

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Kiribati Housing Corporation
Financial Statements
For the Year Ended 31st December 2019**

**Kiribati Audit Office
August 2021**

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

**To the Readers Of
Kiribati Housing Corporation Financial Statements
For the year ended 31 December 2019**

I have audited the Financial Statements of Kiribati Housing Corporation (KHC) for the year ended 31st December, 2019 as required under sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981 and 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

Qualified Opinion:

In my opinion, except for the effect of the matters described in the Basis for our Qualified Opinion section of our report, the accompanying financial statements present fairly, (or *give a true and fair view of*) in all material respects the financial position of the Corporation as at December 31st 2019, its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standard.

Basis for Qualified Opinion:

The following formed the basis of my opinion:

- i. **Loan from GoK SAPHE (Revolving Fund) of \$600k.**

- KHC transferred 'Loan from GoK (SAPHE Revolving Fund)' of \$600k to Revenue in 2019. The implications of the above adjustment would be:

- Elimination of the 'Loan from GoK (SAPHE Revolving Fund account)'. In other words, such account was no longer existed as a liability on the Balance Sheet.
- Because the Fund was a Revolving Fund and was established for the purpose of financing small loans for Sanitation Projects, the above adjustment had now put an end to this project.

I doubted the validity of the above given no Cabinet approval sought before writing off the Loan and putting an end to the Revolving Fund. As per SOE Act, 2013 sec. 13a, ***"the Board of an SOE must obtain the written approval of the Beretitenti acting in accordance with the Cabinet before entering into a major transaction."***

- Further to the above, we found that this Revolving Fund has been depleting when by nature a Revolving fund should be replenished so to ensure the purpose for which it serves is on-going. As per current Lending staff statement, KHC in the past, had failed to monitor and manage the Fund properly which had now resulted in the depletion of this Fund.
- We also asked for agreements made in regard to the above Loan from GoK but this was not available. We were unsure what conditions applied to this loan, whether it requires repayment, or it would be turned to grant after a certain period. These are important information we require so to be able to know what correct treatment should have been made regarding the Loan from GoK (SAPHE Revolving Fund).
- For more information, the SAPHE cash fund still existed in 2019 with a balance of \$18k+. This is an indication that the Loan is still on.
- There were also active loans which accounts remained as SAPHE loans in KHCs books totalled to \$34k at the end of Financial year.

ii. **Housing and SAPHE Loan accounts.**

- We doubted the accuracy of balance standing for these loans due to the following:
 - Customers files are missing.

- Loan applications were not properly secured in the past thus making it difficult to recover the loan amount.
- Customers files context are missing.
- Loans had not been followed up for more than 10 years therefore passed the Limitation Act.
- Some Customer accounts had been fully repaid but was not properly closed so unnecessary interest or charges kept on increasing causing the account to accumulate a debit balance.
- Some deceased customers with uncleared loans were not fully secured so we cannot recover their balances from their KPF.
- There were also repayment issues as most of the customers repayments were not automated therefore HLAC had to walk around to collect loan repayments.
- An adjustment made during the year of \$85k for SAPHE Loans and \$379k for Housing Loans cannot be verified due to the unavailability of concrete records/breakdown.
- The Provision for Doubtful Loans in respect of SAPHE Loan of \$44k+ exceeded the SAPHE Loan balance of \$34k+ thus resulting in a negative balance of \$10k+. This had indicated poor calculation of the provision.

iii. Misallocation

- Loan repayment of \$21k+ was wrongly posted to Maintenance bank account instead of Housing Loan Account. Our test revealed that this had not been reversed or corrected.

iv. IBD drawdowns

- We were unsatisfied that the drawdowns from IBD in the amounts of \$220k and \$250k were in order due to the missing approval documents.

v. Trade Receivables and Provisions

- We were unable to verify Trade Receivables and Provisions due to the following:
 - We doubted the correctness of the Provisions used for Trade Receivables especially to Corporations and Ministries (Non Economic) as amounts remained static since last year.

