REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Air Kiribati Limited
For the Year Ended 31st December 2012-2013

Kiribati National Audit Office
April 2016

KIRIBATI NATIONAL AUDIT OFFICE

P.O BOX 63
Bairiki, Tarawa
Kiribati

Tel: (686)21118
Fax: (686)21250
Email: infor@knao.gov.ki

Audit for an impact for the public

Audit Report

To the readers of
Air Kiribati Limited's financial statement
For the years ended 31 December 2012 and 2013

The Auditor-General, Mrs Matereta B Raiman, is the auditor of Air Kiribati Limited (AKL).

The audit covered the company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1981 as amended and Company Act 1979 that apply to the financial statements of the AKL for the years ended 31 December 2012 and 2013.

Qualification

Detailed below are the audit findings for the years ended 2012 and 2013:

- AKL failed to provide the agreement between itself and the supplier of aircraft hence hindered us from verifying level of compliance in terms of repayments and other obligations specified in the agreement.
- Fixed assets 2012 & 2013:
  - Fixed assets register was not maintained properly.
  - No stocktake of Fixed Assets was carried out at period end.
  - A significant variance of $60,012 was noted for 2013 Aircraft depreciation.
  - Some of the Fixed Assets had negative Net Book Values when they should be reported as zero. Consequently this had therefore overstated depreciation charge and understated the total Fixed Assets balance.
- Provision for Doubtful Debts was not accounted for in the Financial Statement of 2012 and 2013 even-though outstanding Trade Debtors escalated.

- The followings were noted for Trade Debtors 2012 & 2013:
    - No debtors listing available.
    - Collection of outstanding trade debtors was not enforced.
    - There was lack of proper reconciliation and review of trade debtor's records.
    - An amount per Invoice # 26045 (2013) was wrongly entered as $162.30 instead of $3,945.
- Bank statements and Bank Reconciliation for May to Dec 2013 were not available.
- Revenue Charter 2013:
    - Charter revenue of $44,302.40 was unaccounted for in the financial statements.
    - Some of the Charter invoices were underpaid and their supporting documents were missing.
- There were missing Board Minutes noted for 2013.

Qualified Opinion

In my opinion, **except for the effects of the matters** referred to in the qualification paragraph, the financial statements of the AKL for the year ended 31 December 2012 and 2013:

- Comply with generally accepted accounting practice as they apply in Kiribati;
- fairly reflect the company's financial position for year ended 31 December 2012 and 2013,
- fairly reflect the results of its operations and cash flows for year then ended.

The audit was completed on 22 April, 2016 and was the date at which our opinion was expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the generally accepted auditing practice in Kiribati.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We randomly select transactions when conducting our audit, therefore we could not guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of AKL Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice. The financial statements must give a true and fair view of the financial position of the company for the year ended 31 December 2012 & 2013 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Public Finance (Control and Audit) Act 1981 and Company Act 1979.

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

Independence

When carrying out the audit we followed the independence requirement as stipulated under the Kiribati Constitution section 114 (3) and the International Standards of Auditing.

Other than the audit, we have no relationship with or interests in the Company.

....

Mrs. Matereta. Raiman.
Auditor General
Kiribati National Audit Office

Date: 22 April, 2016.

Auditor Copy ①

AIR KIRIBATI LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(UNAUDITED ACCOUNTS)

1. GENERAL

Air Kiribati Limited was established for the purpose of providing airline services for the general public. It commenced on 1st April, 1995

2. PRINCIPLE ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical cost convention. The following is a summary of important accounting policies used by the company.

(a) Depreciation

Depreciation is calculated on a straight line method to write off the costs of the Long Term Assets over their expected useful lives. The rates are as follows:

...craft Airframe/engine	3%
C... ...ter	20%
AM Radio	20%
Air Condition	20%
Tools	33.3%
Furniture & Fixtures	33.3%
Motor Vehicles	20%

(b) Currency

The financial statement is expressed in Australian dollars. Assets and liabilities expressed in foreign currencies are converted into Australian dollars at the rate of exchange ruling at the date of purchasing foreign currencies

(c) Stock

Stock are stated at the lower cost or net realizable value

3. CASH & CASH EQUIVALENT

		2012		2011		2010		2009
Cash - Undeposited funds	$	34,592	$	29,604	$	8,976	$	30,171
Bank - 239877	$	(150,960)	$	13,982	$	194,655	$	207,307
Bank - IBD 711059	$	27,457	$	27,457	$	27,457	$	-
Bank - IBD 789729	$	565,211	$	802,056	$	330,291	$	190,357
...nk - Merchant	$	285	$	-	$	-	$	4,334
Bank - One World Guarantee	$	10,000	$	10,000	$	10,000	$	-
Cash and Bank	$	486,586	$	883,099	$	571,379	$	432,169
Payroll Cheque	$	(82,301)	$	(64,200)	$	(64,017)	$	(59,857)
Payroll salary advance	$	(557)	$	(2,201)	$	-	$	1,692
Electronic Clearing Account	$	-	$	(84,828)	$	-	$	-
Others	$	(82,858)	$	(151,230)	$	(64,017)	$	(58,165)
Total	$	403,728	$	731,869	$	507,362	$	374,004

4. STAFF DEBTORS & OTHER RECEIVABLES

		2012		2011		2010	$	2,009
Staff Recharge Account	$	(14,358)	$	(892)	$	(2,042)	$	7,335
Short & Surplus	$	448	$	871	$	735	$	3,633
Air Pacific - Lost Baggage Claim	$	100	$	100	$	100	$	100
Imprest Account	$	20,024	$	16,123	$	13,701	$	6,811
Prepaid Insurance	$	39,368	$	39,368	$	39,368	$	-
Total	$	45,581	$	55,570	$	51,862	$	17,879

