REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Bwebweriki Net Ltd
Financial Statements for the year ended 31st December 2022 - 2023

Kiribati Audit Office
October 2025

KIRIBATI AUDIT OFFICE

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Audit for an impact for the public

File ref: SOE23 **14/10/2025**

INDEPENDENT AUDITOR'S REPORT

To The Readers Of
Bwebweriki Net Ltd Financial Statements
For the year ended 31st December 2022 and 2023

I have audited the Financial Statements of Bwebweriki Net Ltd (BNL) for the year ended 31st December 2023 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 the Bwebweriki Net Ltd as at December 31, 2022 and 2023, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP).

Basis of Unqualified Opinion

I have conducted my audit in accordance with international standard 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 **BNL** in accordance with the Ethical requirements that are relevant to my audit of the financial statements of the **BNL** 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 GAAP, 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 2022 for audit on 1st December 2023 therefore indicating that BNL non-comply with submission due date specified under sec.20 of SOE Act, 2013.

For BNL 2023 account was lodged for audit on 28 March 2024, therefore indicating that BNL comply 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.

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Mr. Eriati Tauma Manaima
Auditor General.

Date: 14 October 2025

BwebwerikiNET Ltd

Ref: BNL/AG/21-012

28th December 2023

Mr Eriati Manaima
Auditor General
Kiribati Audit Office
Bairiki

Dear Sir:

SUBJECT: Revised Bwebweriki NET Limited (BNL) Annual Account for the year ended 31 December 2022

Please find attached with this letter BNL's Revised Annual Account for the period ended 31st December 2022 after making minor adjustments presented for your information and auditing. Please also note that all items' figures are correct except for formula to change in the Balance Sheet for ascertaining Working Capital overlooked to change and secondly to add together items related to Operating costs under one item Operating Cost in the Income Statement for consistency of the format being used.

I am looking forward to working with your staff on this Account.

Should you need further information please do not hesitate to contact our office or the undersigned.

Yours faithfully;

Bwanouia T Aberaam
Finance Management Officer

Cc: Mr Ioane Koroivuki
BNL Chief Executive Officer
MCTTD, Betio, Tarawa

cc: Mr Riteti Maninraka
Chairman BNL
MCTTD, Betio, Tarawa

BWEBWERIKINET LIMITED (BNL)			
INCOME STATEMENT			
FOR THE YEAR ENDED 31 DECEMBER 2022			
	Note	**2022**	**2021**
INCOME			
Southern Cross Management Fee	4	$ 4,665.26	$ 75,085.13
Southern Cross Pre RFS Reimbursement	5a	$ 41,987.34	$ 837,069.36
Southern Cross Post RFS Reimbursement	5b	$ 33,252.69	
Southern Cross LPA Annual Maintenance fee			
Government Grant			
		$ 79,905.29	**$ 912,154.49**
Other Revenue			
KIR (SX NEXT) - Capacity sales		$ -	
TRW (EMC) - Capacity sales		$ -	
OIN - Infrastructure Lease		$ -	
KIR (SX NEXT) - IP transit		$ -	
TRW (EMC) - IP transit		$ -	
OIN - Colocation fees		$ -	
		$ -	
TOTAL INCOME		**$ 79,905.29**	**$ 912,154.49**
EXPENDITURE			
Direct Staff Cost	6	**$ 28,481.47**	**$ 11,865.40**
Indirect Staff Cost			
Operating Cost	7 & 8	**$ 48,581.20**	**$ 853,367.74**
Repair & Maintenance			
Financial/Administration Cost		**$ 135.60**	**$ 261.40**
TOTAL Operating Expense		**$77,198.27**	**$865,494.54**
EBITDA		**$ 2,707.02**	**$ 46,659.95**
Other Expenses			
Depreciation/Amortisation	9	$ 1,644.61	$ 89.02
Exchange Gain/Loss	10		$ 7,612.72
EBIT		**$ 1,062.41**	**$ 38,958.21**
Income tax		$ -	
Net Profit After Tax		**$ 1,062.41**	**$ 38,958.21**

Approved by Chairman: Chief Executive Officer:

BWEBWERIKINET LIMITED (BNL)			
BALANCE SHEET			
AS AT 31 DECEMBER 2022			
	Note	**2022**	**2021**
Current assets			
Cash and Cash equivalents	11	$ 940,752.30	$ 816,380.22
Trade and other receivables	12	$ 67,472.41	$ 67,472.41
Inventories		$ -	
Total Current Assets		**$ 1,008,224.71**	**$ 883,852.63**
Current Liabilies			
Trade and Other payables	13	$ 28,790.31	$ 4,378.87
Total Current Liabilities		$ 28,790.31	$ 4,378.87
Working Capital		**$ 979,434.40**	**$ 879,473.76**
Non Current Assets			
Property, Plant and Equipment	14	$ 5,285.50	$ 4,183.73
Total Assets		**$ 1,013,510.21**	**$ 888,036.36**
Non Current Liabilities			
Deposits from Service Providers for OIN	15	$ 907,954.31	$ 807,954.31
Total Non-current Liabilities		**$ 907,954.31**	**$ 807,954.31**
Total Liabilities		**$ 936,744.62**	**$ 812,333.18**
Net Assets		**$ 76,765.59**	**$ 75,703.18**
Equity			
Capital			
Reserves			
Dividends Paid			
Retained earnings	16	$ 75,703.18	$ 36,744.97
Current Year Earnings		$ 1,062.41	$ 38,958.21
		$ 76,765.59	**$ 75,703.18**

