SERVICES LTD
BALANCE SHEET AS AT 31ST DECEMBER 2017

	<u>notes</u>	<u>2017</u> \$	<u>2016</u> \$
CURRENT ASSETS			
Cash at bank	4	151,780	151,243
Receivables	5	2,918,769	2,918,769
Total current assets		<u>3,070,549</u>	<u>3,070,012</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	<u>218,700</u>	<u>243,000</u>
Total non-current assets		<u>218,700</u>	<u>243,000</u>
TOTAL ASSETS		<u>3,289,249</u>	<u>3,313,012</u>
CURRENT LIABILITIES			
Creditors & Accruals		<u>-</u>	<u>-</u>
Total current liabilities		<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES			
Total Non-current liabilities		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>-</u>	<u>-</u>
NET ASSETS		<u>3,289,249</u>	<u>3,313,012</u>
EQUITY			
Issued capital	6 (a)	3,574,533	3,574,533
Retained earnings	6 (a)	<u>(285,284)</u>	<u>(261,521)</u>
		<u>3,289,249</u>	<u>3,313,012</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 14


Director **Wayne Risher**
~~31/12/2018~~
31 January 2019


Director **Ereta Bruce**
~~31/12/2018~~
31 January 2019

TELECOM KIRIBATI SERVICES LTD
PROFIT & LOSS ACCOUNT FOR EIGHTEEN MONTHS TO 31ST DECEMBER 2017

	<u>2017</u> \$	<u>2016</u> \$
Income		
Operating Revenue	-	-
Other income	1,265	652
	<u>1,265</u>	<u>652</u>
 Cost and expenses		
Costs of goods sold	-	-
Depreciation and amortisation	24,300	27,000
Operating expenses	728	1,685
Purchase/Sale of Assets	-	-
	<u>25,028</u>	<u>28,685</u>
 Operating profit/(loss) before income tax	(23,763)	(28,033)
 Income tax expense	-	-
	<u>(23,763)</u>	<u>(28,033)</u>
Operating profit/(loss) after income tax	(23,763)	(28,033)
 Retained profits at the beginning of the financial year	(261,521)	(233,488)
	<u>(261,521)</u>	<u>(233,488)</u>
Retained profits/(accumulated losses) at the end of the financial year	<u>(285,284)</u>	<u>(261,521)</u>

TELECOM KIRIBATI SERVICES LTD
TRADING ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	<u>2017</u> \$	<u>2016</u> \$
REVENUE		
Telephone	-	-
	<hr/>	<hr/>
Total	-	-
	<hr/>	<hr/>
LESS: COST OF SALES		
Cost of Sales	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
GROSS SURPLUS FROM TRADING	-	-
	<hr/>	<hr/>

TELECOM SERVICES KIRIBATI LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	<u>Note</u>	<u>2017</u> \$	<u>2016</u> \$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		-	-
Inpayments		450	-
Interest received		815	652
		<u>1,265</u>	<u>652</u>
Payments were made for			
Direct costs		(728)	(1,685)
Interest paid		-	-
		<u>(728)</u>	<u>(1,685)</u>
Net cash flows from operating activities		<u>537</u>	<u>(1,033)</u>
Cash flows from investing activities			
Payments for plant and equipment		-	-
Proceeds from sale of non-current assets		-	-
Net cash flows from/(used in) investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowing		-	-
Reayment of borrowings		-	-
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		537	(1,033)
Cash and cash equivalents at the beginning of the year		151,243	152,276
Cash and cash equivalents at the end of the year	4	<u>151,780</u>	<u>151,243</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 14

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

a) Statement of compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

b) Basis of preparation

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

c) Foreign currencies

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of transaction.

d) Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Buildings	5%
Plant, machinery and equipment	10-20%
Motor vehicles	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) Subsequent expenditure

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.
The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognized as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognized in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i(i)

(ii) Doubtful debts

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 percent (net of specific provisions) is also brought to account for accounts receivable.

k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharges cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer for calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic recognised as earned.

m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2. Segment reporting

The company's business is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati.

