REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Promoting Transparency and Accountability

KNAO

For the Parliament and the People of Kiribati

Kiribati Solar Energy Company for the year ended 31st December 2009

Kiribati National Audit Office

April 2011

Promoting Transparency and Accountability
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For the Parliament and the People of Kiribati
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KIRIBATI NATIONAL AUDIT OFFICE

Promoting Transparency and accountability for the Parliament and the People of Kiribati

TE MAURI TE RAOI AO TE TABOMOA

Audit Report

To the readers of Kiribati Solar Energy Company's financial statement For year ended 31 December 2009

The Auditor-General is the auditor of Kiribati Solar Energy Company (KSEC).

The audit covers the company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 and Company Ordinance, Cap 10A 1979 that apply to the financial statements of the KSEC for year ended 31 December 2009.

Qualified Opinion – Adverse Opinion

In our opinion the financial statements of the Solar for the year ended 31 December 2009:

- Comply with generally accepted accounting practice as they apply in Kiribati;
- Fairly reflect the results of its operations and cash flows for year ended 31 December 2009;
- Does not fairly reflect the company's financial position for year ended 31 December 2009 due the following reasons:
    - Cash flow statement was not prepared which contravene IAS 7.
    - No monthly reconciliation for debtors, $173,265 and creditors, $220,600 so unable to confirm the balances;
    - No provision provided for long outstanding debts to depict a correct picture of realisable debtors in the accounts;
    - Variances found between the inventory cards and the value disclosed in the accounts;

- Audit unable to quantify the correctness of Revenues due to non-updated returns from outer islands;
- Fixed assets register has not been updated to support the fixed asset balance of $1,728,941;

The audit was completed on 13 April 2011, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Organisation of Supreme Audit Institution's (INTOSAI) Auditing Standards, which incorporate the International Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must give a true and fair view of the financial position of the company for year ended 31 December 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Company Ordinance, Cap 10A 1979.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from the Public Finance (Control and Audit) Act 1981.

Independence

When carrying out the audit we followed the independence requirements of the Kiribati National Audit Office, which incorporate the independence requirements of the International Standards of Auditing.

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

Raimon Taake
Auditor General
Kiribati National Audit Office

Kiribati Solar Energy Company Ltd
Balance Sheet Statement as at 31 December 2009

		Notes	2009	2008
	CURRENT ASSETS			
	Cash at Bank	4	2,131.81	54406.58
	Debtors	5	173,265.41	94571.25
	Imprest, Advances and Personel debt		37,508.54	28520.34
	Stock		84,347.47	45660.84
	Advance payment		37,027.00	32848.63
	TOTAL CURRENT ASSETS		**334,280.23**	**256,007.64**
LESS	**CURRENT LIABILITIES**			
	Project Funds Unexpended			
	Accrual Expenses, A/c payable creditors	6	**220,599.58**	170809.49
	WORKING CAPITAL		**113,680.65**	**85,198.15**
ADD	**LONG TERM ASSETS PURCHASED BY KSEC**			
	Furniture,Fitting, Motorbike			
	Computer,Modules,Batteries,Controller etc	10	48,536.95	53736.67
ADD	**LONG TERM ASSETS DONATED BY DONORS**			
	Furniture,Fitting, Motorbike			
	Computer,Modules,Batteries,Controller etc	10	1,680,403.64	1941994.05
Less	LONG TERM LIABILITIES			
	Loan - DBK			
	NET WORTH		**1,842,621.24**	**2,080,928.87**
	SHAREHOLDER'S INTEREST			
	Paid up capital	7	500.00	500.00
	Capital Reserve	8	1,932,243.45	2116096.47
	Retained Profit(loss)	9	-90,122.21	-$ 35,667.60
			1,842,621.24	**2,080,928.87**

....
Tiante Tarakia (KSEC Secretary)
CEO

....
Taom Murdoch (KSECL Board Director)
for Chairperson.

Kiribati Solar Energy Company Ltd
Profit and Loss Statement
Year Ended 31 December 2009

