

2013

Ports Authority Tonga Annual Report

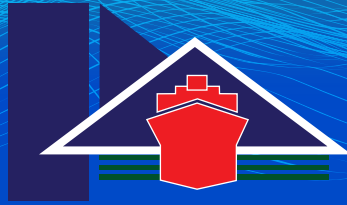


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VISION

To be the best Port in the region with excellent performance.

MISSION

Enhancing the long term value of the business and ensuring its sustainability - *we will make an appropriate profit, we are here for the long term.*

OUR VALUES

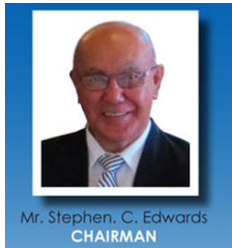
Our Corporate values are:

- * Customer satisfaction
- * Transparency
- * Continuous improvement
- * Safety and Security
- * Loyalty and integrity
- * Corporate citizenship
- * Quality of Services
- * Timeliness
- * Social Responsibility
- * Accountability
- * Team work

Historical Highlights: Trade and Financial

	2013	2012	2011	2010	2009
Operations					
Cargo throughput (tonnes)	238,307	243,195	235,195	210,055	210,683
Container throughput (TEUs)	13,414	12,185	12,237	10,303	11,214
Vessel arrivals	148	149	169	181	223
Total Vessel GT calling	1,329,849	1,086,624	1,338,221	1,106,687	1,469,055
Financial					
Revenue	7,272,356	7,400,164	7,265,440	7,076,328	7,041,751
EBITDA	2,737,456	3,245,395	2,939,865	2,415,519	1,449,979
EBIT	1,153,692	1,884,228	1,517,009	1,045,309	65,989
Net interest expense	(177,510)	(212,775)	(248,390)	(331,120)	(252,197)
Taxation	(252,878)	(431,047)	(438,663)	(178,547)	643,039
Net surplus after taxation	723,304	1,240,406	829,956	535,642	456,831
Dividends declared	361,652	620,203	414,978	267,821	228,416
Capital Expenditure	1,654,798	2,907,055	755,855	632,538	1,564,164
Shareholder return metrics					
Equity	75%	73%	76%	76%	73%
Return on equity	4%	7%	5%	4%	4%
Return on assets	3%	5%	4%	3%	3%

Chairman's Report



On behalf of my Board members, I once again have a pleasure in presenting another annual report for Ports Authority Tonga (PAT) covering the 2013 financial year.

Our corporate vision has placed on us a huge responsibility to fulfill with due diligence at all material times with a view to attaining the best possible financial and operational outcomes for the Authority and ultimately to increasing our shareholders' wealth.

The strong and sound collaboration which my Board had had with the Management helped guided the operation of the Authority to be consistent with the approved standards, guidelines and Business plan.

Financial

The 2013 financial year was not as fruitful as 2012, as we saw a decline in the overall financial performance of the Authority. The net profit after tax was down by \$517,102 or 42% when compared to prior year; however the actual 2013 NPAT was 61% better than the forecasted 2013 NPAT.

There was no significant change in the total gross turnover in 2013 when compared to 2012; however there was an increase of \$567,463 or 10% in the total expenditure in 2013 when compared to the previous year. This increase was a direct result of number of special occasions and one off incidents that had occurred during the year which includes PAT hosting the 37th Pacific Maritime Transport Alliances Annual Conference, partial submerging of MV. Valo requires major repair and maintenance to the Engine room, as well as the rising insurance premium costs.

Operation

Total cargo for 2012/13 was 238,307 tonnes, down very slightly on the previous year but 9% higher than what had been budgeted. The main reason for this is the completion of Nuku'alofa CBD reconstruction projects which reflected in the significant drop in the imported break bulk, cement, and timber products volume.

We have continued our ongoing programme of maintaining, and where necessary upgrading, equipment and facilities to ensure the business are sustainable and reliable for the long term. Major items this year included purchase of a new 12 tonne forklift for Empty containers and break bulk, pavement upgrading in sections of the container yard storage area, introducing more reefer portable plugs for the squash exporters, drydocking of MV. Valo and TB Hifofua in Suva Fiji, and salvaging of the sinking vessels within the Faua basin.

Human Resources

The total employee of the Authority for the year ending 30th June, 2013 was 148 out of which 98 were staff and 50 were casual employees. This is compared to 100 staff and 47 casual employees, a total of 147 for the previous year 2012.

Training of employees is still a priority of the Authority. While internal trainings are being conducted in different fields, some of the employees have been fortunate to attend overseas short term training. The Human Resources Manager and Chief Financial Officer attended Port Management courses overseas as part of familiarizing Management with Port Operations. The Deputy Port Master was sponsored by JICA for a 3 months Training in Japan while the Assistant Pilot attended a one week Port Pilot Training in Suva, Fiji.

Future Outlook

The future looks very promising for PAT despite the prediction that cargo volume will remain static in the next financial year and costs such as insurance and electricity continuing to rise. The commencement of various multimillion dollar resource development projects like the Extension of the Fua'amotu Airport runway project as well as the preparation for the South Pacific Games in 2019 and other projects at a scale never before experienced in the country are anticipated to create immense business opportunities for the Authority.

In summary, my Board in line with our Business plan will ensure that the management continuously endeavors to build on from the improved performance by increasing the shareholder value through sustainable and profitable trading operations, capex rehabilitation, customer focus and exploration of potential or new business development opportunities.

With that I sincerely thank my current Board members, Management team and all our staff for making their invaluable contributions toward Ports Authority Tonga's success this year and am looking forward to having their untiring support for an even better result of the company in the coming year. I would also like to extend our continued appreciation to our customers, whether they are importers, exporters or shipping Agents, for their continued support. We also value and appreciate the ongoing contribution from our Shareholder through Ministry of Public Enterprises.