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
3. PROPERTY, PLANT AND EQUIPMENT		
Land & Building	40,000	40,000
less: Accumulated depreciation/amortisation	<u>10,840</u>	<u>7,600</u>
Written down value	<u>29,160</u>	<u>32,400</u>
 Plant & Equipment	 260,000	 260,000
less : Accumulated depreciation	<u>70,460</u>	<u>49,400</u>
Written down value	<u>189,540</u>	<u>210,600</u>
 Total written down value	 <u>218,700</u>	 <u>243,000</u>

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2017	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	32,400	210,600	-	-	-	-	243,000
Additions	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation	<u>(3,240)</u>	<u>(21,060)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,300)</u>
Closing written down value	<u>29,160</u>	<u>189,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,700</u>
 2016							
	Land & Building	Plant & Equipment	Furniture & Fittings	Motor Vehicle	Office Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$		\$
Opening written down value	36,000	234,000	-	-	-	-	270,000
Additions	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation	<u>(3,600)</u>	<u>(23,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,000)</u>
Closing written down value	<u>32,400</u>	<u>210,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,000</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
4. CASH AT BANK		
BOK - Current (A/C 260048)	58,217	58,374
BOK - Credit Card (A/C 502501)	160	281
Interest bearing deposits	93,403	92,588
	<u>151,780</u>	<u>151,243</u>

	<u>2017</u>	<u>2016</u>
	\$	\$
5. RECEIVABLES		
Sundry Debtors	1,033	1,033
Owing by Kiribati Government-purchase of TSKL	2,917,736	2,917,736
	<u>2,918,769</u>	<u>2,918,769</u>

	<u>2017</u>	<u>2016</u>
	\$	\$
6. SHAREHOLDERS EQUITY		

a) Reconciliation of movement in shareholders equity

	<u>Share Capital</u>	<u>Retained Proits</u>	<u>Total</u>
	A\$	A\$	A\$
Balance at 1 January 2016	3,574,533	(233,488)	3,341,045
Total recognised gains and losses	-	(28,033)	(28,033)
Adjustment to prior year Retained earnings	-	-	-
Balance at 31 December 2016	<u>3,574,533</u>	<u>(261,521)</u>	<u>3,313,012</u>
Balance at 1 January 2017	3,574,533	(261,521)	3,313,012
Total recognised gains and losses	-	(23,763)	(23,763)
Balance at 31 December 2017	<u>3,574,533</u>	<u>(285,284)</u>	<u>3,289,249</u>

b) Statement of movement in equity for the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
Opening Equity	3,313,012	3,341,045
Surplus/(deficit) for the year	(23,763)	(28,033)
Adjustment to prior year Retained earnings	-	-
Closing Equity	<u>3,289,249</u>	<u>3,313,012</u>

TELECOM KIRIBATI SERVICES LTD
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

7. EARNINGS PER SHARE	<u>2017</u>	<u>2016</u>
	\$	\$
Net profit	(23,763)	(28,031)
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	(0.01)	(0.01)
Diluted earnings per share	<u>(0.01)</u>	<u>(0.01)</u>

8. CONTINGENCIES

There are no contingencies for the year.

9. RELATED PARTIES

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the Government is the ultimate controlling party of the Company. There were no transactions carried out with related parties during the year.

The total amount of dividend paid out during the year is nil (2016: \$nil).

The total amount of operating grants received from Government was \$nil (2016:\$nil).

10. COMMITMENTS

Operating leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Due to the unavailability of files for the financial year 2017 and the fact that the company stopped trading as of end of May 2015, it is difficult for the Board to ascertain the exact commitments for these leases.

The Board noted that if there were liabilities arising out of these operating leases, TSKL will no longer be liable under the Six year rule.

11. CAPITAL

Due to the sale of assets of TSKL to ATH of Fiji as at 31st May 2015, no capital commitments were envisaged and all work-in-progress up to May 2015 were transferred to ATHKL along with the borrowings associated with these work in progress.

12. SEGMENT INFORMATION

a) Industry segment

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material. The company stopped trading on 31st May 2015.

b) Geographical segment

The company operates in Kiribati and is therefore one geographical area for reporting purposes.

TELECOM KIRIBATI SERVICES LTD
DETAILED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	<u>2017</u>	<u>2016</u>
Gross income from Trading	-	-
Other income	450	-
Interest income	815	652
	<u>1,265</u>	<u>652</u>
EXPENDITURE		
Bank charges & Commissions	728	1,685
Depreciation	24,300	27,000
Loan interest	-	-
License fees	-	-
Salaries & Wages	-	-
Travel expenses	-	-
Vehicle expenses - maintenance	-	-
Total Expense	<u>25,028</u>	<u>28,685</u>
Purchase /Sale of Assets	-	-
Operating profit / (loss) before income tax	<u>(23,763)</u>	<u>(28,033)</u>