REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Telecom Services Kiribati Limited Financial Statement
For the Year Ended 31st December, 2009 to 2013

Kiribati Audit Office
October 2018

KIRIBATI AUDIT OFFICE

P.O BOX 63
Bairiki, Tarawa
Kiribati

Tel1: (686)75021118
Tel2: (686)75021335
Email: support@kao.gov.ki

Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

To the Readers of Telecom Services Kiribati Limited Financial Statements for the years ended 31st December, 2009 to 2013

The Auditor-General, Mrs Matereta Raiman, is the auditor of Telecom Services Kiribati Limited (TSKL).

The audit covered the Company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1976, the Companies Act 1979 and SOE Act, 2012 that apply to the Financial Statements of the TSKL for the years ended 31st December, 2009 to 2013.

TSKL Board of Director's Responsibility

The Board of Directors and Management are responsible for the preparation and fair presentation of the Financial Statements in accordance with Generally Accepted Accounting Practice in Kiribati, and for such internal control as management determines necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

It is my responsibility to express an independent opinion on these Financial Statements and reporting that opinion to you as required under the Public Finance (Control and Audit) Ordinance 1976 and the Companies Ordinance. The audit was conducted in accordance with International Standards of Supreme Audit Institutions.

Basis for Disclaimer Opinion

- There was significant limitation of scope noted as all accounting books, general ledgers and source documents for TSKL were not available.

Disclaimer Opinion

Because of the absence of records that leads to the limitation of scope described in the Basis for Disclaimer Opinion paragraph above, I have not been able to obtain sufficient appropriate audit evidence, and accordingly I **COULD NOT** express an opinion on the Financial Statements of TSKL for the years ended 31st December, 2009 to 2013.

The audit was completed on 17/08/2018, and was the date at which my opinion was expressed.

Report on other Legal and Regulatory Requirements

TSKL lodged its 2009 to 2013 Financial Statements for audit in May 2018, therefore indicated TSKL's non-compliance with Sec. 20 of SOE Act, 2012.

Independence

When carrying out the audit we followed the independence requirements stipulated under section 114 (4) of the Kiribati Constitution and the requirements of the International Standards of Supreme Audit Institutions.

Other than the audit, we have no relationship with or interest in TSKL.

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Mrs. Matereta. Raiman.
Auditor General

Date: 17/8/2018

TELECOM SERVICES KIRIBATI LTD

TELEPHONE: (686) 20700
FACSIMILE: (686) 21424
EMAIL: admin@tskl.net.ki

TSKL
Connecting Kiribati and Serving the Community

P.O. Box 72
BAIRIKI
TARAWA
KIRIBATI
CENTRAL PACIFIC

Ref: F:1/47

Date: 14th August, 2018

Auditor General
Kiribati Audit Office
Bairiki

Attn: Kataneti Romatoa

Re: TSKL Accounts 2009 to 2013

In reference to the above captioned subject, please kindly note that the TSKL Board in its meeting no.7/18 had resolved to inform the KAO of its inability to get all accounting records and documents required for the audit of the above accounts. The reasons are being that;

i. ATHKL has no financial records for TSKL with them (both hard and e-copies),
ii. TSKL building at Bikenibeu is all in a mess and financial records are unreadable due to exposure to water (leaking from the roof), and
iii. Former accountant firm has also lost some of the 2009 TSKL accounting records saved on it damaged laptop.

So, based on the above information, the TSKL Board would like to formally confirm it has no other sources of obtaining the financial documents needed for the above account and hence requesting KAO for its consideration.

Sincerely,

Wayne Reiher
Chairman of the Board

Telecom Services Kiribati Limited
Directors' Report

The directors present their report together with the financial statements of the Telecom Services Kiribati Limited ("the company") for the year ended 31 December 2009 and the auditors' report thereon.

Directors

The directors of the company in office at the date of this report are:

Mr Elliot Ali (Chairman)
Mrs Tarsu Murdoch (Deputy Chairwoman)
Mr Inatoa Tebania
Mr Uera Rabaua
Mr Ieronimo Kienene

The above Directors were appointed on 26 November 2003.

State of affairs

In the opinion of the directors the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 31 December 2009 and the accompanying profit and loss account gives a true and fair view of the results of the Company and statement of cash flows for the year then ended.

Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

Operating results for the period

The operating profit after income tax for the year ended 31 December 2009 was $299,131 (2008: $281,155).

Dividends

The directors recommend that no dividends be paid for the year ended 31 March 2010 (2008: $nil).

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Telecom Services Kiribati Limited
Directors' Report (Continued)

Events subsequent to year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

Dated at Tarawa this day of 2009

Signed in accordance with a resolution of the directors:

Director CHAIRMAN

Director

TELECOM SERVICES KIRIBATI Limited			
INCOME STATEMENT			
For the year ended 31st December 2009			
	Note	**Dec-09 A$**	**Mar-09 A$**
Income			
Telephone revenue	3.1	5,471,447.26	7,228,615.75
Other operating income	3.2	33,487.60	117,895.44
		5,504,934.86	7,346,511.19
Less: Expenses			
Personnel expenses	4.1	962,863.23	1,788,384.87
Depreciation expense	4.2	1,203,089.00	1,570,060.00
Other operating expenses	4.3	2,894,183.69	3,644,435.13
		5,060,135.92	7,002,880.00
Profit from operations		444,798.94	343,631.19
Net financing costs	5	7,709.88	81,223.26
Profit before tax expense		452,508.82	424,854.45
Less: Income tax expense	6	153,378.09	143,699.06
Operating profit after income tax		299,130.73	281,155.39

Telecom Services Kiribati Limited			
Balance Sheet			
As at 31st December 2009			
	Note	Dec-09	Mar-09
		A$	A$
Current Assets			
Cash	7.1	1,947,264.16	3,484,410.96
Receivables	7.2	5,746,442.40	4,651,940.72
Inventories	7.3	2,457,923.89	1,370,347.66
Total current assests		10,151,630.45	9,506,699.34
Non-current assests			
Plant and equipment	8.1	10,562,497.11	10,321,614.24
Deferred tax	8.2	109,385.00	109,385.00
		10,671,882.11	10,430,999.24
Total Assets		20,823,512.56	19,937,698.58
Current Liabilities			
Clearing accounts	9.1	(59,445.60)	47,909.43
Creditors & accruals	9.2	2,455,610.35	1,728,664.21
Provisions	9.3	3,460,374.07	3,189,290.07
		5,856,538.82	4,965,863.71
Long Term Liabilities			
Borrowing	9.4	6,052,704.22	6,356,696.08
Net Assets		**8,914,269.52**	**8,615,138.79**
Shareholder's equity			
Retained profits	10.1	5,339,736.52	5,040,605.79
Share capital	10.2	3,574,533.00	3,574,533.00
		8,914,269.52	**8,615,138.79**

Telecom Services Kiribati Limited			
Statement of cash flows			
For the year ended 31st December 2009			
	Note	Dec-09	Mar-09
		A$	A$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		2,680,350.98	5,021,987.72
Inpayments		482,635.95	1,006,227.40
Interest received		7,709.88	81,223.26
Government Grant			
Other income		1,533,326.65	2,317,128.06
		4,704,023.46	8,426,566.44
Payments were made for			
Direct costs		32,666.42	74,951.47
Income taxes paid		0.00	233,548.82
Interest paid		501,739.46	672,121.44
Network costs		470,868.73	490,970.42
Operating costs		3,155,054.71	4,502,089.56
		4,160,329.32	5,973,681.71
Net cash provided by operating activities		543,694.14	2,452,884.73
Cash Flows from investing activities			
Payment for plant and equipment		-1,198,223.00	-1,208,626.00
Proceeds from sale of non-current assets		0.00	0.00
Net cash used in investing activities		-1,198,223.00	-1,208,626.00
Cash Flows from financing activities			
Proceeds from borrowing		0.00	3,389,232.00
Repayment of borrowings		-882,617.94	-1,237,268.49
Payment for dividend		0.00	0.00
Net cash used in financing activities		-882,617.94	2,151,963.51
Net increase/(decrease) in cash held		-1,537,146.80	3,396,222.24
Cash at the beginning of the financial year		3,484,410.96	88,188.72
Cash at the end of the financial year	7.1	1,947,264.16	3,484,410.96

Telecom Services Kiribati Limited
Notes to and forming part of the financial statements
For the year ended 31 December 2009

1. Significant accounting policies

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

(a) Statement of compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

(b) Basis of preparation

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

(c) Foreign currencies

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of the transaction.

Amounts receivable and payable in foreign currency are translated at the rate of exchange ruling at balance date. Gains and losses on revaluation have been included in the profit and loss statement as part of the operating profit.

(d) Plant and Equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Building	5%
Plant and Equipment	10-20%
Motor vehicle	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) Subsequent expenditure

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Telecom Services Kiribati Limited

Notes to and forming part of the financial statements

For the year ended 31 December 2009

1. Significant accounting policies (continued)

(e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on November 1990.

The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognised as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

1. Significant accounting policies (continued)

(i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognised in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

(j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i (i).

(ii) Doubtful debts

The collectability of debts is assessed at year-end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 per cent (net of specific provisions) is also brought to account for accounts receivable.

(k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

(l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharge cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer. For calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic is recognised as earned.

1. **Significant accounting policies (continued)**

(m) **Expenses**

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

(n) **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) **Comparative information**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosure.

2. Segment reporting

The company's business segment is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati

Telecom Services Kiribati Limited

Notes to and forming part of the financial statements

For the year ended 31 December 2009

10. (a)Shareholders equity

Reconciliation of movement in shareholders equity

	Share Capital A$	Retained Profits A$	Total A$
Balance at 1 April 2008	3,574,533	4,759,450	8,333,983
Total recognised gains and losses		281,155	281,155
Retained earnings transfer to share capital			
Reduction in retained earnings			
Balance at 31March 2009	3,574,533	5,040,605	8,615,138
Balance at 1 April 2009	3,574,533	5,040,605	8,615,138
Total recognised gains and losses	-	299,131	299,131
Reversal of capital contribution			
Balance at 31 December 2009	3,574,533	5,339,736	8,914,269

(b)Statement of movement in equity for the Year ended 31 December 2009

	2009	2009
Opening Equity	8,615,138	8,333,983
Surplus/(deficit) for the year	299,131	281,155
Reversal of capital contribution	-	-
Closing Equity	8,914,269	8,615,138

11. Earnings per share

	2009 A$	2009 A$
Net profit	299,131	281,155
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	0.08	0.08
Diluted earnings per share	0.08	0.08

Telecom Services Kiribati Limited
Directors' Report

The directors present their report together with the financial statements of the Telecom Services Kiribati Limited ("the company") for the year ended 31 December 2010 and the auditors' report thereon.

Directors

The directors of the company in office at the date of this report are:

Mr Elliot Ali (Chairman)
Mrs Tarsu Murdoch (Deputy Chairwoman)
Mr Inatoa Tebania
Mr Uera Rabaua
Mr Ieronimo Kienene

The above Directors were appointed on 26 November 2003.

State of affairs

In the opinion of the directors the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 31 December 2010 and the accompanying profit and loss account gives a true and fair view of the results of the Company and statement of cash flows for the year then ended.

Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

Operating results for the period

The operating profit after income tax for the year ended 31 December 2010 was $737,254.79 (2009: $299,130.73).

Dividends

The directors recommend that no dividends be paid for the year ended 31 March 2010 (2009: $nil).

