REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF

Promoting Transparency and Accountability

KNAO

For the Parliament and the People of Kiribati

Television Kiribati Limited
For the Years 31st December 2009 and 2010

Kiribati National Audit Office

February 2013

For the Parliament and the People of Kiribati
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KIRIBATI NATIONAL AUDIT OFFICE

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

TE MAURI TE RAOI AO TE TABOMOA

Audit Report

To the readers of Television Kiribati Limited for the years ended 31 December 2009 and 2010

The Auditor General, Mrs Matereta Raiman is the auditor of Television Kiribati Limited.

The audit covers the company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 and Company Act 1975 that apply to the financial statements of the Television Kiribati Limited for years ended 31 December 2009 and 31 December 2010.

Basis for Disclaimer of Opinion:

We have not been provided with the following:

- General Ledger
- Trial Balance
- Budget
- Cash Receipt and Cash Payment Books
- Stock take records
- Fixed Assets Register
- Receivables and Payables Age Analysis
- Board Minutes

Audit Opinion: Disclaimer

Because of the significant of matters described in the Basis of Disclaimer of Opinion paragragh, we are unable to and do not express an opinion as to whether the financial statements of Television Kiribati Limited:

- comply with generally accepted accounting practice;
- fairly reflect the financial position as at 31 December 2009 and 2010; and
- fairly reflect the results of operations and cash flows for the four years ended 31 December 2009 and 2010.

Below, we outline the responsibilities of Television Kiribati Limited management and the Auditor, and explain our independence.

Responsibilities of Television Kiribati Limited management and the Auditor

Television Kiribati management is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must fairly reflect the financial position of Television Kiribati Limited as at 31 December 2009 and 2010 and the results of its operations and cash flows for the year ended on that date. Television Kiribati management responsibilities arise from Part VII of the Public Finances (Control and Audit) 1981.

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

Independence

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

Other than the audit, we have no relationship with or interests in Television Kiribati Limited.

Mrs Matereta Raiman
Auditor General

Date: 25-02-13.

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Television Kiribati Limited
Balance Sheet as at
30th June 2010

	Notes	June 2009	June 2010
Current Assets			
Cash at Bank		66,336.49	-4,918.85
Accounts Receivable	6	58,345.01	88,414.00
Stock	7	87,997.78	77,923
Total current Assets		**212,679.28**	161,418.15
Less Current Liabilities			
Creditors and Accruals	8	5,625.08	90,948.00
Provision for Recreational Leave	3		
Provision for Tax	4		
		5,625.08	90,948.00
Working Capital		**207,054.20**	**70,470.15**
ADD FIXED ASSETS			
ARF Transitional Assets			
Propertyy, Plants & Equipment etc	11	983,166.20	892,603.00
		983,166.20	**892,603.00**
Less Long Term Liabilities			
Debenture	15		
Bank Loan		311,300.00	30,000.00
NET WORTH		**878,920.40**	**933,073.15**
SHAREHOLDER'S INTEREST			
Share Capital	16	500.00	500.00
Other Reserve	20	262,389.00	262,389.00
Deferred Income - Aids Grants	17		
Retained Profit/ (Deficit)	19	616,031.40	615,731.40
TOTAL SHAREDOLDER'S INTEREST		**878,920.40**	**878,620.40**

-- Loan from TAK.

The attached notes form part of these financial statements.

Chairperson Signature

Signature

21/1/11

Date

24/1/11

Television Kiribati Limited
Profit & Loss
Ended June 2010

	Notes	Jun '09	Jun '10
Ordinary Income/Expense			
Income		53,832.55	80,970.50
HOE Sales		68,484.24	14,779.22
Less Cost of Goods Sold		-14,652	66,191
HOE Gross Profit			
Add Other Income		100,875.19	143,416.45
Technical Division		63,369.05	26,115.00
TV Division		157,419.65	83,420.80
IT Division			
		375,496	333,923
Total Income			
Expense		0.00	0.00
Audit Fees		0.00	0.00
Bad & Doubtful Debts		302.56	279.95
CNN Rental Fee		166,171.90	111,753.73
Basic Salaries	12	49,734.65	26,472.87
Employees Related Costs		9,791.05	2,855.63
Telephone Expenses		57,523.82	31,708.60
PUB-Electricity	14	14,657.52	8,839.27
Vehicle expenses		92,429.72	71,708.33
Satellite rental		9,100.00	6,400.00
Rent		0.00	0.00
Insurance		6,895.00	5,349.00
License Fee		4,833.87	3,616.85
Travel exp		15,678.95	3,618.11
Sky Pacific -Decoder rental	10	3,797.85	4,113.15
Board of Directors Expenses	13	70,321.75	1,429.35
General Expenses		105,97[illegible].38	76,581.53
Depreciation		0.00	
Prior Period Adjustment			
		675,696.26	369,505.59
Total Expenses			
		-300,200	-35,583
Operating Profit/-Deficit			
		-300,200	-35,583
Net Profit/-Deficit			

Television Kiribati Limited
Cashflow Statement for the year
Ended June 2010

	Notes	June 2009	June 2010
Cashflow from Operating Activities			
Cash Receipts from Customers		533463	212922
Cash paid to Suppliers & Employees		595026	408524
Net Cash flow from Operating Activity	1	(61563)	(195602)
		(61563)	(195602)
Cash flow from Investing Activities			
Purchase of Fixed Assets		(86152)	(18810)
Interest Received		1142	1067
Net Cash flow from Investing Activity		(85010)	(17743)
Cash flow from Financing			
Aid in Kind			
Net Increase/(Decrease) in cash balance		(109160)	(109160)
Opening Balance of Cash & Cash Equivalent		193048	83888
Closing Balance of Cash & Cash Equivalent		83888	(25272)
Represented by:			
ARF - BANK A/C		180	180
CASH ON HAND (Petty Cash)		250	270
Float- Bet/Bai/Ambo		60	60
HOE - BANK A/C		21256	91
IBD - ARF		0	0
IBD - HOE		65868	66935
Undeposited Funds		(3726)	(1200)
Cash at end of period		83888	66336

Note 1

Reconciliation of Net cashflow from Operating Activities to Net Profit

Operating Profit	(172079)	(300200)
Add Depreciation	88452	105973
Proceed from IBD interest	(1142)	(1067)
Prior Year Adjustment	0	0
Changes in Balance Sheet items		
(Increase)/Decrease in Account Receivables	109160	109160
(Increase)/Decrease in Inventories	(53672)	
Increase/(Decrease) in Creditors and Accrual	(32281)	(32281)
Net Cash flow from Operating Activities	(61563)	(118416)

Television Kiribati Limited
Notes to the Financial Statements for the year
Ended June 2010

1 DATE OF INCORPORATION

Telecom Kiribati Limited was incorporated in the Republic of Kiribati on the 16 December 1987. On the 1st November 1990, the company handed over all telecommunication services to Telecom Services Kiribati Limited, while retaining its ownership to the Buildings and Communication plants. On 01 July 2005, Telecom Kiribati Limited changed its Article of Association from that of a Telecommunications Holding Company to a Television Company known as Television Kiribati Limited, carrying on with the Home and Office Electronics and the Television activities of the former TKL with the Asset Leasing arrangement done away with.

2 STATEMENT OF SIGNIFINCANT ACCOUNTING POLICES

The significant policies which have been adopted in the preparation of these Financial Statements are:

(a) *Basic of Preparation:*

The accounts of the company have been drawn up in accourdance with International Accounting Standards and the requirements of Kiribati Law. They have been prepared on the basis of historical costs and do not take into account changing money values or except where stated current valuation of non-current assets. The accounting policies have been consistently applied.

(b) *Financial Statements*

It must be noted that these financial statements are the company's operating results for period ended 30th June 2009. Comparative figures for 30th June 2008 was for the twelve months period.

The financial statements are expressed in Australian dollars.

('c) *Fixed Assets*

Fixed assets funded by non-monetary grants have been stated at Directors' valuation.

Plants and Buildings are depreciated over their estimated useful lives. The Straight Line Method of depreciation is used and depreciated rates have been applied as follow:
As aforementioned, the Asset leasing arrangement ceased to operate as from 01 July 2005.
All remaining ARF funds, after taking into accounts other commitments which include the former TKL management fee for managing the fund and injections into the Telecom Development Fund, a new fund to be managed by the Telecommunications Authority, will then be forwarded to the Ministry of Finance and Economic Development.

Buildings	5%
Subscribers Equipment	20%, 33.33%
Radio Plants	10%, 20%
External Plants	10%, 20%,33.33%
Exchange Plants	10%, 20%, 33.33%
Earth Station Plants	10%, 20%, 33.33%
Vehicles	33.33%
Furniture & Fittings	10%, 20%
Office Equipment	20%, 33.33%,

(d) *Income Tax*

The company adopts the Tax Liability of tax effect accounting

(e) *Foreign Currency Transaction:*

Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rate of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the profit & loss account, as exchange gains or losses, in the financial year in which the exchange rates changes.

3 RECREATIONAL LEAVE

	30.06.08	30.06.09
(a) *Annual Leave Provision*	0.00	0.00

4 TAXATION:

(a) *Income Tax Expense*
Prime facie income tax expenses calculated at the prevailing rate refer to note 18 for tax expense

(b) *Provision for Income Tax*
Provision for income tax reflects the provisional tax paid for the year after 1991.

('c) *Future income Tax Benefit:*
Future income tax benefit is not realizable .

The future income tax benefit will only be obtained if:
(i) The company drives future assessable income of a nature and of sufficient amount to enable the benefit to be realized.
(ii) The company continues to comply with the conditions for deductibility imposed by the law and
(iii) Legislation does not change in a manner that which would adversely affect the company in realizing the return.

5 HOME AND OFFICE ELECTONICS RETAILING

Telecom Kiribati Limited, after releasing its telecommunications services to Telecom Services Kiribati Limited in November 1990, was left without a revenue generating source other than major fixed lease fees, which the company cannot use to fund its operational costs. Interest on term deposit is insufficient to fund the company's operation.

In October 1995 Telecom Kiribati Limited started a retailing venture on home and office electronics with a view to diversity its services. In December 2004, TKL commissioned the first TV station. As aforementioned, these services now constitutes the major activities of the new TKL under its new Article of Association.

Detailed below is the trading account for the above

(a) TV and HOME & OFFICE ELECTRONICS TRADING A/C

	June '08	June '09
	30.06.08	**30.06.09**
HOE Sales	153,546.50	53,832.56
Less Cost of Sales		
HOE Opening Stock	156,749.42	78,321.47
Add puchases	41,164.30	67,731.13
Add Custom Duty, Freight, Port charg	15,361.83	13,297.42
Less HOE closing stock	(78,321.47)	(90,865.78)
	134,954.08	68,484.24
Add other Inventory Cost		
Bank charges/Commission		
HOE Telephone expense		
HOE Sundry Expenses		
Add Selling Expenses		
Agency and Dealers Faes		
Promotion and Donation		
Cost of Goods Sold	134,954.08	68,484.24
Profit	18,592.42	-14,651.69

	June '09	June '10
	30.06.08	30.06.09
6 RECEIVABLES		
Trade Debtors	78896.81	62110.19
Staff Debtors	4834.31	4499.1
Other Debtors	1523.66	1735.71
	85254.78	68345
Less Provisions for Doubtful Debts	-9999.99	-9999.99
	75254.79	58345.01

7 INVENTORY

The remaining stock comprises of communication plants spare components held principally for maintenance of plants. The following Home and Office Stock balance constitute the closing stock for the new TKL

(a) Home and Office Electronics Stock	78,321.47	90,865.78
Less Provision for Obsolete Stock	(2,868.00)	(2,868.00)
Total	75,453.47	87,997.78

8 CREDITORS

Trade Creditors	-3920.97	-3920.97
Other Creditors	-6377.29	9546.05
	(10,298.26)	5,625.08

9 LEASING OF FIXED ASSETS

Leasehold Building	-	-
Earth Station Plants	-	-
Exchange Plants & Microwave	-	-
Radio Plants	-	-
External Plants	-	-
	-	-

10. BOARD OF DIRECTOR'S EXP

No. of Meetings: 7 Regular meetings & 7 Special Meetings

Names	Amount
Tessie	175.00
Norma	330.00
Tangitang	0.00
Moannata	360.00
Aka	0.00
Kentaro	150.00
Amwatia	200.00
Taom	75.00
Marawa	100.00
Joselyne	225.00
Ikam	200.00
Aukitino	200.00
Teaka	25.00
Hon.Temate	55.00

Teekoa	50.00
Bateriki	100.00
Miire	25.00
Terieta	25.00
Bwanouia	25.00
John Anderson	25.00
	$ 2,345.00

11. OTHER LONG TERM ASSETS

	MPIC & Building Extension	Plant & Equipment	Office Equipment	Motor Vehicle	Furniture & Fittings	TV/Maurinet research	
COST	1-4920	1-5320	1-3120	1-3620	1-3420	1-3720	Total
Opening Balance	336810.02	204603.96	111215.74	165522.35	11268.5	531153.18	1,360,574
Diff in Bal B/Fwd							
Additional	988		17,822				18,810
Disposal							
Closing Balance	337,790	204,604	129,038	165,522	11,269	531,153	1,379,384
Depreciation							
Opening Balance	73,924	$54,347.19	44,608	87,627	9,423	20,316	290,245
Charged during the year	16,863	$40,841	24,761	17,620	902	4,987	105,973
Diff in System							-
Disposal							-
Closing Balance	90,786	95,188	69,369	105,247	10,325	25,303	396,219
Net Book Value							
Year End	247,011	109,416	59,669	60,275	943	505,850	983,165
Year Start	263,874	150,257	84,430	77,895	1,846	510,837	1,089,138

12 EMPLOYEES RELATED COSTS:

	31/12/2007	30/06/2008	30/06/2009	30/06/2010
Casuals Salaries			10279.05	
Extra Duty Allowances	1,148.13	745.31	2,839.00	322.98
House Rent Subsidy	1,087.50	990.00	1,980.00	1,962.50
KPF Contribution	6,072.13	6,421.50	17,233.02	14,377.41
Work Experience	1,308.00	1,871.76	564.00	2,940.32
Leave Grant	1,500.00	10,080.00	11,000.00	1,500.00
Overtime	12,266.09	5,909.41	9,931.09	2,887.84
Relieving Staff Salaries	22,256.72	18,292.40	33,841.91	25,743.60
Staff Telephone allowance				
Staff Commutation			3151.63	
	45,638.57	44,310.38	90,819.70	49,734.65

13 GENERAL EXPENSES

	31/12/2007	30/06/2008	30/06/2009	30/06/2010
Service Fees & Charges	700.00	1,321.45	3,440.00	1,477.04
Bank charges & Commission	1,820.78	4,336.26	3,695.48	47,999.60
Computerisation of A/C System	0.00	0.00	0.00	
Management Entertainment	4,269.59	727.55	3,973.45	188.00
Office Cleaning	666.85	529.20	654.00	
Office repair & maintenance	7,684.60	206.60	119.55	388.50
Postage	10.00	0.00	21.70	1.10
Promotional & Advertisement	658.00	2,238.80	3,340.50	3,149.40
Subscriptions & Publications	0.00	0.00	0.00	
Sundry Expenses		3,359.42	43.20 (110,-66.8)	1,374.95
Supplies and Stationery	6,691.94	7,694.71	11,546.15	8,352.70
Training Expenses	2,356.88	779.00	2,465.56	1,760.00
Hire of transport	155.20	0.00	0.00	0.00
TV Expenses			.0	
MPIC exp - Bal	874.35	0.00	1,396.15 (misc earnings)	
Antennae & Spare Parts	2,852.00	2,532.01	3,409.21	5,103.91
MPIC exp - Blk	228.65	0.00	3,223.85	526.55
Death benefit		2,377.00	170.00	0.00
Clothing allowance		1500	1500	
Management Fee				
	29,292.18	27,602.00	38,998.80	70,321.75

14 Vehicle exp

	31/12/2007	30/06/2008	30/06/2009	30/06/2010
Veh fuel	7648.85	8,994.52	14,859.91	12,764.62
veh maintenance	4061.15	3,337.35	6,348.15	807.90
Veh registration & toll fare	700.40	781.40	1,552.80	1,085.00
	12,410.40	13,113.27	22,760.86	14,657.52

15 DEBENTURES

Telecom Kiribati Ltd, and the Government of Kiribati per the Minister of Transport and Communications ("the Debenture Holder") agreed that the unsecured debenture for five million nine hundred and sixty eight thousand three hundred and ninety three dollars ($5,968,393) issued by the Company to the Debenture Holder, be reduced by eight hundred and eighty five thousand dollars ($885,00)

The sum of eight hundred and eighty five thousand dollars ($885,000) was paid by the Company on behalf of the Debenture Holder into the bank account of Telecom Services Kiribati Limited. The said sum which represents the shareholding of the Government of Kiribati per the Minister of Communications in a joint venture company titled Telecom Services Kiribati Limited.

The depentures are unsecured and interest is due at the same rate as a dividend on ordinary shares per $1.00 depenture at the option of the company and shall be converted to ordinary shares when a dividend is paid on such shares.

16 SHARES CAPITAL

	30/06/2008	30/06/2009	30/06/2010
Authorised Capital			
500 ordinary shares of $1.00 each	500	500	500
Issued and paid up capital of $1.00	500	500	500

17 DEFFERED INCOME

Monetary grants amortised over the life of the assets			
Balance			
Additional	0	0	0
	0	0	0
Less Current Amortisation			
	0	0	0

18 PRIOR PERIOD ITEMS

Disposal of Fixed Asset	0.00	0.00	0.00
ARF Leased Assets	0.00	0.00	0.00
Company's tax	0.00	0.00	0.00
Prior Period Items	0.00	0.00	0.00
	0.00	0.00	0.00

19 ACCUMULATED PROFIT /(LOSS)

Balance as start of the year	(191,076)	1,065,012	920,927
Diff in system	192,781	27,994	-4696
Net Profit/(loss) for the Year	1,063,307	-172079	-300,200
	1,065,012	920,927	616,031

20 RESERVES

This represents the revaluation of assets. In 1990 as part of the task carried out between Telecom Kiribati Limited and Telecom Services Kiribati Limited, both parties agreed on values of assets which have been fully depriciated but are still in use. These values form the basis for calculating the lease fee.

Revaluation of Asset reserves 31 January 1983					
Opening Bal Equity	29,756	29,756	227,359	227359	227359
Additional			35,030	35030	35030
Leasehold Building	-	-	-	0	0
Exchange Plants & Microwave Towers	15,000	15,000	0	0	0
Radio Plants	92,000	92,000	0	0	0
	90,603	90,603	0	0	0
	227,359	227,359	262,389	262,389	262,389