REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Kiribati Oil Co. Ltd

For the Year Ended 31st December 2017

Kiribati Audit Office

August 2018

KIRIBATI AUDIT OFFICE

P.O BOX 63
Bairiki, Tarawa
Kiribati

Tel1: (686)75021118
Tel2: (686)75021335
Email: support@kao.gov.ki

Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

To The Readers Of
Kiribati Oil Co. Ltd Financial Statements
For The Year Ended 31 December 2017

The Auditor-General, Mrs Matereta Raiman is the auditor of Kiribati Oil Co. Ltd (KOIL)

The audit covered the Company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1976, the Companies Ordinance, 1979 and SOE Act, 2013 that apply to the Financial Statements of the KOIL for the year ended 31 December, 2017.

KOIL's Board of Directors and Management Responsibility

The Board of Directors and Management are responsible for the preparation and fair presentation of the Financial Statements in accordance with Generally Accepted Accounting Practice in Kiribati, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

It is my responsibility to express an independent opinion on these Financial Statements and reporting that opinion to you as required under the Public Finance (Control and Audit) Ordinance 1976. The audit was conducted in accordance with International Standards of Supreme Audit Institutions.

Unqualified Audit Opinion

In my opinion, the Financial Statements present fairly, in all material respects, the Financial Position of KOIL for the year ended 31st Dec, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice in Kiribati.

The audit was completed on 29th June, 2018, and was the date at which our opinion was expressed.

Report on other Legal and Regulatory Requirements

KOIL lodged its 2017 Financial Statements on 03/4/2018, although noted that this was late according to the timing specified in the SOE Act 2013 Sec. 20, we accepted the account as due date was extended to 30 June, 2018 as per SOE MAU Letter.

Independence

When carrying out the audit we followed the independence requirements stipulated under section 114 (4) of the Kiribati Constitution and the requirements of the International Standards of Supreme Audit Institutions.

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

.... Date: 29/06/2018

Mrs. Matereta. Raiman.
Auditor General.

KIRIBATTI OIL COMPANY LTD

FINANCIAL STATEMENTS

FOR YEAR ENDED 31st DECEMBER 2017

KIRIBATI OIL COMPANY LIMITED
DIRECTORS REPORT ON THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31ST DECEMBER, 2017

Directors of the Kiribati Oil Company Limited present their report on the financial statements of the company for the year ended 31st December, 2017 as follows.

1. State of Affairs

In the opinion of directors, the accompanying balance sheet gives a true and fair view of the state of affairs of the company as at 31st December 2017and the accompanying income statement and cash flow statement give a true and fair view of the operating result and cash flow of the company for the year ended 31st December, 2017.

2. Dividend

There was a dividend declared for the financial year ended 31st December 2017 of $1,017,745.85 and a cumulative dividend payable of $2,008,840.85 at year ended 31st December 2017.

3. Certificate of Solvency

In accordance with section 136 of the Companies Ordinance, directors of the Kiribati Oil Company Limited confirm that:-

(a) As at 31st December 2017, the company owned fixed assets at the value of $12,167,536.86 and current assets valued at $26,253,266.18.

(b) As at 31st December 2017, the company had its total accounts receivables of $5,566,853.72. The government ministries owed the company by $461,183.43 which equals to 8%, the SOE owed $354,528.47 or 6%, Domestic Airlines owed $3,788,303.75 which equals to 68%, International Airlines owed $507,657.43 or 9% and the other 8% which equals to $455,180.64 comprised of private business.

A total cumulative provision of doubtful debt of $9,659,557.43 has been estimated as doubtful at year ended 31st December 2017 based on accounts receivables and dishonored cheques thus giving net book value of $3,963,753.34.

(c) As at 31st December 2017, the company had its total dishonored cheque worth $8,056,457.06. About 97% of the dishonored checks comprised mainly of PUB at the amount of $7,841,516.06, 2% is owed by KSSL at the amount of $129,688.25 and 1% which equals to $85,252.72 is owed by private business.

(d) As at 31st December 2017, the company did not have any loans with ANZ bank and neither from other banks.

(e) As at 31st December 2017, a sum owed to the Japanese Non-Project Grant Aid scheme amounting to $1,973.908.70.

(f) As at 31st December 2017, the company had tax credits of $425,729.48 which will offset the company tax liability for year ended 31st December 2017 and nothing was owed by the company to directors or shareholders of the company as at that date.

(g) In the opinion of directors of the company, the company was able to pay its debts and liabilities as at 31st December 2017.

4. Subsequent Events

Since the date of the financial statements, there has been no significant event with material effect on the financial position or prospect of the company.

Signed for and on behalf of the Board and in accordance with a resolution of directors dated on the 28th day of March, 2018.

....
Chairman

....
Vice Chairman

KIRIBATI OIL COMPANY LTD
Summary of Income Statement - (Un-audited)
Year ended 31st December 2017

kiritimati?