- We were unsatisfied that our query in relations to the increase of adjustments of \$68k in 2018 to \$125k in 2019 for the Eco rent Receivable (for Min and SOEs) was not answered. This had raised doubts as to whether the adjustments were correct or not.
- A variance of \$169k was noted between FS (refer note 10) and the main GL (Trade Debtors Tenant control) see details below:

FS	Tenant Control account	Variance
\$465k	\$634k	\$169k

- Aging reports cannot be assessed from MYOB.
- We found that the closing balances for the following Trade Receivable categories in the previous year 2018 did not match the opening balance for 2019. Refer table below for details:

Trade Receivable	C/bal 2018 \$	O/bal 2019 \$	Variance \$
Ministry rent receivables (non-eco)	114,768	193,538	78,770
Economic Rent Receivable (MIN & SOEs)	140,706	344629	203,923
Corporation Rent Receivable (non-eco)	151032	207063	56,031

vi. Base Stock

The following issues had hindered us from verifying Base Stock:

- Housing Management System (HMS) which records movement of stock at Bairiki Stores failed to produce require reports therefore we were unable to verify base stock.
- PV 854/19 of \$6,632 was posted to MYOB with a different value of \$8,312 this had therefore overstated the payment posted to MYOB. This could not be resolved by management as they could not locate such PV.
- Another missing PV was noted – PV 760/19.

I have conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are described in the Auditor's Responsibilities paragraph of my report. I am independent of the Corporation in accordance with the Ethical requirements that are relevant to my audit of the financial statements of the Corporation and I have fulfilled my other responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Board's and Management's responsibilities for the Financial Statements.

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

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act 2017. Reasonable assurance is a high level of assurance but is not guarantee that an audit conducted in accordance with ISA/ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs & ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

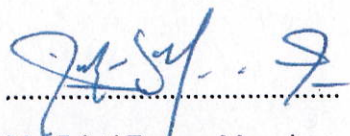
Report on other Legal and Regulatory Requirements

KHC lodged its first Financial Statement on 17/4/2020 and the Revised Financial Statements was received 24/06/2020 therefore indicating KHCs incompliance to Section 20 of the SOE Act 2013.

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 KHC.



Mr. Eriati Tauma Manaima

Auditor General

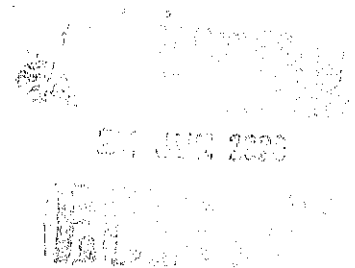
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REVISED FINANCIAL STATEMENT 2019

AS APPROVED BY THE BOARD OF DIRECTORS

19 JUNE, 2020



DIRECTORS' REPORT

1. INTRODUCTION

1.1 In compliance with the requirements of the Kiribati Housing Corporation Act 1979, the Board of Directors of the Kiribati Housing Corporation (KHC) have great pleasure in submitting KHC's Financial Statements for the Year ended 31 December 2019. These are now attached and comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows and Statement of Changes in Equity.

1.2 KHC's principal function is to provide housing for Government Civil servants including related support services and provide housing loans with other related loan for housing facilities such as toilets and rain water catchment.

2. HOUSING DEVELOPMENTS

2.1 Recognising that the bulk of its housing stocks were inherited from colonial times with limited remaining life spans, KHC Board has consequently adopted a deliberate policy to initiate the New Build Program with its new MFE formwork kits to construct new houses, and to fully renovate the old housing stock for conversion into the Economic Houses and to attend to routine Maintenance work in a timely manner.

2.2 Thus the New Build Program was started in 2018 with the construction of 3 D-Duplex houses in Bikenibeu to showcase their suitability and durability. The 3 duplex houses had been completed and occupied by Tenants. The new Grade C house constructed with the new MFE Formwork kits was completed in 2019.

2.3 The New Build Program will adopt the MFE Construction technology that will make the construction processes quicker and easy to build in a short period of time. This will fast-track the construction of new houses with a more durable concrete houses and with less maintenance costs in the long run.

2.4 The New Housing Loan product known as Turnkey Home Loan, was introduced and incorporated in the Lending Credit Policy in 2017. KHC will provide new housing loans, acquire building materials and build the new home of the client. So far, four houses have

been built and the demand for Turnkey Home Loan is increasing.

3. FINANCIAL RESULT

3.1 The Notes to the Financial Statements include a statement of the major Accounting policies and changes in Accounting Policies used in the preparation of the accounts.