5. OTHER PAYABLES

		2012		2011		2010		2009
Cash Remittance	$	582	$	(1,083)	$	(1,046)	$	(499)
Government Charter (South Seas Sales Bairiki)	$	-	$	146,148	$	144,509	$	116,827
Prepaid Tickets	$	(28,016)	$	(9,345)	$	-	$	(6,702)
Our Airline International Tickets	$	(33,815)	$	(83,110)	$	12,845	$	31,681
One World Flight Center	$	(280,793)	$	(119,954)	$	-	$	-
Visa	$	85	$	85	$	6	$	6
Other International Agencies	$	-	$	17,395	$	15,910	$	-
Payroll Liabilities	$	-	$	48,508	$	-	$	-
Total	$	(341,956)	$	(1,356)	$	172,224	$	141,314

TAX PAYABLE

It shows that we have an outanding tax reflected in the account. According to instruction, Government has agreed to clear this outstanding with no cash payment being arranged. Therefore we are unable at this time to adjust this amount in our books when there is no proven of cash transaction made

ax Payable - $291,668

Tax liability - $32,924 Refer Appendix i

...G TERM ASSETS			AM	Air		Furniture	Motor	
COS.	Aircrafts	Computer	Radio	Condition	Tools	& Fixtures	Vehicles	Total
Balance 1/01/12	$ 3,859,398	$ 53,173	$ 42,350	$ 3,830	$ 22,964	$ 4,101	$ 39,735	$ 4,025,551
Addition	$ 1,022,563	$ 1,300.00	$ -	$ 2,750	$ 14,127.00	$ 14,064	$ 40,287	$ 1,095,091
Balance 31/12/12	**$ 4,881,961**	**$ 54,473**	**$ 42,350**	**$ 6,580**	**$ 37,091**	**$ 18,165**	**$ 80,022**	**$ 5,120,642**
DEPRECIATION								
Balance 1/01/12	$ 434,708	$ 22,918	$ 39,970	$ 2,838	$ 18,014	$ 3,909	$ 30,670	$ 553,027
Charge	$ 146,459	$ 10,895	$ 8,470	$ 1,316	$ 12,351	$ 6,049	$ 16,004	$ 201,544
Balance 31/12/12	$ 581,167	$ 33,813	$ 48,440	$ 4,154	$ 30,365	$ 9,958	$ 46,675	$ 754,571
NBV 31/12/12	$ 4,300,794	$ 20,660	$ (6,090)	$ 2,426	$ 6,726	$ 8,207	$ 33,348	$ 4,366,071
NBV 1/01/12	$ 3,424,690	$ 30,255	$ 2,380	$ 992	$ 4,951	$ 191	$ 9,065	$ 3,472,524

SHARE CAPITAL

		2012		2011		2010		2009
Authorised Capital	$	500	$	500	$	500	$	500
Ordinary Capital	$	-	$	-	$	-	$	-
Balance	$	500	$	500	$	500	$	500

RETAINED EARNINGS

		2012		2011		2010		2009
.alance 1/1/12 (Per MYOB)	$	1,856,947	$	1,012,270	$	167,855		-
A Current Net Profit	$	740,658	$	824,677	$	846,858		168,275
: Est. Values of 2 Saloon cars acquired prior 2011	$	-	$	20,000	$	-	$	-
Balance 31/12/12	$	2,597,605	$	1,856,947	$	1,014,713	$	168,275

END OF NOTES

The attached Notes form part of these Financial Statements

CHAIRMAN
Date :

DIRECTOR
Date :

AIR KIRIBATI LIMITED

PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED 31 December 2012

(UNAUDITED ACCOUNTS)

				2009
REVENUE	2012	2011	2010	(Apr - Dec)
Air Tickets	$ 2,612,134	$ 2,581,345	$ 2,508,303	$ 1,188,484
Freight	~~$ 437,371~~	$ 407,448	$ 271,099	$ 192,023
Mail	$ 9,280	$ 17,298	$ 22,475	$ -
Ground Handling	$ 140,922	$ 157,901	$ 158,154	$ 64,032
Charter - Domestic	$ 218,657	$ 263,917	$ 120,934	$ 142,500
Airfare Reduction Subsidy	$ 236,900	$ -	$ -	$ -
Sundry Fees & Commission	$ 13,346	$ 29,612	$ 17,580	$ 69,377
	$ 3,668,610	$ 3,457,521	$ 3,098,545	$ 1,656,416
COST OF SALES				
DIRECT FLIGHT RELATED EXPENSES	$ 1,421,441	$ 1,330,104	$ 1,207,101	$ 603,014
GROSS PROFIT	$ 2,247,169	$ 2,127,417	$ 1,891,444	$ 1,053,402
AMDIMINSTRATION AND OTHER EXPENSES				
Accounting & Audit Fees	$ -	$ -	$ -	$ 93
Technical Assistance	$ 9,172	$ 2,663	$ 2,500	$ 655
Bank Charges	$ 12,020	$ 11,711	$ 16,444	$ 12,734
Travelling	$ 99,046	$ 99,360	$ 95,155	$ 90,326
Training & Workshop	$ 4,104	$ 37,226	$ 26,353	$ 13,447
Depreciation	$ 201,544	$ 162,037	$ 27,410	$ 71,122
Telphone , Internet & Postage	$ 60,776	$ 41,530	$ 43,403	$ 19,418
Office Supplies	$ 50,372	$ 46,682	$ 40,322	$ 18,606
Freight Paid	$ -	$ -	$ 5,663	$ 3,049
Repairs & Maintenance	$ 27,563	$ 12,018	$ 23,774	$ 13,982
Motor Vehicle Expenses	$ 34,453	$ 26,575	$ 34,832	$ 25,777
Board Directors	$ 11,573	$ 16,804	$ 10,384	$ 7,731
Suspense Account	$ -	$ -	$ 1,165	$ 4,936
Compensation & Damage	$ 1,609	$ 773	$ -	$ -
Commission - Agents	$ 70,387	$ 73,569	$ 66,315	$ 30,762
Prior Years Expense	$ -	$ 9,850	$ -	$ -
Advertising & Promotion	$ 21,480	$ 17,493	$ 6,917	$ 7,213
Entertainment	$ 15,740	$ 8,741	$ 10,529	$ 5,739
Publications, Fees & Licenses	$ 22,547	$ 18,582	$ 20,169	$ 9,024
KPF - Employers Contribution	$ 46,002	$ 64,653	$ 42,134	$ 13,094
Staff Salaries & Other Related Expenses	$ 747,183	$ 674,233	$ 669,612	$ 445,291
Redundancy	$ -	$ -	$ -	$ 16,099
House Rent	$ 42,635	$ 28,247	$ 36,665	$ 35,516
Electricity & Water	$ 53,352	$ 45,786	$ 56,633	$ 51,188
TOTAL ADMIN & OTHERS	$ 1,531,560	$ 1,398,533	$ 1,236,379	$ 895,802
OTHER INCOME				
Commission & Fees	$ 14,297	$ 54,257	$ 60,718	$ 14,754
Freight - Other Airline	$ 31,977	$ 19,125	$ 4,553	$ -
Sundry Income	$ 11,698	$ 22,410	$ 126,523	$ 18,616
TOTAL OTHER INCOME	$ 57,973	$ 95,792	$ 191,794	$ 33,370
Net Profit before tax	$ 773,582	$ 824,676	$ 846,859	$ 190,970
Tax	$ 32,924	$ 120,784	$ -	$ -
Net Profit after tax	$ 740,658	$ 703,892	$ 846,859	$ 190,970

