REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Kiribati Housing Corporation
For the Year Ended 31st December 2016

Kiribati National Audit Office
April 2017

KIRIBATI NATIONAL AUDIT OFFICE

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Audit for an impact for the public

INDEPENDENT AUDITOR's REPORT

To the readers of
Kiribati Housing Corporation
Financial Statements
For the year ended 31st December, 2016

Report on the Financial Statements

The Auditor-General, Mrs Matereta B Raiman, is the auditor of Kiribati Housing Corporation (KHC)

I have audited the accompanying financial statements of KHC for the year ended 31st Dec, 2016. The financial statements comprised of:

- the Profit And Loss Statement,
- the Balance Sheets,
- Cash Flow Statement
- and a summary of significant accounting policies and other explanatory information.

Managements and Board's Responsibility for the Financial Statements

Management and the Governing Board are responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Practices, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General's Responsibility

It is my responsibility to form an independent opinion, based on my audit, on these financial statements prepared in Accrual basis and to report in accordance with the Constitution and Part VII of the Public Finance (Control and Audit) 1976.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) and Generally Accepted Auditing Practises as applicable in Kiribati, to obtain reasonable assurance whether the financial statements are free of material misstatement. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

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

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

Report on Legal and Regulatory Requirements

KHC is seen to have complied with Sec. 20 of the SOE Act, 2012, when submitting it's 2016 Financial Statements on 21 Feb, 2017 providing ample time for auditing and lodging the Audited Financial Statements on 31st March, 2017.

AUDIT OPINION

Unqualified Audit Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of KHC as at 31st December, 2016, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice in Kiribati.

....

Mrs Matereta B Raiman

Auditor General

31/03/2017

KIRIBATI HOUSING CORPORATION

Kiribati Housing Corporation

FINANCIAL STATEMENT FOR THE 2016

JANUARY TO DECEMBER 2016

As approved by the Board, 16/02/17

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KIRIBATI HOUSING CORPORATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	2016	2015
INCOME			
Rental Income	19	1,468,397	1,434,001
Less Cost of Sales	32&33	330,009	313,657
GROSS PROFIT		**1,138,388**	**1,120,344**
OTHER INCOME			
Interest on House Loan	13	34,332	28,618
Interest on SAPHE Loan	14	9,076	10,859
Interest on Special Loan	13b	1,179	
Adm Fees, Late Fees and others	13&14	43,340	80,923
Interest on Short-term deposits		3,388	3,819
Other Income	20	109,562	177,138
Total Income		**200,877**	**1,421,701**
EXPENSES			
Personal Emoluments	22	713,111	683,284
Operating Expenses	23	217,287	226,063
Office Support Expenses	24	87,661	76,926
Repair & Maintenance Expenses	26	14,670	11,424
Dept Property, Plant & Equipment	4	504,997	325,078
Dept-Capitalized repairs & maintenance	4	338,003	305,811
Bad and Doubtful Debts		379	8,402
Miscellaneous Expenses	25	19,443	20,262
Sundry Expenses			1,796
Total Expenses		**1,895,550**	**1,659,046**
Net Operating Profit/Loss		**-556,286**	**-237,346**
Add/Less: Abnormal Items			
Prior Period Items		12,789	-7,465
Release of Amortisation		230,785	58,240
Net Profit/(Loss) for the year		**-$312,711**	**-$186,570**

Approved and Signed by:

Chairman: .... Date 23/5/17

Director: .... Date.........................