Faka'apa'apa atu,

.....
Mr. Stephen Edwards
Chairman

Board of Directors



2013 BOARD MEMBERS



Mr. Stephen C. Edwards
CHAIRMAN



Mr. Richard Prema
DIRECTOR



Mr. Carl Sanft
DIRECTOR



Mr. Busby Kautoke
DIRECTOR



Dr. Sione Ngongo Kioa
DIRECTOR

Executive Management



Mr. Mosese Lavemai
**GENERAL MANAGER
& PORT MASTER**



Mr. Alo ki Hakau Maileseni
**CHIEF FINANCIAL
OFFICER**



Mr. Tevita Iketau Kaufusi
**OPERATIONS
MANAGER**



Mrs. Mele H. Lavemaau
**HUMAN RESOURCES
MANAGER**

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Financial Statements

Year ended 30 June	Business Plan 2013	2013	2012	2011	2010	2009
Statement of Financial Performance						
Total Income	6,874,000	7,272,356	7,400,164	7,265,440	7,076,328	7,041,751
Total Expenditure	6,273,249	6,296,174	5,728,711	5,996,821	6,362,139	7,227,959
EBITDA	2,311,000	2,737,456	3,245,395	2,939,865	2,415,519	1,449,979
EBIT	782,874	1,153,692	1,884,228	1,517,009	1,045,309	65,989
NPBT	600,000	976,182	1,671,453	1,268,619	714,189	(186,208)
NPAT	450,000	723,304	1,240,406	829,956	535,642	456,831
Statement of Financial Position						
Total Assets	20,878,000	22,412,546	22,413,596	20,505,256	20,111,983	20,862,745
Total Liabilities	4,047,000	5,633,732	5,737,883	4,654,971	4,823,833	5,881,821
Equity	16,831,000	16,778,814	16,675,713	15,850,285	15,288,150	14,980,924
Return to Shareholders (%)						
Return on Assets	2%	3%	6%	4%	3%	2%
Return on Equity	3%	4%	7%	5%	4%	3%
Profitability						
Rate of Return	7%	10%	17%	11%	8%	6%
Capital Structure						
Debt Ratio	24%	34%	34%	29%	32%	39%
Interest Cover Ratio						
Times Cover	13	6	9	6	3	0

PORTS AUTHORITY TONGA**FINANCIAL STATEMENTS**
30 JUNE 2013**Statement by Directors**

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position as at 30 June 2013 and the related statements of comprehensive income, cash flow, and changes in equity for the year then ended, and report as follows:

Trading Results

The net profit after income tax for the financial year was \$723,304 (2012: \$1,240,406) after deducting income tax expense of \$252,878 (2012: \$431,047).

Reserves

In accordance with S 31(2) of the Ports Authority Act 1998, the directors recommend that the profit after tax that was recorded as retained earnings be transferred to reserves.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Authority, the results of these operations or the state of affairs of the Authority in subsequent financial years.

No contingent liability has arisen since the end of the financial year to the date of this report.

No contingent or other liability has become enforceable or is likely to become enforceable within a period of twelve months after the date of this report which, in the opinion of the directors, will or may affect the ability of the company to meet its obligations as and when they fall due.

In the opinion of the directors:

- (a) the accompanying statement of comprehensive income is drawn up so as to give a true and fair view of the results of the company for the year ended 30 June 2013,
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the company's affairs at 30 June 2013,
- (c) the accompanying statement of changes in equity for the year ended 30 June 2013 is drawn up so as to give a true and fair view of the movement in shareholder's funds; and
- (d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the company for the year ended 30 June 2013.

Signed in accordance with a resolution of the directors this day of 2013.

For and on behalf of the Board,

.....
Director

.....
Director

Draft

Draft

<u>PORTS AUTHORITY TONGA</u>	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME YEAR ENDED 30 JUNE 2013		
	Notes	2013 TOP	2012 TOP
Revenue	5 (a)	7,049,494	7,321,481
Other income		<u>222,862</u>	<u>78,683</u>
Total income		7,272,356	7,400,164
Depreciation	14, 15	(1,583,764)	(1,361,167)
Administrative and other operating expenses	5 (b)	(2,392,114)	(2,246,475)
Personnel expenses	6	(2,142,786)	(1,867,009)
Impairment loss on property, plant and equipment	14	<u> -</u>	<u>(41,285)</u>
Profit from operations		1,153,692	1,884,228
Finance income	7 (a)	78,496	61,721
Finance cost	7 (b)	<u>(256,006)</u>	<u>(274,496)</u>
Finance cost - net		<u>(177,510)</u>	<u>(212,775)</u>
Profit from operations before tax		976,182	1,671,453
Income tax expense	8 (a)	<u>(252,878)</u>	<u>(431,047)</u>
Profit after tax		723,304	1,240,406
Other comprehensive income		<u> -</u>	<u> -</u>
Total comprehensive income for the year		\$ 723,304 =====	\$ 1,240,406 =====

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 8 to 28.

PORTS AUTHORITY TONGA**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

	Notes	2013 TOP	2012 TOP
Current assets			
Cash and cash equivalents	9	1,334,702	1,717,553
Held to maturity investments	10	325,215	513,528
Inventories	11	170,018	128,671
Trade receivables	12	778,934	546,299
Other receivables and prepayments	13	<u>1,079,276</u>	<u>393,111</u>
Total current assets		<u>3,688,145</u>	<u>3,299,162</u>
Non-current assets			
Property, plant and equipment	14	17,698,933	17,697,321
Investment properties	15	766,143	696,721
Available for sale investment	16	150,000	150,000
Other receivables and prepayments	13	<u>109,325</u>	<u>570,392</u>
Total non-current assets		<u>18,724,401</u>	<u>19,114,434</u>
Total assets		<u>22,412,546</u>	<u>22,413,596</u>
Non-current liabilities			
Loans and borrowings	19	2,667,270	3,093,247
Deferred income	21	975,711	1,015,717
Deferred tax liability	8 (b)	<u>221,581</u>	<u>107,894</u>
Total non-current liabilities		<u>3,864,562</u>	<u>4,216,858</u>
Current liabilities			
Trade payables		167,857	101,775
Other payables and accruals	17	348,066	278,118
Employee entitlements	18	104,928	144,518
Loans and borrowings	19	399,080	215,149
Dividend payable	20	620,203	414,978
Income tax payable	8 (c)	<u>129,036</u>	<u>366,487</u>
Total current liabilities		<u>1,769,170</u>	<u>1,521,025</u>
Total liabilities		<u>5,633,732</u>	<u>5,737,883</u>
Net assets		<u>\$ 16,778,814</u>	<u>\$ 16,675,713</u>
Equity			
Capital	22	10,949,097	10,949,097
General reserve	23	<u>5,829,717</u>	<u>5,726,616</u>
Total equity		<u>\$ 16,778,814</u>	<u>\$ 16,675,713</u>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 28.