....

AIR KIRIBATI LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

(UNAUDITED ACCOUNTS)

CURRENT ASSETS	NOTES	2012	2011	2010	2009
Cash & Cash Equivalent	3	$ 403,727	$ 731,869	$ 507,363	$ 374,004
Trade Debtors		$ 833,583	$ 726,426	$ 565,923	$ 447,985
Staff Debtors & Other Receivables	4	$ 45,581	$ 55,570	$ 51,862	$ 17,879
		$ 1,282,891	$ 1,513,866	$ 1,125,148	$ 839,868
CURRENT LIABILITIES					
Other Payable	5	$ (341,957)	$ (1,357)	$ 172,224	$ 141,314
Trade Creditors		$ 519,102	$ 334,173	$ 235,228	$ 68,580
Tax Liability	6	$ 324,592	$ 247,006	$ 253,911	$ 492,633
		$ 501,737	$ 579,822	$ 661,363	$ 702,527
WORKING CAPITAL		$ 781,154	$ 934,044	$ 463,785	$ 137,341
NON CURRENT ASSETS					
Total Non Current Assets	7	$ 4,366,071	$ 3,472,524	$ 3,100,548	$ 2,574,703
LONG TERM LIABILITIES					
Aircraft Insurance		$ 29,553	$ 29,553	$ 29,553	$ 23,702
NET ASSETS		$ 5,117,672	$ 4,377,015	$ 3,534,780	$ 2,688,342
EQUITY					
Government Share & Capital	8	$ 500	$ 500	$ 500	$ 500
Government Grant & Subsidy		$ 2,519,567	$ 2,519,567	$ 2,519,567	$ 2,519,567
Retained Earnings	9	$ 2,597,605	$ 1,856,947	$ 1,014,713	$ 168,275
TOTAL EQUITY		$ 5,117,672	$ 4,377,015	$ 3,534,780	$ 2,688,342

The attached Notes form part of these Financial Statements

CHAIRMAN

Date :

DIRECTOR

Date :

AIR KIRIBATI LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012
(UNAUDITED ACCOUNTS)

CASH FLOW FROM OPERATING ACTIVITIES	2012	2011	2010
Cash Receipts from Customers	$ 2,207,975	$ 2,047,362	$ 3,138,418
Cash Paid to Suppliers & Employees	$ (1,441,025)	$ (1,306,400)	$ (2,503,610)
Net Cash from Operating Activities	**$ 766,950**	**$ 740,962**	**$ 634,808**
CASH FLOW FROM INVESTMENT AND ACTIVITIES			
Deduct : Acquisition of Long Term Assets	$ (1,095,092)	$ (534,013)	$ (553,254)
Add : Prior Years Adjustment	$ -	$ 20,000	$ 51,805
Deduct : Differrence in R/Earings balance 2010/2011 (Audited Acct/MY(	$ -	$ (2,443)	
	$ (328,142)	**$ 224,506**	**$ 133,359**
CASH FLOW FROM FINANCING ACTIVITIES			
Grant & Subsidy	$ -	$ -	$ -
Net Increase in Cash & Cash Equivalent	$ (328,142)	$ 224,506	$ 133,359
Cash & Cash Equivalent 1/1/2012	$ 731,869	$ 507,363	$ 374,004
Cash & Cash Equivalent 31/12/2012	**$ 403,728**	**$ 731,869**	**$ 507,363**
Note 1. Reconciliation of Cash & Cash Equivalent			
Cash & Bank	$ 486,586	$ 883,099	$ 571,380
Others	$ (82,858)	$ (151,230)	$ (64,017)
Cash & Cash Equivalent at 31/12/2012	$ 403,728	$ 731,869	$ 507,363
Note 2. Reconciliation of Net Profit to Net Cash from Operating Activities			
Net Profit as per Account	$ 740,658	$ 824,677	$ 846,857
Add: Depreciation	$ 201,544	$ 162,037	$ 27,407
	$ 942,202	**$ 986,714**	**$ 874,264**
Increase in Debtors	$ (97,167)	$ (164,211)	$ (151,921)
Decrease in Creditors	$ (78,085)	$ (81,541)	$ (41,164)
Creditors Adjusments - Aircraft Insurance	$ -	$ -	$ (46,371)
Net Profit from Operating Activities	$ 766,950	$ 740,962	$ 634,808

....
CHAIRMAN
Date:

....
DIRECTOR
Date:

