

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNT OF



**Kiribati Oil Company LTD
Financial Statements
For the year ended 31st December 2019**

**Kiribati Audit Office
April 2021**

KIRIBATI AUDIT OFFICE



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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 2019**

I have audited the Financial Statements of Kiribati Oil Company Ltd (KOIL) for the year ended 31st December, 2019 as required under sec 114 (2) of the Constitution, Part VII, Sec 42(4) of the Public Finances (Control and Audit) 1981 and 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 Flow
- Notes to the Accounts

Qualified Opinion

In my opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion:

- Physical counting of Fixed Assets was not done as at 31st Dec 2019; therefore, we cannot place reliance on the existence and completeness of Fixed Assets balance as per Financials.
- Dividend payable balance was transferred to Specific Reserve (Liability) in 2018, when Cabinet approved for Dividend to be used to offset SOE's Debts. Without Cabinets approval for KOIL to change previous arrangement for Dividend payable, such transfer of Dividend balance to Specific Reserve was improper. Further to this, none of the SOE debts in 2018 and 2019 were cleared using the dividend balance.

Emphasis of the Matter

We would like to draw the attention to the matter described below:

- Dishonoured Cheques remained outstanding since 2005 and the amount had accumulated to \$7.8m as at 31/12/2019. KOIL has proceeded with recovery through court on some of the Private companies while the rest awaits advice from Lawyer and further follow ups by KOIL's Debt Recovery Committee.

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. I am independent of the Company in accordance with the Ethical requirements that are relevant to my audit of the financial statements of the Company and I have fulfilled my other responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Board's and Management's responsibilities for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion as required under the Public Finance (Control and Audit) Ordinance 1976 and Kiribati Audit Act 2017. Reasonable assurance is a high level of assurance but is not guarantee that an audit conducted in accordance with ISA/ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs & ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

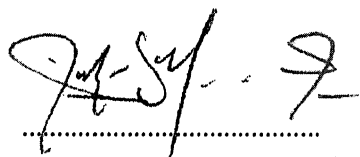
Report on other Legal and Regulatory Requirements

KOIL lodged its Financial Statement on 21 August 2020 therefore indicating KOIL's incompliance to Section 20 of the SOE Act 2013.

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 KOIL.



Mr. Eriati Tauma Manaima
Auditor General

Date: 27/4/2021

KIRIBATI OIL COMPANY LIMITED
DIRECTORS REPORT ON THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31ST DECEMBER, 2019

Directors of the Kiribati Oil Company Limited present their report on the financial statements of the company for the year ended 31st December, 2019 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 2019 and 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, 2019.

2. Dividend

There was no dividend declared for the financial year ended 31st December 2019.

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 2019, the company owned fixed assets at the value of \$11,354,615.17 and current assets valued at \$29,707,917.19.

(b) As at 31st December 2019, the company had its total accounts receivables of \$7,278,484.60. The Domestic Airlines owed \$4,912,741.56 which equals to 67%, International Airlines owed \$1,018,406.53 equivalent to 14% while Un-scheduled Airlines owed \$142,551.52 or 2%. The government ministries owed the company by \$423,015.45 which equals to 6%, the SOE owed \$332,091.01 or 5%, and the Other 6% component equals to \$449,678.53 comprised of private business.

A total cumulative provision of doubtful debt of \$10,776,444.77 has been estimated as doubtful at year ended 31st December 2019 based on accounts receivables and dishonored cheques thus giving net book value of \$4,372,027.62.

(c) As at 31st December 2019, the company had its total dishonored cheque worth \$7,869,987.79. The dishonored checks comprised mainly of PUB at the amount of \$7,665,712.67 or 97%, 2% is owed by KSSL at the amount of \$123,958.98 and 1% which equals to \$80,316.14 is owed by private business.

(d) As at 31st December 2019, the company did not have any loans with ANZ bank and neither from other banks.

(e) As at 31st December 2019, a sum owed to the Japanese Non-Project Grant Aid scheme amounting to \$1,973,908.70.

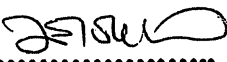
(f) As at 31st December 2019, the company had tax liability of \$304,637.00 and nothing was owed by the company to directors or shareholders of the company as at that date.



(g) In the opinion of directors of the company, the company was able to pay its debts and liabilities as at 31st December 2019.

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 21st day of August, 2020.