Approved by Chairman:

Chief Executive Officer:

Bwebweriki NET Ltd

Statement of Cash Flow

as at 31 December 2022

			2022		2021
Cash Flow from Operating Activities					
Profit (Loss) before Income Tax		$	1,062.41	$	38,958.21
Adjustments for	Depreciation -Office equipment	$	101.67		
	Depreciation - Computer equipment	$	1,542.94	$	89.02
	Increase / (Decrease) in Account Receivable			$	(67,472.41)
	Increase/ (Decrease) in Account Payable	$	18,520.51	$	2,115.87
	Increase /(Decrease) in PAYE Payable	$	1,717.27	$	1,081.27
	Increase / (Decrease) in KPF Payable	$	4,173.66	$	1,181.73
	Increase/(Decrease) in OIN Deposit - Vodafone	$	100,000.00	$	(99,973.80)
	Increase/(Decrease) in OIN Deposit - OceanLink	$	-	$	707,956.11
Cash generated from operation		$	127,118.46		$583,936.00
Interest paid		$	-	$	-
Income Tax paid		$	-	$	-
Net Cash Flow from Operating Activities		$	127,118.46		$583,936.00
Cash Flow from Investing Activities					
	Purchase of Property, Plant and Equipment	$	(2,746.38)	$	(4,272.75)
Net Cash Flow from Investing Activities		$	(2,746.38)	$	(4,272.75)
Cash Flow from Financing Activities		$	-	$	-
Net Cash Flow from Financing Activities		$	-	$	-
Net Increase/Decrease for the period		$	124,372.08	$	579,663.25
Cash at the Beginning of the period		$	816,380.22		$236,716.97
Cash at the End of the period		$	940,752.30	$	816,380.22

Approved by Chairman:

Chief Executive Officer:

BWEBWERIKI NET LTD (BNL)
Statement of changes in Equity
for the year ended 31st December 2022

	Capital	Reserves	Retained Profits	Total Equity
Balance at 1 January 2021	$ -	$ -	$ 36,744.97	$ 36,744.97
Profit/(Loss) after income tax for the period	$ -	$ -	$ 38,958.21	$ 38,958.21
Dividend paid	$ -	$ -	$ -	$ -
Balance at 31 December 2021	$ -	$ -	$ 75,703.18	$ 75,703.18
Balance at 1 January 2022	$ -	$ -	$ 75,703.18	$ 75,703.18
Profit/(Loss) after income tax for the period	$ -	$ -	$ 1,062.41	$ 1,062.41
Dividend paid	$ -	$ -	$ -	$ -
Balance at 31 December 2022	**$ -**	**$ -**	**$ 76,765.59**	**$ 76,765.59**

Approved by Chairman:

Chief Executive Officer:

Notes form part of the Financial Statements for the period ending 31st December 2022

1. The Government of Kiribati created Bwebweriki NET Limited (BNL) registered on the 23rd of November 2017, with a registered address of Nanikaai, Tarawa in the Republic of Kiribati. BNL is a state-owned enterprise, with the aim that it will operate indefinitely providing wholesale high-speed internet to licensed service providers using submarine cables to connect the two main urban centres Kiritimati and Tarawa Islands to the global internet and to deal with its main responsibilities as mandated by government to:

   (a) manage Kiribati's interests in the East Micronesian Cable (EMC), (b) manage the Outer Islands Network (WB P126324); c) manage the Kiritimati Southern Cross NEXT cable, and (e) be the vested owner of designated former incumbent Telecom Services Kiribati Limited (TSKL) assets such towers, masts, 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 government of Kiribati through the Ministry of Information, Communication and Transport (MICT) was providing funding for BNL operational costs to enable BNL to start up with and to improve the formation of its office capacity to achieve its main establishment. BNL is anticipated to start its commercial operations in 2024.

   The East Micronesia Cable System (EMCS) is a jointly financed regional submarine cable system that will connect Tarawa, Nauru, and Kosrae (FSM) to Pohnpei (FSM), The proposed system will have onward connectivity through an IRU with FSMTC from Pohnpei to Guam (US) via the HANTRU-1 cable.

   The Asian Development Bank (ADB) is financing the participation of Nauru under its Improving Internet Connectivity for Micronesia Project (50348-001 approved March 2018).

   The total cost of the EMC cable system is about US$54 million including infrastructure and technical/managerial support for the three consortium countries. The Kiribati Connectivity Project (P159362) World Bank funding portion will cost US$20 million.

   Kiribati will receive a grant of US $21.6 million from ADB for the SX NEXT Project and US $20 million from the World Bank for the EMCS Project and these are disclosed in BNL's account for transparency purposes. 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 also 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. Basis of Preparation

The financial statements of the company have been prepared under the historical cost and accrual basis and also following generally accepted accounting principles, standards, and statutory requirements in Kiribati. The financial statements are presented in the Australian currency a currency being used in Kiribati. However, any transactions involving other currencies such as New Zealand and US dollars all translated using the daily Exchange Rate used by the Local ANZ Bank (Kiribati) Ltd.

Since no mandatory specific accounting standard has been adopted in Kiribati, the presentation of the financial statements is in accordance to the GAAP, standards and legal requirements of Kiribati require the selection and application of consistent application accounting policies to the transactions and events. There is a plan to transition to adopt the International Financial Reporting Standard (IFRS) and start applying it in the 2023 Annual Account and later years. To make the transition smooth, some accounting policies in use are following IFRS. The company's principal accounting policies are set out in Note 3.

