



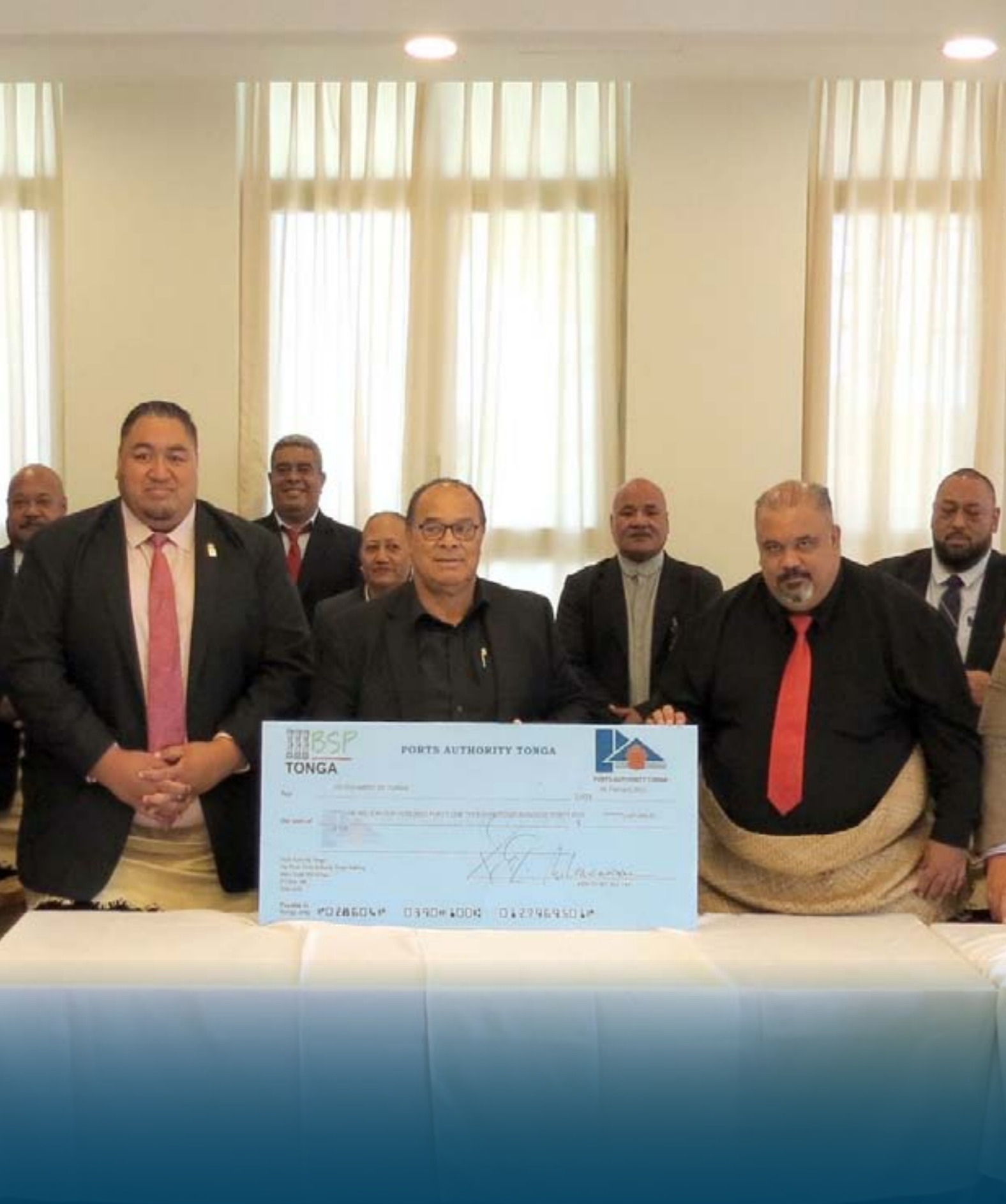
PORTS AUTHORITY TONGA 2021 ANNUAL REPORT