KIRIBATI HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2016

	NOTES	2016	2015
CURRENT ASSETS			
Cash at Bank	5	415,760	719,536
Cash on hand	6	150	150
Petty cash reimbursement	7	300	300
Short Term Deposit (IBD)	8	234,315	507,363
Base Stock	9	250,562	211,927
Work in Progress		0	302,971
Trade Receivables	10	481,639	402,360
Sundry Debtors & Prepayment	31	82,029	36,693
Total Current Assets		**1,464,755**	**2,181,298**
CURRENT LIABILITIES			
Auditors' Remuneration	11	5,000	6,500
Security Deposits	12(i)	8,397	7,788
Accrued Expenses	29	18,930	6,899
Interest Payable	15	4,000	4,000
Payroll Liabilities	21	4,141	5,297
Sundry Creditors	28, 30	40,401	95,636
Total Current Liabilities		**80,870**	**126,120**
WORKING CAPITAL		**1,383,885**	**2,055,178**
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	6,871,176	2,297,882
Housing Loan	13	460,908	353,800
SAPHE Loan	14	108,945	83,614
Capitalized Repair/Maintenance	4	1,716,281	1,856,729
Total		**9,157,311**	**4,592,025**
LONG TERM LIABILITIES			
Loan from GOK-SAPHE		600,000	600,000
Security Deposits	12(ii)	159,549	147,972
Total		**759,549**	**747,972**
NET WORTH		**9,781,647**	**5,899,231**
REPRESENTED BY			
Accumulated Fund	17	1,553,414	1,866,125
Capital Reserve	18	8,162,982	3,967,855
Housing Assistance Reserve		65,251	65,251
TOTAL SHAREHOLDERS FUND		**9,781,647**	**5,899,231**

Approved and Signed by:

Chairman: .... Date: ....

Director: .... Date: ....

Kiribati Housing Corporation
Statement of Cash flow
As at 31st December 2016

	Notes	Dec-16	Dec-15
Operating Activities			
Cash receipt from Customers		1,784,845	1,755,273
Cash paid to suppliers and employees		1,160,087	1,547,668
Net Operating Cash Flow		**624,758**	**207,604**
Investing Activities			
Net House loan	13	- 107,109	- 154,300
Net House fees collect	12	11,576	4,294
Net SAPHE loan	14	- 25,331	119,034
Purchase of Property, Plant and Equip	4	- 5,078,291	- 27,762
Capitalized Repair and Maintenance	4	- 197,555	- 226,375
Net Investing Cash flow		**- 5,396,709**	**- 285,108**
Financing Activities			
Release of Amor & Project Fund		4,195,128	228,726
Net Financing Cash flow		**4,195,128**	**228,726**
Net Increase (decrease) in cash held		**- 576,824**	**151,222**
Add: Opening Cash and Cash Equivalent		1,227,349	1,076,127
Cash at end	**5,6,7,8**	**650,525**	**1,227,349**
Reconciliation to Cash Flow			
Operating Profit/Loss		**- 312,711**	**- 186,570**
Depreciation PPE		504,997	325,078
Depreciation Capitalised Repair & Maintenance		338,003	305,811
Increase/Decrease Sundry Debtors & Prep		- 45,336	- 20,084
Increase/Decrease Base Stock		- 38,635	29,845
Increase/Decrease Trade Receivable		- 79,279	- 14,421
Increase/Decrease WIP		302,971	- 220,827
Increase/Decrease Current Liabilities		- 45,250	- 11,227
Cashflow from Operating Activities		**624,758**	**207,604**

Approved and Signed by;

Chairman:.................................... Date..20/12/17..........................

Director:.................................... Date..................................

KIRIBATI HOUSING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016		2015	
Retained Earnings				
Opening Balance	1,866,125		2,052,696	
Less Net Loss	-312,711		-186,570	
Closing Balance	**1,553,414**		**1,866,125**	
Capital Reserve				
Capital Reserve	2,807,004		2,807,004	
Housing Assistance Reserve	65,251		65,251	
Asset Aid Reserve				
Opening Balance		689,136		747,376
Less: Amortisation for the year		230,785		58,240
	458,351		689,136	
Add: Project Fund/Addition	4,970,362		471,715	
Less: Disposal	72,734			
CLOSING BALANCE	5,355,978		1,160,851	
TOTAL RESERVE	**$9,781,647**		**$5,899,231**	

Approved and Signed by:

Chairman: .... **Date:** 23/02/17

Director: .... **Date:** ....