		Notes	2009	2008
	Sales - Direct Sale		$ 175,029.70	$ 104,490.45
	Sales - Manfacturing		$ 7,671.45	$ 7,242.75
	Total Sales income		**$ 182,701.15**	**$ 111,733.20**
Less	Cost of Sales		**$ 133,678.71**	$ 84,077.97
	GROSS PROFIT	3	**$ 49,022.44**	**$ 27,655.23**
Add				
	Utility services fee		215304.00	226234.00
	Installation fee		1194.00	1528.00
	PV system maintenance		4628.70	30811.50
	Installation on sold items		785.76	591.70
	Reconnection fee		629.00	1142.00
	Services on sold items		565.00	840.00
	Consulting services		0.00	0.00
	Currency gain loss		0.00	-459.19
	TOTAL OTHER INCOME		**$ 223,106.46**	**$ 260,688.01**
	TOTAL INCOME		**$ 272,128.90**	**$ 288,343.24**
Less	**OPERATING EXPENSES**			
	Basic pay		133095.85	133519.96
	Overtime		314.00	
	Temporary		11372.14	
	Reliving of staff		807.24	668.30
	Remueration of IT wages		19883.17	24533.79
	Fee collection (Utility)		13975.03	18441.27
	3% Direct Sales		390.50	279.20
	Wages of local labour		3115.29	2798.85
	Company allowances		3466.35	1850.85
	Commutation leave		0.00	0
	Leave grant		6975.00	7875.00
	KPF employer		11454.19	11209.51
	House subsidy employer		5017.23	4265.50
	Bus fare		5211.65	6821.10
	Leave grant		0.00	
	Local fund trainning		0.00	
	Overseas fund trainning		0.00	
	Travelling - Local		17216.11	15221.05
	Travelling - International		8658.00	80.50
	Visits to the outer islands		23422.11	29912.74
	Depreciation of Company assets	10	9334.22	10429.21
	Depreciation of donated assets	10	261590.41	249675.48
	Office supplies		5821.70	2282.00
	Electricity		7315.70	10614.54
	Fuel & oil		11174.17	8835.32
	Telephone		14210.11	15223.31
	Advertising & promotion		574.00	3539.00

Kiribati Solar Energy Company Ltd
Profit and Loss Statement
Year Ended 31 December 2009

Licences & Consulting fees	1052.00	81.00
Service fee/Audit fee	2500.00	4500.00
Other services & supplies	0.00	
Cost on transfering PV systems	0.00	
R&M - PV systems	2467.50	3924.50
R&M - Headquarters	2794.45	2846.95
R&M - Computers & LAN	1562.10	1.00
R&M - Office Equipment	0.00	
R&M - Others	0.00	
Telmo & postal	1207.20	1867.81
Entertainment	3903.65	1562.65
Board meetings	10836.75	5811.03
Staff amenities & welfare	300.80	551.50
SSG allowances	190.00	969.35
Battery water	114.00	0.00
Provision for battery replacement	0.00	
Total expenses	**$ 601,322.62**	**$ 580,192.27**
Operating Profit	**-$ 329,193.72**	**-$ 291,849.03**
Other income		
Freight refund	0.00	
Exp. EU Project 8.ACP.KI.02	0.00	
Interest on IBDs	33.84	245.98
Discount on withdrawling deposit	388.06	126.36
Donated Inventory(Used Panal and SOPAC)	29582.94	
Total other income	**$ 30,004.84**	**$ 372.34**
Income deprec. Donated assets		
Assets EU Project 8.ACP.KI.02	261590.41	249675.48
Total income deprec, donated Assets	**261590.41**	**249675.48**
Other expenses		
Bank Fee	2843.75	2175.31
Unpaid debts-Pv system maintenance	0.00	
Unpaid debts-Direct sales	0.00	
Interest on long term loans	0.00	
Prior period items	8285.00	1000.00
Disposal of Asset	5727.39	
Total other Expenses	**16856.14**	**3175.31**
Net Profit/(loss)	**-$ 54,454.61**	**-$ 44,976.52**

Kiribati Solar Energy Company Ltd
Year Ended December 2009
Notes to Financial statements

1. The Company
The Company was incorporated on 17 September 1987 with the primary objective of exploiting the solar resources of the Republic of Kiribati.

2. Principal Accounting Policies
The financial statements are prepared under the historical cost converntion and in accordance with the International Accounting Standards. The following is a summary of the more important policies used by the Company:

(a) Depreciation
Depreciation is calculated to write off the cost of long term assets on straight line basis over their expected useful lives. The rates of depreciation used which are consistent with the previous years are:

Vechicles	20%
Tools and Equipment	10%
Building	10%
Furniture & Fittings	10-20%
Panals	4%
Batteries	10%
Controllers	10%
Cabling	20%
Intangible	10%

(b) Foreign Currencies
Assets and liabilities expressed in foreign currencies are converted into Australian dollars at the rate of exchange ruling at the end of the financial year.

c) Stock
Stock is stated at the lower of cost and net realisable value.

