

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



**Development Bank of Kiribati Financial Statements  
For the Year Ended 31<sup>st</sup> December, 2018**

**Kiribati Audit Office  
Nov 2019**



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Audit for an impact for the public

## INDEPENDENT AUDITOR'S REPORT

### To the Readers of Development Bank of Kiribati Financial Statements For The Year Ended 31 December 2018

The Auditor-General, Mr Eriati Taumwa Manaima is the auditor of Development Bank of Kiribati (DBK).

The audit covered the Bank's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1976 and the DBK Act 1986 that apply to the financial statements of the DBK for the years ended 31 December 2018.

#### **DBK Board of Director's Responsibility.**

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

#### **Auditor's Responsibility.**

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

#### **Unqualified Audit Opinion**

In my opinion, the Financial Statements present fairly, in all material respects, the financial position of DBK as at 31st December, 2018, and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice in Kiribati.

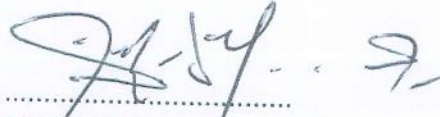
The audit was completed on 06/11/2019, and was the date at which my opinion was expressed.



## Independence

When carrying out the audit we followed the independence requirements stipulated under section 114 (4) of the Kiribati Constitution and the requirements of the International Standards of Auditing.

Other than the audit, we have no relationship with or interests in the Bank.



.....  
Mr Eriati Tauma Manaima  
Auditor General


Date: 08/11/2019

**DEVELOPMENT BANK OF KIRIBATI**  
**FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 31 DECEMBER 2018**

**DEVELOPMENT BANK OF KIRIBATI**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	NOTES	2018	2017
<b>CURRENT ASSETS</b>			
Bank & Cash	4	410,714	386,339
Current Loans	5	7,114,978	8,664,961
Debtors	6	23,826	44,742
Prepayments	6	17,922	17,922
		<u>7,567,439</u>	<u>9,113,964</u>
 <i>less</i> <b>CURRENT LIABILITIES</b>			
Creditors	14	189,974	222,397
Revolving Fund - Agent's M/Cycle	15	0	14,528
Interest on ADB Loans	17	276,336	263,266
Loans Overpayments	18	245,121	340,656
ADB Loan - Current Portion	12	144,951	144,951
Unearned Interest	19	2,334,863	2,116,837
		<u>3,191,245</u>	<u>3,102,635</u>
 <b>WORKING CAPITAL</b>		<b>4,376,195</b>	<b>6,011,329</b>
 <i>add</i> <b>NON CURRENT ASSETS</b>			
Non Current Loans	5	8,443,437	5,712,519
Motor Vehicles, Furniture etc.	3	558,601	632,968
		<u>9,002,037</u>	<u>6,345,487</u>
 <i>less</i> <b>NON CURRENT LIABILITIES</b>			
Government Loan ADB	12	1,180,070	1,180,070
KPF Investment	12	1,452,898	1,746,930
Educational Loan Scheme	12	0	1,418,472
Artisnial Fisheries Project	12	0	500,000
Tobwaan Teknikirake Loan Scheme	12	20,000	10,000
		<u>2,652,968</u>	<u>4,855,472</u>
 <b>NET WORTH</b>		<u><b>10,725,264</b></u>	<u><b>7,501,343</b></u>
 <b>Represented by:</b>			
Paid Up Capital		4,939,940	4,939,940
Assets Replacement fund reserve		139,397	126,600
Accumulated Profits	8	2,994,941	2,368,721
New Zealand Grant		66,082	66,082
Educational Loan Scheme	12	2,084,904	0
Artisnial Fisheries Project	12	500,000	0
		<u>10,725,264</u>	<u>7,501,343</u>

The accompany notes form part of these financial statements.

  
 .....  
 Chairman

  
 .....  
 Director



**INCOME & EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
Income	2,291,665	2,230,784
Expenditure	1,645,069	1,350,452
<b>Net Profit/(Loss) Before Prior Period Items</b>	<u>646,596</u>	<u>880,333</u>
Prior Period Items	20,376	4,237
<b>Net Profit/(Loss) after Prior Period Items</b>	<u>626,220</u>	<u>876,095</u>
Accumulated Profit/(Loss) at 1 Jan 2018	<u>2,368,721</u>	<u>1,492,625</u>
Accumulated Profit/(Loss) at 31 December 2018	<u><u>2,994,941</u></u>	<u><u>2,368,721</u></u>

The accompanying notes form parts of these Financial statements.