	2017 Consolidated	Tarawa	Kiritimati	2016 Consolidated	2015 Consolidated
Income					
Net Sales	**38,667,933.05**	**33,878,219.50**	**4,789,713.55**	**35,247,100.03**	**34,013,485.74**
Less COS	25,352,491.98	21,902,901.66	3,449,590.32	22,501,610.18	25,148,470.49
Gross Profit	**13,315,441.07**	**11,975,317.84**	**1,340,123.23**	**12,745,489.85**	**8,865,015.25**
Other Income	604,313.18	529,067.88	75,245.30	727,330.82	265,594.52
Gain/(Loss) on Disposal	4,330.00	4,330.00	0.00	8,248.70	4,052.27
Deferred Grant Income (ROC)	77,777.76	77,777.76			
Total Income	**14,001,862.01**	**12,586,493.48**	**1,415,368.53**	**13,481,069.37**	**9,134,662.04**
Expenses					
Depreciation	1,039,721.89	854,556.33	185,165.56	766,946.64	782,632.11
Interest	-	-	0.00	-	74,097.37
Other Expenses	4,997,805.51	4,296,465.20	701,340.31	9,533,424.05	3,823,456.67
Total Expenses	**6,037,527.40**	**5,151,021.53**	**886,505.87**	**10,300,370.69**	**4,680,186.15**
PPI	(143,212.69)	(143,045.29)	(167.40)	1,226,549.96	-
Profit/(Loss) before I/Tax	**7,821,121.92**	**7,292,426.66**	**528,695.26**	**4,407,248.64**	**4,454,475.89**
Provision for I/Tax	2,732,392.67	2,552,349.33	180,043.34	1,537,537.02	1,554,066.56
Net Profit/(Loss)	**5,088,729.25**	**4,740,077.33**	**348,651.92**	**2,869,711.62**	**2,900,409.33**

Chairman.

Vice Chairman.

KIRIBATI OIL COMPANY LTD
Consolidated Income Statement - (Un-audited)
Year ended 31st December 2017

Kiritimati 2017: need be included for comparative.

	Notes	2017 Consolidated	Tarawa	Kiritimati	2016 Consolidated	2015 Consolidated
Revenue	3	**38,667,933.05**	**33,878,219.50**	**4,789,713.55**	**35,247,100.03**	**34,013,485.74**
less Cost of Sales	4	25,352,491.98	21,902,901.66	3,449,590.32	22,501,610.18	25,148,470.49
Gross Profit		**13,315,441.07**	**11,975,317.84**	**1,340,123.23**	**12,745,489.85**	**8,865,015.25**
Deferred Grant Income		77,777.76	77,777.76	-	-	-
Other Income	5	604,313.18	529,067.88	75,245.30	727,330.82	265,594.52
Total Income		**13,997,532.01**	**12,582,163.48**	**1,415,368.53**	**13,472,820.67**	**9,130,609.77**
Expenses:						
Staff Costs	6	1,592,501.61	1,264,124.12	328,377.49	1,515,325.54	1,373,422.81
Travelling		156,011.37	136,939.67	19,071.70	156,677.06	88,401.88
Motor Vehicle Expenses		35,618.27	14,740.22	20,878.05	74,269.61	54,552.24
Vehicle Hire		74,530.74	29,224.96	45,305.78	56,874.29	46,741.45
Freight & Handling		697,439.68	574,711.75	122,727.93	621,065.94	521,781.72
Outer Island Agency Costs		153,174.62	142,308.02	10,866.60	123,425.89	117,039.86
Directors Expenses		37,318.44	37,318.44	-	17,523.29	14,084.11
Office & Computer Supplies		17,134.67	11,158.66	5,976.01	19,319.00	18,013.62
Office Stationery		19,057.30	17,147.97	1,909.33	12,957.27	12,012.80
Office Repairs		28,078.87	12,080.64	15,998.23	24,972.17	28,060.61
Telecom Charges		29,346.51	25,272.18	4,074.33	17,579.69	17,799.88
Electricity & Water		107,690.72	101,760.30	5,930.42	108,810.65	96,619.60
LPG Sales Commission		36,138.15	36,138.15	-	28,274.06	22,861.10
Management Expense		31,725.06	18,881.63	12,843.43	7,631.19	6,656.70
Council Charges		3,200.00	3,200.00	-	2,420.00	1,893.75
Training		201,597.22	165,322.55	36,274.67	239,595.39	96,624.13
Depreciation	7	1,039,721.89	854,556.33	185,165.56	766,946.64	782,632.11
Advertisement/Promotion		30,599.05	26,344.15	4,254.90	21,011.66	15,870.53
General Repairs & Maintenance		173,421.60	132,871.57	40,550.03	160,075.78	216,179.97
Uniform & Safety Wears		51,707.83	46,189.79	5,518.04	48,996.24	23,322.40
Lab Testing		346.80	346.80	0.00	61,360.93	51,438.93
Fees	8	33,555.27	28,652.82	4,902.45	50,448.48	44,303.46
Land Lease		10.50	10.50	-	91.50	90.00
Insurance		51,081.02	51,081.02	-	7,902.15	1,278.00
Fuel Supply Tender		94,977.19	94,977.19	-	80,632.35	-
Miscellaneous Expenses	9	49,604.26	45,640.96	3,963.30	55,320.94	15,767.45
Tanker Discharge		-	-	-	74,505.96	151,633.29
Doubtful Debts	10	540,442.95	540,442.95	-	4,215,469.60	426,292.54
Trade Loan Interest		-	-	-	-	74,097.37
Bank Charges		13,491.64	11,560.92	1,930.72	15,490.36	13,673.60
Anniversary		-	-	-	60,577.14	-
AGM		-	-	-	1,678.93	-
Vat		-	-	-	1,219,281.62	36,933.71
Empty Drums		738,000.58	728,013.68	9,986.90	433,859.37	310,106.53
Total Expenses		**6,037,527.40**	**5,151,021.53**	**886,505.87**	**10,300,370.69**	**4,680,186.15**
Operating Profit for the year		**7,960,004.61**	**7,431,141.95**	**528,862.66**	**3,172,449.98**	**4,450,423.62**
PPI		(143,212.69)	(143,045.29)	-167.40	1,226,549.96	-
Gain/(Loss) on Disposal		4,330.00	4,330.00	-	8,248.70	4,052.27
Profit/(Loss) Before I/Tax		**7,821,121.92**	**7,292,426.66**	**528,695.26**	**4,407,248.64**	**4,454,475.89**
Less I/Tax		2,732,392.67	2,552,349.33	180,043.34	1,537,537.02	1,554,066.56
Net Profit/(Loss) After I/Tax		5,088,729.25	4,740,077.33	348,651.92	2,869,711.62	2,900,409.33

