

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Kiribati Green Energy Solutions Financial
Statements
For the years ended 31st December 2017 to 2019**

**Kiribati Audit Office
April 2022**

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

Kiribati Green Energy Solutions (formerly Kiribati Solar Energy Co. Ltd)

Financial Statements

For the years ended 31st Dec 2017 to 2019

I have audited the Financial Statements of **Kiribati Green Energy Solutions (KGES formerly KSEC)** for the years ended 31st Dec 2017 to 2019 in accordance with sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981, 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 Changes in Equity
- Statement of Cash Flow
- Notes to the Accounts

Disclaimer of Opinion:

I do not express an opinion on the accompanying financial statements of KGES. 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:

The following issues formed the basis of our disclaimer opinion:

- The Financial Statements for 2019 was incomplete as the Statement of Changes in Equity and Cashflow Statements and Notes to the accounts were not submitted.
- The Financial Statements for 2017-2018 did not provide notes to the Accounts.
- KSEC was unable to provide the General Ledgers for the years 2017-2019 which will provide details of how account balances were derived for those respective years. Without such records it would be difficult to determine whether the Financials were true and correct.
- There was significant limitation of scope as most of the accounting records were not available for audit verification. The following are the missing records:

- Stock records
- Bank Reconciliations
- Payment Vouchers
- Debtors listing
- Creditors listing
- Cheque butts
- Deposit books
- Board minutes.
- Fixed Asset register

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.

Board of Directors and Management's responsibilities 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 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 General's responsibilities for the audit of the financial statements of the Company

My responsibility is to conduct an audit of the KSEC's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAI) and 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. 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.

I am 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 communicate with the Board of Directors and Managements regarding, among other matters, the planned scope and timing of the audit and the significant limitation of scope which had precluded me from expressing an opinion.

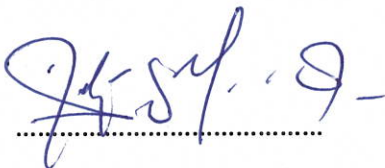
Reports on Legal and other regulatory requirements.

KSEC's Financial Reports for the years ended 31st December, 2017 to 2019 were submitted 22nd December, 2022. This had therefore indicated failure of Management and Board to submit Financial Statements on time and in accordance with requirements specified under Sec.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 KGES.

A handwritten signature in blue ink, appearing to read 'Eriati Taumwa Manaima', written over a dotted line.

Eriati Taumwa Manaima
Auditor General

Date:07/04/2022



-----Kiribati Green Energy Solutions Company Limited

P.O Box 493, Betio, Tarawa, Republic of Kiribati

PH: 75126051, Email: info@kges.com.ki

FILE REF:

07th April 2022.

Auditor General
Kiribati National Audit Office
Bairiki
Tarawa

In my capacity as the Chairperson of the Board of Directors for the Kiribati Green Energy Solution Company Ltd, and in its Board meeting of 31/3/2022, I now affirm that our Account Department is not able to get hold of the copies of the ledgers of KGES for the years 2017, 2018 and 2019.

It is beyond the capability of the KGES to trace those records as the account records for these years had been kept by the former Finance Manager who had already left the KGES at the beginning of 2020. If the audit work was done in early 2020, I am sure that this financial information could have been easily found. I regret that this is happening but we have tried every effort to trace these financial records.

Thank you for your understanding and we are prepared to work with you at your earliest to do the auditing for the current years in order to avoid further frustrations with the missing records.

Kam raba.

Chairlady
Taare Aukitino

Rec'd 07/04/2022
[Signature]



ANNUAL REPORT 2017

Statement of Intent - Validation & Approval Certificate




Title	Name & Designation	Signature	Date
SOE	Kiribati Solar Energy Company Ltd		20/8/18
Name	Mrs Taare Aukitino, Chairlady		
Portfolio	Ministry of Infrastructure and Sustainable Energy		
Minister	Hon Ruateki Tekaiara		20/08/18
Joint	Hon. Dr. Teuea Toatu		
Minister	Minister of Finance & Economic Development		20/8/18

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KIRIBATI SOLAR ENERGY COMPANY LTD
PROGRESS REPORT FOR THE FIRST HALF ENDED IN 31st DECEMBER 2017

1. Chair's report

As Chair for the first time, alongside new Board members, I am delighted to present this annual report and financial statement for the year ended in 31st December 2017. The appointment of the new Directors by shareholders (HM of MISE) in the 2nd half of 2017 brings a fresh perspective to the Company, and I'm pleased to report that the new Board has settled in quickly and is contributing a diverse mix of skills and experience.

The Board's first action following its appointment is to examine the current operational, financial and human resource status of the company. This will help guide the Board to formulate new strategies that are effective for improving the operation of the company.

As new members of the KSEC Board, we strongly support investment opportunities particularly in the solar (RE) technology, to improve product, sales and marketing service, guaranteeing further growth. The investment will ensure that KSEC retains its status as the leading company that supply and distribute reliable, environmental friendly, cost effective solar energy systems and promoting energy efficiency and conservation measures in domestic, commercial and industrial sector within the Kiribati region.

Despite the uncertainty of the past year, the performance of the Company continues to show significant progress. In particular, in the past month of March 2018, the Company has reported improved financial performance, improve record of inflows. These important milestones validate the significant growth opportunities available to the company even though it goes through many challenges.

The operation of the company rely as well through the support of dedicated management team to continue implementing the strategies endorsed by the Board.

On behalf of the Board, I extend sincere thanks to our staff and management for their hard work and contribution in delivering an outstanding set of results.

2. CEO's Report

This report is prepared to discuss the current activities achieved under the three main cores services of the company.

- **Utility for Outer Island now principally known as Outer Island and Logistics Support Services (OILSS):**

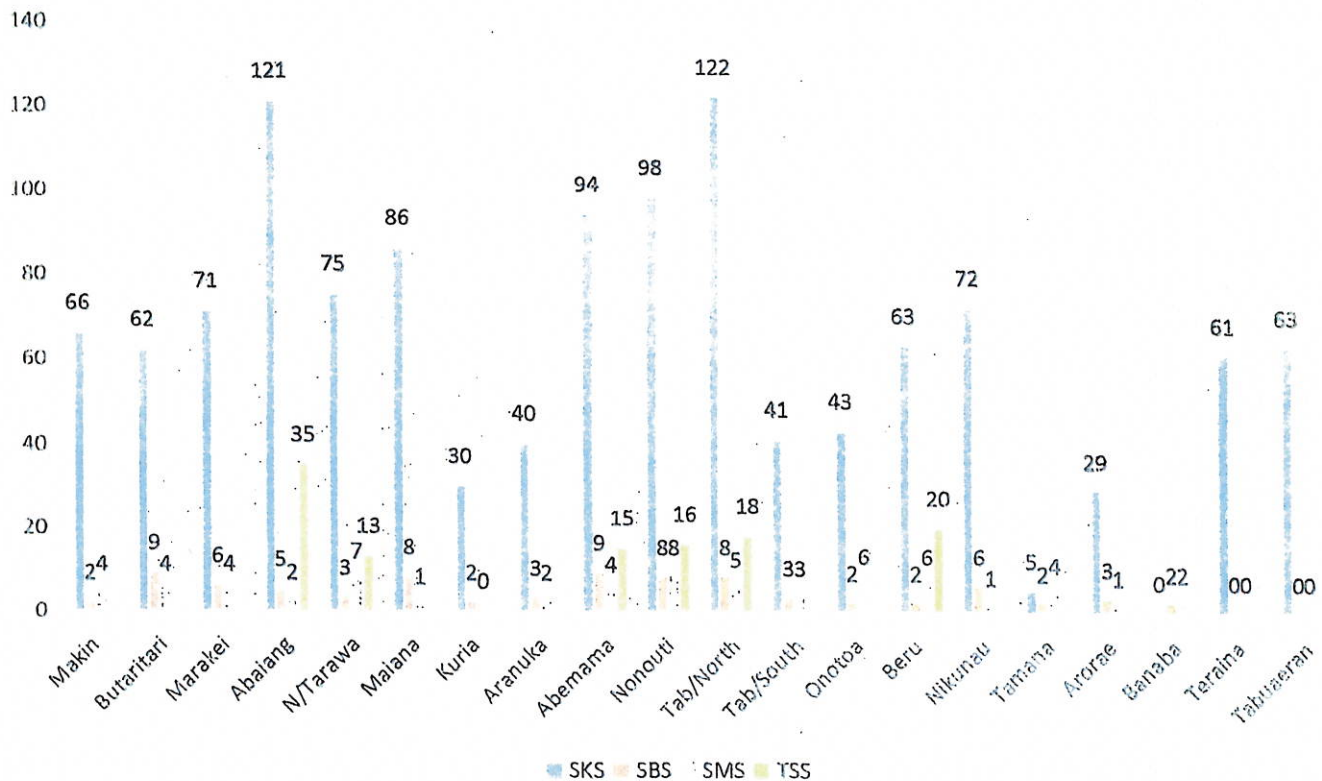
This is the main activity for the KSEC and its principal source of income is mostly generated from outer islands. As a utility, (1) the company sells electricity to its customers who pay a monthly fee, (2) the company holds and owns the assets for the generation and distribution of the electricity on outer islands, and (3) it is responsible for their maintenance. The equipment for generating and distributing the electricity is located in the residence of the customer.

The utility concept has been adjusted to suit the interest of customers on outer islands and to comply with the Government policy. This adjustment allows the customer to fully own the system once the succession of payment is achieved.

Early 2015 the Government directed the transfer of ownership to users on old (\$9) systems component of the 8th European Union Development Fund (EDF8). Under this project 2,100 homes and approximately 100 village *maneabas* were distributed to outer islands with the overall objective of the project is to improve the living standards in the outer islands of Kiribati and reduce the migration to the main island (Tarawa).

With the loss of its liability the company currently owning new generation of system from the recent EU project (EDF10) retaining ownership with the current total number of system summarized in the graph below since 2017.

