

# **REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF**



**Kiribati Solar Energy**  
**For the year ended 31<sup>st</sup> December 2016**

**Kiribati Audit Office**  
**April 2021**

## 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**

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## INDEPENDENT AUDITOR'S REPORT

### **To the Readers of Kiribati Solar Energy Company Ltd (KSEC) Financial Statements for the year ended 31<sup>st</sup> December 2016**

I have audited the Financial Statements of Kiribati Solar Energy Company Ltd (KSEC) for the year ended 31<sup>st</sup> March 2016 in accordance with sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981, Part IV, Sec 22(1) of the Kiribati Audit Act, 2017. The Financial Statements comprise of the following:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flow
- Notes to the Accounts

### **Disclaimer of Opinion**

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

- Opening balances for 2016 account were taken from KSEC's Disclaimer Financial Statement for the year ended 31<sup>st</sup> Dec 2015 where MYOB transaction entries were not updated and were incomplete.
- We could not verify the balances presented in the Account since the Cash Receipt Journals and Cash payment journals were not properly coded thus making it difficult to

match the codes in the General Journals (GLs) to the Journals for most of the Account balances.

- We have reviewed the Trade Debtors Account of \$101,695.67 and noted a breakdown as listed below

GL Code	Account	\$
1-1210	Trade Debtors (incl HP) (SOEs & Others)	81,584.92
1-1211	Government Agencies	20,110.75
	Total Trade Debtors (Account)	101,695.67

- After reviewing the two General Ledgers (GLs) for Trade Debtors, we noted that transactions entered into the GLs were summary of Credit Sales from the Sales Journal and summary of Trade Debtors Payments from the Cash Receipt Journal. We have obtained CRJ for the month of January to December and could not find codes for Trade Debtors thus we could not verify the values presented in the GLs. We also noted that a few Columns in the CRJ does not have codes thus impossible to identify repayments to Trade Debtors (SOEs and Government Agencies debtors).
  - We could not verify a total Cash Received from SOEs and Government Debtors totaled to \$39,895.
  - We could not verify the total Cash Receipt from Utility Debtors for repayments totaled to \$139,787 since we could not find the code for Utility Debtors of 1-1221 in the Cash Receipt Journal. This have hindered us from verifying the repayment reported in the GL.
  - We could not verify the total Revenue of \$59,257 which is Cash Receipted from sale of Assembled items since we could not find the code for this revenue 4-2036 in the Cash Receipt Journal.
- Trade Debtors listing was not available thus we could not verify Trade Debtors balance.
  - We could not verify the increase in Utility Debtors (EDF10) of \$474,924 since JV 1/16 is not available.
  - Fixed Asset Register is not available during the audit thus hindered us from carry out testing to verify the Fixed Asset balance reported in the Account.
  - We noted variances between audit calculation and KSEC's calculation for depreciation. The table below shows details of the variances.

	Opening Cost	Closing cost	Rate	Audit calc of deprn expense	Per financials	Variance
Buildings	226,094.00	226,094.00	10%	22,609.40	19,837.60	2,771.80
Plant & Equipment	124,380.00	129,433.44	10.00%	12,943.34	993.06	11,950.28
Furniture & Fittings	6,603.00	6603	10%	102.00	12.00	90.00
Motor Vehicle	41773	41773	20.00%	8,354.60	4,400.00	3,954.60
<b>Total</b>	<b>398,850.00</b>	<b>199,829.98</b>		<b>44,009.34</b>	<b>25,242.66</b>	<b>18,766.68</b>
<b>P&amp;L</b>					<b>25,242.66</b>	

- Stock count sheet for the year ended 2016 were not available thus we could not confirm if KSEC really carry out its end of year stock take or not.
- We could not confirm the stock records recorded in the excel sheet since there were no original signed stock take sheets and we could not calculate the total value of stock since price for stock were not in the record.
- We could not verify the transactions for Purchases of Stock totaled to \$203,563.26 since the Purchase Journal is not available.
- We noted a variance of \$198,578.95 between the total Cost of Sales reported in the Inventory GL and the Total Sales reported in the CRJ and SJ. The table below shows the details:

