

Audited Project Financial Statements

Project Number: 49450-009
Grant Number: 0664
Period covered: 1 July 2021 to 30 June 2022

Nauru: Solar Power Development Project

Prepared by Nauru Utilities Corporation

For the Asian Development Bank
Date accepted by ADB: 3 April 2023

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**Solar Power Development Project
Special Purpose Financial Statements
For the year ended 30 June 2022**

Solar Power Development Project

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Solar Power Development Project Directors' report

The Directors presents their report together with the special purpose financial statements of the Solar Power Development Project (the "Project") for the year ended 30 June 2022 as set out on pages 6 to 8 and the auditors' report thereon.

Directors

The Directors of the project's implementing agency (Nauru Utilities Corporation) during the year and at the date of this report are:

Abraham Aremwa (Chairman)
Leo Scotty
Rocky Olsson
John Tagamoun
Ruswell Chris Engar

State of affairs

In the opinion of the Directors:

- (i) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Project as at 30 June 2022; and
- (ii) the accompanying notes to financial statements is drawn up so as to give a true and fair view of the state of affairs of the Project for the financial year ended 30 June 2022.

Principal activity

The principal activity of the Project is the installation of a solar power plant and battery energy storage system to provide a reliable, affordable, secure, and sustainable energy supply to meet the socio-economic development needs of the Republic of Nauru.

Other circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or special purpose financial statements which would render any amounts stated in the accounts to be misleading.

Unusual circumstances

The results of the Project's operations during the financial year have not, in the opinion of the Directors, been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the special purpose financial statements.

Events subsequent to year end

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or events of a material and usual nature likely, in the opinion of the Directors, to effect significant the operations of the Project, the result of those operations or the state of affairs of the Project in subsequent financial years.

Dated at Nauru, this 2nd day of March 2023.

Signed in accordance with a resolution of the Directors.



Director



Director

**Solar Power Development Project
Statement by directors**

In the opinion of the Directors of implementing agency (Nauru Utilities Corporation) of Solar Development Project:

- (a) The accompanying financial statements of Solar Power Development are drawn up so as to present fairly the financial position of the project as at 30 June 2022;
- (b) The operation of Solar Power Development Project have been carried out in accordance with its Project Agreement dated 27 September 2019 between Nauru Utilities Corporation and the Asian Development Bank; and
- (c) The financial statement has been prepared in accordance with the basis of accounting described in Note 1, and the provisions of the Project Agreement dated 27 September 2019 between Nauru Utilities Corporation and the Asian Development Bank.

Dated at Nauru, this 2nd day of March 2023.

Signed in accordance with a resolution of the directors.



Director



Director



Independent Auditors' Report

To the Members of Solar Power Development Project

Report on the Audit of the Special Purpose Financial Statements

Opinion

We have audited the special purpose financial statements of the Project entitled, "Solar Power Development Project", which comprise the statement of financial position as at 30 June 2022 and notes, comprising significant accounting policies and other explanatory information. The special purpose financial statements has been prepared by the Project's Management using the basis of accounting described in Note 1 to the special purpose financial statements.

In our opinion, the accompanying special purpose financial statements is prepared in all material respects, in accordance with the accounting policies described in Note 1 to the special purpose financial statements to meet the requirements of the Project Agreement between Nauru Utilities Corporation and the Asian Development Bank dated 27 September 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of the Project in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the special purpose financial statements in Nauru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of Accounting and Restrictions on Use and Distribution

We draw attention to Note 1 to the special purpose financial statements, which describe the basis of accounting. The special purpose financial statements are prepared to assist the Project to comply with the financial reporting provisions of the Project Agreement referred to above. As a result, the special purpose financial statements may not be suitable for another purpose.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the special purpose financial statements and our auditors' report thereon. Our opinion on the special purpose financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the special purpose financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the special purpose financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditors' Report

To the Shareholders of Richmond Pte Limited

Report on the Audit of the Financial Statements

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the accounting policies as set out in Note 1, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditors' Report

To the Shareholders of Richmond Pte Limited

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG
Chartered Accountants

Nadi, Fiji
2 March, 2023

**Solar Power Development Project
Statement of financial position
As at 30 June 2022**

	Note	2022 \$	2021 \$
Assets			
Current assets			
Receivable	2	647,007	789,216
Work in progress	3	6,559,158	4,625,870
Total current assets		<u>7,206,164</u>	<u>5,415,086</u>
Non-current assets			
Property, plant and equipment	4	4,761,476	-
Total non-current assets		<u>4,761,476</u>	<u>-</u>
Total assets		<u>11,967,640</u>	<u>5,415,086</u>
Liabilities			
Current liabilities			
Other payables		8,482	15,086
Deferred income	7	6,559,158	-
Total current liabilities		<u>6,567,640</u>	<u>15,086</u>
Net assets		<u>5,400,000</u>	<u>5,400,000</u>
Contribution received	5	<u>5,400,000</u>	<u>5,400,000</u>

Signed in accordance with a resolution of the directors.

Director

Director

The statement of financial position is to be read in conjunction with the notes to the special purpose financial statements set out on pages 7 to 8.

Solar Power Development Project
Notes to the special purpose financial statements
For the year ended 30 June 2022

1. Statement of significant account policies

Solar Power Development Project (“the Project”) is an initiative between the Republic of Nauru (RON) Government and the Asian Development Bank to provide a reliable, affordable, secure, and sustainable energy supply to meet the socio-economic development needs of the Republic of Nauru. The Project Management is located in the Republic of Nauru and managed by Nauru Utilities Corporation.

The Project is constituted by a Project Agreement dated 27 September 2019 between the Nauru Utilities Corporation and the Asian Development Bank.

(a) Statement of compliance

The special purpose financial statements of the Project have been prepared for use by the implementing agency and to fulfil the agency’s responsibilities under the Project Agreement to prepare financial statements

The special purpose financial statements were approved by the Board of Directors on 2nd March 2023.

The special purpose financial statements have been prepared in accordance with the recognition and measurement aspects of all applicable International Accounting Standards (IASs) adopted by the International Accounting Standards Board (IASB) that have a material effect described below.

The special purpose financial statements do not include the disclosure requirements of the following pronouncements having a material effect:

• IFRS 7	Financial Instruments: Disclosures
• IAS 7	Statement of Cash Flows
• IAS 16	Property, plant and equipment
• IAS 24	Related Party Disclosures
• IAS 32	Financial Instruments: Presentation
• IAS 40	Investment Property

(b) Functional and presentation currency

The financial statements are presented in Australian Dollars (\$), rounded to the nearest dollar, which is the Project’s functional currency.

(c) Other receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in assets. The Project’s receivables comprise ‘receivables’ in the statement of financial position.

Trade and other receivables are stated at their cost less allowance for doubtful debts. The carrying amount of these assets is reviewed at each balance date to determine whether there is any indication of non-recoverability. If any such indication exists, the recoverable amount is estimated at balance date and specific allowances are made.

(d) Income tax

The Project is exempt from paying income tax under the Project Agreement between Nauru Utilities Corporation and Asian Development Bank.

Solar Power Development Project
Notes to the special purpose financial statements
For the year ended 30 June 2022

1. Statement of significant account policies (continued)

(e) Work in progress

Work in progress includes the cost of purchase of goods and services relating to the project. Cost includes the cost of bringing the project to its existing condition and location and will be transferred to Nauru Utilities Corporation on completion of the project.

All expenses and capital items purchased by the project management team have been classified as work-in progress as the project is expected to be completed by August 2023.

(f) Contribution received

Contribution received included all grants received from the Republic of Nauru (RON) Government in relation to funding of the capital project. Upon completion of the Project, the contribution received will be treated as capital contribution from the shareholder.

(g) Other payables

These amounts represent liabilities for good and services provided to the Project prior to the end of the financial year which are unpaid. The amounts are stated at their cost.

	2022	2021
	\$	\$
2. Receivables		
Other receivables - Nauru Utilities Corporation	647,007	786,216
	<u>647,007</u>	<u>786,216</u>
3. Work in progress		
Consultants	1,234,049	10,847
Project management	-	29,299
Site preparation for solar panel	5,325,109	4,585,724
	<u>6,559,158</u>	<u>4,625,870</u>
4. Property, plant & equipment		
Property, plant and equipment	4,761,476	-
	<u>4,761,476</u>	<u>-</u>
5. Contribution received		
Republic of Nauru (RON)	5,400,000	5,400,000
	<u>5,400,000</u>	<u>5,400,000</u>
6. Deferred Income		
Deferred Income	6,559,158	-
	<u>6,559,158</u>	<u>-</u>

7. Subsequent events

There has not arisen in the interval between the end of the 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, to affect significantly the operations of the Project, the results of those operations or the state of affairs of the Project in subsequent financial years.