Graph 1: Number of Systems per Island



As revealed in the chart above the number of systems were declining compared with the existing number in previous years. The main cause of the decline is that some of the systems were paid in full hence the system were entrusted to users. At this point users are anticipated to maintain their system at their own expense and are encouraged to purchased parts from the KSEC.

The company continued with its mission to the outer islands to recover all outstanding arrears from users with the support of the AG's office distributing the notice to users for settling all arrears within a specific time frame and if users do not comply then it will be resolved in court.

To ensure sufficient technical capacity is available on the outer islands a new strategy was proposed allowing the technical staff of KSEC to offer technical training to approximately 20-30 people on each of the islands. The training mainly focus on the maintenance of the solar home systems with a trial carried out in several islands such as Abaiang, Aranuka, Makin, Tabiteuea Meang, Maiana, and Tamana. The purpose of this training is to support the sustainability of the system on the outer islands and it was proven to be a success.

• **Engineering Services:**

KSEC operation is also driven by the engineering service for generating income beside the services mentioned earlier. Activities that fall under this service comprise of the following; preparing project documents, energy load assessment, designing, installation, repairs, maintenance, on-site training to users and with implementation of solar projects both on outer islands and on South Tarawa.

Projects that have been successfully implemented under this service include the following;

- Distribution and Installation of at least 2100 solar home systems and 100 maneaba systems on outer islands under the 8th European Development Fund (EDF8) since 2004.
- Through the execution of the 10th European Development fund (EDF10) project in 2010, the company has been receiving its 10% bonus (an income) from the project implementation activities concerning the installation of the solar home systems, school mini-grid systems and the PV-Grid systems. In 2014 the company successfully distributes and installs solar home systems, large hybrid or mini-grid systems for the schools, and 10kW PV-grid system funded by European Union.
- In May 2015, KSEC secured a subcontract for the installation of the 500kW Solar PV-Grid project funded by MASDAR or UAE. The project completed in October 2015 with income through contract award.
- In December 2014, the company successfully performs the installation of a 4kW solar power system for the fish center on Butaritari Island. This was a pilot project and the success of this project has eventually led to the installation of more solar power system for the fish centers on outer islands. Two more solar power systems have been installed for the fish centers on Kuria, and Tamana early January 2016. Through Italian Fund the project continued and expanded to a 10kW three phase system. The expansion of the project started in mid 2017 with the project being coordinated by the MISE through EPU and KSEC technicians were involved with the installation of the systems.
- Early in February 2015, KSEC was tasked by the Kiribati Government to implement the distribution of the Taiwan Solar Lighting Kit project of approximately 10,000 units. It was a success given the short period of four months to execute this project. The 2nd phase for this project was implemented late in November 2015 after the arrival of additional solar lighting kits of 6000 units. KSEC major role in this project was to distribute these solar lighting kits and to ensure that the operation of the systems is sustainable. The company, however, have faced a number of challenges in pursuing its services for maintaining these solar lighting kits evoking a view for subsidizing the spare parts. There will be an increase in inventory control on defective parts on outer islands so it is necessary to have spare parts available for repair. Since 2016 the company develop the proposal for the supply of new solar light kits aimed to be distributed on South Tarawa and in that same proposal the maintenance parts as well were incorporated. At

the end of 2017 the company through the Ministry of Infrastructure received complimentary funding from two donors, Taiwan and Indian Government.

• Direct sales:

Direct sales are the trading activity of the Kiribati Solar Energy Company, Ltd. The activity covers the buying and selling of parts and components to final customers. The strength of the market still progressing despite the competition in the local market. The company is working with its foreign partners to provide a reliable and cost effective solar products that are achievable for low income earners.

3. Operational activities

The table below summarizes the operational activities carried out during 2017 against the targets set out in the SOI 2017 – 2019 and include on-going as well as new activities.

Table 1: Summary of Operational Activities

Activities	Target	Means of Verification	Achievements/Remarks
1. Work with Speedtech on the solar lighting kits to develop a new design of solar lights that suits the salt water environment.	1. By mid-2017	1. Build up stocks of waterproof solar lights for sales	Improvement in the design of solar lights that are more adaptable to wet and salty environment conditions has been completed by Speedtech. KSEC has procured these solar waterproof lights for sales to the public. This activity continued with active marketing for the promotion of these newly designed waterproof lights.
2. Develop Project Document on the solar efficient lighting aimed at households on South Tarawa.	2. First Quarter of 2017	2. Pro Doc Submitted to Donor (Taiwan)	The project document was submitted to NEPO for appraisal. The Appraisal report was completed by NEPO and disseminated to Stakeholders for review. NEPO advised that funding priorities has been fully absorbed from other sectors. Hence another potential donor was identified and the grant is now arranged with the Indian Government. The amount is \$1.4M requiring a supplement funding of \$208,940.00. The current status is that the supplementary submitted to NEPO for securing supplementary funds from Taiwan Government.
3. Prepare project Document for JSS solar power project and Secure funding either from GEF6 or Taiwan.	3. First Quarter of 2017	• Procurement of solar equipment commenced	JSS project document was completed and submitted to Project Officer to seek funding assistance. It was incorporated under the GEF6 star funding but the implementing agency advice that there must be a

			<p>pilot or practical demonstration in order to receive grant support focusing on the supply of equipment from GEF6. No confirmation at this stage on the funding although the Project Officer of MPWU has been advised to identify potential donors and seek further assistance to NEPO to facilitate the funding for this project. The Junior Secondary solar project is supported in line with the future planned activities as stipulated in the Kiribati Integrated Energy Roadmap.</p>
4. Assist the Ministry of Fisheries in the installation of solar power system for the fish centers	4. By mid 2018	<ul style="list-style-type: none"> Commissioning Report on the installation 	<p>The KSEC technical teams of 3 technicians were nominated to assist in the installation at the fish centers on Makin, Marakei and Abatang are the first three islands to receive the solar power systems.</p>
5. Implement High Court Solar Power system	5. By end of 2017	<ul style="list-style-type: none"> Progress Report Submitted to High Court 	<p>The solar power systems for the High court were distributed to the northern islands. An income generated from this High court project value of ~AUD\$39,000.</p>
6. Implement Australian Funded solar project for communities on South Tarawa	6. By mid 2017	<ul style="list-style-type: none"> Progress Report Submitted to Australian Commission 	<p>The DFAT solar project for BTC community toilet blocks was completed in August with a total project value of ~AUD\$20,000.</p>
7. Provision in the project costing on the maintenance parts to support the sustainability of the solar lighting systems	7. First Quarter of 2017	<ul style="list-style-type: none"> Solar Lights Spare Parts procured 	<p>The spare parts were provided as additional accessories for the solar lighting kit project and will soon shipped other solar gadgets aimed for distribution to households.</p>
8. Collaborate with Speedtech to acquire maintenance parts at very low costs for replacement of defective components.	8. By 1 st Quarter of 2017	<ul style="list-style-type: none"> Low Costs of Spare parts offered 	<p>Spare parts are now cost-effective compared to previous price units which are quite expensive.</p>
9. Provide after sale services on maintenance parts for the solar lighting kit project collaborating with the Island Council.	9. By 1 st Quarter of 2017	<ul style="list-style-type: none"> Mass generation of stock parts available 	<p>The after sale services is aimed to improve maintenance support on the outer islands. This deal with the procurement and supply of spares to the island councils. KSEC stores huge stock of spares for the maintenance on the outer islands.</p>

10. Manufacturing and Selling of new design solar waterproof lights and prewired systems which are easily affordable.	10. 2 nd Quarter of 2017 onward	<ul style="list-style-type: none"> • Prewired system available in Stock • Solar Panels, Batteries, Controllers, inverters streetlights etc are available in stock 	The engineering department has design and manufactures at least 100 prewired systems. Some prewired were used for the project while the rest were sold to household on South Tarawa.
11. Stockpile for sale all types of solar equipment such as solar panels, batteries, controllers, inverters, streetlights and much more	11. 2 nd Quarter of 2017 onwards	<ul style="list-style-type: none"> • Technicians perform troubleshooting on each workstation 	The company received the supply of solar panels, batteries, controllers, solar freezers etc through bulk container order. A shipment of 5 containers delivering the solar equipment.
12. Engineering lab to be upgraded to meet the demand for the maintenance of solar lighting kits and assembly of the solar lights.	12. 2 nd Quarter of 2017	<ul style="list-style-type: none"> • Availability of Stock for Solar Freezer 	An upgrade on technicians lab was completed improving workspace for delivering its maintenance and repair services.
13. Continue with marketing of new solar energy efficient products such as Solar DC freezers and Solar Air Condition systems.	13. 2 nd Quarter of 2017	<ul style="list-style-type: none"> • Storage Shed Completed 	The 2 nd time the solar DC freezers were promoted on South Tarawa. 10 of these solar freezers was part of the bulk shipment with 4 unsold.
14. Develop project proposals to fund capital expenditures for rehabilitation of storage shed	14. 2 nd Quarter of 2018		The project is constructed either on the rehabilitation of the storage shed or the whole KSEC building. The engineering drawing and costing was completed.
15. Participate in exhibition events such as trade fair showcase	15. Participate in Every Trade Fair Function	<ul style="list-style-type: none"> • Revenue boost from Trade Fair 	KSEC participate in two trade exhibition events. The outcome of the two events generates a total income of over \$68,000 for the company commercial arm – Direct sales.
16. Improve Advertisement through media; radio, newspaper.	16. Once a month	<ul style="list-style-type: none"> • Advertisement over media 	
17. Supplying solar equipment for sell to retail outlets around South Tarawa and to outer islands.	17. 1 st Quarter of 2017	<ul style="list-style-type: none"> • Identified Retail outlets began selling solar products 	
18. Collaborate with Speedtech in the joint venture to establish retail outlets on Kiritimati Island and other islands of the Gilbert Group.	18. 2 nd Quarter of 2017	<ul style="list-style-type: none"> • Staff working on Kiritimati Island 	<p>The Joint Venture still need to be approved by Cabinet before JV activities are implemented on Kiritimati Island.</p> <p>The KSEC, however, completed its small branch</p>

