BwebwerikiNET Limited

STATEMENT OF INTENT

CONFIDENTIAL

For the 3-Year Period FY2026 to FY2028

AUTHORISATION

Validation & Approval

TITLE	Name & Designation	Signature	Date
BNL	Riteti Maninraka Chairman		14-11-25
Portfolio Minister	Hon. Mr Alexander Teabo Minister to MICT		24/11/25
Joint Minister	Hon. Dr Teuea Toatu Minister to MFED		20/04/26

1. Executive Summary

Conforming to the requirements of the State-Owned Enterprise Act 2013 (as amended), Section 19, **BwebwerikiNET Limited (BNL)** hereby submits its Statement of Intent, for the period FY2026 to FY2028.

BwebwerikiNET LTD (BNL) was incorporated under the Companies Ordinance 1979 (Cap. 10A) on 23 November 2017. Since that time BNL is established as a State-Owned Enterprise under the State-Owned Enterprise Act 2013 (the SOE Act). All shares in BNL are owned by the Republic of Kiribati.

BNL operates in the Kiribati Telecommunications and ICT Sector and this Statement of Intent indicates how BNL has reviewed its operating environment and key challenges and derived the following period objectives, activities, performance measures and financial forecasts towards achieving its principal objectives.

1. THE OBJECTIVES OF BNL

1	Establish critical infrastructure for the delivery of high quality, and cost-effective internet capacity to service providers and refurbish passive backhaul infrastructure for the improvement of access to remote island communities
	(i)Develop and construct EMCS Submarine Cable & Tarawa Fiber-to-the-Premises Networks *(ii)Develop and implement backhaul infrastructure for private and public sectors* *(iii)Improve access to high quality and low-cost internet*
2	Provide non-discriminatory access for retail service providers improving connectivity and access to high-quality, reliable, and low-cost internet services for end-users
	(i)Review the Cost Model for the introduction of low-cost services on its networks. *(ii) Review pricing benchmarks on wholesale capacity services for retail service providers.* *(iii) Improve network and service delivery efficiency.*
3	Increase access to ICT infrastructure and broadband internet services with the aim of stimulating the market for increased usage by businesses, government, and individuals, and increasing options for new services and business delivery
	(i)Develop backhaul connectivity and access on the FTTP Network for improved service delivery to Providers, Govt Depts/Agencies, business houses and communities. *(iii) Stimulating the Internet market and delivery of new services*
4	Contribute to enhancing services including potential income earning opportunities and the development of e-commerce services, access to markets, web trading platforms and other new technology competencies
	(i) Stimulate the entrepreneurship market in private and public sector, civil and remote communities. *(ii) Work with other SOE's to promote their activities, e.g. Tourism etc. Contributing to B2B activity on national/regional/global platforms* *(iii) Work with Government/Private Sector/Banks in promoting on-line e-payment platforms*
5	Continual improvement of corporate structure, instruments, policies, and work methods to ensure BNL delivers as effectively and efficiently as possible its mandates as the licensed wholesale broadband service provider
	(i) Review of Articles, Statement of Intent, Reference Interconnect Offer (RIO), Internal Policies (R&R, HRM etc.) *(ii) Review of BNL Financial Procedures*

2. THE NATURE AND SCOPE OF THE ACTIVITY TO BE UNDERTAKEN

Statement of Intent – Core Business Focus

BNL is committed to implementing the strategic actions and initiatives outlined in the following sections to achieve its stated objectives over the planning period. The Company will continue to operate and strengthen its core business activities to enhance financial performance, operational efficiency, and service delivery, in fulfilment of its principal objective under Section 5 of the State-Owned Enterprises Act 2013 — to operate as a successful and sustainable business.

BNL's primary function is to provide wholesale international and domestic telecommunications capacity to licensed retail service providers (RSPs) in Kiribati. This capacity is provided on an "at-cost" basis, consistent with BNL's mandate to support the growth of the national telecommunications market while ensuring long-term financial sustainability.

The overarching objective is that BNL's total costs — including its investment and participation in the East Micronesia Cable System (EMCS) **and** Southern Cross NEXT (SXN) systems, associated operational and maintenance costs, and general overheads — will be recovered through payments made by local service providers for the capacity they acquire, with a modest operational margin to sustain ongoing operations and future capital needs.

The EMCS will serve as the primary international gateway for South Tarawa, connecting Kiribati to Guam via Pohnpei, Federated States of Micronesia, through an interconnection with the Hantru-1 System. Meanwhile, the SXN Cable System will primarily serve the Kiritimati telecommunication market, providing high-speed, low-latency international connectivity.

Over time, BNL intends to establish interconnection and traffic exchange arrangements between the EMCS and SXN systems to create operational synergies and cost efficiencies. This inter-system integration will enable optimized capacity utilization, enhance network resilience, and potentially allow for cross-subsidization of services between Tarawa and Kiritimati — ensuring equitable access and affordability of connectivity across the islands.

BNL Primary Service Offering

Network Services and Access Arrangements

On the Southern Cross NEXT cable system BNL will primarily offer broadband capacity services, with specifications and performance consistent with the Southern Cross GIGANET product range. The Company's Ethernet Transport Services are delivered through single-mode fibre interfaces supporting 1 GbE and 10 GbE ports, providing high-capacity, scalable and carrier-grade connectivity options for licensed Retail Service Providers (RSPs).

Within Kiritimati, retail operators and Internet Service Providers (ISPs) are responsible for arranging their own interconnection to the Tabwakea Cable Landing Station (CLS). To facilitate this, BNL provides access to a radio tower located at the CLS site, and will in future expand interconnection options through a terrestrial fibre-optic link to enable more robust, redundant and higher-performance connectivity.

To access international internet capacity, operators may connect with BNL at the Layer 2 (Carrier Ethernet) or Layer 3 (IP Transit) network layer, depending on their technical capability and network design.

The BNL Kiritimati Cable Landing Station forms part of the Southern Cross NEXT (SXN) network and provides dual international connectivity via Suva, Fiji and Hermosa Beach, Los Angeles, USA. These two termination points serve as BNL's primary gateways for international internet and content access. Through these nodes, onward interconnection into the broader Southern Cross Cable ecosystem is also possible, enabling diverse routing, resiliency, and optimized traffic management.

BNL's Carrier Ethernet and IP Transit services will be offered on a competitive and non-discriminatory basis, ensuring equal access to all licensed operators. Pricing, provisioning, and service performance will align with regional industry benchmarks, supporting cost efficiency, scalability, and sustainable wholesale access for all participants in the market.

In South Tarawa, BNL's passive terrestrial FTTP (Fibre-to-the-Premises) network will provide three levels of access to RSPs:

1. Dedicated Fibre Access – GPON-based service offering exclusive capacity allocation.
2. Shared Fibre Access – GPON-based service shared among multiple customers.
3. Direct Fibre Access – Point-to-Point (P2P) dark fibre service offering full physical separation and control for operators that require dedicated links.

For the Outer Islands, BNL's passive tower and mast infrastructure will be made available on a shared tenancy basis to all service providers. This initiative supports cost-effective deployment of telecommunications services and promotes the extension of connectivity and digital inclusion to remote communities across Kiribati.

3. PERFORMANCE TARGETS AND OTHER MEASURES

The following tables indicate the performance targets and measures BNL will use to monitor achievement of its targets

Key Objective 1	**Establish key strategic infrastructure for high capacity, high quality, and cost-effective internet, and revitalize passive backhaul infrastructure to improve access to mobile and broadband services for remote island communities**	
	MEASURE	**WHEN**
	Fiber-to-the Premises Project completed on schedule	FTTP RFS by November 2025[1]
	Submarine Cable Projects completed on schedule	EMCS RFS by December 2025

Key Objective 2	**Provide non-discriminatory access for retail service providers improving connectivity and access to high quality, reliable, and low-cost internet services for end-users**	
	MEASURE	**WHEN**
	Open access and non-discriminatory wholesale price packages are offered to providers.	July 2025 for SX NEXT Services; October 2025 for the FTTP Services, and January 2026 for EMCS services
	Broadband Price reduced in alignment with cost model annual reduction plan.	Broadband pricing is reduced as per cost model annual reduction percentages.
	Market review of Broadband Internet pricing	Annual assessment of costs & pricing structures on an in-service anniversary.
Key Objective 3	**Increase access to ICT infrastructure and broadband internet services with the aim of stimulating the market for increased usage by businesses, government, and individuals, and increasing options for new services and business delivery**	
	MEASURE	**WHEN**
	Increased access to ICT infrastructure and broadband internet services	3 to 6 months after RFS.
	Stimulating internet uptake through effective promotion campaigns with service providers and specific market segments	3 to 6 months after RFS.
	Develop backhaul connectivity and POIs on the e-Gov Network for service delivery to Govt the Service Providers, others	Backhaul and POIs implemented on the domestic trunk fiber network by October 2025.

[1] Interim Satellite Capacity made available on the FTTP network in October 2025.

Key Objective 4	**Contribute to enhancing services including potential income earning opportunities and the development of e-commerce services, access to markets, web trading platforms and other new technology competencies**	
	MEASURE	**WHEN**
	Increase SME and start up activity and market in private and public sector, civil and remote communities.	Work with stakeholders to grow SME activity and market by June 2026.
	Work with other SOEs to promote their activities, e.g. Tourism, etc Creating B2B activity on national/regional/global platforms	Work with specific SOEs to grow market activity and market share by September 2026
	Support the Government in the development of a Govt Portal accessible via App, Web, Kiosk	Support improvement of online capabilities by March 2026.
	Support Government/Private Sector/Bank in promoting an on-line e-payment platform	Work with stakeholder's introduction and increase on-line platform by March 2026
Key Objective 5	**Continuous improvement of corporate structure, instruments, policies, and work methods to ensure BNL delivers as effectively and efficiently as possible its mandates as the licensed wholesale broadband service provider**	
	MEASURE	**WHEN**
	Review of Articles, Statement of Intent, Reference Interconnect Offer, Internal Policies (R&R, HRM etc)	Annually in November at the close of financial cycle.
	Review and implementation of Cabinet Paper (CP) on GOK price control review and broadband Internet pricing	Annually in November at the close of the financial cycle.
	Review of BNL Financial Procedures	Annually at the end of Q3 (September)