.....
Vice Chairlady


21 AUG 2020



.....
Director

KIRIBATI OIL COMPANY LTD
Summary of Income Statement
Year ended 31st December 2019

	2019 Consolidated	Tarawa	Kiritimati	2018 Consolidated	2017 Consolidated
Income:					
Net Sales	42,801,631.02	37,504,340.63	5,297,290.39	42,613,101.74	38,667,933.05
Less COS	35,890,313.81	31,333,689.65	4,556,624.16	33,777,503.72	25,352,491.98
Gross Profit	6,911,317.21	6,170,650.98	740,666.23	8,835,598.02	13,315,441.07
CSQ Grant from Govt	-	-	-	-	-
Other Income	1,024,030.19	942,563.83	81,466.38	570,359.15	604,313.18
Gain/(Loss) on Disposal	0.00	0.00	-	590.67	4,330.00
Deferred Grant Income (ROC)	115,516.64	115,516.84	-	115,766.84	77,777.76
Total Income	8,050,864.04	7,228,731.45	822,132.59	9,522,314.48	14,001,862.01
Expenses					
Depreciation	1,025,854.79	775,740.92	251,123.67	1,021,126.47	1,039,721.89
Interest	-	-	-	-	-
Other Expenses	5,902,835.74	4,951,514.26	951,321.48	6,180,474.47	4,997,805.51
Total Expenses	6,928,700.53	5,727,255.18	1,202,445.35	7,201,600.94	6,037,527.40
PPJ	(11,542.13)	(9,634.10)	(1,908.03)	(74,721.65)	(143,212.69)
Profit/(Loss) before I/Tax	1,109,621.38	1,491,842.17	(382,220.79)	2,245,991.89	7,821,121.92
Provision for I/Tax	382,367.48	382,367.48	0.00	781,097.16	2,732,392.67
Net Profit/(Loss)	726,253.90	1,108,474.69	(382,220.79)	1,464,894.73	5,088,729.25


Vice Chairlady


Director

KIRIBATI OIL COMPANY LTD
Consolidated Income Statement
Year ended 31st December 2019

	Notes	2019 Consolidated	Tarawa	Kiritimati	2018 Consolidated	2017 Consolidated
Revenue	3	42,801,531.02	37,504,340.63	5,297,290.39	42,613,101.74	38,667,933.05
less Cost of Sales	4	35,890,313.81	31,333,689.65	4,566,824.16	33,777,503.72	25,352,491.98
Gross Profit		6,911,217.21	6,170,650.98	740,666.23	8,835,598.02	13,315,441.07
Deferred Grant Income		115,516.64	115,516.64	-	115,766.64	77,777.76
Other Income	5	1,024,030.19	942,563.83	81,466.36	570,269.15	604,313.18
Total Income		8,050,864.04	7,228,731.45	822,132.59	9,521,723.81	13,997,532.01
Expenses:						
Staff Costs	6	2,092,207.87	1,678,301.01	413,906.86	1,990,689.53	1,592,501.81
Travelling		279,071.58	258,173.65	20,897.93	183,519.38	150,011.37
Motor Vehicle Expenses		22,930.25	7,317.00	15,613.25	49,680.86	25,618.27
Vehicle Hire		71,622.55	49,090.75	22,741.80	86,043.00	74,530.74
Freight & Handling		649,209.14	471,101.37	178,107.77	700,546.76	697,439.68
Outer Island Agency Costs		168,448.02	154,825.22	13,622.80	166,291.74	153,174.82
Directors Expenses		18,251.47	18,251.47	-	25,422.17	37,318.44
Office & Computer Supplies		17,046.60	14,639.65	2,407.05	17,518.42	17,134.67
Office Stationery		23,292.96	18,478.34	4,814.62	18,458.88	19,057.30
Office Repairs		20,535.73	15,670.84	4,864.89	41,914.56	28,078.67
Telecom Charges		42,173.23	30,847.93	11,325.30	32,551.35	28,246.51
Electricity & Water		77,587.54	70,402.99	7,184.55	111,788.70	107,690.72
LPG Sales Commission		44,550.15	44,550.15	-	42,590.35	36,138.15
Management Expense		9,972.25	2,518.00	7,454.25	7,825.20	31,725.06
Council Charges		-	-	-	1,800.00	3,200.00
Training		285,665.81	225,780.82	59,884.99	227,735.83	201,597.22
Depreciation	7	1,026,864.79	775,740.92	251,123.87	1,021,128.47	1,039,721.89
Advertisement/Promotion		28,476.42	27,316.42	1,181.00	22,833.27	30,599.05
General Repairs & Maintenance		158,915.63	75,842.67	83,272.96	182,834.22	173,421.60
Uniform & Safety Wear		39,406.91	30,894.26	8,712.65	53,487.48	51,707.63
Lab Testing		-	-	-	-	346.80
Fees	8	157,660.32	155,720.17	1,960.15	91,775.53	33,555.27
Land Lease		5,632.35	-	5,632.35	-	10.50
Insurance		105,997.47	105,997.47	-	89,846.60	51,081.02
Fuel Supply Tender		-	-	-	-	94,877.19
Security Services		12,184.00	12,164.00	-	13,348.00	-
Study & Research		-	-	-	9,425.00	-
Miscellaneous Expenses	9	215,252.38	212,310.08	2,942.30	65,896.80	49,604.26
Tanker Discharge		-	-	-	-	0.00
Doubtful Debt	10	611,320.33	587,676.97	23,443.36	1,375,314.94	540,442.95
Trade Loan Interest		-	-	-	-	-
Bank Charges		15,818.10	12,747.45	3,070.65	14,250.79	13,491.64
Loss on Foreign Exchange		-	-	-	90.14	3.59
Anniversary		-	-	-	-	-
AGM		-	-	-	-	-
Vet		-	-	-	-	-
Empty Drums		729,398.68	671,096.68	58,300.00	562,179.04	738,000.58
Total Expenses		6,929,700.63	5,727,265.18	1,202,445.35	7,201,690.94	6,037,527.40
Operating Profit for the year		1,121,163.51	1,501,476.27	(580,312.76)	2,320,122.87	7,960,004.61
PPI		(11,542.13)	(9,634.10)	(1,908.03)	(74,721.65)	143,212.69
Gain/(Loss) on Disposal		-	-	-	580.87	4,330.00
Profit/(Loss) Before I/Tax		1,109,621.38	1,491,842.17	(382,220.79)	2,245,991.89	7,821,121.92
Loss I/Tax		383,367.48	383,367.48	-	781,097.18	2,732,382.67
Net Profit/(Loss) After I/Tax		726,253.90	1,108,474.69	(382,220.79)	1,464,894.73	5,088,739.25