For and on behalf of the Board,

.....
Director

.....
Director

PORTS AUTHORITY TONGA**STATEMENT OF CHANGES IN EQUITY**
YEAR ENDED 30 JUNE 2013

		Capital	General Reserve	Retained earnings	Total
	Notes	TOP	TOP	TOP	TOP
Balance at 1 July 2011		10,949,097	4,901,188	-	15,850,285
Total comprehensive income for the year					
Net profit for the year		-	-	1,240,406	1,240,406
Transfer from retained earnings to general reserve	22	-	1,240,406	(1,240,406)	-
Dividends payable	19	<u>-</u>	<u>(414,978)</u>	<u>-</u>	<u>(414,978)</u>
Balance at 30 June 2012		10,949,097	5,726,616	-	16,675,713
Total comprehensive income for the year					
Net profit for the year		-	-	723,304	723,304
Transfer from retained earnings to general reserve	22	-	723,304	(723,304)	-
Dividends payable	19	<u>-</u>	<u>(620,203)</u>	<u>-</u>	<u>(620,203)</u>
Balance at 30 June 2013		<u>\$ 10,949,097</u>	<u>\$ 5,829,717</u>	<u>\$ -</u>	<u>\$ 16,778,814</u>

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 8 to 28.

PORTS AUTHORITY TONGA**STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2013**

	Notes	2013 TOP	2012 TOP
Cash flows from operating activities			
Cash receipts from customers		6,797,522	7,465,044
Payment to employees and suppliers		(4,479,808)	(4,126,815)
Cash generated from operations		2,317,714	3,338,229
Income taxes paid	8 (c)	(376,642)	(222,521)
		1,941,072	3,115,708
Interest paid		(213,955)	(224,853)
Interest received		70,752	32,220
Net cash generated from operating activities		<u>1,797,869</u>	<u>2,923,075</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and investment properties		-	72,234
Maturity / (placement) of held to maturity investments		188,314	(313,529)
Loan granted to Waste Authority Limited		-	(250,000)
Payment for Tonga Competitive Fuel Project		(57,212)	(202,113)
Payment for property, plant and equipment		(1,654,798)	(1,545,211)
Net cash used in investing activities		<u>(1,523,696)</u>	<u>(2,238,619)</u>
Cash flows from financing activities			
Dividends paid		(414,978)	(267,821)
Repayment of borrowings		(242,046)	(232,202)
Net cash used in financing activities		<u>(657,024)</u>	<u>(500,023)</u>
Net increase/(decrease) in cash and cash equivalents		(382,851)	184,433
Cash and cash equivalents at the beginning of the year		<u>1,717,553</u>	<u>1,533,120</u>
Cash and cash equivalents at the end of the year	9	\$ <u>1,334,702</u> =====	\$ <u>1,717,553</u> =====

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 8 to 28.

PORTS AUTHORITY TONGA

1. GENERAL INFORMATION

Ports Authority Tonga ("the Authority") is a body corporate established under the Ports Authority Act 1998.

Its registered office is located at Queen Salote Wharf, Nuku'alofa, Tonga.

Its functions are to establish, improve, maintain, operate and manage ports services and facilities in connection with the operation of any port in the Kingdom of Tonga.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The financial statements were approved by the Board of Directors on _____

(i) New and amended standards adopted by the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2012 that would be expected to have a material impact on the company.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2012 and not early adopted

The following standards, amendments and interpretations to existing standards have been published but are not effective for the financial year beginning on 1 July 2012 and the company has not early adopted them. The company is yet to assess the full impact of these standards, amendments and interpretations.

Amendments to IAS 1, 'Presentation of financial statements' Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The standard has an effective date of 1 January 2013.

IFRS 13, 'Fair Value Measurement' This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard has an effective date of 1 January 2013.

IFRS 9, 'Financial instruments' This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard has an effective date of 1 January 2015.

PORTS AUTHORITY TONGA

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Preparation (Cont'd)

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2012 and not early adopted (Cont'd)

The company is yet to assess the impact of the amendments/ standards/ interpretations and intends to adopt the amendments/standards/interpretations no later than the accounting period in which they become effective.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Tongan Pa'anga, which is the Authority's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

(c) Investment properties

Investment property is stated at cost less depreciation and impairment losses. Rental income from investment property is accounted for as described in accounting policy 2 (m).

When an item of property, plant and equipment referred to in accounting policy 2 (d) becomes an investment property following a change in its use, such investment property is stated at the cost.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. These are included in profit or loss.

PORTS AUTHORITY TONGA

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Property, plant and equipment (Cont'd)

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives and depreciation rates are as follows:

	<u>Useful lives</u>	<u>Depreciation rates</u>
Buildings	10 - 35 years	2.9% - 8%
Wharves and associated facilities	12 - 40 years	2.5% - 8%
Onshore equipment	4 - 20 years	5.0% - 25%
Offshore equipment	5 - 20 years	5.0% - 20%
Navigation aids	3 - 25 years	4.0% - 33%
Furniture and fittings	2 - 20 years	5.0% - 50%

Depreciation methods, useful lives and residual values are reassessed at reporting date.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and short term (including term deposits having less than 3 months term) for the purpose of the statement of financial position and statement of cash flows.

(g) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

PORTS AUTHORITY TONGA**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price measured in the ordinary course of business and less selling costs.

(i) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently carried at amortised costs; any difference in between the proceeds (net of transactions costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(j) Employee entitlements**Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the profit or loss as the related service is provided.

An accrual is recognised for the amount to be paid under short-term benefits if the Authority has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(k) Trade and other payables

Trade and other payables are not interest-bearing and are stated at cost and represent liabilities for goods and services provided to the Authority prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(l) Provisions

Provisions are recognised when: the Authority has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

PORTS AUTHORITY TONGA**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(m) Revenue**

Revenue earned from providing and managing the port infrastructure and regulating services within the declared ports is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the service has been provided to the buyer and recovery of the consideration is probable. Revenue with respect to services for laid-up vessels is recognised when consideration is received.