3. Accounting Policy

The financial year for the company is the fiscal year starting from January to December

3.1. Revenue recognition

Before the Kiritimati Cable Landing Station is ready for service (RFS) all costs related to the operation of the station should be reimbursed from Southern Cross NEXT and such cost that BNL claimed is recognised as revenue and called Pre-FRS Reimbursement until the end of June 2022 as per Land Party Agreement (LPA), and costs claimed thereafter are called Post- RFS Reimbursements. The Management fee is also another revenue recognised by BNL and is based on the claimed amount by Contractors. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government.

3.2. Tax Income

Since the company is yet to come into operation, there is no current Income Tax payable. Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. PAYE Tax Payable is the only tax obligation for the period.

3.3. Property, Plant and Equipment

Items of property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less residual values over their estimated useful lives, using the straight-line method. Cable Landing Station in Kiritimati will be transferred **once** the project is completed and handed over to BNL, then all these Fixed Assets will be accounted for in the Books of the Company. For the reporting period, only Office Equipment including computers bought are recorded in the Fixed Asset Register.

The following annual rates are used for the depreciation of property, plant and equipment:

Buildings	2%
Furniture and Equipment	10% to 25%
Motor vehicles	20% to 25%
Computer equipment	10% to 25%
Telecommunications Equipment and Plant	5% to 33%

If there is an indication that there has been a significant change in the depreciation rate useful life or residual value of an asset, the depreciation of that asset is revised to reflect the new expectation

A gain or loss on disposal of the Fixed Asset has to be recognised in the Profit and Loss Statement.

3.4. Trade and other receivables

Since the company is not yet offering the service, no sale is taking place except for the reimbursement arrangement between BNL and SX NEXT for Kiritimati Cable Landing Station expenses and the claims that are made by Contractors to BNL and then claimed from Southern Cross. In the process, SX NEXT is the main account receivable. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine if there is any evidence that the amounts are not recoverable. An impairment loss is recognised when evidence is identified.

3.5. Trade and other payables

The current account payables are mainly the Contractors of Kiritimati Cable Landing Station (SX) and those assist BNL in meeting its cost. The claims from Contractors do not bear interest. Foreign payables are denominated in a foreign currency and are translated into Australian dollars, currency in use in Kiribati using the exchange rate of the ANZ Bank Kiribati Ltd rate on the date the transaction takes place. Foreign exchange gains or losses are included in other income or expenses.

With BNL now, mandated by the government to look after the Outer Islands Network (OIN) (i.e., Masts, Towers, and other fixed Assets), and with the need to develop and improve the services to the people, bids are offered to Service Providers resulting in making Deposits to the BNL, and thus treating them as other Payables since they will be reimbursed upon meeting Bids requirements.

4.0. Management fee

SX Management fee					
BNL02/22	SJ	01/04/20	Southern Cross NEXT for Contractors NZD11,205.70@Ex rate1.1107 less Management fee		$ 1,008.89
BNLInv01/22	SJ	01/04/20	Claim for Contractors of Kiritimati CLS @NZD3,000@ Ex Rate1.1107 TT Ref: 20318305786		$ 270.10
BNL Inv#03/22	SJ	01/07/20	Claim by Contractors for Kiritimati LCS		$ 3,386.27
			Total		**$ 4,665.26**

5.0. Pre-RFS & Post Reimbursement LPA

5. Pre and Post RFS Reveue					
a. Pre-RFS Reimbursement					
BNL02/22	SJ	01/04/20	Southern Cross NEXT for Contractors NZD11,205.70@Ex rate1.1107 less		$ 9,079.97
BNLInv01/22	SJ	01/04/20	Claim for Contractors of Kiritimati CLS		$ 2,430.90
BNL Inv#03/22	SJ	01/07/20	Claim by Contractors for Kiritimati LCS		$30,476.47
			Total :		**$41,987.34**
b. Post-FRS Reimbursment LPA					
CR000041	CR	18/11/20	Receive payment from Southern Cross NEXT (SSCL) Pa		$33,252.69
			Total :		**$33,252.69**

6. Direct Staff Cost

Wages & Salaries Expenses		
Jan-22	Kiritimati Staff	$2,698.38
Feb-22	Kiritimati Staff	$2,698.38
Mar-22	Kiritimati Staff	$2,698.38
Apr-22	Kiritimati Staff	$2,698.38
May-22	Kiritimati Staff	$2,698.38
Jun-22	Kiritimati Staff	$2,698.38
Jul-22	Kiritimati Staff	$3,856.28
Aug-22	Kiritimati Staff	$1,533.62
Sep-22	Kiritimati Staff	$1,533.62
Oct-22	Kiritimati Staff	$1,533.62
Nov-22	Kiritimati Staff	$1,533.62
Dec-22	Kiritimati Staff	$2,300.43
	TOTAL	**$28,481.47**

7. Operating Cost =$ 35,503.16 plus Note 8 Kiritimati CLS Operating Cost = $13,078.04 gives

<u>OPERATING COST OF $48,581.20</u>

OPERATING COST			
Miscellaneous Expenses		$	93.60
Website and Domain Hosting fee		$	3,216.43
Agency and Freight Expenses		$	8,901.87
Transport Expenses		$	1,150.00
General Repairs & Maintenance		$	475.00
Membership and Subscription fees		$	2,027.44
Internet and Telephone Expenses		$	2,329.34
PAYE Tax Expense		$	1,717.27
Stationery		$	8.60
Superannuation (KPF) Expenses		$	4,173.66
Office Expenses		$	10,157.95
Local Travel Expenses		$	50.00
Overseas Travel Expenses		$	1,100.00
Port Charges		$	102.00
	TOTAL	**$**	**35,503.16**

