REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Kiribati Shipping Services Limited
For the Year Ended 31st December 2014

Kiribati Audit Office
December 2017

KIRIBATI AUDIT OFFICE

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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

To The Readers Of
Kiribati Shipping Services Limited Financial Statements
For The Year Ended 31 December 2014

The Auditor-General, Mrs Matereta Raiman, is the auditor of Kiribati Shipping Services Limited.

The audit covered the Company's compliance with the requirements of Part VII of the Public Finances (Control and Audit) 1976 and the Companies Ordinance 1979 that apply to the financial statements of the KSSL for the year ended 31 December 2014.

KSSL 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 this Financial Statement 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.

Basis for Disclaimer of Opinion

- Opening balances for 2014 account were taken from KSSL's Disclaimer financial statement for the year ended 31st Dec, 2013 where most of the account balances cannot be substantiated.
- Audit noted after conducting a pre-test for the 2014 Account that variances between GL and Financial Statements were significant with a total of $75,246.43

- Audit noted a change in the opening balance for Retained Earnings 2014, but there were no adjustments made that would substantiate the new opening balance of $5.9m Accumulate Profit. The table below shows the variance.

	Variance	2014	2013	2012
Retained Earnings Opening balance	15,276,111.30	5,954,821.68	(9,738,693.82)	(9,959,354.16)
Current Earnings		(924,233.16)	417404.2	220,660.34
Retained Earnings C/Balance		5,030,588.52	(9,321,289.62)	(9,738,693.82)

- Fixed Asset addition for the year disclosed in the Cash flow statement of $2,128,540.00 did not match the total addition of $77,816 as per the Fixed Asset schedule in the financial statement note 15.
- We were unable to verify the Fixed Asset Balance due to the following:
  - no physical counting conducted at the end of year 2014
  - Fixed Asset Register was not updated
- We cannot verify Cash and Cash equivalent due to the following:
  - Deposit book pages were torn out thus hindered us from verifying cash deposits.
  - Receipt # 3172 dated 30/7/2014 was missing.
  - Receipt # 2826 of $1,014.60 dated 20/12/14 was posted twice but the other entry had a different amount of $1,686.14 and date was 21/11/14.
- Trade debtor's balances have been increasing dramatically from 544k in 2012 to $4.7m in 2014. It was also noted that the listing provided did not match the general ledger balance. A variance of $641,103 was detected.

Disclaimer Opinion

Because of the significance of the matters referred to in the Basis for Disclaimer Opinion above, I have not been able to obtain sufficient appropriate audit evidence, and accordingly **I COULD NOT** express an opinion on the Financial Statements of KSSL for the year ended 31st Dec, 2014.

The audit was completed on 30 November, 2017 and was the date at which my opinion was expressed.

Report on other Legal and Regulatory Requirements

KSSL lodged its Financial Statement 2014 on 27/10/2016 therefore indicated KSSL's non-compliance to Sec. 62 of the Companies Ordinance, 1979.

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 with the KSSL.

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Mrs. Matereta. Raiman.
Auditor General

Date: 30 Nov, 2017.

KIRIBATI SHIPPING SERVICES LTD
FINANCIAL STATEMENT

1st January – 31st December 2014

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KIRIBATI SHIPPING SERVICES LTD
Statement of Financial Performance
For the year ended 31 December 2014

	Note	Consolidated 2014	
		$	
Revenue:			
Core Operations Revenue	3	979,300	
Non Core Operations Revenue	4	82,841	
Grant/Subsidy Revenue	5	67,588	
Total Revenue		1,129,729	A
Less Expenses:			
Core Personnel Costs	6	581,333	
Core Operations Expenses	7	1,100,065	
Depreciation Expenses	8	306,108	
Other Expenses	9	66,456	
Total Expenses		2,053,962	B
Net Profit/(Loss)		- 924,233	(A-B)

KIRIBATI SHIPPING SERVICES LTD
Statement of Financial Position
As at 31 December 2015

	Note	Consolidated 2014	
		$	
Current Assets:			
Cash & Cash Equivalent	10	24,368	
Receivables	11	4,530,366	
Other Current Assets	12	9,100	
Total Current Assets		4,563,835	C
Less Current Liabilities:			
Payables	13	495,035	
Other Current Liabilities	14	43,971	
Total Current Liabilities		539,005	D
Working Capital		4,024,829	C-D
Plus Non-Current Assets:			
Property, Plant & Equipment	15	1,006,259	E
Net Assets		5,031,089	(C-D)+E
Represented by:			
Shareholders' Equity:			
Share Capital	16	500	
Retained Earnings	17	5,030,589	
Total Shareholders' Equity		5,031,089	

Board Chariman.. Board Director ....