**DEVELOPMENT BANK OF KIRIBATI**  
**CASH FLOW STATEMENT FOR THE YEAR**  
**ENDED 31 DECEMBER 2018**

	(Notes)	2018	2017
<b><u>Cash Flow from Operations</u></b>		\$	\$
Cash received from operations		2,374,666	2,791,061
Operating expenses		-1,481,669	-946,904
<b><u>Net Cash Flow from operations</u></b>		<b>892,997</b>	<b>1,844,157</b>
<b><u>Cash Flow from Investing</u></b>			
Net increased in loans		-1,168,767	-2,210,983
Capital expenditure		-69,184	-235,164
Proceed from sale of assets		0	2,555
Artisinal Fisheries Project		0	0
Interest and payment to KPF		-294,032	
Educational loan scheme		666,432	779,831
Tobwaan Terikirake Loan Scheme		10,000	10,000
Net (Increase) in loan		0	0
Proceed from Long term Loans		0	0
<b><u>Net Cash Flows from investing</u></b>		<b>-855,551</b>	<b>-1,653,761</b>
<b><u>Cash Flow from Financing</u></b>			
Share Capital (student Loan Scheme)		0	0
Repayment of borrowings		0	0
Loan proceed from KPF		0	0
Interest paid		-13,070	-88,681
Government Grant		0	72,876
Total cash received/(used) from financing activities		-13,070	-15,805
Net (Decrease)/Increase in cash/cash equivalent		24,376	174,591
Rounded off difference		-1	-2
Opening Cash Balance 1/1/18		386,339	211,751
Closing Cash Balance 31/12/18	(A)	<b>410,714</b>	<b>386,340</b>

(A)- Details of Cash and Cash Equivalent as at 31/12/15

Cash Float	200	200
Electronic Clearing account	5,754	0
Cheque Account - Bairiki	2,284	113,784
Cheque Account - Kiritimati	-1,251	27,161
Interest Bearing Deposit	18,773	18,644
Bank Account number 3	363,735	217,336
Cash in Transit	21,219	9,215
	<b>410,714</b>	<b>386,340</b>

(B) - Reconciliation of cash flow from operating activities to net profit

Net Profit for the year	626,220	876,096
Depreciation	143,551	124,477
Government grant	-72,876	-72,876
Interest paid	85,946	88,681
Prior period items	0	0
Gain on Disposal	0	0
Closing fees		
Provision Current Doubful loan	-12,168	91,967
(Increase)/Decrease Prepayment	0	0
(Increase)/Decrease in Debtors	20,916	-5,425
(Increase)/Decrease in Lterm loan	0	0
(Increase)/Decrease in provision	0	0
(Increase)/Decrease in current loan		
(Decrease)/Increase in Creditors	-114,888	83,822
(Decrease)/Increase in Unearned Interest	218,026	642,815
(Decrease)/Increase in Sinking fund	-1,731	14,600
(Decrease)/Increase in KPF Investment	0	0
	<b>892,996</b>	<b>1,844,157</b>