(n) Finance income and expenses

Finance income and expenses comprises of interest income on term deposits, interest expense on bank overdraft and borrowings.

(o) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Tonga. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

(p) Share capital

Ordinary shares are classified as equity.

(q) Dividend distribution

Provisions are made when interim dividends are declared by the directors. Provision for final dividend is made when final dividend proposed by the directors is ratified by the shareholders at the Authority's annual general meetings.

Dividends are payable annually to the Government of Tonga, in accordance with S 31(3) of Ports Authority Act 1998, based on 50% of the net profit of the Authority.

PORTS AUTHORITY TONGA

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Financial assets

The entity classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Currently there are no assets held by the group in this category.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The entity's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(iii) *Available-for-sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The entity does not engage in regular purchase and sale of financial assets.

Financial assets are derecognised when the rights to receive cash flows have expired or transferred and the group no longer holds substantially all risks and rewards of ownership or when it becomes apparent that a significant impairment exists.

Financial assets at fair value through profit or loss are carried at fair value, whilst available for sale financial assets and loans and receivables are carried at cost as they are assumed to approximate their fair values.

The fair value of financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price. The fair value of financial assets that are not traded in active markets is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The entity assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as part of 'other gains/ (losses) net' in the period in which they arise.

Gains arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income as part of 'other gains/ (losses) net' in the period in which they arise. Gains arising from changes in fair value of available for sale financial assets are not recognised unless the group has an intention to dispose.

PORTS AUTHORITY TONGA

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Grant Income

Grant income is recognised only when there is reasonable assurance that the grant will be received and the Authority will comply with any conditions attached to the grant. Grants relating to assets are included as deferred income and are credited to the income statement on a straight-line basis over the expected useful lives of the related assets. Grants in the form of non-monetary assets, such as land, equipment or other resources are recorded at the nominal value, which approximates the assets' fair value.

(t) Comparative information

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

(u) Rounding

Amounts have been rounded to the nearest dollar except where otherwise noted.

3. FINANCIAL RISK MANAGEMENT

Overview

The Authority has exposure to the following risks:

- (i) credit risk.
- (ii) liquidity risk.
- (iii) market risk.
- (iv) operational risk
- (v) capital risk management

This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, and the policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's receivables from customers and related parties. The Authority has established internal policies to determine the credit worthiness and reliability of potential customers.

Trade and other receivables

Customers that fail to meet the Authority's benchmark creditworthiness may transact with the Authority only on a prepayment basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity and existence of previous financial difficulties.

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(i) Credit risk (Cont'd)

The Authority establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is management's estimate of losses that may be incurred in the event of default.

	2013 TOP	2012 TOP
The Authority's maximum exposure to credit risk is as follows:		
Cash at bank and term deposits	1,659,917	2,231,081
Trade receivables	778,934	546,299
Other receivables	<u>1,188,601</u>	<u>963,503</u>
	\$ 3,627,452	\$ 3,740,883
	=====	=====

The status of gross trade receivables at the reporting date is as follows:

	2013 TOP	2012 TOP
<u>Trade receivable from Government</u>		
Due 0 - 30 days	8,804	6,726
Past due 31 - 60 days	107	21,826
Past due 61 - 90 days	4,040	11,406
Past due more than 90 days	(<u>517</u>)	<u>137</u>
	\$ 12,434	\$ 40,095
	=====	=====
<u>Trade receivables</u>		
Due 0 - 30 days	323,082	241,638
Past due 31 - 60 days	88,112	9,553
Past due 61 - 90 days	126,775	61,367
Past due more than 90 days	<u>315,407</u>	<u>470,438</u>
	\$ 853,376	\$ 782,996
	=====	=====

Trade receivables are determined impaired as follows:

<u>Receivable from Government</u>		
Gross receivables	12,434	40,095
Specific impairment	(<u>521</u>)	<u>-</u>
	\$ 11,913	\$ 40,095
	=====	=====
<u>Trade receivables</u>		
Gross trade receivables	853,897	782,996
Specific impairment	(<u>86,876</u>)	(<u>276,792</u>)
	\$ 767,021	\$ 506,204
	=====	=====

PORTS AUTHORITY TONGA

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as and when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

	2013 TOP		2012 TOP	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Financial Assets				
Cash and cash equivalents	1,659,917	-	2,231,081	-
Trade receivables	778,934	-	546,299	-
Other receivables	<u>1,079,276</u>	<u>109,325</u>	<u>393,111</u>	<u>570,392</u>
	3,518,127	109,325	3,170,491	570,392
	=====	=====	=====	=====

	2013 TOP		2012 TOP	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Financial liabilities				
Loans and borrowings	399,080	2,667,270	215,149	3,093,247
Trade payables	167,857	-	101,775	-
Other payables and accruals	<u>348,067</u>	<u>-</u>	<u>278,118</u>	<u>-</u>
	915,004	2,667,270	595,042	3,093,247
	=====	=====	=====	=====

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Cash flow interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term. In managing this risk, the Authority seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

PORTS AUTHORITY TONGA

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(iii) Market risk (Cont'd)

At the reporting date the interest rate profile of the Authority's interest bearing financial instruments were:

	2013 TOP	2012 TOP
<u>Variable rate instruments</u>		
Borrowing - Westpac Bank of Tonga	\$ 2,367,256 =====	\$ 2,609,303 =====

Sensitivity analysis

A 1% change in the interest rate would have approximately TOP 26,673 (2012: TOP 26,093) impact on interest expense.

	2013 TOP	2012 TOP
<u>Fixed rate instrument</u>		
Government loan	\$ 699,093 =====	\$ 699,094 =====

(iv) Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of the operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards and
- risk mitigation, including insurance where this is effective.