8. Kiritimati CLS Operating Cost

Kiritimati CLS Operating Expenses		
19/05/2022	Consulting as per LPA expenses	$1,317.50
24/05/2022	NETWORK CABINET-Floor Standing G3 42U	$1,344.80
24/05/2022	Cable Tray 100mm IN216249	$306.05
01/08/2022	Consulting Services for Kiritimati Cable Landing Station	$347.30
01/08/2022	Argo charges for Kiritimati Cable Landing Station for 2022	$9,762.39
	Total :	**$13,078.04**

9. Depreciation Expense

Asset Name	Date of acquisition	Orginal Cost	Depreciation (25% of WDV)	Accumulated Depreciation	Written Down Value		Accounting Period
1 Laptotop Kiritimati CLS	2/11/2021	$ 4,272.75	$ 1,068.19	$ 1,157.20	$ 3,115.55		31.12.2022
1 new Laptop Kiritimati Office	19/08/2022	$ 1,899.00	$ 474.75	$ 474.75	$ 1,424.25		
1 Water blaser	27/04/2022	$ 610.00	$ 101.67	$ 101.67	$ 508.33		
			$ 1,644.60	$ 1,733.62			

11. Cash and Cash Equivalent

CASH AT BANK			
	Debit	Credit	Balance
Opening Balance			$ 816,380.22
Vodafone Deposit for OIN	$100,000.00		$ 916,380.22
Southern Cross Swoft Inwards	$33,862.74		$ 950,242.96
Southern Cross Swoft Inwards	$33,252.69		$ 983,495.65
Southern Cross Swoft Inwards	$10,088.86		$ 993,584.51
Southern Cross Swoft Inwards	$2,701.00		$ 996,285.51
Wages & Salaries Expenses		$22,995.92	$ 973,289.59
Trade Creditors		$28,678.47	$ 944,611.12
Bank Fees		$135.60	$ 944,475.52
Transport Expenses		$1,150.00	$ 943,325.52
General Repairs & Maintenance		$325.00	$ 943,000.52
Office Expenses		$539.80	$ 942,460.72
Office Equipment		$610.00	$ 941,850.72
Port Charges		$102.00	$ 941,748.72
Miscellaneous Expenses		$93.60	$ 941,655.12
Agency and Freight Expenses		$902.82	**$ 940,752.30**
	$179,905.29	**$55,533.21**	

Bwebweriki NET Ltd

Reconciliation Report as at 31 December 2022

	ID No.	Date	Memo/Payee	Deposit	Withdrawal
Date Of Bank		31/12/2022			
Last Reconciled:		31/12/2022			
Last Reconciled		$940,752.30			
	Reconciled Cheques				
	P56610948970	02/12/2022	Kiritimati Staff		$543.65
	P56610948970	02/12/2022	Kiritimati Staff		$223.16
	P56778748970	09/12/2022	SoFast Services		$968.00
	Bank Statemen	16/12/2022	ANZ Bank Kriibati Ltd		$13.60
	P56949078970	16/12/2022	Kiritimati Staff		$543.65
	P56949078970	16/12/2022	Kiritimati Staff		$223.16
	P56778748970	22/12/2022	KOES		$3,801.38
	P57094038970	22/12/2022	CCK		$100.00
	P57285168970	30/12/2022	Kiritimati Staff		$543.65
	P57285168970	30/12/2022	Kiritimati Staff		$223.16
			Total:	$0.00	$7,183.41
	Reconciliation:				
		AccountRight		$940,752.30	
		Add:		$0.00	
		SubTotal:		$940,752.30	
		Deduct:		$0.00	
		Expected		$940,752.30	

12. Trade and Other Receivables

Trade Debtors						
	Opening balance	$67,472.41				
01/04/2022	Southern Cross NEXT for Contractors	$10,088.86				$77,561.27
01/04/2022	Claim for Contractors of Kiritimati	$2,701.00				$80,262.27
01/04/2022	Payment received from Southern		$10,088.86			$70,173.41
01/04/2022	Payment: Southern Cross NEXT		$2,701.00			$67,472.41
01/07/2022	Claim by Contractors for Kiritimati	$33,862.74				$101,335.15
25/07/2022	Payment: Southern Cross NEXT		$33,862.74			$67,472.41
	Total :	$46,652.60	$46,652.60			

13. Trade and other Payables

Trade Creditors	$	20,636.38
PAYE Tax Payable	$	2,798.54
KPF Payable	$	5,355.39
	$	**28,790.31**

14. Property, Plant and Equipment

Office Equipment			
Office Equipment At Cost	$610.00		
Accum. Depr. Office Equipment	($101.67)		
Total Office Equipment		$508.33	
Computers			
Computers At Cost	$6,409.13		
Accum. Depr. Computers	($1,631.96)		
Total Computers		$4,777.17	
Total Non-Current Assets			**$5,285.50**

15. Deposits from Service Providers for Outer Island Network (OIN)

Vodafone Deposit for OIN		$99,960.80
OceanLink Deposit for OIN		$807,993.51
TOTAL OIN DEPOSIT		**$907,954.31**

16. Retained Earnings

BWEBWERIKI NET LTD (BNL)
Statement of changes in Equity
for the year ended 31st December 2022