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Chairman.

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Vice Chairman.

KIRIBATI OIL COMPANY LTD
Consolidated Cash Flow Statement - (Un-audited)
Year ended 31st December 2017

	2017	2016	2015
Cash flows from Operating Activities:			
Cash receipts from Customers	39,668,837.60	37,408,547.30	34,024,961.78
Cash paid to Suppliers & Employees	(33,340,200.28)	(31,538,361.54)	(29,958,891.67)
Trade Loan Interest Payment	-	-	(74,097.37)
Payment of Income Tax	-	(649,587.58)	(1,115,313.13)
Net Cash flow from Operating Activities	**6,328,637.32**	**5,220,598.18**	**2,876,659.61**
Cash flows from Financing Activities:			
Gov't Soft Loan - ROC Taiwan	2,000,000.00	1,360,000.00	1,140,000.00
Net Cash flow from Financing Activities	**2,000,000.00**	**1,360,000.00**	**1,140,000.00**
Cash flows from Investing Activities:			
Acquisition of fixed assets	(3,204,703.84)	(6,502,360.26)	(736,473.28)
Net Cash flow fromInvesting Activities	**(3,204,703.84)**	**(6,502,360.26)**	**(736,473.28)**
Movement in Cash and Cash Equivalents	5,123,933.48	78,237.92	3,280,186.33
Cash and Cash Equivalents, 1st January	6,792,554.85	6,714,316.93	3,434,130.60
Cash and Cash Equivalents, 31st December	**11,916,488.33**	**6,792,554.85**	**6,714,316.93**

Reconciliation of cash flows from Operating Activities:

	2017	2016	2015
Net Profit (Loss) for the year	7,821,121.92	4,407,248.64	4,454,475.89
Add: Depreciations	1,039,721.89	766,946.64	782,632.11
Decrease/-Increase in Current Assets	(3,240,150.57)	1,453,731.17	(185,814.68)
Increase/-Decrease in Current Liabilities	3,341,004.71	637,833.29	(1,639,413.83)
Adjustment to Retained Earnings	(2,633,060.63)	-2,045,161.56	(535,219.88)
	6,328,637.32	**5,220,598.18**	**2,876,659.61**

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Chairman.

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Vice Chairman.

KIRIBATI OIL COMPANY LTD
Consolidated Statement of Financial Position - (Un-audited)
As at 31st December 2017