Cash Sales(CRJ-Direct Sales)	265,499.75
Credit Sales (Sales Journal)	103,349.04
Total	368,848.79
GL Cost of goods Sold	\$170,269.84
Variance	198,578.95

- We noted a variance of \$26,131.67 between the total Cash Receipt from Direct Sales as reported in the General Ledgers and the Cash Receipt Journals.
- JV1/16 is not available thus we could not verify the total OI Utility fees Revenue of \$474,927.20.
- Bank Statement were not available thus we could not verify Bank Balances and Bank Reconciliation.
- We could not review Deposits since Deposit summary were not available during the audit.
- Some Receipt Books were not available during the audit thus we could not confirm the Deposits. The list below shows the receipts not available:
- We could not verify Trade Creditors of \$235,787.00 since listing is not available.
- We could not verify Expenses from the Financial Statement (Account) as shown in the table below since all Payment Vouchers were missing.

Account Names	Amount
<b><u>Selling &amp; Distribution Exp.</u></b>	
Travelling – Local	\$6,403.79

IST Bonus & Allowances	\$8,570.60
Motor Vehicle running costs	\$11,437.24
<b><i>Administrative Expenses</i></b>	
Utilities (Electricity & Water)	\$5,607.43
Repair & Maintenance - Vehicles	\$10,545.30
Printing, Postage and Stationery	\$5,351.17
Dues & Subscriptions	\$3,426.83
<b><i>Finance Expenses.</i></b>	
Doubtful debts	\$208,235.31
<b>TOTAL</b>	<b>\$259,577.67</b>

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kiribati, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Communication with those charged with governance**

I communicated with the Board of Directors and Managements regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

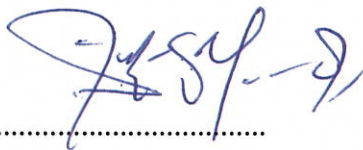
**Report on other Legal and Regulatory Requirements**

KSEC lodged its 2016 Financial Statements for audit on 20 November 2018, therefore indicated KSEC's non-compliance with Section 20 of SOE Act 2012.

**Independence**

Section 114 (4) of the Kiribati Constitution stipulates that the Auditor General shall not be subject to the direction or control of any other person or authority.

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



.....  
Eriati Tauma Manaima  
Auditor General

Date: 16/4/21 .....

**KIRIBATI SOLAR ENERGY COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## COMPANY INFORMATION

YEAR ENDED 31 DECEMBER 2016

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### Board of Directors

Ms Taare Aukitino  
Kireua Kaia  
Eileen Aukitino  
Tiem Ienraoi

### Company Secretary

Tavita Airam, Chief Executive Officer

### Registered Office

Kiribati Solar Energy Company Limited  
Betio  
Tarawa  
Republic of Kiribati

### Principal Place of Business

Kiribati Solar Energy Company Limited  
Betio  
Tarawa  
Republic of Kiribati

### Solicitors

Office of the Attorney General  
Bairiki  
Tarawa  
Republic of Kiribati

### Bankers

ANZ Bank  
Kiribati Branch  
Bairiki  
Tarawa  
Republic of Kiribati

### Auditors

Kiribati National Audit Office  
Bairiki  
Tarawa  
Republic of Kiribati



# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2016

In accordance with a resolution of the board of directors, the directors herewith submit the balance sheet of the company as at 31 December 2016, statement of changes in equity, statement of Cash Flow and related income statement for the year then ended on that date and report as follows:

### Directors

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

Taare Aukitino Chairlady  
Eileen Aukitino

Kireua Kaiea  
Tiem Ienraoi

### Results

The operating Profit for the year was \$164,815 (2015 Profit \$498,881) after taking into account an income tax expense of \$70,635.00 (2015 income tax expense \$55,229).

### Dividends

No dividend has been paid or recommended to be paid by the directors for the year.