	Capital	Reserves	Retained Profits
Balance at 1 January 2021	$ -	$ -	$ 36,744.97
Profit/(Loss) after income tax for the period	$ -	$ -	$ 38,958.21
Dividend paid	$ -	$ -	$ -
Balance at 31 December 2021	$ -	$ -	$ 75,703.18
Balance at 1 January 2022	$ -	$ -	$ 75,703.18
Profit/(Loss) after income tax for the period	$ -	$ -	$ 1,062.41
Dividend paid	$ -	$ -	$ -
Balance at 31 December 2022	**$ -**	**$ -**	**$ 76,765.59**

Approved by Chairman:

Chief Executive Officer:

BwebwerikiNET Ltd

Ref: BNL/AG/24-001

28th March 2023

Mr Eriati Manaima
Auditor General
Kiribati Audit Office
Bairiki

Dear Sir:

SUBJECT: Bwebweriki NET Limited (BNL) Annual Account for the year ended 31 December 2023

Please find attached with this letter BNL's Annual Account for the year ended 31st December 2023 presented for your information and auditing.

I am looking forward to working with your staff on this Account.

Should you need further information please do not hesitate to contact our office or the undersigned.

Yours faithfully;

Bwanouia T Aberaam
Finance Management Officer

Rakora (SOE)
For audit information
28/3/2024

Cc: Mr Ioane Koroivuki
BNL Chief Executive Officer
MCTTD, Betio, Tarawa

cc: Mr Riteti Maninraka
Chairman BNL
MCTTD, Betio, Tarawa

Received 28/03/24.

BWEBWERIKINET LIMITED (BNL) INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023					
	Note	**2023**		**2022**	
INCOME					
Southern Cross Management Fee	4			$	4,665.26
Southern Cross Pre RFS Reimbursement	5a	$	32,867.87	$	41,987.34
Southern Cross Post RFS Reimbursement	5a	$	71,439.67	$	33,252.69
Government Grant	5b	$	28,051.51		
KIR (SX NEXT) - Capacity sales					
TRW (EMC) - Capacity sales					
OIN - Infrastructure Lease		$	19,350.00		
KIR (SX NEXT) - IP transit					
TRW (EMC) - IP transit					
OIN - Colocation fees					
TOTAL INCOME		**$**	**151,709.05**	**$**	**79,905.29**
EXPENDITURE					
Direct Staff Cost	6	**$**	**19,007.26**	**$**	**28,481.47**
Indirect Staff Cost	**6a**	**$**	**5,574.58**		
Operating Cost	**7**	**$**	**53,248.76**	**$**	**48,581.20**
Repair & Maintenance	**8**	**$**	**13,105.66**		
Financial/Administration Cost	**9**	**$**	**8,521.19**	**$**	**135.60**
TOTAL OPERATING EXPENSES		**$**	**99,457.45**		**$77,198.27**
EBITDA		**$**	**52,251.60**	**$**	**2,707.02**
Other Expenses					
Depreciation/Amortisation	**10**	**$**	**28,254.77**	**$**	**1,347.89**
Exchange Gain/Loss					
EBIT		**$**	**23,996.83**	**$**	**1,359.13**
Income tax					
Net Profit After Tax		**$**	**23,996.83**	**$**	**1,359.13**

Approved by Chairman: [signature] Chief Executive Officer: [signature]

BWEBWERIKINET LIMITED (BNL)
BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023		2022	
Current assets					
Cash and Cash equivalents	11	$	952,771.73	$	940,752.30
Trade and other receivables	12	$	18,023.65	-$	7,612.72
Inventories					
Total Current Assets		**$**	**970,795.38**	**$**	**933,139.58**
Current Liabilies					
Trade and Other payables	13	$	44,118.11	$	28,790.31
Total Current Liabilities		$	44,118.11	$	28,790.31
Working Capital		**$**	**926,677.27**	**$**	**904,349.27**
Non Current Assets					
Property, Plant and Equipment	14	$	29,384,017.97	$	5,582.22
Total Assets		**$**	**30,354,813.35**	**$**	**938,721.80**
Non Current Liabilities					
Deposits from Service Providers for OIN	15	$	907,954.31	$	907,954.31
Deferred Income		$	29,376,766.92		
Total Non-current Liabilities		**$**	**30,284,721.23**	**$**	**907,954.31**
Total Liabilities		**$**	**30,328,839.34**	**$**	**936,744.62**
Net Assets		**$**	**25,974.01**	**$**	**1,977.18**
Equity					
Capital					
Reserves					
Dividends Paid					
Retained earnings	16	$	1,977.18	$	618.05
Current Year Earnings		**$**	**23,996.83**	$	1,359.13
		$	**25,974.01**	**$**	**1,977.18**

Approved by Chairman: [signature] Chief Executive Officer: [signature]