	Notes	2017 Consolidated	Tarawa	Kiritimati	2016 Consolidated	2015 Consolidated
Current Assets						
Cash & Cash Equivalents	11	11,916,488.33	11,895,809.93	20,678.40	6,792,554.85	6,714,316.93
Account Receivables	12	5,566,853.72	4,510,379.99	1,056,473.73	4,633,664.84	3,347,783.65
Dishonored Cheques	13	8,056,457.05	8,056,095.05	362.00	8,153,280.75	7,584,221.38
Prepayments and Other Receivables	14	1,156,378.28	1,029,978.31	126,399.97	1,843,104.34	(313,030.65)
Less Provin for Doubtful Debts	10	(9,659,557.43)	(9,384,265.72)	(275,291.71)	(9,195,434.70)	(4,985,041.36)
Inventory	15	8,029,973.01	7,303,446.44	726,526.57	4,504,183.55	5,823,743.95
Spare Parts		186,673.22	126,093.45	60,579.77	157,828.50	92,681.48
Total Current Assets		**25,253,266.18**	**23,537,537.45**	**1,715,728.73**	**16,889,182.13**	**18,264,675.38**
Current Liabilities						
Account Payables	16	3,245,445.57	3,244,260.11	1,185.46	161,529.11	93,716.72
Accuals and Other Payables	17	524,835.59	382,088.54	142,747.05	640,289.30	712,359.15
Company Tax Payable		(425,729.48)	(425,729.48)	-	-582,265.77	67,321.81
Dividend Payable	18	2,008,840.85	2,008,840.85	-	991,095.00	500,000.00
VAT		2,177.41	-	2,177.41	803,917.59	3,334.26
ROC Taiwan Grant	19	7,000,000.00	7,000,000.00	-	5,000,000.00	3,640,000.00
Deferred Grant Income (ROC)		(77,777.76)	(77,777.76)	-	-	-
Total Current Liabilities		12,277,792.18	12,131,682.26	146,109.92	7,014,565.23	5,016,731.94
Working Capital		**12,975,474.00**	**11,405,855.19**	**1,569,618.81**	**9,874,616.90**	**13,247,943.44**
Long Term Assets						
Property, Plants and Equipments	7	11,911,858.14	11,109,510.55	802,347.59	3,041,423.38	1,847,143.90
WIP - Projects	20	255,608.04	99,892.32	155,715.72	6,961,060.85	2,419,926.71
Total Long Term Assets		**12,167,466.18**	**11,209,402.87**	**958,063.31**	**10,002,484.23**	**4,267,070.61**
Long Term Liabilities						
NPGA Loan	21	1,973,908.70	1,973,908.70	-	1,973,908.70	1,973,908.70
Total Long Term Liabilities		1,973,908.70	1,973,908.70	-	1,973,908.70	1,973,908.70
NET WORTH		**23,169,031.48**	**20,641,349.36**	**2,527,682.12**	**17,903,192.43**	**15,541,105.35**
Shareholders Equity:						
Paid up Capital		500.00	500.00	-	500.00	500.00
Reserves		1,033,548.00	1,033,548.00	-	1,033,548.00	1,033,548.00
Asset Revaluation Reserve		318,620.51	318,620.51	-	318,620.51	318,620.51
Retained Earnings	22	21,816,362.97	14,803,815.31	7,012,547.66	16,550,523.92	14,188,436.84
Total Equity		**23,169,031.48**	**16,156,483.82**	**7,012,547.66**	**17,903,192.43**	**15,541,105.35**

....
Chairman.

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Vice Chairman.

KIRIBATI OIL COMPANY LTD
Statement of Movement of Equity - (Un-audited)
For Year Ended 31st December 2017

	2017	2016	2015
Net Profit for the Year	7,821,121.92	4,407,248.64	4,454,475.89
Total Recognised Earnings	**7,821,121.92**	**4,407,248.64**	**4,454,475.89**
Adjustment	(1,537,537.02)	(1,554,066.56)	(35,219.88)
Dividend	(1,017,745.85)	(491,095.00)	(500,000.00)
Revaluation Reserve	-	-	-
Movement in Equity for the Year	5,265,839.05	2,362,087.08	3,919,256.01
Equity at start of the year	17,903,192.43	15,541,105.35	11,621,849.34
Equity at end of the year	**23,169,031.48**	**17,903,192.43**	**15,541,105.35**

Chairman.

Vice Chairman.

KIRIBATI OIL COMPANY LTD
Notes to the Financial Statements - (Un-audited)
Year ended 31st December 2017

1. GENERAL

The Kiribati Oil Company is a private company owned by the Government of Kiribati registered on 9th December 1986 under the Companies Ordinance with Registration No.21. Its authorized and paid-up capital is 500 shares of $1 each.

The main activities of the company are the importing, wholesaling and retailing of all petroleum products in Kiribati including lubes and all gas products.

The accounting period for the company is from January to December of each year or a calender year and the official currency used is the Australian dollar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in accordance with generally accepted accounting principles, standards and relevant legislations applicable in Kiribati and the principal accounting policies adopted by the company are set out below.

2.1 Depreciation

Depreciation is calculated to distribute the cost of an asset over its useful life (less scrap value if any) using the straight line method.

Plant & Machinery	25%
Office Equipment	25%
Fuel Tanks	10%
Fuel Pipes	10%
Water Tanks	10%
Outer Islands Projects	5%
Motor Vehicles	20%
Buildings	5%
Furniture & Fittings	25%

Any asset is being disposed, gain or loss is recognized as income and expense in the income statement and a write off is made to the Fixed Asset and Accumulated Depreciation on the balance sheet.