### Principal Activity

The principal activity of the company is supply and service Solar Power in Kiribati and there has been no significant changes in these activities during the year.

### Significant Changes in the State of Affairs

There has been no significant change in the state of affairs of Kiribati Solar Energy Company Limited for the year ended 31 December 2016 (2015: Nil)

### Events subsequent to the Balance Sheet

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the company, the results of those operations or the state of affairs of the company in the subsequent financial period.

### Rounding

The Amount contained in the financial report has been rounded off to the nearest dollars.

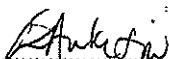
### General

At the date of this report the directors are not aware of any circumstances not otherwise dealt with, which would render the account misleading.

Signed on behalf of the board of directors in accordance with a resolution of the directors.

Dated at Tarawa this 16/11/18 day of **October** 2018

Director: .....



Director: .....



# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2016

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In accordance with a resolution of the board of directors for Kiribati Solar Energy Company Limited, we state that in the opinion of the directors:

- [i] the accompanying statement comprehensive income, changes in equity, statement of financial position, statement of cash flow together with the note thereto are drawn up so as to give a true and fair view of the results of the company for the year ended 31 December 2016
- [ii] at the date of this statement there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due; and
- [iii] all related party transactions have been adequately recorded in the books of the company.

For and on behalf of the board and in accordance with a resolution of the directors.

16/11/2018

Dated at Tarawa this      day of *October* 2018

  
.....  
Director

  
.....  
Director

**KIRIBATI SOLAR ENERGY COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 \$	2015 \$
<b>INCOME from continuing operations</b>			
Revenues	3	934,060.44	1,032,917.00
Government Subsidy (reimbursement of operations)		-	178,511.00
<b>Total Revenue</b>		<b>934,060.44</b>	<b>1,211,428.00</b>
Cost of Sales	4	(210,767.75)	(164,579.00)
<b>Gross Profit</b>		<b>723,292.69</b>	<b>1,046,849.00</b>
Employees cost	5	(168,440.10)	(157,514.00) ✓
Selling & Distribution expenses	6	(39,275.49)	(3,350.00) ✓
Administrative expenses	7	(44,181.11)	(174,413.00) ✓
Finance expenses	8	(210,703.34)	(2,680.00) ✓
Depreciation - Company Fixed Assets	14	(25,242.66)	(14,619.00) ✓
Amortization of Donated Assets			(140,163.00) ✓
<b>Profit/(Loss) before tax from continuing operations</b>		<b>235,449.99</b>	<b>554,110.00</b>
Income Tax expense	9	(70,635.00)	(55,229.00)
<b>Profit/(Loss) after tax from continuing operations</b>		<b>164,814.99</b>	<b>498,881.00</b>
<b>Other Comprehensive Income</b>			
Transfer from Capital Reserve		-	140,163.00
<b>Profit/(Loss) for the year</b>		<b>164,814.99</b>	<b>639,044.00</b>
LESS: Prior Period Adjustments	10	(34,718.71)	(32,337.00)
<b>Total Comprehensive Income for the year, net of Tax</b>		<b>130,096.28</b>	<b>606,707.00</b>

*The Income Statement is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 9 to 17.*

**KIRIBATI SOLAR ENERGY COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2016**

	<b>SHARE CAPITAL</b>	<b>RESERVE</b>	<b>RETAINED EARNINGS</b>	<b>EQUITY</b>
<b>Year 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the period	500	957,076	670,346	1,627,922
Profit/(Loss) for the year	-	-	130,096	130,096
Transfer from Reserve	-	-	-	-
Deferred Income	-	-	-	-
Issue of share capital	-	-	-	-
Balance at the end of the period	<b>500</b>	<b>957,076</b>	<b>800,442</b>	<b>1,758,018</b>
<b>YEAR 2015</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the period	500	898,863	64,973	964,336
Profit/(Loss) for the year	-	-	606,707	606,707
Transfer from Reserve	-	(140,163)	-	(140,163)
Difference in Bank Reconciliation	-	-	(1,334.00)	(1,334)
Increase in Valuation of Assets	-	198,376	-	198,376
Issue of share capital	-	-	-	-
Balance at the end of the period	<b>500</b>	<b>957,076</b>	<b>670,346</b>	<b>1,627,922</b>