4. A STATEMENT OF FINANCIAL PERFORMANCE

BWEBWERIKINET LIMITED INCOME STATEMENT FROM 1 JANUARY TO 31 DECEMBER 2025			PROJECTION		
	Note	JAN TO DEC 2025 ACTUAL AND BUDGET	2026	2027	2028
INCOME					
OIN - Infrastructure Lease		$95,550.00	$153,000.00	$ 249,390.00	$ 356,627.69
KIR (SX NEXT) - IP transit		$ 94,180.02	$57,480.44	$ 86,220.66	$ 86,220.66
Post RFS Reimbursement		$ 157,037.76	$79,833.95	$ 79,833.95	$ 79,833.95
Government Grant		$ 1,419,147.37	$ 4,000,000.00	$ 24,682,537.90	
Other Income		$ 6,531.58	$ 5,000.00	$ 6,470.00	$ 10,454.50
Southern Cross Management Fee					
TRW (EMC) - IP transit			$ 191,601.47	$ 160,945.23	$ 287,402.20
OIN - Colocation fees		$ -	$ 6,300.00	$ 6,489.00	$ 6,683.67
KIR (SX NEXT) - Carrier Ethernet		$ 123,635.34	$ 183,937.41	$ 183,937.41	$ 183,937.41
TRW (EMC) - Carrier Ethernet			$ 1,034,647.93	$ 1,207,089.25	$ 1,925,594.76
TRW (STRA LINK) Capacity Sales		$ -	$ 881,366.76	$ 804,726.17	$ 948,427.27
FTTP network sales			$ 304,005.60	$ 313,125.77	$ 322,519.54
TOTAL INCOME		**$ 1,896,082.07**	**$ 6,897,173.56**	**$ 27,780,765.34**	**$ 4,207,701.65**
EXPENDITURE					
Direct Staff Cost	6	$ 46,744.08	$ 213,156.42	$ 219,551.12	$ 58,349.50
Indirect Staff Cost	6	$ 13,587.93	$ 35,078.36	$ 57,157.80	$ 58,872.54
Operating Cost	7	$ 158,687.54	$ 2,351,781.51	$ 2,923,295.85	$ 3,963,212.08
Repair & Maintenance	8	$ 3,107.00	$ 34,000.00	$ 45,320.00	$ 36,000.00
Financial/Administration Cost	9	$ 37,045.07	$ 75,672.05	$ 108,948.13	$ 64,875.34
Outer Islands Project - Mobile Phase 3	9b	$ 268,829.00	$ 661,250.00	$ -	$ -
TOTAL OPERATING EXPENSES		**$ 528,000.62**	**$ 3,370,938.34**	**$ 3,354,272.90**	**$ 4,181,309.46**
EBITDA		**$1,368,081.45**	**$3,526,235.22**	**$24,426,492.44**	**$26,392.19**
Other Expenses					
Depreciation/Amortisation	10	**$621,021.21**	**$ 636,029.73**	$2,053,417.43	$2,052,877.48
Exchange Loss		**$ 978.72**		**$ 2,000.00**	
EBIT		**$746,081.52**	**$2,890,205.49**	**$22,371,075.01**	**($2,026,485.29)**
Income tax					
Net Profit After Tax		**$746,081.52**	**$2,890,205.49**	**$22,371,075.01**	**($2,026,485.29)**

5. A STATEMENT OF FINANCIAL POSITION

BWEBWERIKI NET LIMITED (BNL) BALANCE SHEET AS AT 31 DECEMBER 2025			PROJECTIONS		
	Note	1 JAN TO 31 DEC 2025 Actual & Budget	2026	2027	2028
Current assets					
Cash and Cash equivalents	11	$ 1,117,840.07	$ 999,407.28	$ 1,184,079.76	$ 1,763,227.44
Trade and other receivables	12	$ 140,192.38	$ 578,380.29	$ 218,828.93	$ 305,244.26
Inventories					
Total Current Assets		**$ 1,258,032.45**	**$ 1,577,787.57**	**$ 1,402,908.69**	**$ 2,068,471.70**
Current Liabilies					
Trade and Other payables	13	$ 24,942.27	$ 818,462.17	$ 901,628.75	$ 1,540,799.57
Total Current Liabilities		$ 24,942.27	$ 818,462.17	$ 901,628.75	$ 1,540,799.57
Working Capital		**$ 1,233,090.18**	**$ 759,325.40**	**$ 501,279.94**	**$ 527,672.13**
Non Current Assets					
Property, Plant and Equipment	14	$ 29,722,903.18	$ 33,086,873.45	$ 55,715,993.92	$ 53,663,116.44
Total Assets		**$ 30,980,935.63**	**$34,664,661.02**	**$57,118,902.61**	**$55,731,588.14**
Non Current Liabilities					
Deposits from Service Providers for OIN	15	$ 100,037.41	$ 100,037.41	$ 100,037.41	$ 100,037.41
Total Non-current Liabilities		**$ 100,037.41**	**$ 100,037.41**	**$ 100,037.41**	**$ 100,037.41**
Total Liabilities		**$ 124,979.68**	**$ 918,499.58**	**$ 1,001,666.16**	**$ 1,640,836.98**
Net Assets		**$ 30,855,955.95**	**$33,746,161.44**	**$56,117,236.45**	**$54,090,751.16**
Equity					
Capital					
Reserves					
Dividends Paid					
Retained earnings	16	$30,109,874.43	$30,855,955.95	$33,746,161.44	$56,117,236.45
Current Year Earnings		$ 746,081.52	$2,890,205.49	$22,371,075.01	($2,026,485.29)
		$ 30,855,955.95	**$33,746,161.44**	**$56,117,236.45**	**$54,090,751.16**

6. A STATEMENT OF ANTICIPATED BORROWING

BNL does not currently have any external borrowings.

7. THE ACCOUNTING POLICIES

Basis of Preparation

The company's financial statements have been prepared in accordance with the historical cost basis, as per generally accepted accounting principles (GAAP) standards and statutory requirements in Kiribati. The financial statements are presented in Australian dollars, the official currency of Kiribati. Transactions involving other currencies, such as New Zealand and US dollars, are translated using the daily exchange rate provided by the local ANZ Bank (Kiribati) Ltd.

As Kiribati has not adopted a mandatory specific accounting standard, the financial statements are prepared in compliance with local GAAP, standards, and legal requirements, ensuring the consistent selection and application of accounting policies for transactions and events. The planned transition to adopt the International Financial Reporting Standards (IFRS) and implement them in the 2023 Annual Accounts is currently on hold. The company's principal accounting policies are outlined in Note 3.

Accounting Policy

The financial year for the company is the fiscal year starting from January to December

7.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government.

Before the Kiritimati Cable Landing Station is ready for service (RFS), all costs related to the operation of the station should be reimbursed from Southern Cross NEXT, and such costs that BNL claimed are recognised as revenue and called Pre-FRS Reimbursement until the end of June 2022 as per the Landing Party Agreement (LPA). Costs claimed thereafter are referred to as Post-RFS Reimbursement. Leasing of Outer Island Passive Infrastructure (towers and masts) to Service Providers is another source of revenue for BNL and is recognised when the invoice is issued.

Government grants represent another source of revenue recognised by BNL in this financial year. The Income approach is adopted in accounting for government grants related to Assets and cash as income. The Cable Landing Stations, New Towers constructed with the Central Government funds, are treated as government grants related to Assets, and any assistance by the Ministry of Information, Communication and Transport or Government departments is treated as a Grant related to Cash.

A similar in-kind asset transfer from the Government of Kiribati to BNL involved the Outer Island Network Passive Infrastructure, including towers, masts, huts, and other small assets associated with these structures. These assets were valued at their fair market value and accounted for using the same approach as the Cable Landing Station (CLS). Another pool of 5 towers, included as part of the OIN Passive Infrastructure in 2025, was valued at AUD 740,000. This grant was provided with the condition that BNL would ensure the delivery of high-quality, affordable internet services while maintaining and managing these assets sustainably. The government grant is recorded as a separate revenue item in the income statement.

The second type of government grant recognised in the financial statements was a cash payment of AUD 1,360,990 from the government to BNL for the construction of five towers on remote islands. This grant, categorised as cash-related, was also included in the government grant revenue in the income statement, following the same accounting treatment.

Additionally, other government grants, such as expenses related to the Board and BNL-related expenses, which were covered by the Ministry of Information, Communication, and Transport, were also classified as government grants.

7.2 Tax Income

Since the company has not yet commenced operations, there is no current income tax payable. The income tax expense reflects the sum of both current and deferred tax. The current tax payable is determined based on the taxable profit for the year. For this reporting period, the only tax obligation is the PAYE tax payable.

7.3 Property, Plant and Equipment

Property, plant, and equipment are measured at cost, net of accumulated depreciation and any impairment losses.

Depreciation is applied using the straight-line method to allocate the cost of assets, less their residual values, over their estimated useful lives.

The following annual rates are used for the depreciation of property, plant and equipment:

Buildings	2%
Furniture and Equipment	10% to 25%
Motor vehicles	20% to 25%
Computer equipment	10% to 25%
Telecommunications Equipment and Plant	5% to 33%

Suppose there is an indication that there has been a significant change in the depreciation rate, useful life, or residual value of an asset. In that case, the depreciation of that asset is revised to reflect the new expectation.

A gain or loss on disposal of the Fixed Asset must be recognised in the Profit and Loss Statement.

Assets recognised as part of government grants include Cable Landing Stations and Outer Islands Network (OIN) Passive Infrastructure. Southern Cross NEXT was ready for service and was operational for delivery. Southern Cross NEXT Cable Station was recognised as part of the BNL pool of assets in mid-December 2023, but later resolved by the Board to change the accounting approach to the Income Approach and be recognised when it started its commercial operations in March, with its value determined and depreciated using the Telecommunications Equipment and Plant rate.

This grant is related to the asset known as the Cable Landing Station on Kiritimati Island. The Asian Development Bank funds it as a grant to the government of Kiribati. In addition, there is no condition that BNL is expected to adhere to of this asset, except to own, manage, and use it as its asset.

OIN Passive Infrastructure refers to towers and masts owned by the former incumbent Service Provider, Telecom Services Kiribati Ltd (TSKL), which were previously under the MICT portfolio when sold to ATH. In 2021, the government mandated BNL to look after this passive infrastructure. Based on the accounting records, most of these assets are fully depreciated, except for a few that were recently built and were also recognised as part of the BNL Assets pool, depreciated accordingly at a rate of 5%. The remaining towers and masts need to be audited to determine whether they require refurbishment, replacement, or will be valued accordingly.

As a disclosure requirement for this asset, the treatment is the same as that of the Cable Landing Station. With all these assets being transferred to BNL, it is mandated to manage, maintain, and sustain its operations. With these in-kind assets, BNL recognised them as Assets related to a government grant, and the accounting treatment, methods and presentation are no different to those of the Cable Landing Station in Kiritimati.

7.4 Trade and other receivables

Since the company began offering the service in early 2024, it was anticipated that a few accounts receivable would remain outstanding during the reporting period, primarily among Service Providers scheduled to interconnect with the CLS in Kiritimati. Southern Cross Cable Limited, which has an agreement with Bwebweriki Net Ltd through the Landing Party Agreement (LPA), will be the primary accounts receivable party under the reimbursement arrangement.