1. The Corporation

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

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

2. Statement of Significant Accounting Policies

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

a) ***Basis of preparation:*** The accounts of the Corporation have been drawn up in accordance with generally accepted accounting standard and disclosure requirements. They have been prepared on the basis of historical cost and do not take into account changing money values, or except where stated, current valuations of Long Term Assets. The accounting policies have been consistently applied.

b) ***Depreciation***: Fixed Assets are depreciated over their estimated useful life using straight-line depreciation method. The rates applied are consistent with those of previous years:

Housing Buildings	5% to7% pa
Office Buildings	3% pa
Housing Furniture	10% pa
Housing Equipment	33.3% pa
Office Equipment, Tools & Machinery	20% pa
Motor Cycle & Vehicles	25% pa
Capitalized Repair & Maintenance	5% pa

c) ***Interest Income:*** The amount of interest earned during the year

d) ***Rent Income:*** The amount of rent charged during the year

e) ***Provisioning for Doubtful Receivables:*** The Corporation maintains and reviews its Provision for Doubtful debts in 2 ways depending on the details available on each account or portfolio:

i. Specific Provision based on a review of all account in the Portfolio or

ii. General provision of 5% of net carrying balances using Balance Sheet approach,

3. Changes in Accounting Policies

The Corporation adopted two new accounting policies that:

a) Set realizable values of rent receivables; and

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

Kiribati Housing Corporation
Notes to the Financial Statements
for the year ended 31 December 2016

Notes 4: NON-CURRENT ASSETS

	Old Housing Buildings	New Housing Buildings	Office Building	Housing Furniture	Housing Equipment	Motor Vehicles	Office Equipment	Office Furniture	Water Tank Replacement	Warehouse Building	Container Storage	Tools & Machineries	Seawall	TOTAL
COST														
Balance at 1 January 2016	7,573,383	3,814,996	248,990	467,739	461,811	532,067	556,103	31,584	93,903	107,986	7,800	172,315	220,200	14,288,875
Additions 2016		4,929,853	14,787			59,495	102,154		14,066			23,862	3,522	5,147,740
Transfers 2016		-2	-628									1		-629
Disposal 2016		72,734										2,198		74,933
Balance at 31 December 2016	7,573,383	8,672,117	264,405	467,739	461,811	591,562	658,257	31,584	107,969	107,986	7,800	193,978	223,722	19,362,311
ACCUMULATED DEPRECIATION														
Balance at 1 January 2016	7,573,382	1,752,868	126,182	467,739	461,811	507,570	500,896	29,498	77,450	107,986	7,000	171,381	207,231	11,990,993
Depreciation per year 2016	0	436,594	7,584	0	0	20,589	28,191	243	4,574	0	800	1,468	4,953	504,997
Transfers 2016			-1,457				272	-105	-143			-140	25	-1,573
Disposal 2016		6,402												6,402
Balance at 31 December 2016	7,573,382	2,183,059	135,223	467,739	461,811	528,159	528,816	29,845	82,167	107,986	7,800	172,989	212,159	12,491,135
Depreciation Rate	7%	7%	3%	10%	33%	25%	20%	10%	20%	20%	20%	20%	20%	
NET BOOK VALUE														
Balance at 31/12/2016	1	6,489,057	129,182	0	0	63,403	129,441	1,738	25,802	0	0	20,989	11,563	6,871,176
Balance at 31/12/2015	1	2,062,128	122,808	0	0	24,497	55,206	2,086	16,453	0	800	934	12,968	2,297,882
DEPRECIATION LAST YR (2015)														
Previous set Charge	0	267,050	6,254	0	0	17,586	25,521	141	1,717	0	800	1,472	4,538	325,078