Appendix I

TAXATION CALCULATION	2012	2011	2010	2009
Net Profit	$ 773,582	$ 824,677	$ 846,859	$ 190,970
Add Back Accounting Depreciation	$ 201,544	$ 162,037	$ 27,410	$ 71,122
	$ 975,126	$ 986,714	$ 874,269	$ 262,092
Less Taxation Depreciation	$ 866,771	$ 572,174	$ 581,597	$ 609,919
Taxable Profit for Taxation Purposes	$ 108,355	$ 414,540	$ 292,672	-$ 347,827
		Profit	Profit Off-set loss from $ 2,009	Loss
Net Profit (-Loss) Brought Forward	$ 108,355	-$ 55,155	-$ 347,827	$ -
Net Taxable Profit (after losses from Prev Yr)	$ 108,355	$ 359,385	-$ 55,155	
Taxation - first 25,000 20%	$ 5,000	$ 5,000		
Taxation $25,001 - $50,000 30%	$ 7,500	$ 7,500		
Taxation Balance at 35%	$ 20,424	$ 108,285		
Total Tax Due	$ 32,923.88	$ 120,784.32	Nil	Nil

AIR KIRIBATI LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(UNAUDITED ACCOUNTS)

1. GENERAL

Air Kiribati Limited was established for the purpose of providing airline services for the general public. It commenced on 1st April, 1995

2. PRINCIPLE ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical cost convention. The following is a summary of important accounting policies used by the company.

(a) Depreciation

Depreciation is calculated on a straight line method to write off the costs of the Long Term Assets over their expected useful lives. The rates are as follows:

Aircraft Airframe/engine	3%
Computer	20%
AM Radio	20%
Air Condition	20%
Tools	33.3%
Furniture & Fixtures	33.3%
otor Vehicles	20%

(b) Currency

The financial statement is expressed in Australian dollars. Assets and liabilities expressed in foreign currencies are converted into Australian dollars at the rate of exchange ruling at the date of purchasing foreign currencies

(c) Stock

Stock are stated at the lower cost or net realizable value

3. CASH & CASH EQUIVALENT

		2013		2012		2011		2010		2009
Cash - Undeposited funds	$	-	$	34,592	$	29,604	$	8,976	$	30,17
Bank - 239877	$	635,468	$	(150,960)	$	13,982	$	194,655	$	207,30
Bank - IBD 711059	$	27,457	$	27,457	$	27,457	$	27,457	$	-
Bank - IBD 789729	$	489,880	$	565,211	$	802,056	$	330,291	$	190,35
Bank - Merchant	$	285	$	285	$	-	$	-	$	4,33
Bank - One World Guarantee	$	10,000	$	10,000	$	10,000	$	10,000	$	-
Cash and Bank	$	1,163,090	$	486,586	$	883,099	$	571,379	$	432,16
Payroll Cheque	$	-	$	(82,301)	$	(64,200)	$	(64,017)	$	(59,85
Payroll salary advance	$	(4,495)	$	(557)	$	(2,201)	$	-	$	1,69
Electronic Clearing Account	$	-	$	-	$	(84,828)	$	-	$	-
hers	$	(4,495)	$	(82,858)	$	(151,230)	$	(64,017)	$	(58,16
Total	$	**1,158,595**	$	**403,728**	$	**731,869**	$	**507,362**	$	**374,00**

4. STAFF DEBTORS & OTHER RECEIVABLES

		2013		2012		2011		2010	$	2,00
Staff Recharge Account	$	(27,763)	$	(14,358)	$	(892)	$	(2,042)	$	7,33
Short & Surplus	$	999	$	448	$	871	$	735	$	3,63
Air Pacific - Lost Baggage Claim	$	100	$	100	$	100	$	100	$	10
Imprest Account	$	22,424	$	20,024	$	16,123	$	13,701	$	6,81
Prepaid Insurance	$	39,368	$	39,368	$	39,368	$	39,368	$	-
Total	$	35,128	$	45,581	$	55,570	$	51,862	$	17,87

5. OTHER PAYABLES

	2013	2012	2011	2010	2009
Cash Remittance	$ (1,066)	$ 582	$ (1,083)	$ (1,046)	$ (49
Government Charter (South Seas Sales Bairiki)	$ -	$ -	$ 146,148	$ 144,509	$ 116,82
Prepaid Tickets	$ (34,270)	$ (28,016)	$ (9,345)	$ -	$ (6,70
O irline International Tickets	$ -	$ (33,815)	$ (83,110)	$ 12,845	$ 31,68
One World Flight Center	$ -	$ (280,793)	$ (119,954)	$ -	$ -
Visa	$ 85.00	$ 85	$ 85	$ 6	$
Other International Agencies	$ -	$ -	$ 17,395	$ 15,910	$ -
Payroll Liabilities	$ (35,000)	$ -	$ 48,508	$ -	$ -
Total	$ (70,251)	$ (341,956)	$ (1,356)	$ 172,224	$ 141,31

6. TAX PAYABLE

Tax liability - 2012 $32,924 Refer Appendix i

7. LONG TERM ASSETS			AM	Air		Furniture	Motor	
COST	Aircrafts	Computer	Radio	Condition	Tools	& Fixtures	Vehicles	Total
Balance 1/01/13	$ 4,881,961	$ 54,473	$ 42,350	$ 6,580	$ 37,091	$ 18,165	$ 80,022	$ 5,120,64
Addition	$ 7,764,050	$ 7,296.00	$ -	$ 2,655	$ 1,964.00	$ (20)	$ 59,360	$ 7,835,30
Balance 31/12/13	**$ 12,646,011**	**$ 61,769**	**$ 42,350**	**$ 9,235**	**$ 39,055**	**$ 18,145**	**$ 139,382**	**$ 12,955,94**
DEPRECIATION								
Balance 1/01/13	$ 581,167	$ 33,813	$ 48,440	$ 4,154	$ 30,365	$ 9,958	$ 42,675	$ 750,57
Charge	$ 319,368	$ 12,354	$ 8,470	$ 1,847	$ 13,005	$ 6,042	$ 27,876	$ 388,96
Balance 31/12/13	**$ 900,535**	**$ 46,167**	**$ 56,910**	**$ 6,001**	**$ 43,370**	**$ 16,000**	**$ 70,551**	**$ 1,139,53**
NBV 31/12/13	**$ 10,028,103**	**$ 15,602**	**$ (14,560)**	**$ 3,234**	**$ (4,315)**	**$ 2,145**	**$ 68,831**	**$ 10,099,03**
NBV 1/01/13	**$ 4,300,794**	**$ 20,660**	**$ (6,090)**	**$ 2,426**	**$ 6,726**	**$ 8,207**	**$ 37,347**	**$ 4,370,07**