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Telecom Services Kiribati Limited
Directors' Report (Continued)

Events subsequent to year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

Dated at Tarawa this day of 2010

Signed in accordance with a resolution of the directors:

~~Director~~ CHAIRMAN

Director

Telecom Services Kiribati Limited			
Balance Sheet			
As at 31 December 2010			
	Note	2010	2009
		A$	A$
Current Assets			
Cash	7.1	-46,447.47	1,947,264.16
Receivables	7.2	5,701,812.52	5,746,442.40
Inventories	7.3	3,562,731.24	2,457,923.89
Total current assests		9,218,096.29	10,151,630.45
Non-current assests			
Plant and equipment	8.1	11,402,765.98	10,562,497.11
Deferred tax	8.2	109,385.00	109,385.00
		11,512,150.98	10,671,882.11
Total Assets		20,730,247.27	20,823,512.56
Current Liabilities			
Clearing accounts	9.1	(67,476.64)	(59,445.60)
Creditors & accruals	9.2	2,811,877.81	2,455,610.35
Provisions	9.3	3,110,131.55	3,460,374.07
		5,854,532.72	5,856,538.82
Long Term Liabilities			
Borrowing	9.4	5,381,895.42	6,052,704.22
Net Assests		**9,493,819.13**	**8,914,269.52**
Shareholder's equity			
Retained profits	10.1	5,919,286.13	5,339,736.52
Share capital	10.2	3,574,533.00	3,574,533.00
		9,493,819.13	**8,914,269.52**

TELECOM SERVICES KIRIBATI Limited				
INCOME STATEMENT				
For the year ended 31 December 2010				
	Note	2010 A$		2009 A$
Income				
Telephone revenue	3.1	7,220,680.49		5,471,447.26
Other operating income	3.2	26,231.89		33,487.60
		7,246,912.38		5,504,934.86
Less: Expenses				
Personnel expenses	4.1	1,261,468.34		962,863.23
Depreciation expense	4.2	1,342,764.00		1,203,089.00
Other operating expenses	4.3	3,650,081.45		2,894,183.69
		6,254,313.79		5,060,135.92
Profit from operations		992,598.59		444,798.94
Net financing costs	5	9,331.85		7,709.88
Profit before tax expense		1,001,930.44		452,508.82
Less: Income tax expense	6	264,675.65		153,378.09
Operating profit after income tax		737,254.79		299,130.73

Telecom Services Kiribati Limited			
Statement of cash flows			
For the year ended 31 December 2010			
	Note	2010	2009
		A$	A$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		5,849,892.62	2,680,350.98
Inpayments		0.00	482,635.95
Interest received		9,331.85	7,709.88
Government Grant			
Other income		816,691.31	1,533,326.65
		6,675,915.78	4,704,023.46
Payments were made for			
Direct costs		61,383.07	32,666.42
Income taxes paid		29,510.17	0.00
Interest paid		570,000.00	501,739.46
Network costs		613,898.44	470,868.73
Operating costs		4,513,978.95	3,155,054.71
		5,788,770.63	4,160,329.32
Net cash provided by operating activities		887,145.15	543,694.14
Cash Flows from investing activities			
Payment for plant and equipment		-1,682,204.58	-1,198,223.00
Proceeds from sale of non-current assets		0.00	0.00
Net cash used in investing activities		-1,682,204.58	-1,198,223.00
Cash Flows from financing activities			
Proceeds from borrowing		0.00	0.00
Repayment of borrowings		-1,198,652.20	-882,617.94
Payment for dividend		0.00	0.00
Net cash used in financing activities		-1,198,652.20	-882,617.94
Net increase/(decrease) in cash held		-1,193,711.63	-1,537,146.80
Cash at the beginning of the financial year		1,947,264.16	3,484,410.96
Cash at the end of the financial year	7.1	-46,447.47	1,947,264.16

Telecom Services Kiribati Limited			
Statement of cash flows			
For the year ended 31 December 2010			
	Note	2010	2009
		A$	A$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		5,849,892.62	2,680,350.98
Inpayments		0.00	482,635.95
Interest received		9,331.85	7,709.88
Government Grant			
Other income		816,691.31	1,533,326.65
		6,675,915.78	4,704,023.46
Payments were made for			
Direct costs		61,383.07	32,666.42
Income taxes paid		29,510.17	0.00
Interest paid		570,000.00	501,739.46
Network costs		613,898.44	470,868.73
Operating costs		4,513,978.95	3,155,054.71
		5,788,770.63	4,160,329.32
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Proceeds from sale of non-current assets		0.00	0.00
Net cash used in investing activities		-1,682,204.58	-1,198,223.00
Cash Flows from financing activities			
Proceeds from borrowing		0.00	0.00
Repayment of borrowings		-1,198,652.20	-882,617.94
Payment for dividend		0.00	0.00
Net cash used in financing activities		-1,198,652.20	-882,617.94
Net increase/(decrease) in cash held		-1,193,711.63	-1,537,146.80
Cash at the beginning of the financial year		1,947,264.16	3,484,410.96
Cash at the end of the financial year	7.1	-46,447.47	1,947,264.16

1. **Significant accounting policies (continued)**

(e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.

The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognised as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

Telecom Services Kiribati Limited
Notes to and forming part of the financial statements
For the year ended 31 December 2010

1. Significant accounting policies (continued)

(i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognised in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

(j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i (i).

(ii) Doubtful debts

The collectability of debts is assessed at year-end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 per cent (net of specific provisions) is also brought to account for accounts receivable.

(k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

(l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharge cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer. For calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic is recognised as earned.

1. **Significant accounting policies (continued)**

(m) **Expenses**

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

(n) **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) **Comparative information**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosure.

2. Segment reporting

The company's business segment is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati

Telecom Services Kiribati Limited			
Notes forming part of financial statement for the year 31st March 2010			
		2010	2009
	Note	A$	A$
Revenue			
Domestic billing	3.1		
Telephone		2,373,856.25	2,248,687.11
Telegram		109,970.43	68,990.06
TSKL Fixed Wireless		300.00	50.00
Rental		996,918.90	572,662.66
Directory sales		54.50	53.50
Installation fees		4,501.10	8,135.00
Equipment sales		491,962.47	183,530.90
Radio Transmit License Fees		-	(36.00)
Audio text		-	
Recharge Card-CPDI (Prepaid)		92,299.60	77,434.73
Reconnection fees		5,150.02	1,235.00
Maintenance service fees		13.50	2,082.00
Telegraph stationery		12,648.25	7,109.60
Phone card sales		1,060.00	3,420.00
Telephone inpayment		369,973.88	613,930.57
Internet		697,251.21	372,905.02
Mobile calls		2,064,720.38	1,311,257.11
		7,220,680.49	**5,471,447.26**
Other operating income	3.2		
Other income		26,231.89	33,487.60
Rent		-	-
Sales Adjustment		-	-
		26,231.89	**33,487.60**
		7,246,912.38	**5,504,934.86**
Expenses:			
Personnel expenses	4.1		
Salaries & wages		1,307,851.72	898,076.15
Annual leave		(125,667.33)	5,959.89
Provident fund contribution		79,283.95	58,827.19
		1,261,468.34	**962,863.23**
Depreciation expense	4.2	**1,342,764.00**	**1,203,089.00**
Other operating expense	4.3		
Telephone Outpayment		61,383.07	32,666.42
Cost of Sales		410,778.60	218,892.39
Write off Redundant Stock		-	-

Audit Fees and Expenses				9,000.00	3,000.00
Asset Expenses				22.60	6.00
Bad & Doubtful Debt				(329,933.44)	144,274.87
Bank Charges & Commission				40,910.24	18,646.48
Advertisement				14,303.20	15,552.60
Board Expenses				18,879.25	15,806.90
Consultancy Fee\Expenses				-	10,411.04
Cleaning				5,183.57	3,497.52
Exchange Rate Variation				(76,812.16)	(47,997.55)
Computer Support				499,308.24	35,728.79
Directory Expenses				-	(1.00)
Disposal of fixed asset				-	(19,572.75)
Entertainment				1,912.00	566.00
Freight				674.10	1,021.90
Freight paid by suppliers				-	-
General Expenses				1,337.85	667.60
Hire of Transport				54,667.00	25,447.60
Insurance				90,522.01	119,224.99
Internet Lease				322,864.09	213,089.25
Loan interest				570,000.00	501,739.46
Legal Expenses				15,525.00	
Land Lease				2,021.80	540.00
Lease Fees (space tower rental)				12,100.00	9,900.00
Licence Fees				157,450.00	60,000.00
Loss on disposal				-	-
Maint - Building				41,907.57	46,380.73
Maint-Office Equip/Machinery				5,276.35	25,932.44
New Recruitment				-	37.00
Maint - Plant				186,818.86	350,079.99
Maint - VHF and HF				46,838.79	37,798.54
Management Fee				-	-
Maritime Traffic				11,923.85	-
On cost expenses				-	-
Other expenses paid by supp.				-	-
Payroll Loss				-	-
Postage				2,560.70	1,215.40
Power - Electricity				596,300.44	436,313.34
Power - Fuel				1,458.15	4,413.80
Promotion				26,743.17	22,121.26
Redundancy Expenses				-	-
Relocation Expenses				1,636.08	5,588.08
Rent Expenses				-	-
Retirement/Death Benefit				13,068.39	19,271.55
Reward and Recognition				6,964.60	7,250.30
Satellite Rental				279,110.50	257,779.48

Stationery and Office Supplies		57,934.80	28,742.41
Stock		177,890.10	48,222.30
Subscription and Publication		7,312.95	13,406.46
Subsidised House Rent		21,830.50	8,356.00
Training Expenses		109,933.74	72,855.35
Travel Expenses		111,801.07	103,861.40
Vehicle Expenses - Fuel		23,881.17	16,094.92
Vehicle Expenses-Maintenance		28,987.55	12,432.95
Water		-	
Outerisland study		-	
Uniform		(89.65)	(1,242.57)
CEO Expenses		7,894.75	14,164.05
Suspense Account		-	-
		3,650,081.45	**2,894,183.69**
Financing			
Interest received	5	9,331.85	7,709.88
Income tax expense	6	**264,675.65**	**153,378.09**
Reconciliation of effective tax rate			
Profit before tax - $1,001,930.44			
Income tax using the company tax rate			
Current assets			
Cash	7.1		
BOK - Current (A/C 260048)		(524,242.21)	(215,912.26)
BOK-Project (A/C 617411)		(5,850.00)	(5,850.00)
BOK - Credit Card - A/C 502501		4,937.01	4,937.01
BOK-Xmas Current A/C		93,362.15	6,682.56
BOK-ARF Current A/C		-	10,000.00
Petty Cash		24.70	212.30
Cash In Hand		155.17	155.17
Cash in transit		-	
Interest Bearing Deposits		385,165.71	2,147,039.38
		(46,447.47)	**1,947,264.16**
Receivables	7.2		
Miscellaneous Debtors		5,019,804.05	4,952,946.37
Debtors from last year		(260,482.20)	(222,683.67)
Telstra debit		354,929.02	480,186.20
Telecom New Zealand debit		-	-
Salary Advances		69,581.05	36,071.10
Travel Advances		191,963.92	193,529.27
Sundry Debtors		168,805.00	168,805.00
Prepayments		122,945.46	119,235.53
TSKL Staff-mobile h/purchase		(11,852.97)	(1,620.00)
Internal Affairs Lan		19,972.60	19,972.60
KPA - mobile hire purchase		77.00	-