3. Sales
Net sales of inventory during the year

	2009	2008
4. Cash at Bank		
General Cheque Account	946.73	-3563.15
Bank (IBD 850251-40)	1171.00	17077.70
Bank (IBD 850251-41)	1089.48	757.94
Utility account	-1496.30	343.30
Island savings account	420.90	420.90
EU # 8.ACP.KI.04	0.00	-10050.38
	2131.81	**4986.31**

5. Account receivable

Acc.Receivable: Utility	142817.92	75348.12
Acc.Receivable: D.Sales & PM	30447.49	19223.13
	173265.41	**94571.25**

Kiribati Solar Energy Company Ltd
Year Ended December 2009
Notes to Financial statements

6. A/c payable creditors, Paid in advance

KPF clearing	8075.98	1296.46
Paye clearing	3240.93	2106.78
Sayee clearing	12.58	12.58
House loan clearing	715.00	20.50
House subsidy clearing	1258.65	152.40
Life insurance clearing	458.38	149.26
Leave grant clearing	91.34	91.34
Net Pay Clearing	122.14	122.14
BOK loan Clearing	-1456.58	-445.81
Debt deducted	217.10	50.00
Mobile deduction	605.00	255.00
DBK loan clearing	795.50	1164.50
PAYE Collected Company	1044.93	1044.93
PAYE Collected Project	1561.94	1561.94
Security deposit	46849.50	45418.00
Account payable(suppliers)	57491.28	20017.10
Payment in advance	99515.91	92732.37
South Australia		
EU Project		
	220599.58	**165749.49**

7. Share Capital

Issued & fully paid		
Ordinary shares of $1 each	500.00	500.00

8. Capital Reserve

Captial reserve Govt	73442.00	73442.00
JICA project 1992	19273.93	19273.93
EU project No. 7.ACP.RPR.175	124562.54	124562.54
EU Project No.8 ACP.KI.04	1662464.98	1846318.00
Provision for battery replacement	52500.00	52500.00
	1932243.45	**2116096.47**

9. Retained Profit / loss

Balance at 1 January	-35667.60	9308.92
Profit/loss for the year	-$ 54,454.61	-$ 44,976.52
Balance at 31 December	**-$ 90,122.21**	**-$ 35,667.60**

10. Long Term assets (Asset purchased by SEC)

	Modules at cost	Batteries at cost	Controller at cost	Cable & other at Cost	Software	Building	Vehicles	Equipment Tools	Fitting Furniture	Total
Cost of Valuation										
Balance at 01/01/09	2821.36	68776.67	14182.22	0.00		27718.36	9347.00	22378.99	6488.40	151713.00
Additions		150.00			660.00		426.00	2578.50		3814.50
Balance 31/12/09	2821.36	68926.67	14182.22	0.00	660.00	27718.36	9773.00	24957.49	6488.40	155527.50
Accu.Depreciation										
Balance 1/01/09	1626.05	43341.03	3792.55			15753.02	9051.35	18309.39	6102.94	97976.33
Charge 2009	141.07	5081.12	1103.54		132.00	1385.92	260.30	996.55	233.74	9334.23
Balance 31/12/09	1767.12	48422.15	4896.09		132.00	17138.94	9311.65	19305.94	6336.68	107310.56
NBV 31/12/09	1054.24	20504.52	9286.13	0.00	528.00	10579.42	461.35	5651.56	151.72	48216.94
NBV 31/12/08	**1195.31**	**25435.64**	**10389.67**	**0.00**	**0.00**	**11965.34**	**295.65**	**4069.60**	**385.46**	**53736.67**

9. Long Term assets (Asset donated)

	Modules at cost	Batteries at cost	Controller at cost	Cable & other at Cost	Software	Building	Vehicles	Equipment tools	Fittings Furniture	Total
Cost of Valuation										
Balance at 01/01/09	1401630.67	1090845.02	264335.36	220904.37	48743.97	120637.52	62596.65	66677.97	9625.29	3285996.82
Additions										0.00
Balance 31/12/09	1401630.67	1090845.02	264335.36	220904.37	48743.97	120637.52	62596.65	66677.97	9625.29	3285996.82
Accu.Depreciation										
Balance 1/01/09	357197.72	511123.25	146065.92	128580.42	24479.86	99649.69	34265.11	37929.84	4711.00	1344002.81
Charge 2009	56065.23	101817.37	29053.06	38566.00	4430.68	6031.88	18246.72	6307.80	1071.68	261590.41
Balance 31/12/09	413262.95	612940.62	175118.98	167146.42	28910.54	105681.57	52511.83	44237.64	5782.68	1605593.22
NBV 31/12/09	988367.72	477904.40	89216.38	53757.95	19833.43	14955.95	10084.82	22440.33	3842.61	1680403.60
NBV 31/12/08	**1044432.95**	**579721.77**	**118269.44**	**92323.95**	**24264.11**	**20987.83**	**28331.54**	**28748.13**	**4914.29**	**1941994.01**