3.2 The Financial Statements shows that the Net Operating Net Profit of \$589,968, including depreciation expenses and prior to adding up the abnormal items. The Profit was realised due to the receipt of the CSO which was paid in 2019. This was a direct Government financial assistance to support KHC operation with its lower income due to fixed house rent to the 1994 rates.

3.3 KHC Board notes with concern two main issues, firstly to do with quality of maintenance works that needs to be further improved and secondly control over the released of materials from the Stores and the returns on the remaining materials. Cargo Monitoring Officer is the new post created to monitor the flow of materials in and out.

4. CONCLUSION



4.1 The Board of Directors are of the opinion that the attached Financial Reports show a True and Fair view of the State of Affairs of the Corporation including its Financial Position, Financial Performance, and its Cash Flows for the year 2019.

4.2 The Board is also not aware of any likely Contingent Liability or any major extraordinary event which may materially affect the integrity of the information provided in the Financial Statements.

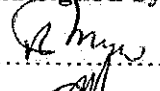

On behalf of the Board,


RITITE TEKIAU
CHAIRLADY

KIRIBATI HOUSING CORPORATION
REVISED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31ST DECEMBER 2019

	<u>Notes</u>	<u>2019</u>	<u>Revised</u> <u>2018</u>
INCOME			
Rental Income	19	1,958,779	1,834,684
Less Cost of Sales	32	282,367	290,772
GROSS PROFIT		1,676,413	1,543,912
OTHER INCOME			
Interest on House Loan	13	122,833	98,401
Interest on SAPHE Loan	14	1,487	1,809
Interest on Special Loan	13b	16,358	16,650
Adm Fees, Late Fees and others	13&14	82,145	87,380
Interest on Short-term deposits		4,353	10,531
Community Services Obligation (CSO)		1,052,353	
Other Income	20	247,054	34,859
Total Income		1,526,583	249,630
EXPENSES			
Personal Emoluments	22	905,543	890,605
Operating Expenses	23	251,108	230,970
Office Support Expenses	24	95,551	98,451
Repair & Maintenance Expenses	26	23,472	10,687
Development Cost of production	31	26,743	10,624
Dept Property, Plant & Equipment	4	758,921	723,865
Dept-Capitalized repairs & maintenance	4	532,735	435,464
Bad and Doubtful Debts			
Miscellaneous Expenses	25	17,625	16,056
Sundry Expenses		1,330	1,371
Total Expenses		2,613,028	2,418,092
Net Operating Profit/Loss		589,968	-624,551
Add/Less: Abnormal Items			
Prior Period Items		175,155	-217,368
Release of Amortisation		409,014	407,181
Extraordinary items		604,000	
Net Profit/(Loss) for the year		1,778,137	-434,738
Approved and Signed by: Chairlady:  Date <u>22/06/20</u> Director:  Date <u>22/06/20</u>			

KIRIBATI HOUSING CORPORATION
REVISED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019

	NOTES	2019	Revised 2018
CURRENT ASSETS			
Cash at Bank	5	699,411	486,801
Cash on hand	6	150	150
Petty cash reimbursement	7	300	300
Short Term Deposit (IBD)	8	356,210	821,856
Base Stock	9	459,405	303,530
Work in Progress	33	321,731	11,911
Trade Receivables	10	465,142	236,761
Sundry Debtors & Prepayment	30	70,361	134,801
Total Current Assets		2,372,710	1,996,111
CURRENT LIABILITIES			
Auditors' Remuneration	11	7,500	5,000
Security Deposits	12(i)	9,953	9,161
Accrued Expenses	28	34,626	14,552
Interest Payable		0	4,000
Payroll Liabilities	21	34,410	5,553
Sundry Creditors	14, 27, 29	95,870	98,714
Total Current Liabilities		182,359	136,980
WORKING CAPITAL		2,190,352	1,859,131
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	5,722,380	6,012,047
Housing Loan	13	1,443,147	1,116,557
SAPHE Loan			
Capitalized Repair/Maintenance	4	2,013,385	2,025,720
Total		9,178,912	9,154,324
LONG TERM LIABILITIES			
Loan from GOK-SAPHE	16	0	600,000
Security Deposits	12(ii)	189,100	174,050
Total		189,100	774,050
NET WORTH		11,180,164	10,239,405
REPRESENTED BY			
Accumulated Fund	17	3,851,344	2,073,207
Capital Reserve	18	7,328,820	8,037,834
Housing Assistance Reserve			128,364
TOTAL SHAREHOLDERS FUND		11,180,164	10,239,405
Approved and Signed by:			
Chairlady: 	Date: 22/06/20		
Director: 	Date: 22/06/20		

