

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Kiribati National Shipping Line Ltd
Financial Statements
For the years ended 31st December 2020**

**Kiribati Audit Office
September 2022**

KIRIBATI AUDIT OFFICE

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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

**To the Readers of
Kiribati National Shipping Line Ltd Financial Statements
For the year ended 31 December 2020**

I have audited the Financial Statements of Kiribati National Shipping Line Ltd (KNSL) for the year ended 31st December 2020 as required under sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981 and Sec 22(1) of the Kiribati Audit Act, 2017. The Financial Statements comprise of the following:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flow
- Statement of Changes in Equity
- Notes to the Accounts

Qualified Opinion

In my opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards (IAS).

Basis for Qualified Opinion:

- We found that most of the charges made to Ministries were short when paid due to tax deductions. These deductions were accumulated in the Accounts Receivable balances when they should be regarded as tax deductions.
- Drydocking and some Repair and Maintenance costs should be capitalised, but they were expensed.
- We were unable to verify the increase in Ration expense as supporting records were not available. Proper counting of Ration was not done upon return of Vessels.
- Fuel and Oil was expensed although there was 13,467 litres remaining balance on record.
- Government Grant related to depreciable assets (Vessels) were not accounted for in accordance with requirements of IAS 20.
- We were unable to verify Fixed Assets due to the following:
 - There was a variance of \$3,750 detected between Fixed Assets Register and Fixed Assets schedule.
 - Fixed assets register (FAR) did not reflect properly the additions made throughout the year 2020.

Emphasis of the Matter:

I would like to draw the attention to the matter highlighted below:

- There was a significant increase in Cargo Claims/Loss (Damaged Cargoes) of \$45,298 in 2020 when compared to \$743 in 2019.

I have conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are described in the Auditor's Responsibilities paragraph of my report. I am independent of the **Company** in accordance with the

Ethical requirements that are relevant to my audit of the financial statements of the Company, and I have fulfilled my other responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Board and Management's Responsibilities for the Financial Statements.

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

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

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

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act, 2017. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA/ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

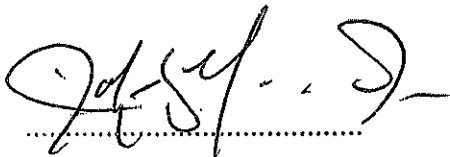
Report on other Legal and Regulatory Requirements

KNSL lodged its 2020 Financial Statement on 26th July, 2021 therefore indicating KNSL's noncompliance to Section 20 of the SOE Act 2013.

Independence

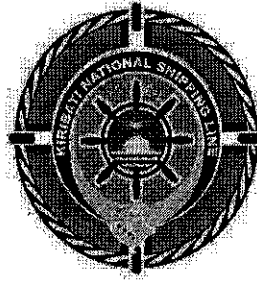
Section 114 (4) of the Kiribati Constitution stipulates that the Auditor General shall not be subject to the direction or control of any other person or authority.

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



Mr. Eriati Tauma Manaima-
Auditor General

Date:31/08/2022



KIRIBATI NATIONAL SHIPPING LINE LTD

ANNUAL ACCOUNT 2020

**KIRIBATI NATIONAL SHIPPING LTD
POLICIES FOLLOWED IN FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31ST DECEMBER 2020**

The Company

The forerunner of Kiribati National Shipping Line Ltd (KNSL) Company was the Kiribati Shipping Services Limited incorporated on the 9th of July 1990. Kiribati National Shipping Line Ltd (KNSL) was registered on 10th August 2018 with the primary objective of providing affordable shipping transportation in all the Islands of the Republic of Kiribati.

Principal Accounting policies

The Financial Statements are prepared under the historical cost convention and in accordance with the International Accounting Standards. The following is a summary of the more important policies used by the Company:

Depreciation

Depreciation is calculated to write off the cost of long term assets on straight line basis over their expected useful lives.

The rates of depreciation and useful lives are as follows:

- (i) Office Equipment 20%
- (ii) Furniture & Fittings 10%
- (iii) Motor Vehicles 20%
- (iv) Buildings 5%
- (v) Vessels 10%
- (vi) Plant & Machinery 10%

Offsetting Financial Instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Foreign Currencies

Assets and Liabilities expressed in foreign currencies are converted into Australian dollars at the rate of exchange ruling at the end of the financial year.

Aid Items

Items received in aid have been capitalised under the Assets Grant Aid and released to profit and loss at the rate of an applicable depreciation charge.

Provision for doubtful debts

Provision has been made in the 2019 accounts (See Note 3 to the Accounts)

Kiribati National Shipping Line Ltd
Summary Profit & Loss Account
Year Ending 31/12/2020

	2020	2019	2018
REVENUE			
Core Operations Revenue	2,280,645	2,311,073	2,320,790
Non-Core Revenue	105,517	69,689	74,401
Government Grant	200,000	100,000	136,000
REVENUE	2,586,162	2,480,762	2,531,192
EXPENSES			
Core Personnel Costs	945,624	994,938	895,832
Core Operating Expenses	1,308,235	1,242,079	1,077,835
Non Core Operating Expenses	153,356	147,334	195,946
EXPENSES	2,407,215	2,384,351	2,169,613
PROFIT BEFORE DEPRECIATION	178,947	96,412	361,579
Depreciation	534,571	593,915	509,478
OPERATING PROFIT	(355,625)	(437,503)	(147,899)
Exceptional Items		(357,605)	(901,478)
NET PROFIT/(LOSS)	(355,625)	(795,108)	(1,049,377)

Kinbati National Shipping Line Ltd
Profit & Loss Account
Year Ending 31/12/2020

	Notes	2020	2019	2018
REVENUE				
Core Operations				
Pax Fare Out		134,579	138,308	96,275
Pax Fare In		46,068	46,674	50,708
Cargo Freight Out		624,578	615,049	644,337
Cargo Freight In		30,943	36,990	14,650
Freezer Freight Out		2,666	3,346	
Freezer Freight In		752	223	
KNSL Xmas Branch Deposit		158,740	156,550	142,846
Cargo Handling Out		135,684	90,823	92,116
Cargo Handling In		4,518	9,518	7,827
Copra Freight In		166,762	185,560	264,923
Copra Handling In		30,778	33,343	36,014
Charter/Diversion		948,289	1,081,581	944,495
Other Commissions			10	
Additional Handling Cost - Heavy Cargoes		6,900	5,100	600
Total Core Operations Revenue		2,280,645	2,311,073	2,320,798
Non Core Revenue				
Vehicle Hire		560		283
Welding Sales		1,080	8,513	3,826
Rental Container & Others		2,520	6,058	1,500
Rental Office		23,170	22,603	37,645
Commission for refund		3,932	1,637	6,228
Rental Electricity Charges		12,881	2,390	2,452
Warehouse Sales		12,616	2,702	7,019
Collection - Document Fee		4,287	2,727	2,575
Sales - Tool Box		280		261
Collection - Other Revenue		15,542	4,201	11,031
Asset Sales		300	1,940	1,590
Sales - Local Products		532		
Refund of Onires		2,200		
Rental Liftcraft & Livesaving		1,020	3,090	
Floating Freight		11,934	202	
Canteen Collection		9,582	13,636	
Total Non-Core Revenue		106,617	69,689	74,491
Government Grant/Subsidy				
Govt Subsidy		100,000		38,000
CEO Salary and Allowances		100,000	100,000	100,000
Total Government Grant		200,000	100,000	136,000
TOTAL REVENUE		2,586,162	2,480,762	2,631,192
EXPENSES				
Core Personnel Costs				
Wages & Salaries		671,259	720,967	692,457
KPF Contributions		50,328	54,319	53,015
Overtimes		511		78,823
Leave Grant		106,367	112,500	78,175
Leave Commutation			990	
Sea Going Allowance		23,909	30,201	
Allowances		21,369	5,376	20,960
Housing Subsidy		1,853	585	737
Salary - CEO Expatriate		70,000	70,000	71,667
Total Core Personnel Costs		945,634	994,938	895,832
Core Operating Expenses				
Port Charges		63,617	28,232	29,716
Survey Charges			335	520
Fuel & Oil - Vessels		516,056	737,026	638,911
Fuel & Oil - Vehicles		7,919	9,329	
Victualling Ration		113,377	105,512	119,425
Repairs & Maint on Vessels		107,337	160,025	97,797
Repairs & Maint - Motor Vehicles		8,428	3,385	5,639
Sieveloring		50,369	57,051	66,020

Kiribati National Shipping Line Ltd
Profit & Loss Account
Year Ending 31/12/2020

	Notes	2020	2019	2018
Cargo Claim		45,298	743	11,133
Spare Parts - Vessels		4,553	45,905	89,712
Repair and Maintenance Office		22,348	18,380	17,962
Hire		16,036	16,243	
Canteen Supplies - Aranobwa		2,250	11,414	
Drydocking - Vessels		284,538		
Stores & Supplies - Ships		9,562		
Sea Freight Refund		23,727		
Sea fare Refund		22,553	21,920	
Cargo Freight Out Refund		13,178	25,831	
Cargo Freight In Refund		93	678	
Total Core Operating Expenses		1,308,235	1,242,079	1,077,835
Non Core Operating Expenses				
Cleaning Supplies		957	2,260	1,774
Printing & Stationery		11,614	5,772	8,164
Radio License - Ship (CCK)		1,900	921	
Security Charges			2,707	4,560
Board Refreshment		1,900	3,551	3,082
Board Allowances		17,880	21,610	14,190
Local Travel		1,984	1,385	15,384
Overseas Travel		2,422		46,229
Local Training		7,204	14,405	6,319
Overseas Training		2,500		
Advertisement & Notices		3,178	3,250	6,667
PUB Electricity		35,041	33,645	35,809
PUB Fresh Water		19,077	9,643	4,915
Computer Supplies & Repairs		3,602	2,613	4,804
Repair & Maintenance - Vehicles		1,315		
Charges - Vodafone		21,962	20,432	17,749
Toll Fare/Registration Fee			115	4,752
Housing Subsidy			1,067	782
Management Entertainment		8,181	8,964	1,273
Bank & Cheques Charges		3,423	3,068	2,022
Duty Allowance			5,680	
Charges - PUB Sewerage Fee		220		
Annual Registration fee (Vessel)		7,061	4,627	
Telecom License				2,664
Lawyer's Fee				10
Other Expenses		1,934		14,568
Total Non Core Operating Expenses		153,356	147,334	195,945
TOTAL EXPENSES		2,407,215	2,384,350	2,169,573
PROFIT BEFORE DEPRECIATION		178,947	96,412	361,579
DEPRECIATION	4	534,571	533,915	509,478
OPERATING PROFIT		(355,625)	(437,503)	(147,899)
EXCEPTIONAL ITEMS				
Loss on Prior Period Items	1		(148,491)	(342,801)
Loss on Sale of Fixed Asset				(1,150)
Loss on Sale/Disposal of Fixed Assets - LC Butmaru	2			(891,585)
Insurance Claim - LC Linnx				118,738
Adjustment to Prior Year Depreciation				92,098
Revenue b/f 2017				112,034
Provision for Doubtful Debts	3		(194,115)	
Income Tax Expense			(15,000)	
TOTAL OTHER INCOME & EXPENDITURE			(367,605)	(901,476)
NET PROFIT/(LOSS)		(355,625)	(795,108)	(1,049,377)

Kiribati National Shipping Line Ltd
Balance Sheet - Summary
As at 31/12/2020

	Notes	2020	2019	2018
Current Assets:				
Cash & Cash Equivalent		132,592	58,986	107,040
Trade Receivables		671,932	508,442	419,682
Provision for Doubtful Debts		(194,115)	(194,115)	
Other Current Assets		40,509	13,958	10,470
Total Current Assets		650,918	387,271	537,192
Less Current Liabilities		477,807	368,594	377,220
Working Capital		173,111	18,677	159,972
Fixed Assets		3,373,508	3,888,263	4,542,077
Net Worth		3,546,619	3,906,940	4,702,049
Represented by:				
Shareholders' Equity:				
Retained Earnings		3,902,244	4,702,048	5,780,262
Current Year Earnings		(355,625)	(795,108)	(1,049,377)
Historical Balancing				(28,836)
Total Shareholders' Equity		3,546,619	3,906,940	4,702,049