*The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 9 to 17.*

**KIRIBATI SOLAR ENERGY COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	2016	2015
<b>CURRENT ASSETS</b>		<b>\$</b>	<b>\$</b>
Cash and Other Cash Equivalents	11	268,445.47	211,942.00
Trade and Other receivables	12	344,345.23	187,892.00
Inventory		92,661.42	59,468.00
Prepayments and other assets	13	13,950.92	45,619.00
		<b>719,403.04</b>	<b>504,921.00</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	14	199,829.98	220,019.00
Intangible - Assets donated by Donors	15	567,879.00	567,879.00
Outer Island Hire Purchases on Donated Systems	15	698,393.00	698,393.00
		<b>1,466,101.98</b>	<b>1,486,291.00</b>
<b>TOTAL ASSETS</b>		<b>2,185,505.02</b>	<b>1,991,212.00</b>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	16	427,486.74	363,290.00
Provision and Deferred Income - Current portion		-	-
<b>TOTAL LIABILITIES</b>		<b>427,486.74</b>	<b>363,290.00</b>
<b>NET ASSETS</b>		<b><u>1,758,018.28</u></b>	<b><u>1,627,922.00</u></b>
<b>Represented by:</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		500.00	500.00
Reserve		957,076.00	957,076.00
Retained earnings		800,442.28	670,346.00
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,758,018.28</u></b>	<b><u>1,627,922.00</u></b>

Signed on behalf of the board of directors in accordance with a resolution of the directors

Director: 

Director: 

*The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 9 to 17.*

**KIRIBATI SOLAR ENERGY COMPANY LIMITED**  
**STATEMENT OF CASHFLOWS**  
**AS AT 31 DECEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from Customers	591,460.95	692,400.00
Cash received from employees	79,593.38	-
Cash received from statutory deductions	45,003.97	-
Payments to suppliers	(375,090.27)	(353,308.00)
Payments of statutory deductions	(50,954.65)	-
Payments for third parties	(16,815.58)	-
Payment to Employees	(209,134.68)	(157,514.00)
Finance costs	(2,468.03)	(2,680.00)
<b>Net Cash Flows (used in) Operating Activities</b>	<b>61,595.09</b>	<b>178,898.00</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, Plant & Equipment purchased	(5,053.44)	(230,045.00)
<b>Net Cash Flows (used in) Investing Activities</b>	<b>(5,053.44)</b>	<b>(230,045.00)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reserve from revaluation of fixed assets	-	198,376.00
<b>Net Cash Flows from Financing Activities</b>	<b>-</b>	<b>198,376.00</b>
Net increase/(decrease) in cash held	56,541.65	147,229.00
Adjustment in Opening Balance for Bank Rec	(38.18)	(1,334.00)
Cash at the beginning of the financial period	211,942.00	66,047.00
<b>Cash at the end of the year</b>	<b>268,445.47</b>	<b>211,942.00</b>

*The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 9 to 17.*

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the company are set out in this note. The policies adopted are in accordance with accounting principles generally accepted in Kiribati, and unless stated otherwise are consistent with those applied in the prior year.

#### 1.1) Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the historical cost accounting and do not take into account changing money values or current valuations of non-current assets unless otherwise stated.

#### 1.2) Property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis at rates calculated to write off each asset over its estimated useful life. The rates in use are as follows:-

Building	10%
	4% -
Plant and Equipment	10%
Furniture & Fittings	10%
Motor Vehicles	20%

#### 1.3) Income tax

The company does not follow the principals of tax effect accounting. Income tax is calculated on the basis of reported incomes only.

#### 1.4) Foreign Currency

Foreign currency transactions during the year are recorded using the rate of exchange prevailing at the date of the transactions. At balance sheet date amounts receivable and payable in foreign currencies are translated at the exchange rates prevailing on that date. Exchange differences are taken directly to the profit and loss statement.