2.2 Trade Receivables

Trade Receivables are recognised at invoice amount. A provision for impairment of trade receivables is established when the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or deliquency in payments are considered indicators that the trade receivable is impaired.

The basis of estimates of provision used is Accounts Receivable Aging Method for which the receivables are categorized into multiple terms and in the cmpany case we allow payment on term of n/30, and the typical classification in aging schedule will be 0 - 30, 31 - 60, 61 - 90 and above 90 days. The percentages used have been increased in 2016 from 1%, 10%, 30% and 50% to 5%, 20%, 50% and 75% respectively in calculating the allowance impaired.

The carrying amount of the asset is reduced through the use of a provision account and the amount of loss is recognised in the income statement within other operating expenses.

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Chairman.

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Vice Chairman.

When the trade receivable is uncollectible, it is written off against the provision of doubtful debts for trade receivables and subsequent recoveries of amounts perviously written off are credited to other operating income in the income statement.

2.3 Inventory

Inventory is valued at the lower of cost and net realisable value and recorded using the FIFO cost flow method.

2.5 Financial and Market Risk

The Company is exposed to foreign exchange risk arising from various currency exposures in respect to purchase of inventory particularly to the US dollar. Foreign exchange risk arises from future commercial transactions. The loss and gain are recognized in the income statement when the loss and gain occurs.

Management has looked into the future that the US dollar is suddenly becoming more strong against the AUD dollar, therefor we are looking for available options with our local bank in order to reduce risk from foreign exchange transactions. The company, however, has not yet proceeding with forward exchange agreement to hedging with bank on the US currency. KOIL may either take one of the two options or both such as 'Forward Exchange Contract to lock US dollar rate' or 'Establishing USD bank account'. The arrangements will have implications in our current accounting procedures and policies should we opt for the Forward Contract then hedge accounting will be adopted.

2.6 USD Bank Account

KOIL has initially establish her USD Bank Account toward end of 2015 as a trial to help mitigate possible risk occurs from the exchange of AUD with USD currency. The value of the USD dollar ($) is converted using the exchange rate and recorded as AUD currency. Any gains or losses during the period of transactions and period of financial reporting are recognized as gains or losses from foreign exchange in the income statement and contra to the USD bank account in the Cash and Cash Equivalents in the Current Asset of the balance sheet.

2.7 Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as Income over the period necessary to match the grant on a systmatic basis to the cost that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to the cost of the asset and is released to the income statement over the expected useful life in a consistent manner with the depreciation method for the relevant asset.

The economic life of the asset or new tanks is estimated to 50 - 60years without a residue book value and amortized and depreciated on a straight line basis

2.8 Dividend Pay Out Ratio

The Dividend Pay Out Ratio as approved by KOIL's Board of Directors is 20% of Net Profit After Tax and 80% will be retained and re-invested in the Company to increase returns and boost wealth of the Company.

3. Revenues

Sales:	2017	Tarawa	Kiritimati	2016	2015
ADO	19,745,465.65	17,514,902.94	2,230,562.71	18,478,600.36	18,463,832.73
ULP	10,489,241.16	9,441,568.72	1,047,672.44	9,147,137.22	7,987,873.42
DPK	1,609,153.65	1,505,780.40	103,373.25	1,755,537.49	1,893,394.20
AvGas	23,030.00	0.00	23,030.00	9,960.00	42,170.00
JetA1	5,025,670.03	3,745,270.53	1,280,399.50	4,335,210.25	4,360,339.96
Premix (ULP)	-	-	-	-	194.25
Lubes	819,836.73	758,077.48	61,759.25	680,413.90	568,755.92
LPG	941,005.48	898,089.08	42,916.40	824,901.83	682,103.67
Other - Sales	10,518.35	10518.35		7,501.91	9,974.57
Gas Stove	4,012.00	4,012.00		7,837.07	4,847.02

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Chairman.

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Vice Chairman.

38,667,933.05	33,878,219.50	4,789,713.55	35,247,100.03	34,013,485.74

4. Cost of Sales

	2017	Tarawa	Kiritimati	2016	2015
ADO	11,809,148.85	10,284,007.29	1,525,141.56	10,647,335.34	12,738,691.46
ULP	8,083,136.74	7,007,880.95	1,075,255.79	6,710,977.18	6,919,661.18
DPK	1,427,331.28	1,325,597.62	101,733.66	1,645,561.80	2,094,459.63
AvGas	16,845.61	0.00	16,845.61	7,069.86	30,969.05
JetA1	2,767,394.36	2,093,503.13	673,891.23	2,450,640.71	2,342,517.24
Lubes	552,423.42	514,147.43	38,275.99	407,331.35	428,510.60
LPG	689,314.50	670,868.02	18,446.48	623,923.50	577,182.33
Others	4,304.79	4,304.79	-	2,620.13	12,427.05
Gas Stove	2,592.43	2,592.43	-	6,150.31	3,911.94
	25,352,491.98	21,902,901.66	3,449,590.32	22,501,610.18	25,148,470.49