Kiribati Housing Corporation
Revised Statement of Cash flow
As at 31st December 2019

	Notes	Dec-19	Revised 31/12/18
Operating Activities			
Cash receipt from Customers		3,901,236	2,315,190
Cash paid to suppliers and employees		2,424,716	2,039,449
Net Operating Cash Flow		1,476,520	275,741
Investing Activities			
Net House loan	13	- 326,590	- 238,042
Net House fees collect	12	15,050	8,573
Net SAPHE loan	14	-	40,866
Purchase of Property, Plant and Equip		- 469,254	- 423,272
Capitalized Repair and Maintenance		- 520,400	- 613,608
Net Investing Cash flow		- 1,301,194	- 1,225,482
Financing Activities			
GOK Project Fund (Phase 2)		- 300,000	69,799
Housing Assistance Reserve		- 128,364	49,741
Net Financing Cash flow		- 428,364	119,540
Net Increase (decrease) in cash held		- 253,037	- 830,200
Add: Opening Cash and Cash Equivalent		1,309,107	2,139,307
Cash at end	5,6,7,8	1,056,070	1,309,107
Reconciliation to Cash Flow			
Operating Profit/Loss		1,778,137	-434,738
Depreciation PPE		758,921	723,865
Depreciation Capitalised Repair & Maintenance		532,735	435,464
Release of Amortisation - PPE		- 409,014	- 407,181
Increase/Decrease Sundry Debtors & Prep		64,439	21,637
Increase/Decrease Base Stock		- 155,875	- 137,207
Increase/Decrease Trade Receivable		- 228,381	73,231
Increase/Decrease WIP		- 309,820	10,407
Increase/Decrease Current Liabilities		45,379	54,350
Adjustment to Interest on Loan			
Adjustment to Long term Loan		- 600,000	
Cashflow from Operating Activities		1,476,520	275,741
Approved and Signed by:			
Chairlady:.....		Date.....	22/06/20
Director:.....		Date.....	22/06/20

KIRIBATI HOUSING CORPORATION
REVISED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 2019

	2019	Revised 2018
Retained Earnings		
Opening Balance	2,073,207	2,507,945
Less Net Loss	1,778,137	-434,738
Closing Balance	3,851,344	2,073,207
Capital Reserve		
Capital Reserve	2,807,004	2,807,004
Housing Assistance Reserve		
Opening Balance	128,364	78,623
Add: Prepayment non economy rent subs	-128,364	49,741
Closing Housing Assistance Reserve		128,364
Asset Aid Reserve		
Opening Balance	4,570,360	4,923,799
Less: Amortisation for the year	409,014	409,014
Add: Addition		53,741
Less: Bank charge		
Closing Balance	4,161,345	4,570,360
PROJECT FUND	360,471	660,471
CLOSING BALANCE	4,521,816	5,230,830
TOTAL RESERVE	11,180,164	10,239,405

Approved and Signed by:

Chairlady: 

Date: 22/06/20

Director: 

Date: 22/06/20

KIRIBATI HOUSING CORPORATION

NOTE TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2019.

1. The Corporation

The Kiribati Housing Corporation was established by the Housing Corporation Ordinance 1978 for the purpose of providing housing and services incidental thereto.

Its main activities are the repair and maintenance of all Government owned housing and the provision of loans for the construction of private dwellings.

2. Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

- a) **Basis of preparation:** The accounts of the Corporation have been drawn up in accordance with **Generally accepted accounting standard** and disclosure requirements. They have been prepared on the basis of Historical cost and Accrual Basis of Accounting and do not take into account changing money values, or except where stated, current valuations of Long-Term Assets. The accounting policies have been consistently applied.
- b) **Depreciation:** Fixed Assets are depreciated over their estimated useful life using straight-line depreciation method. The rates applied are consistent with those of previous years:

Housing Buildings	5% to 7% pa
Office Buildings	3% pa
Housing Furniture	10% pa
Housing Equipment	33.3% pa
Office Equipment, Tools & Machinery	20% pa
Motor Cycle & Vehicles	25% pa
Capitalized Repair & Maintenance	20% pa
MFE Formwork	2.5% pa
- c) **Interest Income:** The amount of interest earned during the year
- d) **Rent Income:** The amount of rent charged during the year
- e) **Provisioning for Doubtful Receivables:** The Corporation maintains and reviews its Provision for Doubtful debts in 2 ways depending on the details available on each account or portfolio:
 - i. Specific Provision based on a review of all account in the Portfolio or
 - ii. General provision of 5% of net carrying balances using Balance Sheet approach.

f) Grants and Subsidies.