BTC - mobile hire purchase		45.00	
Koil - mobile hire purchase		153.00	
PUB - mobile hire purchase		121.00	-
TSKL-Laptop/Desktop H.Purchase		24,074.79	-
TSKL-Modem H/Purchase		1,675.80	
		5,701,812.52	**5,746,442.40**
Inventories	7.3		
Stock on Hand		2,353,549.76	1,606,574.48
Goods in Transit		1,062,806.72	704,974.65
Stocktake Variance		146,374.76	146,374.76
		3,562,731.24	**2,457,923.89**
Non-current assets			
Plant & Equipment	8.1		
Land & Building			
TSKL Building		300,280.22	287,522.62
provision for depreciation		(649,881.00)	(438,410.00)
Air conditioners		302,629.75	293,657.75
provision for depreciation		(288,221.00)	(258,689.00)
Furn & Fittings		93,531.46	75,531.46
provision for depreciation		(51,800.00)	(68,738.00)
Vehicle		611,769.99	571,869.99
provision for depreciation		(512,613.00)	(448,497.00)
Fixed Assets (For Budget)		3,247.50	
Office and Training Equipment		2,345,167.40	2,325,125.81
Prov for deprn - office traning equip		(2,220,381.00)	(2,080,737.00)
Earth Station Plant		2,759,986.83	2,734,533.60
Prov for deprn - earth station plant		(1,409,137.60)	(1,409,137.60)
Exchange Plant\Microwave Tower		626,206.56	613,823.77
Prov for deprn - exchange plant\microwave		(540,925.00)	(497,725.00)
Radio Plant		366,843.46	274,276.46
Prov for deprn - radio plant		(228,564.93)	(165,958.00)
Subscriber Equipment		7,775,297.13	7,744,459.56
Prov for deprn - subscriber equipment		(4,269,344.00)	(3,865,032.00)
External Plant		17,475.10	17,475.10
Prov for deprn - External Plant		(1,312,892.00)	(884,096.00)
Switching Plant		115,314.62	
Cable Network		1,739.55	
Work In Progress		7,567,035.94	5,741,240.59
		11,402,765.98	**10,562,497.11**
Future income tax benefit	8.2	**109,385.00**	**109,385.00**

Current Liabilities				
Clearing accounts:	9.1			
Payroll			79,860.60	31,298.71
PAYE			(85,470.84)	(27,532.10)
TAX ARREARS			(54,763.67)	(55,864.45)
KPF			(5,916.70)	932.44
Housing Rents			(7,521.49)	(7,025.71)
Town Council Rates			(2,146.01)	186.84
Staff Bank Loan			(6,219.60)	50.00
Staff DBK Loan			8,038.14	9,499.36
Staff KPF Loan			(635.98)	
Court Order			(180.00)	(20.00)
Ministry of Finance-W/hold Tax			(2,300.08)	(2,407.65)
TKL			-	-
Staff Life insurance			840.17	1,975.41
Staff Club			(18,359.11)	(11,028.07)
Incorrect postings (to fix)			29,397.11	3,737.57
Contra A/C			2,091.82	1,252.21
Debtors to Transfer			607.94	607.94
Non Stock Control account			(4,798.94)	(5,108.10)
			(67,476.64)	**(59,445.60)**
Creditors:	9.2			
Trade Creditors			(1,598,689.26)	(1,043,038.63)
Creditors not posted last year			(100,204.12)	(96,697.70)
Bank of Kiribati Curr act O/D			-	-
Purchase Order Liability			1,111,200.73	753,368.66
Goods Received Liability			2,480,337.42	1,837,318.39
Telstra Credit (not included in the hard copy)			-	-
Telecom New-Zealand			(114,440.63)	(63,619.11)
Accrued Expenses			511,059.09	560,371.66
Unallocated Cash			199.00	
Telephone Special Deposits			452,272.42	437,613.92
Internet Special Deposit			49,126.99	49,276.99
Mobile Special Deposit			20,874.17	20,874.17
Inmarsat Special Deposit			400.00	400.00
Deferred Income tax Expense			(258.00)	(258.00)
Government Grant\Aid			-	-
			2,811,877.81	**2,455,610.35**
Provisions:	9.3			
Recreation Leave			11,784.83	137,452.16
Tax			1,204,335.07	969,169.59
Leave Grant			14,000.00	14,000.00
Obsolete Stock			483,019.12	305,129.02

Dividends			-
Provision for Doubtful Debts		1,396,992.53	2,034,623.30
		3,110,131.55	**3,460,374.07**
Long Term Liabilities	**9.4**		
Bank Loan (A\C 260059)		2,891,730.42	3,064,539.22
Bank Loan (A\C 756341)		2,490,165.00	2,988,165.00
		5,381,895.42	**6,052,704.22**
Total Liabilities		**11,236,428.14**	**11,909,243.04**
Net Assets		**9,493,819.13**	**8,914,269.52**
Shareholder's equity:			
Retained profits		5,182,031.34	5,040,605.79
Profit		737,254.79	299,130.73
Reversal of Capital contribution			
Total Retained earnings	**10.1**	5,919,286.13	5,339,736.52
Share capital	**10.2**	3,574,533.00	3,574,533.00
		9,493,819.13	**8,914,269.52**
			-

10. (a)Shareholders equity

Reconciliation of movement in shareholders equity

	Share Capital A$	Retained Profits A$	Total A$
Balance at 1 April 2009	1,735,000	3,544,750	5,279,750
Total recognised gains and losses		1,551,935	1,551,935
Retained earnings transfer to share capital	1,839,533		1,839,533
Reduction in retained earnings		(1,839,533)	(1,839,533)
Balance at 31 December 2009	3,574,533	3,257,152	6,831,685
Balance at 1 January 2010	3,574,533	3,257,152	6,831,685
Total recognised gains and losses	-	988,806	972,126
Reversal of capital contribution		(500,000)	(500,000)
Balance at 31 December 2010	3,574,533	2,745,958	7,303,811

(b)Statement of movement in equity for the Year ended 31 December 2010

	2010	2009
Opening Equity	6,831,685	5,279,750
Surplus/(deficit) for the year	972,126	1,551,935
Reversal of capital contribution	(500,000)	-
Closing Equity	7,303,811	6,831,685

11. Earnings per share

	2010 A$	2009 A$
Net profit	972,126	1,551,935
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	0.27	0.43
Diluted earnings per share	0.27	0.43

12 Contingencies

There are no contingencies for the year. (2009:nil)

13. Related parties

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the government is the ultimate controlling party of the company. The following transactions were carried out with related parties during the year.

Purchase of goods and services from TSKL i.e Telephone calls, hire and purchase of equipment by government $2.2m (2006:$2.1m) on normal commercial terms. The amount outstanding at balance date was $3.0m (2006:$3.3m)

The total amount of dividend paid out during the year is $500,000 (2006: $nil) There were no outstanding balances at balance date. The total profit for 2004 was $1.6m of which $500,000 was paid out and the remaining $1.1m was earmarked to offset the government receivable as noted above

The total amount of operating grants received from government was $720,184 (2006: $nil) which has been separately deposited for the purpose of developing telecommunications for outer-islands.

14. Commitments

Operating Leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Our disclosure has taken the amount for the which ever date arrives first. Commitments relating to these contracts are as follows:

	2010	2009*
Within 1 year	185,082	
1 to 2 years	750	
2 to 5 years	2,250	
Greater than 5years	3,750	
TOTAL	**191,832**	**0**

Capital

TSKL have agreed with the Government of Kiribati to develop outer island telecommunications of which $1,839,533 has been set aside as a reserve. There is work in progress of $3,604,067 (2006: $2,460,708) which reflects TSKL's commitment to develop outer island telecommunications.

15 **Principal activities**

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

16. **Registered office**

The Company's registered office and head office is located at Bairiki, Tarawa..

17. **Segment information**

(a) **Industry segment**

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material.

(b) **Geographical segment**

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.

12 Contingencies

There are no contingencies for the year. (2009:nil)

13. Related parties

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the government is the ultimate controlling party of the company. The following transactions were carried out with related parties during the year.

Purchase of goods and services from TSKL i.e Telephone calls, hire and purchase of equipment by government \$1.3m (March 2009:\$862k) on normal commercial terms. The amount outstanding at balance date was \$3.9m (March 2009:\$3m)

The total amount of dividend paid out during the year is nil (March 2009: \$nil) There is no outstanding balances at balance date.

The total amount of operating grants received from government was nil (March 2009: \$nil).

14. Commitments

Operating Leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Our disclosure has taken the amount for which ever date arrives first. Commitments relating to these contracts are as follows:

	2009	2009*
Within 1 year	185,082	
1 to 2 years	750	
2 to 5 years	2,250	
Greater than 5years	3,750	
TOTAL	**191,832**	**0**

Capital

TSKL have agreed with the Government of Kiribati to develop outer island telecommunications of which \$1,839,533 has been set aside as a reserve. There is work in progress of \$5,741,241 (March 2009: \$4,586,214) which reflects TSKL's commitment to develop outer island telecommunications.

15 **Principal activities**

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

16. **Registered office**

The Company's registered office and head office is located at Bairiki, Tarawa..

17. **Segment information**

(a) **Industry segment**

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material.

(b) **Geographical segment**

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.

Telecom Services Kiribati Limited
Directors' Report

The directors present their report together with the financial statements of the Telecom Services Kiribati Limited ("the company") for the year ended 31 December 2011 and the auditors' report thereon.

Directors

The directors of the company in office at the date of this report are:

Mr Booti Nauan (Chairman)
Mrs Tarsu Murdoch
Mr Baraniko Tonganibeia
Mr Wayne Reiher
Mrs Ereta Bruce

The above Directors were appointed in April 2012.

State of affairs

In the opinion of the directors the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 31 December 2011 and the accompanying profit and loss account gives a true and fair view of the results of the Company and statement of cash flows for the year then ended.

Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

Operating results for the period

The operating profit after income tax for the year ended 31 December 2011 was $37,382 (2010: $737,254.79).

Dividends

The directors recommend that no dividends be paid for the year ended 31 December 2011 (2010: $nil).