CONTENTS

| | | |
|---|---|-------|
| ➔ | Performance Highlights | 4-8 |
| ➔ | Chairman's Report | 9-10 |
| ➔ | Board of Directors | 11-12 |
| ➔ | Corporate Governance | 13-14 |
| ➔ | CEO's Report | 15-16 |
| ➔ | Executive Management | 18 |
| ➔ | Organization Structure | 19-20 |
| ➔ | Health & Safety | 21-22 |
| ➔ | Finance and IT Division | 25-28 |
| ➔ | Corporate Services | 29-32 |
| ➔ | Port Services | 35-36 |
| ➔ | Infrastructure & Technical Services | 37-40 |
| ➔ | Marine Services | 41-44 |
| ➔ | Port Security/ Domestic Operation | 45-48 |
| ➔ | Reconciliation of Performance to Business Plan | 50 |
| ➔ | Financial Statement | 51-86 |

PERFORMANCE HIGHLIGHTS



| OPERATIONS | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------|---------|---------|---------|---------|
| Cargo throughput (cargo tonnes) | 411,626 | 383,045 | 430,656 | 383,228 | 409,162 |
| Container throughput (TEUs – twenty-foot equivalent units) | 23,882 | 23,581 | 26,046 | 24,716 | 25,383 |
| Shipping tonnes (GRT – gross registered tonnes) | 1.6m | 2.1m | 2.9m | 2.5m | 2.8m |
| Vessel visits | 166 | 191 | 218 | 188 | 209 |
| Employees (FTEs – full-time equivalents) | 140 | 148 | 150 | 138 | 142 |
| Financial | | | | | |
| Revenue | \$12.1m | \$12.1m | \$13.4m | \$12.3m | \$13.4m |
| Earnings before interest, taxation, depreciation & amortization | \$5.6m | \$5.2m | \$6.5m | \$6.3m | \$6.8m |
| Earnings before interest and taxation (EBIT) | \$3.0m | \$2.9m | \$4.4m | \$4.3m | \$4.8m |
| Net interest expense | \$161k | \$164k | \$5k | \$25k | \$132k |
| Taxation | \$718k | \$685k | \$1.1m | \$1.1m | \$1.1m |
| Net profit after taxation | \$2.2m | \$2.1m | \$3.3m | \$3.2m | \$3.6m |
| Dividend paid to Government | \$1.5m | \$2.5m | \$1.6m | \$905k | \$1.6m |
| Capital expenditure | \$4.4m | \$4.5m | \$6.9m | \$868k | \$2.9m |
| Term debt | \$2.1m | \$2.9m | \$2.3m | \$1.2m | \$2.2m |
| Total non-current tangible assets | \$25.1m | \$26.8m | \$24.6m | \$20.0m | \$21.4m |
| Shareholder return metrics | | | | | |
| Equity | 85% | 80% | 77% | 79% | 76% |
| Return on equity (ROE) | 8% | 8% | 14% | 15% | 18% |
| Return on assets (ROA) | 7% | 7% | 11% | 12% | 13% |

WHO WE ARE

OUR VISION

- To be the most sustainable port in the region

OUR MISSION

- To operate as a successful business providing cost efficient, effective and
- competitive services and facilities for port users and shippers.

OUR VALUES

- Accountability
- Continuous improvement
- Collaboration
- Customer responsiveness

OUR OBJECTIVES

- Operate as a successful business.
- Be a good employer.
- Work within a debt equity ratio not exceeding 45%.
- Aim to grow the business.
- Achieve a commercially acceptable rate of return on shareholder's funds.
- Ensure that sustainable Port development takes place.
- Maintain high environmental standards.
- Strive for continuous improvement in all things.

2021 Performance

85 %

Shareholder Equity
as % of Total Assets

411,626

Cargo Throughput
Tonnes

23,882

Container Throughput
TEU

8 %

Return on Average
Shareholder
Funds

2.2

million

Net Profit
After taxation

1.6

million

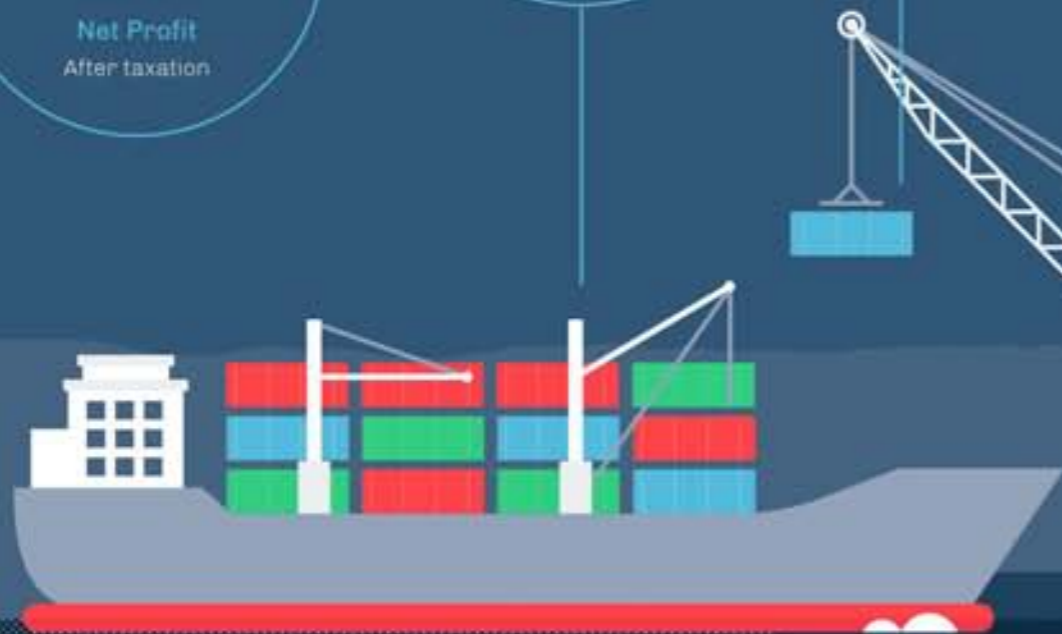
Shipping Tonnes
GRT (millions)

140

Employees
FTEs

166

Vessel Visits
Over 100GRT



Chairman's Report



Mr. Daniel Kimball Fale

On behalf of Ports Authority Tonga, it gives me great pleasure to present the Authority's Annual Report for the year 2021. It has been another tough year for the business. The pandemic, diversion orders, supply chain disruption, the new operation procedures in place, have put huge pressure on Ports Authority Tonga.

I want to acknowledge up front how hard this year has been for our people and commend them for the way they have pulled together to support each other. It has been difficult for our customers too. The disruption to the global supply chain is on a scale never experienced before.

It has been costly for everyone. While some parts of our business fared well, congestion at our container terminal added to the problems faced by our customers. I understand their predicament and assure them that keeping freight moving is the primary focus for the port.

Our financial result was close to expectations. PAT declared a total dividend of \$1,541,445 million to the Shareholder. However, based on an agreement with the Shareholder, this dividend amount will be injected back to the Authority to contribute to the construction of the Nomuka and 'Uiha community wharves. The revenue for 2021 remained the same compared to the previous year at a total of \$12.1 million. The total revenue was slightly lower by 9% the budget of \$13.3 million and this owed to the impact of COVID 19. In 2021, the Authority's financial performance was still a good result compared to the previous year as PAT recorded a Net Profit After Tax of \$2.2 million compared to \$2.1 million in 2020 which was largely due to the increase in cargo and container throughputs.

The implementation of our CAPEX projects was delivered according to priority requirements given that the pandemic is still a major risk and the Authority is mindful of managing its expenses to the best of its ability to ensure that PAT continues to operate as a successful



“ Total dividend of \$1,541,445 million declared and paid to the Shareholder

entity. Whilst delivering the Authority's priority projects, PAT also assisted with the implementation of the Prime Minister's Small Islands Wharves Development Projects as per the Cabinet Direction. This is a Government Project which is implemented by PAT as one of its Public Enterprise entities. The project includes community involvement and funding from the island communities, Government and donor partners including PAT. PAT is fortunate to be given the opportunity to utilize the experience, expertise and equipment of the Ports Authority to successfully deliver this project for the benefit of the outer island communities.

Looking ahead, our strategy for this year is simple. Put the interests of our people and our customers first. This means:
 (1) For our people we focus on safety and wellbeing. We will also focus on addressing shortcomings in the Authority's culture, which were highlighted by our staff satisfaction survey that was conducted this year.
 (2) For our customers it means focusing on the core of our business to establish, improve, maintain, operate and manage ports, services and facilities in connection with our operation in the Port of Nuku'alofa and continue our commitment to improve customer services at the ports.

On top of these two primary areas of focus, we need to implement key strategies that will deliver the Authority's future without compromising environmental prerequisites. By getting these foundations right, we will once again be in a position to deliver high returns to our shareholder.

Finally, I would like to thank the directors and members of the senior leadership team for their hard work over a very difficult and stressful year. We have managed to make it through the year despite the challenges and given the capacity of our executive team whereby some of the key positions remains vacant today due awaiting the completion of the Remuneration Authority's review. I would like to thank each and every one of you for all for your service and commitment to Ports Authority Tonga.