#### 1.5) Borrowing Costs

The borrowing costs that are directly attributable to the acquisition or construction of the capital assets are capitalized. Other borrowing costs are recognized as an expense in the year in which they are incurred.

#### 1.6) Value Added Tax

Revenue, expenses, liabilities and assets are recognized net of the amount of Value Added Tax (VAT), excepts:-

- where the amount of VAT incurred is not recoverable from the Taxation Authority, it is recognised as part of the cost of acquisition of an asset or as part of an item as expense; or
- for receivables and payables which are recognized as VAT Inclusive

The amount of VAT recoverable from, or payable to, the Taxation Authority is included as part of receivables or payables.

The VAT Component of cash flows arising from operating and investing activities which is recoverable from, or payable to, the Taxation Authority is classified as part of operating cash flows.



# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1.7) Inventories

Stock on hand has been valued on the basis of lower of cost and net realizable value

### 1.8) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and that the revenue can be reliably measured, regardless of when the payment is received and when specific criteria have been met for each of the company's activities as described below. Revenue is shown net of Value Added Tax (VAT), returns, rebates and discounts.

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities.

#### a) *Sale of Goods and Services*

Revenue from Direct sales is recognized when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing managerial involvement, costs can be measured reliably, and receipt of the future economic benefits is probable.

#### b) *Rendering Services*

Revenue from the installation and servicing of Solar Equipment is recognized by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labor hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized to the extent of the expenses recognised that are recoverable.

#### c) *Government Subsidy*

Government subsidy is recognized where there is reasonable assurance that the subsidy will be received and all attached conditions will be complied with. When the subsidy relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

#### d) *EDF10 Maintenance Income*

EDF 10 Project Solar Systems funded by European Union (EU) provides solar system for Outer Islands like Home System, Small Business System, Mwaneaba System and Teacher's System.

The company is responsible for the maintenance of these solar systems and charges a maintenance income on these systems. The EU maintains the ownership of these solar systems until such time the project closed down. The administration and maintenance income is recognised once the payment is received.

### 1.9) Comparative

Where necessary, comparative figures have been re-grouped to conform with changes in presentation in the current year.

# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2. ADOPTATION OF NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

A number of new standards and amendments effective for the first time for periods beginning on (or after) 1 July 2012 and 1 January 2013, have been adopted in these financial statements. The nature and effect of each new standard and amendment adopted by the company is detailed below. Not all new standards and amendments effective for the first time for periods beginning on (or after) 1 July 2012 and 1 January 2013 affect the company's financial statements.

#### 2.1 *Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)*

The amendments introduce new terminology, whose use is not mandatory. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

- Items that will not be reclassified subsequently to profit or loss; and
- Items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

#### 2.2 *IFRS 13 - Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique. The application of IFRS 13 may result in changes in how companies determine fair values for financial reporting purposes. In addition, IFRS 13 requires extensive disclosures about fair value measurements.

In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 2.3 New Standards and Amendments effective for the year ended 31 December 2014 that have no significant impact to the company

The following new standards and amendments are also effective for the first time in these financial statements. However, none have a material effect on the company.

- IFRS 7 - Financial Instruments: Disclosures (Amendments - Offsetting Financial Assets and Financial
- IFRS 12 - Disclosure of Interests in Other Entities.
- IAS 16 - Property, Plant & Equipment (Improvements to IFRS (2009 - 2011 Cycle)).
- IAS 1 - Presentation of Financial Statements (Improvements to IFRS (2009 - 2011 Cycle)).
- IAS 19 - Employee Benefits (Revised in 2011).
- IAS 32 - Financial Instruments: Presentation (Improvements to IFRS (2009 - 2011 Cycle)).
- Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12).
- IAS 27 - Separate Financial Statements (Amendments).

### 2.4 Other Standards

Other standards especially on consolidation have no significant on the company.