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Telecom Services Kiribati Limited
Directors' Report (Continued)

Events subsequent to year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

Dated at Tarawa this day of 2012

Signed in accordance with a resolution of the directors:

Director
CHAIRMAN

Director

TELECOM SERVICES KIRIBATI LIMITED INCOME STATEMENT For the year ended 31 December 2011	Note	2011 A$	2010 A$
Income			
Telephone revenue	3.1	6,487,377.05	7,220,680.49
Other operating income	3.2	4,730.57	26,231.89
		6,492,107.62	7,246,912.38
Less: Expenses			
Personnel expenses	4.1	1,426,294.50	1,261,468.34
Depreciation expense	4.2	1,118,970.00	1,342,764.00
Other operating expenses	4.3	3,868,804.35	3,650,018.45
		6,414,068.85	6,254,313.79
Profit from operations		78,038.77	992,598.59
Net financing costs	5	9,580.23	9,331.85
Profit before tax expense		87,619.00	1,001,930.44
Less: Income tax expense	6	**50,236.50**	264,675.65
Operating profit after income tax		37,382.50	737,254.79

Telecom Services Kiribati Limited				
Balance Sheet				
As at 31 December 2011				
	Note	2011		2010
		A$		A$
Current Assets				
Cash	7.1	-247,710.43		(46,447.47)
Receivables	7.2	5,563,852.99		5,701,812.52
Inventories	7.3	3,861,674.90		3,562,731.24
Total current assests		9,177,817.46		9,218,096.29
Non-current assests				
Plant and equipment	8.1	11,037,770.67		11,402,765.98
Deferred tax	8.2	109,385.00		109,385.00
		11,147,155.67		11,512,150.98
Total Assets		20,324,973.13		20,730,247.27
Current Liabilities				
Clearing accounts	9.1	(25,332.42)		(67,476.64)
Creditors & accruals	9.2	2,989,088.40		2,811,877.81
Provisions	9.3	3,087,976.25		3,110,131.55
		6,051,732.23		5,854,532.72
Long Term Liabilities				
Borrowing	9.4	4,862,659.65		5,381,895.42
Net Assets		**9,410,581.25**		**9,493,819.13**
Shareholder's equity				
Retained profits	10.1	5,836,048.25		5,919,286.13
Share capital	10.2	3,574,533.00		3,574,533.00
		9,410,581.25		**9,493,819.13**

Telecom Services Kiribati Limited

Notes to and forming part of the financial statements

For the year ended 31 December 2011

1. Significant accounting policies (continued)

(m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosure.

2. Segment reporting

The company's business segment is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati Telecom Services Kiribati Limited

Telecom Services Kiribati Limited			
Notes forming part of financial statement for the year 31st December 2011			
		2011	**2010**
	Note	**A$**	**A$**
Revenue			
Domestic billing	**3.1**		
Telephone		1,771,402.55	2,373,856.25
Telegram		116,559.48	109,970.43
TSKL Fixed Wireless		554.50	300.00
Rental		532,371.60	996.918.90
Directory sales		25.00	54.50
Installation fees		5,765.00	4,501.10
Equipment sales		404,888.43	491,962.47
Radio Transmit License Fees		-	-
Audio text			-
Recharge Card-CPDI (Prepaid)		156,390.90	92,299.60
Reconnection fees		4,835.00	5,150.02
Maintenance service fees		99.50	13.50
Telegraph stationery		10,351.10	12,648.25
Phone card sales		-	1,060.00
MCTTD Project-Fanning&Teraina		6,659.24	
Telephone inpayment		627,371.01	369,973.88
Internet		637,833.23	697,251.21
Mobile calls		2,212,270.51	2,064,720.38
		6,487,377.05	**6,223,761.59**
Other operating income	**3.2**		
Other income		4,730.57	26,231.89
Rent		-	-
Sales Adjustment		-	-
		4,730.57	**26,231.89**
		6,492,107.62	**6,249,993.48**
Expenses:			
Personnel expenses	**4.1**		
Salaries & wages		1,275,872.92	1,307,851.72
Annual leave		70,199.56	(125,667.33)
Provident fund contribution		80,222.02	79,283.95
		1,426,294.50	**1,261,468.34**
Depreciation expense	**4.2**	**1,118,970.00**	**1,342,764.00**

Other operating expense	4.3		
Telephone Outpayment		40,239.26	61,383.07
Cost of Sales		361,600.85	410,778.60
Write off Redundant Stock		-	-
Audit Fees and Expenses		-	9,000.00
Asset Expenses		-	22.60
Bad & Doubtful Debt		245,897.00	(329,933.44)
Bank Charges & Commission		30,079.45	40,910.24
Advertisement		16,347.49	14,303.20
Board Expenses		17,746.90	18,879.25
Consultancy Fee\Expenses		8,751.00	-
Cleaning		2,505.37	5,183.57
Exchange Rate Variation		19,853.04	(76,812.16)
Computer Support		318,044.93	499,308.24
Directory Expenses		-	-
Disposal of fixed asset		-	-
Entertainment		3,522.10	1,912.00
		710.90	674.10
Freight			-
Freight paid by suppliers		-	-
General Expenses		1,057.70	1,337.85
Hire of Transport		56,677.00	54,667.00
Insurance		61,560.56	90,522.01
Internet Lease		571,713.59	322,864.09
Loan interest		637,732.85	570,000.00
Legal Expenses		8,500.00	15,525.00
		749.80	2,021.80
Land Lease		13,200.00	12,100.00
Lease Fees (space tower rental)		135,048.21	157,450.00
Licence Fees		-	-
Loss on disposal		19,340.84	41,907.57
Maint - Building			
		275.68	5,276.35
Maint-Office Equip/Machinery		1,230.80	-
New Recruitment		73,433.12	186,818.86
Maint - Plant		24,098.26	46,838.79
Maint - VHF and HF		-	-
Management Fee		8,294.84	11,923.85
Maritime Traffic		-	-
On cost expenses		-	-
Other expenses paid by supp.			

Payroll Loss			-	-
Postage			1,134.00	2,560.70
Power - Electricity			599,658.57	596,300.44
Power - Fuel			-	1,458.15
Promotion			20,274.15	26,743.17
Redundancy Expenses			-	-
Relocation Expenses			-	1,636.08
Rent Expenses			-	-
Retirement/Death Benefit			24,732.08	13,068.39
Reward and Recognition			6,343.60	6,964.60
Satellite Rental			215,768.51	279,110.50
Stationery and Office Supplies			29,416.18	57,934.80
Stock			-	177,890.10
Subscription and Publication			14,733.88	7,312.95
Subsidised House Rent			22,429.00	21,830.50
Training Expenses			101,137.14	109,933.74
Travel Expenses			90,150.83	111,801.07
Vehicle Expenses - Fuel			24,926.28	23,881.17
Vehicle Expenses-Maintenance			28,038.94	28,987.55
Water			-	-
Outerisland study			-	-
Uniform			6,465.00	(89.65)
CEO Expenses			5,384.65	7,894.75
Suspense Account			-	-
			3,868,804.35	**3,650,081.45**
Financing				
Interest received	5		**9,580.23**	**9,331.85**
Income tax expense	6		**50,236.50**	**264,675.65**
Reconciliation of effective tax rate				
Profit before tax - $157, 818.56				
Income tax using the company tax rate				
Current assets				
Cash	7.1			
BOK - Current (A/C 260048)			(751,992.97)	(524,242.21)
BOK-Project (A/C 617411)			(5,850.00)	(5,850.00)
BOK - Credit Card - A/C 502501			4,937.01	4,937.01
BOK-Xmas Current A/C			152,428.56	93,362.15
BOK-ARF Current A/C			-	-
Petty Cash			24.70	24.70
Cash In Hand			155.17	155.17

			-	-
Cash in transit			352,587.10	385,165.71
Interest Bearing Deposits			(247,710.43)	(46,447.47)
	7.2			
Receivables			4,762,552.88	5,019,804.05
Miscellaneous Debtors			(217,994.55)	(260,482.20)
Debtors from last year			231,216.25	354,929.02
Telstra debit			-	-
Telecom New Zealand debit			90,315.80	69,581.05
Salary Advances			190,515.38	191,963.92
Travel Advances			170,407.00	168,805.00
Sundry Debtors			143,208.46	122,945.46
Prepayments			25,623.44	(11,852.97)
TSKL Staff-mobile h/purchase			19,972.60	19,972.60
Internal Affairs Lan			39,789.00	77.00
KPA - mobile hire purchase			5,522.00	
Solar - mobile hire purchase			4,853.00	
KPF - mobile hire purchase			3,485.00	
Toyota - mobile hire purchase				
BTC - mobile hire purchase			45.00	45.00
Koil - mobile hire purchase			153.00	153.00
PUB - mobile hire purchase			3,881.00	121.00
TSKL-Laptop/Desktop H.Purchase			24,807.09	24,074.79
TSKL-Modem H/Purchase			4,351.10	1,675.80
KSCL - mobile hire purchase			1,240.00	
BPA - mobile hire purchase			680.00	
Peace Corp - mob.hire purchase			14,021.00	
Neways - Mobile Hire Pauchase			680.00	
BOK - Mobile Hire Purchase			(100.00)	
Teao Parish-Mob.Hire Purchase			280.00	
RICs - Outer Is Councils			44,348.54	
			5,563,852.99	**5,701,812.52**
	7.3			
Inventories			2,212,136.35	2,353,549.76
Stock on Hand			1,503,163.79	1,062,806.72
Goods in Transit			146,374.76	146,374.76
Stocktake Variance				

		3,861,674.90	**3,562,731.24**
Non-current assets			
Plant & Equipment	**8.1**		
Land & Building			
TSKL Building		300,280.22	300,280.22
provision for depreciation		(657,641.00)	(649,881.00)
Air conditioners		318,889.75	302,629.75
provision for depreciation		(312,831.00)	(288,221.00)
Furn & Fittings		93,531.46	93,531.46
provision for depreciation		(56,452.00)	(51,800.00)
Vehicle		626,795.52	611,769.99
provision for depreciation		(601,776.00)	(512,613.00)
Fixed Assets (For Budget)		3,247.50	3,247.50
Office and Training Equipment		2,369,733.08	2,345,167.40
Prov for deprn - office traning equip		(2,330,450.05)	(2,220,381.00)
Earth Station Plant		2,769,425.13	2,759,986.83
Prov for deprn - earth station plant		(1,337,671.60)	(1,409,137.60)
Exchange Plant\Microwave Tower		626,206.56	626,206.56
Prov for deprn - exchange plant\microwave		(576,925.00)	(540,925.00)
Radio Plant		431,854.66	366,843.46
Prov for deprn - radio plant		(241,992.93)	(228,564.93)
Subscriber Equipment		7,807,818.85	7,775,297.13
Prov for deprn - subscriber equipment		(4,774,734.00)	(4,269,344.00)
External Plant		17,475.10	17,475.10
Prov for deprn - External Plant		(1,705,955.00)	(1,312,892.00)
Switching Plant		115,314.62	115,314.62
Cable Network		1,739.55	1,739.55
Work In Progress		8,151,887.25	7,567,035.94
		11,037,770.67	**11,402,765.98**
Future income tax benefit	**8.2**	**109,385.00**	**109,385.00**
Current Liabilities			
Clearing accounts:	**9.1**		
Payroll		110,759.14	79,860.60
PAYE		(78,268.55)	(85,470.84)
TAX ARREARS		(54,763.67)	(54,763.67)
KPF		554.15	(5,916.70)
Housing Rents		(6,963.01)	(7,521.49)
Town Council Rates		(2,075.71)	(2,146.01)

Staff Bank Loan			(6,219.60)	(6,219.60)
Staff DBK Loan			8,038.14	8,038.14
Staff KPF Loan			13,334.76	(635.98)
Court Order			(180.00)	(180.00)
Ministry of Finance-W/hold Tax			(2,201.09)	(2,300.08)
TKL			(110.00)	-
Staff Life insurance			2,322.45	840.17
Staff Club			(22,135.78)	(18,359.11)
Incorrect postings (to fix)			14,142.42	29,397.11
Contra A/C			1,791.52	2,091.82
Debtors to Transfer			1,441.35	607.94
Non Stock Control account			(4,798.94)	(4,798.94)
			(25,332.42)	**(67,476.64)**
Creditors:	9.2			
Trade Creditors			(1,989,498.48)	(1,598,689.26)
Creditors not posted last year			(246,995.89)	(100,204.12)
Bank of Kiribati Curr act O/D			-	-
Purchase Order Liability			1,551,557.80	1,111,200.73
Goods Received Liability			2,761,073.84	2,480,337.42
Telstra Credit (not included in the hard copy)			-	-
Telecom New-Zealand			(177,711.30)	(114,440.63)
Accrued Expenses			558,938.95	511,059.09
Unallocated Cash			199.00	199.00
Telephone Special Deposits			461,381.32	452,272.42
Internet Special Deposit			49,126.99	49,126.99
Mobile Special Deposit			20,874.17	20,874.17
Inmarsat Special Deposit			400.00	400.00
Deferred Income tax Expense			(258.00)	(258.00)
Government Grant\Aid			-	-
			2,989,088.40	**2,811,877.81**
Provisions:	9.3			
Recreation Leave			81,392.83	11,784.83
Tax			1,112,571.57	1,204,335.07
Leave Grant			14,000.00	14,000.00