The accompanying notes form an integral part of these financial statements

Kirbati Shipping Services Ltd

Consolidated Cash Flow Statement
For the year ended 31st December 2014

	Note	Direct Method 2014 $
1. Cash Flows from Operating Activities		
Receipts from customers		4,768,806.82
Payments to suppliers and employees		- 8,571,220.74
Net Cash Flow from operating activities	1	- 3,802,413.92
2. Cash Flows from Investing Activities		
Purchases of property, plant & equipment		- 2,128,540.00
Net Cash from Investment Activities		- 2,128,540.00
3. Cash Flow from Financing Activities		
Paid Up Capital		500.00
Retained Earnings		5,954,821.68
Net Cash Flow from Financing Activities		5,955,321.68
Net Increase/Decrease for the period		24,367.76
Cash & Cash Equivalents at beginning of period		-
Cash & Cash Equivalents at ending of peroid	2	24,367.76

Note 1. Reconciliation of Net Profit to Net Cash from operating activities.

Net Profit/(Loss)	- 924,233.16
Add Back Deprecition	1,122,280.69
Total of Net Profit & Add Back Depreciation	198,047.53
Increase/Decrease in assets & liabilities	
Assets Decreased	- 4,539,466.93
Liabilities Increased	539,005.48
Total Increae/Decrease in assets & liabilities	- 4,000,461.45
Net Cash Flow from Operating Activities	- 3,802,413.92

Note 2. Cash Balance Represented as follows at 31st December

Note 4	2014 $
Cash & Cash Equivalent	-
Undeposited Funds	23,367.79
Cash at Bank	1,000.00
Petty Cash Imprest	-
Payroll Cheque Account	24,367.79

KIRIBATI SHIPPING SERVICES LTD
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31ST DECEMBER 2014

1. The Company

The Kiribati Shipping Services Ltd (KSSL) Company was incorporated on the 9th of July 1990 witi the primary objective of providing affordable shipping transportation to the General Public in all the islands of the Republic of Kiribati.

2. Principal Accounting policies

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

(a) Depreciation

Depreciation is calculated to write off the cost of long term assets on straight line basis over their expected useful lives. The scrap value of 10% to be calculated from the original cost. The rates of depreciation and useful lives are as follows:

	% p.a	Useuf life
(i) Office Equipment	25.00%	5yrs
(ii) Furniture & Fittings	10.00%	10yrs
(iii) Motor Vehicles	25.00%	5yrs
(v) Land & Buildings	5.00%	25yrs
(vi) Plant & Machinery	10.00%	10yrs
(vii) Tools	Lost & Broken	Lost & Broken

(b) Foreign Currencies

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

(c) Aid Items

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

(e) Provision for doubtful debts

It is provided by 5% of the outstanding debtors at the year ended. The rate apply this year is consistence with the rate used at in the last two consecutive years.

(d) Revenue

Revenue represents the amounts received from the sales of freight, handling, charter and others.

$

3. Core Operations Revenue	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Pax Fare Out	150,327.59	2,062.00						152,389.59
Pax Fare In	55,867.87	340.00						56,207.87
Cargoe Freight Out	271,440.78	69,038.82						340,479.60
Cargoe Freight In	99,983.63	56,152.97						156,136.60
Cargoe Handling Out	43,670.41	13,805.50						57,475.91
Cargoe Handling In	15,413.45	5,909.88						21,323.33
Copra Freight In	128,998.68	-						128,998.68
Capra Handling In	39,493.16	-						39,493.16
Charter/Diversion	2,500.00	5,000.00						7,500.00
Canteen	19,295.42							19,295.42
	826,990.99	152,309.17	-	-	-			979,300.16

4. Non Core Revenue	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Vehicles Hire					3,889.65			3,889.65
Welding					2,940.50			2,940.50
Rental Fee							20,299.80	20,299.80
Commission for refund							3,222.84	3,222.84
Canteen Supplies-Butimari	6,693.09							6,693.09
Warehouse Sales						8,884.72		8,884.72
Returned Salaries							10,520.54	10,520.54
Miscellaneous	26,390.07							26,390.07
	33,083.16	-	-	-	6,830.15	8,884.72	34,043.18	82,841.21

5. Gov't Grant/Subsidy	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Gov't Subsidy							67,587.83	67,587.83
Total							67,587.83	67,587.83

6. Core Personnel Costs	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Wages & Salaries	28,530.62	20,450.89	975.40	43,740.44	14,284.72	6,181.27	367,101.90	481,265.24
KPF Subsidy	2,127.55	1,533.80	73.15	3,274.97	1,071.35	463.59	33,768.95	42,313.36
Overtime	1,280.00	3,717.70		400.00		1,842.05	1,537.70	8,777.45
Leave Grant	-	- -		-	-		26,753.92	26,753.92
Staff Allowances	1,216.95	2,331.30	443.65	84.00	-	472.22	17,674.46	22,222.58
	33,155.12	28,033.69	1,492.20	47,499.41	15,356.07	8,959.13	446,836.93	581,332.55

7. Core Operating Expenses	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Port Charges	43,325.47	2,921.60						46,247.07
Fuel, Oil & Water	269,111.27	54,999.70	1,965.87		10,025.03			336,101.87
Victualling/Ration	26,843.99	3,605.05						30,449.04
Repairs/Maintenance	30,664.32	7,570.07			2,387.38		2,499.05	43,120.82
Stevedoring	58,211.65	11,100.82						69,312.47
Canteen Supplies	18,424.25							18,424.25
Cargo Claim	2,439.25					8,125.10		10,564.35
Spare Parts	20,838.43	784.88			15,817.19			37,440.50
Vessel Lease Fees	220,000.00							220,000.00
Doubtful Debts							238,440.34	238,440.34
Printing & Stationery							4,320.55	4,320.55
Security Charges	2,037.00						16,949.20	18,986.20
Electricity & Water							26,657.97	26,657.97
	691,895.63	80,982.12	1,965.87		28,229.60	8,125.10	288,867.11	1,100,065.43

8. Depreciations Expenses	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Annual Deprn. on Office Equipment							4,617.00	4,617.00
Annual Deprn on Furniture & Fixture							3,754.35	3,754.35
Annual Deprn on Vessels	288,523.00							288,523.00
Annual Deprn on Buildings					6,076.74			6,076.74
Annual Deprn on Plant & Machinery					3,137.22			3,137.22
Annual Deprn on Motor Vehicles							-	-
Annual Deprn on Tools							-	-
	288,523.00				9,213.96		8,371.35	306,108.31

9. Other Expenses	Butimari	Moanaraoi	Moanraoi	Other Vessels	Engineering	Warehous	Office	Total
Cleaning Supplies							374.41	374.41
Telecom Licence	1,130.30	3,400.00						4,530.30
Board Refreshment							703.60	703.60
Board Allowances							3,260.00	3,260.00
Local Travel							2,026.90	2,026.90
Housing Subsity							2,000.00	2,000.00
BPA Charges							2,203.25	2,203.25
Consultant Fees							3,400.00	3,400.00
Local Training							1,394.00	1,394.00
Computer Supplies & Repairs							3,079.06	3,079.06
Telcom Charges							3,500.00	3,500.00
Toll Fare	279.40	641.60			725.05			1,646.05
Bank Transfer Charges							2,012.46	2,012.46
Registration Fee					135.70			135.70
Angency Services							914.35	914.35
Restraunt Supplies							6,524.70	6,524.70
Entertainment							332.85	332.85
Other Expenses	4,057.37	7,312.22	916.30		1,354.95	380.75	14,396.85	28,418.44
Total Operating Expenses	5,467.07	11,353.82	916.30	-	2,215.70	380.75	46,122.43	66,456.07

KIRIBATI SHIPPING SERVICES LTD
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31 st December 2014

10. Cash & Cash Equivalent:

	2014 $
Petty Cash Imprest	1,000.00
General Cheque Account	23,367.79
Total Cash & Cash Equivalent	24,367.79

11. Receivables:

Trade Debtors	4,768,806.82
Less Prov. For doubtful debts	- 238,440.34
Total	4,530,366.48

12. Other Current Assets:

Staff Debtors	9,100.45
Total	9,100.45

13. Payables:

Trade Creditors	5,346.72
Tekabiaua Holding Ltd	360,000.00
Bounched Cheques to KOIL	129,688.25
Total	495,034.97

14. Other Current Liabilities:

Historical Overtime Payable	43,970.50
Total	43,970.50

15. Property, Plant & Equipment

Cost	33.30% Office Equipment	4.00% Furniture & Fittings	20% Vessels	20% Land & Buildings	20% Plant & Machinery	Motor Vehicles	Loss & Broken Tools	
As at 01/01/14	23,300.00	37,690.00	1,602,900.00	221,500.00	33,601.00	174,000.00	26,859.00	2,119,850.00
Plus Addition	2,350.00	4,025.00	-	1,058.00	1,257.00	-	-	8,690.00
Less Disposal	-	-		-	-	-	-	-
As at 31/12/14	25,650.00	41,715.00	1,602,900.00	222,558.00	34,858.00	174,000.00	26,859.00	2,128,540.00
Less Depreciation:	2,350.00							
As at 01/01/14	8,388.00	6,907.20	577,044.00	78,585.00	6,048.18	139,200.00	-	816,172.38
Charge during yr	4,617.00	3,754.35	288,523.00	6,076.74	3,137.22	-	-	306,108.31
Less Disposal	-	-		-	-	-	-	-
As at 31/12/14	13,005.00	10,661.55	865,567.00	84,661.74	9,185.40	139,200.00	-	1,122,280.69
Net Book Value								
As at 31/12/14	12,645.00	31,053.45	737,333.00	137,896.26	25,672.60	34,800.00	26,859.00	1,006,259.31
As at 31/12/13	36,849.60	9,840.00	307,533.05	76,754.50	12,776.26	67,400.86	-	511,154.27

16. Paid Up Capital

Issued and full paid	
Ordinary shares of $1.00 each	500.00

17. Retained Earnings:

Opening Balance	5,954,821.68
Plus Net Profit/(Loss)	- 924,233.16
Closing Balance	5,030,588.52