Bwebweriki NET Ltd

Statement of Cash Flow
as at 31 December 2023

			2023	2022
Cash Flow from Operating Activities				
Profit (Loss) before Income Tax			$23,996.83	$ 1,003.07
Adjustments for	Depreciation -Office equipment	$	566.78	$ 101.67
	Depreciation - Computer equipment	$	1,602.28	$ 1,602.28
	Depreciation. Kiritimati CLS	$	24,210.71	
	Depreciation OIN Passive Infrastructure	$	1,875.00	
	Increase / (Decrease) in Account Receivable		($25,636.37)	$ -
	Increase/ (Decrease) in Account Payable	$	18,883.03	$ 18,520.51
	Increase /(Decrease) in PAYE Payable	$	1,800.16	$ 1,717.27
	Increase / (Decrease) in KPF Payable		($5,355.39)	$ 4,173.66
	Increase/(Decrease) in OIN Deposit - Vodafone			$100,000.00
	Increase/(Decrease) in OIN Deposit - OceanLink			$ -
Cash generated from operation			$41,943.03	$127,118.46
Interest paid		$	-	$ -
Income Tax paid		$	-	$ -
Net Cash Flow from Operating Activities		$	41,943.03	$ 127,118.46
Cash Flow from Investing Activities				
		$	-	
	Acquistion of Kiiritimati Cable Landing Station from Donor		($29,252,852.63)	
	Purchase of Office Equipment		($3,837.89)	($610.00)
	Acquisiton of OIN Passive Instrastruture from Government		($150,000.00)	
	Purchase of Computers			($2,136.38)
Net Cash Flow from Investing Activities			($29,406,690.52)	($2,746.38)
Cash Flow from Financing Activities		$	-	$ -
	Deferred Income	$	29,376,766.92	
Net Cash Flow from Financing Activities		$	29,376,766.92	$ -
Net Increase/Decrease for the period		$	12,019.43	$124,372.08
Cash at the Beginning of the period		$	940,752.30	$816,380.22
Cash at the End of the period		$	952,771.73	$940,752.30

Approved by Chairman: [signature] Chief Executive Officer: [signature]

BWEBWERIKI NET LTD (BNL)
Statement of changes in Equity
for the year ended 31st December 2023

	Capital	Reserves	Retained Profits	Total Equity
Balance at 1 January 2022	$ -	$ -	$ 618.05	$ 618.05
Profit/(Loss) after income tax for the period	$ -	$ -	$ 1,359.13	$ 1,359.13
Dividend paid	$ -	$ -	$ -	$ -
Balance at 31 December 2022	$ -	$ -	$ 1,977.18	$ 1,977.18
Balance at 1 January 2023	$ -	$ -	$ 1,977.18	$ 1,977.18
Profit/(Loss) after income tax for the period	$ -	$ -	$ 23,996.83	$ 23,996.83
Dividend paid	$ -	$ -	$ -	$ -
Asset Revaluation Reserve	$ -	$ -	$ -	$ -
Balance at 31 December 2023	**$ -**	**$ -**	**$ 25,974.01**	**$ 25,974.01**

Approved by Chairman:

Chief Executive Officer:

Notes form part of the Financial Statements for the period ending 31st December 2023

1. The Government of Kiribati created Bwebweriki NET Limited (BNL) registered on the 23rd of November 2017, with a registered address of Nanikaai, Tarawa in the Republic of Kiribati. BNL is a state-owned enterprise, with the aim that it will operate indefinitely providing wholesale high-speed internet to licensed service providers using submarine cables to connect the two main urban centres Kiritimati and Tarawa Islands to the global internet and to deal with its main responsibilities as mandated by government to:

   (a) manage Kiribati's interests in the East Micronesian Cable (EMC), (b) manage the Outer Islands Network (WB P126324); c) manage the Kiritimati Southern Cross NEXT cable, and (e) be the vested owner of designated former incumbent Telecom Services Kiribati Limited (TSKL) assets such towers, masts, 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 government of Kiribati through the Ministry of Information, Communication and Transport (MICT) was providing funding for BNL operational costs to enable BNL to start up with and to improve the formation of its office capacity to achieve its main establishment. BNL is anticipated to start its commercial operations in 2024.

   The East Micronesia Cable System (EMCS) is a jointly financed regional submarine cable system that will connect Tarawa, Nauru, and Kosrae (FSM) to Pohnpei (FSM), The proposed system will have onward connectivity through an IRU with FSMTC from Pohnpei to Guam (US) via the HANTRU-1 cable. The total cost of the EMC cable system is about US$54 million including infrastructure and technical/managerial support for the three consortium countries. The restructure in the funding of this project occurred and the governments of Australia, Japan and the United State of America are now taking over. Since fund of the project is managed by another agency, BNL is not involving in the recording of the project related fund except for small amounts that BNL absorbs as part of its expenses.

   Another project that was given to BNL to implement is the Fibre to the Premises (FTTP) and it is funded by the World Bank. KFSU is managing the fund related to the project and BNL is only assisting in the preparatory of payroll related works and verifications of charges before submitting to KFSU for payment.

   Kiribati received a grant of US $21.6 million from ADB for the SX NEXT Project and with the Cable Landing Station being lit in mid-December 2023, the Cable Landing Station is now recognised as part of the pool of BNL Assets and these are disclosed in BNL's account for transparency purposes. 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 also 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.

   The Outer Island Network Passive Infrastructure, which refers to the towers masts and related assets of the former Incumbent Service Provider, Telecom Services Kiribati Ltd (TSKL) are now transferred to BNL to look after them. The condition of these assets is worse and based on the accounting record, the majority of them are all fully depreciated except for a few that were just built about five years ago and thus now recognised as part of BNL pool of assets. The remaining towers and masts need urgent repairs or refurbishment and after this work, a revaluation is needed to ascertain their value and then recorded as part of BNL pool of assets.

2. Basis of Preparation

The financial statements of the company have been prepared under the historical cost basis and also following generally accepted accounting principles, standards, and statutory requirements in Kiribati. The financial statements are presented in the Australian currency a currency being used in Kiribati. However, any transactions involving other currencies such as New Zealand and US dollars all translated using the daily Exchange Rate used by the Local ANZ Bank (Kiribati) Ltd.