**DEVELOPMENT BANK OF KIRIBATI**  
**DETAILED INCOME & EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>INCOME</b>	<b>NOTES</b>	<b>2018</b>	<b>2017</b>
Interest - Commercial Loans		484,756.11	424,723.43
Interest - Housing Loan		47,056.54	67,877.89
Interest - Personal Loan		1,200,976.51	1,100,206.58
Interest - Bank Deposit		129.04	127.82
Interest - Staff House Loan		14,683.45	18,528.17
Interest - Staff Personal Loan		5,571.83	5,793.18
Interest - Penalty		0.00	0.00
Loan Fees		151,590.89	149,225.09
Application Fees		31,662.57	37,823.00
Registration Fees		6,170.00	19,740.00
KPF Pledge Fees		12,070.00	13,570.00
Refinancing Fees		69,220.00	92,899.35
Student loan commission		39,286.50	77,052.82
Loan Administration Fees		101,300.00	95,740.00
Arrears Fees		33,927.42	37,307.46
Recovery Cost		3,841.25	0.00
Government Grant		72,876.12	72,876.82
Gain on Disposal		0.00	189.25
Closing fees		11,900.00	10,500.00
Sundry Income		4,646.50	6,603.41
		<u>2,291,664.73</u>	<u>2,230,784.27</u>
<b>EXPENDITURE</b>			
Salaries & Staff Expense	9	812,032.05	624,710.25
Workmens Compensation		8,499.96	8,499.96
Leave Grant		65,350.00	60,200.00
Directors		51,496.30	57,485.07
Entertainment		2,619.40	1,449.52
Repair & Maintenance - Motor Vehicle		6,392.76	4,640.01
Repair & Maintenance - Office Equipment		3,625.65	1,353.50
Repair & Maintenance - Computer		408.80	817.50
Transportation		19,583.84	17,471.69
Office Rent	16	47,306.32	40,826.48
Electricity		30,136.27	31,080.40
Telephone, Fax and Emails		32,067.93	19,779.88
Postage & Telegram		3,461.00	1,676.00
Printing and Stationery		11,421.84	12,091.02
Overseas Travel		28,957.00	16,252.00
Subscriptions		3,208.94	4,978.15
Advertising		598.00	3,352.10
Bank Charges		5,582.74	5,822.21
Provision for Loans Specific	11	50,520.58	98,719.02
Depreciation	3	143,551.40	124,477.44
Outer Island Travel		66,421.72	43,206.44
Operating Cost - Outer Is, Agencies		539.30	0.00
Interest on Borrowing	12	85,946.40	88,681.39
Loan Adjustments		114,912.14	28,397.21
Audit Fees		2,500.00	5,000.00
Rebate Interest expense		0.00	0.00
Research and development		11,315.95	25,183.35
Silver Jubilee		0.00	0.00
Insurance Coverage		4,297.32	6,099.96
Sundry Expense	13	32,315.00	18,201.15
Total Expenditure		<u>1,645,068.61</u>	<u>1,350,451.70</u>
Operating Profit/(Loss) before Prior Period Items		646,596.12	880,332.57
Prior Period Items	10	20,375.78	4,237.40
<b>Net Profits / (Loss) after Prior Period Items</b>		<u>626,220.34</u>	<u>876,095.17</u>



**DEVELOPMENT BANK OF KIRIBATI**  
**NOTES TO THE FINANCIAL STATEMENTS**

1 The Development Bank of Kiribati was established by the Development Bank Act 1986 for the provision of long, medium and short term loans as well as the required technical assistance to promote the efficient organization and conduct of business undertakings.

2 Principal Accounting Policies

**2.1 ACCOUNTING CONVENTION**

The Financial Statements have been prepared under the historical cost convention.

**2.2 CURRENCY**

The Financial statements are expressed in Australian Dollars.

**2.3 DEPRECIATION**

Depreciation is calculated to write down fixed assets value in equal installments using the following rates:

Furniture & Fittings	20%
Computer Upgrade	20%
Office Improvement	33.33%
Motor Vehicle	20.00%
Fence security Area	33.33%
Land and Buildings	5%

**2.4 INTEREST AND INVESTMENT INCOME**

Interest on loans and income from investments are included in the income and expenditure statement in the accounting period in which they are due.

**2.5 TURNOVER**

Turnover comprises interests, fees and sundry income.

3 Fixed Assets

	Motor Vehicle	Office Furn & Equip.	Fence Sec. Area	Computer Upgrade	Container	Land Buildings	Office Improvement	Total
Cost at 1 Jan 2018	248,585	459,776	42,308	536,399	4,546	150,730	11,653	1,453,997
Additions	12,867	18,785	2,407	19,952		15,173		69,184
Disposal / Adjustment	0							0
	261,451	478,561	44,715	556,351	4,546	165,903	11,653	1,523,180
Depreciation								
At 1 January 2018	144,518	400,183	42,276	217,225	4,546	628	11,653	821,028
Charge	43,978	17,474	550	73,950		7,599		143,551
Disposal / Adjustment	0							0
	188,496	417,657	42,826	291,175	4,546	8,227	11,653	964,580
Book Value								
At 31Dec 2018	72,955	60,904	1,889	265,176	0	157,676	0	558,601
At 01 Jan 2018	104,066	59,593	33	319,174	0	150,102	0	632,968

