

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



Bwebweriki Net Ltd
Financial Statements for the year ended 31st
December 2020

Kiribati Audit Office
September 2022

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

To The Readers Of Bwebweriki Net Ltd Financial Statements For the year ended 31st December 2020

I have audited the Financial Statements of Bwebweriki Net Ltd (BNL) for the year ended 31st December 2020 as required under sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981, Part IV Sec 23 of the SOE Act, 2013 and Sec 22(1) of the Kiribati Audit Act, 2017. The Financial Statements comprise of the following:

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

Unqualified Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BNL as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards. (IFRS)

Basis of Opinion

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

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

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

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

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

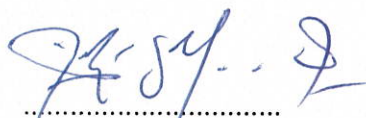
Report on other Legal and Regulatory Requirements

BNL lodged its Financial Statement 2020 for audit on 05 Aug 2021 therefore indicating their non-compliance with submission due date specified under sec.20 of 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 BNL.



Mr. Eriati Tauma Manaima
Auditor General.

Date: 01 September 2022

Ref.: BNL/MICTTD/AG/21-012

22nd August 2022

Mr Eriati Manaima
Auditor General
Kiribati National Audit Office
Betio.
Tarawa
Kiribati

Email:

Attn:

Subject: **Adjusted Audited Financial Statements of the Bwebweriki Net Limited (BNL)**
For Twelve months January 2020 to December 2020

Dear Sir,

For your audit information please find enclosed the Adjusted Audited financial statements for the year ended 31st December 2020.

It is our greatest pleasure to work with your office for further enquiries.



Yours Sincerely,





Etita Rubi
Finance and Administration Manager

cc: Mr Ioane Koroivuki
BNL Chief Executive Officer
MICTTD, Betio, Tarawa

cc: Mr Riteti Maninarara
BNL Board Chairman
MICTTD, Betio, Tarawa

BNL			
Income statement			
For the Month of January - December 2020			
	Notes		
Income			
Sales & leases			
OIN Leases			
Management fee plus remittance (10 %)		\$ 71,236.00	
Government Grant	8	\$ 18,055.51	
			\$ 89,291.51
Less Cost of Services			
Agency and freight cost		\$ 8,637.18	
KPA charge		\$ 3,250.00	
Bank charge		\$ 165.34	
		\$ 12,052.52	
EBITDA			\$ 77,238.99
Operating Expenses			
Kiritimati Operational Expense			
Administration expenses			
Cable Operation and Maintenance expense		\$ -	\$ -
Other			
Tarawa Operating expense			
Administration expenses	8	\$18,055.51	
Cable Operation and Maintenance expense		\$ -	
Other		\$0.00	\$18,055.51
OIN Operational Cost			
Total Operating Expenses		\$18,055.51	\$ 18,055.51
Other Expenses			
Depreciation			
Exchange rate loss from SX remittance vs			
Contractors payment	7		\$ 22,438.51
EBIT			\$ 36,744.97
Approved by Chairman: 			
		CEO: 	

BNL				
Balance Sheet				
For the month of Jan - December 2020				
				Note
Current assets				
Bank		\$ 236,716.97		11 & 12
Kiribati Government no. 4 account				
Account receivables		\$ -		
Stock		\$ -		
Total Current Assets			\$ 236,716.97	
Current Liability				
Trade creditors		\$ 199,972.00		6
			\$199,972.00	
Working Capital			\$ 36,744.97	
Long term assets				
BNL Submarine cable			\$ -	3
Non Current Liabilities				
Net worth			\$ 36,744.97	
Equity				
Capital	\$0.00			
Aid reserve (ADB and World Bank Grant)	\$0.00			4 & 5
Drawings	\$ -			
Retained earnings	\$ -			
Net Profit/Loss	\$ 36,744.97			
	\$ 36,744.97		\$ 36,744.97	
Approved by Chairman: 		CEO: 		