Since no mandatory specific accounting standard has been adopted in Kiribati, the presentation of the financial statements is in accordance to the GAAP, standards and legal requirements of Kiribati require the selection and application of consistent application accounting policies to the transactions and events. The plan to transition to adopt the International Financial Reporting Standard (IFRS) and start applying it in the 2023 Annual Account is on hold. The company's principal accounting policies are set out in Note 3.

3. Accounting Policy

The financial year for the company is the fiscal year starting from January to December

3.1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government.

Before the Kiritimati Cable Landing Station is ready for service (RFS) all costs related to the operation of the station should be reimbursed from Southern Cross NEXT and such costs that BNL claimed are recognised as revenue and called Pre-FRS Reimbursement until the end of June 2022 as per Land Party Agreement (LPA), and costs claimed thereafter are called Post-RFS Reimbursement. Leasing of Outer Island Passive Infrastructure to Service Providers is another source of revenue of BNL and recognised when the invoice is issued.

The capitalisation or transfer of both Cable Landing Station in Kiritimati and Outer Island Network Infrastructure to BNL books resulted in the recognition of a government grant as a Deferred Income in the Profit and Loss on a systematic basis over the useful life of the Assets after following the Capital approach.

Board expenses that are taken care of by the Ministry of Information, Communication and Transport are treated as government grant and recognised separately as a government grant to BNL in the Profit and Loss.

3.2. Tax Income

Since the company is yet to come into operation, there is no current Income Tax payable. Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. PAYE Tax Payable is the only tax obligation reported in the current financial period.

3.3. Property, Plant and Equipment

Items of property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less residual values over their estimated useful lives, using the straight-line method. Cable Landing Station in Kiritimati will be transferred **once** the project is completed and handed over to BNL, then all these Fixed Assets will be accounted for in the Books of the Company. For the reporting period, only Office Equipment including computers bought are recorded in the Fixed Asset Register.

The following annual rates are used for the depreciation of property, plant and equipment:

Buildings	2%
Furniture and Equipment	10% to 25%
Motor vehicles	20% to 25%
Computer equipment	10% to 25%
Telecommunications Equipment and Plant	5% to 33%

If there is an indication that there has been a significant change in the depreciation rate useful life or residual value of an asset, the depreciation of that asset is revised to reflect the new expectation

A gain or loss on disposal of the Fixed Asset has to be recognised in the Profit and Loss Statement.

Assets that are recognised as part of government grant are Cable Landing Stations and Outer Islands Network (OIN) Passive Infrastructure. Southern Cross NEXT was ready for service and was lit up for service delivery. Southern Cross NEXT Cable Station in its totality was recognised as part of BNL pool of assets in Mid- December 2023 with its the fair value determined and depreciated using the Telecommunications Equipment and Plant rate. The capital approach is being employed and thus present in the Financial Position of Balance Sheet as a Deferred Income.

OIN Passive Infrastructure refers to towers and masts that were owned by the former incumbent Service Provider, Telecom Services Kiribati Ltd (TSKL) and had been under MICT portfolio when sold to ATH. In the year 2021, government mandated BNL to look after this passive infrastructure. Based on the accounting record, most of the assets are fully depreciated except for a few that were just built and their value were ascertained and now recognised as part of the pool of BNL Assets and depreciated accordingly using the rate of 5%. The remaining towers and masts need to be audited and repaired and revalued to ascertain their values and then be part of the pool of BNL assets. The capital approach is being employed and thus present in the Financial Position of Balance Sheet as a Deferred Income.

3.4. Trade and other receivables

Since the company is not yet offering the service, no sale is taking place except for the reimbursement arrangement between BNL and SX NEXT for Kiritimati Cable Landing Station expenses and the claims that are made by Contractors to BNL and then claimed from Southern Cross. In the process, SX NEXT is the main account receivable.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine if there is any evidence that the amounts are not recoverable. An impairment loss is recognised when evidence is identified.

3.5. Trade and other payables

The current account payables are mainly the Contractors of Kiritimati Cable Landing Station (SX) and those assist BNL in meeting its cost. The claims from Contractors do not bear interest. Foreign payables are denominated in a foreign currency and are translated into Australian dollars, currency in use in Kiribati using the exchange rate of the ANZ Bank Kiribati Ltd rate on the date the transaction takes place. Foreign exchange gains or losses are included in other income or expenses.

With BNL now, mandated by the government to look after the Outer Islands Network (OIN) (i.e., Masts, Towers, and other fixed Assets), and with the need to develop and improve the services to the people, bids are offered to Service Providers resulting in making Deposits to BNL, and thus treating them as other Payables since they will be reimbursed upon meeting bids requirements.

4.0. Management Fee

No Management fee for the reporting period

5.a. Pre-RFS & Post Reimbursement LPA

5a: Income from reimbusement	
Pre-RFS Reimbursement	$ 32,867.87
Post-FRS Reimbursment LPA	$ 71,439.67
	$ 104,307.54

5.b. Government Grant

5b. Government Grant	
Reimbursement of Board allowances	$ 355.00
Reimbursement of Board allowances to CEO	$ 1,610.80
Government grant related to SX NEXT CLS Kiriimati	$ 24,210.71
Government grant related to OIN Passive Infrastruture	$ 1,875.00
	$ 28,051.51

6. Direct Staff Cost and Indirect Staff Cost

6a: Direct Staff Cost		
Wages & Salaries Expenses	$	16,007.26
Staff Leave Grant	$	3,000.00
	$	**19,007.26**