Vice Chairlady.

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Director.

KIRIBATI OIL COMPANY LTD
Consolidated Statement of Financial Position
As at 31st December 2019

	Notes	2019 Consolidated	Tarawa	Kiritimati	2018 Consolidated	2017 Consolidated
Current Assets						
Cash & Cash Equivalents	11	15,514,203.58	15,512,022.60	2,130.88	14,854,188.52	11,916,488.33
Account Receivables	12	7,278,484.80	8,004,521.02	1,273,963.58	6,954,502.45	5,588,853.72
Dishonored Cheques	13	7,869,987.79	7,869,825.79	362.00	7,959,032.46	8,056,457.05
Prepayments and Other Receivables	14	1,495,981.84	1,241,349.30	254,612.54	1,485,256.08	1,158,378.28
Loss Provision for Doubtful Debts	15	(10,776,444.77)	(9,982,615.34)	(813,829.43)	(10,822,382.09)	(8,859,557.43)
Inventory	16	8,079,327.43	5,383,214.74	2,896,112.69	8,593,549.31	8,029,973.01
Spares Parts		246,396.72	173,555.57	72,841.15	234,884.04	186,673.22
Total Current Assets		29,707,917.19	26,221,873.68	3,486,243.51	29,258,026.85	25,253,255.18
Current Liabilities						
Account Payables	17	5,006,003.07	2,941,764.11	2,064,238.96	5,387,891.73	3,245,445.57
Accounts and Other Payables	18	562,447.37	363,568.72	198,878.95	369,634.54	524,835.59
Company Tax Payable		304,637.00	304,637.00	-	597,878.58	(425,729.48)
Dividend Payable	19	-	-	-	-	2,000,640.85
VAT		-	-	-	-	2,377.41
Specific Reserve	20	2,447,070.58	2,447,070.58	-	2,301,819.60	-
ROC Takuan Grant	21	8,504,601.49	8,504,601.49	-	8,504,601.49	7,000,000.00
Deferred Grant Income (ROC)		(309,081.04)	(309,081.04)	-	(193,544.40)	(77,777.76)
Total Current Liabilities		16,515,688.47	14,252,580.86	2,263,117.61	15,958,281.74	12,277,792.18
Working Capital		13,192,218.72	11,969,092.82	1,223,125.90	12,289,747.11	12,975,474.00
Long Term Assets						
Property, Plants and Equipments	7	11,087,480.37	10,040,718.51	1,048,761.86	11,908,827.97	11,911,858.14
WIP- Projects	22	287,134.80	129,616.21	137,518.59	164,985.37	255,606.04
Total Long Term Assets		11,354,615.17	10,170,334.72	1,186,280.45	12,073,813.34	12,167,464.18
Long Term Liabilities						
NRGA Loan	23	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		22,572,925.19	20,165,518.34	2,407,406.35	22,389,651.75	23,169,031.48
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	24	21,220,256.68	14,973,811.19	6,246,445.49	21,038,983.24	21,318,362.97
Total Equity		22,572,925.19	16,326,479.70	6,246,445.49	22,389,651.75	23,169,031.48


Vice Chairlady.