BNL		
Annual Financial Cash Flow Statement		
as at December , 2020		
	Note	Annual 31/12/2020
Cash flow from operating activities		
Receipts from customers & debtors		89,291.51
Payments to suppliers & employees		52,546.54
Stock movement		-
	(B)	36,744.97
Cash flow from financing activities		
Grant received from ADB and World Bank		-
		\$ -
Cash flow from investing activities		
Submarine cable reconstruction		-
		\$ -
Net Cash In Flow		36,744.97
Cash and Bank Balances - Beginning		199,972.00
Cash and Bank Balances - Ending	(A)	\$236,716.97
Note (A) - Details of Cash and Bank Balances		
Bank Account(A/C # 1186903)		\$ 236,716.97
		\$ 236,716.97
Note (B) - Reconciliation of cash flow from operations		
Net Profit / loss for the period		\$ 36,744.97
Depreciation charge for the period		\$ -
Increase in Debtors		-
Increase/Decrease in Creditors		\$0.00
Changes in stock		
Changes/Adjustment to debtors		-
Changes/Adjustment to Creditors		-
		\$ 36,744.97

Approved by Chairman: _____




CEO: _____



BNL
Statement Of Equity

		AUD \$
Opening Capital as of 01/01/2020		\$ -
Shareholders Investment during the period		\$ -
Net Income for the Period 31/12/2020		\$ 36,744.97
Total		\$ 36,744.97
Less Dividend for the period		\$ -
Owners equity Balance as at 31/12.2020		\$ 36,744.97

Approved by Chairman: 

CEO: 

BNL
Notes to the Financial account for the month ending period
As at 31st December 2020

1. General

The Government of Kiribati has established Bwebwerikine Limited (BNL), as a state-owned enterprise, with responsibility to: (a) manage Kiribati's interests in the EMC cable, (b) manage the Outer Islands Network (WIN P126324); (c) manage the Kiritimati cable, and (d) be the vested owner of the former incumbent ISK's and other assets (towers, buildings and site electrical facilities) outside of Tarawa and Kiritimati, and as the grantor of access to those assets in provision of service arrangements in Outer Islands.

The Local government was currently providing funding for BNL operational cost to enable BNL to start up with and to improve the formation of its office capacity to achieve its main establishment.

The East Micronesia Cable (EMC) is a jointly financed and implemented regional submarine cable system connecting Tarawa with Nauru, Kosrae (FSM), and Pohnpei (FSM), then on to Guam. The proposed East Micronesia Cable (EMC) system will connect Kiribati (Tarawa), Nauru and FSM (Kosrae-Pohnpei), with onward connectivity from Pohnpei to Guam (US) via the HANIRU-1 cable. The World Bank is financing Kiribati's participation in the EMC under this Project; and FSM's participation under a separate Project (P130592). The Asian Development Bank (ADB) is financing the participation of Nauru (and separately from this EMC Project) connection of Kiritimati Island to the Southern Cross NEXT cable) under its Improving Internet Connectivity for Micronesia Project (S0348-001 approved March 2018). The total cost of the EMC cable system is about US\$54 million, cost US\$20 million, including allocations for infrastructure investment and for technical assistance. However Kiribati only receive grant of ADB US \$21.6 million and World Bank of US 20 million were disclosed in BNL account for transparency purpose.

Within the EMC agreement with Kiribati A fund of USD \$ 300,000 agreed to transfer from Local funding that should be in the BNL Bank account and to be treated as an Equity. It was agreed that this fund will be in the equity that will remain in that account for the purpose to meet any future damages of the submarine cable. However this fund has not been transferred yet to BNL account.

2. Accounting Policy

The Fiscal period of the company is Jan - Dec.

The official currency in Kiribati is the Australian currency in which the company used.

The account of the Company was prepared under the historical cost convention in accordance with generally accepted accounting principles, standards and statutory requirements in Kiribati. The principal accounting policies adopted by the business are provided below.

BNL

Notes to the Financial account for the month ending period
As at 31st December 2020

(a) Depreciation

Fixed assets are to be depreciated over their useful lives using the straight line method.

3. Fixed Assets		Kiritmati	Tarawa	Total
Submarine cable				
EMC submarine cable		\$ -	\$0.00	\$0.00
Adjustments:				\$0.00
Additions:		\$ -	\$0.00	\$0.00
At end of the period		\$ -	\$ -	\$ -
Depreciation: At start of the year		\$0.00	\$0.00	\$0.00
Adjustments:		\$0.00	\$0.00	\$0.00
Charges:		\$0.00	\$0.00	\$0.00
At end of the period		\$0.00	\$0.00	\$0.00