6b. Indirect Staff Cost

6a. Indirect Staff Cost		
Superannuation (KPF) Expenses	$	3,774.42
PAYE Tax Expense	$	1,800.16
	$	**5,574.58**

7. Operating Cost

7: Operating Cost		
Stationery	$	44.90
Custom Duty Expenses	$	701.50
Advertising & Marketing	$	872.98
Agency and Freight Expenses	$	1,906.23
Transport Expenses	$	1,093.60
Internet and Telephone Expenses	$	2,247.13
Computer Expenses	$	105.52
Land Leases Expenses	$	3,527.71
Office Expenses	$	2,119.03
Kiritimati CLS Operating Expenses		$40,630.16
	$	**53,248.76**

8. Repair and Maintenance

8. Repair and Maintenance		
Repair and Maintenance - Office Equipment	$	56.25
OIN Repair and Maintenance	$	13,049.41
	$	**13,105.66**

9. Finance and Administration Cost

9. Finance and Administration Cost		
Bank Fees	$	247.80
Membership and Subscription fees	$	180.95
Audit Fee	$	2,500.00
Website and Domain Hosting fee	$	571.44
Board Expenses	$	2,301.50
FTTP Project Expenses		$2,085.00
EMC Project Expenses		$634.50
	$	**8,521.19**

10. Depreciation Expense

10. Depreciation		
Office Equipment Depreciation	$	566.78
Computer Depreciation	$	1,602.28
OIN Passive Infrastructure Depreciation	$	24,210.71
Kiritimati SX NEXT Cable Landing Statio	$	1,875.00
Total Depreciation Expenses		**$28,254.77**

11. Cash and Cash Equivalent

11: Cash and Cash Equivalents	
Cash at Bank	$ 952,771.73

12. Trade and Other Receivables

Prior Year Adjustments is made to correct the misposting to correct the overstatement of Revenue in the year 2021. This adjustment was made to correct the double counting of the Management fee Revenue that was already included in the Wire transfer by Southern Cross in 2021. The correct posting should be debiting the Pre-RFS Reimbursement Revenue and crediting Cash at Bank. Rather, the Trade Debtors or Account Receivable was debited resulting in the overstatement of the Account Receivable by the total amount of $75,0750.35.

Following the latest prouncement of a relevant standard, the correction of this oversight had been done and are reflected on the comparative Financial Statements for current period and prior periods as well as. From this correction of this misposting, the 2021 Account Receivable closing balance is ($7,612.72) which relates to Loss on exchange. For 2022, Account Receivable closing balance remains the same.

12: Trade Receivables and other Receivables	
Trade Debtors	$18,033.43

13. Trade and other Payables

13: Trade Payables and Other Payables		
PAYE Tax Payable		$4,598.70
Trade Creditors	$	39,529.19
		$44,127.89

14. Property, Plant and Equipment

14. Property, Plan and Equipment							
	Office Equipment	Computers	SX NEXT Submarine Cable	Outer Island Network Passive Infrastructure	Fiber to the Premise	EMC Submarine Cable	TOTAL
Cost	AUD	AUD	AUD	AUD	AUD	AUD	AUD
1st January 2022		$ 4,272.75					$ 4,272.75
Additions	$ 610.00	$ 2,136.38					$ 2,746.38
31st December 2022	$ 610.00	$ 6,409.13	$ -	$ -	$ -	$ -	$ 7,019.13
Additions							$ -
1st January2023	$ 610.00	$ 6,409.13	$ -	$ -	$ -	$ -	$ 7,019.13
Additions	$ 3,837.89		$ 29,252,852.63	$ 150,000.00			$ 29,406,690.52
31st December 2023	$ 4,447.89	$ 6,409.13	$ 29,252,852.63	$ 150,000.00	$ -	$ -	$ 29,413,709.65
Depreciation & Impairment							
1st January 2022		$ 89.02					$ 89.02
Depreciation for the year	$ 101.67	$ 1,246.22					$ 1,347.89
31st December 2022	$ 101.67	$ 1,335.23	$ -	$ -	$ -	$ -	$ 1,436.90
1st January 2023	$ 101.67	$ 1,335.23	$ -	$ -	$ -	$ -	$ 1,436.90
Depreciation for the Year	$ 566.78	$ 1,602.28	$ 24,210.71	$ 1,875.00			$ 28,254.77
31st December 2023	$ 668.45	$ 2,937.52	$ 24,210.71	$ 1,875.00	$ -	$ -	$ 29,691.68
Net Book Value							
31st December 2023	$ 3,779.44	$ 3,471.61	$ 29,228,641.92	$ 148,125.00	$ -	$ -	$ 29,384,017.97
32nd December 2022	$ 508.33	$ 5,162.91	$ -	$ -	$ -	$ -	$ 5,671.24

15. Deposits from Service Providers for Outer Island Network (OIN)

15. Deposits from Service Providers	
Vodafone Deposit for OIN	$ 99,960.80
OceanLink Deposit for OIN	$ 807,993.51
	$ 907,954.31

16. Retained Earnings

	Retained Profits
Balance at 1 January 2022	$ 618.05
Profit/(Loss) after income tax for the period	$ 1,359.13
Dividend paid	$ -
Balance at 31 December 2022	$ 1,977.18
Balance at 1 January 2023	$ 1,977.18
Profit/(Loss) after income tax for the period	$ 23,996.83
Dividend paid	$ -
Asset Revaluation Reserve	$ -
Balance at 31 December 2023	**$ 25,974.01**

Approved by Chairman:

Chief Executive Officer: