

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Air Kiribati Ltd
Financial Statements
For the Year Ended 31st December 2019**

**Kiribati Audit Office
August 2021**

KIRIBATI AUDIT OFFICE



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Audit for an impact for the public

INDEPENDENT AUDITOR'S REPORT

To the Readers of
Air Kiribati Limited Financial Statements
for the year ended 31st December 2019

I have audited the Financial Statements of **Air Kiribati Limited (AKL)** for the year ended 31st December, 2019 in accordance with sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981, Sec 22(1) of the Kiribati Audit Act, 2017. The Financial Statements comprise of the following:

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

Disclaimer of Opinion

I do not express an opinion on the accompanying Financial Statement of the Air Kiribati Ltd for the year ended 31st December 2019. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The following issues formed the basis of our disclaimer opinion:

1. Accounts Opening Balances 2019

- The opening balances for financial year, 2019 are taken from the 2018 financials which were not reliable and accurate, based on the following reason:
 - There were unresolved variances between the Financial Statement and the General Ledger for financial year, 2018.
 - The revised General Ledger 2018 to correctly reflect the revised Financial Statement was not provided to Audit.
- The 2018 closing balance for the accounts shown in table below did not match the 2019 opening balances. Refer variances stated in the last column.

Account Items	Closing Bal FS 2018	Opening Bal GL 2019	Variances
Other Creditors & Accruals	-\$205,717.00	-\$154,817.89	-\$50,899.11
Current Year Earnings	\$2,175,478.81	\$2,227,640.00	-\$52,161.19

2. Revenue Balances

- In the Profit & Loss Statement 2019, the revenue was categorized as Domestic & Regional and International referring to Notes 12. However, the breakdown in Notes 12 did not categorize the revenue as Domestic or International. The breakdown rather provides the details of different streams of revenue, i.e., Passenger revenue, Cargo revenue, Ground handling services, Charter Income, etc. Hence, making it difficult to verify the balance of revenue reported in the Financial Statement.
- In addition, there were also negative balances in the breakdown of revenue as per the General Ledger (MYOB). Refer to GL breakdown below. These negative balances are deductions to the total balance of the income, which is not normal. Upon request for justification on this to current management, we were advised that these negative balances are due to user error posting, and that reconciliation of revenue were not properly conducted.

Income	
Tickets Bairiki	\$3,081,773.93
Ticket Bonriki	\$170,244.29
PTA Received	\$147,100.00
Ticket Kiritimati	\$316,047.24
Air Ticket- O/I Agents	\$1,855,340.70
Solomon Ticket Sales	(\$174,670.09)
Solomon Pax Revenue	\$1,201,831.02
Solomon Cargo Revenue	\$177,264.40
International RPT Income	\$270,977.90
Funafuti Ticket sales	\$172,180.75
Hahn Air Sales International	\$49,223.93
Hahn Air Payments	(\$172.71)
Air Tickets Australia Sales	\$191,534.96
Air Tickets Payments	(\$516,707.15)
Nauru Airlines Agency income	\$149,966.20
Nauru Airlines payments	(\$200,850.55)
FREIGHT INCOME	
Solomon Cargo Sales	(\$11,541.00)
Solomon Excess Cargo Sales	\$11,432.52

- Furthermore, we note that the following receipts – source documents were missing.

Bonriki Receipts	Bairiki Receipts
182001 – 182200	197201 -197400
184401 – 184600	197401 - 197600
184501 – 185000	182801 - 183000
186201 – 186400	185601 - 185800
189001 – 189200	187401 - 187600
189201 – 189400	192201 - 192400
190004 – 190200	192401 - 192600
190801 – 191000	195401 - 195600
191601 – 191800	195601 - 195800
193001 – 193200	195801 - 196000
193201 – 193400	197201 - 197400
194801 – 195000	197401 - 197600
195001 – 195200	
196601 – 196800	
196801 - 197000	

3. Discrepancies of records in Financial Statement against General Ledger

There were discrepancies in the following accounts when comparing the Financial Statement against the General Ledger:

- A discrepancy of \$37k in aircraft maintenance
- A discrepancy of \$289k for the Costs for Honiara Services
- A discrepancy of \$56k for Accrued Expense Payable
- A discrepancy of \$58k for Other creditors & Accruals

- A discrepancy of \$13k for Dash 8 lease liability
- A discrepancy of \$11k for Spare Parts lease
- A discrepancy of \$2k for Total Lease Liability

4. Inconsistency of breakdowns & Presentation Issues

- The breakdown of i) Fuel and ii) General & Administrative expenses in the Notes of Financial Statements does not correctly reflect the balances for such accounts as reported in the MYOB Profit and Loss and General Ledger.
- The breakdown of the lease accounts in the Financial Statement was very different from the General Ledger. In the General Ledger, two leases – Dash 8 and Spare Parts leases were stated. Meanwhile in the Financial Statement, the leases are reported as current and long-term leases, with different amounts as well. Hence, the financial statement is not correctly reflected by the General Ledger. See table below for details.

General Ledger (MYOB)		Financial Statement	
dash 8 lease	\$ 1,294,270.53	Lease current	\$ 656,419.00
spare part lease	\$ 710,972.86	Lease long term	\$ 1,346,729.00
Total Lease (MYOB)	\$ 2,005,243.39	Total lease (F/statement)	\$ 2,003,148.00

- We noted that the breakdown of the Prior Year Items in Notes 17 does not match or support the balance of \$113k of the Prior Year Items in the Financial Statement.
- The presentation of the loan liability in the financial statement is not very clear. The breakdown of the loan liabilities provided in Notes 9 does not clearly identify whether the current or the non-current loan is either referred to the KPF or the KFL Loan.

Breakdown of Loans in GL		Breakdown of Loans in FS Notes	
KFL Loan -GH Equipment	\$304,694.23	Current	\$646,854
KPF Loan- Twin Otter	\$1,320,538.61	Non-current	\$978,379
Total	\$1,625,232.84	Total Loans	\$1,625,233

- The account 'KOIL prior years of \$3,459,282' reflected in the Financial Statements 2019, was presented on MYOB General Ledger (GL) as Accrued Expense Payable with a different balance of \$3,515,300.03. We queried the inconsistency in the presentation of

such account in the Financial Statement and the GL and the differences that existed between the two records of \$56k.

- In addition, we note the breakdown of Direct Operating Costs and Expenses accounts in the Financial Statements and Notes were not clear, which makes it difficult to match what comprised the accounts on the General Ledger against the details of the Notes in the Financial Statements.
- The exchange difference account was categorized as a revenue account in the General Ledger. However, in the Financial Statement the account was reported as an expense, which indicates a classification and presentation issue. This indicates a classification and presentation issue.

5. Unavailable Board Minutes

Board minutes for financial year 2019 were unavailable. Board minutes are very important documents as they serve as official record of decisions and actions taken by the Board of Directors. Therefore, these should be maintained for all board meetings.

6. KPF Employer Contribution

We noted that AKL's payments of KPF employer contribution for the year 2019 was understated by \$45,677.93.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kiribati and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Communication with those charged with governance

I communicate with the Board of Directors and Managements regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other Legal and Regulatory Requirements

AKL lodged its 2019 Financial Statements on 14th October 2020, therefore indicating AKL's non-compliance with Section 20 of SOE Act 2013.

We also identify areas where AKL practices do not fully comply with best accounting practices. These areas include:

- No bank reconciliations conducted for January to December 2019
- Poor management of debt recovery from debtors which resulted in an increasing trend of debtors' balance in 2019
- There were payroll deductions for staff social and entertainment loans, which are not considered normal part of the payroll process. This is a cost to AKL in terms of the time

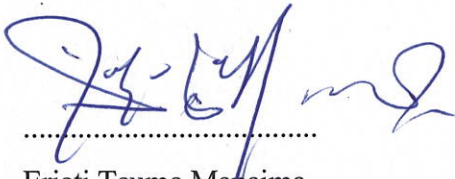
consumed and the extra tasks for payroll officer, as well as the use of AKL resources for unofficial purposes.

- A number of payment vouchers were not well supported. For instance, payment for casual labors were not signed to confirm that cash was collected; and were also not receipted back to AKL to confirm the return of cash if not collected by casual labors.

Independence

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

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



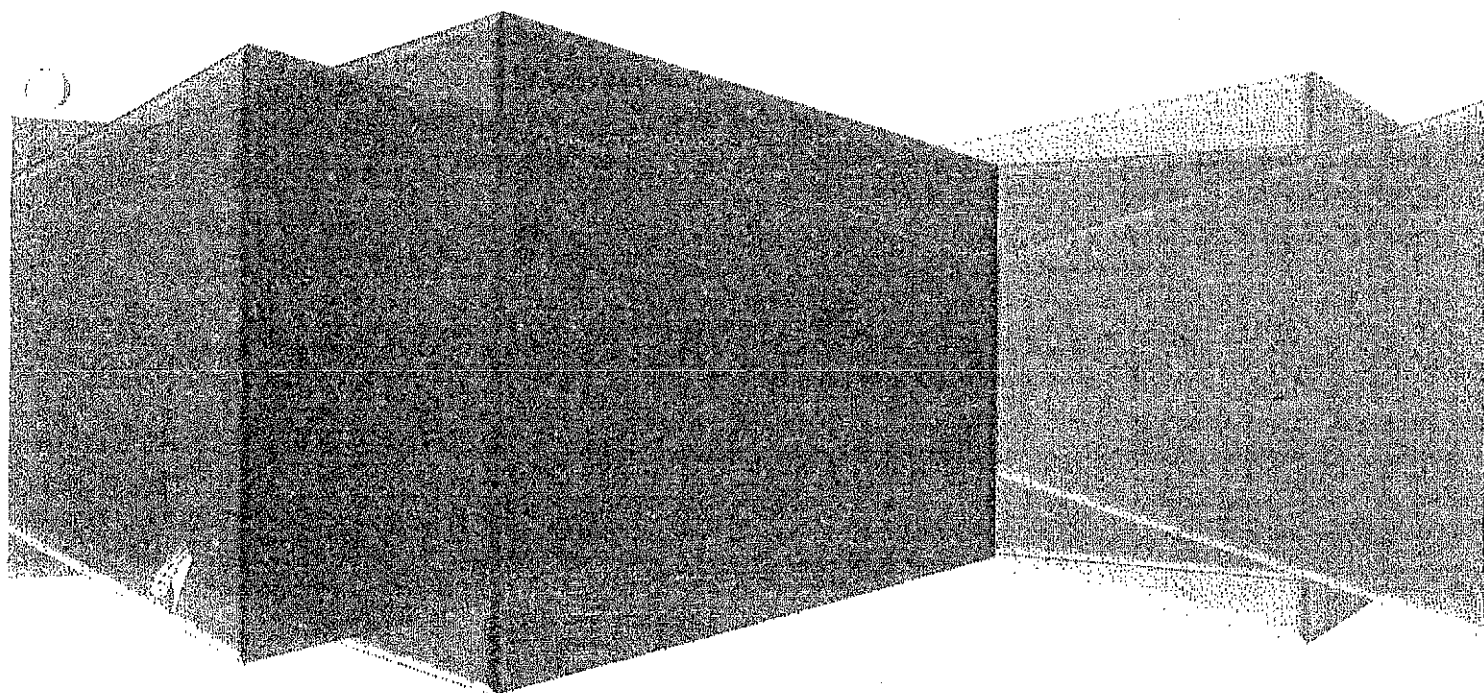
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Eriati Tauma Mahaima
Auditor General

Date: 13/08/2021

AIR KIRIBATI LIMITED



**ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31st of DECEMBER 2019**




FINANCIAL PERFORMANCE

AIR KIRIBATI LIMITED


Profit & Loss Statement

For the year ended 31 December 2019

	Notes	2019 AUD	2018 AUD
Revenue			
Domestic & regional	12	7,813,454	6,761,906
International	12	1,362,684	1,065,408
Government subsidy	5	-	-
		<u>9,176,138</u>	<u>7,827,314</u>
Direct Operating Costs			
Domestic & regional	13	6,670,872	4,913,701
International	13	2,736,588	2,856,833
		<u>9,407,460</u>	<u>7,770,534</u>
Gross Profit		<u>(231,322)</u>	<u>56,780</u>
Expenses	14	6,397,775	6,512,037
Operating Profit/(Loss)		<u>(6,629,097)</u>	<u>(6,455,257)</u>
Other Income	15	151,882	999
Other Expenses	16	300,051	561,676
Prior Year items	17	113,349	-
Net Profit/(Loss) before GoK contributions		<u>(6,890,614)</u>	<u>(7,015,934)</u>
Government contributions	18	6,670,273	4,788,295
Net Profit/(Loss) after GoK contributions		<u>(220,341)</u>	<u>(2,227,639)</u>

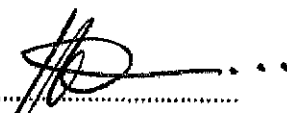
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Chairman.....
Date: 13/10/2020

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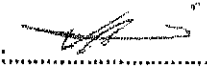
Director: 
Date: 13/10/2020

STATEMENT OF CHANGES IN EQUITY

AIR KIRIBATI LIMITED				
Statement of changes in equity				
For the year ended 31 December 2019				
	Share capital	Shareholder contributions	Retained Earnings	Total
	AUD			
Balance at the beginning of the year	500	12,769,057	(7,325,990)	5,443,567
Operating profit/(loss) for the year	-	-	(6,890,614)	(6,890,614)
Other comprehensive income	-	-	-	-
GoK contributions for CSO	-	-	6,670,273	6,670,273
Other items	-	-	-	-
	-	-	(220,341)	(220,341)
Balance at the end of the year	500	12,769,057	(7,546,331)	4,740,245

Signed by: 
Chairman.....
Date: 13/10/2020

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Director: 
Date: 13/10/2020

FINANCIAL POSTION

AIR KIRIBATI LIMITED

Balance Sheet

As at December 2019

	Notes	2019 AUD	2018 AUD
Current Assets			
Cash on hand and at bank	3	73,846	1,046,420
Trade debtors	4	1,142,056	698,239
Other debtors & deposits		269,915	274,836
Receivable from GoK	5	444,092	612,998
Total Current Assets		1,929,910	2,632,493
Current Liabilities			
Trade creditors	6	2,509,237	2,456,989
Other creditors & accruals	6	258,207	205,717
Lease liability - current	7	656,419	1,035,316
Loans - current	9	548,135	646,854
Total Current Liabilities		3,971,998	4,344,876
Working Capital		(2,042,088)	(1,712,383)
Fixed Assets	8	12,310,103	13,522,748
Long Term Liabilities			
Leases	7	1,346,729	1,929,138
Loans	9	721,759	978,379
KOIL prior years	10	3,459,282	3,459,282
Total Long Term Liabilities		5,527,770	6,366,799
Net Assets		4,740,245	5,443,567
Equity			
Share capital		500	500
Shareholder contributions	11	12,769,057	12,769,057
Retained earnings		(7,808,971)	(5,098,351)
Current Year Earnings		(220,341)	(2,227,640)
Total Equity		4,740,245	5,443,567

Signed by:

Chairman

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Director

Date:


13/10/2020

Date:

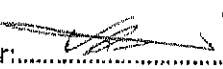
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CASHFLOW STATEMENT

AIR KIRIBATI LIMITED		
Statement of Cash Flows		
(For the year ended 31st October 2019)		
	2019 AUD	2018 AUD
Cash Flow from Operating Activities		
Receipts from Customers & CSO	15,559,397	12,607,680
Payments to Suppliers	(14,533,407)	(12,749,588)
Net Cash Flows from Operating Activities	1,025,990	(141,907)
Cash Flow from Investing Activities		
Acquisition of property plant & equipment	(147,372)	(938,809)
Net Cash Flows from Investing Activities	(147,372)	(938,809)
Cash Flow from Financing Activities		
Interest plus Principal payment for KPF Loan	(355,339)	(274,530)
KOIL Loan	-	906,740
Finance leases	(961,305)	139,896
Net Cash Flows from Financing Activities	(1,316,644)	772,105
Net Increase/Decrease for the period	(438,027)	(308,611)
Cash at the Beginning of the period	1,046,419	1,355,030
Cash at the End of the period	608,392	1,046,419

Signed by:  ...
Chairman.....
Date: 13/10/2020

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Director:  ...
Date: 13/10/2020

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

1. GENERAL

Air Kiribati Limited formerly known as Air Tungaru is a State Owned Enterprise established for the purpose of providing airline services for the general public. It commenced operations on 1st April, 1995. Air Kiribati's primary business is the transportation of passengers and cargo on scheduled airline services as well as on a charter basis.

1.1 Use of accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. Areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to financial statements are disclosed within the specific accounting policy or note.

2. PRINCIPLE ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Generally Accepted Accounting Practice and the applicable financial reporting standards. The financial statements have been prepared on the historical cost basis. The following is a summary of important accounting policies used by the company.

2.1 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	3-7%
Spare Engine	20%
Aircraft spares	20%
Computers & computer software	20%
Ground handling equipment	10-20%
Air Condition	20%
Tools	25%
Furniture & Fixtures	33.3%
Motor Vehicles	20%
Building improvements	5%

Where parts of an item of aircraft, property, plant and equipment have different useful lives, they are accounted for as separate items (major aircraft components including engine assets) of aircraft, property, plant and equipment.

Signed by: 
Chairman.....

Date: 13/10/2020

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Director: .....

Date: 13/10/2020

2.2 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.

2.3 Stock of Spare Parts

Spare parts stocks comprise rotables and expendables and consumables. They are stated at the lower cost or net realizable value. Spare parts are capitalised and are depreciated.

2.4 Property, plant and equipment

Items of property plant and equipment are stated at cost or deemed costs less accumulated depreciation. Costs include expenditure that is directly attributable to the acquisition of the items and in bringing the asset to the location and working condition for its intended use.

2.5 Finance leased assets

Leases under which the Airline assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. Upon initial recognition, assets held under finance leases are measured at the amounts equal to their lower of fair value and the present value of the minimum lease payments at the inception of the lease.

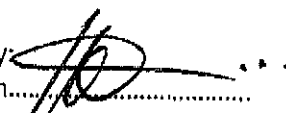
3. CASH & CASH EQUIVALENT

Cash and cash equivalents include cash on hand, demand deposit, current accounts in bank and other short term highly liquid investments that are rapidly convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise:

	2019 AUD	2018 AUD
Cash balances	73,846	1,046,420
Other short-term deposits and short-term bills	-	-
Total cash and cash equivalents	73,846	1,046,420

4. TRADE DEBTORS & OTHER RECEIVABLES

Trade and other receivables are recognised at cost less any provision for impairment. Bad debts are written off when they are considered to have become uncollectable. Other deposits comprise deposits provided goods or service and are fully refundable.

Signed by: 
Chairman.....

Date: 13/10/2020

Director: 

Date: 13/10/2020

Trade debtors comprises:

	2019 AUD	2018 AUD
Trade debtors	1,292,056	848,239
Less: provision for doubtful debts	(150,000)	(150,000)
Balance at 31 December	1,142,056	698,239

5 RECEIVABLE FROM GOVERNMENT OF KIRIBATI

Receivables from the Government of Kiribati represents payments made by Air Kiribati Limited relating to set up of the Jet Project on behalf of the Government which remains to be reimbursed at as balance date.

6 TRADE CREDITORS

Trade creditors comprise amounts payable in respect to goods or services received by the Airline which remained unpaid as at balance date. These accounts are payable in the normal course of business at the terms of trade offered by the suppliers. Any amounts deferred and not considered payable within 12 months are classified as non-current. Balance remain at balance date are:

	2019 AUD	2018 AUD
Trade creditors	2,509,237	2,456,989
Other creditors and accruals	258,207	205,717

7 FINANCE LEASE LIABILITIES

Finance leases relate to financing options taken by the airline in respect to:

1. Final payment due in respect to acquisition of Dash 8 aircraft. This amounted to US\$1,427,500.
2. Purchase of aircraft spare parts required for the Dash 8 aircraft

The above leases are for the period of 60 months.

3. Aircraft engine overhaul. Two engines were overhauled at a cost of USD285,000 each. These costs are paid over 12-month term. The cost of overhaul is capitalised in accordance with the accounting standards and the corresponding entry is recognised as lease liability. This was paid off during 2019.

Signed by: 
Chairman

Date: 13/10/2020

Director: 

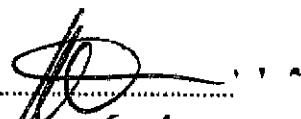
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	2019 AUD	2018 AUD
Repayable as follows:		
Not later than 1 year	792,094	1,214,136
Later than 1 year and not later than 5 years	1,451,822	2,161,010
Later than 5 years	-	-
Less future finance costs	(240,767)	(410,691)
Present value of future rentals	2,003,149	2,964,454
Made up of principle amounts as follows:		
Not later than 1 year	656,419	1,035,316
Later than 1 year and not later than 5 years	1,346,729	1,929,138
Later than 5 years	-	-
	2,003,148	2,964,454
Finance leases comprised of:		
Dash 8	1,281,042	1,613,959
Aircraft spares	722,106	899,187
Aircraft engine overhaul	-	451,308
	2,003,148	2,964,454

Signed by:

Chairman


Date:


12/10/2020

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Director:

Date:


13/10/2020

8. Fixed Assets and Depreciation Schedule

2019	Aircraft	Spares parts	Spare engines	Ground handling & other equipment	Computers & software	Airconditioning	Fixtures & fittings	Tools	Motor vehicles	Building improvements	Total
COST											
Balance 1/01/19	12,708,724	1,059,508	1,625,845	636,901	210,837	45,032	53,237	300,199	241,836	188,527	17,070,646
Additions	-	-	-	75,516	31,572	2,390	2,710	19,134	16,050	-	147,372
Balance 31/12/19	12,708,724	1,059,508	1,625,845	712,417	242,409	47,422	55,947	319,333	257,886	188,527	17,218,018
DEPRECIATION											
Balance 1/01/19	1,858,708	105,951	835,001	263,075	115,075	29,799	30,826	131,203	161,462	16,798	3,547,898
Additions	686,272	105,951	325,169	129,657	32,837	1,535	6,311	38,496	22,740	10,453	1,359,420
Balance 31/12/19	2,544,980	211,902	1,160,170	392,732	147,912	31,334	37,137	169,699	184,202	27,251	4,907,318
NBV 31/12/19	10,163,744	847,606	465,675	319,685	94,496	16,088	18,810	149,634	73,685	161,276	12,310,700

2018	Aircraft	Spares parts	Spare engines	Ground handling & other	Computers & software	Airconditioning	Fixtures & fittings	Tools	Motor vehicles	Building improvements	Total
COST											
Balance 1/01/18	11,894,438	1,059,508	1,625,845	619,566	195,546	36,261	46,992	229,318	235,836	188,527	16,131,837
Additions	814,286	-	-	17,335	15,291	8,771	6,245	70,881	6,000	-	938,809
Balance 31/12/18	12,708,724	1,059,508	1,625,845	636,901	210,837	45,032	53,237	300,199	241,836	188,527	17,070,646
DEPRECIATION											
Balance 1/01/18	1,253,864	-	509,832	149,923	88,552	21,907	24,561	94,940	140,533	8,399	2,292,511
Additions	604,844	105,951	325,169	113,152	26,523	7,892	6,265	36,263	20,929	8,399	1,255,387
Balance 31/12/18	1,858,708	105,951	835,001	263,075	115,075	29,799	30,826	131,203	161,462	16,798	3,547,898
NBV 31/12/18	10,850,016	953,557	790,844	373,826	95,762	15,233	22,411	168,996	80,374	171,729	13,522,748

Signed by:  Chairman..... 9 Director  Date: 13/10/2020

Date: 13/10/2020

9. LOANS

Loans comprise:

1. borrowings from KFL in respect to acquisition of ground support equipment required to facilitate the freight of fish exports for other ground handling service requirements.
2. Borrowing from Kiribati Provident Fund for acquisition of aircraft.

Interest applicable is at a rate of 8.5%

	2019 AUD	2018 AUD
Loans		
Current	548,135	646,854
Non-current	721,759	978,379
Total	1,269,894	1,625,233

10. OWING TO KOIL

KOIL supplies aircraft fuel to the airline. In prior years this account was not properly maintained and reconciled by the airline as well as the supplier. As at 2016 the liability could not be substantiated, and no liability was recorded. Subsequently it was identified that the liability does exist and needs to be accounted for. However, reconciliations are still being carried out and final amounts owed is yet to be agreed upon as these liabilities relate to 2013 to 2017. The corresponding entry is made to Profit & loss account and is disclosed as prior period items. Due to the nature of the debt and the financial constraints of the Airline any payment of this debt is deferred and is recorded as non-current.

11. SHAREHOLDER CONTRIBUTIONS

The Airline is owned by the Government of the Republic of Kiribati. The Government has been proactively supporting the airline for both its operational finance as well as its developments. During 2019 the Government made contributions for losses in respect to Honiara services; losses resulting from lack of airstrip facilities for Dash 8 operations; certification cost of Dash 8; lease and related cost of acquiring a leased twin otter aircraft as a result of maintenance and other issues associated with Y12 major maintenance programme. Total amount received during 2019 was \$6,670,273 (2018 - \$4,788,295). These amounts have been taken up in the Profit and Loss

Signed by:
Chairman.....

Date:..... 13/10/2020

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Director:.....

Date:..... 13/10/2020

account. The amount received in 2017 related to funding for acquisition of the Dash 8 aircraft. This amount has been taken up in the shareholder contributions account in Balance Sheet.

Shareholder contributions	2019 AUD	2018 AUD
Balance at beginning of the year	12,769,057	12,769,057
Contributions during the year	-	-
Closing balance	12,769,057	12,769,057

12. REVENUE

	2019 AUD	2018 AUD
Passenger revenue	6,891,085	5,920,248
Cargo revenue	903,495	852,233
Ground handling services	455,563	284,458
Charter income	739,392	609,269
Government subsidy - Honiara services	-	-
Fare subsidy - domestic services	-	-
Fees and other ancillary income	186,603	161,106
Total revenue	9,176,138	7,827,313


13. DIRECT OPERATING EXPENSES

	2019 AUD	2018 AUD
Fuel	2,573,893	2,465,504
Aircraft maintenance	1,838,739	1,293,104
Insurance	550,000	290,000
Aircraft & engine lease	1,264,891	762,420
Costs for Honiara services	3,026,498	2,856,833
Other items	153,438	102,673
Total direct operating costs	9,407,460	7,770,534

Signed by:

Chairman

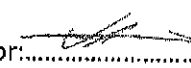
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14. OTHER OPERATIONAL EXPENSES & DEPRECIATION

	2019 AUD	2018 AUD
General and administrative expenses	1,803,660	1,638,259
Marketing and promotions	20,741	114,258
Employee expenses	2,722,755	2,357,350
Technical assistance	343,845	785,001
Occupancy costs	143,080	361,783
Doubtful debts provision	-	-
Depreciation	1,363,694	1,255,386
Total Other expenses	6,397,775	6,512,037

15. OTHER INCOME

	2019 AUD	2018 AUD
Sale of engine cores	150,000	-
Sundry income	1,882	999
Total Other Income	151,882	999

16. OTHER EXPENSES

	2019 AUD	2018 AUD
Interest expense - loans & leases	183,854	256,303
Exchange losses	116,197	296,114
Other items	-	9,260
Total Other Expenses	300,051	561,676

17. PRIOR YEAR ITEMS

	2019 AUD	2018 AUD
	-	-
	-	-
Total Prior Year Items	-	-

18. CONTRIBUTIONS BY GOVERNMENT OF KIRIBATI

The Government of Kiribati has made the following contributions during the year:

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Date: 13/10/2020

Director: 

Date: 13/10/2020

	2019 AUD	2018 AUD
CSO for Honiara services for current and prior year	1,500,000	1,800,000
CSO for Domestic and Regional operations	5,170,273	2,988,295
Total Government contributions for the year	6,670,273	4,788,295

19. EVENTS SUBSEQUENT TO BALANCE DATE

The Government of the Republic of Kiribati approved the Airline to pursue with acquisition of Jet Aircraft and establish its own international operations. The Government has committed to provide the necessary financial support.

20. CONTINGENT LIABILITIES

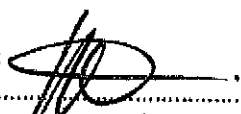
The Airline entered into a loan agreement with the Kiribati Provident Fund to borrow \$4,640,000 to acquire a Twin Otter aircraft in 2013. However, this aircraft was never received. The Government of Kiribati pursued legal action against the supplier, however no recourse was provided. There is no chance of recovering the aircraft or the monies paid.

The Airline is pursuing the matter with the management and Board of the lender which is also owned by the Government. On the basis of the deliberations the amount was written off previously. However, any resolutions are not formalised or endorsed by the Government and the lender.

Signed by:

Chairman.....

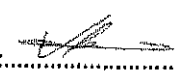
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