REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

SOLAR ENERGY COMPANY LIMITED
For the Year Ended 31st December 2008

KIRIBATI NATIONAL AUDIT OFFICE
November 2010

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 Accountablilit for the Parliament and the People of the Republic of Kiribati

TE MAURI TE RAOI AO TE TABOMOA

Audit Report

To the readers of Solar Energy Company's financial statements for the year ended 31 December 2008

The Auditor-General is the auditor of Solar Energy Company.

The audit covers the company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 that apply to the financial statements of the Solar Energy Company for year ended 31 December 2008.

Qualified Opinion

In our opinion:

The financial statements of the Solar Energy Company for year ended 31 December 2008:

- Comply with generally accepted accounting practice as they apply in Kiribati;
- Fairly reflect the results of its operations and cash flows for the year ended ~~on~~ 31 December 2008;
- fairly reflect the company's financial position as at 31 December 2008 **except for** the effects on the financial statements of matters referred to in the following:
  - The audit could not verify the IBD due to missing deposit confirmation slips for 7 months, January to June and November.
  - The account receivable balance of $75,348 could not be verified due to the unavailability of breakdown list or subsidiary ledgers.

The audit was completed on 17 November 2010, 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 as at 31 December 2008 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Public Finance (Control and Audit) Act 1981.

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.

For Auditor General
Kiribati National Audit Office

Kiribati Solar Energy Company Ltd
Balance Sheet Statement as at 31 December 2008

		Notes	2008	2007
	CURRENT ASSETS			
	Cash at Bank		54,406.58	40,587.01
	Debtors	4	94,571.25	107,932.63
	Imprest and Advances		28,520.34	26,294.59
	Stock		45,660.84	56,812.86
	Advance payment		32,848.63	53,460.86
	TOTAL CURRENT ASSETS		**256,007.64**	**285,087.95**
LESS	**CURRENT LIABILITIES**			
	Project Funds Unexpended			
	Accrual Expenses, A/c payable creditors	5	**170,809.49**	**165,608.72**
	WORKING CAPITAL		**85,198.15**	**119,479.23**
ADD	**LONG TERM ASSETS PURCHASED BY KSEC**			
	Furniture,Fitting, Motorbike			
	Computer,Modules,Batteries,Controller etc	9	53,736.67	54,381.73
ADD	**LONG TERM ASSETS DONATED BY DONORS**			
	Furniture,Fitting, Motorbike			
	Computer,Modules,Batteries,Controller etc	9	1,941,994.05	2,191,669.53
Less	LONG TERM LIABILITIES			
	Loan - DBK			
	NET WORTH		**2,080,928.87**	**2,365,530.49**
	SHAREHOLDER'S INTEREST			
	Paid up capital	6	500.00	500.00
	Capital Reserve	7	2,116,096.47	2,355,721.57
	Retained Profit(loss)	8	-35,667.60	9,308.92
			2,080,928.87	**2,365,530.49**

Kiribati Solar Energy Company Ltd
Profit and Loss Statement
Year Ended 31 December 2008

		Notes	2008	2007
	Sales - Direct Sale		$ 104,490.45	209463.7
	Sales - Manfacturing		$ 7,242.75	10442
	Total Sales income		**$ 111,733.20**	**$ 219,905.70**
Less	Cost of Sales		**$ 84,077.97**	135048.36
	GROSS PROFIT		**$ 27,655.23**	**$ 84,857.34**
Add				
	Utility services fee		226234.00	221319
	Installation fee		1528.00	3290.00
	PV system maintenance		30811.50	35095.50
	Installation on sold items		591.70	5431.25
	Reconnection fee		1142.00	896.5
	Services on sold items		840.00	937.3
	Consulting services		0.00	252.05
	Currency gain loss		-459.19	-1112.83
	TOTAL OTHER INCOME		**$ 260,688.01**	**$ 266,108.77**
	TOTAL INCOME		**$ 288,343.24**	**$ 350,966.11**
Less	**OPERATING EXPENSES**			
	Basic pay		133519.96	132117.8
	Overtime		0.00	450.61
	Temporary		0.00	1847.98
	Reliving of staff		668.30	2941.24
	Moonitoring sheet		24533.79	25070.46
	Fee collection (Utility)		18441.27	18019.09
	3% Direct Sales		279.20	748.8
	Wages of local labour		2798.85	2270.7
	Company allowances		1850.85	12221.75
	Commutation leave		0.00	5029.06
	Leave grant		7875.00	8037
	KPF employer		11209.51	10937.74
	House subsidy employer		4265.50	4808.5
	Bus fare		6821.10	4726.5
	Leave grant		0.00	
	Local fund trainning		0.00	70
	Overseas fund trainning		0.00	
	Travelling - Local		15221.05	11751.5
	Travelling - International		80.50	
	Visits to the outer islands		29912.74	2523
	Depreciation of Company assets	9	10429.21	12073.35
	Depreciation of donated assets	9	249675.48	279691.89
	Office supplies		2282.00	6302.3
	Electricity		10614.54	14201.09
	Fuel & oil		8835.32	8562.53
	Telephone		15223.31	17701.65
	Advertising & promotion		3539.00	140
	Licences & Consulting fees		81.00	