From 2025 to 2028, there is an increase in the accounts receivable figure, as well as other receivables. This is attributed to the rise in the uptake of BNL services by Service Providers.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine if there is any evidence that the amounts are not recoverable. An impairment loss is recognised when evidence is identified.

7.5 Trade and other payables

With BNL starting its commercial operations early in 2024, the number of accounts payable is increasing that are dealing with BNL. The main creditor is BNL's upstream service provider, Fiji International Telecommunications (FINTEL), as well as two Service Providers and others related to utility services. Foreign payables denominated in a foreign currency are translated into Australian dollars, the local currency in use in Kiribati, using the exchange rate of ANZ Bank Kiribati Ltd. on the date of the transaction. Foreign exchange gains or losses are classified as other income or expenses.

With BNL now, mandated by the government to look after the Outer Islands Network (OIN) (i.e., Masts, Towers, and other fixed Assets), and with the need to develop and improve the services to the people in the outer islands, bids are offered to Service Providers resulting in making mandatory security Deposits to the Escrow Account looked after by BNL, and thus treating them as other Payables as well. Later, they will be reimbursed upon meeting bid requirements or when unsuccessful in the bidding process.

8. RETURNS: EQUITY & ASSETS

RETURN ON ASSETS

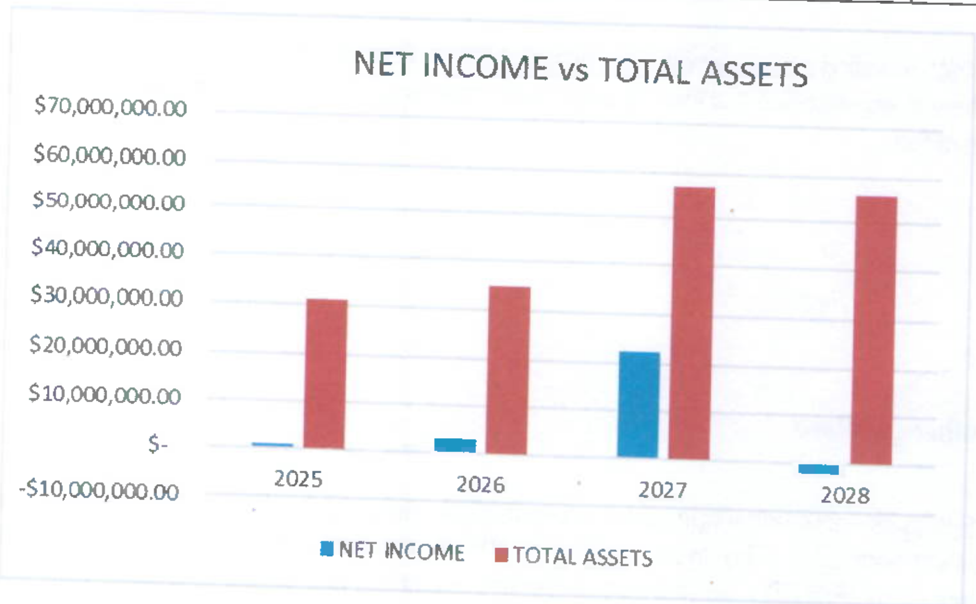
Return on Assets is a key ratio used to assess the efficiency of a company's assets in generating profit. The higher the ratios, the more efficient the use of assets to generate profit, while the lower the ratios, the less efficient the use of assets to generate profit. The ROA also suggests the financial health of the company. This means the higher the ROA, the better. The general rule for ROA is that 10% ROA is considered average, while above 20% is considered excellent. For Low ROA, less than 5% is considered poor.

In addition, it is also worth assessing BNL in relation to its Return on Assets, using a general rule that considers a company asset-light if its Return on Assets is less than 5% and asset-intensive if it is above 20%. The current figures suggest that it is an asset-intensive one. This is evident by examining the total value of its Assets.

Based on the above general ROA metrics, it is clear that BNL had a 2% ROA in 2005 and was forecasted to be 8% and 39% for the years 2026 and 2027, respectively. The increase in the company's assets' value negatively affected the ratio, as shown in the table below. However, BNL management will continue to work hard to achieve at least a 5% ROA and more to demonstrate the efficient use of BNL assets in generating profit.

The Table below depicts BNL efficiency in the three years.

RETURN ON ASSETS (ROA) CALCULATION	2025	2026	2027	2028
NET INCOME	$ 746,081.52	$ 2,890,205.49	$ 22,371,075.01	($2,026,485.29)
TOTAL ASSETS	$ 30,980,935.63	$34,664,661.02	$57,118,902.61	$55,731,588.14
RATIO	2%	8%	39%	-4%



RETURN ON EQUITY (ROE)

A Return on Equity refers to the net profit or income relative to its Equity. To be more specific, it is simply the measure of the efficient use of an investor's money to generate profit. ROE can also be determined using the company's dividend growth rate and its earnings retention rate (1 minus the dividend payout ratio)[2]. From the two methods, the former is adopted, as there was no recorded government capital to consider as shareholders' capital. However, the total Equity figure for each period has been used to determine the Return on Equity.

Since no government Capital was invested in BNL, the average Equity value generated over time has been used to calculate the ROE.

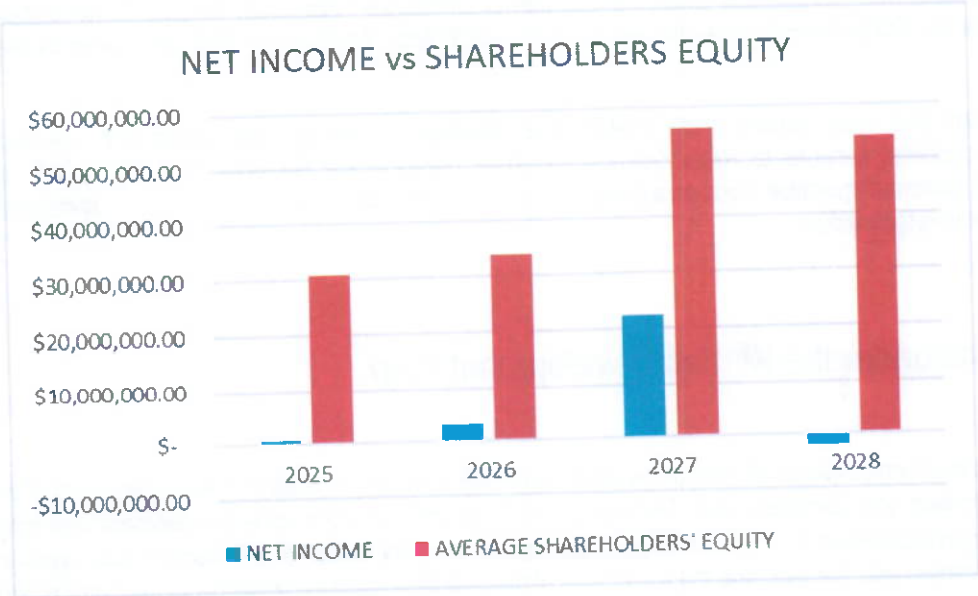
[2] https://corporatefinanceinstitute.com/resources/accounting/what-is-return-on-equity-roe/

A general rule of thumb for SOE suggests that at least 15% or 20% exhibit good financial performance. A higher ROE also indicates a higher return on investors' money in the company, or efficiency in using equity capital to generate profits.

By examining the three forecasted years, 2025 to 2028, the first two years, 2025 and 2026, are relatively low compared to the rule of thumb of at least 15% or 20%, except for 2027. However, since BNL began its commercial operations in early 2024, it was anticipated that it would incur losses in the first three or four years of operation. This might change when government grant, in the form of cash or assets, are available, which can then turn the situation into a profitable scenario, as seen from 2025 to 2027. Assets that are being considered part of BNL's pool of assets in the years mentioned earlier inflated the Net Income, respectively.

The table below depicts a weak ROE status except for the year 2027.

RETURN ON EQUITY (ROE) CALCULATION	2025	2026	2027	2028
NET INCOME	$ 746,081.52	$ 2,890,205.49	$ 22,371,075.01	($2,026,485.29)
AVERAGE SHAREHOLDERS' EQUITY	$ 30,855,955.95	$ 33,746,161.44	$ 56,117,236.45	$ 54,090,751.16
RATIO	2%	9%	40%	-4%



9. ANNUAL DIVIDEND STATEMENT

BNL shall distribute annually all Income and capital gains if earned. It is expected that Dividends, if any shall be declared after the fiscal year end and shall be payable for that year before the end of January.

The Board for BNL Resolution on the distribution of Dividends shall be adopted. For the reporting period ending 2024, there is declaration of dividend payment by the Board.

10. ANTICIPATED CSO ACTIVITY

BNL has yet to participate in any CSO activity and anticipates this in the subsequent years its projects achieve Ready for Service status and commence revenue generation.

11. ANY OTHER MATTER AS AGREED BY THE RESPONSIBLE MINISTERS AND THE BOARD

There are no other matters to be addressed at this embryonic stage of its establishment and will be addressed with the responsible Minister through the Board of Directors as and when necessary.

2. MANDATE AND POLICIES GOVERNING THE DEVELOPMENT OF THE STATEMENT OF INTENT

2.1 Ownership Guidelines

BwebwerikiNET LTD (**BNL**) was incorporated under the Companies Ordinance 1979 (Cap. 10A) on 23 November 2017 as an SOE under the State-Owned Enterprise Act 2013 (the **SOE Act**). All shares in BNL are owned by the Republic of Kiribati.

BNL as a state-owned and open access entity (OAE) is established to provide high-speed and low-cost telecommunication broadband services to Retail Service Providers (RSP) in the Republic of Kiribati. BNL is designed to operate at minimum operating costs as a non-profit entity enabling the provision of least-cost wholesale services for the domestic retail market.

2.2 Obligations under the Kiribati Development Plan

BNL supports the Kiribati Vision 20 (KV20) Development Pillar 6, which focuses on the development of the national Information and Communication Technology (ICT) sector. This commitment is demonstrated through BNL's ongoing investment in ICT infrastructure, including the implementation of submarine cable systems connecting Kiritimati and Tarawa, and the expansion of passive infrastructure networks to the outer islands. These initiatives also include the revitalisation of aging assets that form part of BNL's national access and backhaul network.

BNL's contribution to the Kiribati Connectivity Project (KCP) through the implementation of the Fiber-to-the-Premises (FTTP) Project is expected to play a pivotal role in advancing the Government of Kiribati's Digital Government agenda and accelerating the nation's broader digital transformation journey.

Through these infrastructure developments, BNL anticipates a significant improvement in internet and mobile connectivity across Tarawa, Kiritimati, and the outer islands, enabling high-speed access and enhanced service delivery nationwide. The establishment of a robust and resilient core network will provide the foundation for Kiribati's digital transformation, acting as a catalyst for new and enhanced communication services, online applications, e-commerce, and other growth initiatives aligned with the National ICT Policy and the Government's commitment to bridging the digital divide.

As the national wholesale carrier, BNL's strategic vision is to serve as the digital backbone of Kiribati—empowering innovation, strengthening economic resilience, and ensuring that every island community can benefit from reliable, affordable, and high-quality connectivity.

2.3 Mandate

BNL's objectives are enshrined under its Articles of Association to address BNL's operational challenges, these objectives must essentially be operationalized for its strategic plan, and are as follows:

1) Establish critical strategic infrastructure for the provision of high capacity, high quality, and affordable internet capacity to service providers, and revitalizing passive backhaul infrastructure that will improve access to mobile and broadband services for remote island communities.

2) Provide non-discriminatory access for retail service providers improving connectivity and access to high quality, reliable, and low-cost internet services for end-users.

3) Increase access to ICT infrastructure and broadband internet services with the aim of stimulating the market for increased usage by businesses, government, and individuals, and increasing options for new services and business delivery.

4) Contribute to enhancing services including potential income earning opportunities and the development of e-gov and e-commerce services, access to markets, web trading platforms and other new technology competencies.

5) Continuous improvement of corporate structure, instruments, policies, and work methods to ensure that it delivers as effectively and efficiently as possible its mandates as the licenced wholesale broadband service provider.

2.4 Purpose of the State-Owned Enterprise

2.4.1 Vision

"BNL's Vision is to induce and foster social and economic development in Kiribati through telecommunications development in technology and service"

As a responsible licensed corporate entity within the telecommunications sector in Kiribati BNL recognises its responsibility to contribute to the socio-economic development of the country and will prudently work to achieve this through the strategies and objectives it has set itself within the ambits of its strategic business plan.

2.4.2 Mission

"BNL's Mission is to develop, own and operate, on a breakeven basis both cable and satellite telecommunications equipment and infrastructure, together with associated rights in land, for the purposes of providing non-discriminatory and open wholesale access to licensees that wish to provide retail telecommunications services to end-users in Kiribati"

BNL's key mission is to develop, own and operate, much improved subsea cable and backhaul passive infrastructure and facilities to offer international connectivity and services that are lower in cost and more resilient to the circumstances of Kiribati.

BNL in offering its services will do so to provide wholesale access to licensees on a non-discriminatory basis that will stimulate the retail telecommunications sector and inducing high quality and low-cost services to end-users in Kiribati.

2.4.3 Strategic Focus

BNL's key strategic goal is to provide high quality and low-cost wholesale telecommunication infrastructure and goods and services to licensed telecommunication retailers in Kiribati on a breakeven basis that would result in improving connectivity throughout the country with the potential to support national economic growth.

The higher quality and more affordable connectivity in the country would help lower transaction costs, create new economic opportunities, and enhance communication and delivery of services to the end-users in Kiribati.

2.4.4 BNL Services

Overview

BNL's core mandate is to provide wholesale international and domestic broadband capacity, together with managed IP services, to all licensed Retail Service Providers (RSPs) operating in Kiribati. These services are delivered on an *at-cost*basis, consistent with BNL's role as a State-Owned Enterprise (SOE) focused on ensuring equitable access, affordability, and sustainability in the national telecommunications market.

BNL's international connectivity is underpinned by two strategic submarine cable systems that serve as the country's primary gateways to the global internet. The East Micronesia Cable System (EMCS) connects Tarawa to Pohnpei in the Federated States of Micronesia, with onward interconnection to Guam through the Hantru-1 Cable System, providing resilient and diversified international capacity.

On the other side of the nation, the Southern Cross NEXT (SXN) Cable delivers high-speed connectivity to Kiritimati Island, linking directly to Suva, Fiji, and Hermosa Beach, USA, thereby positioning Kiritimati as an emerging hub for digital and telecommunication growth in the Line Islands region.

In the long term, BNL aims to explore interconnection and network synergy between the EMCS and SXN systems. Such integration will optimise resource utilisation, enhance network resilience, and enable cost efficiencies—including potential cross-subsidisation of services—to further reduce the cost of connectivity across the country and strengthen Kiribati's digital infrastructure ecosystem.

BNL Product and Service Portfolio

BNL's suite of services is designed to provide wholesale connectivity and capacity solutions that align with its mandate as a State-Owned Enterprise. All services are delivered under a Full Cost Recovery Pricing (CRP) Model, ensuring affordability, transparency, and long-term financial sustainability without reliance on Government subsidies. This approach supports the growth of a competitive telecommunications market in Kiribati, enabling licensed Retail Service Providers (RSPs) to expand access and improve service quality across the country.

1. Carrier Ethernet Services
BNL provides Carrier Ethernet services supporting 1 GbE and 10 GbE single-mode interfaces, enabling RSPs to access high-capacity bandwidth at Layer 2. These services are designed for flexible provisioning, allowing operators to connect seamlessly to the Cable Landing Stations (CLS) at Tabwakea, Kiritimati, and Nanikai, Tarawa.

2. IP Transit and Direct Internet Access (DIA)
Through its international gateways on the Southern Cross NEXT and East Micronesia Cable systems, BNL offers IP Transit and DIA services that provide direct, high-quality access to the global internet. These services support both Layer 2 and Layer 3 interconnectivity options, allowing operators to select configurations suited to their network capability and service requirements.

3. Co-Location and Infrastructure Access
BNL provides secure co-location facilities within its Cable Landing Stations and associated modules, offering power, environmental control, and high physical security for customer equipment. In addition, BNL facilitates interconnection through tower access and, terrestrial fiber links between the CLS sites and operator premises—supporting resilient local backhaul and improved network reach.

4. Managed Network Services
BNL delivers managed IP services, including network monitoring, configuration, and performance management, to ensure service reliability and operational efficiency for its wholesale customers. These services are particularly valuable for smaller RSPs or government networks seeking to maintain consistent service quality without the overhead of direct infrastructure management.

5. Future Service Expansion
In alignment with its long-term strategic objectives, BNL plans to expand its service portfolio to include domestic backhaul capacity, virtual private network (VPN) services, and cloud-connect solutions. These initiatives will further integrate the national ICT ecosystem, enabling greater digital inclusion and supporting the Government's broader digital transformation and e-governance goals.

Service Delivery Framework

BNL's service delivery framework is built on the principles of reliability, transparency, and accountability, ensuring that all wholesale services are delivered in accordance with clearly defined operational and governance standards. The framework integrates technical, commercial, and customer service processes to maintain a high level of service performance and compliance with regulatory obligations under the SOE Act 2013.

1. Service Provisioning and Activation
Service provisioning follows a structured workflow, from initial customer request to network configuration, testing, and activation. Each service is documented under a Service Order and governed by a formal Service Level Agreement (SLA) outlining performance benchmarks, response times, and escalation procedures.

2. Network Operations and Monitoring
BNL's Network Operations Centre (NOC) continuously monitors network health and performance across its submarine and terrestrial systems. The NOC provides real-time alerts, fault management, and traffic analytics to ensure proactive response to incidents and minimal service disruption for customers.

3. Maintenance and Performance Assurance
Planned maintenance activities are scheduled to minimise customer impact, with advance notifications provided to all affected RSPs. Performance metrics—including uptime, latency, and throughput—are regularly reviewed to ensure compliance with SLAs and to identify areas for capacity optimisation or technical improvement.

4. Governance and Compliance
All service operations adhere to BNL's internal governance policies and the financial and operational requirements of the SOE Act. The CRP Model governs pricing, cost recovery, and reporting processes, while customer contracts and SLAs ensure transparency, fairness, and accountability in service delivery.

5. Continuous Improvement
BNL maintains a culture of continuous improvement, guided by customer feedback, performance data, and periodic technical audits. This ensures that the company's operational framework evolves in line with international best practices and the growing demands of Kiribati's digital economy.

6. Future proofed network
Through its comprehensive suite of wholesale services, BNL is establishing the foundation for a connected and digitally empowered Kiribati. The integration of resilient international and domestic infrastructure, supported by sound governance and cost-recovery principles, positions BNL as the nation's trusted wholesale carrier and digital enabler. By ensuring equitable access to high-quality and affordable connectivity, BNL continues to drive the country's progress toward a sustainable and inclusive digital future.

3. PLANNING INPUTS

3.1 Profile/Overview of the Business & Assessment of Recent Results

BwebwerikiNET Ltd (BNL) is mandated to promote the availability of high-quality, reliable, and affordable telecommunications services across Kiribati—including the Outer Islands—by providing wholesale access to critical telecommunications infrastructure for licensed retail service providers.

BNL's operations are strategically focused on transforming Kiribati's connectivity landscape through the deployment of international submarine cable systems and associated terrestrial infrastructure. The company is transitioning from a project development phase to full commercial operation, with revenue generation expected to commence in early 2025. This follows the Southern Cross NEXT (SX NEXT) Cable System beginning commercial service in January 2025 and the East Micronesia Cable System (EMCS) becoming operational by December 2025.

These milestones mark BNL's entry into sustained transactional business, establishing it as the national wholesale carrier and primary gateway operator supporting the country's digital transformation agenda.

3.2 Current Situational Analysis

3.2.1 Legal & Environmental Issues

BwebwerikiNET Ltd (BNL) was incorporated under the Companies Ordinance 1979 (Cap. 10A) on 23 November 2017 and is classified as a State-Owned Enterprise (SOE) under the State-Owned Enterprise Act 2013.

All shares in BNL are owned by the Republic of Kiribati, as specified in Section 7 of the SOE Act.

BNL is duly licensed to develop, construct, and operate its cable landing facilities at Tabwakea, Kiritimati and Nanikai, South Tarawa. All construction and implementation activities are governed by an approved Environmental and Social Management and Monitoring Plan (ESMP) to ensure compliance with national environmental legislation and international best practices.

3.2.2 Market & Competitor Issues

BNL operates within a semi-monopolised wholesale environment, serving as the sole international gateway operator responsible for providing wholesale internet capacity to licensed retail service providers (RSPs). The company's entry into commercial operation will redefine the telecommunications market by delivering high-capacity, low-latency connectivity through its submarine cable systems.

Satellite-based broadband services currently offered by RSPs remain an alternative means of access and are expected to complement submarine capacity, particularly for remote and underserved Outer Islands where terrestrial or fiber extension is not yet feasible. Over time, BNL's network will provide the foundation for a competitive and sustainable broadband ecosystem that enhances service quality and affordability nationwide.