CEO
 Captain John Rounds

Board Chairman
 Kiantaata Teabo

Kiribati National Shipping Line Ltd
Balance Sheet - Detail
As at 31/12/2020

	Notes	2020	2019	2018
Cash & Cash Equivalent				
Petty Cash Imprest		1,500	1,500	1,500
Cash at Bank		131,047	57,486	104,930
Undeposited Funds		45		
Ministry of Finance (Refund)				610
Total Cash & Cash Equivalent		132,592	58,986	107,040
Receivables				
Trade Debtors		671,932	508,442	419,682
Less Prov. for Doubtful Debts		(194,115)	(194,115)	
Total Receivables		477,817	314,327	419,682
Other Current Assets				
Staff Imprest			5,502	2,690
Master Imprest		19,578	1,790	
Staff Debtors		20,931	6,666	7,780
Total Other Current Assets		40,509	13,958	10,470
Total Current Assets		650,918	387,271	537,192
Current Liabilities				
Staff Tax Payable		102,652	95,697	91,036
KPF Payable		43,020	31,374	30,765
Other Payroll Liabilities		2,699	1,986	4,411
Audit Fees		29,000	29,000	29,000
Bounced Cheques to KOIL		129,688	129,688	129,688
KPA - Outstanding Invoices		78,849	78,849	78,849
Withholding Tax		7,568		
Trade Creditors		84,331	2,000	13,472
Total Current Liabilities		477,807	368,594	377,220
Working Capital		173,111	18,677	159,972
Fixed Assets (NBV)				
Furniture & Fittings		35,716	24,836	32,810
Land & Buildings		20,741	30,368	57,253
Plant & Machinery		54,488	60,961	45,334
Vessels		3,242,829	3,739,255	4,308,537
Motor Vehicles		13,407	22,265	48,690
Office Equipment		6,327	10,578	18,275
Tools				31,179
Total Fixed Assets		3,373,508	3,888,263	4,542,077
Net Worth		3,546,619	3,906,940	4,702,049
Shareholders' Equity:				
Retained Earnings		3,902,244	4,702,048	5,780,262
Current Year Earnings		(355,625)	(795,108)	(1,049,377)
Historical Balancing				(28,836)
Total Shareholders' Equity		3,546,619	3,906,940	4,702,049

KIRIBATI NATIONAL SHIPPING LINE LTD
CONSOLIDATED CASH FLOW
For the year ended 31st December 2020

	2020	2019	2018
Cash flow from operating activities			
Receipts from customers	2,165,214	2,216,530	2,445,657
Receipts from insurances		119,736	
Payments to employees	(910,370)	(1,220,627)	(798,641)
Payments to suppliers	(1,348,422)	(1,135,103)	(1,524,990)
Net Cash flow from Operating Activities	(91,578)	(19,463)	122,027
Cash flow from investing activities			
Purchase of fixed assets	(19,816)	(28,591)	(123,121)
Net Cash flow from Investing Activities	(19,816)	(28,591)	(123,121)
Cash flow from financing activities			
Government Subsidy - LC Aratobwa	100,000		36,000
Government Injection - CEO Salary & Allowances	85,000		
Net Cash flow from Financing Activities	185,000		36,000
Net Cash Flow	73,606	(48,054)	34,906
Cash and Bank Balances - Beginning	58,986	107,040	72,134
Cash and Bank Balances - Ending	132,592	58,986	107,040
Note A - Details of Cash and Bank Balances			
Undeposited Funds	45		
Cash Float	1,500	1,500	1,500
Bank Account No 1 - Tarawa	131,047	57,486	104,990
MFED VAT Deduction			610
Cash & Cash equivalent as at 31/12/20	132,592	58,986	107,040
Note B - Reconciliation of cash flow from operations			
Net Profit / Loss for the period	(355,625)	(795,108)	(1,049,377)
Depreciation charge for the period	534,571	533,915	417,380
Decrease/(Increase) in Debtors	(263,647)	149,920	(59,188)
Increase/(Decrease) in Creditors	109,213	(8,628)	(29,737)
Changes/Adjustment to Fixed Assets	(19,559)	119,899	795,108
Changes/Adjustment to Creditors		(19,461)	46,842
Changes/Adjustment to Debtors	(86,531)		
	(91,578)	(19,463)	122,027