Obsolete Stock		483,019.12	483,019.12
Dividends		-	-
Provision for Doubtful Debts		1,396,992.73	1,396,992.53
		3,087,976.25	**3,110,131.55**
Long Term Liabilities	9.4		
Bank Loan (A\C 260059)		2,789,793.27	2,891,730.42
Bank Loan (A\C 756341)		2,072,866.38	2,490,165.00
		4,862,659.65	**5,381,895.42**
Total Liabilities		**10,914,391.88**	**11,236,428.14**
Net Assets		**9,410,581.25**	**9,493,819.13**
Shareholder's equity:			
Retained profits		5,798,665.75	5,182,031.34
Profit		37,382.50	737,254.79
Reversal of Capital contribution			-
Total Retained earnings	10.1	5,836,048.25	5,919,286.13
Share capital	10.2	3,574,533.00	3,574,533.00
		9,410,581.25	**9,493,819.13**

Notes to and forming part of the financial statements

For the year ended 31 December 2011

10. **(a)Shareholders equity**

Reconciliation of movement in shareholders equity

	Share Capital A$	Retained Profits A$	Total A$
Balance at 1 January 2010	3,574,533	5,339,736	8,914,269
Total recognised gains and losses		737, 255	737,255
Retained earnings transfer to share capital			
Reduction in retained earnings		(129,720)	(129,720)
Balance at 31 December 2010	3,574,533	5,947,271	9,521,804
Balance at 1 January 2011	3,574,533	5,947,271	9,521,804
Total recognised gains and losses	-	37,382	37,382
Reversal of capital contribution			
Balance at 31 December 2011	3,574,533	5,984,653	9,559,186

(b)Statement of movement in equity for the Year ended 31 December 2011

	2011	2010
Opening Equity	9,521,804	8,914,269
Surplus/(deficit) for the year	37,382	737,255
Reversal of capital contribution		(129,720)
Closing Equity	9,559,186	9,521,804

	2011 A$	2010 A$
11.Earnings per share		
Net profit	37,382	737,255
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	0.01	0.20

	2011	2010
Diluted earnings per share	0.01	0.20

Telecom Services Kiribati Limited

Notes to and forming part of the financial statements

For the year ended 31 December 2011

12 Contingencies

There are no contingencies for the year. (2011:nil)

13. Related parties

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the government is the ultimate controlling party of the company. The following transactions were carried out with related parties during the year.

Purchase of goods and services from TSKL i.e Telephone calls, hire and purchase of equipment by government $2.4m (2010:$1.3m) on normal commercial terms. The amount outstanding at balance date was $924k (2010:$3.0m)

The total amount of dividend paid out during the year is nil (2010: $nil).

The total amount of operating grants received from government was nil (2010: $nil).

14. Commitments

Operating Leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Our disclosure has taken the amount for the which ever date arrives first. Commitments relating to these contracts are as follows:

	2011	2010*
Within 1 year	-	625,998
1 to 2 years	190,710	190,710
2 to 5 years	2,250	2,250
Greater than 5years	3,750	3,750
TOTAL	**196,710**	**822,708**

Capital

TSKL have agreed with the Government of Kiribati to develop outer island telecommunications of which $1,839,533 has been set aside as a reserve. There is work in progress of $8,151,87.25 (2010: $7,567,036) which reflects TSKL's commitment to develop outer island telecommunications.

15 Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

16. Registered office

The Company's registered office and head office is located at Bairiki, Tarawa..

17. Segment information

(a) Industry segment

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material.

(b) Geographical segment

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.

Telecom Services Kiribati Limited
Directors' Report

The directors present their report together with the financial statements of the Telecom Services Kiribati Limited ("the company") for the year ended 31 December 2012 and the auditors' report thereon.

Directors

The directors of the company in office at the date of this report are:

Mr Booti Nauan (Chairman)
Mrs Tarsu Murdoch
Mr Baraniko Tonganibeia
Mr Wayne Reiher
Mrs Ereta Bruce

The above Directors were appointed in April 2012.

State of affairs

In the opinion of the directors the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 31 December 2012 and the accompanying profit and loss account gives a true and fair view of the results of the Company and statement of cash flows for the year then ended.

Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

Operating results for the period

The operating profit after income tax for the year ended 31 December 2012 was $341,219 (2011: $37,382).

Dividends

The directors recommend that no dividends be paid for the year ended 31 December 2012 (2011: $nil).

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Telecom Services Kiribati Limited
Directors' Report (Continued)

Events subsequent to year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

Dated at Tarawa this 28th day of June 2013

Signed in accordance with a resolution of the directors:

~~Director~~ CHAIRMAN

Director

TELECOM SERVICES KIRIBATI Limited

INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012	2011
		A$	A$
Income			
Telephone revenue	3.1	6,558,906.85	6,487,377.05
Other operating income	3.2	12,855.31	4,730.57
		6,571,762.16	6,492,107.62
Less: Expenses			
Personnel expenses	4.1	1,278,644.88	1,426,294.50
Depreciation expense	4.2	1,007,073.00	1,118,970.00
Other operating expenses	4.3	3,761,987.45	3,868,804.35
		6,047,705.33	6,414,068.85
Profit from operations		524,056.83	78,038.77
Net financing costs	5	5,515.68	9,580.23
Profit before tax expense		529,572.51	87,619.00
Less: Income tax expense	6	188,353.32	50,236.50
Operating profit after income tax		341,219.19	37,382.50

Telecom Services Kiribati Limited				
Balance Sheet				
As at 31 December 2012				
	Note	2012		2011
		A$		A$
Current Assets				
Cash	7.1	(272,877.62)		(247,710.43)
Receivables	7.2	5,863,357.10		5,563,852.99
Inventories	7.3	3,945,443.09		3,861,674.90
Total current assests		9,535,922.57		9,177,817.46
Non-current assests				
Plant and equipment	8.1	10,176,881.19		11,037,770.67
Deferred tax	8.2	109,385.00		109,385.00
		10,286,266.19		11,147,155.67
Total Assets		19,822,188.76		20,324,973.13
Current Liabilities				
Clearing accounts	9.1	(70,044.55)		(25,332.42)
Creditors & accruals	9.2	2,996,962.61		2,989,088.40
Provisions	9.3	2,929,968.61		3,087,976.25
		5,856,886.67		6,051,732.23
Long Term Liabilities				
Borrowing	9.4	4,476,617.53		4,862,659.65
Net Assests		**9,488,684.56**		**9,410,581.25**
Shareholder's equity				
Retained profits	10.1	5,914,151.56		5,836,048.25
Share capital	10.2	3,574,533.00		3,574,533.00
		9,488,684.56		**9,410,581.25**

Telecom Services Kiribati Limited			
Statement of cash flows			
For the year ended 31 December 2012			
	Note	2012	2011
		A$	A$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		4,789,170.46	4,845,565.31
Inpayments		157,623.60	361,740.36
Interest received		5,515.68	9,580.23
Government Grant			
Other income		2,755,996.43	3,124,206.91
		7,708,306.17	8,341,092.81
Payments were made for			
Direct costs		71,499.50	40,239.26
Income taxes paid		654,698.44	142,000.00
Interest paid		597,411.64	637,732.85
Network costs		887,098.33	795,776.94
Operating costs		3,820,960.93	4,142,986.09
		6,031,668.84	5,758,735.14
Net cash provided by operating activities		1,676,637.33	2,582,357.67
Cash Flows from investing activities			
Payment for plant and equipment		(367,397.52)	(1,546,352.14)
Proceeds from sale of non-current assets		-	-
Net cash used in investing activities		(367,397.52)	(1,546,352.14)
Cash Flows from financing activities			
Proceeds from borrowing		(93,407.00)	-
Repayment of borrowings		(1,241,000.00)	(1,237,268.49)
Payment for dividend		-	-
Net cash used in financing activities		(1,334,407.00)	(1,237,268.49)
Net increase/(decrease) in cash held		(25,167.19)	(201,262.96)
Cash at the beginning of the financial year		(247,710.43)	(46,447.47)
Cash at the end of the financial year	7.1	(272,877.62)	(247,710.43)

Telecom Services Kiribati Limited

Notes to and forming part of the financial statements

For the year ended 31 December 2012

1. Significant accounting policies

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

(a) Statement of compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

(b) Basis of preparation

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

(c) Foreign currencies

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of the transaction.

Amounts receivable and payable in foreign currency are translated at the rate of exchange ruling at balance date. Gains and losses on revaluation have been included in the profit and loss statement as part of the operating profit.

(d) Plant and Equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Building	5%
Plant and Equipment	10-20%
Motor vehicle	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) Subsequent expenditure

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

1. Significant accounting policies (continued)

(e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.

The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognised as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

1. Significant accounting policies (continued)

(i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognised in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

(j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i (i).

(ii) Doubtful debts

The collectability of debts is assessed at year-end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 per cent (net of specific provisions) is also brought to account for accounts receivable.

(k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

(l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharge cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer. For calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic is recognised as earned.

1. Significant accounting policies (continued)

(m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosure.