8. SHARE CAPITAL

	2013	2012	2011	2010	2009
Authorised Capital	$ 500.00	$ 500	$ 500	$ 500	$ 50
Ordinary Capital	$ -	$ -	$ -	$ -	$ -
Balance	$ **500**	$ **500**	$ **500**	$ **500**	$ **50**

9. RETAINED EARNINGS

	2013	2012	2011	2010	2009
Balance 1/1/12 (Per MYOB)	$ 2,597,605	$ 1,856,947	$ 1,012,270	$ 167,855	-
Add : Current Net Profit	$ 23,898	$ 740,658	$ 824,677	$ 846,858	168,27
: Est. Values of 2 Saloon cars acquired prior 2011	$ -	$ -	$ 20,000	$ -	$ -
Balance 31/12/12	**$ 2,621,503**	**$ 2,597,605**	**$ 1,856,947**	**$ 1,014,713**	**$ 168,27**

END OF NOTES

attached Notes form part of these Financial Statements

....

CHAIRMAN

Date : 21/03/14

....

DIRECTOR

Date : 21/3/14

7835305
5777948
2,057,357

Expenditures- 2013		Sub total	*Total*	*Notes*
Travelling	Local	$ 57,664		
	Overseas	$ 45,144	$ 102,808	10
Training & Workshop	Local	$ 1,400		
	Overseas	$ 5,647	$ 7,047	11
Office Supplies	Cleaning	$ 214		
	Office Supplies	$ 46,601	$ 46,815	12
Repairs & Maintenance	Furniture & O/Equipment	$ 11,657		
	General	$ 4,244	$ 15,901	13
Motor Vehicles	Repairs	$ 14,529		
	Fuels	$ 14,814	$ 29,343	14
Advertising & Promotion	Advertising	$ 14,823		
	staffs Uniform	$ 3,307	$ 18,130	15
Permit & Licence	Publications	$ 4,100		
	Permit & Licence	$ 14,074	$ 18,174	16
Staff related expenses	Allowances	$ 117,770		
	Salaries & wages	$ 639,943		
	Shift allowances	$ 6,208		
	Overtime	$ 73,917		
	Leave grants	$ 32,600		
	Medical Checkup	$ 2,833	$ 873,271	17
House rent	staffs	$ 45,926		
	Premises (KTA)	$ 7,228	$ 53,154	18

AIR KIRIBATI LIMITED
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2013
(UNAUDITED ACCOUNTS)

						2009
REVENUE	NOTES	2013	2012	2011	2010	(Apr - Dec)
Air Tickets		$ 2,572,216	$ 2,612,134	$ 2,581,345	$ 2,508,303	$ 1,188,484
Freight		$ 377,966	$ 446,651	$ 424,746	$ 293,574	$ 192,023
Ground Handling		$ 109,833	$ 140,922	$ 157,901	$ 158,154	$ 64,032
Charter - Domestic		$ 248,666	$ 218,657	$ 263,917	$ 120,934	$ 142,500
Airfare Reduction Subsidy		$ 198,070	$ 236,900	$ -	$ -	$ -
Sundry Fees & Commission		$ 51,669	$ 71,319	$ 125,404	$ 209,374	$ 102,747
		$ 3,558,420	$ 3,726,583	$ 3,553,313	$ 3,290,339	$ 1,689,786
COST OF SALES						
DIRECT FLIGHT RELATED EXPENSES		$ 1,431,417	$ 1,421,441	$ 1,330,104	$ 1,207,101	$ 603,014
GROSS PROFIT		$ 2,127,003	$ 2,305,142	$ 2,223,209	$ 2,083,238	$ 1,086,772
AMDIMINSTRATION AND OTHER EXPENSES						
Accounting & Audit Fees		$ 25	$ -	$ -	$ -	$ 93
Technical Assistance		$ 7,000	$ 9,172	$ 2,663	$ 2,500	$ 655
Bank Charges		$ 10,783	$ 12,020	$ 11,711	$ 16,444	$ 12,734
Travelling	10	$ 102,808	$ 99,046	$ 99,360	$ 95,155	$ 90,326
Training & Workshop	11	$ 7,047	$ 4,104	$ 37,226	$ 26,353	$ 13,447
Depreciation		$ 388,963	$ 201,544	$ 162,037	$ 27,410	$ 71,122
Telphone , Internet & Postage		$ 31,312	$ 60,776	$ 41,530	$ 43,403	$ 19,418
Office Supplies	12	$ 46,815	$ 50,372	$ 46,682	$ 40,322	$ 18,606
Freight Paid		$ -	$ -	$ -	$ 5,663	$ 3,049
Repairs & Maintenance	13	$ 15,901	$ 27,563	$ 12,018	$ 23,774	$ 13,982
Motor Vehicle Expenses	14	$ 29,343	$ 34,453	$ 26,575	$ 34,832	$ 25,777
Board Directors		$ 9,392	$ 11,573	$ 16,804	$ 10,384	$ 7,731
Suspense Account		$ -	$ -	$ -	$ 1,165	$ 4,936
Compensation & Damage		$ 770	$ 1,609	$ 773	$ -	$ -
Commission - Agents		$ 69,031	$ 70,387	$ 73,569	$ 66,315	$ 30,762
Prior Years Expense		$ -	$ -	$ 9,850	$ -	$ -
Advertising & Promotion	15	$ 18,130	$ 21,480	$ 17,493	$ 6,917	$ 7,213
Entertainment		$ 12,532	$ 15,740	$ 8,741	$ 10,529	$ 5,739
Publications, Fees & Licenses	16	$ 18,174	$ 22,547	$ 18,582	$ 20,169	$ 9,024
KPF - Employers Contribution		$ 53,689	$ 46,002	$ 64,653	$ 42,134	$ 13,094
Staff Salaries & Other Related Expenses	17	$ 873,271	$ 747,183	$ 674,233	$ 669,612	$ 445,291
Redundancy		$ -	$ -	$ -	$ -	$ 16,099
House Rent	18	$ 53,154	$ 42,635	$ 28,247	$ 36,665	$ 35,516
Electricity & Water		$ 51,793	$ 53,352	$ 45,786	$ 56,633	$ 51,188
Loss on Trade In Aircraft		$ 303,172	-	$ -	$ -	$ -
TOTAL ADMIN & OTHERS		$ 2,103,106	$ 1,531,560	$ 1,398,533	$ 1,236,379	$ 895,802
Net Profit before tax		$ 23,898	$ 773,582	$ 824,676	$ 846,859	$ 190,970
Tax		$ -	$ 32,924	$ 120,784	$ -	$ -
Net Profit after tax		$ 23,898	$ 740,658	$ 703,892	$ 846,859	$ 190,970