5. Other Income:

	2017	Tarawa	Kiritimati	2016	2015
Doubtful Debts Decrease	-	-	-	-	-
Freight on Sales	64,278.26	64,278.26	-	60,264.65	64,304.71
Drums	97,262.00	88,866.00	8,396.00	63,486.65	54,538.24
Cylinders	22,312.80	19,132.80	3,180.00	27,532.02	17,296.62
Overtime Charges	49,291.00	49,291.00	0.00	44,658.59	43,984.01
Rent	1,596.42	725.00	871.42	1,401.62	968.67
Internet	5.50		5.50	3.00	30.00
Interest Earned	140.18	140.18	-	139.62	138.27
Gain from Foreign Exchange	908.21	908.21	-	109,962.17	23.07
Documentation Fees	2,082.20	2,082.20	-	2,527.02	9,234.39
Others	290,116.39	227,324.01	62,792.38	412,279.22	73,076.54
Reduction in Prov of Ddebts	76,320.22	76,320.22	-	5,076.26	-
Waste Oil Sales	-	-	-	-	2,000.00
	604,313.18	529,067.88	75,245.30	727,330.82	265,594.52

6. Staff Cost

	2017	Tarawa	Kiritimati	2016	2015
Executive Renumerations Package					
Salaries & Wages	120,629.70	102,838.70	17,791.00	121,623.88	78,708.78
KPF	8,738.00	7,261.64	1,476.36	9,093.60	5,468.43
Allowances	27,292.93	23,485.93	3,807.00	30,876.70	23,642.58
L/Grant & Commutation	19,423.23	17,708.14	1,715.09	19,775.14	13,716.50
	176,083.86	151,294.41	24,789.45	181,369.32	121,536.29
Staff Emoluments					
Salaries & Wages	729,190.81	552,000.67	177,190.14	694,549.15	675,820.30
KPF	55,229.93	40,971.29	14,258.64	52,593.72	48,715.33
Allowances	65,533.39	48,247.10	17,286.29	56,924.32	54,918.18
Overtime	269,051.39	234,653.39	34,398.00	241,342.28	160,343.68
L/Grant & Passage	175,604.85	136,491.82	39,113.03	173,805.87	156,430.99
House Subisdy	43,709.00	43,709.00	-	43,111.00	41,985.50
Temporary Assistance	77,238.38	56,026.44	21,211.94	64,116.78	106,672.54
Retirement Benefit	860.00	730.00	130.00	6,710.00	7,000.00
Passage & Baggage	0.00	-	0.00	803.10	-
	1,416,417.75	1,112,829.71	303,588.04	1,333,956.22	1,251,886.52
	1,592,501.61	1,264,124.12	328,377.49	1,515,325.54	1,373,422.81

7. Property, Plant and Equipment Appendix 1 attached - Page 15

8. Fees

	2017	Tarawa	Kiritimati	2016	2015
Consultancy Fee	3,245.00	3,245.00	0.00	8,432.16	10,955.00
Audit Fee	3,000.00	3,000.00	0.00	3,000.00	3,000.00
Licence Fee	5,592.70	690.25	4,902.45	959.75	1,883.00
Vsat Licence & Fees	18,280.67	18,280.67	0.00	38,056.57	28,465.46
	3,436.90	3,436.90	0.00	0.00	0.00
	33,555.27	28,652.82	4,902.45	50,448.48	44,303.46

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Vice Chairman.

9. Miscellaneous Expenses

	2017	Tarawa	Kiritimati	2016	2015
Recruitment	1,732.85	1,732.85	-	3,534.47	3,841.36
Reference Materials	-	-	-	-	1.20
Waste Oil, Spills & Leakage	11,372.38	11,372.38	-	34,454.44	785.00
Sundries	9,189.66	5,921.36	3,268.30	3,780.47	2,378.26
Joint Consultative Meeting	26,614.37	26,614.37	-	11,090.26	8,252.01
Recruitments	695.00	-	695.00	2,461.30	-
Management Meeting Expense	-	-	-	-	509.62
	49,604.26	**45,640.96**	**3,963.30**	**55,320.94**	**15,767.45**

10. Doubtful Debts & Accumulated Provisions of Doubtful Debts

Ageing	Rate	A/C Receivables Tarawa	A/C Receivables Xmas	Dishonored Cheques	2017	2016
0 - 30	5%	23,858.24	10,918.41	246.83	35,023.49	17,738.27
31 - 60	20%	13,049.10	2,170.30	-	15,219.40	34,260.71
61 - 90	50%	10,322.74	27,263.30	-	37,586.04	90,352.72
90+	75%	2,960,490.12	579,545.51	6,038,368.84	9,578,404.46	5,538,453.36
		3,007,720.20	619,897.52	6,038,615.67	9,666,233.39	5,680,805.06
Less Cumm Provisions		2,636,343.04	451,078.56	6,114,689.06	9,202,110.66	1,465,335.45
Net Increase Impaired		**371,377.16**	**168,818.96**	**(76,073.39)**	**464,122.73**	**4,215,469.60**