3.2.3 Physical Assets/Equipment Issues

BNL's principal physical assets comprise its submarine cable systems, cable landing stations, and associated terrestrial infrastructure. A key operational challenge remains the rehabilitation of legacy passive infrastructure inherited from the former incumbent operator. Much of this equipment is outdated and in poor condition, requiring urgent refurbishment to ensure service reliability and integration with BNL's new national network.

Efforts are underway to assess, prioritise, and progressively upgrade this infrastructure to restore functionality and extend network reach, especially to Outer Islands and rural communities.

3.2.4 Business Systems and Other Resources

BNL's internal business systems and processes are at an advanced stage of establishment, reflecting the company's transition from project implementation to operational maturity. Core governance instruments—including the HR Manual and Governance Procedures—have been approved and implemented. The Strategic Asset Management Plan (SAMP) is under development and will be refined as BNL's infrastructure projects progress and operational demands evolve.

Further investments in integrated financial management systems, performance reporting tools, and digital workflows are planned to strengthen corporate governance, operational efficiency, and transparency in compliance with SOE Act requirements.

3.3 Summary, Business Risks and SWOT Analysis

Understanding the business environment in which BNL operates is essential to maintaining strategic alignment and organisational resilience. A structured SWOT Analysis has been undertaken to identify internal strengths and weaknesses, as well as external opportunities and threats influencing BNL's future performance.

The analysis provides a foundation for strategic planning, risk management, and performance monitoring by highlighting the key factors that will shape BNL's capacity to deliver on its mandate. Table 1 below summarises BNL's major strengths and weaknesses alongside external influences likely to impact its operational and financial outlook.

Table 1 – SWOT Analysis

Category	Description
Strengths	• Strong and continuing Government support as a State-Owned Enterprise.• Monopolistic market position as the sole international gateway operator.• Newly constructed submarine cable infrastructure and modern landing facilities at Tarawa and Kiritimati.• Broad customer reach encompassing Tarawa, Kiritimati, and the Outer Islands.• Well-qualified and experienced Board providing strategic oversight.• Established customer relationships and recognition within the domestic telecom sector.• Strong regional partnerships with Pacific neighbours, development partners, and multilateral agencies such as ADB and the World Bank.
Weaknesses	• Slow Government decision-making processes impacting approvals and policy alignment.• Limited availability of professional and technical expertise in the local labour market.• Human resource and organisational capacity constraints during growth phase.• Ageing and deteriorated legacy assets in the Outer Islands requiring urgent rehabilitation.• Limited office and land space for expansion.• High costs of hiring technical experts, consultants, and insuring critical assets.• Absence of a comprehensive National Master Plan governing ICT infrastructure.• High costs associated with technical training and capacity building.• Lack of enabling legislation confirming BNL as the sole provider of submarine and national backbone assets.
Opportunities	• Strong Government commitment to e-Government, digital transformation, and infrastructure modernisation under KV20 and the National ICT Policy.• Rapid increase in demand for internet and mobile data services driven by population growth and digital adoption (e-commerce, e-banking, e-health).• Ongoing major Government investments in transport and infrastructure (ports, roads, airports) improving logistics for ICT deployment.• Diversification potential into complementary products and services such as IPTV, fixed voice, and cloud connectivity.• Land rights secured for BNL's key operational sites.• Feasibility studies supporting Kiritimati's economic development and expansion of the local ICT market.• Strong working relationships with ADB, the World Bank, and bilateral partners for future financing and technical assistance.
Threats	• Exposure to global connectivity price fluctuations and international bandwidth market volatility.• Foreign exchange risk, particularly in AUD/USD conversion affecting payments and revenues.• Potential political intervention in retail pricing of internet and mobile services.• High operational costs and logistical challenges in serving remote islands.• Rapid technological evolution potentially outpacing existing systems before full commercialisation.• Limited and unreliable shipping and air transport schedules impacting maintenance and logistics.• Environmental risks including sea-level rise, storm surges, and corrosion affecting coastal infrastructure.• Labour market limitations in sourcing and retaining skilled technical personnel.

SWOT Analysis Summary

The SWOT analysis highlights BNL's strong position as the national wholesale telecommunications carrier underpinned by new infrastructure, solid governance, and Government backing. However, sustained growth will depend on addressing institutional capacity, legacy asset rehabilitation, and the development of technical expertise. The external environment presents significant opportunities through digital government initiatives and increasing broadband demand, counterbalanced by financial, environmental, and logistical risks inherent to operating across a dispersed island nation.

3.4 Specific Challenges and Focus of Planning Period

3.4.1 Project Delivery and Impacts

One of the key challenges facing BNL remains the timely delivery of its submarine cable projects. Since incorporation in 2017, progress toward establishing the international cable systems has been protracted, with substantive project mobilisation only occurring from 2020.

Implementation momentum was significantly disrupted by the COVID-19 pandemic from March 2020, when global border closures and travel restrictions caused major logistical and supply-chain delays. These impacts extended project timelines and increased implementation costs across both the Southern Cross NEXT and East Micronesia Cable System initiatives.

3.4.1.1 Southern Cross NEXT Cable System

The ADB-funded Southern Cross NEXT Cable System achieved *Ready-for-Service (RFS)* **on** 1 July 2022, marking a major milestone for Kiribati's international connectivity. However, border restrictions on Kiritimati Island remained in effect until May 2023, delaying full activation and mobilisation of supporting infrastructure.

Following the reopening, BNL expedited construction of its telecommunications tower between May and July 2023 and completed installation of associated equipment by the end of 2023 to enable service provider interconnection.

In 2024, BNL commenced backhaul services—first for Ocean Link in March, and later for Vodafone in December—after both operators completed necessary network upgrades. The direct interconnection of retail operators to the SX NEXT system now enables the delivery of high-quality, affordable internet services to consumers. Strengthening collaboration with the Communications Commission of Kiribati (CCK) to ensure sustainable wholesale access and pricing remains a key focus of the planning period.

3.4.1.2 East Micronesia Cable System (EMCS)

The EMCS has faced some significant and major challenges in attempts to initiate and get the project off the ground.

Bilateral Partners Australia, USA and Japan refinanced the EMCS project with agreement by the three-member countries of the EMCS Consortia in December 2021, resulting in the World Bank funding for Kiribati's participation in the EMCS withdrawn in November 2021.

This impacted the envisaged financial performance of BNL as the refinancing of the EMCS meant that the project was inadvertently delayed and now has a new projected completion date of December 2025.

This places a significant operational gap between the two submarine cable projects and means that the EMCS will not be contributing financially to BNL operations until early 2026 planning cycle and places a significant burden on BNL's ability to generate revenue.

BNL's financial performance will be dependent solely on the SX NEXT Cable system and the Outer Island Passive Infrastructure leases for the beginning of the current cycle.

3.4.2 Fiber-to-the-Home (FTTH) Terrestrial Network

The World Bank restructured funding for the Kiribati Connectivity Project which was initially proposed to finance the costs of the EMC system. The restructured funding will continue to support the achievement of the original World Bank Project Development Objectives (PDO) for Kiribati through the FTTH project.

The restructured funding now includes the following:

- rollout a terrestrial fiber optic access network and related infrastructure to connect users in South Tarawa to the global internet,
- finance additional satellite capacity for Tarawa in the interim period before the EMC system is ready for service.
- These are now proposed to be brought to service in 2025.

3.4.3 Starlink Community Gateway Facility

To supplement the FTTH Network, BNL implemented a Starlink Community Gateway facility to source high-speed internet capacity in the interim period before the EMCS cable system becomes live in December 2025.

The Starlink Community Gateway, delivered in March 2025, encountered significant implementation delays due to prolonged permit and approval processes through MELAD, MCIA, MTCIC, and World Bank Safeguards clearances for the initial site in Tokaronga, Betio.

To mitigate these delays, BNL identified an alternate site and secured an agreement with Vodafone Kiribati Ltd for the use of their storage compound located along the Nanikai–Teaoraereke causeway. Site preparations were undertaken, and the Gateway was subsequently relocated to the new site for installation.

The installation and commissioning of the Starlink Community Gateway were completed on 10 July 2025, with the service brought into operational use on 29 October 2025 following the successful installation of routers at BNL's EMC CLS. This is a major milestone not only for BNL but for Kiribati as a nation !

The high-speed internet service is currently under monitoring to assess performance stability and reliability prior to formal acceptance into BNL's operational network portfolio.

3.4.4 Backhaul Interconnection & Capability

Alongside its submarine cable projects, BNL is tasked with developing the supporting **backhaul and interconnection infrastructure** necessary to connect retail service providers to the international systems. This includes the terrestrial fiber, power, and transmission systems forming the link between the Cable Landing Stations and the retail networks.

Key challenges include securing funding from development partners to extend these systems and addressing delays in approval processes among stakeholders. For the SX NEXT network, procurement and installation of the required systems are progressing and remain critical to the success of national service delivery.

3.4.5 Interconnect Access and Cost Modelling

Ensuring affordable, open, and non-discriminatory access to BNL's infrastructure and capacity remains central to its mandate. The separation in completion timelines between the SX NEXT and EMCS projects has required a realignment of financial forecasts and cost models for the planning period.

This adjustment impacts BNL's short-term revenue and cost recovery, with EMCS-related income now projected to commence at the end of the current cycle. Consequently, BNL's pricing structures and service models will continue to evolve under the Cost Recovery Pricing (CRP) Framework, ensuring fair access for all licensed operators while safeguarding the company's financial sustainability.

4. PLANNING PERIOD OBJECTIVES

4.1 Statement to reconcile the key challenges from Section 3.4

BNL targets to overcome the challenges posed by the circumstances in the Kiribati telecommunication environment, the added external impacts, and the burden placed upon it as an international telecommunications operator.

The objectives being set here are drawn out of the key challenges identified and governed by its Articles of Association and form the basis upon which BNL will target for their successful implementation within the current planning cycle, which include but are not limited to;

- *The successful implementation of its submarine cable systems and their ability to connect Kiribati to the internet and improve communication facilities.*
- *The provision of non-discriminatory and open access to BNL international and domestic telecommunications infrastructure and services, including capacity and services, to service providers for the provision of retail telecommunications services to end users in the Republic of Kiribati.*
- *Increase access to ICT infrastructure and broadband internet services with the aim to stimulating the market for increased usage by businesses, government, and individuals, and increasing options for new services and business delivery.*
- *Contribute to enhancing services, including potential income-earning opportunities and the development of e-commerce and e-gov services, access to markets, web trading platforms and other new technology competencies*
- *Continuous improvement of corporate structure, instruments, policies, and work methods to ensure that it delivers as effectively and efficiently as possible its mandates as the licenced wholesale broadband service provider.*

4.2 Clear Statement of Objectives

It is imperative that BNL addresses the key challenges it faces so that it may deliver the key objectives within the planning period. The identified key challenges target the successful implementation of its key critical infrastructure, which is seen as foundational to the success of BNL in the delivery of its mandate.