Kiribati Solar Energy Company Ltd
Profit and Loss Statement
Year Ended 31 December 2008

Service fee/Audit fee	4500.00	9500
Other services & supplies	0.00	
Cost on transfering PV systems	0.00	522.66
R&M - PV systems	3924.50	3803.04
R&M - Headquarters	2846.95	1856.45
R&M - Computers & LAN	1.00	608.76
R&M - Office Equipment	0.00	
R&M - Others	0.00	
Telmo & postal	1867.81	1818.53
Entertainment	1562.65	2393.25
Board meetings	5811.03	7680.2
Staff amenities & welfare	551.50	422.45
SSG allowances	969.35	593.7
Battery water	0.00	240
Provision for battery replacement	0.00	52500
Total expenses	**$ 580,192.27**	**$ 664,183.58**
Operating Profit	**-$ 291,849.03**	**-$ 313,217.47**
Other income		
Freight refund	0.00	0
Exp. EU Project 8.ACP.KI.02	0.00	0
Interest on IBDs	245.98	215.97
Discount on withdrawling deposit	126.36	
Total other income	**$ 372.34**	**$ 215.97**
Income deprec. Donated assets		
Assets EU Project 8.ACP.KI.02	249675.48	279691.89
Total income deprec, donated Assets	**249675.48**	**279691.89**
Other expenses		
Bank Fee	2175.31	791.41
Unpaid debts-Pv system maintenance	0.00	886.1
Unpaid debts-Direct sales	0.00	8818.44
Interest on long term loans	0.00	
Prior period items	1000.00	5993.49
Total other Expenses	**3175.31**	**16489.44**
Net Profit/(loss)	**-$ 44,976.52**	**-$ 49,799.05**

Kiribati Solar Energy Company Ltd
Year Ended December 2008
Notes to Financial statements

The financial statements are prepared under the historical cost converntion and in accordance witr 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	10%
Tools and Equipment	6%
Building	30%
Furniture & Fittings	7%-15%
Panals	4%
Batteries	10%
Controllers	8-12%
Cabling	15%

(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.

4. Account receivable

Acc.Receivable: Utility	75348.12	84433.91
Acc.Receivable: D.Sales & PM	19223.13	23498.72
	94571.25	**107932.63**

5. A/c payable creditors, Paid in advance

Audit fee	11215.00	11215
PUB	600.00	1014.26
Betio Gas station,others	1350.00	600
TSKL	1000.00	1077.37
KPF clearing	1296.46	18
Paye clearing	2106.78	2057.58
Sayee clearing	12.58	12.58
House loan clearing	20.50	
House subsidy clearing	152.40	1020.9
Life insurance clearing	149.26	296.04
Leave grant clearing	91.34	91.34
Net Pay Clearing	122.14	122.14
BOK loan Clearing	-445.81	
Debt deducted	50.00	686.5
Mobile deduction	255.00	

Kiribati Solar Energy Company Ltd
Year Ended December 2008
Notes to Financial statements

Water Unit	47499.46	
DBK loan clearing	1164.50	141
PAYE Collected Company	1044.93	1044.93
PAYE Collected Project	1561.94	1561.94
TSKL	9190.00	12500
Other sundries customers	10114.49	
Security deposit	45418.00	64031
EU project	25928.42	46845.98
South Australia	5852.10	7852.1
Dominion Wire		597.47
Independent Power		12822.59
	165749.49	**165608.72**

6. Share Capital

Issued & fully paid		
Ordinary shares of $1 each	500.00	500

7. Capital Reserve

Captial reserve Govt	73442.00	73442
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	1846318.00	2085943.1
	2063596.47	**2303221.57**