Grants received for Capital Assets are recorded in the Balance Sheet as Asset Aid Reserve and released as Amortized Income for subsequent periods at a rate of Depreciation applied for Capital Assets acquired under a grant.

Community Service Obligations (CSOs) payment from Government are recorded as Income as to compensate the loss of revenue arise from the lower rate of rental tariff.

3. Changes in Accounting Policies

The Corporation adopted two new accounting policies that:

- a) Set realizable values of rent receivables; and
- b) Capitalized part of expenses for repairs and maintenance on the housing stock instead of treating them as expenses. This practice will only be applied to the 2010 and 2013 financial reports and thereafter KHC will identify capital and operation expenditures as and when repair and maintenance works are carried out.

Kiribati Housing Corporation

Notes to the Financial Statements
for the year ended 31 December 2019

Notes 4: NON-CURRENT ASSETS

	Old Housing Buildings	New Housing Buildings	Office Building	Housing Furniture	Housing Equipment	Motor Vehicles	Office Equipment	Office Furniture	Water Tank Replacement	Warehouse Building	Container Storage	Tools & Machinery	Scavall	MFE Formwork	TOTAL
COST															
Balance at 1 January 2019	7,573,383	8,550,430	267,565	467,739	461,811	674,348	701,507	31,584	206,124	107,986	7,800	233,871	226,922		19,911,069
Additions 2019						25,993	14,838	362	42,280		13,631	48,046	2,593	321,311	469,254
Adjustment 2019															0
Disposal 2019															0
Balance at 31 December 2019	7,573,383	8,550,430	267,565	467,739	461,811	700,341	716,346	31,946	248,404	107,986	21,431	281,917	229,515	321,511	20,380,322
ACCUMULATED DEPRECIATION															
Balance at 1 January 2019	7,573,382	3,377,385	150,210	467,739	461,811	522,506	609,724	30,332	109,563	107,986	7,800	190,659	219,926	0	13,893,022
Depreciation per year 2019		626,550	8,027			38,522	34,332	262	29,944		417	17,038	3,157	692	758,921
Adjustment 2019															0
Disposal 2019															0
Balance at 31 December 2019	7,573,382	4,003,915	158,237	467,739	461,811	631,028	644,056	30,594	139,507	107,986	8,217	207,696	223,083	692	14,657,251
Depreciation Rate	7%	7%	3%	10%	33%	25%	20%	10%	20%	20%	20%	20%	20%	3%	
NET BOOK VALUE															
Balance at 31/12/2019	1	4,946,514	109,328	0	0	69,313	72,290	1,352	108,897	0	13,215	74,220	6,432	320,818	5,722,380
Balance at 31/12/2018	1	5,573,045	117,355	0	0	81,842	91,783	1,252	96,561	0	0	43,212	6,996	0	6,012,047
DEPRECIATION LAST YR (2018)															
Previous set Charge	0	609,457	7,989	0	0	38,463	34,220	243	18,603	0	0	12,093	2,297	0	723,865