2. Segment reporting

The company's business segment is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati Telecom Services Kiribati Limited

Telecom Services Kiribati Limited			
Notes forming part of financial statement for the year ending 31st December 2012			
		2012	2011
	Note	A$	A$
Revenue			
Domestic billing	3.1		
Telephone		1,449,461.36	1,771,402.55
Telegram		101,153.93	116,559.48
TSKL Fixed Wireless		150.00	554.50
Rental		543,525.69	532,371.60
Directory sales		36.70	25.00
Installation fees		6,485.00	5,765.00
Equipment sales		376,418.49	404,888.43
Radio Transmit License Fees		-	-
Audio text		-	-
Recharge Card-CPDI (Prepaid)		140,665.65	156,390.90
Reconnection fees		3,232.00	4,835.00
Maintenance service fees		25,834.30	99.50
Telegraph stationery		10,205.05	10,351.10
Phone card sales		-	-
MCTTD Project-Fanning&Teraina		-	6,659.24
Telephone inpayment		818,317.44	627,371.01
Internet		648,721.69	637,833.23
Mobile calls		2,434,699.55	2,212,270.51
		6,558,906.85	**6,487,377.05**
Other operating income	3.2		
Other income		4,955.31	473.57
Rent		7,900.00	-
Sales Adjustment		-	-
		12,855.31	**4,730.57**
		6,571,762.16	**6,492,107.62**
Expenses:			
Personnel expenses	4.1		
Salaries & wages		1,201,576.66	1,275,872.92
Annual leave		(1,791.99)	70,199.56
Provident fund contribution		78,860.21	80,222.02
		1,278,644.88	**1,426,294.50**
Depreciation expense	4.2	**1,007,073.00**	**1,118,970.00**

Other operating expense	4.3		
Telephone Outpayment		71,499.50	40,239.26
Cost of Sales		282,132.42	361,600.85
Write off Redundant Stock		-	-
Audit Fees and Expenses		3,000.00	-
Asset Expenses		-	-
Bad & Doubtful Debt		240,000.00	245,897.00
Bank Charges & Commission		14,751.25	30,079.45
Advertisement		20,144.80	16,347.49
Board Expenses		15,070.45	17,746.90
Consultancy Fee\Expenses		315.00	8,751.00
Cleaning		2,620.12	2,505.37
Exchange Rate Variation		510.86	19,853.04
External Service fees		340,444.86	318,044.93
Directory Expenses		-	-
Disposal of fixed asset		-	-
Entertainment		11,443.25	3,522.10
Freight		1,417.15	710.90
Freight paid by suppliers		-	-
General Expenses		1,658.65	1,057.70
Hire of Transport		56,821.88	56,677.00
Insurance		22,855.27	61,560.56
Internet Lease		646,703.45	571,713.59
Loan interest		597,411.64	637,732.85
Legal Expenses		-	8,500.00
Land Lease		749.00	749.80
Lease Fees (space tower rental)		13,200.00	13,200.00
Licence Fees		85,000.00	135,048.21
Loss on disposal		-	-
Maint - Building		26,818.95	19,340.84
Maint-Office Equip/Machinery		3,130.60	275.68
New Recruitment		300.00	1,230.80
Maint - Plant		113,138.29	73,433.12
Maint - VHF and HF		23,387.27	24,098.26
Management Fee		-	-
Maritime Traffic		-	8,294.84
On cost expenses		12,082.88	-
Other expenses paid by supp.		-	-

Payroll Loss		-	-
Postage		1,272.20	1,134.00
Power - Electricity		579,851.92	599,658.57
Power - Fuel		4,024.52	-
Promotion		26,070.41	20,274.15
Redundancy Expenses		214.69	-
Rent Expenses		-	-
Retirement/Death Benefit		12,759.10	24,732.08
Reward and Recognition		-	6,343.60
Satellite Rental		240,394.88	215,768.51
Stationery and Office Supplies		24,794.28	29,416.18
Stock		22,865.56	-
Subscription and Publication		5,287.05	14,733.88
Subsidised House Rent		19,336.00	22,429.00
Training Expenses		75,500.44	101,137.14
Travel Expenses		78,178.30	90,150.83
Vehicle Expenses - Fuel		26,799.93	24,926.28
Vehicle Expenses-Maintenance		19,910.91	28,038.94
Water		-	-
Outerisland study		-	-
Uniform		6,085.58	6,465.00
CEO Expenses		12,034.14	5,384.65
Suspense Account		-	-
		3,761,987.45	**3,868,804.35**
Financing			
Interest received	5	**5,515.68**	**9,580.23**
Income tax expense	6	**188,353.32**	**50,236.50**
Reconciliation of effective tax rate			
Profit before tax - $529,572.51			
Income tax using the company tax rate			
Current assets			
Cash	7.1		
BOK - Current (A/C 260048)		(652,468.49)	(751,992.97)
BOK-Project (A/C 617411)		(5,850.00)	(5,850.00)
BOK - Credit Card - A/C 502501		4,937.01	4,937.01
BOK-Xmas Current A/C 737475		210,637.01	152,428.56
BOK-ARF Current A/C		-	-
Petty Cash		24.70	24.70
Cash In Hand		155.17	155.17
Cash in transit		-	-

Interest Bearing Deposits		169,686.98	352,587.10
		(272,877.62)	**(247,710.43)**
Receivables	7.2		
Miscellaneous Debtors		4,851,624.47	4,762,552.88
Debtors from last year		(164,357.29)	(217,994.55)
Telstra debit		319,692.24	231,216.25
Telecom New Zealand debit		-	-
Salary Advances		125,114.89	90,315.80
Travel Advances		189,758.90	190,515.38
Prepayments		143,208.46	143,208.46
Sundry Debtors		175,057.61	170,407.00
TSKL Staff-mobile h/purchase		18,756.96	25,623.44
Internal Affairs Lan		19,972.60	19,972.60
KPA - mobile hire purchase		39,789.00	39,789.00
Solar - mobile hire purchase		5,522.00	5,522.00
KPF - mobile hire purchase		4,853.00	4,853.00
Toyota - mobile hire purchase		3,485.00	3,485.00
BTC - mobile hire purchase		45.00	45.00
Koil - mobile hire purchase		153.00	153.00
PUB - mobile hire purchase		3,881.00	3,881.00
TSKL-Laptop/Desktop H.Purchase		32,181.21	24,807.09
TSKL-Modem H/Purchase		3,720.80	4,351.10
KSCL - mobile hire purchase		1,240.00	1,240.00
BPA - mobile hire purchase		680.00	680.00
Peace Corp - mob.hire purchase		14,021.00	14,021.00
Neways - Mobile Hire Pauchase		680.00	680.00
BOK - Mobile Hire Purchase		(60.00)	(100.00)
Teao Parish-Mob.Hire Purchase		280.00	280.00
RICs - Outer Is Councils		74,057.25	44,348.54
		5,863,357.10	5,563,852.99
Inventories	7.3		
Stock on Hand		2,175,370.06	2,212,136.35
Goods in Transit		1,623,698.27	1,503,163.79
Stocktake Variance		146,374.76	146,374.76
		3,945,443.09	**3,861,674.90**
Non-current assets			
Plant & Equipment	8.1		
Land & Building			

TSKL Building		313,358.62	300,280.22
provision for depreciation		(666,177.00)	(657,641.00)
Air conditioners		325,653.75	318,889.75
provision for depreciation		(337,397.00)	(312,831.00)
Furn & Fittings		93,981.46	93,531.46
provision for depreciation		(59,928.00)	(56,452.00)
Vehicle		632,595.52	626,795.52
provision for depreciation		(660,549.00)	(601,776.00)
Fixed Assets (For Budget)		3,247.50	3,247.50
Office and Training Equipment		2,380,878.91	2,369,733.08
Prov for deprn - office traning equip		(2,458,457.05)	(2,330,450.05)
Earth Station Plant		2,794,289.86	2,769,425.13
Prov for deprn - earth station plant		(1,409,137.60)	(1,337,671.60)
Exchange Plant\Microwave Tower		626,206.56	626,206.56
Prov for deprn - exchange plant\microwave		(616,525.00)	(576,925.00)
Radio Plant		433,919.54	431,854.66
Prov for deprn - radio plant		(258,404.93)	(241,992.93)
Subscriber Equipment		7,811,632.69	7,807,818.85
Prov for deprn - subscriber equipment		(5,330,588.00)	(4,774,734.00)
External Plant		17,475.10	17,475.10
Prov for deprn - External Plant		(2,027,552.00)	(1,705,955.00)
Switching Plant		115,314.62	115,314.62
Cable Network		1,739.55	1,739.55
Work In Progress		8,451,303.09	8,151,887.25
		10,176,881.19	**11,037,770.67**
Future income tax benefit	**8.2**	**109,385.00**	**109,385.00**
Current Liabilities			
Clearing accounts:	**9.1**		
Payroll		181,383.56	110,759.14
PAYE		(74,934.29)	(78,268.55)
TAX ARREARS		(54,763.67)	(54,763.67)
KPF		11,768.73	554.15
Housing Rents		(6,300.42)	(6,963.01)
Town Council Rates		(1,891.43)	(2,075.71)
Staff Bank Loan		(6,219.60)	(6,219.60)
Staff DBK Loan		8,949.24	8,038.14
Staff KPF Loan		8,214.51	13,334.76
Court Order		(180.00)	(180.00)

Ministry of Finance-W/hold Tax		(2,190.68)	(2,201.09)
TKL		(110.00)	(110.00)
Staff Life insurance		2,400.02	2,322.45
Staff Club		(22,035.54)	(22,135.78)
Incorrect postings (to fix)		(114,500.36)	14,142.42
Contra A/C		5,290.47	1,791.52
Debtors to Transfer		(126.15)	1,441.35
Non Stock Control account		(4,798.94)	(4,798.94)
		(70,044.55)	**(25,332.42)**
Creditors:	9.2		
Trade Creditors		(2,325,337.04)	(1,989,498.48)
Creditors not posted last year		(340,528.79)	(246,995.89)
Bank of Kiribati Curr act O/D		-	-
Purchase Order Liability		1,672,092.28	1,551,557.80
Goods Received Liability		3,041,329.71	2,761,073.84
Telstra Credit (not included in the hard copy)		-	-
Telecom New-Zealand		(209,642.54)	(177,711.30)
Accrued Expenses		617,827.51	558,938.95
Unallocated Cash		199.00	199.00
Telephone Special Deposits		470,879.32	461,381.32
Internet Special Deposit		49,126.99	49,126.99
Mobile Special Deposit		20,874.17	20,874.17
Inmarsat Special Deposit		400.00	400.00
Deferred Income tax Expense		(258.00)	(258.00)
Government Grant\Aid		-	-
		2,996,962.61	**2,989,088.40**
Provisions:	9.3		
Recreation Leave		80,192.40	81,392.83
Tax		596,113.95	1,112,571.57
Leave Grant		14,000.00	14,000.00
Obsolete Stock		505,884.68	483,019.12
Dividends		-	-
Provision for Doubtful Debts		1,733,777.58	1,396,992.73
		2,929,968.61	**3,087,976.25**
Long Term Liabilities	9.4		
TAK Loan - dot ki fund		93,407.00	-
Bank Loan (A\C 260059)		2,571,212.75	2,789,793.27
Bank Loan (A\C 756341)		1,811,997.78	2,072,866.38

		4,476,617.53	4,862,659.65
Total Liabilities		**10,333,504.20**	**10,914,391.88**
Net Assets		**9,488,684.56**	**9,410,581.25**
Shareholder's equity:			
Retained profits		5,572,932.37	5,798,665.75
Profit		341,219.19	37,382.50
Reversal of Capital contribution			
Total Retained earnings	10.1	5,914,151.56	5,836,048.25
Share capital	10.2	3,574,533.00	3,574,533.00
		9,488,684.56	**9,410,581.25**

Notes to and forming part of the financial statements
For the year ended 31 December 2012

10. (a)Shareholders equity

Reconciliation of movement in shareholders equity

	Share Capital A$	Retained Profits A$	Total A$
Balance at 1 January 2011	3,574,533	5,947,271	9,521,804
Total recognised gains and losses		37,382	37,382
Retained earnings transfer to share capital			
Reduction in retained earnings			
Balance at 31 December 2011	3,574,533	5,984,653	9,559,186
Balance at 1 January 2012	3,574,533	5,984,653	9,559,186
Total recognised gains and losses	-	341,219	341,219
Reversal of capital contribution			
Balance at 31 December 2012	3,574,533	6,325,872	9,900,405

(b)Statement of movement in equity for the

Year ended 31 December 2012	**2012**	**2011**
Opening Equity	9,559,186	9,521,804
Surplus/(deficit) for the year	341,219	37,382
Reversal of capital contribution		
Closing Equity	9,900,405	9,559,186

	2012 A$	2011 A$
11.Earnings per share		
Net profit	341,219	37,382
Weighted average number of issues ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	0.10	0.01
Diluted earnings per share	0.10	0.01

Telecom Services Kiribati Limited
Directors' Report

The directors present their report together with the financial statements of the Telecom Services Kiribati Limited ("the company") for the year ended 31 December 2013 and the auditors' report thereon.