Key Challenge A: **Completion of Sub-Sea cable project& passive backhaul infrastructures**	**Comments**
Key objective 1: Building the Digital Foundation: Hard Infrastructure- Subsea Cable Projects and refurbishing the OIN & implementation of FTTP Passive Network.	Establishing the hard infrastructure is foundational to the success of BNL as the mandated international wholesale service provider in the Kiribati telecommunications sector.
Key Challenge B: **Provision of Non-Discriminatory retail access**	
Key objective 2: Addressing cost structures, Interconnect and Service Level Agreements for delivery of affordable high-quality and low-cost wholesale capacity to the retail market.	Providing high quality, low-cost non-discriminatory access for the retail market with the aim to improving connectivity and service delivery to end-users.
Key Challenge C: **Improving access to ICT infrastructure and wholesale broadband services**	**Comments**
Key Objective 3: Improve access to ICT infrastructure and broadband internet services through the establishment of critical infrastructure to stimulate and enable growth in the retail sector.	Strengthen the service delivery platform with improved access to ICT infrastructure and broadband internet services with the aim to stimulating the retail market and increasing opportunities for new services and business delivery.
Key Challenge D: **Development of new services and opportunities**	**Comments**
Key Objective 4: Enhancing services including potential income earning opportunities and the development of e-commerce services, access to markets, web trading platforms and other new technology competencies	Identifying potential income earning opportunities and developing new e-commerce services, access to markets, web trading platforms and other new technology competencies.
Key Challenge E: **Maintain organisational acumen in a challenging and rapidly evolving technological environment.**	**Comments**
Key Objective 5: Continual improvement of corporate structure, instruments, policies, and work methods to ensure BNL delivers as effectively and efficiently as possible its mandates as the licensed wholesale broadband service provider	Maintain keen organizational acumen and remain relevant at the edge of technology given the opportunities to leapfrog in technological advancement.

5. STRATEGIC ACTIONS TO SATISFY OBJECTIVES

5.1 Key Strategies

The following tables outline the key strategies targeting to meet each Objective with specific actions and tasks to deliver the strategies over the planning period covering the current and subsequent years.

Key Objective 1		**Establish critical infrastructure for the delivery of high quality, and cost-effective internet capacity to service providers and refurbish passive backhaul infrastructure for the improvement of access to remote island communities**	
Strategies		Who	Resources
1	Build the Digital Foundation: Hard Infrastructure-Subsea EMC Cable Project the OIN and FTTP Passive Networks	Technology & Operations Officer Technical Officers Project Management Units (EMC PCU) (FTTP PMU)	BNL is tasked to work with the government, funding agencies/partners, and system integrators/vendors for the successful implementation of its infrastructure projects within allocated project budgets and timelines.
2	Enhancing Access: Coordinating with Service Providers to improve service provision and capability to the private and public sectors.	CEO Finance & Admin Officer Technology & Operations Officer (VKL/OLL/Others)	Coordinate development with service providers for improvement in network capability. Acquire and assign unallocated funding to build co-location and backhaul infrastructure facilities
3	Audit & revitalisation of Network Infrastructure, including structuring a routine maintenance programme.	Technology & Operations Officer Technical Officers	Target enhancement of critical passive infrastructure. Acquire and assign unallocated funding to support refurbishment

Key Objective 2		Provide non-discriminatory access for retail service providers improving connectivity and access to high quality, reliable, and low-cost internet services for end-users	
Strategies		Who	Resources
1	Development of Cost Models, Reference Interconnect Offer (RIO), and cost structure for Service Providers	CEO Finance & Admin Officer Project Management Units	Develop cost and pricing models in coordination with PMU and in cooperation with the Commerce Commission of Kiribati (Regulator)
2	Set and align Prices with regulated benchmarks	CEO, Finance & Admin Officer Project Management Units CCK	Implement service level agreements for delivery of service-to-service providers in coordination with CCK.

Key Objective 3		Increase access to ICT infrastructure and broadband internet services with the aim to stimulating the market for increased usage by businesses, government, and individuals, and increasing options for new services and business delivery	
Strategies		Who	Resources
1	Support the development of a government-wide area network and domestic fiber-to-the-home project	CEO, Technology & Operations Officer DTO/MICT World Bank	Coordinate funding support with funding agency and stakeholder Work with MICT, World Bank and PMU in the development of the project
2	Develop backhaul connectivity and POIs on e-Gov Network for service delivery to Govt Depts/Agencies, Service Providers, others	Technology & Operations Officer DTO/MICT PMU World Bank	Coordinate project implementation and rollout plans in cooperation with MICT, World Bank and PMU.
3	Stimulating internet uptake through effective promotion campaigns with service providers and specific market segments	CO Finance & Admin Officer Technology & Operations Officer	Targeted TV, Radio, On-Line & Service Provider Advertising Campaigns

Key Objective 4		Contribute to enhancing services including potential income earning opportunities and the development of e-commerce services, access to markets, web trading platforms and other new technology competencies	
	Strategies	Who	Resources
1	Work with MICT, MOC, and relevant stakeholders to stimulate the entrepreneurship market in private and public sector, civil and remote communities.	Communications Officer Technology & Operations Officer Technical Officers	Stimulation of innovative development in marketplace through direct engagement with service providers and end-users.
2	Support appropriate training/coaching for Start-Ups for on-line opportunities	CEO / Communications Officer Technology & Operations Officer	Work with funding partners/agencies for training and development support.
3	Work with other SOEs to promote their activities, e.g. Tourism, etc Creating B2B activity on national/regional/global platforms	CEO / Communications Officer Technology & Operations Officer Technical Advisers	Cooperation with SOEs for the promotion and development of activities

Objective 5		Continual improvement of corporate structure, instruments, policies, and work methods to ensure BNL delivers as effectively and efficiently as possible its mandates as the licensed wholesale broadband service provider	
	Strategies	Who	Resources
1	Review of Articles, Statement of Intent, Reference Interconnect Offer (RIO), Internal Policies (R&R, HRM etc)	CEO, FAO, CCK	Work with relevant ministries and agencies in addressing timely updates to governance procedures and processes.
2	Review and implementation of Cabinet Paper (CP) on GOK price control review and broadband Internet pricing	CEO, FAO, CCK	Work with MICT and CCK in addressing the annual review of pricing of BNL services with a focus on maintaining the delivery of high quality and low-cost internet services..
3	Review of BNL Financial Performance	CEO, FAO	Internal review of BNL financial performance in coordination with MFED, KAO, and other related ministries.

5.2 Other Developments

In addition to its submarine cable infrastructure, which BNL has covered under its strategic business planning, the other aspects of its operations will include involvement in the proposed Fibre to the Premises Network (FTTP) project.

The FTTP infrastructure is viewed as the platform that will enable direct connectivity to service providers through specific Points of Interconnect (POIs) along the proposed domestic terrestrial cable. As BNL is only mandated to offer wholesale capacity services, the FTTP infrastructure acts as the trunk to deliver wholesale broadband services directly to the retail service providers.

BNL will enhance its cable landing facilities in Kiritimati through the development and enhancement of its backhaul interconnect facilities, which will include the construction of a microwave tower, a satellite hub, and backhaul trunk fibre.

6. PERFORMANCE MEASURES

6.1 Key Performance Indicators

Key Objective 1	**Establish key strategic infrastructure for high capacity, high quality, and cost-effective internet, and revitalize passive backhaul infrastructure to improve access to mobile and broadband services for remote island communities**	
	MEASURE	**WHEN**
	Submarine Cable Projects completed on schedule	EMCS RFS by December 2025
	FTTP network constructed and completed on schedule	FTTP RFS by December 2025
	Kiritimati developments completed on schedule	RFS by December 2025
Key Objective 2	**Provide non-discriminatory access for retail service providers improving connectivity and access to high quality, reliable, and low-cost internet services for end-users**	
	MEASURE	**WHEN**
	Wholesale broadband prices meet the regulated price cap at RFS	Achieve minimum price cap offering to providers at System RFS date: June 2025
	Achieve reduced retail broadband prices 3 months post RFS	Achieve targeted price reductions in the first 6 to 9 months post-RFS.
	Maintain reduced Internet and Broadband pricing in the initial 12 months	Maintain consistent cost & pricing reduction in the initial year of operation - July 2026
Key Objective 3	**Increase access to ICT infrastructure and broadband internet services with the aim of stimulating the market for increased usage by businesses, government, and individuals, and increasing options for new services and business delivery**	
	MEASURE	**WHEN**
	Access to ICT infrastructure and broadband internet services increased by 33%	Expected increases in the first 6 to 9 months
	Deployment of backhaul connectivity and POIs on e-Gov Network for service delivery to Govt, Service Providers, and others	Backhaul and POIs implemented on GWAN December 2025 for Kiritimati
	Stimulating internet uptake through effective promotion campaigns with service providers and specific market segments	Increased uptake of services – 6 to 12 months following RFS in June 2025
Key Objective 4	**Contribute to enhancing services including potential income earning opportunities and the development of e-commerce services, access to markets, web trading platforms and other new technology competencies**	
	MEASURE	**WHEN**
	Increase SME and start up activity and market in private and public sector, civil and remote communities.	Work with stakeholders to grow SME activity and market– March 2025
	Work with other SOEs to promote their activities, e.g., Tourism, etc Creating B2B activity on national/regional/global platforms	Work with specific SOEs to grow market activity and market share 3-6 Months after RFS
	Support the Government in the development of a government portal accessible via App, Web, Kiosk	Support improvement of online capabilities 6-9 months after RFS

	Support Government/Private Sector / Bank in promoting an on-line e-payment platform	Work with stakeholder's introduction and increase online platform. 6-9 months after RFS
Key Objective 5	**Continuous improvement of corporate structure, instruments, policies, and work methods to ensure BNL delivers as effectively and efficiently as possible its mandates as the licensed wholesale broadband service provider**	
	MEASURE	**WHEN**
	Review of Articles, Statement of Intent, Reference Interconnect Offer, and Internal Policies (R&R, HRM etc)	Half-yearly and annual review (June/December)
	Review and implementation of Cabinet Paper (CP) on GOK price control review and broadband Internet pricing	Annually in December
	Review of BNL Financial Performance	In March & September on yearly basis

6.2 Progressive KPIs

[To be updated]

7. SUPPORT FOR GOVERNMENT POLICIES

7.1 Statement of compliance with relevant Government Policies

In support of its obligations under the Kiribati Development Plan, the strategic focus of BNL is on fulfilling its objectives, specifically in the development and construction of its ICT Infrastructure through the implementation of its submarine cable projects to Kiritimati and Tarawa. Passive infrastructure network connecting the outer islands, including the revitalisation of aging assets that form part of its passive access and backhaul network.