Kiribati Housing Corporation

Notes to the Financial Statements

for the year ended 31 December 2019

Notes 4: CAPITALISED MAINTENANCE & COST OF SALES

	Capitalised Rehabilitation	2010 Uncatergised Capitalised Maintenance	Contingent Repair Costs	Redecoration Maintenance Costs	Roofing Maintenance Costs	Rethatching Repair Costs	Electrical Repair Costs	Plumbing Repair Costs	Water Tank Repair Costs	Cleaning Felling Trees Costs	Identified Maintenance Programs	TOTAL
COSTS												
Balance at 1 January 2019	0	1,094,925	0	0	16,546	0	0	0	0	0	914,250	2,025,720
Additions 2019												
Capitalisation Rate	100%	0%	25%	100%	75%	60%	0%	0%	0%	0%	100%	520,400
Amount to Capitalise												
Cost of Sales												520,400
DEPRECIATION												
Balance at 1 January 2019	0	1,094,925	0	0	16,546	0	0	0	0	0	914,250	2,025,720
Additions 2019												
Amortisation 2019	0	99,539	0	0	6,423	0	0	0	0	0	426,773	520,400
Balance at 31 December 2019	0	995,386	0	0	10,123	0	0	0	0	0	1,007,877	2,013,385
Depreciation Rate	20%	5%	20%	20%	10%	33%	0%	0%	0%	0%	20%	
CAPITALISED MAINTENANCE BALANCE												
Balance at 31/12/2019	0	995,386	0	0	10,123	0	0	0	0	0	1,007,877	2,013,385
Balance at 31/12/2018	0	1,094,925	0	0	16,546	0	0	0	0	0	914,250	2,025,720
AMORTISATION LAST YR (2018)												
Previous set Charge	6,810	99,539	0	0	6,423	0	0	0	0	0	322,693	435,464

NOTES TO ACCOUNTS		
	31.12.19	31.12..18
5. Bank		
Maintenance Account	\$325,318	\$171,727
HLAC (275759)	\$155,982	\$269,089
SAPHE Account(193002)	\$18,745	\$16,968
Cash at bank - Project	\$199,366	\$29,017
	\$699,411	\$486,801
6. Bus fare	\$150	\$150
7. Petty Cash Re-imbursement	\$300	\$300
8. Interest Bearing Account (IBD)		
Maintenance IBD A/c No 893300	\$356,210	\$821,856
	\$356,210	\$821,856
TOTAL CASH & CASH EQUIVALENT	\$1,056,070	\$1,309,107
9. Inventory		
Central Stores Opening Balance	\$277,932	\$144,304
Add Purchase during the year	\$894,879	\$816,492
Less Issue Stocks during the year	\$742,623	\$663,745
Add/Less: Adjustment		\$19,119
Closing Balance	\$430,188	\$277,932
Add: Turn Key Base Stock	\$29,217	\$25,598
	\$459,405	\$303,530
10. Trade Receivables		
<i>Ministry rent receivable (Non Economic)</i>		
Opening balance	\$193,538	\$133,053
Add ; Ministry rent billing	\$342,292	\$431,584
Less: Ministry rent revenue	-\$367,945	-\$399,359
Refund (House rent & Security Deposit and Transfer)	-\$100	
Adjustmet	-\$50,888	-\$50,510
Closing balance	\$116,896	\$114,768
Provision for doubtful debt		
Provisions for previous years	\$71,710	\$71,710
Net Ministry Rent receivable balance	\$45,187	\$43,059

	31.12.19	31.12.18
<i>Economic rent receivable (MIN & SOEs)</i>		
Opening balance	\$344,629	\$107,019
Add : Economic rent billing	\$1,500,362	\$1,395,275
Less: Economic rent revenue	-\$1,397,241	-\$1,293,301
Refund (House rent & Security Deposit and Transfer)		
Adjustment	-\$125,965	-\$68,287
Closing balance	\$321,785	\$140,706
Provision for doubtful debt		
Provisions for previous years		
Net Economic rent receivable balance	\$321,785	\$140,706
<i>Corporation rent receivable (Non Economic)</i>		
Opening balance	\$207,063	\$185,076
Add : Corporation rent billing	\$116,124	\$149,587
Less: Corporation rent received	-\$115,670	-\$182,304
Refund (House rent & Security Deposit and Transfer)	-\$2	
Adjustment	-\$11,309	-\$1,326
Closing balance	\$196,206	\$151,032
Provision for doubtful debt		
Provisions for previous years	\$98,035	\$98,035
Net Corporation rent receivable balance	\$98,171	\$52,997
TOTAL RENT RECEIVABLE	\$465,142	\$236,761
11. Auditors Remuneration		
Accrued Auditing Services	\$7,500	\$5,000
12. Security Deposit		
Opening Balance	\$183,210	\$174,185
Add: Collection	\$16,630	\$11,300
Less: Payments	\$788	\$2,275
Balance	\$199,052	\$183,210
(i) Current Liability (5%)	\$9,953	\$9,161
(ii) Long term Liability (95%)	\$189,100	\$174,050

