REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF

Kiribati Shipping Services Limited
For the Years Ended 31st December 2015 & 2016

Kiribati Audit Office
December 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 Shipping Services Limited Financial Statements
For The Years Ended 31 December 2015 and 2016

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 years ended 31 December 2015 and 2016.

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

- We were unable to open the Company file for 2015 and 2016 thus it was impossible to view General Ledgers which keep details for each account presented in the Financial Statement.
- 2015 Financial Statement opening balances were taken from KSSL's Disclaimer financial statement for the year ended 31st Dec, 2014 where most of the account balances cannot be substantiated.

- Audit noted that an incorrect balance for 2014 which was reported in the 2014 Audit Report for KSSL was still carried as an opening balance for 2015 thus the variance of $15,276,111.30 still incorporated in the 2015 and 2016 Account.

	Variance	2016	2015	2014	2013
Retained Earnings Opening balance	15,276,111.3	4,865,932.42	5,030,588.52	5,954,821.68	(9,738,693.82)
Current Earnings		-267,226.45	(164,656.10)	(924,233.16)	417404.2
Retained Earnings C/Balance		4,833,158.87	4,865,932.42	5,030,588.52	(9,321,289.62)

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 years ended 31st Dec, 2015 and 2016.

The audit was completed on 17/ 04/2017 and was the date at which my opinion was expressed.

Report on other Legal and Regulatory Requirements

KSSL lodged its Financial Statements 2015 and 2016 on 24 August 2017 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: 17 April 2018

HEAD OFFICE
P.O.Box 495
BETIO, TARAWA
REPUBLIC OF KIRIBATI

TEL: (686) 26 195
Email: gm@kssl-shipping.com
info@kssl-shipping.com

KIRIBATI SHIPPING SERVICES LTD

EFFICIENT AND RELIABLE SHIPPING SERVICES FOR ALL

27 July 2017

Secretary
Ministry of Finance and Economic Development
Bairiki, Tarawa

Directors' Statement: Financial Statement for the Year ended 31st December 2016

In accordance with the resolution of the KSSL Board of Directors, we are pleased to present the Company's Financial Statement for the year ended 31st December 2016.

We hereby state that in opinion of the Directors the accompanying Financial Statement has been drawn up to give a true and fair view of the Company's financial status in line with the International Accounting Standards and practices.

Compared with the Company's performance for the year ended 31st December 2015, there has been an increase in Net Loss for the past two years. This is due to the decline of voyages undertaken by LC Butimari and regular maintenance. Butimari is the only vessel KSSL has been operating to generate income since May 2013 to April 2017.

Yours Faithfully.

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Chairman

....
Director

SOE
Seeing note, w/thanks
29/8/17

KIRIBATI SHIPPING SERVICES LTD
Statement of Financial Performance
For the year ended 31 December 2015

	Note	Consolidated 2016	2015	
venue:		$	$	
e Operations Revenue	3	998,470.93	1,185,208.60	A
n Core Operations Revenue	4	121,899.01	180,328.39	B
ant/Subsidy Revenue	5	-	51,203.15	
otal Revenue		1,120,369.94	1,416,740.14	A+B
ss Expenses:				
re Personnel Costs	6	379,229.32	387,230.71	
re Operations Expenses	7	759,388.45	822,082.42	
erest Expenses		-	-	
n Core Operations Expenses	8	79,442.73	84,918.41	
n Core Sundry Expenses	9	6,760.31	91,793.42	
ndry Expenses	10	162,775.58	195,371.28	
otal Expenses		1,387,596.39	1,581,396.24	C
t Profit/(Loss)		-267,226.45	-164,656.10	(A+B)-C

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

	Note	Consolidated 2016	2015	
rrent Assets:		$	$	
sh & Cash Equivalent	11	-39,390.29	75,114.33	
ceivables	12	4,805,912.18	4,694,800.63	
her Current Assets	13	14,973.15	13,951.40	
otal Current Assets		4,781,495.04	4,783,866.36	D
ss Current Liabilities:				
yables	14	1,003,887.90	740,829.18	
her Current Liabilities	15	-138,988.26	-5,541.47	
otal Current Liabilities		864,899.64	735,287.71	E
orking Capital		3,916,595.40	4,048,578.65	D-E
us Non-Current Assets:				
operty, Plant & Equipment	16	681,636.67	817,853.80	F
Net Assets		4,598,232.07	4,866,432.45	(D-E)+F
epresented by:				
areholders' Equity:				
are Capital	17	500.00	500.00	
eneral Reserves		-	-	
etained Earnings	18	4,865,932.42	5,030,588.52	
urrent Year Earnings	19	-267,226.45	-164,656.10	
otal Shareholders' Equity		4,599,205.[illegible]7	4,866,432.42	

ard 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 2015

Direct Method

	Note	2016	2015
		$	$
1. Cash Flows from Operating Activities			
Cash Flow from Operating activities		-87,946.17	57,243.77
Net Cash Flow from operating activities	1	-87,946.17	57,243.77
2. Cash Flows from Investing Activities			
Cash from Investment Activities		-27,118.45	-6,497.23
Net Cash from Investment Activities		-27,118.45	-6,497.23
3. Cash Flow from Financing Activities			
Gov't Subsidy-Payable		-	51,203.15
Retained Earnings		-	-
Capital Reserve		-	-
Net Cash Flow from Financing Activities		-	51,203.15
Net Increase/Decrease for the period		-115,064.62	50,746.54
Cash & Cash Equivalents at beginning of period		75,114.33	24,367.79
Cash & Cash Equivalents at ending of peroid	2	-39,950.29	75,114.33

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

	2016	2015
	-267,226.45	-164,656.10
Add Back Deprecition	-	-
Total of Net Profit & Add Back Depreciation	-267,226.45	-164,656.10
Increase/Decrease in assets & liabilities		
Assets Increased	5,460,502.05	5,601,720.16
Liabilities Increased	864,899.64	735,287.71
Total Increae/Decrease in assets & liabilities	4,595,602.41	4,866,432.45
Net Cash Flow from Operating Activities	4,328,375.96	4,701,776.35

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

Note 4	2016	2015
Cash & Cash Equivalent	$	$
Undeposited Funds	-	-
Cash at Bank	-80,874.21	33,914.57
Petty Cash Imprest	1,000.00	1,000.00
Payroll Cheque Account	-	727.10
Ministry of Finance (VAT)	45,644.77	39,847.46
Dishonor Cheque Account	-5,160.85	-374.80
	-39,390.29	75,114.33

KIRIBATI SHIPPING SERVICES LTD
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31ST DECEMBER 2016

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	2016 $	2015 $
Pax Fare Out	34,654.35	182,291.03
Pax Fare In	4,664.00	91,152.89
Cargoe Freight Out	525,189.92	405,886.52
Cargoe Freight In	19,238.36	84,144.93
Cargoe Handling Out	87,251.82	57,080.46
Cargoe Handling In	5,993.13	13,301.87
Copra Freight In	138,379.51	84,995.27
Capra Handling In	15,454.35	12,843.27
Charter/Diversion	160,000.00	233,333.12
Canteen Sales	7,645.49	20,179.24
	998,470.93	1,185,208.60

4. Non Core Revenue

	2016 $	2015 $
Floating Freight	-	6,484.05
Floating Commission	-	4,660.55
Vehicles Hire	1,895.26	2,389.12
Welding	1,136.32	1,286.10
Rental Container & Others	7,935.00	10,936.47
Rental Office	28,086.06	11,324.10
Commission for refund	9,960.19	11,607.31
Rental Electricity Charges	2,849.11	10,661.85
Canteen Supplies-Butimari	19,070.33	-
Warehouse Sales	36,456.75	1,623.67
Document Fee	2,239.25	1,145.00
Tools Box Sales Rev.	20.00	2,660.00
Vat Collected Rev.	-	241.64
Returned Salaries	-	-
Other Rev	12,250.74	115,308.53
	121,899.01	180,328.39

5. Gov't Grant/Subsidy

	2016 $	2015 $
Gov't Subsidy	-	51,203.15

Total	$ -	51,203.15

6. Core Personnel Costs	2016 $	2015 $
Wages & Salaries	280,109.98	306,572.09
KPF Subsidy	20,706.47	23,615.41
Overtime	12,994.17	24,416.32
Leave Grant	18,504.67	16,826.32
Staff Allowances	46,914.03	13,115.40
Leave Commutation	-	2,685.17
	379,229.32	$ 387,230.71

7. Core Operating Expenses	2016	2015
Telecom Licence	-	-
Port Charges	26,597.43	28,688.66
Survey Charges	600.00	2,705.44
Fuel, Oil & Water	280,492.33	372,549.21
Victualling/Ration	27,355.30	27,934.59
Repairs &Maint on Vessels	32,873.16	23,034.72
Repairs & Maint - Motor Vechicles	2,433.60	-
Stevedoring	82,622.71	71,609.26
Canteen Supplies	-	10,112.45
Cargo Claim	19,207.09	7,333.66
Spare Parts	26,203.23	31,231.32
Overseas Travel.	20,781.10	
Vessel Lease Fees	240,000.00	240,000.00
Paid Vat Expenses	222.50	6,883.11
	759,388.45	$ 822,082.42

8. Non Core-Operating Expenses	2016	2015
Cleaning Supplies	220.70	378.36
Printing & Stationery	2,969.02	2,444.06
Telecom Licence	1,653.69	1,000.00
Security Charges	9,971.50	11,219.06
Board Refreshment	1,913.25	2,094.80
Board Allowances	7,065.00	1,871.28
Local Travel	4,417.95	4,387.32
Housing Subsity	1,188.00	1,834.17
BPA Charges	663.40	1,768.95
PUB Electricity	34,315.58	25,197.39
PUB Fresh Water	1,380.00	2,948.50
Lawyer's Fee	-	300.00
Accountany Fee	-	13,000.00
Local Training	745.80	151.75
Computer Supplies & Repairs	2,537.60	2,617.64
Telecom Charges	6,778.83	5,904.67
Toll Fare/Registration Fee	972.80	360.40
Management Entertainment	380.50	-
Bank & Cheques Charges	2,269.11	3,539.75
Vat Expenses	-	3,900.31
Total Operating Expenses	79,442.73	84,918.41

Core Operating Expenses 2014

9. Non Core Sundry Expenses

	2016	2015
Gov't Redundancy Exp.	-	36,540.08
KSSL Redundancy Exp.	-	12,457.76
Other Expenses	6,760.31	42,795.58
	6,760.31	91,793.42

Non - Core Operating Expenses in 2014

10. Sundry Expenses

Discount Allowed	-	468.54
Annual Depreciation	162,775.58	194,902.74
	162,775.58	195,371.28

KIRIBATI SHIPPING SERVICES LTD
NOTES TO AND PARTS FORMING THE ACCOUNTS
FOR THE PERIOD ENDING 31 st December 2016

11. Cash & Cash Equivalent:	2016	2015
Petty Cash Imprest	1,000.00	1,000.00
Cash on Hand/Undeposit Fund	-	-
General Cheque Account	-80,874.21	33,914.57
Payroll Cheque Account	-	727.10
Ministry of Finance (VAT)	45,644.77	39,847.46
Dishonor Cheque Account	-5,160.85	-374.80
Total Cash & Cash Equivalent	-39,390.29	75,114.33

12. Receivables:

Trade Debtors	4,805,912.18	4,694,800.63
Less Prov. For doubtful debts	-	-
	4,805,912.18	4,694,800.63

13. Other Current Assets:

Staff Imprest	-	-
Master Imprest	2,500.00	2,000.00
Staff Advance	-583.60	-768.60
Staff Debtors	8,797.20	9,150.45
Cashier's Shortage Receivable	92.95	92.95
Canteen Supplies Working Fund	4,166.60	
Sundry Debtors	-	-
	14,973.15	10,474.80

14. Payables:

Trade Creditors	42,117.77	19,059.05
Public Utilities Board	-1,835.66	-1,835.66
Tekabiaua Holding Ltd	840,000.00	600,000.00
Customer Floating Deposit	-6,082.46	-6,082.46
Bounched Cheques to KOIL	129,688.25	129,688.25
KOIL Outstanding Invoices	-	-
Other Creditors	-	-
	1,003,887.90	740,829.18

15. Other Current Liabilities:

Staff Tax Payable	26,051.60	25,335.08
Staff KPF Payable	7,622.12	-1,150.45
House Rent Payable	-391.39	60.94
Council Surcharge Payable	-263.20	-340.90
Staff Canteen Payable	6,874.45	888.40
Staff Contribution	-12,636.00	-114.00
Voluntary KPF Contribution	605.00	0.00
House Loan Payable	-520.28	0.05
KPF Loan Payable	-4,620.52	-0.02
ANZ Bank Staff Loan	-1,939.46	719.78
ANZ Bank Staff Salaries	-11,440.05	7.31
AGT Staff Loan	65.38	-284.62
Social Club Payable	-2,399.65	-349.35
Wages & Salaries Payable	-7,073.35	847.21
Accrued Expense	-100,000.00	225.00
Current Overtime Payable	3,362.09	-11,037.34
Historical Overtime Payable	6,776.08	48,212.20
Historical Staff Tax Payable	-	-
Historical staff KPF Payable	-61.57	-61.57
Historical Payables-Others	-470.00	-470.00
Refund Payables - Pax Fare Out	-31,200.79	
Refund Payables - Cargo Handling	92.28	
Refund Payables - Freight Out	-75,065.29	
Sundtry Creditors	5,047.23	
Vat Collected	52,335.16	
Vat Paid	261.90	
Total	-138,988.26	62,487.72

16. Property, Plant & Equipment

Non Current Assets	NBV 1-1-2016	Bought	Sold	Total	Rate	Depreciation	NBV 31-12-2016
Furniture & Fittings	$33,466.01	4,129.20	$ -	$37,595.21	4%	$1,503.81	$36,091.40
Land & Buildings	$110,317.01	-	$ -	$110,317.01	20%	$22,063.40	$88,253.61
Plant & Machinery	$20,538.08	-	$ -	$20,538.08	20%	$4,107.62	$16,430.46
Vessels	$589,866.40	-	$ -	$589,866.40	20%	$118,511.33	$471,355.07
Motor Vehicles	$26,100.00	-	$ -	$26,100.00	25%	$6,525.00	$19,575.00
Office Equipment	$10,707.30	22,179.25	$ -	$32,886.55	33.33%	$10,624.43	$22,262.12
Tools	$26,859.00	810.00	$ -	$27,669.00			$27,669.00
Total	$ 817,853.80	$ 27,118.45	$ -	$ 844,972.25		$ 163,335.58	$ 681,636.67

17. Paid Up Capital	2016	2015
Issued and full paid	-	-
Ordinary shares of $1.00 each	500.00	500.00

18. Retained Earnings:

Opening Balance	4,862,328.86	4,866,432.42
Adjustments	-	-
Plus Net Profit/(Loss)	-267,226.45	-
Closing Balance	4,595,602.41	4,866,932.42