Directors

The directors of the company in office at the date of this report are:

Mr Booti Nauan (Chairman)
Mr Baraniko Tonganibeia
Mr Wayne Reiher
Mrs Ereta Bruce

The above Directors were appointed in April 2012.

State of affairs

In the opinion of the directors the accompanying balance sheet gives a true and fair view of the state of affairs of the Company as at 31 December 2013 and the accompanying profit and loss account gives a true and fair view of the results of the Company and statement of cash flows for the year then ended.

Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

Operating results for the period

The operating profit after income tax for the year ended 31 December 2013 was $380,757 (2012: $158,065).

Dividends

The directors recommend that no dividends be paid for the year ended 31 December 2013 (2012: $nil).

Reserves

The directors recommend that no amounts be transferred to or from reserves.

Telecom Services Kiribati Limited
Directors' Report (Continued)

Events subsequent to year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

Dated at Tarawa this 25th day of April 2014

Signed in accordance with a resolution of the directors:

Chairman

Director

Telecom Services Kiribati Limited			
Balance Sheet			
As at 31 December 2013			
	Note	2013	2012
		A$	A$
Current Assets			
Cash	7.1	1,224,654.88	(415,975.01)
Receivables	7.2	6,371,736.99	5,678,269.04
Inventories	7.3	4,043,214.12	3,945,188.14
Total current assests		11,639,605.99	9,207,482.17
Non-current assests			
Plant and equipment	8.1	10,221,240.38	9,871,984.00
Deferred tax	8.2	109,385.00	109,385.00
		10,330,625.38	9,981,369.00
Total Assets		21,970,231.37	19,188,851.17
Current Liabilities			
Clearing accounts	9.1	256,426.51	67,987.05
Creditors & accruals	9.2	3,146,665.01	3,244,523.99
Provisions	9.3	2,782,723.56	2,666,087.59
		6,185,815.08	5,978,598.63
Long Term Liabilities			
Borrowing	9.4	6,285,078.22	4,091,672.08
Net Assets		**9,499,338.07**	**9,118,580.46**
Shareholder's equity			
Retained profits	10.1	5,924,805.07	5,544,047.46
Share capital	10.2	3,574,533.00	3,574,533.00
		9,499,338.07	**9,118,580.46**

TELECOM SERVICES KIRIBATI Limited
INCOME STATEMENT
For the year ended 31 December 2013

	Note	2013	2012
		A$	A$
Income			
Telephone revenue	3.1	7,059,385.09	6,533,032.64
Other operating income	3.2	28,652.90	12,855.31
		7,088,037.99	6,545,887.95
Less: Expenses			
Personnel expenses	4.1	1,226,085.17	1,278,644.88
Depreciation expense	4.2	1,224,065.00	1,300,418.00
Other operating expenses	4.3	4,076,662.83	3,758,637.79
		6,526,813.00	6,337,700.67
Profit from operations		561,224.99	208,187.28
Net financing costs	5	16,863.64	2,063.14
Profit before tax expense		578,088.63	210,250.42
Less: Income tax expense	6	197,331.02	52,185.39
Operating profit after income tax		380,757.61	158,065.03

Telecom Services Kiribati Limited
Statement of cash flows
For the year ended 31 December 2013

	Note	2013	2012
		A$	A$
Cash flows from operating activities			
Cash was provided from:			
Domestic billings		4,985,422.35	[illegible]
Inpayments		404,062.97	157,623.60
Interest received		16,863.64	2,063.14
Government Grant			
Other income		3,326,781.74	3,196,953.84
		8,733,130.70	8,145,812.96
Payments were made for			
Direct costs		97,974.54	[illegible]
Income taxes paid		319,751.94	654,698.44
Interest paid		799,905.05	576,496.05
Network costs		1,014,228.51	895,181.24
Operating costs		3,944,694.41	3,809,087.16
		6,176,554.45	6,007,403.59
Net cash provided by operating activities		2,556,576.25	[illegible]
Cash Flows from investing activities			
Payment for plant and equipment		(2,315,517.45)	(1,159,080.95)
Proceeds from sale of non-current assets		13,300.00	-
Net cash used in investing activities		(2,302,217.45)	(1,159,080.95)
Cash Flows from financing activities			
Proceeds from borrowing		2,987,000.00	93,407.00
Repayment of borrowings		(1,600,728.91)	(1,241,000.00)
Payment for dividend			-
Net cash used in financing activities		1,386,271.09	(1,147,593.00)
Net increase/(decrease) in cash held		1,640,629.89	(168,264.58)
Cash at the beginning of the financial year		(415,975.01)	(247,710.43)
Cash at the end of the financial year	7.1	1,224,654.88	(415,975.01)

Telecom Services Kiribati Limited
Notes to and forming part of the financial statements
For the year ended 31 December 2013

1. **Significant accounting policies**

Telecom Services Kiribati Limited is an entity domiciled in the Republic of Kiribati.

(a) **Statement of compliance**

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing Interpretations Committee of the IASC and the requirements of the Kiribati Law.

(b) **Basis of preparation**

The financial statements are presented in Australian dollars. They are prepared on the historical cost basis.

(c) **Foreign currencies**

Foreign currency transactions are translated to Australian dollars at the rate of exchange ruling at the date of the transaction.

Amounts receivable and payable in foreign currency are translated at the rate of exchange ruling at balance date. Gains and losses on revaluation have been included in the profit and loss statement as part of the operating profit.

(d) **Plant and Equipment**

(i) ***Owned assets***

Items of plant and equipment are stated at cost less accumulated depreciation.

(ii) ***Depreciation***

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of plant and equipment. The estimated useful lives are as follows:

Building	5%
Plant and Equipment	10-20%
Motor vehicle	20%
Furniture and fittings	10%
Office and training equipment	10%
Air conditioners	33.3%

(iii) ***Subsequent expenditure***

Subsequent expenditure on assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

1. Significant accounting policies (continued)

(e) Trade and other receivables

Trade, traffic and other receivables are stated at their cost less impairment losses. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(f) Inventories

Inventories comprise communication plant spare components, phonecards, mobiles and other supplies held principally for the maintenance of plant and equipment and resale. Obsolete inventories are written off against revenue. Inventories are stated at the lower of cost and net realisable value. A provision for obsolescence based on the following rates are created:

4 years or older	100%
3 years	75%
2 years	50%
1 year	25%

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(h) Capital

(i) Date of incorporation

Telecom Services Kiribati Limited was incorporated on 1 November 1990.

The Government of the Republic of Kiribati owns 100% of the capital of the company.

(ii) Dividends

Dividends are recognised as a liability on an accrual basis in the period in which they are declared.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time.

1. Significant accounting policies (continued)

(i) Employee Benefits

(i) Annual leave

Provision for annual leave is calculated at balance date based on the current rate of remuneration. Addition to provision for annual leave is recognised in the income statement.

(ii) Superannuation

Contributions to superannuation plan are recognised as an expense in the income statement.

(j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlement

Refer to note i (i).

(ii) Doubtful debts

The collectability of debts is assessed at year-end and specific provision is made for any doubtful accounts. A general provision for doubtful debts of 5 per cent (net of specific provisions) is also brought to account for accounts receivable.

(k) Trade and other payables

Trade, traffic and other payables are stated at their cost.

(l) Revenue

(i) Domestic Billing

Revenue from domestic billing includes telephone, internet, telegram, phone rental and installation income. Other revenue streams are sale of phone cards, mobile phones, recharge cards, services and maintenance charges. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer. For calls made and unbilled, revenue is accrued and recognised in the income statement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) In-payments

In-payments income arising from incoming traffic is recognised as earned.

1. Significant accounting policies (continued)

(m) Expenses

Out-payments

Out-payments arising from outgoing traffic is recognised as incurred.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The company adopts the income statement liability method of tax effect accounting.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosure.

2. Segment reporting

The company's business segment is providing, developing and maintaining telecommunications services. The company only operates in the Republic of Kiribati Telecom Services Kiribati Limited

Telecom Services Kiribati Limited			
Notes forming part of financial statement for the year ending 31st December 2013			
		2013	2012
	Note	A$	A$
Revenue			
Domestic billing	3.1		
Telephone		1,458,151.77	1,449,461.36
Telegram		100,296.85	101,153.93
TSKL Fixed Wireless		150.00	150.00
Rental		543,864.56	543,525.69
Directory sales		15.00	36.70
Installation fees		20,241.14	6,485.00
Equipment sales		376,260.61	376,343.49
Radio Transmit License Fees		-	-
Audio text		-	-
Recharge Card-CPDI (Prepaid)		89,680.05	140,665.65
Reconnection fees		2,462.00	3,232.00
Maintenance service fees		9,295.10	25,834.30
Telegraph stationery		15,383.30	10,205.05
Phone card sales			-
MCTTD Project-Fanning&Teraina			
Telephone inpayment		845,249.38	792,518.23
Internet		981,227.17	648,721.69
Mobile calls		2,617,108.16	2,434,699.55
		7,059,385.09	**6,533,032.64**
Other operating income	3.2		
Other income		10,152.90	4,955.31
Rent		18,500.00	7,900.00
Sales Adjustment		-	-
		28,652.90	**12,855.31**
		7,088,037.99	**6,545,887.95**
Expenses:			
Personnel expenses	4.1		
Salaries & wages		1,168,074.42	1,201,576.66
Annual leave		(16,424.71)	(1,791.99)
Provident fund contribution		74,435.46	78,860.21
		1,226,085.17	**1,278,644.88**
Depreciation expense	4.2	**1,224,065.00**	**1,300,418.00**

Other operating expense	4.3		
Telephone Outpayment		97,974.54	71,940.70
Cost of Sales		278,108.33	282,132.42
Write off Redundant Stock		-	
Audit Fees and Expenses		-	3,000.00
Asset Expenses		-	
Bad & Doubtful Debt		240,000.00	240,000.00
Bank Charges & Commission		17,382.69	15,371.25
Advertisement		16,948.80	20,144.80
Board Expenses		12,308.15	15,035.34
Consultancy Fee\Expenses		910.00	315.00
Cleaning		3,128.57	2,655.23
Exchange Rate Variation		6,933.97	8,419.68
External Service fees		234,691.12	340,444.86
Directory Expenses		-	
Disposal of fixed asset		-	-
Entertainment		10.00	11,443.25
Freight		791.15	1,417.15
Freight paid by suppliers		-	-
General Expenses		246.30	1,658.65
Hire of Transport		48,490.63	56,821.88
Insurance		63,114.44	22,855.27
Internet Lease		804,826.69	646,703.45
Loan interest		799,905.05	576,496.05
Legal Expenses		20,444.33	
Land Lease		5,380.15	749.00
Lease Fees (space tower rental)		13,200.00	13,200.00
Licence Fees		204,598.20	85,000.00
Loss on disposal		-	-
Maint - Building		17,460.74	27,189.95
Maint-Office Equip/Machinery		70.00	3,130.60
New Recruitment		320.00	300.00
Maint - Plant		96,891.41	113,280.29
Maint - VHF and HF		27,623.15	23,387.27
Management Fee		-	-
Maritime Traffic		-	-
On cost expenses		5,235.63	12,082.88
Other expenses paid by supp.		-	
Payroll		-	-
Postage		810.40	1,272.20