While this last year has been difficult, we have started to make progress on the issues confronting us. I am confident that the business is now focused on the things that matter most to get us back on the right track.

“ I want to acknowledge up front how hard this year has been for our people and commend them for the way they have pulled together to support each other

Mr. Daniel Kimball Fale
 Board Chairman

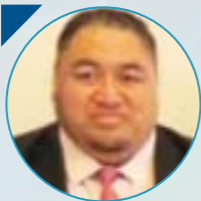
BOARD OF DIRECTORS FOR 2020/ 2021



Mr. Daniel Kimball Fale
Chairman
1st September, 2020



Mr. Sevenitini Toumo'ua
Deputy Chairman
1st September, 2020



HSH. Prince Kalaniuvalu Fotofili
Director
15th September, 2020



Mr. 'Inoke Finau Vala
Director
1st September, 2020



Mr. Sione Talanoa Fifita
Director
15th September, 2020



Mr. Paula Tatafu
Director
1st September, 2020



Mr. Sione Posesi Bloomfield
Director
1st September, 2020



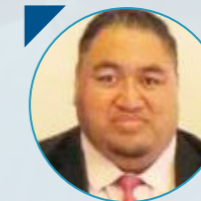
BOARD DIRECTORS FOR 2021 (Effective 1st Sept. 2021)



Mr. Daniel Kimball Fale
Chairman
1st September, 2021



Mr. Sione Talanoa Fifita
Deputy Chairman
1st September, 2021



HSH. Prince Kalaniuvalu Fotofili
Director
1st September, 2021



Mr. 'Inoke Finau Vala
Director
1st September, 2021



Mr. Semisi Tapueluelu
Director
1st September, 2021



Mr. Fakahau Valu
Director
1st September, 2021



Mr. Viliami Ma'ake
Director
1st September, 2021

CORPORATE GOVERNANCE

The Board of Directors primary function is to provide effective leadership and direction to enhance the long-term value of the Authority to its shareholders and other stakeholders. The Board oversees the business affairs of the Authority and that all Directors exercise due diligence and independent judgement and make decisions objectively in the best interest of PAT.

The framework of rules and practices by which the Board of directors ensures accountability, fairness, and transparency in PATs relationship with its stakeholders aligns with the Ports Authority Act 1998 and the Public Enterprises Act 2002.

The Board sets the right direction to ensure that a robust governance structure is in place to enable the Authority to succeed and deliver long term growth. This included PAT's commitment to judicious use of the Port's facilities and responsible infrastructure development that contributes to the socio-economic development of Tonga through maritime trade.

The essence of good governance is leadership. Good Governance is a fundamental principle of Ports Authority Tonga (PAT). The Board of Directors are aware of the responsibilities it has for stewardship and accountability to its shareholders, the Government of Tonga. The Board works closely with management to ensure that issues of disclosure, transparency, due processes and probity are continually under review and maintained at consistently high levels.

Role of the Board

The Board is appointed by the Shareholder in accordance with the Ports Authority Act 2010:

- (i) To assist the public enterprise to achieve its principal objective.

Functions of the Board

The Board of Directors acts in the best interest of the Authority, and their key roles are summarized as:

- Ensure that the public enterprise and subsidiary conducts its business and all decisions made by the board are in accordance with its principal objective;

- Not act, or agree to the public enterprise and subsidiary acting, in a manner that contravenes the law or the constitution of the public enterprise;
- Not agree to, cause or allow the business of the public enterprise and subsidiary to be carried on in a manner likely to create a substantial risk of serious loss to the public enterprise's creditors; or
- Not agree to the public enterprise and subsidiary incurring an obligation unless the director believes at the time on reasonable grounds that the public enterprise shall be able to perform the obligation when it is required to do so.

PAT continued to develop, adopt and practice good corporate governance standards in managing the Authority's operation. In line with the Ports Authority Act 1998 and the Public Enterprises Act 2010, the Directors continued to execute their responsibilities diligently in setting strategic direction, providing advice and monitoring Management's performance to ensure PAT achieved the target set for the year.