SXC Submarine cable		\$0.00	\$0.00	\$0.00
Adjustments:		\$0.00	\$0.00	\$0.00
Additions:		\$0.00	\$0.00	\$0.00
At end of the period		\$0.00	\$0.00	\$0.00
Depreciation: At start of the year		\$0.00	\$0.00	\$0.00
Adjustments:		\$0.00	\$0.00	\$0.00
Charges:		\$0.00	\$0.00	\$0.00
At end of the period		\$0.00	\$0.00	\$0.00

NBY				
At start of the year		\$ -	\$ -	\$ -
At end of the period		\$ -	\$ -	\$ -

4. Aid Reserve - ADB		Kiritmati	Tarawa	Total
At start of the year		\$0.00	\$0.00	\$0.00

BNL
Notes to the Financial account for the month ending period
As at 31st December 2020

Additions			\$0.00		\$0.00
less Amortisation during the period		\$0.00	\$0.00		\$0.00
At end of the period		\$0.00	\$0.00		\$0.00

5. Aid Reserve - World Bank		Kiritimati	Tarawa	Total
At start of the year		\$0.00	\$0.00	\$0.00
Additions			\$0.00	\$0.00
less Amortisation during the period		\$0.00	\$0.00	\$0.00
At end of the period		\$0.00	\$0.00	\$0.00

6. Trade Creditors		Kiritimati	Tarawa	Total
Bal b/f				400,026.20
Refund for Bidding 1 & 4 Oceanlink		\$0.00	(\$199,962.60)	200,063.60
Transfer Bank charge		\$0.00	-96.55	199,967.05
7. Loss from exchange rate for SX remittance vs Contractors payment				
Total SX remittance to BNL			\$ 577,541.79	\$ 577,541.79
Total BNL payment to Contractors			\$ (599,980.30)	(\$22,438.51)
Total Management fee received				(\$22,438.51)

8. Government Grant - Treat payments for BNL office items under the Revenue and payments

The Government grant under IAS 20 was applicable towards the Government fund being paid for BNL items. Therefore the fund was recognised under the Income statement.

Government Grant breakdown as follows:

Board meetings	\$	4,631.25
External travel	\$	2,790.14
Internal travel	\$	281.25
Communication and Media	\$	1,748.93

BNL

Notes to the Financial account for the month ending period
As at 31st December 2020

Stationeries and Supplies	\$	296.88
Office Supplies	\$	7,153.38
Local Purchase	\$	1,153.68
Total	\$	18,055.51

9. Retained Earnings

		Dr	Cr	Balance
Opening Balance			\$ -	\$ -
	<u>31/12/2019</u>			
	31/12/2020		\$36,744.97	\$ 36,744.97

10. Tarawa Operation expense breakdown

	TRW and Kiritimati	Government grant	
\$ -			
\$ -	\$ -		
\$ -	\$ -		
\$ -	\$ -		
\$ -	\$ 4,631.25	\$ -	
\$ -	\$ 2,790.14	\$ -	
\$ -	\$ 281.25	\$ -	
\$ -	\$ 1,748.93	\$ -	
\$ -	\$ 296.88	\$ -	
\$ -	\$ 7,153.38	\$ -	
\$ -	\$ 1,153.68	\$ -	
\$ -	\$ -	\$ -	
\$ -	\$ 18,055.51	\$ 18,055.51	

11. Cash Book Balance

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BNL

Notes to the Financial account for the month ending period
As at 31st December 2020

	Dr	Cr	Balance
01/01/2020 Bank balance b/f			\$ 399,934.60
05/11/2020 Oceanlink refund		\$199,962.60	\$ 199,972.00
10/11/2020 Total SX remittance Receipts	\$ 577,541.79		\$ 777,513.79
31/12/2020 Total management fee (10 %)	\$ 71,236.00		\$ 848,749.79
31/12/2020 Total TT payments (outward for Contractors)		\$ 599,980.30	\$ 248,769.49
31/12/2020 Total operating expenses		\$ 11,887.18	\$ 236,882.31
31/12/2020 Total Bank charges		\$ 165.34	\$ 236,716.97

12. Bank Reconciliation as of 31/12/2020

Bank reconciliation Statement	
For the Year ended 31st December, 2020	
Balance as per Bank account 01/01/2020	\$ 236,716.97
Add	
Transfer credits for Southern Cross Contractors	0
Overstated receipts	\$ - \$ -
Less	
Exchange rate loss	
Balance as per Cash book balance 31/12/2020	236,716.97

Approved by Chairman: _____



CEO: _____