Provision of Doubtful Debts

	2017	2016	2015
Operning Balance	(9,195,434.70)	-4,985,041.36	(4,558,748.82)
Add Net Increase Impaired	(540,442.95)	-4,215,469.60	(426,292.54)
Less Provision Written Off	76,320.22	5,076.26	-
	(9,659,557.43)	-9,195,434.70	(4,985,041.36)

11. Cash and Cash Equivalents

	2017	Tarawa	Kiritimati	2016	2015
Cheque A/c - Tarawa	9,861,926.28	9,861,926.28	-	5,395,229.37	3,828,111.11
Petty Cash - Tarawa/Xmas	207.05	198.80	8.25	207.05	398.80
Cash in transit	1,396,755.23	1,386,154.73	10,600.50	1,174,767.94	1,317,033.42
Term Deposit	20,673.33	20,673.33	-	20,533.15	20,393.53
Koil No# 2 Bank A/C - Tank Projects	65,935.24	65,935.24	-	164,581.06	1,544,088.86
USD Bank Account	560,921.55	560,921.55	-	34,375.01	5,264.93
Xmas Imprest Account - 737022	6,360.85	-	6,360.85	2,861.27	(16,842.67)
Un-deposited Funds	3,708.80	-	3,708.80	-	-
Tarawa Deposit Account	-	-	-	-	15,868.95
	11,916,488.33	**11,895,809.93**	**20,678.40**	**6,792,554.85**	**6,714,316.93**

12. Account Receivables

	%	2017	Tarawa	Kiritimati	2016	2015
Airlines - Domestic	68%	3,788,303.75	3,551,058.65	237,245.10	2,576,283.15	1,877,118.95
- Schedule Flights	6%	331,456.15	163,784.35	167,671.80	666,503.38	172,978.20
- Un-schedule Flights	3%	176,201.28	77,711.71	98,489.57	145,255.64	115,611.35
Gov't Ministries	8%	461,183.43	262,252.98	198,930.45	482,321.75	489,862.09
SOEs	6%	354,528.47	221,463.16	133,065.31	247,789.59	229,902.39
Others	8%	455,180.64	234,109.14	221,071.50	515,511.33	462,310.67
		5,566,853.72	**4,510,379.99**	**1,056,473.73**	**4,633,664.84**	**3,347,783.65**

13. Dishonored Cheques

	%	2017	Tarawa	Kiritimati	2016	2015
PUB	97%	7,841,516.06	7,841,516.06	-	7,943,276.36	7,373,625.14
KSSL	2%	129,688.25	129,688.25	-	129,688.25	129,688.25
Private	1%	85,252.74	84,890.74	362.00	80,316.14	80,907.99
		8,056,457.05	**8,056,095.05**	**362.00**	**8,153,280.75**	**7,584,221.38**

14 Prepayment and Other Receivables

	2017	Tarawa	Kiritimati	2016	2015
Agencies - Northern	109,185.01	109,185.01	-	104,614.48	105,163.77
Agencies - Central	90,073.30	90,073.30	0.00	218,418.98	178,304.89
Agencies - Southern	9,102.01	9,102.01	-	10,315.24	16,027.63
Agency - Teraina	98.00	-	98.00	3,785.45	31,636.60
Agency - Tabuaeran	108.68	-	108.68	-	-

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	2017	Tarawa	Kiritimati	2016	2015
Deposit to Vendors	246,717.45	231,646.67	15,070.78	1,050,274.69	(938,415.02)
Freight Refundable - Tarawa	402,752.51	402,752.51	-	255,580.41	155,436.66
Staff Imprest	29,933.92	28,945.23	988.69	26,590.00	6,751.17
Salary Advance - Tarawa	4,408.16	4,104.87	303.29	6,199.51	5,459.50
Sundry Debtors	115,185.29	5,354.76	109,830.53	77,596.42	122,770.16
Prepayments	140,721.79	140,721.79	-	89,729.16	3,833.99
Prepayments of Tax Arrears	6,686.16	6,686.16	-	-	-
Suspense Account	1,406.00	1,406.00	-	-	-
	1,156,378.28	**1,029,978.31**	**126,399.97**	**1,843,104.34**	**(313,030.65)**

15. Inventory

	2017	Tarawa	Kiritimati	2016	2015
ADO	2,028,857.62	1,926,638.51	102,219.11	1,306,690.15	1,789,491.85
ULP	1,951,374.38	1,847,059.30	104,315.08	766,389.66	1,221,189.67
DPK	369,241.84	357,013.76	12,228.08	202,437.37	289,066.85
JetA1	1,727,565.70	1,595,861.77	131,703.93	878,033.54	1,304,797.81
AvGAs	62,435.13	-	62,435.13	18,852.96	46,388.31
Lubes	1,489,098.96	1,290,270.55	198,828.41	1,052,312.03	740,961.35
LPG	254,058.87	190,612.14	63,446.73	192,587.29	320,268.18
Gas Stove	57,767.70	57,767.70	-	438.36	3,278.52
Others	89,572.81	38,222.71	51,350.10	86,442.19	108,301.41
	8,029,973.01	**7,303,446.44**	**726,526.57**	**4,504,183.55**	**5,823,743.95**