Director.

KIRIBATI OIL COMPANY LTD
Consolidated Cash Flow Statement
Year ended 31st December 2019

	2019	2018	2017
Cash flows from Operating Activities:			
Cash receipts from Customers	43,648,597.27	42,844,540.94	39,668,837.60
Cash paid to Suppliers & Employees	(42,680,913.69)	(40,483,970.51)	(33,340,200.28)
Trade Loan Interest Payment	-	-	-
Payment of Income Tax	-	-	-
Net Cash flow from Operating Activities	967,683.58	2,360,570.43	6,328,637.32
Cash flows from Financing Activities:			
Govt Soft Loan - ROC Taiwan	-	1,504,601.49	2,000,000.00
Net Cash flow from Financing Activities	-	1,504,601.49	2,000,000.00
Cash flows from Investing Activities:			
Acquisition of fixed assets	(307,666.62)	(927,473.63)	(3,204,703.84)
Net Cash flow from Investing Activities	(307,666.62)	(927,473.63)	(3,204,703.84)
Movement in Cash and Cash Equivalents	660,016.96	2,937,698.29	5,123,933.48
Cash and Cash Equivalents, 1st January	14,854,186.62	11,916,488.33	6,792,554.85
Cash and Cash Equivalents, 31st December	15,514,203.58	14,854,186.62	11,916,488.33

Reconciliation of cash flows from Operating Activities:

	2019	2018	2017
Net Profit (Loss) for the year	1,109,621.38	2,245,991.89	7,821,121.92
Add: Depreciations	1,026,864.79	1,021,126.47	1,039,721.89
Decrease/Increase in Current Assets	210,128.62	(1,067,064.36)	(3,240,150.57)
Increase/Decrease in Current Liabilities	(337,066.63)	3,301,654.71	3,341,004.71
Adjustment to Retained Earnings	(1,041,864.58)	(3,141,138.20)	(2,633,060.63)
	967,683.58	2,360,570.43	6,328,637.32


Vice Chairlady.


Director.

KIRIBATI OIL COMPANY LTD
Statement of Movement of Equity
For Year Ended 31st December 2019

	2019	2018	2017
Net Profit for the Year	1,109,621.38	2,245,991.89	7,821,121.92
Total Recognised Earnings	1,109,621.38	2,245,991.89	7,821,121.92
Adjustment	(926,347.94)	(3,025,371.62)	(1,537,537.02)
Dividend			(1,017,745.85)
Revaluation Reserve			
Movement in Equity for the Year	183,273.44	(779,379.73)	5,265,839.05
Equity at start of the year	22,389,651.75	23,169,031.48	17,903,192.43
Equity at end of the year	22,572,925.19	22,389,651.75	23,169,031.48


Vice Chairlady.

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Director.

KIRIBATI OIL COMPANY LTD
Notes to the Financial Statements
Year ended 31st December 2019

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 calendar 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 delinquency 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 company 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.


Vice Chairlady.


Director.

When the trade receivable is uncollectible, it is written off against the provision of doubtful debts for trade receivables and subsequent recoveries of amounts previously 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, therefore 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 its USD Bank Account toward end of 2015 as a means 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 systematic 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 - 60 years 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.

2.9 Specific Reserve

Specific Reserve is established in the accounts based on the authorization and mandate by the Board. Specific Reserve is profits that have been appropriated for a particular purpose to keep funds from being used for other purposes. The purpose of the Specific Reserve is to retain a five year plan of dividend payable to Shareholder in line with the Cabinet's approval to fund KOIL's Major Development Projects and payments can be converted to KOIL as in a form of either grant, financial assistance or donation etc when the projects are completed or done.

The appropriation rate of provisions that was charged in year 2018 was 20% from the profit after tax. A reductions at the rate of 20% from Retained Earnings is made and crediting Specific Reserve in the liability account equal to the same rate that debited the Retained Earnings. When the company make losses there would be no appropriation to the Retained Earnings.


Vice Chairlady.


Director.

The Specific Reserve would exist until the project was completed whereby the initial entry would be reversed to bring back the Specific Reserve balance to the Retained Earnings upon completion of project activity that Board of Directors may have instruct in a particular financial year within 5 year plan.