Power - Electricity			526,961.50	579,851.92
Power - Fuel			4,703.25	4,024.52
Promotion			18,808.35	26,070.41
Redundancy Expenses			-	214.69
Rent Expenses			-	-
Retirement/Death Benefit			15,060.58	12,759.10
Reward and Recognition			5,440.40	-
Satellite Rental			209,401.82	248,477.79
Stationery and Office Supplies			21,866.42	24,794.28
Stock			22,275.25	22,865.56
Subscription and Publication			16,571.75	5,287.05
Subsidised House Rent			10,607.26	19,336.00
Training Expenses			31,000.78	75,500.44
Travel Expenses			103,417.40	78,178.30
Vehicle Expenses - Fuel			29,249.14	26,799.93
Vehicle Expenses-Maintenance			26,036.59	19,910.91
Water			-	
Outerisland study			-	-
Uniform			4,194.00	6,085.58
CEO Expenses			7,323.64	12,034.14
Suspense Account			-	-
			4,076,662.83	**3,758,637.79**
Financing				
Interest received	**5**		**16,863.64**	**2,063.14**
Income tax expense	**6**		**197,331.02**	**52,185.39**
Reconciliation of effective tax rate				
Profit before tax - $529,572.51				
Income tax using the company tax rate				
Current assets				
Cash	**7.1**			
BOK - Current (A/C 260048)			230,154.73	(735,284.53)
BOK-Project (A/C 617411)			(5,860.00)	(5,860.00)
BOK - Credit Card - A/C 502501			4,937.01	4,937.01
BOK-Xmas Current A/C 737475			243,840.86	215,727.93
BOK-ARF Current A/C			-	
Petty Cash			11.80	11.80
Cash In Hand			155.17	155.17
Cash in transit			-	
Interest Bearing Deposits			751,415.31	104,337.61
			1,224,654.88	**(415,975.01)**

Receivables	7.2		
Miscellaneous Debtors		5,464,119.75	4,828,644.22
Debtors from last year		(125,156.06)	(126,082.75)
Telstra debit		31,360.38	105,706.03
Telecom New Zealand debit		-	
Salary Advances		115,736.48	117,008.91
Travel Advances		293,386.81	188,952.54
Prepayments		119,235.53	119,235.53
Sundry Debtors		185,819.25	179,711.20
TSKL Staff-mobile h/purchase		13,003.77	16,194.96
Internal Affairs Lan		19,972.60	19,972.60
KPA - mobile hire purchase		39,926.00	39,926.00
Solar - mobile hire purchase		5,522.00	5,522.00
KPF - mobile hire purchase		4,853.00	4,853.00
Toyota - mobile hire purchase		3,497.00	3,497.00
BTC - mobile hire purchase		45.00	45.00
Koil - mobile hire purchase		153.00	153.00
PUB - mobile hire purchase		3,881.00	3,881.00
TSKL-Laptop/Desktop H.Purchase		42,830.26	[illegible]
TSKL-Modem H/Purchase		4,165.80	3,720.80
KSCL - mobile hire purchase		1,240.00	1,240.00
BPA - mobile hire purchase		680.00	680.00
[illegible] Corp - mob.hire purchase		14,021.00	14,021.00
Neways - Mobile Hire Pauchase		590.00	590.00
BOK - Mobile Hire Purchase		(70.00)	(70.00)
Teao Parish-Mob.Hire Purchase		280.00	280.00
RICs - Outer Is Councils		136,464.42	118,405.79
RICs - Schools		(3,820.00)	
		6,371,736.99	**5,678,269.04**
Inventories	7.3		
Stock on Hand		2,265,886.19	2,175,115.11
Goods in Transit		1,630,953.17	1,623,698.27
Stocktake Variance		146,374.76	146,374.76
		4,043,214.12	**3,945,188.14**
Non-current assets			
Plant & Equipment	8.1		
Land & Building			
TSKL Building		[illegible]	[illegible]
provision for depreciation		(95,303.00)	(79,842.00)

			Note		
Air conditioners				217,061.75	202,091.75
provision for depreciation				(193,506.00)	(182,006.00)
Furn & Fittings				94,466.46	93,981.46
provision for depreciation				(72,249.00)	(68,291.00)
Vehicle				391,085.52	404,385.52
provision for depreciation				(370,416.00)	(370,596.00)
Fixed Assets (For Budget)				-	
Office and Training Equipment				3,493,492.81	3,483,020.68
Prov for deprn - office traning equip				(2,562,392.00)	(2,299,303.00)
Earth Station Plant				2,823,429.68	2,794,802.86
Prov for deprn - earth station plant				(2,781,276.60)	(2,759,850.60)
Exchange Plant\Microwave Tower				808,637.84	788,217.94
Prov for deprn - exchange plant\microwave				(720,367.00)	(684,900.00)
Radio Plant				559,989.38	546,870.25
Prov for deprn - radio plant				(435,594.00)	(369,623.00)
Subscriber Equipment				8,747,613.32	8,681,010.49
Prov for deprn - subscriber equipment				(7,745,014.00)	(6,950,941.00)
External Plant				-	15,865.72
Prov for deprn - External Plant				-	
Switching Plant				-	
Cable Network				1,739.55	1,739.55
Work In Progress				7,750,625.05	6,320,917.76
				10,221,240.38	**9,871,984.00**
Future income tax benefit			8.2	**109,385.00**	**109,385.00**
Current Liabilities					
Clearing accounts:			9.1		
Payroll				304,869.97	247,859.06
PAYE				(35,946.28)	(57,130.79)
TAX ARREARS				(54,763.67)	(54,763.67)
KPF				42,686.67	31,642.35
Housing Rents				(3,455.31)	(3,952.20)
Town Council Rates				(1,504.11)	(1,676.83)
Staff Bank Loan				(6,219.60)	(6,219.60)
Staff DBK Loan				36,724.23	28,946.56
Staff KPF Loan				2,634.01	8,850.49
Court Order				(180.00)	(180.00)
Ministry of Finance-W/hold Tax				(1,795.12)	(2,190.68)
TKL				(110.00)	(110.00)

Staff Life insurance		5,651.40	4,356.97
Staff Club		(13,060.76)	(13,052.48)
Incorrect postings (to fix)		(14,179.83)	(114,539.56)
Contra A/C		-	5,072.52
Debtors to Transfer		(126.15)	(126.15)
Non Stock Control account		(4,798.94)	(4,798.94)
		256,426.51	**67,987.05**
Creditors:	**9.2**		
Trade Creditors		(2,440,763.84)	(2,325,337.04)
Creditors not posted last year		(166,504.08)	(111,035.55)
Bank of Kiribati Curr act O/D		-	-
Purchase Order Liability		1,679,347.18	1,672,092.28
Goods Received Liability		3,167,491.16	3,041,329.71
Telstra Credit (not included in the hard copy)		-	-
Telecom New-Zealand		(145,530.97)	(188,413.31)
Accrued Expenses		500,013.08	615,015.52
Unallocated Cash			
Telephone Special Deposits		480,169.32	470,729.32
Internet Special Deposit		49,126.99	49,126.99
Mobile Special Deposit		23,174.17	20,874.17
Inmarsat Special Deposit		400.00	400.00
Deferred Income tax Expense		(258.00)	(258.00)
Government Grant\Aid		-	-
		3,146,665.01	**3,244,523.99**
Provisions:	**9.3**		
Recreation Leave		63,767.69	80,192.40
Tax		209,812.01	332,232.93
Leave Grant		14,000.00	14,000.00
Obsolete Stock		528,159.93	505,884.68
Dividends		-	-
Provision for Doubtful Debts		1,966,983.93	1,733,777.58
		2,782,723.56	**2,666,087.59**
Long Term Liabilities	**9.4**		
TAK Loan - dot ki fund		93,407.00	93,407.00
BOK Loan 3G (A/C)		2,911,375.15	-
Bank Loan (A\C 260059)		2,069,352.75	2,267,618.15
Bank Loan (A\C 756341)		1,210,943.32	1,730,646.93
		6,285,078.22	**4,091,672.08**

Total Liabilities		12,470,893.30	10,070,270.71
Net Assets		9,499,338.07	9,118,580.46
Shareholder's equity:			
Retained profits		5,544,047.46	5,385,982.43
Profit		380,757.61	158,065.03
Reversal of Capital contribution			
Total Retained earnings	10.1	5,924,805.07	5,544,047.46
Share capital	10.2	3,574,533.00	3,574,533.00
		9,499,338.07	9,118,580.46

Notes to and forming part of the financial statements
For the year ended 31 December 2013

10. (a)Shareholders equity

Reconciliation of movement in shareholders equity

	Share Capital A$	Retained Profits A$	Total A$
Balance at 1 January 2012	3,574,533	5,385,982	8,960,515
Total recognised gains and losses		158,065	158,065
Retained earnings transfer to share capital			
Reduction in retained earnings			
Balance at 31 December 2012	3,574,533	5,544,047	9,118,580
Balance at 1 January 2013	3,574,533	5,544,047	9,118,580
Total recognised gains and losses	-	380,758	380,758
Reversal of capital contribution			
Balance at 31 December 2013	3,574,533	5,924,805	9,499,338

(b)Statement of movement in equity for the Year ended 31 December 2013

	2013	2012
Opening Equity	9,118,580	8,960,515
Surplus/(deficit) for the year	380,758	158,065
Reversal of capital contribution		
Closing Equity	9,499,338	9,118,580

11 Earnings per share

	2013 A$	2012 A$
Net profit	380,758	158,065
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	3,574,533	3,574,533
Basic earnings per share	0.11	0.04
Diluted earnings per share	0.11	0.04

12 Contingencies

There are no contingencies for the year. (2012:nil)

13. Related parties

TSKL is 100% owned by the Kiribati Government. While TSKL has a Board of Directors as its governing body, the government is the ultimate controlling party of the company.
The following transactions were carried out with related parties during the year.

Purchase of goods and services from TSKL i.e Telephone calls, hire and purchase of equipment by government $1.9m (2012:$2.8m) on normal commercial terms. The amount outstanding at balance date was $1.1m (2012:$1.6m)

The total amount of dividend paid out during the year is nil (2012: $nil).

The total amount of operating grants received from government was $nil (2012: $nil).

14. Commitments

Operating Leases

TSKL leases land, property, plant & equipment in the normal course of business. All contracts have a renewal date and a contract review date. Our disclosure has taken the amount for the which ever date arrives first. Commitments relating to these contracts are as follows:

	2013	2012*
Within 1 year	13,200	13,200
1 to 2 years	24,000	24,000
2 to 5 years	887,097	887,097
Greater than 5years	3,750	3,750
TOTAL	928,047	928,047

Capital

TSKL have agreed with the Government of Kiribati to develop mobile, internet and outer island telecommunications of which $2.9m has been set aside as a reserve. There is work in progress of $7,750,625 (2012: $8,451,303) which reflects TSKL's commitment to these projects.

15 Principal activities

The principal activities of the company are to develop, expand and operate and manage on commercial principles, the domestic and international telecommunications services and systems of Kiribati.

16. Registered office

The Company's registered office and head office is located at Bairiki, Tarawa..

17. Segment information

(a) Industry segment

The group operates predominantly in the telecommunications industry and revenue from other industry segments is not material.

(b) Geographical segment

The Company operates in Kiribati and is therefore one geographical area for reporting purposes.