(v) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios at 30 June 2013 and 2012 were as follows:

	2013 TOP	2012 TOP
Total borrowings (Note 19)	3,066,350	3,308,396
Less: Cash and cash equivalents (Note 9)	<u>1,334,702</u>	<u>1,717,553</u>
Net debt	1,731,648	1,590,843
Total equity (Page 5)	<u>16,778,814</u>	<u>16,675,713</u>
 Total capital	 \$18,510,462 =====	 \$18,266,556 =====
Gearing ratio	9%	9%

PORTS AUTHORITY TONGA

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) *Provisions (employee benefits)*

Provisions are measured at the value management best estimates an expenditure to be incurred at, to settle a present obligation at balance date. Market situations are often used to estimate provisions. Changes in market situations will create a difference between provisions with the recorded figures. Whilst the fact remains that uncertain issues such as legal, warranty and bad debts exist, management as a benchmark makes adequate provisions based on past record and the foreseeable future.

The provisions are aligned once the final outcome is known at balance date.

(ii) *Depreciation*

On acquiring an asset, management determines the most reasonable length of time it expects the group to maintain that asset with reference to characteristics of similar assets or classes of assets held by the group presently or in the past. Where there is no reference available to assets or classes of assets held at present or in the past, reference is made to industry benchmarks.

Each year, management assesses the carrying value of assets to determine whether they are impaired. Appropriate revisions to the policies are made, if necessary, or any significant impairment losses are accounted for in the financial statements as a corrective measure. Appropriate disclosure would normally follow.

Accounting policy for depreciation is described in Note 2(d)

5. INCOME, ADMINISTRATIVE AND OTHER EXPENSES

	2013 TOP	2012 TOP
(a) Revenue		
International seaward - wharfage	2,673,084	2,693,011
- berthage	1,586,483	1,408,885
- handling	1,529,710	1,482,022
Local seaward	430,216	507,868
Storage	354,807	464,963
Vessels maintenance	622	467
Slipway	24,332	19,420
Plant and equipment hire	63,751	152,411
Rental income	185,514	162,844
Sale of sand	100,017	328,068
Services recoveries	<u>100,958</u>	<u>101,522</u>
	\$ 7,049,494	\$ 7,321,481
	=====	=====

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

5. INCOME, ADMINISTRATIVE AND OTHER EXPENSES (Cont'd)

(b) Administrative and other operating expenses

	2013 TOP	2012 TOP
Included in administrative and other operating expenses are the following:		
Allowance for uncollectability	86,876	174,254
Auditor's remuneration - prior year	-	12,000
- current year	23,500	23,500
Consultants fees	6,364	14,595
Cost of goods sold	78,204	229,772
Director's fees	88,231	73,000
Donation	1,357	8,420
Board honorarium	37,990	30,687
Fuel	165,679	80,732
Insurance	506,238	320,840
Legal fees	20,244	34,738
Loss on disposal of property, plant and equipment	-	74,987
Repairs and maintenance	439,913	344,087
	=====	=====
6. PERSONNEL EXPENSES		
Wages and salaries	1,585,330	1,459,221
Superannuation contributions to National Retirement Fund	108,599	61,111
Key management compensation - short term benefits	266,200	169,015
Overtime and annual leave	182,657	177,662
	-----	-----
	\$ 2,142,786	\$ 1,867,009
	=====	=====
Number of permanent staff at end of the year	98	97
	=====	=====
7. FINANCE INCOME AND COSTS		
(a) Finance income		
Interest income	70,752	32,294
Realised foreign exchange gain	7,744	29,427
	-----	-----
	\$ 78,496	\$ 61,721
	=====	=====
(b) Finance cost		
Interest expense	253,231	273,443
Bank charges	2,775	1,053
	-----	-----
	\$ 256,006	\$ 274,496
	=====	=====
Net finance cost	\$ 177,510	\$ 212,775
	=====	=====

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

8. INCOME TAX

	2013	2012	
	TOP	TOP	
(a) Income tax expense recognised in the statement of comprehensive income			
Current tax expense	135,032	370,402	
Underprovision in prior years	4,159	13,183	
Deferred tax expense	109,013	47,462	
Prior year adjustments	<u>4,674</u>	<u>-</u>	
Income tax expense	\$ 252,878	\$ 431,047	
	=====	=====	
Reconciliation of effective tax rate			
Operating profit	<u>976,182</u>	<u>1,671,453</u>	
Prima facie income tax expense at 25% (2012:25%)	244,045	417,864	
Under provision in prior years	4,159	13,183	
Prior year adjustments	<u>4,674</u>	<u>-</u>	
Income tax expense	\$ 252,878	\$ 431,047	
	=====	=====	
(b) Deferred tax asset / (liability)			
Allowance for uncollectibility	26,232	72,980	
Allowance for employee entitlements	21,718	36,130	
Property, plant and equipment	<u>(269,531)</u>	<u>(217,004)</u>	
	(\$ 221,581)	(\$ 107,894)	
	=====	=====	
(i) Movement in temporary differences during the year			
	1 July 2011	Recognised in statement of comprehensive income	30 June 2012
Allowance for uncollectibility	43,619	29,361	72,980
Allowance for employee entitlements	68,645	(32,515)	36,130
Property, plant and equipment	<u>(159,513)</u>	<u>(57,491)</u>	<u>(217,004)</u>
	<u>(47,249)</u>	<u>(60,645)</u>	<u>(107,894)</u>
	1 July 2012	Recognised in statement of comprehensive income	30 June 2013
Allowance for uncollectibility	72,980	(51,262)	21,718
Allowance for employee entitlements	36,130	(9,898)	26,232
Property, plant and equipment	<u>(217,004)</u>	<u>(52,527)</u>	<u>(269,531)</u>
	<u>(107,894)</u>	<u>(113,687)</u>	<u>(221,581)</u>

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

8. INCOME TAX (cont'd)

(c) Income tax payable	2013 TOP	2012 TOP
Balance at 1 July	366,487	218,607
Current year tax expense / (benefit)	135,032	370,401
Underprovision in prior years	4,159	-
Income tax paid including withholding tax on interest Income	(376,642)	(222,521)
Balance at 30 June	129,036	366,487
	=====	=====

9. CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents

Cash and cash equivalent at the end of the financial year as shown in the statements of cash flows are reconciled to the related items in the statements of financial position as follows:

	2013 TOP	2012 TOP
Cash at bank	683,810	993,028
Cash on hand	710	310
Term deposits	<u>650,182</u>	<u>724,215</u>
	\$ 1,334,702	\$ 1,717,553
	=====	=====

The accounting policy adopted is set out in note 2 (f). The average interest rate on term deposits in 2013 is 5.75% (2012: 5.75%) and the average maturity term is 30 days (2012: 90 days).