16. Account Payble

	2017	Tarawa	Kiritimati	2016	2015
Customs	217,435.26	217,435.26	-	-	86,037.89
Pacific Bulk Fuel	7,678.84	7,678.84	-	8,462.70	7,678.83
Holmwood Highgate	-		-	36,650.00	-
Independent Petroleum Limited	7,874.52	7,874.52	-	19,793.03	-
Intertek Testing Serv (NZ) Ltd	-		-	40,388.81	-
Refuel International	0.00	0.00	-	42,441.26	-
Gulf Western Oil	-			11,817.21	-
Kiribati Ports Authority	540.00	540.00		1,739.00	-
Kiribati Insurance Corporation	656.55	656.55		-	-
Liquip Internationa	1,185.46	-	1,185.46	-	-
SAOK	490.31	490.31	-	556.88	-
William Johnson	-	-	-	2,041.00	-
Winson Oil International (KHL)	3,009,584.63	3,009,584.63	-	-	-
TOTAL	-	-		(2,360.78)	-
	3,245,445.57	**3,244,260.11**	**1,185.46**	**161,529.11**	**93,716.72**

17. Accruals and Other Payables

	2017	Tarawa	Kiritimati	2016	2015
Deposits from Customers	266,707.15	128,791.51	137,915.64	238,129.55	450,494.48
Rentention Fee	196,939.37	196,939.37	-	97,088.07	97,088.07
Sundry Creditors	19,435.16	19,435.16	-	154442.39	136,116.24
Payroll Payables - Tarawa	22,095.49	22,095.49	-	20,912.57	13,695.47
Payroll Payables - Kiritimati	4,831.41	-	4,831.41	1,735.72	1,050.20
Directors Tax Payable	8,466.05	8,466.05	-	6,350.27	5,323.85
Withholding Tax - Tarawa	27,689.52	27,689.52	-	28,529.55	8,590.84
PIPA - Tank Deposit	(21,328.56)	(21,328.56)	-	93,061.18	-
Suspense Accounts	0.00	-	-	40.00	-
	524,835.59	**382,088.54**	**142,747.05**	**640,289.30**	**712,359.15**

18. Dividend Payable

The total dividend of $2,008,850.00 has been declared for financial periods ended 31/12/2015, 31/12/2016 and 31/12/2017 and is be payable to the Government of Kiribati, being the Shareholder. The payout of Dividend will be a direct withdrawal from the Retained Earnings/Profit of the Shareholder's Equity.

19. ROC Taiwan Grant

This is a Grant Aid from the ROC Government of Taiwan with free interest for construction of three new storage tanks in Betio. The tanks capacity is doubling the existing storage tanks. The ROC Taiwan had released $2 million in 2017 to complete the constructions of the new fuel storage tanks.

Chairman.

Vice Chairman.

20. WIP Betio Projects

The WIP or Work in Progress relates project mainly on the three new storgae tanks in Betio, in the outer islands including Kiritimati. The Work in progress would be treated as Fixed Asset once the WIP works, etc is complete and whole. No depreciation allowed at this stage until the date the tanks and other projects are all complete.

21. Non-Project Grant Aid (NPGA)

Non-Project Grant Aid is a form of Aid with no interest charged which was funded by Japan to the Government of Kiribati (GoK) where Japan made directs payment for a purchased of Diesel fuel direct from Exxon Mobil Ltd in Fiji. KOIL meet all the landing cost and other local charges once the Diesel Fuel arrived Tarawa. KOIL sell the Diesel Oil on behalf of GoK to the public and all the proceeds from the sale of Diesel Oil, KOIL is required to return the money to the Kiribati Government Counter Part Fund account on certain periods in line with the agreement between GoK and Japan. KOIL thus recognized the grant aid as a kind of loan or a liability where KOIL has the liability to reimbursed the Government for value of Diesel Purchased. The Japan's Aid to KOIL ceased about four to five years ago and the amount stands payable as at 31st December 2017 is $1,973,908.70.

22. Retained Earnings

	2017	Tarawa	Kiritimati	2016	2015
Opening Balance	13,995,241.05	7,511,388.65	6,483,852.40	12,143,275.28	9,733,960.95
Current Earnings	7,821,121.92	7,292,426.66	528,695.26	4,407,248.64	4,454,475.89
Closing Balance	**21,816,362.97**	**14,803,815.31**	**7,012,547.66**	**16,550,523.92**	**14,188,436.84**

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Chairman.

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Vice Chairman.