3. Revenues

Sales:	2019	Tarawa	Kiritimati	2018	2017
ADO	20,909,116.78	18,588,559.75	2,320,557.03	21,249,319.18	19,745,465.65
ULP	12,188,025.90	10,809,666.00	1,378,359.90	11,652,079.73	10,489,241.16
DPK	1,908,618.20	1,788,978.00	119,640.20	1,674,147.35	1,809,153.65
AvGas	17,120.00	-	17,120.00	2,947.50	23,030.00
JetA1	5,550,468.02	4,266,964.59	1,283,503.43	5,932,991.12	5,025,670.03
Premix (ULP)	-	-	-	-	-
Lubes	1,091,119.72	987,736.02	103,383.70	1,063,641.24	819,836.73
LPG	1,107,902.45	1,034,286.32	73,616.13	1,007,165.02	941,005.48
Other - Sales	11,305.20	10195.2	1,110.00	10,046.10	10,518.35
Gas Stove	17,954.75	17,954.75	-	20,764.50	4,012.00
	42,801,631.02	37,504,340.63	5,297,290.39	42,613,101.74	38,667,933.05

4. Cost of Sales

	2019	Tarawa	Kiritimati	2018	2017
ADO	16,684,860.41	14,688,791.73	2,016,068.68	15,970,872.73	11,809,148.85
ULP	11,450,943.48	10,089,258.84	1,361,684.64	10,601,908.01	8,083,136.74
DPK	2,188,677.38	2,068,619.03	120,058.35	1,840,709.52	1,427,331.28
AvGas	14,433.79	-	14,433.79	2,597.98	16,845.61
JetA1	3,867,512.62	2,947,822.48	919,690.14	3,772,634.48	2,767,394.36
Lubes	840,549.86	762,708.24	77,841.62	787,087.17	552,423.42
LPG	825,838.58	779,968.50	45,870.08	776,551.34	689,314.50
Others	3,174.21	2,197.35	976.86	7,436.35	4,304.79
Gas Stove	14,323.48	14,323.48	-	17,726.14	2,592.43
	35,890,313.81	31,333,689.65	4,556,624.16	33,777,503.72	25,352,491.98

5. Other Income:

	2019	Tarawa	Kiritimati	2018	2017
Doubtful Debts Decrease	-	-	-	-	-
Freight on Sales	55,719.41	55,719.41	-	74,664.31	64,278.26
Drums	71,934.17	61,741.00	10,193.17	42,633.00	97,282.00
Cylinders	25,303.00	22,435.00	2,868.00	19,841.30	22,312.80
Overtime Charges	57,113.00	57,111.00	2.00	46,122.00	49,291.00
Rent	1,778.20	580.00	1,198.20	1,417.97	1,598.42
Internet	-	-	-	-	5.50
Interest Earned	63,067.45	63,067.45	-	140.35	140.18
Gain from Foreign Exchange	5,391.78	5,391.78	-	73,423.80	908.21
Documentation Fees	2,167.00	2,157.00	10.00	2,578.05	2,082.20
Others	741,555.38	674,360.39	67,194.99	97,050.09	290,116.39
Reduction in Prov of Ddebt	-	-	-	212,480.28	76,320.22
Waste Oil Sales	0.80	0.80	-	-	-
	1,024,030.19	942,663.83	81,466.36	570,359.16	604,313.18

6. Staff Cost

	2019	Tarawa	Kiritimati	2018	2017
Executive Remunerations Package					
Salaries & Wages	183,630.13	153,106.37	30,523.76	173,481.94	120,629.70
KPF	13,771.90	11,482.60	2,289.30	12,947.41	8,738.00
Allowances	31,183.10	25,860.92	5,322.18	28,576.23	27,292.93
L/Grant & Commutation	24,621.04	22,621.04	2,000.00	21,810.88	19,423.23
	253,206.17	213,070.93	40,135.24	236,816.46	176,083.86
Staff Emoluments					
Salaries & Wages	1,007,335.47	778,048.48	229,286.99	946,729.99	729,190.81
KPF	76,828.20	58,076.91	18,751.29	72,262.29	55,229.93
Allowances	82,029.06	59,864.29	22,164.77	78,382.81	65,533.39
Overtime	323,921.66	282,774.04	41,147.62	307,759.59	269,051.39
L/Grant & Passage	169,932.67	132,999.57	36,933.10	169,394.86	175,604.85
House Subsidy	48,119.00	48,119.00	-	41,561.74	43,709.00
Temporary Assistance	97,247.98	74,760.13	22,487.85	136,821.99	77,238.38
Retirement Benefit	4,820.00	1,820.00	3,000.00	980.00	880.00


Vice Chairlady.


Director.