			office on Kiritimati and has supplied stock of solar product of its branch. The operation of its small branch office began in December 2017.
19. Elevate the capacity of technicians with the operation of PV analyzers, repair of solar lights and other products.	19. 2 nd Quarter of 2017 onwards	<ul style="list-style-type: none"> Technicians received training 	Training on the installation of a 3 phase solar power system is carried on site at the fisheries centers on Makin and on Marakei.
20. Support fees for MYOB training courses to upgrade the skills of accounting staffs.	20. 1 st Quarter of 2017	<ul style="list-style-type: none"> Accounting staff attain the level of skills required to operate MYOB software 	There is a plan of hiring the MYOB expertise to conduct further training to the account staffs.
21. Training conducted by Sectional Managers to improve on administrative, technical skills to ensure. A more emphasis on quality service, strengthening professional relationships with clients, and workmanship with passionate enthusiasm	21. 1 st Quarter of 2017	<ul style="list-style-type: none"> Training documents available 	<p>Staff meetings were convened once a week and trainings were presented to staffs on both technical and administrative side.</p> <p>For the technicians, Practical part of the training continued with new design of prewired system utilizing materials from local supplier to assemble the system boxes suitable for the prewired system.</p>
22. Develop a project proposal for short term trainings in line with HRD Plan.	22. 2017-2018	<ul style="list-style-type: none"> Human Resource Plan document available 	Training proposal on renewable energy technology was submitted to PSO.
23. Review and finalize KSEC Condition of Service. Compile and disseminate company policies, procedures, etc. to all staff		<ul style="list-style-type: none"> Condition of Service Terms and rulings continued to be practiced 	KSEC staffs briefed on company policies during the staff meetings. Some clauses of the KSEC conditions of service will be amended in line with the NCS.
24. Keep control report of stock in and out within the retail manager package.	23. 2 nd Quarter of 2017	<ul style="list-style-type: none"> External Accountant recruited to conduct the training 	The Retail manager package still functional to maintain stock control on the items received and those items that were sold out.
25. Ensure report on daily sales is provided on a daily basis to monitor the balance between stocks being sold and cash receipts.	24. 1 st Quarter of 2017 onwards 25. 1 st Quarter of 2017 onwards	<ul style="list-style-type: none"> Available report on stock from Stock Control Officer Reconciliation report available from Stock Control sheets and sales report from Cashier 	Management continued to verify the cash receipts on a daily basis. The stock continued to be verified against the item that has been sold on a daily basis through the generation of report from Retail manager.
26. Partner with Ministry of Internal	26. By mid of 2017	<ul style="list-style-type: none"> Island Treasurer monitor 	Early 2017 the company was working very close with

<p>Affairs through its state treasurer to facilitate and oversee the fee collection on outer islands.</p>		<p>the collection of fees and scrutinize all monthly returns priortelmo</p>	<p>the Ministry of Internal Affairs to oversee the performance of the Island Councils through fee collections.</p> <p>As at end of 2017 the company enforced the collection with the assistance of AG office directing all users to pay their outstanding arrears. If they donot clear their outstanding by the due date then the matter will be resolved in court.</p>
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4. Outlook for the year 2018

There is a need to strengthen support for improving the market on Kiritimati Island following the establishment of KSEC branch. The company is expected to supply more solar items to replenish stock on Kiritimati retail branch.

An upgrade at the fish centers on the outer islands is predicted to continue in 2018 and with KSEC anticipated to implement the project.

Investment on the desalination machine to supply quality water for drinking to vulnerable communities is one commitment to be pursued in the upcoming year 2018. This will help address the issue with lack of freshwater for drinking. Providing this service will create an opportunity for generating an income by processing water and sell it to the people at a very achievable price. A revolving fund is therefore necessary to support the maintenance of the desalination plant.

The development of its Solar I-V test lab is another initiative which KSEC is planning to undertake. This proposal could be strengthened if the Energy Act is well in place which should outline the critical importance of testing solar panels that are imported from overseas. Through the engineering department the company has faced many issues with the maintenance of solar panels that are purchased from other local suppliers and are brought to KSEC for repair. To ensure that the panels imported complies with quality (international) standard hence all solar panels should be tested before they are sold in the local market.

KSEC have completed its draft of the project document for the expansion of solar power mini-grid for Junior Secondary Schools on outer islands and PV-grid solar for Junior Secondary Schools on South Tarawa. This project is in line with the Kiribati Integrated Energy Road-map for promoting the use of renewable energy applicable for solar electrification on outer islands. In the forthcoming year the company will seek potential donors with the assistance of the project units of MISE and in consultation with the MoE.

One of the major activities in 2018 is the distribution of the solar kits. KSEC is a member of the task force committee tasked to resolve the distribution on South Tarawa by preparing new strategies for distributing the solar kits. The shipment of 1200 solar unit arrived in December 2017 and it is anticipated that the next lot of shipment of 4125 units will be arriving early 2018.

5. Financial Review

The expense ratios for 2017 have gone up compared to previous years. This came about as there was no subsidy or aid in kind from donors received during the year. With the increase in operating expenses, the profit for the year has declined. However, the financial health of the Company is improving and with it is its ability to pay its commitments as they become due. The return on shareholders' fund is wavering in view of the increase in expenses in which stringent management controls has been put into effect.

With the receding in government support the Company during the year has diversify its products and services to mitigate the impact of decline in government support.

The Company's financial statements for the year under review are presented in Annex I – Financial Statements. This is in draft form as there may be further adjustments when the 2016 account is audited. The account for 2015 has just been audited.

The accounts for the years 2012 to 2016 are also included since these accounts have not been tabled in the AGM. They are included as Annexes 1/4 to 1/6.

6. Financial statements for 2017

The financial statements comprising the Income Statement, Balance Sheet and Statement of Changes in Equity are given in the Annex 1. This is in draft form as there may be further adjustments when the 2016 account is audited. The account for 2015 has just been audited and the recommendations made by the Auditor General will be incorporated in the 2016 and 2017 when these accounts are finally closed.

The main factors contributing to the financial result for the year includes the following;

- EDF10 solar system of over 2000 generate revenues for the Company;

- Increased activity in the Company's sales and marketing division such as increase in volume of its direct sales;
- The application of more stringent controls on expenditures and in the collection of revenues.

Now, the Company is looking at ways to improve its services particularly the services of the Engineering and the Sales and Marketing Department.

7. Trends, risks, opportunities and lessons learned from results for the year

The business activities of KSEC are well implemented however, there are many risks impede its operation. Among those risks are as follows

- a. Competition within the local market is one of the major challenges affecting its commercial arm - direct sales.
- b. The impact of foreign exchange rate on price volatility of solar items sold.
- c. Introduction of VAT. With past experience, solar panels and other solar components are exempted until recently when VAT comes to effect since 2013.

Despite the above circumstances, the company remains to identify opportunities to strengthen its core services, OILS, Engineering and Sales and Marketing. New services could be developed that are ideal for the company growth in a long term. The following are some of the opportunities which some already reflected in previous sections.

1. Building a desalination plant in several communities is one service in which predicted to generate more revenue.
2. With its joint partners To design and develop a new international quality country's brand of solar panels for the international market.
3. To build IV test laboratory for testing imported solar panels in compliance with International standard test before they are sold in the local market. Strengthened by the Energy Legislative act. Cash Inflow is anticipated when providing this service through costs of IV testing.

8. Community Service Obligations

The company has never applied for Community Service Obligations although the company may need financial support for maintaining the solar lighting kits that were donated free by Taiwan Government. Also, it becomes apparent that the solar mini-grid for the senior schools is reaching a point where certain replacement parts are required. It is apparent that the Head of Schools both Catholic and KUC are struggling to finance the spare parts of the systems hence the KSEC CSO could be build by addressing these issues.

ANNEX 1: FINANCIAL STATEMENT FOR THE YEAR 2017

**KIRIBATI SOLAR ENERGY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 \$	2016 \$
INCOME from continuing operations			
Revenue		825,093	1,316,461
Government Subsidy (reimbursement of operations)		-	-
Total Revenue		<u>825,093</u>	<u>1,316,461</u>
Cost of Sales		(270,692)	(192,732)
Gross Profit		<u>554,402</u>	<u>1,123,729</u>
Amortization of Donated Assets		(140,163)	(140,163)
Depreciation		(14,619)	(14,619)
Personnel costs		(166,655)	(173,271)
Administrative, Selling & Distribution expenses		(56,988)	(108,400)
Marketing & Promotion expenses		(4,424)	(3,705)
Finance costs		(2,243)	(2,483)
Operating Profit/(Loss)		<u>169,310</u>	<u>681,088.02</u>
Other Comprehensive Income			
Transfer from Capital Reserve		140,163	140,163
Profit/(Loss) before tax from continuing operations		<u>309,473</u>	<u>821,251.02</u>
Income Tax expense		(92,842)	(246,375)
Profit/(Loss) after tax from continuing operations		<u>216,631</u>	<u>574,876</u>
LESS: Prior Period Items		(7,095)	5,353
Profit/(Loss) for the year		<u><u>209,536</u></u>	<u><u>580,228</u></u>

KIRIBATI SOLAR ENERGY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

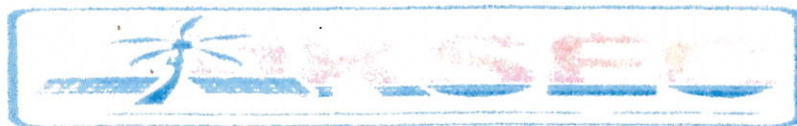
	SHARE CAPITAL	RESERVE	RETAINED EARNINGS	EQUITY
Year 2017	\$	\$	\$	\$
Balance at beginning of the period	500	816,913	955,291	1,772,704
Profit/(Loss) for the year	-	-	209,536	209,536
Transfer from Reserve	-	(140,163)	-	(140,163)
Deferred Income	-	-	-	-
Issue of share capital	-	-	-	-
Balance at the end of the period	500	676,750	1,164,827	1,842,077
YEAR 2016	\$	\$	\$	\$
Balance at beginning of the period	500	957,076	670,346	1,627,922
Profit/(Loss) for the year	-	-	284,945	284,945
Transfer from Reserve	-	(140,163)	-	(140,163)
Issue of share capital	-	-	-	-
Balance at the end of the period	500	816,913	955,291	1,772,704