It is envisaged that this infrastructure, forming the core of the BNL network, will be the platform to strengthen the digital transformation of Kiribati's national ICT sector and a catalyst for implementing new and enhanced communication and online services, applications, e-commerce, and other growth drivers.

The provision of higher-quality and lower-cost internet capacity on optical fibre cables on a non-profit basis is anticipated to result in lower prices for end-users and align with the operational and financial targets of BNL. The financial targets will measure the financial performance of the non-profit entity and ensure that it meets its annual operations and maintenance costs in line with the achievement of these objectives.

7.2 Statement of Community Services,

BNL has not requested any activity to be treated as CSO nor has it agreed to do so. It anticipates doing this once it is in full operational status, following the completion of its submarine cable projects and when services can be offered from them.

7.3 Statement of Support from Government and / or Development Partners

BNL projects are grant-funded as per the details below:

No.	Project Detail	Donor Partner	Project Purpose	Value
1	Improving Internet Connectivity for Micronesia Project (Grant #: 0570-REG)	Asian Development Bank	Construction of SX NEXT Cable Segment to Kiritimati	USD 20.5m (2019-2022)

	Use of Project Savings from Grant #: 0570-REG	ADB	Kiritimati Developments	USD1.1m 2023-25
2	Phase 4: Pacific Regional Connectivity Project (EMCS Project)	Australia & Bilateral Partners[3]	Construction of EMCS Cable segment to Tarawa	USD 17.0m (2017-2025)
3	Phase 4: Pacific Regional Connectivity Project (FTTP Project) (Grant #: D1870-KI)	World Bank	Construction of the FTTP Network on South Tarawa	USD 20.0m (2023-2026)

7.4 **Statements of Financial Capacity**

BNL does not currently have any loan facility. BNL will consider this in the future if there is a need to finance its operation.

7.5 **Statements of Financial Capacity**

BNL shall make efforts to be in a position to be better able to pay stable dividends continuously for the future periods, giving due consideration to achieving a balance before returning profits to Shareholder that is a Government, and to secure sufficient funds for future developments of the Company. The company considers efforts both to improve company results and to meet the expectation of its shareholders to be of the utmost importance.

7.6 Any other matter as agreed with the Responsible Ministers

There are no matters currently agreed with other Ministers at this stage and this will be addressed when BNL becomes fully operational

[3]Bilateral Partner Funding was agreed to by Kiribati in October 2021.

8. FINANCIAL FORECASTS

8.1 Projected P&L Statements

Statement of Financial Performance (Profit & Loss statement) covering the full year (actual) prior to the planning period (actual), estimates for current year and 3 years forecasts

BWEBWERIKINET LIMITED INCOME STATEMENT FROM 1 JANUARY TO 31 DECEMBER 2025			PROJECTION		
	Note	JAN TO DEC 2025 ACTUAL AND BUDGET	2026	2027	2028
INCOME					
OIN - Infrastructure Lease		$95,550.00	$153,000.00	$ 249,390.00	$ 356,627.69
KIR (SX NEXT) - IP transit		$ 94,180.02	$57,480.44	$ 86,220.66	$ 86,220.66
Post RFS Reimbursement		$ 157,037.76	$79,833.95	$ 79,833.95	$ 79,833.95
Government Grant		$ 1,419,147.37	$ 4,000,000.00	$ 24,682,537.90	
Other Income		$ 6,531.58	$ 5,000.00	$ 6,470.00	$ 10,454.50
Southern Cross Management Fee					
TRW (EMC) - IP transit			$ 191,601.47	$ 160,945.23	$ 287,402.20
OIN - Colocation fees		$ -	$ 6,300.00	$ 6,489.00	$ 6,683.67
KIR (SX NEXT) - Carrier Ethernet		$ 123,635.34	$ 183,937.41	$ 183,937.41	$ 183,937.41
TRW (EMC) - Carrier Ethernet			$ 1,034,647.93	$ 1,207,089.25	$ 1,925,594.76
TRW (STRA LINK) Capacity Sales		$ -	$ 881,366.76	$ 804,726.17	$ 948,427.27
FTTP network sales			$ 304,005.60	$ 313,125.77	$ 322,519.54
TOTAL INCOME		**$ 1,896,082.07**	**$ 6,897,173.56**	**$ 27,780,765.34**	**$ 4,207,701.65**
EXPENDITURE					
Direct Staff Cost	6	$ 46,744.08	$ 213,156.42	$ 219,551.12	$ 58,349.50
Indirect Staff Cost	6	$ 13,587.93	$ 35,078.36	$ 57,157.80	$ 58,872.54
Operating Cost	7	$ 158,687.54	$ 2,351,781.51	$ 2,923,295.85	$ 3,963,212.08
Repair & Maintenance	8	$ 3,107.00	$ 34,000.00	$ 45,320.00	$ 36,000.00
Financial/Administration Cost	9	$ 37,045.07	$ 75,672.05	$ 108,948.13	$ 64,875.34
Outer Islands Project - Mobile Phase 3	9b	$ 268,829.00	$ 661,250.00	$ -	$ -
TOTAL OPERATING EXPENSES		**$ 528,000.62**	**$ 3,370,938.34**	**$ 3,354,272.90**	**$ 4,181,309.46**
EBITDA		**$1,368,081.45**	**$3,526,235.22**	**$24,426,492.44**	**$26,392.19**
Other Expenses					
Depreciation/Amortisation	10	**$621,021.21**	**$ 636,029.73**	$2,053,417.43	$2,052,877.48
Exchange Loss		**$ 978.72**		**$ 2,000.00**	
EBIT		**$746,081.52**	**$2,890,205.49**	**$22,371,075.01**	**($2,026,485.29)**
Income tax					
Net Profit After Tax		**$746,081.52**	**$2,890,205.49**	**$22,371,075.01**	**($2,026,485.29)**

8.2 Projected Balance Sheet

Statement of Financial Position (Balance Sheet) covering this year (actual)) and estimates and 3 years forecasts

BWEBWERIKI NET LIMITED (BNL) BALANCE SHEET AS AT 31 DECEMBER 2025			PROJECTIONS		
	Note	1 JAN TO 31 DEC 2025 Actual & Budget	2026	2027	2028
Current assets					
Cash and Cash equivalents	11	$ 1,117,840.07	$ 999,407.28	$ 1,184,079.76	$ 1,763,227.44
Trade and other receivables	12	$ 140,192.38	$ 578,380.29	$ 218,828.93	$ 305,244.26
Inventories					
Total Current Assets		**$ 1,258,032.45**	**$ 1,577,787.57**	**$ 1,402,908.69**	**$ 2,068,471.70**
Current Liabilies					
Trade and Other payables	13	$ 24,942.27	$ 818,462.17	$ 901,628.75	$ 1,540,799.57
Total Current Liabilities		$ 24,942.27	$ 818,462.17	$ 901,628.75	$ 1,540,799.57
Working Capital		**$ 1,233,090.18**	**$ 759,325.40**	**$ 501,279.94**	**$ 527,672.13**
Non Current Assets					
Property, Plant and Equipment	14	$ 29,722,903.18	$ 33,086,873.45	$ 55,715,993.92	$ 53,663,116.44
Total Assets		**$ 30,980,935.63**	**$34,664,661.02**	**$57,118,902.61**	**$55,731,588.14**
Non Current Liabilities					
Deposits from Service Providers for OIN	15	$ 100,037.41	$ 100,037.41	$ 100,037.41	$ 100,037.41
Total Non-current Liabilities		**$ 100,037.41**	**$ 100,037.41**	**$ 100,037.41**	**$ 100,037.41**
Total Liabilities		**$ 124,979.68**	**$ 918,499.58**	**$ 1,001,666.16**	**$ 1,640,836.98**
Net Assets		**$ 30,855,955.95**	**$33,746,161.44**	**$56,117,236.45**	**$54,090,751.16**
Equity					
Capital					
Reserves					
Dividends Paid					
Retained earnings	16	$30,109,874.43	$ 30,855,955.95	$ 33,746,161.44	$ 56,117,236.45
Current Year Earnings		$ 746,081.52	$2,890,205.49	$ 22,371,075.01	($2,026,485.29)
		$ 30,855,955.95	**$33,746,161.44**	**$56,117,236.45**	**$54,090,751.16**

8.3 Projected Cash Flow Statement

Cash Flow statements, covering this year (actual) and estimates and 3 years forecasts

Bwebweriki NET Ltd Statement of Cash Flow January to December 2025				PROJECTION		
	Account Name			2026	2027	2028
Cash Flow from Operating Activities						
Net Income		$746,081.52		$2,890,205.49	$22,333,923.54	($2,026,805.11)
	Trade Debtors	($137,567.38)		($440,457.91)	$359,551.36	($86,415.33)
	Travel Advance - Auatabu Enota	($2,270.00)		$2,270.00		
	PAYE Tax Payable	($4,000.00)		$7,632.08		
	Trade Creditors	($12,876.83)		$785,887.82	$83,166.58	$639,170.82
	Customer Deposits & Overpayments	($8,969.93)				
	OceanLink Deposit for OIN	($707,956.10)				
	Depr. Furniture	$128.40		$128.40		$128.40
	Depr. Office Equipment	$1,842.00		$1,842.00	$1,842.00	$1,842.00
	Depr. Computers	$1,602.24		$103.93		
	Depr. Motor Vehicles	$348.53		$348.53	$37,500.00	
	Depr. Low Value Pool	$159.80			$159.80	$159.80
	Depr. Kiritimati CLS	$609,440.24		$609,440.20	$609,440.20	$609,440.20
	Depr OIN Passive Infrastructure	$7,500.00		$7,500.00	$44,500.00	$44,500.00
	Depr Starlink Gateway			$16,666.67	$200,000.00	$200,000.00
	Depr Tarawa EMC CLS				$1,197,126.90	$1,197,126.90
Net Cash Flow from Operating Activities			$493,462.49	$3,881,567.21	$24,867,210.38	$579,147.68
Cash Flow from Investing Activities						
	Furniture At Cost	($1,092.50)				
	Low Value Pool At Cost	($799.00)				
	Kiritimati Cable Landing Station at Cost	($1,419,147.37)				
	OIN Passive Instrastruture at Cost				($740,000.00)	
	Starlink Gateway at Cost			(4,000,000.0)		
	Tarawa EMC CLS At Cost				($23,942,537.90)	
Net Cash Flow from Investing Activities			($1,421,038.87)	($4,000,000.00)	($24,682,537.90)	$ -
Cash Flow from Financing Activities						
Net Cash Flow from Financing Activities			$ -	$ -	$ -	$ -
Net Increase/Decrease for the period			($927,576.38)	($118,432.79)	$184,672.48	$579,147.68
Cash at the Beginning of the period			$2,045,416.45	$ 1,117,840.07	$ 999,407.28	$ 1,184,079.76
Cash at the End of the period			$ 1,117,840.07	$ 999,407.28	$1,184,079.76	$ 1,763,227.44

8.4 Projected Financial Performance

Profitability Analysis

Profitability Analysis

The analysis has been conducted on the sustainable operation of BNL over the next three years, starting in 2026, since all Cable Stations, including a Starlink Gateway, will be offering services.