	2016	2015
	\$	\$
<b>3 Revenues</b>		
Sales - Direct (net of sales returns)	361,873.41	183,194.00
Sales - Assembled items	<u>59,257.61</u>	<u>-</u>
	<u>421,131.02</u>	<u>183,194.00</u>
OI Utility fees	474,927.20	772,576.00
Technical Services fees	18,809.06	44,181.11
Other incomes	19,162.97	42,506.00
Interest on term deposits	30.19	-
Subsidy	<u>-</u>	<u>178,511.00</u>
	<u>512,929.42</u>	<u>1,037,774.11</u>
	<u><b>934,060.44</b></u>	<u><b>1,220,968.11</b></u>
<b>4 Cost of sales</b>	<b>2016</b>	<b>2015</b>
Stock at 01.01.2016	59,368.00	47,526.00
Purchases, KPA Charges, freight, etc	<u>244,061.17</u>	<u>176,521.00</u>
Total of goods available for sale	303,429.17	224,047.00
LESS Stock at 31.12.2016	<u>(92,661.42)</u>	<u>(59,468.00)</u>
	<u><b>210,767.75</b></u>	<u><b>164,579.00</b></u>

**KIRIBATI SOLAR ENERGY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**

FOR THE YEAR ENDED 31 DECEMBER 2016

<b>5</b>	<b>Employees expenses</b>	<b>2016</b>	<b>2015</b>
	Salaries & Wages	130,584.33	116,878.00
	Employer's KPF Contribution	11,214.45	8,455.00
	Allowances (Acting, Charge, Dirt, Shift, Abnormal, other)	1,786.70	1,502.00
	Overtime	2,155.00	205.00
	Employees Subsidized House Rents	974.62	1,027.00
	Leave Grants	21,725.00	13,500.00
	Temporary Assistance	-	11,689.00
	Staff Amenities	-	500.00
	IST wages and allowances	-	4,785.00
	<b>Total</b>	<b>168,440.10</b>	<b>158,541.00</b>
<b>6</b>	<b>Selling &amp; Distribution expenses</b>	<b>2016</b>	<b>2015</b>
	Travelling – Local	6,403.79	16,107.00
	Advertisements & Promotion	3,704.60	-
	Sub Contracts Outsourcing	4,423.76	-
	IST Logistics & Support	-	9,481.00
	IST Bonus & Allowances	8,570.60	-
	Freight expenses (Local)	-	3,530.00
	Hire – MV & Equipments	3,843.80	4,415.00
	Licenses & fees	891.70	1,135.00
	Motor Vehicle running costs	11,437.24	10,686.00
	<b>Total</b>	<b>39,275.49</b>	<b>45,354.00</b>
<b>7</b>	<b>Administrative expenses</b>	<b>2016</b>	<b>2015</b>
	Office Supplies & Consumables	1,877.76	2,814.00
	Purchased Services - Local (Repair & Maintenance)	413.04	-
	Utilities (Electricity & Water)	5,607.43	4,592.00
	Staff Amenities	597.59	-
	Repair & Maintenance - Vehicles	10,545.30	5,017.00
	Repair & Maintenance - Other fixed assets	2,575.49	-
	Board Meetings	4,449.61	5,600.00
	Entertainment	346.37	-
	Membership fees & Contribution	100.00	-
	Internet (Telecom charges)	2,972.04	-
	Donation & Charities	50.00	13.00
	Audit fees	-	2,500.00
	Accountancy fees	1,650.00	1,500.00
	Fines & Late fees	155.76	55.00
	Telephones, Fax & Vodafone (Telecom charges)	2,390.88	4,541.00
	Printing, Postage and Stationery	5,351.17	2,373.00
	General Expenses (Other)	13.33	188.00
	Insurance	458.51	137.00
	Consultants fees	1,200.00	800.00
	Dues & Subscriptions	3,426.83	1,291.00
	Unrealized exchange loss/(gain)	-	893.00
	<b>Total</b>	<b>44,181.11</b>	<b>32,314.00</b>

# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

<b>8</b>	<b>FINANCE EXPENSES</b>	<b>2016</b>	<b>2015</b>
	Bank Charges	2,468.03	2,680.00
	Doubtful debts	208,235.31	95,718.00
	<b>Total</b>	<b>210,703.34</b>	<b>98,398.00</b>
<b>9</b>	<b>INCOME TAX EXPENSE</b>	<b>2016</b>	<b>2015</b>
		\$	\$
	Operating profit before income tax	<u>235,449.99</u>	<u>554,110.00</u>
	Prima facie income tax thereon at the rate of 30%	70,635.00	166,233.00
	Future tax benefit not yet recognized	-	-
	Tax loss recouped	-	(111,004.00)
		<b>70,635.00</b>	<b>55,229.00</b>
<b>10</b>	<b>Prior Year Adjustments</b>	<b>2016</b>	<b>2015</b>
		\$	\$
	Expenses relating to previous years paid in 2016	2,322.46	-
	Prepayments from 2012 - 2015 now written off	32,700.00	-
	Cancellation of cheque outstanding since 2015	(303.75)	-
	Maiana EDF 8 and 10 Debtors payment	-	51.00
	Previous cheque cancelled	-	(360.00)
	Freight Charge	-	(7.00)
	Austral Account w/o as full paid in 2012	-	(4,960.00)
	Village Solar	-	1,152.00
	Receipts 2014	-	(7,203.00)
	Tax for year 2007-2010 just received	-	43,664.00
		<b>34,718.71</b>	<b>32,337.00</b>
<b>11</b>	<b>CASH &amp; CASH EQUIVALENTS</b>	<b>2016</b>	<b>2015</b>
		\$	\$
	Cheque Account No.: 306211	27,346.79	75,708.00
	Cheque Account No.: 975410	139,229.02	39,508.00
	Sustainability Fund No. 1025887	99,678.65	93,670.00
	Undeposit Funds	-	407.00
	IBD Account No.: 504256	1,266.16	1,559.00
	IBD Account No.: 190590	924.85	1,090.00
		<b>268,445.47</b>	<b>211,942.00</b>

# KIRIBATI SOLAR ENERGY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 TRADE AND OTHER RECEIVABLES	2016	2015
	\$	\$
Trade Debtors	101,695.67	34,600.00
Utility Debtors (EDF8)	206,644.00	206,644.00
LESS: Provision for Doubtful Debts	(206,644.00)	(206,644.00)
Utility Debtors (EDF10)	335,139.46	-
LESS: Provision for Doubtful Debts (EDF10)	ø (208,235.31) ø	-
Sundry Debtors	96,771.41	134,318.00
Advance	-	-
Staff Loans	14,984.00	14,984.00
IST Staff Advance	3,990.00	3,990.00
	<b>344,345.23</b>	<b>187,892.00</b>

Trade and Utility debtors are non-interest bearing and the terms of payments is 30 - 90 days. EDF10 Project is non- interest bearing with no fixed term of repayment. Staff Loans are non- interest bearing and paid by a direct deduction from the payroll

13 PREPAYMENTS AND OTHER ASSETS	2016	2015
	\$	\$
Prepayments	-	32,700.00
Imprest Account	13,950.92	12,919.00
	<b>13,950.92</b>	<b>45,619.00</b>

Imprest Account are non-bearing interest but should be retired once the trip is completed

14 COMPANY FIXED ASSETS	Buildings	Plant & Equipment	Furniture & Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
<b>YEAR 2016</b>	<b>10%</b>	<b>4% - 10%</b>	<b>10%</b>	<b>20%</b>	
Balance at beginning of year, net of Accumulated Depreciation	188,457.20	11,660.00	102.00	19,800.00	220,019.20
Valuation	-	-	-	-	-
Additions	-	5,053.44	-	-	5,053.44
Disposals	-	-	-	-	-
Depreciations	(19,837.60)	(993.06)	(12.00)	(4,400.00)	(25,242.66)
Balance at end of year, net of accumulated depreciation	<u>168,619.60</u>	<u>15,720.38</u>	<u>90.00</u>	<u>15,400.00</u>	<u>199,829.98</u>
<b>Reconciliation as at 31 December 2016</b>	\$	\$	\$	\$	\$
Cost or Valuation	198,376.00	124,380.00	6,603.00	22,000.00	351,359.00
Accumulated Depreciation	(29,756.40)	(108,659.62)	(6,513.00)	(6,600.00)	(151,529.02)
<b>Net Carrying Amount</b>	<u>168,619.60</u>	<u>15,720.38</u>	<u>90.00</u>	<u>15,400.00</u>	<u>199,829.98</u>

**KIRIBATI SOLAR ENERGY COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Furn'tre &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>YEAR 2015</b>	\$	\$	\$	\$	\$
Balance at beginning of year, net of Accumulated Depreciation	-	4,479.00	114.00	-	4,593.00
Valuation	198,376.00	-	-	-	198,376.00
Additions	-	9,669.00	-	22,000.00	31,669.00
Disposals	-	-	-	-	-
Depreciations	<u>(9,919.00)</u>	<u>(2,488.00)</u>	<u>(12.00)</u>	<u>(2,200.00)</u>	<u>(14,619.00)</u>
Balance at end of year, net of accumulated depreciation	<u>188,457.00</u>	<u>11,660.00</u>	<u>102.00</u>	<u>19,800.00</u>	<u>220,019.00</u>
<b>Reconciliation as at 31 December 2015</b>	\$	\$	\$	\$	\$
Cost or Valuation	226,094.00	124,380.00	6,603.00	41,773.00	398,850.00
Accumulated Depreciation	<u>(37,637.00)</u>	<u>(112,720.00)</u>	<u>(6,501.00)</u>	<u>(21,973.00)</u>	<u>(178,831.00)</u>
Net Carrying Amount	<u>188,457.00</u>	<u>11,660.00</u>	<u>102.00</u>	<u>19,800.00</u>	<u>220,019.00</u>

**15 DONATED ASSETS (EDF8)**

	<b>2016</b>	<b>2015</b>
	\$	\$
Balance at beginning of year, net of Accum. Depreciat'n	567,879.00	708,042.00
Addition	-	-
Amortizations	<u>-</u>	<u>(140,163.00)</u>
Balance at end of year, net of accumulated depreciation	<u>567,879.00</u>	<u>567,879.00</u>

**Reconciliation as at end of year**

Cost of valuation	3,285,997.00	3,285,997.00
Accumulated Depreciation	<u>(2,718,118.00)</u>	<u>(2,718,118.00)</u>
Net Carrying Amount	<u>567,879.00</u>	<u>567,879.00</u>

**DONATED ASSETS (EDF10)**

	<b>2016</b>	<b>2015</b>
	\$	\$
Balance at beginning of year, net of Accum. Depr'ctn	698,393.00	-
Additions	-	698,393.00
Amortizations (release to Users)	<u>-</u>	<u>-</u>
Balance at end of year, net of amortization	<u>698,393.00</u>	<u>698,393.00</u>

**Reconciliation as at end of year**

Cost of valuation	698,393.00	698,393.00
Amortizations	<u>-</u>	<u>-</u>
Net Carrying Amount	<u>698,393.00</u>	<u>698,393.00</u>



**KIRIBATI SOLAR ENERGY COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2016**

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<b>16</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
	Trade Creditors	235,787.00	235,787.00
	Payroll Liabilities	10,226.53	27,451.00
	Income Tax Payable	169,633.00	98,998.00
	VAT Payable (Clearance)	949.01	1,455.00
	Outer Island Telmo Clearing	-	(8,076.00)
	Clearing & Contra Account	(401.00)	7,675.00
	Refund of Customers Deposits	(1,303.57)	-
	VAT Collected	11,411.43	-
	Withholding Tax	64.25	-
	Staff SAYE	1,188.26	-
	Suspense	(68.17)	-
		<b>427,486.74</b>	<b>363,290.00</b>