KIRIBATI SOLAR ENERGY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
CURRENT ASSETS			
Cash and Other Cash Equivalents		321,096	266,549
Trade and Other receivables		656,400	320,374
Outer Island Hire Purchase		-	-
Inventory		135,215	92,761
Prepayments and other assets		-	23,334
		<u>1,112,710</u>	<u>703,018</u>
NON-CURRENT ASSETS			
Property, Plant & Equipments		201,364	209,784
Intangible - Assets donated by Donors		287,553	427,716
Outer Island Hire Purchases on Donated Systems		698,393	698,393
		<u>1,187,310</u>	<u>1,335,893</u>
TOTAL ASSETS		<u>2,300,020</u>	<u>2,038,911</u>
CURRENT LIABILITIES			
Trade & Other Payables		457,943	336,152
Provision and Deferred Income - Current portion		-	-
		<u>457,943</u>	<u>336,152</u>
TOTAL LIABILITIES		<u>457,943</u>	<u>336,152</u>
NET ASSETS		<u>1,842,077</u>	<u>1,702,759</u>
<i>Represented by:</i>			
SHAREHOLDERS' EQUITY			
Share capital		500	500
Reserve		676,750	816,913
Deferred Income		-	-
Retained earnings		1,164,827	885,346
TOTAL SHAREHOLDERS' EQUITY		<u>1,842,077</u>	<u>1,702,759</u>

KIRIBATI SOLAR ENERGY COMPANY LTD
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017	2016
	\$	\$
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 633,493.44	590,418.08
Receipts from Payroll deductions	106,304.80	62,387.30
Receipts from Statutory deductions	728.19	45,003.97
Receipts from Deposits	-	1,042.87
Receipts from debtors	-	17,206.08
Payments to employees	\$ (220,269.10)	(209,134.68)
Payments to suppliers	\$ (384,894.81)	(313,582.77)
Payments to Creditors	\$ (1,702.34)	(63,260.94)
Payments to clients	\$ (8,895.83)	(7.00)
Payments of statutory deductions	\$ (25,278.99)	(50,954.65)
Payments to Third Parties	\$ (43,107.04)	-
Payments to debtors	\$ -	(16,808.58)
Net Internal Transfer	\$ (10,427.01)	\$ -
Interest paid	\$ -	\$ -
Taxes paid	\$ -	-
Net Cash from Operating Activities	\$ 45,951.31	\$ 62,309.68
B. CASH FLOW FROM INVESTING ACTIVITIES		
Payment for fixed assets	\$ (5,529.45)	(5,053.44)
Net Cash flow from Investing Activities	\$ (5,529.45)	\$ (5,053.44)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	\$ -	-
Proceeds from loan	\$ -	-
Repayment of loans	\$ -	-
Net Cash Flow from Financing Activities	-	-
Net increase in cash held	\$ 40,421.86	\$ 57,256.24
Cash Balance at the beginning of the year	\$ 266,549.24	209,293.00
Cash Balance at the End of the Month	\$ 306,971.10	\$ 266,549.24



ANNUAL REPORT 2018

Annual Report - Validation & Approval Certificate




Title	Name & Designation	Signature	Date
SOE	Kiribati Solar Energy Company Ltd		
Chairperson	Taare Aukitino		3/4/19
Portfolio Minister	Ministry of Infrastructure and Sustainable Energy		
	Hon. Ruateki Tekaiara		3/4/19
Joint Minister	Ministry of Finance & Economic Development		
	Hon. Dr Teuea Toatu		3/4/19

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KIRIBATI SOLAR ENERGY COMPANY LTD
PROGRESS REPORT FOR THE ANNUAL REPORT 2018

1. Overview of results & achievements – Chairperson

In compliance with the SOE act, I am pleased to present this annual report which reflects the company progress partly for the year 2018. Activities set out in the statement of intent (SOI) 2018-2020 remain adopted in order to steer KSEC operation in 2018 and within the next few years. However, activities and strategies continue to be reviewed with appropriate adjustment as deemed necessary to ensure that the company operates efficiently in the existing environment prevailing over impeding factors such as existing competitors, services and products similarity and market location.

As perceived the company continue promoting the use of renewable energy technology ensuring sturdy support towards the achievement of Government Energy targets. The performance of the company can be revealed through the execution of high quality service pertaining to design, installation and maintenance of renewable energy systems and with the supply of energy efficient products.

One of the key priority area is to strengthen the institutional capacity of KSEC in order to be able to fulfill its mandate. Technicians are the backbone of the Company and their on-going training is crucial for the successful operation of the Company. In the second half of 2018 a few technicians undertook a training overseas in India. The company as well provide fiscal support encouraging its employees to undertake short course training in local institutions such as KIT and USP as part of its capacity building.

In 2018 the Company continue to broaden its revenue base by increasing its line of products and services. The air conditioning system represents 45% of the total energy consumption in Government or Commercial buildings. Hence the company planned to introduce solar hybrid air conditioning system to promote energy efficiency and dominating the use of inefficient air conditioning system. In addition the Company took a critical review of its profit markup and made adjustment where it is needed. Other activities and services undertaken include bidding for contract works, manufacturing of controllers, sale of products and services through trade fairs and trade shows, and the provision of consultancy work for private individuals and businesses.

It is pleasing to note that the company have carried out its obligation, some of which are completed while some are part completed and still on-going. The remaining will be dealt with in 2019. Early 2019 The company will undergo a strategic (restructure) shifts for refining its core services such as engineering, and administration (corporate) services.

2. CEO report

The main obligation of the company is to supply and distribute solar equipment for improving electrification on the outer islands and ensuring sustainability of systems. Provision of technical services has guarantee support for the continuous operation of school mini-grid systems on the outer islands. These solar mini-grid were installed in Boarding schools supplying power to the school facilities and student dormitories. In future the company may require fiscal support to replenish the supply of spare parts for the school mini-grid systems.

In support of Capacity building on the outer islands the KSEC have managed to conduct practical training basically on the repair and maintenance of the solar home systems. The company have achieved the maintenance training on Abaiang, Aranuka, Abemama, North Tabiteuea, Makin and more recently on Arorae.

Enforcing the collection on the outer islands through court proceedings continue to be pursued with the AG's office assisting in achieving the retrieval of outstanding arrears.

Boosting the supply of solar product and adopting innovative solar technology is essential ensuring the company always meets the ever changing requirement on solar energy systems and components. The solar market in Kiribati is growing as well as competition hence in order to better serve our customers and create sustainable competitive advantages, the company will continue to focus on developing innovative products, advanced manufacturing or assembly capabilities and technology-driven sales and service solutions.

The company marketing efforts should focus on its main clients that contribute to the highest stream of income ensuring stability and growth is achieved. Most of its client remain in the remote regions of Kiribati where access to reliable logistical transport and communication services is considered poor. Establishing the company's retail outlet and office branches in remote regions such as the Line Islands aimed to improve access to reliable energy services.

Overall the company continue to provide essential services that are very demanding by the public. As such there are a number of consultancy services undertaken in response to the call by the communities on the outer islands and around South Tarawa realizing the potential need to exploit alternative clean sources of energy such as solar. KSEC has introduced new technologies to improve supply of electricity to the community on the outer islands and South Tarawa. As Obviously seen the purchase of solar energy efficient products has drastically increased and will continue given the high tendency to move to alternative clean energy sources. These technologies ranging from solar pumping systems, solar freezer, solar streetlights, solar home systems, solar air cooler, solar radio and waterproof lights have increased their popularity in the local market.

3. Actual results v performance targets and measures

The table below summarizes activities planned to be carried out during 2018 as set out in the SOI 2018 – 2020 and compares the performance targets against actual results as at 31st of December 2018.

Activities	Key Performance Target	Target	Means of Verification	Actual Results
<ul style="list-style-type: none"> Follow up and confirm funding from Taiwan and Indian Government for the distribution of solar lighting kits. 	<ul style="list-style-type: none"> Funding received from Taiwan and Indian Government 	<ul style="list-style-type: none"> Early Jan 2018 	<ul style="list-style-type: none"> Procurement and supply of solar lighting kits 	<ul style="list-style-type: none"> 1.4 Million acquired from Indian Government for the 4152 units of solar. procurement of Taiwan donated additional units in the amount of 1200 units Spare parts supplied as well with the above unit to support an income generation for the KSEC.
<ul style="list-style-type: none"> Seek funding aid from GEF6 or Taiwan to Support the procurement of hardware component for JSS solar power systems. 	<ul style="list-style-type: none"> Funding Received from Donor 	<ul style="list-style-type: none"> 2018-2019 	<ul style="list-style-type: none"> Procurement of solar lights commenced 	<ul style="list-style-type: none"> The Energy Planning Unit of MISE has received funding to pilot project at JSS schools on the outer islands
<ul style="list-style-type: none"> Assist the Ministry of Fisheries in the upgrade of solar power system for the fish centers 	<ul style="list-style-type: none"> Installation completed 	<ul style="list-style-type: none"> By mid 2018 	<ul style="list-style-type: none"> Commissioning Report on the installation 	<ul style="list-style-type: none"> A few installation were carried out in 2018 with KSEC technicians assisting the Energy Planning Unit in the installation and maintenance of solar power systems at the fish centers.
<ul style="list-style-type: none"> Supply and Installation of solar power system to support e-Educational programmes (KEF project) 	<ul style="list-style-type: none"> Solar power equipment operated in 4 primary schools on the outer islands. 	<ul style="list-style-type: none"> 1st quarter of 2018 	<ul style="list-style-type: none"> Solar power system installed and fully functional. 	<ul style="list-style-type: none"> KSEC supply the solar power systems for 4 primary schools and the installation was achieved with a follow up monitoring on the system performance.