Over the next three years, all forecasts anticipate revenue growth from 2025 through 2028. According to the Income Statements, the company's primary revenues currently stem from the services provided by Kiritimati Cable Landing Station (SX NEXT), specifically IP Transit and Carrier Ethernet, as well as the lease of OIN Passive Infrastructure in the Outer Islands, including towers and masts. It is also anticipated that, in 2025 and later years, when both EMCS and Fibre to the Home (FTTH) projects are operational, they will contribute to the company's profitability and sustainability. Another income that depicts huge amount on the Income Statement is the government grant and as per accounting standards, any donated or Assets in Kind being received from donor agencies such as Asian Development Bank (ADB) and World Bank (WB), the EMC Cable from the governments of Australia, Japan and the United States must all be recognised as parts of the pool of the company's assets. The revenue treatment of these assets in kind in the period recognised contributed to the increase in the total income for the years 2025 to 2027. Having more revenue streams from 2025 and later years could signal the company's sustainable operation. The value of the EMC Cable is estimated to indicate that it will be part of the BNL pool of assets in the future. The same also applies to the Starlink Gateway. However, these government grants will be reassessed again when the projects are complete to ascertain their nominal value or fair value.

By looking at the expenses. It should be noted that the operation of the Submarine Cable is expensive, and management considers the agreement with Southern Cross Company Pty Ltd favourable to BNL, as it will help offset some of the costs. However, the EMC is a bit expensive, and to cover its expenses, BNL has to find ways to maximise revenue from this system. If BNL cannot meet such costs, it will depend on government assistance to maintain the cable operation.

Based on the forecast, it is evident that revenues can be generated. Management is pleased to report that the Starlink Gateway is now operational, and service providers are utilising this high-speed internet. At the end of this year, EMC will be lit. There is an anticipation that high-capacity options will be offered, and with the service price being low, there is an expectation that Service Providers will also make changes to their existing services, especially the price and data plans that the people of Kiribati have been longing for.

BNL will continue to work closely with Service Providers, promoting the use of high-speed internet so that all can reap the full benefits of ICT and high-speed internet.

Overall, the assessment of BNL operations suggests that it will continue to face the challenge of being mandated to operate on a recovery basis; however, this ideal is worth enabling end-users to reap the full benefits of affordable and high-speed internet. In the future, when BNL encounters cash flow problems, the government should assist BNL in sustaining its operations and maintaining its crucial service offerings to the people of Kiribati; otherwise, the mandate should change to a profit-oriented one.

8.5 Details of key assumptions influencing the financial forecasts.

9 The Financial forecasts reflect strategies, resource allocations, revenues, costs, assets and liabilities arising from the planned actions and strategy and provide supporting reference notes and statements of explanation.

10 Refer to the Financial Statements above. Please also note that Kiritimati Cable Landing Station began commercial operations in March 2024. The two ISPs are now connected to the Kiritimati Cable Landing Station; however, Vodafone is yet to connect its mobile customers.

11 All Service Providers charged for the use of towers and masts, starting in October 2024. In addition to the two main revenues mentioned above, FTTP Network, EMCS, and Starlink Capacity sales are also reflected in the forecast. The Starlink Gateway is now operational and will provide capacity in the interim period for the two leading Mobile Operators. In December 2025, the East Micronesian Cable is expected to be lit, and with this, there is an anticipation of an increase in BNL revenue. Not only this, but more costs are also likely to be incurred.

12 For the BNL operation to be sustainable, setting the right price is crucial; thus, a Cost Model has been developed specifically for BNL.

Regarding liabilities, there is an expectation that they will increase, especially the EMC liability. However, management will continue to manage these liabilities wisely to avoid adverse effects on BNL's operations.

12.3 Accounting Policies

Basis of Preparation

The company's financial statements have been prepared in accordance with the historical cost basis, as per generally accepted accounting principles (GAAP) standards and statutory requirements in Kiribati. The financial statements are presented in Australian dollars, the official currency of Kiribati. Transactions involving other currencies, such as New Zealand and US dollars, are translated using the daily exchange rate provided by the local ANZ Bank (Kiribati) Ltd.

As Kiribati has not adopted a mandatory specific accounting standard, the financial statements are prepared in compliance with local GAAP, standards, and legal requirements, ensuring the consistent selection and application of accounting policies for transactions and events. The planned transition to adopt the International Financial Reporting Standards (IFRS) and implement them in the 2023 Annual Accounts is currently on hold. The company's principal accounting policies are outlined in Note 3.

Accounting Policy

The financial year for the company is the fiscal year starting from January to December

11.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government.

Before the Kiritimati Cable Landing Station is ready for service (RFS), all costs related to the operation of the station should be reimbursed from Southern Cross NEXT, and such costs that BNL claimed are recognised as revenue and called Pre-FRS Reimbursement until the end of June 2022 as per the Landing Party Agreement (LPA). Costs claimed thereafter are referred to as Post-RFS Reimbursement. Leasing of Outer Island Passive Infrastructure (towers and masts) to Service Providers is another source of revenue for BNL and is recognised when the invoice is issued.

Government grants represent another source of revenue recognised by BNL in this financial year. The Income approach is adopted in accounting for government grants related to Assets and cash as income. The Cable Landing Stations, New Towers constructed with the Central Government funds, are treated as government grants related to Assets, and any assistance by the Ministry of Information, Communication and Transport or Government departments is treated as a Grant related to Cash.

A similar in-kind asset transfer from the Government of Kiribati to BNL involved the Outer Island Network Passive Infrastructure, including towers, masts, huts, and other small assets associated with these structures. These assets were valued at their fair market value and accounted for using the same approach as the Cable Landing Station (CLS). Another pool of 5 towers, included as part of the OIN Passive Infrastructure in 2025, was valued at AUD 740,000. This grant was provided with the condition that BNL would ensure the delivery of high-quality, affordable internet services while maintaining and managing these assets sustainably. The government grant is recorded as a separate revenue item in the income statement.

The second type of government grant recognised in the financial statements was a cash payment of AUD 1,360,990 from the government to BNL for the construction of five towers on remote islands. This grant, categorised as cash-related, was also included in the government grant revenue in the income statement, following the same accounting treatment.

Additionally, other government grants, such as expenses related to the Board and BNL-related expenses, which were covered by the Ministry of Information, Communication, and Transport, were also classified as government grants.

11.2 Tax Income

Since the company has not yet commenced operations, there is no current income tax payable. The income tax expense reflects the sum of both current and deferred tax. The current tax payable is determined based on the taxable profit for the year. For this reporting period, the only tax obligation is the PAYE tax payable.

11.3 Property, Plant and Equipment

Property, plant, and equipment are measured at cost, net of accumulated depreciation and any impairment losses.

Depreciation is applied using the straight-line method to allocate the cost of assets, less their residual values, over their estimated useful lives.

The following annual rates are used for the depreciation of property, plant and equipment:

Buildings	2%
Furniture and Equipment	10% to 25%
Motor vehicles	20% to 25%
Computer equipment	10% to 25%
Telecommunications Equipment and Plant	5% to 33%

Suppose there is an indication that there has been a significant change in the depreciation rate, useful life, or residual value of an asset. In that case, the depreciation of that asset is revised to reflect the new expectation.

A gain or loss on disposal of the Fixed Asset must be recognised in the Profit and Loss Statement.

Assets recognised as part of government grants include Cable Landing Stations and Outer Islands Network (OIN) Passive Infrastructure. Southern Cross NEXT was ready for service and was operational for delivery. Southern Cross NEXT Cable Station was recognised as part of the BNL pool of assets in mid-December 2023, but later resolved by the Board to change the accounting approach to the Income Approach and be recognised when it started its commercial operations in March, with its value determined and depreciated using the Telecommunications Equipment and Plant rate.

This grant is related to the asset known as the Cable Landing Station on Kiritimati Island. The Asian Development Bank funds it as a grant to the government of Kiribati. In addition, there is no condition that BNL is expected to adhere to of this asset, except to own, manage, and use it as its asset.

OIN Passive Infrastructure refers to towers and masts owned by the former incumbent Service Provider, Telecom Services Kiribati Ltd (TSKL), which were previously under the MICT portfolio when sold to ATH. In 2021, the government mandated BNL to look after this passive infrastructure. Based on the accounting records, most of these assets are fully depreciated, except for a few that were recently built and were also recognised as part of the BNL Assets pool, depreciated accordingly at a rate of 5%. The remaining towers and masts need to be audited to determine whether they require refurbishment, replacement, or will be valued accordingly.

As a disclosure requirement for this asset, the treatment is the same as that of the Cable Landing Station. With all these assets being transferred to BNL, it is mandated to manage, maintain, and sustain its operations. With these in-kind assets, BNL recognised them as Assets related to a government grant, and the accounting treatment, methods and presentation are no different to those of the Cable Landing Station in Kiritimati.

11.4 Trade and other receivables

Since the company began offering the service in early 2024, it was anticipated that a few accounts receivable would remain outstanding during the reporting period, primarily among Service Providers scheduled to interconnect with the CLS in Kiritimati. Southern Cross Cable Limited, which has an agreement with Bwebweriki Net Ltd through the Landing Party Agreement (LPA), will be the primary accounts receivable party under the reimbursement arrangement.

From 2025 to 2028, there is an increase in the accounts receivable figure, as well as other receivables. This is attributed to the rise in the uptake of BNL services by Service Providers.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine if there is any evidence that the amounts are not recoverable. An impairment loss is recognised when evidence is identified.

11.5 Trade and other payables

With BNL starting its commercial operations early in 2024, the number of accounts payable is increasing that are dealing with BNL. The main creditor is BNL's upstream service provider, Fiji International Telecommunications (FINTEL), as well as two Service Providers and others related to utility services. Foreign payables denominated in a foreign currency are translated into Australian dollars, the local currency in use in Kiribati, using the exchange rate of ANZ Bank Kiribati Ltd. on the date of the transaction. Foreign exchange gains or losses are classified as other income or expenses.

With BNL now, mandated by the government to look after the Outer Islands Network (OIN) (i.e., Masts, Towers, and other fixed Assets), and with the need to develop and improve the services to the people in the outer islands, bids are offered to Service Providers resulting in making mandatory security Deposits to the Escrow Account looked after by BNL, and thus treating them as other Payables as well. Later, they will be reimbursed upon meeting the bid requirements or when they are unsuccessful in the bidding process.