8. Retained Profit / loss

Balance at 1 January	9308.92	59107.97
Profit/loss for the year	-$ 44,976.52	-49799.05
Balance at 31 December	**-$ 35,667.60**	**$ 9,308.92**

2008

9. Long Term assets (Asset purchased by SEC)

	Modules at cost	Batteries at cost	Controller at cost	Cable & other at Cost	Other cost	Building	Vehicles	Equipment Tools	Fitting Furniture	Total
Cost of Valuation										
Balance at 01/01/08	2821.36	60246.67	14182.22			27718.36	9347	21124.84	6488.4	141928.85
Additions		8530						1254.15		9784.15
Balance 31/12/08	2821.36	68776.67	14182.22	0	0	27718.36	9347	22378.99	6488.4	151713
Accu.Depreciation										
Balance 1/01/08	1484.98	38051.93	2663.95			14367.1	8544.11	16926.14	5508.91	87547.12
Charge 2008	141.07	5289.1	1128.6			1385.92	507.24	1383.25	594.03	10429.21
Balance 31/12/08	1626.05	43341.03	3792.55		0	15753.02	9051.35	18309.39	6102.94	97976.33
NBV 31/12/08	1195.31	25435.64	10389.67	0	0	11965.34	295.65	4069.6	385.46	53736.67
NBV 31/12/07	1336.38	22194.74	11518.27	0	0	13351.26	802.89	4198.7	979.49	54381.73

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 01/01/08	1401630.67	1090845.02	264335.36	220904.37	48743.97	120637.52	62596.65	66677.97	9625.29	3285996.82
Additions										0.00
Balance 31/12/08	1401630.67	1090845.02	264335.36	220904.37	48743.97	120637.52	62596.65	66677.97	9625.29	3285996.82
Accu.Depreciation										
Balance 1/01/08	301132.49	402038.75	114345.68	106209.08	20049.18	93617.81	21745.78	31622.04	3566.52	1094327.33
Charge 2008	56,065.23	109,084.50	31,720.24	22,371.34	4,430.68	6,031.88	12,519.33	6,307.80	1,144.48	249,675.48
Balance 31/12/08	357197.72	511123.25	146065.92	128580.42	24479.86	99649.69	34265.11	37929.84	4711.00	1344002.81
NBV 31/12/08	1044432.95	579721.77	118269.44	92323.95	24264.11	20987.83	28331.54	28748.13	4914.29	1941994.01
NBV 31/12/07	1100498.18	688806.27	149989.68	114695.29	28694.79	27019.71	40850.87	35055.93	6058.77	2191669.49

KIRIBATI SOLAR ENERGY COMPANY

CASHFLOW STATEMENTS YEAR ENDED 31 DECEMBER 2008

Cash inflow(Outflow) from Operating Activities	
Cash Received from Customer and other Debtors	415693.43
Less	
Cash Paid to Suppliers and Employees	402140.09
Cash inflow(Outflow) from Operating Activities	**13553.34**
Cash inflow(Outflow) From Operating & Investing Activities	
Cash Paid for Fixed Assets	9784.15
Interest Received	
Cash inflow(Outflow) From Operating & Investing Activities	**-9784.15**
Cash flow from Financing activities	
EU Project No. 8.ACP.KI.04	10050.38
Cash flow from Financing activities	**10050.38**
Net increase/-decrease in cash and cash equivalent	**13819.57**
Cash and cash equivalent at beginning of financial period	40587.01
Cash and Cash equivalent at end of financial period	54406.58

Notes to the Cash Flow Statements for the year ended December 31, 2008

(i) Reconciliation of Cash	
General Cheque Account	37586.88
Bank (IBD 850251-40)	17137.16
Bank (IBD 850251-41)	757.94
Utility account	-1496.30
Island savings account	420.90
EU # 8.ACP.KI.04	0.00
	54406.58

(ii) Reconciliation of Net Cash from operating activities	
Operating Profit(loss) after tax	**-44,976.52**
Add(less)non-cash items	
Depreciation	10,429.21
Provision Doubtul debts	
Income Tax Expenses	
Changes in Balance Items	
Trade Debtors -(Increase)Decrease	13,361.38
Sundry Debtors-(Increase)Decrease	18,386.48
Stock-(Increase)Decrease	11,152.02
Trade Creditors - Increase(Decrease)	5,200.77
Net Cash flow from operating activities	**13,553.34**