Passage & Baggage
Casuals

	28,767.66	28,767.66	-	-	803.10
	1,839,001.70	1,465,230.08	373,771.62	1,753,873.07	1,417,220.85
	2,092,207.87	1,678,301.01	413,906.86	1,990,689.53	1,593,304.71

7. Property, Plant and Equipment

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8. Fees

	2019	Tarawa	Kiritimati	2018	2017
Consultancy Fee	83,234.60	83,234.60	-	75,805.14	3,245.00
Audit Fee	3,000.00	3,000.00	-	3,000.00	3,000.00
Licence Fee	4,598.15	2,838.00	1,960.15	3,807.90	5,592.70
Vsat Licence & Fees	66,847.57	66,847.57	-	9,182.49	18,280.67
					3,436.90
	157,680.32	155,720.17	1,960.15	91,776.53	33,555.27

9. Miscellaneous Expenses

	2019	Tarawa	Kiritimati	2018	2017
Recruitment	1,160.80	1,160.80	-	4,013.19	1,732.85
Reference Materials	27.50	27.50	-	-	-
Waste Oil, Spills & Leakage	38,071.73	38,071.73	-	9,181.35	11,372.38
Sundries	1,691.31	1,049.31	642.00	1,170.10	9,189.66
Joint Consultative Meeting	74,090.54	74,090.54	-	50,875.16	26,614.37
Recruitments	2,300.30	-	2,300.30	657.00	695.00
Charter	97,910.20	97,910.20	-	-	-
	215,252.38	212,310.08	2,942.30	65,896.80	49,604.26

10. Doubtful Debts & Accumulated Provisions of Doubtful Debts

Ageing	Rate	A/C Receivables Tarawa	A/C Receivables Xmas	Dishonored Cheques	2018	2017
0 - 30	5%	7,686.96	6,320.14	-	26,622.06	35,023.49
31 - 60	20%	35,180.00	15,955.66	-	86,025.59	15,219.40
61 - 90	50%	37,089.93	18,566.50	-	181,245.60	37,586.04
90+	75%	4,200,526.43	772,987.14	5,955,289.55	10,180,334.38	9,578,404.46
Cumm Provisions		4,280,483.32	813,820.44	5,955,289.55	10,484,227.63	9,666,233.39
Add Reduction in Provision of Ddebts		29,644.18	14,578.26	83,093.90	212,490.28	-
Cumm Prov B/F		3,722,250.53	804,955.34	6,038,383.45	9,321,411.97	9,202,110.66
Net Increase Impaired		587,876.97	23,443.36	0.00	1,162,815.66	464,122.73

11. Cash and Cash Equivalents

	2019	Tarawa	Kiritimati	2018	2017
Cheque A/c - Tarawa	5,229,349.22	5,229,349.22	-	12,165,105.27	9,881,926.28
Petty Cash - Tarawa/Xmas	276.20	188.80	77.40	207.05	207.05
Cash in transit	1,234,753.07	1,225,483.07	9,270.00	1,876,716.59	1,396,755.23
Term Deposit	20,969.23	20,969.23	-	20,813.68	20,673.33
Koii No# 2 Bank A/C - Tank Projects	67,097.64	67,097.64	-	67,220.64	65,935.24
USD Bank Account	906,012.74	906,012.74	-	696,134.18	560,921.55
Xmas Imprest Account - 737022	(7,166.42)	-	(7,166.42)	(20,399.84)	6,360.85
Term Deposit - 117316	2,019,679.91	2,019,679.91	-	-	-
Term Deposit - 117988	1,009,905.41	1,009,905.41	-	-	-
Term Deposit - 1183027	5,033,326.58	5,033,326.58	-	-	-
Un-deposited Funds	0.00	-	-	-	3,708.80
Tarawa Deposit Account	-	-	-	48,389.05	-
	15,514,203.58	15,512,022.60	2,180.98	14,854,186.62	11,916,488.33

12. Account Receivables

	%	2019	Tarawa	Kiritimati	2018	2017
Airlines - Domestic	67%	4,912,741.56	4,433,093.20	479,648.36	5,212,939.38	3,788,303.75
- Schedule Flights	14%	1,018,406.53	852,123.13	166,283.40	441,302.94	331,456.15
- Un-schedule Flights	2%	142,551.52	76,838.23	65,713.29	181,286.81	176,201.28
Gov't Ministries	6%	423,015.45	170,122.48	252,892.87	393,974.09	481,183.43
SOEs	5%	332,091.01	198,977.56	133,113.45	346,142.46	354,528.47


Vice Chairlady.


Director.