CHAIRMAN
Date: 21/03/14

DIRECTOR
Date 24/3/14

AIR KIRIBATI LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2013

(UNAUDITED ACCOUNTS)

CURRENT ASSETS	NOTES		2013		2012		2011		2010		2009
Cash & Cash Equivalent	3	$	1,158,595	$	403,727	$	731,869	$	507,363	$	374,004
Trade Debtors		$	921,971	$	833,583	$	726,426	$	565,923	$	447,985
Staff Debtors & Other Receivables	4	$	35,128	$	45,581	$	55,570	$	51,862	$	17,879
		$	**2,115,694**	$	**1,282,891**	$	**1,513,866**	$	**1,125,148**	$	**839,868**
CURRENT LIABILITIES											
Other Payable	5	$	(70,251)	$	(341,957)	$	(1,357)	$	172,224	$	141,314
Trade Creditors		$	587,114	$	519,102	$	334,173	$	235,228	$	68,580
Tax Liability	6	$	32,924	$	324,592	$	247,006	$	253,911	$	492,633
		$	**549,787**	$	**501,737**	$	**579,822**	$	**661,363**	$	**702,527**
WORKING CAPITAL		$	**1,565,907**	$	**781,154**	$	**934,044**	$	**463,785**	$	**137,341**
NON CURRENT ASSETS											
Total Non Current Assets	7	$	**10,099,039**	$	**4,366,071**	$	**3,472,524**	$	**3,100,548**	$	**2,574,703**
LONG TERM LIABILITIES											
KPF Loan		$	6,523,376	$	29,553	$	29,553	$	29,553	$	23,702
NET ASSETS		$	**5,141,570**	$	**5,117,672**	$	**4,377,015**	$	**3,534,780**	$	**2,688,342**
EQUITY											
Government Share & Capital	8	$	500	$	500	$	500	$	500	$	500
Government Grant & Subsidy		$	2,519,567	$	2,519,567	$	2,519,567	$	2,519,567	$	2,519,567
Retained Earnings	9	$	2,621,503	$	2,597,605	$	1,856,947	$	1,014,713	$	168,275
TOTAL EQUITY		$	**5,141,570**	$	**5,117,672**	$	**4,377,015**	$	**3,534,780**	$	**2,688,342**

The attached Notes form part of these Financial Statements

CHAIRMAN

Date : 21/03/14

DIRECTOR

Date : 21/3/14

(A)

AIR KIRIBATI LIMITED

CAS' 'LOW STATEMENT

FOR ..HE YEAR ENDED 31 DECEMBER 2013

(UNAUDITED ACCOUNTS)

		2013		2012		2011		2010
CASH FLOW FROM OPERATING ACTIVITIES								
Cash Receipts from Customers	$	2,038,616	$	2,207,975	$	2,047,362	$	3,138,418
Cash Paid to Suppliers & Employees	$	(1,782,153)	$	(1,441,025)	$	(1,306,400)	$	(2,503,610
Net Cash from Operating Activities	$	**256,462**	$	**766,950**	$	**740,962**	$	**634,808**
CASH FLOW FROM INVESTMENT AND ACTIVITIES								
Deduct : Acquisition of Long Term Assets	$	(5,777,968)	$	(1,095,092)	$	(534,013)	$	(553,254
Add : Prior Years Adjustment	$	-	$	-	$	20,000	$	51,805
Deduct : Differrence in R/Earings balance 2010/2011 (Audited Acct/MYOB)	$	-	$	-	$	(2,443)	$	-
	$	**(5,521,505)**	$	**(328,142)**	$	**224,506**	$	**133,359**
CASH FLOW FROM FINANCING ACTIVITIES								
Net Proceeds from borrowing	$	6,276,373	$	-	$	-	$	-
N.. Increase in Cash & Cash Equivalent	$	(5,521,505)	$	(328,142)	$	224,506	$	133,359
..sh & Cash Equivalent 1/1/2013	$	403,728	$	731,869	$	507,363	$	374,004
Cash & Cash Equivalent 31/12/2013	$	**1,158,595**	$	**403,728**	$	**731,869**	$	**507,363**
Note 1. Reconciliation of Cash & Cash Equivalent								
Cash & Bank	$	1,158,595	$	486,586	$	883,099	$	571,380
Others	$	-	$	(82,858)	$	(151,230)	$	(64,01
Cash & Cash Equivalent at 31/12/2013	$	**1,158,595**	$	**403,728**	$	**731,869**	$	**507,363**
Note 2. Reconciliation of Net Profit to Net Cash from Operating Activities								
Net Profit as per Account	$	23,898	$	740,658	$	824,677	$	846,85
Add: Depreciation	$	388,963	$	201,544	$	162,037	$	27,40
	$	**412,861**	$	**942,202**	$	**986,714**	$	**874,26**
Increase in Debtors	$	(88,388)	$	(97,167)	$	(164,211)	$	(151,92
Decrease in Creditors	$	(68,012)	$	(78,085)	$	(81,541)	$	(41,16
Creditors Adjusments - Aircraft Insurance	$	-	$	-	$	-	$	(46,37
Net Profit from Operating Activities	$	**256,462**	$	**766,950**	$	**740,962**	$	**634,80**