Kiribati Housing Corporation
Notes to the Financial Statements
for the year ended 31 December 2016

Notes 4: CAPITALISED MAINTENANCE & COST OF SALES

	Capitalised Rehabilitation	2010 Uncaterogised Capitalised Maintenance	Contingent Repair Costs	Redecoration Maintenance Costs	Roofing Maintenance Costs	Rethatching Repair Costs	Electrical Repair Costs	Plumbing Repair Costs	Water Tank Repair Costs	Cleaning Felling Trees Costs	Identified Maintenance Programs	TOTAL
COSTS												
Balance at 1 January 2016	203,598	1,393,540	15,300	27,376	35,815	0	0	0	0	0	181,099	1,856,728
Additions 2016											197,556	197,556
Capitalisation Rate	100%	0%	25%	100%	75%	60%	0%	0%	0%	0%	100%	
Amount to Capitalise											197,556	197,556
Cost of Sales												
DEPRECIATION												
Balance at 1 January 2016	203,598	1,393,540	15,300	27,376	35,815	0	0	0	0	0	181,099	1,856,728
Additions 2016	0	0	0	0	0	0	0	0	0	0	197,556	197,556
Amortisation 2016	98,394	99,539	15,300	25,812	6,423	0	0	0	0	0	92,534	338,002
Balance at 31 December 2016	105,204	1,294,002	0	1,563	29,392	0	0	0	0	0	286,121	1,716,281
Depreciation Rate	20%	5%	20%	20%	10%	33%	0%	0%	0%	0%	20%	
CAPITALISED MAINTENANCE BALANCE												
Balance at 31/12/2016	105,204	1,294,002	0	1,563	29,392	0	0	0	0	0	286,121	1,716,281
Balance at 31/12/2015	203,598	1,393,540	15,300	27,376	35,815	0	0	0	0	0	181,099	1,856,728
AMORTSATION LAST YR (2015)												
Previous set Charge	**98,394**	**99,539**	**22,620**	**25,812**	**6,423**	**0**	**0**	**0**	**0**	**0**	**53,023**	**305,811**

	Dec-16	Dec-15
5. Bank		
Maintenance A/C	99,952	281,013
Undeposited Fund		108
HLAC A/C # 594278-01 (275759)	227,025	102,853
SAPHE Revolving Fund A/C # 265714-01 (193002)	59,525	120,538
Cash at bank - Project	29,257	215,025
	415,760	**719,536**
6. Bus fare	150	150
7. Petty Cash Re-imbursement	300	300
8. Interest Bearing Account (IBD)		
Term Deposit A/c No 268730		87,636
Maintenance IBD A/c No 893300	59,899	59,279
HLAC IBD A/c No 913044		187,234
SAPHE IBD A/c No 913055	174,416	173,214
	234,315	507,363
TOTAL CASH & CASH EQUIVALENT	**650,525**	**1,227,348**
9. Inventory		
Central Stores Opening Balance	211,927	214,817
Add Purchase during the year	252,983	135,775
Less Issue Stocks during the year	224,262	246,437
Add/Less: Adjustment	9,914	80,897
Closing Balance	250,562	185,052
Add: Project Base Stock		26,875
	250,562	**211,927**
10. Trade Receivables		
Ministry rent receivable		
Opening balance	147,761	109,653
Add : Ministry rent billing	414,769	269,696
Less: Ministry rent revenue	-208,142	-272,481
Refund (House rent & Security Deposit and Transfer)	1,119	
Adjustmet	-195,942	37
Closing balance	159,566	106,905
Provision for doubtful debt		40,826
Provisions for previous years	40,826	
Net Ministry Rent receivable balance	118,740	66,079