Others	6%	449,678.53	273,366.42	176,312.11	378,856.97	455,180.84
	100%	<u>7,278,484.60</u>	<u>6,004,521.02</u>	<u>1,273,963.58</u>	<u>6,954,502.45</u>	<u>5,566,853.72</u>

13. Dishonored Cheques	%	2019	Tarawa	Kiritimati	2018	2017
PUB	97%	7,665,712.67	7,665,712.67	-	7,736,180.66	7,841,516.06
KSSL	2%	123,958.98	123,958.98	-	124,271.26	129,688.25
Private	1%	80,316.14	79,954.14	362.00	97,800.54	85,252.74
	100%	<u>7,869,987.79</u>	<u>7,869,625.79</u>	<u>362.00</u>	<u>7,958,032.46</u>	<u>8,056,457.05</u>

14 Prepayment and Other Receivables

	2019	Tarawa	Kiritimati	2018	2017
Agencies - Northern	29,145.02	29,145.02	-	38,779.03	109,185.01
Agencies - Central	63,528.28	63,528.28	-	61,566.51	90,073.30
Agencies - Southern	5,393.74	5,393.74	-	9,838.81	9,102.01
Agency - Tarawa	81.20	-	81.20	98.00	98.00
Agency - Tabuwaan	96.58	-	96.58	108.68	108.68
Deposit to Vendors	762,624.45	585,574.67	177,049.78	444,718.20	246,717.45
Freight Refundable - Tarawa	357,518.13	357,518.13	-	596,991.00	402,752.51
Staff Imprest	52,379.17	41,641.08	10,738.09	35,609.72	29,933.92
Salary Advance - Tarawa	3,707.08	2,866.58	840.50	3,052.15	4,408.16
Sundry Debtors	74,849.86	9,043.47	65,806.39	147,977.96	115,185.29
Prepayments	147,103.87	147,103.87	-	145,891.15	140,721.79
Prepayments of Tax Arrears	(465.54)	(465.54)	-	625.05	6,686.16
Suspense Account	-	-	-	-	1,406.00
	<u>1,495,961.84</u>	<u>1,241,349.30</u>	<u>254,612.64</u>	<u>1,485,256.06</u>	<u>1,156,378.28</u>

15 Accumulated Provision of Doubtful Debts

	2019	2018	2017
Opening Balance	(10,822,382.09)	-9,659,557.43	-9,195,434.70
Add Net Increase Impaired	45,937.32	-1,162,815.66	-540,442.95
Less Provision Written Off	-	-9.00	76,320.22
	<u>(10,776,444.77)</u>	<u>(10,822,382.09)</u>	<u>(9,659,557.43)</u>
	0.00	0.00	0.00

16. Inventory

	2019	Tarawa	Kiritimati	2018	2017
ADO	1,351,354.23	780,505.40	570,848.83	2,437,095.19	2,028,857.62
ULP	2,186,228.14	1,372,988.78	813,241.36	2,035,628.28	1,951,374.38
DPK	427,533.34	408,243.52	19,289.82	248,095.79	369,241.84
JetA1	2,261,985.40	1,444,528.99	817,458.41	2,074,893.00	1,727,565.70
AvGAs	59,558.32	-	59,558.32	58,217.12	62,435.13
Lubes	1,494,483.12	1,266,077.01	228,388.11	1,407,729.99	1,489,098.96
LPG	137,396.84	6,977.68	130,419.16	210,225.41	254,058.87
Gas Stove	25,592.27	25,592.27	-	39,908.08	57,767.70
Others	135,215.77	78,305.09	56,910.68	81,758.45	89,572.81
	<u>8,079,327.43</u>	<u>5,383,214.74</u>	<u>2,696,112.69</u>	<u>8,593,549.31</u>	<u>8,029,973.01</u>

17. Account Payable	2019	Tarawa	Kiritimati	2018	2017
Customs	191,776.51	191,776.51	-	7,599.92	217,435.26
Pacific Bulk Fuel	(17,290.00)	(997.22)	(16,292.78)	148,417.95	7,678.84
ATHKL	3,407.77	3,407.77	-	-	-
Independent Petroleum Limited	5,098.80	5,098.80	-	5,183.86	7,874.52
Interlak Testing Serv (NZ) Ltd	-	-	-	-	-
Refuel International	0.00	-	-	8,553.60	-
KOIL Tarawa	46,709.31	-	(46,709.31)	-	0.00
Kiribati Ports Authority	-	-	-	-	540.00
Kiribati Insurance Corporation	-	-	-	-	656.55
Liquip International	1,185.46	-	1,185.46	1,185.46	1,185.46
SAOK	-	-	-	-	490.31
Racer	319.90	319.90	-	-	-
Winson Oil International (KHL)	4,868,853.74	2,742,798.15	2,126,055.59	5,148,382.09	3,009,584.63
TOTAL	-	-	-	-	0.00
Fiji Airways	-	-	0.00	686.70	-
Central Pacific Producers Ltd	-	-	0.00	1,010.00	-


Vice Chairlady.


Director.