	31.12.19	31.12.18
13. Housing Loans		
Opening Balance	\$1,513,029	\$1,221,971
Disbursement	\$1,488,205	\$1,154,329
Add/Less Adjustment	-\$379,240	\$44,043
Add: Refund	\$50,303	\$40,522
Less: Collection	-\$1,367,553	-\$1,084,243
Add: Interest	\$122,833	\$98,401
Add: Admin & other loan charges	\$41,304	\$38,224
Closing Balance	\$1,468,881	\$1,513,247
Provision for doubtful debts		
Previous Years Provision	\$55,848	\$465,940
Total House Loan Receivable	\$1,413,033	\$1,047,307
13.B Special Loan Control		
Opening Balance	\$69,569	\$125,885
Disbursement	\$132,424	\$161,197
Add/Less Adjustment	\$1,247	\$1,177
Add: Refund	\$22,596	\$20,237
Less: Collection	-\$250,657	-\$301,239
Add: Interest	\$16,358	\$16,650
Add: Admin & other loan charges	\$38,956	\$45,723
Closing Balance	\$30,493	\$69,629
Provision for doubtful debts		
Previous Years Provision	\$379	\$379
Total Special Loan	\$30,114	\$69,250
	\$1,443,147	\$1,116,557
14. SAPHE Loans		
SAPHE Opening Balance	\$126,698	\$173,889
Disbursement	\$2,523	\$10,980
Add/Less: Adjustment	-\$85,820	-\$2,564
Refund	\$2,523	\$5,257
Less: Collection	-\$14,873	-\$66,107
Add: Interest	\$1,487	\$1,809
Add: Admin & other loan charges	\$1,885	\$3,434
Closing Balance	\$34,422	\$126,698
Less Provision for doubtful debts		
Previous Years Provision	\$44,493	\$126,958
Total SAPHE Loan Receivable	-\$10,072	-\$260
15. Interest Payable (LT Loan from GOK)	\$0	\$4,000
16. Long Term Loan from GOK - SAPHE		
At 31st December	\$0	\$600,000
17. Accumulated Fund		
As at 1st January	\$2,073,207	\$2,507,945
Profit (Loss) Retained for the year	\$1,778,137	-\$434,738
As at 31st December	\$3,851,344	\$2,073,207

	31.12.19	31.12.18
18. Capital Reserve		
At 1st January	\$2,807,004	\$2,807,004
Asset - Aid Reserve	\$4,161,345	\$4,570,360
Project Fund (GOK)	\$360,471	\$660,471
	\$7,328,820	\$8,037,834
19. Rent Income (Billing)		
Economic Subsidy Old	\$667,897	\$710,998
Economic Subsidy New	\$667,523	\$484,596
Non Economic Subsidy	\$237,276	\$260,879
Local Rent Old	\$263,867	\$287,656
Local Rent New	\$91,304	\$63,554
Water Tank	\$30,913	\$27,000
	\$1,958,779	\$1,834,684
20. Other Income		
Pledge Fees	\$4,945	\$3,967
Reconciliation Fees	\$10	
Statement Fees	\$1,000	\$1,060
Late Fees - HLAC & SAPHE		
Establishment Fees	\$8,670	\$10,750
Stamp Fees	\$2,065	\$10
Court Fees		
Late Fees - Housing	\$0	\$145
Second Hand Sales	\$60	
Furniture Making Income	\$15,229	\$5,950
Other Income	\$215,075	\$12,977
	\$247,054	\$34,859
21. Payroll Liabilities & Others		
PAYE Tax Clearance	-\$1,389	-\$1,389
KPF Clearing	\$8,323	\$50
Tax Arrears	\$2,106	\$4,116
ANZ Bank Clearing	-\$303	-\$303
SAPHE Loan Clearing	\$28	\$28
House Loan Clearing	-\$120	-\$120
DBK Loan Clearing	\$55	\$55
KHC Loan Clearing	-\$200	\$0
Social Club Clearing	\$11	\$11
Contractors Withholding Tax Clearing	\$1,583	\$1,491
Union Subscriptions	\$584	\$584
Board (Director w/tax	\$348	
Casual Labours (KPF Payable)	\$23,385	\$1,032
	\$34,410	\$5,553