	2018	2017
<b>4 Cash &amp; Bank</b>		
Cash on Hand - Petty Cash	200.00	200.00
Bank Account - No. 1	2,283.9	113,784.0
Bank Account - Kiritimati	-1,250.5	27,160.8
Bank Account - IBD	18,772.7	18,643.7
Bank Account -No 3	363,734.5	217,335.7
Electronic Clearing account	5,754.2	0.0
Cash in Transit	21,218.7	9,214.7
	<u>410,714</u>	<u>386,339</u>
<u>Cash in transit Break down</u>		
Abaiang agency	3,258	1,292
Abemama agency	3,775	1,875
Beru agency	1,472	-60
Nikunau agency	830	-263
Onotoa agency	0	108
Marakei agency	56	56
Fanning agency	1,054	-55
Tabnorth agency	2,759	3,072
Butaritari agency	2,524	80
Tamana agency	0	0
Nonouti agency	1,324	1,297
Maiana agency	1,283	948
Arorae agency	873	873
Kuria agency	466	-10
Aranuka agency	185	0
Makin Agency	1,456	
Teraina Agency	-96	
	<u>21,219</u>	<u>9,215</u>
<b>5 Non Current Loans (maturity beyond 12 months)</b>		
Commercial	4,375,857	3,680,222
Staff House	140,643	181,969
Staff Personal	58,239	32,754
Personal	3,200,560	2,882,373
Housing	261,062	279,320
Student Loan	968,887	558,320
	<u>0</u>	<u>0</u>
Total Loans - Non Current Portion	9,005,249	7,614,959
less: Provision for Doubtful Loans	-1,890,271	-1,902,439
	<u>7,114,978</u>	<u>5,712,520</u>
<u>Current Loans</u>		
Commercial	2,545,408	2,822,699
Staff House	78,408	89,100
Staff Personal	68,484	63,585
Personal	4,821,048	4,756,288
Housing	243,696	263,820
Student loan	686,394	607,493
Non Commercial Loan	0	61,977
Total Loans - Current Portion	0	8,664,961
less: Provision for Doubtful Loans	<u>0</u>	<u>0</u>
	<u>8,443,437</u>	<u>8,664,961</u>
Total Loans - Current and Non Current Portion	<u>15,558,415</u>	<u>14,377,481</u>



	2018	2017
<b>6 Debtors</b>		
Vinster	0	0
Loan Deposit	0	0
**Unresolved Receivables**	0	0
	0	0
<i>less: Provision for Doubtful Debts</i>	0	0
	0	0
<u>Suspense &amp; Clearing a/c</u>		
Salary clearing	5	5
Staff Imprest	5,028	22,078
Others	327	17,813
Interest on TDs	66	66
Renovation	3,071	3,071
Bounce cheque	2,058	1,708
Staff Training	13,270	0
<i>less: Provision for doubtful debts</i>	0	0
	23,826	44,742
<u>Prepayments</u>		
Deffered Expenditure - Xmas Office Extension	17,922	17,922
Office Rent	0	0
	17,922	17,922
Trade Debtors	41,747	62,663
<b>7 Long Term Loans to Subsidiaries</b>		
OHL	0	0
	0	0
<b>8 Accumulated Profits/(loss)</b>		
Balance at 1 Jan 2018	2,368,721	1,492,625
Plus Profit/(loss) for the year	626,220	876,095
	2,994,941	2,368,721
<b>9 Salaries &amp; Staff Benefits</b>		
Salaries & wages	663,412	485,194
Overtime	20,859	18,594
Staff allowances	62,963	67,922
Provident fund	46,038	37,064
Staff expense	2,000	1,363
House Rent subsidy	16,760	14,573
	812,032	624,710
	65,350.00	

<b>10 Prior Period Items</b>	<b>2018</b>	<b>2017</b>
Outstanding Electricity for Shed	353.57	4,151
Adjusting KPF investment	-2,032.57	86.4
Imprest retired	19,097.47	
Writing off Agent Motorcycle Fund	-14,528.00	
Adjusting Suspense: Others	17,485.31	
	<u>20,376</u>	<u>4,237</u>

**11 Provision for Doubtful Loans**

<b>Provision for Doubtful Loans</b>	<b>2018</b>	<b>2017</b>
<b>Active Loans</b>		
Commercial, Personal, Home Loans 12,879,633 @ 5%	643,982	603,085
Staff Personal 119,055 @ 2%	2,381	1,773
Student Loan 1,655,281 @ 0%	0	0
Staff House 217,862 @ 2%	4,357	5,398
Total Provision Required	650,720	610,256
<i>less Provision already provided</i>	604,236	539,829
<b>Write off</b>		
additional provision required/(write back)	46,484	70,428
<b>Past Due Loans</b>		
Pastdue 2,431,466 @ 45%	1,094,160	1,146,817
Total Provision Required	1,094,160	1,146,817
<i>less Provision already provided</i>	1,090,147	1,124,389
<b>Write off</b>	0	-6,752
additional provision required/(write back)	4,012.51	15,676.21
<b>Hard Core Loans</b>		
Hard Core 145,391 @ 100%	145,391	145,366
Total Provision Required	145,391	145,366
<i>less Provision already provided</i>	145,366	146,255
<b>Write off</b>	0	0
additional provision required/(write back)	25.00	-888.56
 Total Provision Required for the Year	 1,890,270	 1,902,439
<i>less Provision already provided</i>	<u>1,839,749</u>	<u>1,803,721</u>
Additional Provision Required/(write back)	<u>50,521</u>	<u>98,718</u>