CHAIRMAN

Date: 21/03/14

DIRECTOR

Date: 21/3/14

AIR KIRIBATI LIMITED
WORKSHEET FOR YEAR ENDED 2013
TRIAL BALANCE AT 31/12/2013

Code	Account Name	2013 Original Trial Balance DR	2013 Original Trial Balance CR	2013 Adjustments DR	2013 Adjustments CR	2013 Adjusted Trial Balance DR	2013 Adjusted Trial Balance CR	2013 Adjusted Profit & Loss DR	2013 Adjusted Profit & Loss CR	2013 Adjusted Balance sheet DR	2013 Adjusted Balance sheet CR
Current Assets		635,468				635,468				635,468	
1-1110	Current Account		190,406	190,406			-				
1-1120	Payroll Cheque Account	285				285				285	
1-1140	Petty Cash	27,457				27,457				27,457	
1-1155	JBD 711059	561,562		6,608	78,290	489,880				489,880	
1-1165	JBD 789729	10,000				10,000				10,000	
1-1170	One World Quarantee	112,116			112,116	-					
1-1180	Undeposited Funds										
1-1190	Electronic Clearance Account		4,495				4,495				4,495
1-1125	Payroll Salary Advance	921,971				921,971				921,971	
1-1200	Trade Debtors		27,763				27,763				27,763
1-1205	Staff Debtors	999				999				999	
1-1206	Short/Surplus	100				100				100	
1-1207	Air Pacific - Lost Baggage Claim	22,424				22,424				22,424	
1-1300	Imprest Account	39,368				39,368				39,368	
1-1400	Prepaid Insurance										
Fixed Assets		2,086,214			2,086,214	-				-	
1-2210	Casa at Cost	-	283,042	283,042			-				-
1-2225	Casa Accumulated Dep	2,625,228				2,625,228				2,625,228	
1-2250	Y12 at Cost		290,211		78,757		368,968				368,968
1-2255	Y12 Accumulated Dep	2,666,303		1,500,000	107,576	4,058,727				4,058,727	
1-2260	Twin Otter at Cost - I		7,913		121,762		129,675				129,675
1-2265	Twin Otter Accumulated Dep	3,961,640				3,961,640				3,961,640	
1-2270	Twin Otter at Cost - II		-		118,849		118,849				118,849
1-2275	Twin Otter Accumulated Dep	61,769				61,769				61,769	
1-2310	Computer at Cost		33,814		12,354		46,168				46,168
1-2315	Computer Accumulated Dep	42,350				42,350				42,350	
1-2320	AM Radio at Cost		48,440		8,470		56,910				56,910
1-2325	Am Radio Accumulated Dep	9,235				9,235				9,235	
1-2330	Air Condition at Cost		4,154		1,847		6,001				6,001
1-2335	Air Condition Accumulted Dep	39,055				39,055				39,055	
1-2355	Tools at Cost		30,365		13,005		43,370				43,370
1-2356	Tools Accumulated Dep	18,145				18,145				18,145	
1-2410	Furniture & Fixtures at Cost		9,959		6,042		16,001				16,001
1-2420	Furn & Fixt Accumulated Dep	9,081				9,081				9,081	
1-2510	Motor Vehicles at Cost - Truck		10,610		1,816		12,426				12,426
1-2515	Truck Accumulated Dep	110,301				110,301				110,301	
1-2520	Mini Bus at Cost		20,064		22,060		42,125				42,125
1-2525	Min Bus Accumulated Dep	10,000				10,000				10,000	
1-2530	CEO Sal Car at Cost		8,000		2,000		10,000				10,000
1-2535	CEO Sal car Accumulated Dep	10,000				10,000				10,000	
1-2540	CEO Sal Car at Cost		4,000		2,000		6,000				6,000
1-2545	CEO Sal Car Accumulated Dep										

1115	Cash Remittance	1,0[illegible]				1,0[illegible]				[illegible]066	
1120	Prepaid Ticket Advice	51,527			17,257	34,270				34,270	
1125	Government Charter (South Seas Sales-Bairiki)										
1130	Our Airline Tickets	58,689			58,689	-					
1135	One World Flight Center	439,255			439,255	-					
-1140	Visa		85				85				85
-1150	Other International Agencies		17,395	17,395			-				
-1200	Trade Creditors		670,324	83,211			587,114				587,114
	Tax Liability		32,924				32,924				32,924
-1410	Payroll Liab-Staff tax		300,756	300,756			-				
-1415	Payroll Liab-KPF		84,286	84,286			-				
-1424	Payroll Liab-Bank salary	5,718				5,718				5,718	
-1425	Payroll Liab-BOK Deductions	714				714				714	
-1426	Payroll Liab-Staff SAYE	5,100				5,100				5,100	
-1430	Payroll Liab-DBK Deduction		892				892				892
-1440	Payroll Liab-KHC house rent		8,252				8,252				8,252
-1460	Payroll Liab-Staff Entertainment	8,325				8,325				8,325	
-1465	Payroll Liab-Staff Insurance	675				675				675	
-1470	Payroll Liab-TSKL		502				502				502
-1475	Payroll Liab-Overtime						-				
-1480	Payroll Liab-Salary Advance	21,247				21,247	-			21,247	
-1485	Payroll Liab-Salary Staff Recharge		2,970				2,970				2,970
-1490	Payroll Liab-KPF loan	5,837				5,837				5,837	
ong Term Liabilities											
-2200	Kpf loan - Twin Otter		6,630,952	107,576			6,523,376				6,523,376
-2105	Aircraft Insurance Outstanding		29,553	29,553			-				
quity & Retained Earnings											
-1100	Government Share/Capital		500				500				500
-1115	Government Grant/Subsidy		2,569,057	49,490			2,519,567				2,519,567
-8000	Retained Earnings		2,597,605				2,597,605				2,597,605
-9000	Current Profit		659,934				23,898				23,898
	Total Balance Sheet 31 Dec 2013	**14,579,224**	**14,579,224**	**2,652,323**	**3,288,360**	**13,186,436**	**13,186,436**			**13,186,436**	**13,186,436**
levenue											
-1010	Air Tickets - Bairiki		1,492,800				1,492,800		1,492,800		
-1020	Air Tickets - Bonriki		94,447				94,447		94,447		
-1022	Air Tickets - Our Airline		115				115		115		
-1025	Air Tickets - Honolulu / Kiritimati		-				-		-		
-1030	Air Tickets - Outer Island Agents		984,855				984,855		984,855		
-1040	Commisions & Booking - Air Tickets		-				-		-		
-1120	Freight - Bonriki		227,068				227,068		227,068		
-1130	Freight - Outer Island Agents		56,378				56,378		56,378		
-1140	Excess Freight - Bonriki		76,641				76,641		76,641		
-1150	Excess Freight - Outer Island Agents		13,395				13,395		13,395		
-1220	Mail		4,484				4,484		4,484		
4-1320	Ground Handling - Bonriki		71,398				71,398		71,398		
4-1330	Ground H[illegible]dling - Kiritimati		38,435				38,435		38,435		
4-1420	Charter - [illegible]mestic		2[illegible]666				248,666		248,666		