Koil Staff
Shell Int Petroleum Company

		0.00	800.00	-
		-	66,072.15	-
5,006,003.07	2,941,764.11	2,064,238.96	5,387,891.73	3,245,445.57

18. Accruals and Other Payables

	2019	Tarawa	Kiritimati	2018	2017
Deposits from Customers	439,277.25	246,761.64	192,515.61	325,012.83	266,707.15
Rentation Fee	-	-	-	-	196,939.37
Sundry Creditors	26,308.54	22,032.36	4,276.18	2442.21	19435.16
Payroll Payables - Tarawa	43,473.54	43,473.54	-	17,897.31	22,095.49
Payroll Payables - Kiritimati	2,086.86	-	2,086.86	2,086.86	4,831.41
Directors Tax Payable	10,373.73	10,373.73	-	9,722.28	8,466.05
Withholding Tax - Tarawa	24,724.26	24,724.26	-	33,927.00	27,689.52
PIPA - Tank Deposit	(21,453.95)	(21,453.95)	-	21,453.95	21,328.56
AKL Deposit	37,657.14	37,657.14	-	-	-
	562,447.37	363,568.72	198,878.65	369,634.54	524,835.59

19. Dividend Payable

There was no payment of dividend in year 2018 and that the balance in the Dividend Payable Account of \$2,008,840.85 was transferred to the Specific Reserve Fund to initiate the establishment.

20. Specific Reserve

	2019	2018
Less 20% rate of appropriation	145,250.78	292,978.95
Specific Reserve	2,301,819.80	2,008,840.85
	2,447,070.58	2,301,819.80

21. 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 final payment of \$1,504,601.49 in 2018 as a reimbursement for fund which KOIL utilized from its own resource to completing the constructions of the three new fuel storage tanks in 2017.

22. WIP Betio Projects

The WIP or Work in Progress relates project mainly on KOIL on going Projects 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.

23. Non-Project Grant Aid (NPGA)

Non-Project Grant Aid is a form of Aid with no interest charged which was funded by Japan Government to the Government of Kiribati (GoK) where Japan made direct 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 Government. KOIL thus recognized the grant aid as a kind of loan or a liability where KOIL has the liability to reimburse the Government for value of Diesel Purchased. The Japan's Aid to KOIL ceased several years back and the amount stands payable in the Account of KOIL as at 31st December 2018 was \$1,973,908.70.

24. Retained Earnings

	2019	Tarawa	Kiritimati	2018	2017
Opening Balance	20,110,635.30	13,481,969.02	6,628,666.28	18,790,991.35	13,995,241.05
Current Earnings	1,109,621.38	1,491,842.17	(382,220.79)	2,245,991.89	7,821,121.92
Closing Balance	21,220,256.68	14,973,811.19	6,246,445.49	21,036,983.24	21,816,362.97


Vice Chairlady.


Director.

Appendix 1

7. Property, Plant and Equipment

PPE - TARAWA 31/12/19						
PLANTS, PROPERTIES & MACH TANKS	1/1/2019	Addition	Acc Dep	Dep	Disposal	NBV
	14,778,251.81	65,854.58	6,049,099.73	281,158.56	-	8,795,006.66
LAND & BUILDING	1,417,738.60	0.00	1,362,643.74	4,150.32	-	55,094.87
MOTOR VEHICLE	1,613,784.24	4,390.81	1,118,735.33	77,389.03	-	499,439.72
FURNITURE & FITTINGS	4,629,079.64	-	4,104,864.22	331,719.69	-	524,215.43
TOOLS & EQUIPMENTS	193,343.61	7,733.56	187,689.81	8,088.72	-	13,387.36
	1,149,453.33	74,464.71	1,070,343.56	73,234.60	-	153,574.48
PPE TARAWA 31/12/18	23,781,651.23	152,443.66	13,893,376.39	775,740.92	-	10,040,718.51
PPE - KIRITIMATI 31/12/19						
PLANTS, PROPERTIES & MACH TANKS	1/1/2019	Addition	Acc Dep	Dep	Disposal	NBV
	2,134,048.13	39,787.98	2,048,253.30	73,875.36	-	125,582.81
LAND & BUILDING	845,355.15	8,304.64	822,117.77	4,258.69	-	31,542.02
MOTOR VEHICLE	977,883.22	2,405.20	338,689.76	45,456.89	-	641,598.66
FURNITURE & FITTINGS	1,774,477.56	0.00	1,559,428.54	100,433.22	-	215,049.02
TOOLS & EQUIPMENTS	52,352.67	0.00	48,439.23	2,870.21	-	3,913.44
	266,931.60	2,575.71	240,426.40	24,229.51	(5.00)	29,075.91
PPE - KIRITIMATI 31/12/18	6,051,048.33	53,073.53	5,057,360.00	251,123.88	(5.00)	1,046,761.86
TOTAL	29,832,699.56	205,517.19	18,950,736.38	1,026,864.79	(5.00)	11,087,480.37

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Chairman

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Vina Chairman