	2018	2017
<b>12 Long Term Loans</b>		
<b>Government Loan - ADB</b>		
Balance 1 st January 2018	1,352,021	1,352,021
Payment to Government	-86,126	-86,126
Interest Due - 2018 (6.5%)	86,126	86,126
	<u>1,352,021</u>	<u>1,352,021</u>
Current Portion	144,951	144,951
	<u>1,207,070</u>	<u>1,207,070</u>
 <b>EIB Loan</b>		
Balance at 1 st January 2015	-0	-0
Disbursement from EIB	0	0
Payment to EIB	0	0
Adjustments (Gain on Exrate write off to PPI)	0	0
Interest Due - 2015 (1% p.a)	0	0
	<u>-0</u>	<u>-0</u>
 * <i>EIB loan fully repaid in January 2015</i>		
 <b>Fund Held in Trust</b>		
KPF Investment		
Balance at 1 st January	1,746,930	1,744,375
Disbursement from KPF	0	0
Payment to KPF	-292,000	0
Interest charged cancelled	-2,032	2,555
	<u>1,452,898</u>	<u>1,746,930</u>
 * No further interest on KPF Investment,		
 Educational Loan Scheme	2,084,904	1,418,473
Artisanal Fisheries Project	500,000	500,000
Tobwaan Terikirake Loan Scheme	20,000	10,000
 <b>13 Sundry Expense</b>		
Training	16,181	3,253
Promotions	5,950	4,630
Janitorial	657	1,423
Loan adjustments-sundry expense	0	0
Bill of Sale	90	273
Pledge Expense	7,250	8,050
Sundry Expenses	268	472
Legal and Lawyer fees	1,920.00	100.00
	<u>32,315</u>	<u>18,201</u>

	2018	2017
<b>14 Creditors</b>		
Greditors	7,121	7,121
Term Deposits	549	549
Payroll Accruals Payable	11,318	10,829
DBK Staff Deduction Clearing	77	77
Audit fees Payable	0	0
	<u>19,065</u>	<u>18,576</u>
<u>Suspense &amp; Clearing a/c</u>		
Suspense Re: H/Rent Clearance	0	0
Suspense Re: Xmas Branch H	8,948	8,948
Suspense Re: Bank errors	-9,926	15,010
Suspense Re: Staff fund	-6,102	-12,772
Suspense Re: Unclaimed cheques	159,494	159,864
Suspense Re: Phone Clearance	0	0
Suspense Re: Loan Refund	14	14
Suspense Re: Missing Telmo	0	0
Suspense Re: Vinstar Expenses	0	0
Suspense Re: Commercialisation Project	7,647	7,647
Suspense Re: Project development	0	0
Suspense Re: Loan Adjustments	12,586	24,766
Suspense Re: Unknown	-1,753	342
	<u>170,908</u>	<u>203,821</u>
Total Creditors	<u>189,974</u>	<u>222,397</u>

**15 Revolving Fund - Agent's M/ycle**

Abaiang agent	0	865
Abemama agent	0	865
Beru agent	0	865
Nikunau agent	0	865
Onotoa agent	0	982
Marakei agent	0	865
Fanning agent	0	865
Tabnorth agent	0	865
Butaritari agent	0	865
Tamana agent	0	865
Nonouti agent	0	865
Arorae Agent-	0	1,092
Aranuka Agent-	0	1,092
Maiana agent	0	865
Marakei agent	0	865
Nikunau agent	0	982
	<u>0</u>	<u>14,528</u>

	2018	2017
<b>16 Office Rent</b>		
Head Office & TabNorth (\$50 Monthly)	47,306	40,826
Notional Rent - Xmas Branch	0	0
	<u>47,306</u>	<u>40,826</u>



<b>17</b> Interest on ADB Loans	276,336	263,266
<b>18</b> Loans Over Payments	245,121	340,656
<b>19</b> Unearned Interest	2,334,863	2,116,837