	31.12.19	31.12.18
22. Personal Emolument		
Wages & Salaries	\$656,784	\$628,679
Temporary Assistance	\$39,010	\$58,730
Allowances	\$17,135	\$19,478
KPF Expenses	\$52,186	\$51,574
Overtime	\$26,351	\$23,068
Leave Grants	\$79,228	\$81,099
L/Passage & Commutation	\$0	\$1,648
House Rent Subsidy	\$34,850	\$26,328
	\$905,543	\$890,605
23. Operating Expenses		
Electricity	\$52,746	\$62,022
Telephone & Internet	\$45,222	\$30,050
Audit Fees	\$2,500	\$2,500
Insurance Premium	\$12,796	\$14,880
Service Charge	\$1,100	\$380
Stationery & Postage	\$4,626	\$5,436
Travel	\$46,688	\$31,723
Transport	\$1,222	\$6,601
Advertisement	\$4,280	\$3,853
Promotions	\$0	\$2,033
Vehicles Repair	\$33,641	\$25,088
Fuel	\$27,184	\$33,145
Court & Legal Fees	\$3,756	\$2,498
Training	\$15,348	\$10,762
	\$251,108	\$230,970
24. Office Support		
Land Rent	\$2,216	\$2,115
Specialist Books/Forms	\$5,399	\$4,625
Office Incidentals	\$2,367	\$2,911
Bank Charges	\$4,948	\$4,277
Board of Directors Expenses	\$26,933	\$24,852
Entertainment	\$11,789	\$6,614
Subscription & Fees	\$14,494	\$13,873
Security Services Fess	\$27,144	\$37,240
VAT	\$261	\$1,944
	\$95,551	\$98,451
25. Miscellaneous		
Retirement Benefit	\$1,500	
Coffin Benefit		\$93
Housing Allowance	\$15,175	\$13,774
Other Miscellaneous Exp	\$950	\$2,189
	\$17,625	\$16,056

	31.12.19	31.12.18
26. Repair & Maintenance		
Machin. & Equip. Repair	\$1,068	\$428
Office Building Repair	\$11,353	\$4,728
Office Equipment Repair	\$10,465	\$4,931
Tools Allowance	\$587	\$600
	\$23,472	\$10,687
27 Sundry Creditors		
Customers Deposit	\$8,762	\$8,973
Suspense Account	\$5,766	\$7,955
Others(RC Manubhai)	\$56,483	\$66,739
	\$71,011	\$83,667
28 Accrued Expenses - Commitments	\$34,626	\$14,552
29 Internal Amount Dues		
Dues to HLAC from Maintenance	\$75,072	\$75,072
Dues to Maintenance from HLAC	-\$38,570	-\$38,570
Cash Inter Ledger Clearing	\$4,225	\$4,225
Dues to Maintenance From SAPHE	-\$32,403	-\$32,403
Dues to HLAC from SAPHE	\$8,680	\$8,680
Dues to SAPHE from HLAC	-\$2,216	-\$2,216
	\$14,787	\$14,787
30 Sundry Debtors & Prepayment		
Imprest & Staff debts	\$5,127	\$0
State house & Turnkey Ioeru	\$23,830	\$4,484
Deposit Paid & Prepayment	\$41,468	\$127,460
Bank errors	-\$64	\$2,856
	\$70,361	\$134,801
31. Cost of Sales (Furniture making)	\$26,743	\$10,624
32. Cost of Sales (Routine Maintenance)		
Routine Maintenance Labour Costs Betio	\$83,489	\$78,724
Routine Maintenance Material Costs Betio	\$60,925	\$44,433
Routine Maintenance Labour Costs Bairiki	\$33,160	\$32,341
Routine Maintenance Material Costs Bairiki	\$32,056	\$25,522
Routine Maintenance Labour Costs Bik	\$41,322	\$39,695
Routine Maintenance Material Costs Bik	\$31,415	\$22,498
Routine Maintenance Plan - Labour Costs		\$17,149
Routine Maintenance Plan - Material Costs		\$30,410
	\$282,367	\$290,772
33. Work In Progress (PPE & Existing Housing)		
History Flight	\$46,428	\$11,911
Phase 2 New Build (NZ & GOK)	\$175	
New Build	\$275,129	\$0
	\$321,731	\$11,911