10. HELD TO MATURITY INVESTMENTS

	2013 TOP	2012 TOP
Term deposits	\$ 325,215	\$ 513,528
	=====	=====

The average interest rate on term deposits in 2013 was 6.00% (2012: 5.75%). and the average maturity term is 60 days (2012: 90 days).

11. INVENTORIES

	2013 TOP	2012 TOP
Bunker fuel	137,229	90,210
Sand	<u>32,789</u>	<u>38,461</u>
	\$ 170,018	\$ 128,671
	=====	=====

12. RECEIVABLES

(a) Receivable from Government

Trade receivables	12,434	40,095
Allowance for uncollectibility	(521)	-
	\$ 11,913	\$ 40,095
	=====	=====

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

12. RECEIVABLES (Cont'd)

	2013 TOP	2012 TOP
(b) Trade receivables		
Trade receivables	853,376	782,996
Allowance for uncollectibility	(86,355)	(276,792)
	\$ 767,021	\$ 506,204
	=====	=====
(c) Provisions for doubtful debts		
Balance at 1 July	276,792	174,472
Provision for doubtful debts	86,876	174,254
Receivables written off during the year as uncollectible	(276,792)	(71,934)
	\$ 86,876	\$ 276,792
	=====	=====

13. OTHER RECEIVABLES AND PREPAYMENTS

Current

Other receivables	40,144	106,141
Prepayments	144,744	37,613
Consumption tax receivable	365,541	207,306
Interest prepaid	18,279	42,051
Loan receivable (b)	510,568	-
	\$ 1,079,276	\$ 393,111
	=====	=====

Non-current

Interest prepaid	-	18,279
Receivable from Tonga Petroleum Holding Company Limited (a)	109,325	52,113
Loan receivable (b)	-	500,000
	\$ 109,325	\$ 570,392
	=====	=====

(a) Receivable from Tonga Competitive Fuel Project:

In 2012, the Authority with the directive from Cabinet (CD No. 919 of 14 October 2011), formed a working group to review the various reports and studies and to make recommendations to the Minister for Public Enterprises regarding the options available to the Government to reduce the cost of importing fuel. Tonga Petroleum Holding Company Limited (TPHCL) was formed to facilitate the Petroleum Tariff Reduction Project (PTRP) which is jointly owned by Port Authority Tonga and Tonga Power Limited. The key strategy of TPHCL under the PTRP is to review the Tongan Competitive Fuel Model and funds amounting to TOP 57,212 (2012: TOP 52,113) were advanced to TPHCL for this project.

(b) Loan receivable from Waste Authority Limited

The loan amounting to \$500,000 was advanced to Waste Authority Limited and is in accordance with the Government of Tonga's directive. The terms of the loan are as follows:

- i. Loan is for 2 years from the date of execution of the agreement and the borrower shall repay the principal sum in full on or before the expiration of the two year period.
- ii. Interest is charged at the rate of 5% and is fixed during the terms of the engagement.

NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013

PORTS AUTHORITY TONGA

14. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings TOP	Wharves and associated facilities TOP	Onshore equipment TOP	Offshore equipment TOP	Navigation aids TOP	Furniture and fittings TOP	Work in Progress TOP	Total TOP
At July 2011								
Cost	4,034,247	12,463,387	4,362,943	8,140,361	610,439	383,849	3,385,497	33,380,723
Accumulated depreciation and impairment	(1,009,495)	(5,458,341)	(2,650,204)	(6,805,271)	(398,114)	(301,475)	-	(16,622,900)
Net book amount	<u>3,024,752</u>	<u>7,005,046</u>	<u>1,712,739</u>	<u>1,335,090</u>	<u>212,325</u>	<u>82,374</u>	<u>3,385,497</u>	<u>16,757,823</u>
Year ended 30 June 2012								
Net book amount	3,024,752	7,005,046	1,712,739	1,335,090	212,325	82,374	3,385,497	16,757,823
Additions	-	39,040	561,783	117,468	125,310	21,683	1,595,642	2,907,055
Disposals	-	(53,681)	(93,542)	-	-	-	-	(147,219)
Transfers	234,766	211,363	-	-	-	-	(446,129)	(446,129)
Depreciation charge for the year	(111,969)	(347,009)	(362,339)	(463,903)	(18,367)	(29,337)	-	(1,332,924)
Impairment charge for the year	-	-	(41,285)	-	-	-	-	41,285
Closing net book amount	<u>3,147,549</u>	<u>6,854,759</u>	<u>1,777,356</u>	<u>988,655</u>	<u>319,268</u>	<u>74,724</u>	<u>4,535,010</u>	<u>17,697,321</u>
At 30 June 2012								
Cost	4,269,013	12,658,138	4,324,501	8,202,829	735,749	388,706	4,535,010	35,113,946
Accumulated depreciation and impairment	(1,121,464)	(5,803,379)	(2,547,145)	(7,214,174)	(416,481)	(313,982)	-	(17,416,625)
Net book amount	<u>3,147,549</u>	<u>6,854,759</u>	<u>1,777,356</u>	<u>988,655</u>	<u>319,268</u>	<u>74,724</u>	<u>4,535,010</u>	<u>17,697,321</u>
Year ended 30 June 2013								
Opening net book amount	3,147,549	6,854,759	1,777,356	988,655	319,268	74,724	4,535,010	17,697,321
Additions	-	-	265,257	606,387	-	60,082	723,072	1,654,798
Transfers	141,841	454,527	-	229,609	-	61,492	(887,469)	-
Transfers to investment property	(112,390)	-	-	-	-	-	-	(112,390)
Depreciation charge for the year	(117,202)	(368,915)	(343,630)	(640,792)	(18,795)	(51,462)	-	(1,540,796)
Closing net book amount	<u>3,059,798</u>	<u>6,940,371</u>	<u>1,698,983</u>	<u>1,183,859</u>	<u>300,473</u>	<u>144,836</u>	<u>4,370,613</u>	<u>17,698,933</u>
At 30 June 2013								
Cost	4,298,464	13,112,665	4,589,758	9,038,825	735,749	510,280	4,370,613	36,656,354
Accumulated depreciation and impairment	(1,238,666)	(6,172,294)	(2,890,775)	(7,854,966)	(435,276)	(365,444)	-	(18,953,204)
Net book amount	<u>3,059,798</u>	<u>6,940,371</u>	<u>1,698,983</u>	<u>1,183,859</u>	<u>300,473</u>	<u>388,706</u>	<u>4,370,613</u>	<u>17,698,933</u>