Economic rent receivable		
Opening balance	143,159	185,657
Add : Economic rent billing	1,120,622	574,606
Less: Economic rent revenue	-1,244,120	-470,760
Refund (House rent & Security Deposit and Transfer)	0	
Adjustment	208,462	15,871
Closing balance	228,123	305,374
Provision for doubtful debt		
Provisions for previous years	10,172	10,172
Net Economic rent receivable balance	**217,951**	**295,202**
Corporation rent receivable		
Opening balance	198,947	207,977
Add : Corporation rent billing	141,977	70,751
Less: Corporation rent received	-127,852	-71,382
Refund (House rent & Security Deposit and Transfer)		
Adjustment	-3,772	-101,916
Closing balance	209,299	105,430
Provision for doubtful debt		
Provisions for previous years	64,351	64,351
Net Corporation rent receivable balance	**144,948**	**41,079**
TOTAL RENT RECEIVABLE	**481,639**	**402,360**
11. Auditors Remuneration		
Accrued Auditing Services	5,000	**6,500**
12. Security Deposit		
Opening Balance	155,760	151,240
Add: Collection	14,902	7,600
Less: Payments	2,716	3,080
Balance	**167,946**	**155,760**
(i) Current Liability (5%)	8,397	7,788
(ii) Long term Liability (95%)	159,549	147,972

13. Housing Loans		
Opening Balance	890,109	740,548
Disbursement	426,022	435,007
Add/Less Adjustment	-8,130	-13,119
Add: Refund	19,820	11,954
Less: Collection	-455,905	-338,975
Add: Interest	34,333	21,520
Add: Admin & other loan charges	23,650	33,176
Closing Balance	929,898	890,109
Provision for doubtful debts		
Previous Years Provision	497,500	547,674
Total House Loan Receivable	**432,398**	**342,435**

13.B Special Loan Control		
Opening Balance	11,364	49,997
Disbursement	26,100	61,350
Add/Less Adjustment	-232	2,902
Add: Refund	6,810	12,401
Less: Collection	-26,010	-155,056
Add: Interest	1,178	7,090
Add: Admin & other loan charges	9,680	32,680
Closing Balance	**28,889**	**11,364**
Provision for doubtful debts		
Previous Years Provision	379	
Total Special Loan	**28,511**	
14. SAPHE Loans		
SAPHE Opening Balance	240,578	379,342
Disbursement	189,779	108,610
Add/Less: Adjustment	-4,010	7,039
Refund	11,965	17,038
Less: Collection	-208,438	-282,078
Add: Interest	9,076	10,859
Add: Admin & other loan charges	10,011	13,847
Closing Balance	**248,961**	**240,578**
Less Provision for doubtful debts		
Previous Years Provision	140,016	156,964
Total SAPHE Loan Receivable	**108,945**	**83,614**
15. Interest Payable (LT Loan from GOK)	4,000	4,000
16. Long Term Loan from GOK - SAPHE		
At 31st December	600,000	600,000
17. Accumulated Fund		
At 31st December 2015	1,866,125	2,052,696
Profit (Loss) Retained for the year	-312,711	-186,570
At 31st DECEMBER 2016	**1,553,414**	**1,866,125**
18. Capital Reserve		
At 1st January	2,807,004	2,807,004
Asset - Aid Reserve	5,327,129	689,136
Project Fund (GOK)	28,850	471,715
	8,168,982	**3,967,855**
19. Rent Income (Billing)		
Economic Subsidy Old	618,785	531,417
Economic Subsidy New	376,069	258,530
Non Economic Subsidy	80,490	278,764
Local Rent Old	309,572	302,178
Loca Rent New	50,918	28,493
Water Tank	32,563	34,619
	1,468,397	1,434,001

20. Other Income		
Pledge Fees	3,010	3,110
Reconciliation Fees	0	10
Statement Fees	720	1,290
Establishment Fees	3,570	0
Stamp Fees	175	100
Late Fees - Housing	3,634	388
Second Hand Sales	800	18,105
Sale of Furniture & Fittings		1,080
Furniture Making Income	5,166	1,831
Bad Debt Recovered (Lending)	51,381	69,020
Other Income	41,106	82,204
	109,562	**177,138**

21. Payroll Liabilities & Others		
PAYE Tax Clearance	-1,327	-1,389
KPF Clearing	28	-3
Tax Arrears	4,721	3,966
ANZ Bank Clearing	-77	-77
SAPHE Loan Clearing	28	28
House Loan Clearing	-120	-120
DBK Loan Clearing	55	55
KPF Loan Clearing	0	
Social Club Clearing	380	2,384
Contractors Withholding Tax Clearing	1,604	1,604
Union Subscriptions	584	584
Staff Salary Advances	-1,737	-1,735
staff House deduction	0	
	4,141	**5,297**

22. Personal Emolument		
Wages & Salaries	476,742	474,470
Temporary Assistance	46,697	31,166
Allowances	14,140	7,233
KPF Expenses	39,123	37,765
Overtime	28,913	26,165
Leave Grants	86,240	85,411
L/Passage & Commutation	1,431	0
House Rent Subsidy	19,825	21,074
	713,111	683,284

23.Operating Expenses		
Electricity	45,732	41,568
Telephone & Internet	20,774	16,450
Audit Fees	2,500	2,500
Insurance Premium	0	0
Service Charge	412	3,200
Stationery & Postage	9,038	7,138
Travel	42,281	47,196
Transport	13,151	7,147
Advertisement	1,397	4,962
Promotions	3,998	5,228
Vehicles Repair	20,983	17,509
Fuel	27,575	29,607
Court & Legal Fees	4,533	4,890
Training	24,915	38,667
	217,287	**226,063**
24.Office Support		
Land Rent	2,052	1,740
Specialist Books/Forms	5,014	2,970
Office Incidentals	1,748	1,521
Bank Charges	4,100	4,529
Board of Directors Expenses	22,565	19,686
Entertainment	7,751	4,280
Subscription & Fees	9,270	6,535
Security Services Fess	31,555	29,383
VAT	3,605	6,281
	87,661	**76,926**
25. Miscellaneous		
Retirement Benefit	1,500	0
Coffin Benefit	1,041	425
Uniform Benefit		2,612
Housing Allowance	16,475	17,225
Other Miscellaneous Exp	427	
	19,443	20,262

26. Repair & Maintenance		
Machin.& Equip. Repair		37
Office Building Repair	8,570	8,167
Office Equipment Repair	6,101	3,220
Tools Allowance		
	14,670	**11,424**
28 Sundry Creditors		
Customers Deposit	16,001	12,375
Suspense Account	7,613	4,247
Others	2,000	63,400
	25,615	**80,023**
29 Accrued Expenses - Commitments	**18,930**	**6,899**
30 Internal Amount Dues		
Dues to HLAC from Maintenance	75,072	22,927
Dues to Maintenance from HLAC	-38,570	-34,334
Cash Inter Ledger Clearing	4,225	4,225
Dues to Maintenance From SAPHE	-32,403	-9,903
Dues to HLAC from SAPHE	8,680	34,916
Dues to SAPHE from HLAC	-2,216	-2,216
	14,787	**15,614**
31 Sundry Debtors & Prepayment		
Imprest	400	8,971
Others	27,126	575
Deposit Paid & Prepayment	51,845	25,050
Bank errors	2,659	2,097
	82,029	**36,693**
32. Cost of Sales (Furniture making)	2,923	3,522
33. Cost of Sales (Routine Maintenance)		
Routine Maintenance Labour Costs Betio	90,491	74,115
Routine Maintenance Material Costs Betio	72,189	53,286
Routine Maintenance Labour Costs Bairiki	45,902	43,073
Routine Maintenance Material Costs Bairiki	35,761	33,199
Routine Maintenance Labour Costs Bik	41,877	52,218
Routine Maintenance Material Costs Bik	40,866	54,243
	327,086	310,134