<ul style="list-style-type: none"> Joint Venture (JV) Pilot project on the Supply of water purification machine to small vulnerable community 	<ul style="list-style-type: none"> Purification machine installed 	<ul style="list-style-type: none"> 2018-2019 	<ul style="list-style-type: none"> Water purification machine operated and dispensed drinking water to communities 	<ul style="list-style-type: none"> JV project is yet to be pursued as soon the FIC has approved the application. The procurement of purification systems is pending waiting for funding the JV.
<ul style="list-style-type: none"> Generating revenue or funds from the selling of affordable spare parts, labor costs. 	<ul style="list-style-type: none"> Revenue Boosted from replacement and labor costs to support the generation of sustainability fund 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Sustainability Fund account replenished Availability of Substantial amount of revenue in the sustainability fund account 	<ul style="list-style-type: none"> Engineering Services has contributed much to the generation of sustainability funds through maintenance and repair services, Assembly of solar items and selling of solar controllers.
<ul style="list-style-type: none"> Manufacturing and Selling of new design solar waterproof lights and prewired systems which are easily affordable. 	<ul style="list-style-type: none"> Solar Waterproof lights sold to clients and prewired systems 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Waterproof lights available in Stock 	<ul style="list-style-type: none"> Waterproof lights of over 1000 units were sold in the market at an affordable price. Prewired set were assembled with high demands acquired for small grant projects.
<ul style="list-style-type: none"> Maintain stock of solar equipment such as solar panels, batteries, controllers, inverters, streetlights, and much more 	<ul style="list-style-type: none"> Stock of solar items available in sufficient quantities 	<ul style="list-style-type: none"> 2018-2020 	<ul style="list-style-type: none"> Solar Panels, Batteries, Controllers, inverters streetlights etc. are available in stock 	<ul style="list-style-type: none"> Monitoring of Stock items continued to ensure sufficient stock is available for sales. solar streetlights were installed at the KCMCL and KPA
<ul style="list-style-type: none"> Continue with marketing of new solar energy efficient products such as Solar DC freezers and Solar Air Condition systems. 	<ul style="list-style-type: none"> Solar DC Freezer sold to clients on South Tarawa and Offshore Islands 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Stock Pile of affordable solar freezers 	<ul style="list-style-type: none"> There is an increase demand for solar freezers in market. The stock of 10 solar freezers in 2018

<ul style="list-style-type: none"> Develop project proposals to fund capital expenditures for construction of new KSEC-Speedtech residential building on Kiritimati Island. 	<ul style="list-style-type: none"> Construction of KSEC residential building completed 	<ul style="list-style-type: none"> 2018-2019 	<ul style="list-style-type: none"> Residential building constructed 	<ul style="list-style-type: none"> Source of financing is to be identified. There is also an option that was to be pursued of rental space at new KPF complex.
<ul style="list-style-type: none"> Participate in exhibition events such as trade fair showcase 	<ul style="list-style-type: none"> KSEC attended the exhibition events 	<ul style="list-style-type: none"> Every Trade Fair Function 	<ul style="list-style-type: none"> Revenue boost from Trade Fair 	<ul style="list-style-type: none"> The KSEC have been a member of KCCI since 2015 and continue to be part of the KCCI until recently joining exhibitions event where sees it necessary.
<ul style="list-style-type: none"> Improve Advertisement through media; radio, newspaper. 	<ul style="list-style-type: none"> Radio advertisement every month 	<ul style="list-style-type: none"> Once a month 	<ul style="list-style-type: none"> Advertisement over media 	<ul style="list-style-type: none"> Regular radio promotion continue on a monthly basis.
<ul style="list-style-type: none"> Supplying solar equipment for sell to retail outlets around South Tarawa and to outer islands. 	<ul style="list-style-type: none"> Solar equipment distributed for sale to retail outlets 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Potential Retail shops selling solar equipment 	<ul style="list-style-type: none"> A feasibility study undertaken to incorporate retail shops to ensure safety and security of KSEC supplies. Hence a contract will be issued once interested retailers have been identified.
<ul style="list-style-type: none"> Improve service outreach by Establish Joint Venture branch office on Kiritimati Island. 	<ul style="list-style-type: none"> Kiritimati Branch established 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Staff working on Kiritimati Island Product sold in the market 	<ul style="list-style-type: none"> Currently the KSEC Branch on Kiritimati Island is currently in operation and require more supply to meet solar requirement.
<ul style="list-style-type: none"> Support fees for MYOB training courses to upgrade the skills of accounting staffs. 	<ul style="list-style-type: none"> Accounting staff participate in the short course training 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Accounting staff attain the level of skills required to operate MYOB 	<ul style="list-style-type: none"> No training has been pursued recently. However, the company has incorporate in its

			software	budget some fees or allowances to support short course training for staff.
<ul style="list-style-type: none"> Develop a project proposal for short term training in line with HRD Plan. Review and finalize KSEC Condition of Service. Compile and disseminate company policies, procedures, etc. to all staff 	<ul style="list-style-type: none"> Human Resource Development Plan developed and completed Condition of Service finalized And Company Policy Continue to be exercised 	<ul style="list-style-type: none"> 2018-2019 	<ul style="list-style-type: none"> Human Resource Plan document available Condition of Service Terms and rulings continued to be practiced 	<ul style="list-style-type: none"> Early 2018 the HR plan was drafted and finalized by the KSEC Board. The KSEC continue to align its conditions of services with that of the Government. As early 2018, the company has adopted the retirement age of 55, local per diem rate increase to \$70.00 and leave grant in similar with that of Government.
<ul style="list-style-type: none"> Generating consistent report of stock in and out from the retail manager package. Ensure report on daily sales is provided on a daily basis to monitor the balance between stocks being sold and cash receipts. 	<ul style="list-style-type: none"> Stock report generated from Retail manager Reconciliation report completed on stock and daily sales confirmed by SA or FM 	<ul style="list-style-type: none"> 2018-2020 End of financial year 	<ul style="list-style-type: none"> Available report on stock from Stock Control Officer Reconciliation report available from Stock Control sheets and sales report from Cashier 	<ul style="list-style-type: none"> Stock report were generated manually as the POS was down due malfunctioning of Software. Stock report submitted to the Finance to support the preparation of FS for the half year and annual period.
<ul style="list-style-type: none"> Collaborate with the Ministry of Justice to improve collection of fees and to take appropriate legal action to users with arrears. 	<ul style="list-style-type: none"> Legal advice disseminated to KSEC for implementation 	<ul style="list-style-type: none"> 2018 	<ul style="list-style-type: none"> Arrears resolved from users 	<ul style="list-style-type: none"> The Court Proceeding were effective on the islands of North Tarawa and Marakei and shall proceed to Abemama, Abaiang and Tabiteuea North
<ul style="list-style-type: none"> A joint programme to be implemented for 	<ul style="list-style-type: none"> Factory setup 	<ul style="list-style-type: none"> 2018-202 	<ul style="list-style-type: none"> Solar panels manufactured 	<ul style="list-style-type: none"> Speedtech and KSEC joint cooperation will

establishing the solar panel manufacturing plant				await on FIC approval before investment on activities is undertaken by the Joint Companies
--	--	--	--	--

4. Outlook for 2019

2019 is the transition period for the company anticipating a restructure exercise. This restructure exercise aimed to support new visions for the KSEC to expand its services by accepting new technologies besides solar, allowing its operation to be more efficient, improving market development hence ensuring that the company mandates align with the vision of Kiribati for the 20 year period or simply KV20 vision. The main focus of the KSEC in this transition is to provide clients with custom design solutions, Involved more in the entire project life cycle, from initial analysis and design, through to installation and support for small to large scale energy solution. Highlighted below are some of the Over-arching aims anticipated to be pursued in the forthcoming year.

- a) Experience in delivering commercial & residential scale, Off-grid, On-Grid, Hybrid power system turn-key solutions,
- b) Identify products and technologies that have demonstrated their ability to provide reliable energy solutions in tropical or semi-tropical environments,
- c) Deliver market-leading product quality and reliability through innovation and investment in technology
- d) Health and safety practices constantly drive higher standards for our customers, employees and business partners
- e) Progressive, responsible, innovative and performance driven
- f) Development of Energy Management Systems for organizations, buildings or specific processes
- g) Consulting Services and Energy Audits in accordance with AS/NZS 3598:2000
- h) Development and delivery of education and training packages in renewable power systems and energy management
- i) Technical services for the engineering, project management and operation of innovative energy solutions
- j) Ability to meet the requirements and objectives in a wide range of industries and Government agencies.

5. Analysis of Financial Statements as at 31st of December 2018

The financial statements comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, and Statement of Cash-flow are given in Annex I. The company's performance for 2018 shows steady progress though lower than the previous years as shown in the table below. On the bright side, the Company still maintain a going concern status, i.e. able to continue business in the immediate future as shown in the working capital and quick asset ratios. On the down side are the inventory turnover, the day sales collection period, and the fixed assets turnover which need improvements.

It is difficult however, to compare the Company's performance with the industry average because there are no businesses in the local market that dedicate its whole operation on renewal energy like the KSEC. In the absence of such information, the basic concept "the higher the better", may be accepted where performance is measured in times. Conversely the "lower the better" would be accepted where performance measurement is given in monetary value and in days.

		2018	2017	2016	2015	2014
Net Profit	\$ value	166,458	209,536	580,228	606,707	\$ 288,341
Working Capital ratio	times	2.7	2.4	2.1	1.4	1.9
Quick Asset ratio	times	2.5	2.1	1.8	1.2	1.7
Inventory turnover ratio	times	4.9	1.9	5.5	3.4	2.1
Day Sales Outstanding - Trade Debtors	days	121	59	100	68	42
Fixed Assets Turnover ratio	times	2.6	1.7	2.1	1.3	0.7

6. Trends, risks, opportunities and lessons learned from results for the year 2018

The year 2018 is the year in which income from outer islands utility fees will cease as about 95% of Users would have paid the full cost of their systems. In order to maintain and increase its revenue earnings, the Company is strengthening its sales & marketing activities while at the same time devised and submit a number of project proposals. Income from sale of solar items continue to increase and is the major source of income for the Company representing about 47.6% of its total annual income. Outer islands utility fees take up 45.5%, Engineering productions and service fees 6.6%, and other income generating activities 0.3%. The trend generally is that income from sales, production and service fees are increasing. This scenario is expected to continue in the future. Utility fees was expected to be the second major revenue earning but the low rate of payment from users on outer islands is a major drawback. The lesson learned here is that the collection of revenue due from outer islands is a difficult task with a relatively high cost of sustaining it. This appears to be the case in other business entities that extend their services to the outer islands, e.g. KOIL, KPF, etc.

Pursuing a strategy of market penetration by extending the Company's services to Kiritimati Island is bound to generate high income. A branch already established in the second half 2017 is picking up on its sales and the demand in solar products is increasing. Commencing from January 2019 the Company is strengthening its presence on the island by recruiting new staff to man the Kiritimati Branch and seeking a decent building to

house is sales outlet and office. The new Branch will also serve the need of the people on Tabuaeran and Teeraina. Nonetheless, seeking funds for solar projects is also an opportunity that the Company may have to consider since it could generate income through the selling of spare parts and maintenance from the solar light.

The Company had allowed the hire purchase on these systems which was more preferred by customers than one-off payments. The risks associated with this is the non-payment of the monthly dues from system users and, the loss of solar systems when people left the island without informing the Council or the Company their new place of residence.

The Company had encountered a number of risks throughout its operation. One major risk is Value Added Tax (VAT) which is detrimental to the service provided by the Company. As experienced in the past before the VAT comes into effect custom duty exemptions applied to solar panels, and solar pump which resulted in cheaper products and services. With the VAT come into force early 2013, VAT applied to solar products caused an increased in selling price of products to consumers. Another major risk is that some customers were defaulting on making their regular payments even when the contract agreement has been signed by both sides. The Government or Foreign Donors involvements in the distribution of similar solar products or services to the public at no costs also have an impact on the demand of solar products and services provided by the Company.

7. Community Service Obligations

There is a need for a CSO to maintain the operation of the solar mini-grid within the secondary schools on the outer islands. Early 2015 when the EU project was still in operation the KSEC continue to supply the schools with free spare parts which are expensive components in the system such as the Inverter and Controller. The EU project reach its closer phase at end of March 2015 and KSEC left to handle all the maintenance of solar equipment that were installed in the schools.

Given that there is no maintenance fund available from the project, the KSEC tried to sell the spares at some reasonable amount to allow the generation of funds for procuring more spares for the schools. The two components are quite expensive in the international market however KSEC have supplied these inverters and solar controller at an affordable price for the Schools. It is very clear that there is still financial constraints to the schools in purchasing the spare parts.

This is one of the KSEC obligation to ensure that all solar mini-grid system within the schools continue to supply power to support the operation of school facility and dormitories. Hence the main of objective of the CSO is to finance the spare parts mainly the MPPT controller and Inverter for the school mini-grid on the outer islands.

ANNEX I - FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

KIRIBATI SOLAR ENERGY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	\$	\$
INCOME from continuing operations		
Revenue	867,167	825,093
Government Subsidy (reimbursement of operations)	=	=
Total Revenue	867,167	825,093
Cost of Sales	<u>-304,219</u>	<u>(270,692)</u>
Gross Profit	562,948	554,402
Amortization of Donated Assets	-140,163	(140,163)
Depreciation	-14,619	(14,619)
Personnel costs	-190,267	(166,655)
Administrative, Selling & Distribution expenses	-112,914	(56,988)
Marketing & Promotion expenses	-5,518	(4,424)
Finance costs	<u>-1,834</u>	<u>(2,243)</u>
Operating Profit/(Loss)	97,634	169,310
Other Comprehensive Income		
Transfer from Capital Reserve	<u>140,163</u>	<u>140,163</u>
Profit/(Loss) before tax from continuing operations	237,797	309,473
Income Tax expense	<u>(71,339)</u>	<u>(92,842)</u>
Profit/(Loss) after tax from continuing operations	166,458	216,631
LESS: Prior Period Items	=	(7,095)
Profit/(Loss) for the year	<u>166,458</u>	<u>209,536</u>

KIRIBATI SOLAR ENERGY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	SHARE CAPITAL	RESERVE	RETAINED EARNINGS	EQUITY
Year 2018	\$	\$	\$	\$
Balance at beginning of the period	500	676,750	1,164,827	1,842,077
Profit/(Loss) for the year	-	-	166,458	166,458
Transfer from Reserve	-	-140,163	-	-140,163
Deferred Income	-	-	-	-
Issue of share capital	-	-	-	-
Balance at the end of the period	500	536,587	1,331,285	1,868,372
Year 2017	\$	\$	\$	\$
Balance at beginning of the period	500	816,913	955,291	1,772,704
Profit/(Loss) for the year	-	-	209,536	209,536
Transfer from Reserve	-	(140,163)	-	(140,163)
Deferred Income	-	-	-	-
Issue of share capital	-	-	-	-
Balance at the end of the period	500	676,750	1,164,827	1,842,077

KIRIBATI SOLAR ENERGY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
CURRENT ASSETS			
Cash and Other Cash Equivalents		349,055	321,096
Trade and Other receivables		872,744	656,400
Outer Island Hire Purchase		-	-
Inventory		78,399	135,215
Prepayments and other assets		<u>35,454.27</u>	<u>-</u>
		<u>1,335,652</u>	<u>1,112,710</u>
NON-CURRENT ASSETS			
Property, Plant & Equipments		190,453	201,364
Intangible - Assets donated by Donors		147,390	287,553
Outer Island Hire Purchases on Donated Systems		<u>698,393</u>	<u>698,393</u>
		<u>1,036,236</u>	<u>1,187,310</u>
TOTAL ASSETS		<u>2,371,888</u>	<u>2,300,020</u>
CURRENT LIABILITIES			
Trade & Other Payables		503,516	457,943
Provision and Deferred Income - Current portion		<u>-</u>	<u>-</u>
		<u>503,516</u>	<u>457,943</u>
TOTAL LIABILITIES		<u>503,516</u>	<u>457,943</u>
NET ASSETS		<u>1,868,371</u>	<u>1,842,077</u>
<i>Represented by:</i>			
SHAREHOLDERS' EQUITY			
Share capital		500	500
Reserve		536,587	676,750
Deferred Income		-	-
Retained earnings		<u>1,331,284</u>	<u>1,164,827</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,868,371</u>	<u>1,842,077</u>

KIRIBATI SOLAR ENERGY COMPANY LTD
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018	2017
	\$	\$
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	486,191	633,493
Receipts from Payroll deductions	92,832	106,305
Receipts from Statutory deductions	32,658	728
Receipts from Deposits	-	-
Receipts from debtors	114,604	-
Receipts from Other incomes	11,236	-
Payments to employees	-545,163	-220,269
Payments to suppliers	-1,000	-384,895
Payments to Creditors	-1,418	-1,702
Payments to clients	-13,546	-8,896
Payments of statutory deductions	-32,028	-25,279
Payments to Third Parties	-90,574	-43,107
Payments to debtors	-10,393	-
Net Internal Transfer	-	-10,427
VAT paid	-1,684	-
Net Cash from Operating Activities	41,716	45,951
B. CASH FLOW FROM INVESTING ACTIVITIES		
Payment for fixed assets	-4,030	-5,529
Net Cash flow from Investing Activities	-4,030	-5,529
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	-	-
Proceeds from loan	-	-
Repayment of loans	-	-
Net Cash Flow from Financing Activities	-	-
Net increase in cash held	37,685	40,422
Cash Balance at the beginning of the year	306,971	266,549
Cash Balance at the end of the year	<u>344,656</u>	<u>306,971</u>



ANNUAL PROGRESS REPORT 2019

Title Name & Designation

Signature

Date

SOE Kiribati Green Energy Solution Company Ltd

Chairlady Mrs Taare Aukitino

1/9/20

Portfolio

Minister Hon. Willie Tokataake

2/09/20

Joint Hon Dr Teuea Toatu

2/09/20

Minister Ministry of Finance & Economic Development

P.O.Box 493, Betio, Tarawa, Republic of Kiribati

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KIRIBATI GREEN ENERGY SOLUTION COMPANY LTD
ANNUAL REPORT 2019

1. Chair's report

In compliance with the SOE act, I am pleased to present this annual report which reflects the company progress for the year 2019. Activities set out in the statement of intent (SOI) 2020-2022 remain adopted in order to steer KGES operation in 2019 and within the next few years. However, activities and strategies continue to be reviewed with appropriate adjustment as deemed necessary to ensure that the company operates efficiently in the existing environment prevailing over impeding factors such as existing competitors, services and products similarity and market location.

As perceived the company continue promoting the use of renewable energy technology ensuring sturdy support towards the achievement of Government Energy targets. The performance of the company can be revealed through the execution of high-quality service pertaining to design, installation and maintenance of renewable energy systems and with the supply of energy efficient products.

One of the key priority areas is to strengthen the institutional capacity of KGES in order to be able to fulfill its mandate. Technicians and account staffs are the backbone of the Company and their on-going training is crucial for the successful operation of the Company. In the second half of 2019 a few account staffs undertook training on the MYOB. The company as well provide fiscal support encouraging its employees to undertake short course training in local institutions such as KIT and USP as part of its capacity building.

In the 2st half 2019, the company undergo the strategic (restructure) shifts for refining its core services such as engineering, and administration (corporate) services. At that time, the new CEO has been appointment as well as the creation of the new department within the company called Project unit to hunt for funded projects for the company.

I am glad to inform you that the company's new name has been approved in May 2020 and this is in line with the future expansion of the company through adopting other renewable sources such as wind, waves and etc. This time the Company continues to broaden its revenue base by increasing its line of products and services. The air

conditioning system represents 45% of the total energy consumption in Government or Commercial buildings. Hence the company planned to introduce solar hybrid air conditioning system to promote energy efficiency and dominating the use of inefficient air conditioning system. In addition, the Company took a critical review of its profit markup and made adjustment where it is needed. Other activities and services undertaken include bidding for contract works, manufacturing of solar streetlights, sale of products and services through trade fairs and trade shows, and the provision of consultancy work for private individuals and businesses.

It is pleasing to note that the company have carried out its obligation, some of which are completed while some are part completed and still on-going.

2. CEO's Report

I am grateful to present you a brief report of what has been achieved in 2019 and to be achieved in the next half year plan of the company. This is to be followed by the presentation of the company's financial performance report in the later pages.

The main obligation of the company is to supply and distribute renewable energy technologies for improving electrification on the outer islands and South Tarawa and ensuring sustainability of systems. In the 2nd half 2019, KGES secured a contract with KPF for the supply and the installation of solar power system at KPF complex building in Kiritimati.

Rolling on activities to include perusing Joint Venture with reliable foreign partners. As planned in this JV partnership the following activities will be achieved: centralized Renewable Energy Grid on all remote islands; stockpile of solar products; provision of purification machine for drinking water; assembly factory for new solar panel. The Joint Venture is already projected in the KV20 to support both urban and rural.

Maximizing the workforce deliverable is essential for the company's smooth operation, hence, the use of the CLICKUP online tools for monitoring staff performance. The tool has proved effective in monitoring performance and improving staff productivity. Figure 1 presents the Engineering division activities on the CLICKUP platform recorded on the 1st November 2019. This figure shows that out of the total of 38 recorded tasks: 7 tasks have completed; 4 tasks are in progress; 1 task is pending; and 26 tasks are just opened. To

translate this into a financial benefit, the company should have generated income from the 7 completed tasks and the benefits will go on as more tasks were completed. For instance, the company has generated in Nov 2019 an income of \$150 from the completed solar installation of Dreamhouse Guest house.



Figure 1. Clickup Platform

Enforcing the collection on the outer islands through court proceedings continue to be pursued with the AG's office assisting in achieving the retrieval of outstanding arrears.

Boosting the supply of solar product and adopting innovative solar technology is essential ensuring the company always meets the ever-changing requirement on solar energy systems and components. The solar market in Kiribati is growing as well as competition hence in order to better serve our customers and create sustainable competitive advantages, the company will continue to focus on developing innovative products, advanced manufacturing or assembly capabilities and technology-driven sales and service solutions. I am glad to inform you that the manufacturing teams within the Engineering Department have applied innovative ideas to design and assembly of few solar streetlights, some of which were installed at Bonriki Airport and at KPA in Kiritimati Island respectively.

The company marketing efforts should focus on its main clients that contribute to the highest stream of income ensuring stability and growth is achieved. Most of its client remain in the remote regions of Kiribati where access to reliable logistical transport and

communication services is considered poor. I am glad to inform you that early 2020 the company will build its sales booth in Bonriki to accommodate travellers (to remote islands) need from time to time.

Overall, the company continue to provide essential services that are very in high demand by the public. As such there are a number of consultancy services undertaken in response to the call by the communities on the outer islands and around South Tarawa realizing the potential need to exploit alternative clean sources of energy such as solar. KGES has introduced new technologies to improve supply of electricity to the community on the outer islands and South Tarawa. As Obviously seen the demand of solar energy efficient products on South Tarawa and outer islands is still high as reflected in the direct sale revenue of the company in 2018 and 2019 respectively. These technologies ranging from solar pumping systems, solar freezer, solar streetlights, solar home systems, solar air cooler, solar radio and waterproof lights have increased their popularity in the local market. To name a few clients on South Tarawa are stated below.

Clients	Confirmed Project	Remarks
KPF Complex Kiritimati	Solar power system on the Complex building rooftop	The material procurement already started
MELAD	Energy Efficiency- LEDs 2 solar airconditions	Solar aircon installation already started. Energy Efficiency project already started
MIFA	solar aircondition Energy Efficiency -LED	Solar aircon installation already started Energy Efficiency project is in progress
Ministry of Justices	Solar aircon	Solar Aircon installation completed

3. Operational activities

The table below summarizes the operational activities carried out during the first half of 2019 against the targets set out in the SOI 2019 – 2020 which report on achieved, on-going as well as new activities.

Table 1: Summary of Operational Activities

Activities	Target	Key Performance Target	Means of Verification	Actual Results
1) Refine a marketing strategy focused on innovative designed solar brands that are marketable and adaptable to country environment conditions	till 1 st half of 2020	Solar air-condition installation completed	<ul style="list-style-type: none"> Revenue improved Solar Airconditions Solar Desalination 	<p>A few solar aircondition installed at MELAD, MIFA, MOJ and more to come.</p> <p>The turn over on the prewired solar system has increased on South Tarawa</p> <p>Solar Desalination plant was planned to be acquired as part of the Joint Activity</p>
2) Promotion through media, media, roadshows, exhibition and pamphlet and Retail (private) shops to support promotion of product at various location on South Tarawa and outer island	2019-2022	Promotion on the social media met the target of two time per month	<ul style="list-style-type: none"> Sale revenue improved Radio promotion (two time per month) Pamphlets distribution Retail shops (distributing KGES stock) secured 	<p>Radio promotion of two times per month acquired.</p> <p>Roadshow in Betio of two times per week</p> <p>Application of one Bonriki Booth is in progress.</p> <p>Distribution to retail shops was planned to be acquired before end of 2019</p>
3) Implement distribution system capable of assuring that product are delivered to all appropriate retail location on islands and south Tarawa on a timely basis	till 2 nd half 2020	Solar distribution on already started	<ul style="list-style-type: none"> Stock report received Solar product distribution regularly 	A few retailers on South Tarawa have been identified. More retailers to be identified soon.
4) To upgrade company website and other service improvement to support online	till 1 st half 2020	ANZ bank announced to start the online	<ul style="list-style-type: none"> Purchase online Online quotation accessed 	The ANZ bank hasn't opened the online banking services to the public

payment.			banking next year.	
5) Source competitive/ cheaper market prices for maintenance parts and solar items	till 1 st half 2020		<p>Issuance of consultancy fees completed.</p> <p>Service charges fees to be issued out to MISE soon</p>	<p>Customer increased</p> <ul style="list-style-type: none"> Standout among others Sale revenue increased <p>Consultancy or Service Fees have finally formulated.</p> <p>Costs of replacement parts was reviewed and some decline in the costs parts was observed late in April</p>
6) Expand landscape accommodating factory assembly of solar panels and other solar products	till 2 nd half 2020		<p>Not yet achieved</p>	<p>Assembly factory setup</p> <ul style="list-style-type: none"> Solar products manufactured <p>The JV contribution is still with MISE hence this activity still pending. However, the Cabinet paper was submitted and emphasize the demand for the land space and requesting to utilize PVU land space.</p>
7) Improve the administrative and technical capacity of KGES staff	till 2 nd half 2020		<p>Utilizing KGES 2019 training funding budget</p> <p>Training funding acquired through ISA</p>	<p>KGES staffs MYOB training acquired in the 2nd half 2019.</p> <p>One technical staff attended the short course in India through ISA</p> <ul style="list-style-type: none"> Human Resource Plan received Staff oversea training received Competence technical and administrative staff acquired
8) Apply and install computerized sales, stock, accounting and monitoring system and train the authorized personnel in their use so that senior management is able to access stock, financial and monitoring report promptly	2 nd half 2019		<p>MYOB accounting system has successfully absorbed into KGES in Nov 2019</p>	<p>6 account staffs have trained to ensure KGES MYOB operates all the times</p> <p>MYOB installed and now run KGES accounting system</p>
9) Collaborate with Ministry of Justice to improve collection of fees and to take appropriate legal action to users to clear outstanding arrears	till 2 nd half 2020		<p>Several debtors have taken to courts this year with the help of MOJ.</p>	<p>Court Proceeding will be carried out by a private lawyer on Aberama and Abatang following the signing of the contract.</p>
10) Expedite or device strategies for improving the collection of cash returns from outer islands using database programmes such as CLICK UP application	Till 2 nd half 2020		<p>ClickUp is yet to be deployed to outer island</p>	<p>Clickup mobile application was installed to monitor staff's activities on a timely basis.</p>

11) Continue the implementation of the solar lighting kit project on South Tarawa	2019-2022	The first round of solar kits distribution on South Tarawa has completed.	<ul style="list-style-type: none"> Government energy target achieved Sale revenue increased 	Await the new provision of solar lights
12) Implement solar streetlight project for South Tarawa and outer island	2019-2020	Funding secured	<ul style="list-style-type: none"> Streetlight installed Government Energy saving achieved 	<p>South Tarawa solar streetlights prodac was approved in the 2nd half of 2019.</p> <p>To assemble and install solar streetlights on South Tarawa</p> <p>PUB was assigned to carry out the implementation of this project despite the fact that KGES was preparing and submitting the project document. Hence, this activity is still pending</p>
13) Enhance School facility and community through the provision of solar power mini-grid system	2019-2020	Funding not yet secured.	<ul style="list-style-type: none"> Solar mini-grid installed Fuel dependent reduced 	JSS Project Documents was prepared and submitted to MISE project unit to seek funding.
14) Promote energy efficiency in government, non-government and community organizations	2019-2020	Installation completed	<ul style="list-style-type: none"> Government and Non government energy saving plan achieved 	<p>Energy Efficiency on the replacement of Fluorescent light with the LEDs have completed in the following Ministries</p> <p>Ministry of Environment Land Division</p> <p>Ministry of Foreign Affairs</p> <p>More installation to be carried out soon at other Ministries and SOEs</p>

4. Outlook for 2020

2020 is the transition periods for company anticipating a transformation exercises through staff's reform, company's renaming, office renovation and so forth. This transformation exercise was anticipated to open up a better future to the company and Kiribati as well. Before the company decided to move on to the next episode next year in terms of service expansion to outer island and so forth, there is a need to conducting the internal reform.

Thanks to the recent adoption of MYOB into KGES accounting system in the 2th half 2019, as this would have strengthen the stock monitoring from within all the times and this anticipated to stop any misbehaving to the company's properties by staffs. The engagement of private security firm with KGES in the 2th half 2019 was also helpful in maximizing the output of the workforce by strictly controlling staff movement during working hours.

These are only few changes that were introduced in the 2th half 2019; however, next year more changes to be introduced to ensure the company have the right resource and the right tools to carry out its daily activities. In the 2th half 2019, when the full container of solar products arrived, following the aggressive marketing the demand of specific products such as solar aircons, prewired solar system, etc from government ministries and individuals has increased constantly.

Highlighted below are some of the episodes to be pursued in the forthcoming year.

- ✓ Rennovation and expansion of the main office to accommodate the increase number of staffs
- ✓ Restructure staffs to adopt the project based vision of the company. Project Manager position will be created and so forth.
- ✓ Conduct business on the independence power producer by selling of solar/wind utility to the residential population in the outer islands
- ✓ Deliever residential scale off grid and on grid solar power solution
- ✓ Progressive, responsible, innovative and performance driven
- ✓ Development of energy management system for household
- ✓ Consulting services and energy audit in accordance with AS/NZS 3598 2000
- ✓ Increase our customer's confident in our product by offering aftersale and warrant services
- ✓ Comply with OHS and as part of this, staffs to access to drinking clean water.

- ✓ Health and safety practice constantly drive higher standard for our customer and employees
- ✓ Continue with the marketing team visit to potential customers
- ✓ Continue with the roadshow
- ✓ Provide sale booth to cater travellers need at Bonriki Airport
- ✓ Joint Control Asset Venture with Power China International Group Limited for exploring the Solar Power Central Station for outer islands.

5. Financial Review

The Company's performance for the 2st half of 2019 showed a net profit of \$96,675 compared to the previous two half years reported profits of \$166,304 and \$209,536 for 2018 and 2017 respectively. Total revenues for the 2st half 2019 of \$875,838.10 almost the same value with 2018 full year revenue, while operating expenses increases by 41%. The major increase in operating costs comes from staff costs. Towards the end of 2018, revenues from the outer islands utility fees has come to an end for most solar systems, particularly in the case of Home Solar Lighting Kits. This is the major contributing factor for the decline in the Company's revenue for 2019 though stiff competition from the private sector cannot be ruled out.

There is a substantial arrears of revenues from outer island utility fees, recovery of which are being pursued through the court. Court proceedings usually takes a long time and revenues from the outstanding utility fees will take quite some time before its effect can be felt.

To fill in this void, increasing revenues from sales of solar items is being strengthened, both within the Gilbert Group and islands in the Line & Phoenix Group. Other avenues of increasing income for the Company are being explored such as developing solar projects for individuals, government SOEs and private business on South Tarawa. Apparently in the 2nd half KGES secured a solar power project with KPF Kiritimati which will bring additional revenue of the company. In addition to that, the company is also developing project proposals for certain community groups as well as for schools on outer islands, and to increase stock volume to meet public demand both in the Gilbert Group and in the Line & Phoenix Group.

The Company's annual financial statements ended in Dec 2019 are given in the tables in Annex 1

6. Trends, risks, opportunities and lessons learned from results for the year

Like any other business undertaking the Company is continuously operating in an environment that presents both opportunities as well as threats to its existence. The following are the perceived risk and opportunities

7.1 Risks

First of all, the removal of the Public Utilities Board's exclusive right as the sole provider of electricity on South Tarawa not only provides an opportunity, but also a threat to the company's future development. Since the coming into force of this amendment there has been an increase in the number of private businesses competing with the KGES in selling solar products. To boost their competitiveness private businesses have formed partnership with overseas companies to supply solar equipment and other accessories to the local market, an area previously enjoyed by KGES alone.

The location where the KGES business is operating is unfavorable given that the population on South Tarawa are not just concentrated on the main town of Betio but widely dispersed in other main towns. Sometimes transportation to BTC is inconvenient diverting clients or customers to other local business supplying the same products in nearby locations. The company is therefore working to establish its retail outlets in other densely populated urban centers to improve its sales outreach besides its main office in Betio.

7.2 Opportunities

Despite the above circumstances, the company remains to identify opportunities to strengthen its core services, OILS, engineering, sales and marketing. The company's new proposed name "Kiribati Green Energy Solution" will indeed bring the company's future business and better reflect new image. More services, from other Renewable Energy Tech such as wind and ocean thermal, which are reflected in the new name to be explored for the company growth in a long term. The following are some of the opportunities which some already reflected in previous sections.

An increase in the public interest, including government and non-government organizations, in the use of all kind of renewable energy has also provided an opportunity for the company. Solar and other renewable energy projects carried out by some government institutions such as MFMRD, MHMS, PUB, MISE, MELAD etc. have resulted in contracts accorded to KGES due to its existing technical skill and expertise in this area providing more leverage over its competitors.

Continuous research and development in renewable energy technology beside solar energy such as wind and thermal by developed and developing countries also provides the company with the opportunity to embrace these other technologies. However, these areas can now be envisaged as one of the scope of the company's objectives in the joint project. This will fortify KGES strategies for improving its core services, more chances in the involvement of solar projects and expand its sales outreach on South Tarawa urban centers and the outer islands.

7. Community Service Obligations

In order to reach 100% energy service coverage in Kiribati this year and the years to come as published on the KV20 vision booklet, KGES feels that it has an obligation to ensure Kiribati is on the right path toward achieving that set target. Apart from the ongoing distribution of solar kits lighting to outer island as well as Tarawa, this year KGES wishes to introduce a different solar system that was a small-scale prewired system which can cater more electrical appliances to users such as laptops, table fan and TV set and so forth. This is as shown in Figure 2



Figure 2. Prewired solar system

Kiribati Government's vision through its KV20 was to have a highly educated and skilled population and thus KGES really believes that this can be achieved if every school children in the remote islands could access to the solar power supply to power up their educational tools such as laptops and internets as well as study lightings. Thanks to this CSO platform because KGES can now seek financial assistance for this kind of undertakings and utilize

them in a proper way to carry out such activities to achieve a sustainable and prosperous future for our children.

This year July 2019, KGES was submitted its Community Service Obligation to SOEMAU for securing the funding of 400pcs of prewired solar system to be deployed to all islands of Kiribati include Kiritimati Island. Solar systems to be equally distributed among islands and each island shall get their share for this year project of 20 solar units. The objectives of this CSO are as follows:

- ✓ to increase the solar energy provision on the outer island
- ✓ to provide RE sustainability and scaling up through the upgrade of RESCO Software Manager.

The estimated implementing and sustaining cost of this project is around 786,400AUD. At the implementation stage, KGES is to work with island councils and partners to ensure a smooth deployment of these solar materials to their destination can be achieved.

ANNEX 1- Financial Statement

KIRIBATI GREEN ENERGY SOLUTION COMPANY LTD			
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 31 DECEMBER 2019			
		2019	2018
	Notes	\$	\$
INCOME from continuing operations			
Revenue	3	625,838.10	867,167.23
JV funding	3a	250,000.00	-
Total Revenue		875,838.10	867,167
Cost of Sales	4	(298,617.71)	(304,219)
Gross Profit		577,220.39	562,948
Personnel costs	5	(261,982.33)	(190,266.92)
Administrative expenses	6	(148,362.96)	(111,089.90)
Marketing & Promotion expenses	7	(3,923.80)	(6,831.79)
Finance costs	8	(1,492.08)	(1,833.68)
Depreciation	10	(20,062.30)	(14,619.00)
Amortization of Donated Assets		-	(140,163.00)
Operating Profit/(Loss)		141,396.92	98,144.02
Other Comprehensive Income			
Transfer from Capital Reserve	18	-	140,163.00
Profit/(Loss) before tax from continuing operations		141,396.92	238,307
Income Tax expense	12	(42,419.08)	(71,492.11)
Profit/(Loss) after tax from continuing operations		98,977.84	166,815
LESS: Prior Period Items	9	(2,302.08)	(510.47)
Profit/(Loss) for the year		96,675.76	166,304.45

KIRIBATI GREEN ENERGY SOLUTION COMPANY LIMITED			
STATEMENT OF FINANCIAL POSITION			
AS AT 31 DECEMBER 2019			
		2019	2018
	Notes	\$	\$
CURRENT ASSETS			
Cash and Other Cash Equivalents	16	424,899.08	349,055
Trade and Other receivables	17	918,488.65	872,744
Outer Island Hire Purchase			-
Inventory		43,543.94	78,399
Prepayments and other assets		35,454.27	35,454.27
		<u>1,422,385.94</u>	<u>1,335,652</u>
NON-CURRENT ASSETS			
Property, Plant & Equipments	10	183,378.25	176,408
Intangible - Assets donated by Donors		287,553.00	287,553
Outer Island Hire Purchases on Donated Systems	16	698,393.00	698,393
		<u>1,169,324.25</u>	<u>1,162,354</u>
TOTAL ASSETS		<u>2,591,710</u>	<u>2,498,007</u>
CURRENT LIABILITIES			
Trade & Other Payables	14	443,482.69	489,625
Provision and Deferred Income - Current portion		-	-
		<u>443,482.69</u>	<u>489,625</u>
TOTAL LIABILITIES		<u>443,482.69</u>	<u>489,625</u>
NET ASSETS		<u>2,148,227.50</u>	<u>2,008,382</u>
<i>Represented by:</i>			
SHAREHOLDERS' EQUITY			
Share capital	18	500.00	500.00
Reserve		676,750.00	676,750.00
Deferred Income		-	-
Retained earnings		<u>(1,692,251.45)</u>	<u>1,331,131.66</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(1,015,001.45)</u>	<u>2,008,381.66</u>