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

15. INVESTMENT PROPERTIES

		TOP
At 1 July 2011		
Cost		937,547
Accumulated depreciation	(<u>312,583</u>)
Net book amount		<u>624,964</u>
Year ended 30 June 2012		
Opening net book amount		624,964
Additions		97,778
Disposals		-
Depreciation charge for the year	(<u>26,021</u>)
Closing net book amount		<u>696,721</u>
At 30 June 2012		
Cost		1,037,547
Accumulated amortisation	(<u>340,826</u>)
Net book amount		<u>696,721</u>
Year ended 30 June 2013		
Opening net book amount		696,721
Transfers from property, plant and equipment		112,390
Depreciation charge for the year	(<u>42,968</u>)
Closing net book amount		<u>766,143</u>
At 30 June 2013		
Cost		1,149,937
Accumulated depreciation	(<u>383,794</u>)
Net book amount		\$ <u>766,143</u> =====

The investment property is valued in accordance with the policy in note 2 (c) of the financial statements.

16. AVAILABLE FOR SALE INVESTMENT

	2013 TOP	2012 TOP
Investment in Tonga Petroleum Holding Company Limited	150,000	150,000
	=====	=====

The above relates to an investment of 150,000 shares, with a par value of TOP 1 per share, which represents 50% of the shareholding in Tonga Petroleum Holding Company Limited.

The company is in its infancy hence, no operations have commenced to date.

17. OTHER PAYABLES AND ACCRUALS

	2013 TOP	2012 TOP
Accrued expenses	219,115	114,815
Tax liabilities – Staff Provident Fund	40,440	94,581
Sundry payables	<u>88,511</u>	<u>68,722</u>
	\$ <u>348,066</u> =====	\$ <u>278,118</u> =====

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

18. EMPLOYEE ENTITLEMENTS

Employee entitlements represent annual leave outstanding as at balance date.

	2013 TOP	2012 TOP
Balance at 1 July	144,518	274,579
Payments made during the year	(197,252)	(307,723)
Expense recognised in profit or loss	<u>157,662</u>	<u>177,662</u>
Balance at 30 June	\$ 104,928 =====	\$ 144,518 =====

19. BORROWINGS

This note provides information about the contractual terms of the Authority's interest-bearing borrowings.

	2013 TOP	2012 TOP
Non-current liabilities		
Government loan	699,094	699,094
Secured bank loan	<u>1,968,176</u>	<u>2,394,153</u>
	\$ 2,667,270 =====	\$ 3,093,247 =====
Current liabilities		
Secured bank loan	\$ 399,080 =====	\$ 215,149 =====

The Government loan is a subordinated loan from Asian Development Bank. The loan is unsecured and repayable over 16 years commencing from 2002 with quarterly instalments of TOP 37,300 (2012: TOP 37,300). Interest on this loan is charged at the rate of 5% (2012: 5%) per annum.

The secured loan is from the following financial institution:

(a) Westpac Bank of Tonga	<u>2,367,256</u>	<u>2,609,303</u>
	=====	=====

The loan is repayable by monthly instalments of TOP 38,000 (2012: TOP 38,000) and interest is charged at the rate of 6.95% (2012: 7.25%) per annum.

The Westpac Bank of Tonga bank loans are secured over Tug boat MV Hifofua and 1 unit of 40 tonne forklift, Dredger - MV Valo, 12 tonne forklift, 3 tonne forklift, 3 tonne forklift, 12 tonne roller, Bitumen truck, Grader, Excavator, Tip truck and the New cargo warehouse at Queen Salote wharf.

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

20. DIVIDENDS PAYABLE

	2013 TOP	2012 TOP
Balance - 1 July	414,978	267,821
Dividend paid over the year	(414,978)	(267,821)
Dividends payable at 50% of prior period net profit	<u>620,203</u>	<u>414,978</u>
Balance - 30 June	\$ 620,203 =====	\$ 414,978 =====

The dividend is payable annually to Government, in accordance with S 31(3) of Ports Authority Act 1998, based on 50% of the net profit of the Authority.

21. DEFERRED INCOME

	2013 TOP	2012 TOP
Balance - 1 July	1,015,717	1,015,717
Less: amortisation	(40,006)	-
Balance - 30 June	\$ 975,711 =====	\$ 1,015,717 =====

In December 2011, the Authority received a grant in kind with the value equivalent to TOP 1,015,717 from Japan International Cooperation Agency (JICA) in the form of equipments for the overhaul of the motor vessel Hifofua owned by the Authority.

During the period the project had commenced and some of the equipment had been installed. Amortisation on these has been recognised accordingly.

22. CAPITAL

	2013 TOP	2012 TOP
Capital contribution	\$ 10,949,097 =====	\$ 10,949,097 =====

Capital represents Government's contribution on the establishment of Ports Authority Tonga. This is not in the form of shares.

23. GENERAL RESERVE

The general reserve represents profit after tax of amounts transferred from retained earnings in accordance with S 31(2) of Ports Authority Act 1998.

24. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities as at 30 June 2013 amounted to TOP 60,302 (2012: \$60,302). The Authority is a defendant in various litigation cases with respect to claims of employees. The Directors believe that these claims will be successfully defended; however, in the unexpected event of any negative outcomes it is unlikely that the total costs will have a significant impact on the financial statements other than those described above.

Capital commitments in respect of capital projects are estimated at TOP Nil for the ensuing year (2012: TOP Nil).

**NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2013**

PORTS AUTHORITY TONGA

25. RELATED PARTIES

(a) Directors

The Directors in office during the financial year to the date of this report were:

Mr. Stephen Edwards
Mr Busby Kautoke
Mr. Richard Prema
Mr Carl Sanft
Dr Sione Kioa (appointed 11th January 2013)

Fees paid to the directors are disclosed in Note 5 (b). The Authority's transactions with Director owned entities were on normal terms and conditions in accordance with normal business practices.

(b) Amounts payable to related entities

	2013 TOP	2012 TOP
<u>Government</u>		
Dividend payable	620,203	414,978
Loan payable	<u>699,094</u>	<u>699,094</u>
	\$ 1,319,297	\$ 1,114,072
	=====	=====

(c) Amounts receivable from related entities

	2013 TOP	2012 TOP
<u>Government</u>		
Trade receivables (gross)	\$ 12,434	\$ 40,095
	=====	=====

(d) Transactions with related entities

During the year, the Authority entered into various transactions with related parties which were at normal commercial terms and conditions.

The revenue earned from the Government in the form of wharfage, equipment hire, storage and rent amounted to TOP 12,454 (2012: TOP 112,085).

The Authority pays the Government for advertising, repairs and maintenance, lease and other services. Expenses relating to these totalled to TOP 12,620 (2012: TOP 165,087)

(e) Transactions with key management compensation

Key management personnel comprises of the Acting General Manager, Port Master, Human Resource Manager, Operations Manager and the Acting Chief Financial Officer.

Key management compensation is disclosed in Note 6. In addition to their salaries, the Authority also provides non-cash benefits to key management personnel.

PORTS AUTHORITY TONGA

26. SUBSEQUENT EVENTS

Subsequent to year-end, the Authority has entered into an additional loan agreement with Westpac Bank of Tonga (WBOT) of TOP 500,000 for the upgrading of the Cargo Shed on Berth No. 3 and 4. The funds were received on the 1st of August 2013. The new loan was combined with the existing loan from WBOT with a new rate of 6.40% fixed rate for two years and a rate of 9.65%, the normal bank's business lending rate to be applied thereon. The term of the loan is 8 years.

No other transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Authority, the results of these operations or the state of affairs of the Authority in subsequent financial years.

27. PRINCIPAL ACTIVITIES

The principal activities of the Authority during the course of financial year was to establish, improve, maintain, operate and manage ports services and facilities in connection with the operation of any port in the Kingdom of Tonga.

28. PRIOR PERIOD RECLASSIFICATIONS

The following comparative figure has been restated to conform to changes in presentation in the current year:

(i) Other receivables and prepayments

Available for sale investment amounting to TOP 150,000 which was previously included in "Other receivables and prepayments" has been reclassified to "Available for sale investment" in the Statement of Financial Position.

The restated statement of financial position as at 30 June 2012 for the Authority is presented below.

Statement of Financial Position

As at 30 June 2012

	2012 TOP	Reclassifications TOP	Restated 2012 TOP
Non-current assets			
Other receivables and prepayments	720,392	(150,000)	570,392
Available for sale investment	-	150,000	150,000

Statistics

Cargo throughput 2013

Imports	Dry	LCL Cargo	Freezer	Break Bulk	Cement	Timber	Vehicles	Light Oils	LPG	Total
July	12,505	861	2,135	251	1,249	490	1,175	5,090	123	23,880
August	8,248	434	804	72	1,281	228	1,341	4,690	187	17,283
September	9,058	497	1,919	97	941	553	529	2,734	120	16,448
October	11,902	478	1,859	120	657	312	1,560	2,193	88	19,169
November	14,564	1,529	1,555	108	1,586	258	857	3,111	103	23,671
December	13,238	733	2,233	141	161	354	1,249	3,268	0	21,378
January	7,100	793	777	11	675	58	371	4,701	258	14,743
February	7,810	1,320	1,541	100	1,131	212	356	1,627	121	14,218
March	4,546	685	911	35	713	189	503	4,040	87	11,709
April	9,783	2,027	3,023	70	1,176	302	908	2,852	0	20,141
May	8,195	499	1,794	57	306	175	1,434	3,013	124	15,597
June	9,255	580	2,471	88	280	155	1,142	3,206	147	17,324
Total	116,205	10,436	21,022	1,150	10,155	3,287	11,423	40,525	1,358	215,561

Container throughput

	July	August	September	October	November	December	January	February	March	April	May	June	Total
TEU Equivalent (Inward)	651	491	758	551	824	696	397	499	294	655	480	541	6,837
TEU Equivalent (outward)	510	371	635	387	1,036	325	614	684	290	655	540	530	6,577
Total	1,161	862	1,393	938	1,860	1,021	1,011	1,183	584	1,310	1,020	1,071	13,414

Exports	Dry	LCL Cargo	Freezer	Break Bulk	Vehicles	Squash	Total
July	533	25	1,021	2	69		1,649
August	378	25	370	10			783
September	419	11	743	296			1,469
October	985	23	866	2	61	3,200	5,137
November	665	2	1,271	12		3,520	5,469
December	573	43	405		120		1,141
January	78	9	525	4			615
February	306	28	547	5	180		1,065
March	543	34	320	16			912
April	769	3	1,050	0	10		1,832
May	464	63	791	5			1,323
June	445	11	894	1			1,350
Total	6,156	277	8,802	351	440	6,720	22,745

Number of Ship call for FY12/13

Type	Number	GRT	Time Alongside	Worked Time	Anchor	Waiting	Concession
Cruise	9.00	462,644.00	99.74	-	-	-	-
General Cargo	78.00	691,030.00	1,720.11	974.38		774.41	257.89
Gas Carrier	13.00	38,706.00	249.19	62.92	-	170.11	53.17
Tankers	28.00	91,913.00	928.07	504.87	-	414.46	139.64
Squash	-	-	96.50	-	-	-	-
Survey	2.00	3,496.00	95.65	-	-	-	-
Fishing	11.00	1,113.00	281.00	-	-	-	-
Others	7.00	40,947.00	545.43	-	-	-	-
Total	148.00	1,329,849.00	4,015.69	1,542.17	-	1,358.98	450.70