[illegible]	Airfare Reduction Subsidy		148,580		49,490		198,070		198,070		
6000	*Late Fees Collected*		1,255				1,255		1,255		
7000	*Sundry Fees - PTA & Remittance*		6,779				6,779		6,779		
8000	*Cancellation fee - Air Tickets*		2,567				2,567		2,567		
irect Flight Expenses											
1100	*Fuel & Oil - Aircrafts*	1,075,004				1,075,004		1,075,004			
1200	*Wages - Outer Island Porters*	26,130				26,130		26,130			
1300	*Aircraft In - House Repairs*	259,043				259,043		259,043			
1400	*Insurance - Flight Crew*	6,240				6,240		6,240			
1500	Insurance - Aircrafts	65,000				65,000		65,000			
	Total Direct Expenses	***1,431,417***	***3,467,863***	-	***49,490***	***1,431,417***	***3,517,353***	***1,431,417***	***3,517,353***	-	-
xpenses											
1050	Accounting & Audit Fees	25				25		25			
1055	Technical Assistance	7,000				7,000		7,000			
1095	Landings Fees	-				-		-			
1105	Cleaning	214				214		214	Office Supplies		
1200	Bank Charges	10,783				10,783		10,783			
1250	Travelling - Local	57,664				57,664		57,664	Travelling		
1265	Training & Workshop - Local	1,400				1,400		1,400	Training & Workshop		
1300	Depreciation			388,963		388,963		388,963			
1400	Postage							-			
1410	Telphone, Internet & Fax	31,312				31,312		31,312			
1500	Office Supplies	46,601				46,601		46,601	Office Supplies		
1550	Travelling - Overseas	45,144				45,144		45,144	Travelling		
1650	Training & Workshop - Overseas	5,647				5,647		5,647	Training & Workshop		
1700	Freight Paid							-			
1800	Late Fees Paid							-			
1825	Repairs /Maint - Fur/Off Equip	11,657				11,657		11,657	Repairs & Maintenance		
1850	Repairs /Maint - M/V & Plants	14,529				14,529		14,529	Motor Vehicles		
1860	Fuel -Motor Vehicles/Plants	14,814				14,814		14,814	Motor Vehicles		
1875	Board Directors	9,392				9,392		9,392			
1890	Suspence Account	-				-		-			
1895	Compensation & Damage	770				770		770			
1900	Commission - Outer Is Agents	69,031				69,031		69,031			
1905	Prior Years	-				-		-			
3100	Advertising & Promotion	14,823				14,823		14,823	Advertising & Promotion		
3200	Entertainment	12,532				12,532		12,532			
3400	Publications	4,100				4,100		4,100	Permit & Licences		
3800	Uniform	3,307				3,307		3,307	Advertising & Promotion		
5120	KPF - Employers Contribution	53,689				53,689		53,689			
5125	Allowance	117,770				117,770		117,770	Staff related expenses		
5130	Salaries & Wages	639,943				639,943		639,943	Staff related expenses		
5135	Shift Allowance	6,208				6,208		6,208	Staff related expenses		
5140	Overtime	73,917				73,917		73,917	Staff related expenses		
5160	Leave Gr[illegible]s	32,600				32,600		32,600	Staff related expenses		
5170	Medical [illegible]ckup	2,833				2,833		2,833	Staff related expenses		

6-5180	Staff House Rents	45,926				45,926		45,926	House rent		
6-6010	Electricity & Water	51,793				51,793		51,793			
6-6030	Permits & Licences	14,074				14,074		14,074	Licences & Publications		
6-6040	Insurance-Aircraft	-				-		-			
6-6070	Rent of Premises	7,228				7,228		7,228	House rent		
6-6080	Repairs & Maintenance	4,244				4,244		4,244	Repairs & Maintenance		
	Loss on sale			303,172		303,172		303,172	Other expenses		
	Total Expenses	***1,410,972***	-	***692,135***	-	***2,103,105***	-	***2,103,105***		-	-
Other Income											
8-1000	Interest Income - IBD				6,608		6,608	-	6,608		
8-3000	Maintenance Income - Coral Sun		200				200	-	200		
8-4000	Commission & Fees - Our Airline		8,557				8,557	-	8,557		
8-5000	Excess Freight - Kiritimati		8,254				8,254	-	8,254		
8-6000	Prior Years Income		-				-	-	-		
8-7000	Sundry Income		17,449				17,449	-	17,449		
	Total Other Income	-	***34,461***	-	***6,608***	-	**41,068**	-	**41,068**		
	Total Expenses & Revenue	***2,842,389***	***3,502,323***	***692,135***	***56,098***	***3,534,522***	***3,558,421***	***3,534,522***	***3,558,421***	-	-
		659,934				**23,898**		**23,898**	-		
	Trial Balance Grand Total	**18,081,547**	**18,081,547**	**3,344,458**	**3,344,458**	**16,744,856**	**16,744,856**	**16,744,856**	**16,744,856**		