KNSL - FIXED ASSET SCHEDULE

	Land and Buildings	Vessels	Motor Vehicles	Plant & Machinery	Furniture and Fittings	Office Equipment	Tools	Total Fixed Assets
COST								
Balance @ 31/12/18	212,558	4,964,254	191,790	117,226	55,743	38,208		5,579,779
2019								
Additions								
Disposals								
Balance @ 31/12/19	212,558	4,964,254	191,790	117,226	55,743	38,208		5,579,779
2020								
Additions				3,000	16,816			19,816
Disposals								
Adjustments								
Balance @ 31/12/20	212,558	4,964,254	191,790	120,226	72,559	38,208		5,599,595

DEPRECIATION

Balance @ 31/12/18	155,305	655,717	143,300	43,301	22,933	19,933		5,599,595
2019								
Depreciation Charged	9,628	496,425	8,858	8,153	5,369	5,483		533,916
Disposals								
Adjustment	17,257	72,858	17,567	4,811	2,605	2,213		117,311
Balance @ 31/12/19	182,190	1,225,000	169,525	56,265	30,907	27,629		6,250,822
2020								
Depreciation Charged	9,628	496,425	8,858	9,473	5,935	4,252		534,571
Disposals								
Adjustment								
Balance @ 31/12/20	193,818	1,721,425	178,383	65,738	36,842	31,881		6,785,393

NET BOOK VALUE

12/31/19	30,368	3,739,254	22,265	60,961	24,836	10,579		3,888,263
2020								
12/31/20	20,740	3,242,829	13,407	54,488	35,717	6,327		3,373,508

Note 1 Gain/Loss on Prior Period Items		
	2019	2018
Write off of Tools	31,179	
Adjustment for removal of Scrap value in Depn Calculation to Dec 2018	115,812	
Adjustment of Loss on Sales of Motor Vehicle misallocated.	1,500	
To adjust Trade debtors posting of opening balances		389,847
Other		(47,246)
Total LPPI	148,491	342,601

Note 2 Loss on Disposal of Fixed Asset		
	2019	2018
Disposal LC Butimari:		
Cost		1,602,900
Depreciation		(881,595)
Loss on Disposal - book value		721,305

Note 3 Trade Debtors and Provision for Doubtful Debts				
	Trade Debtors			Provision
	2020	2019	2018	2019
Kiribati Copra	230,649	202,999	159,412	(151,006)
KOIL	159,598	157,614	155,638	(10,157)
Government	143,076	81,379	52,642	(2,122)
DC Trading	6,891	6,891	6,891	(6,891)
History Flight	2,850	3,205	2,035	
Keangnimwakin Shipping Services	4,355	4,355	4,355	
Lyke It Trd	5,373	5,616	5,616	(3,668)
Maneaba n Maungatabu	5,824	5,824	5,824	(5,824)
Reitakim Store	13,045	13,045	13,045	(13,045)
Remia Trading	6,342	3,231	28	
Slim Price	5,974	2,974	27	
TOKS Shipping Line	2,749	2,749	2,749	
Other	85,208	18,561	11,421	(1,402)
Total	671,932	508,442	419,682	(194,115)

NB:

- The majority of the provision relates to debt outstanding for years before 2015
- KOIL provision made after deducting amounts owed by KNSL to KOIL (129,688)