In compliance with the Public Enterprises Act 2010, the Authority continue to submit the Business Plan, Quarterly Financial Report, Half Yearly Report, Annual Report and Audited Financial Reports to the Ministry of Public Enterprises while Management reports on the monthly financial results to the Board of Directors. The Board and Management ensured that financial statements are prepared in accordance with the generally accepted International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Board of Directors

The Directors continue to perform their strategic role stipulated under the Public Enterprises Act 2002 and the Port Authority Act 1998. As at the 30th June 2021, the Board composition was as follows together with the number of Board meetings attended:



BOARD ATTENDANCE

Directors

Board as at 30 June 2021

| Name | Role | Appointment |
|----------------------------------|-----------------|---------------------------------|
| Mr. Daniel Fale | Chairman | 1 st September 2021 |
| Mr. Sevenitini Toumo'ua | Deputy Chairman | 1 st September 2021 |
| HSH. Prince Kalaniuvalu Fotofili | Director | 15 th September 2021 |
| Mr. 'Inoke Vala | Director | 1 st September 2021 |
| Mr. Posesi Bloomfield | Director | 1 st September 2021 |
| Mr. Sione Fifita | Director | 15 th September 2021 |
| Mr. Paula Tatafu | Director | 1 st September 2021 |

Meeting Attendance as at 30 June 2021

| Meeting Held | Board Meeting | Special Board | Audit & Risk Sub-Committee | Infrastructure Development Sub-Committee | Appointment & Recruitment Sub-Committee |
|----------------------------------|---------------|---------------|----------------------------|--|---|
| Mr. Daniel Fale | 9 | 4 | 1 | 10 | 1 |
| Mr. Sevenitini Toumo'ua | 9 | 4 | 1 | 12 | 1 |
| HSH. Prince Kalaniuvalu Fotofili | 3 | 2 | 9 | 11 | 1 |
| Mr. 'Inoke Vala | 9 | 2 | 10 | - | - |
| Mr. Posesi Bloomfield | 8 | 3 | 7 | - | 1 |
| Mr. Sione Fifita | 9 | 3 | 10 | 12 | 1 |
| Mr. Paula Tatafu | 8 | 0 | 1 | 1 | 1 |

Chief Executive's Report



Mr. 'Alo ki Hakau Maileseni
ACEO

Despite the interruption of the COVID 19 restrictions and the new measures in place, we have managed to pull through and made good progress although there were many hurdles to go through and the year was a quiet one at most. I must mention first and foremost our people's response to COVID 19. The Authority, the shipping agents and the Government of Tonga have been working together to ensure Tonga's essential freight continued to be delivered but most importantly, to keep each other safe. There are truly exemplary response and I would like to sincerely thank everyone involved.

New Structure

At the start of the year, the Authority took the opportunity to carry out its internal restructure and revision of its policies. The review of the organization structure as approved in 2019, was to ensure the transparency of the employee's career path within the organization. New roles were added to the structure to include line managers and supervisors and Job Descriptions were updated and the performance management system was also reviewed. This allowed managers to play a more strategic role in the organization, make decisions, set goals and oversee team success.

The Year in Review

In alignment with Cabinet Decision No.975, Board sub-committees were established to review and improve the Public Enterprise's internal policies. The Authority's Human Resources Policy was reviewed to ensure it

was efficient and effective and was up to date with the changes in the work environment as well as new laws, regulations and to be consistent with the industry's best practices.

New policies were developed in addition to the existing policies to guide the Authority in its day to day operation, give guidance for decision making and streamline internal processes. The new policies include the Whistleblower Policy, Code of Ethics Policy, Record Retention Policy as well as the Sponsorship and Donation Policy. In addition, sub-committee charters were also developed to help the Board meet its legal and regulatory commitments.

The Authority had implemented strategic measures to help minimize the impacts of COVID 19 to provide and generate additional income in response to the impacts of COVID 19 on the Authority's financial performance as multi cargo, cruise and container volumes were significantly affected, which had an adverse impact on the Authority's revenue.

A new plan was put forward for the Vuna Wharf Market Project. The project aims at benefiting local entrepreneurs and businesses and to promote domestic trade. The objective of the project is also to enhance economic efficiency through the improved mobility and accessibility to businesses in a central location at the heart of Nuku'alofa. The project will also generate added revenue for the Authority in the wake of outsourcing the stevedoring services and as an alternative income source while the cruise ships are not permitted to enter Tonga due to the restrictions of COVID 19.

Although some of the major CAPEX for the year was deferred due to COVID 19 and the financial performance of the organization, PAT continued to work towards developing a sound Port Master Plan to guide PAT's future developments while enhancing coordinated efforts within PAT and with other stakeholders. Further, PAT continued to develop strategies to support the implementation of the Port Master Plan in prioritization order according to customer needs and safety.

At the same time, there are projects that have been year marked for the coming years, which included the relocation of fishing wharf from Faua to Sopa area, as well as waterfront development projects. PAT will engage qualified engineers and architects to provide a proper estimate for this project and set the timeline for these projects and most importantly looking for funding.

Operational Update

In order to improve the cargo operation efficiency at Queen Salote Wharf, a proposal was put forward to the

Government of Tonga to seek funding assistance for a two phased project consisting of two warehouse facilities. Phase 1 consists of a new cargo inspection facility and Phase 2 for the upgrading of the existing custom warehouse.

This is part of the Authority's obligation under the Ports Authority Act to facilitate trade by providing sufficient port facilities. The project will help promote an increase international trade to and from Tonga and enhance the current operation at the existing warehouse in the future. Investing in this project may not yield the desired financial return for the Authority, however it will provide a modern, secure and dependable custom warehouse services for importers and exporters which aligns with the Ports Authority Act.

During the year, the tender for privatizing the stevedoring services at the Port of Nuku'alofa was issued and the tender evaluation took place. The stevedoring concession contract will grant the contractor the exclusive right to exploit and commercially manage full stevedoring services at the container terminal at Queen Salote International Wharf for a period of ten years. The public private partnership (PPP) is being sought with an experienced firm to provide a fully exclusive stevedoring service at the Port of Nuku'alofa with the aim to improve international cargo handling efficiency.

To increase operational efficiency in our domestic wharves and enhance the services to our customers, all domestic vessels are now operating at Taufua'ahau Tupou IV Domestic Wharf. Passengers can now enjoy the comfort of the terminal and operate safety at the new domestic facility. In June of this year, the MV 'Otuanga'ofa entered Taufua'ahau Wharf safely and her operation continued to date at Taufua'ahau.

Challenges

During the year the Remuneration Authority (RA) conducted a comprehensive remuneration review of all CEO positions and a review of the PEs internal policies governing remunerations and other benefits of all employees. All recruitment processes of all Public Enterprises positions were placed on hold during this review. This was a major challenge for the Authority's operation as it delayed the recruitment of key personnel to fill the vacant positions which in turn affected Ports Authority's plans. Today, some of the executive roles have yet to be filled pending on the final exercise to be completed. In addition, the delay of implementing the major projects due to the impacts of COVID 19 have also

posed major challenges as PAT had to focus on priority projects and defer some of the CAPEX that were already listed in the Authority's plan. At the same time, PAT is accommodating the Prime Minister's Small Islands Wharves Development Projects while also delivering its key projects which means that resources and expertise had to be shared to ensure the projects are delivered according to their set timeframes.

Looking Forward

Looking ahead, PAT has included in its plan for this financial year to engage a consultant or a consultancy company to assist the Authority to complete its transition to be certified under ISO-9001. PAT is committed to complete this project in this current financial year. In the completion of this project, PAT will be the only Government agency to be QMS certified in Tonga. This means PAT is providing quality services to its customers.

Part of PAT's work plan for the upcoming months is to register PAT as a company under the Tonga Company's Act. This will include reviewing our business structure to register as a company for more investment opportunities.

The Authority will continue to closely monitor the impacts of COVID 19 in its operation by managing our expenses, ensure that our people's safety is prioritized and the working procedures at the Port of Nuku'alofa comply with both the international standards and procedures as well as complying with the measures that are issued from Government and the Ministry of Health.

Acknowledgement

After a challenging year, I'd like to thank everyone who works at Ports Authority Tonga for their efforts. It has been tough, but we are making progress on the work we need to do to turn things around. There will continue to be challenges, not least because the pandemic is still having a significant impact worldwide, but I believe we have turned a corner. I look forward to working with you all over the coming year.

Mr. 'Alo ki Hakau Maileseni
Acting Chief Executive

EXECUTIVE MANAGEMENT



EXECUTIVE MANAGEMENT



Vacant
Chief Executive Officer (CEO)



Vacant
Deputy CEO/Chief Operating Officer (COO)



Mr. 'Alo ki hakau Maileseni
Deputy CEO/Chief Financial Officer (CFO)
Acting Chief Executive Officer(ACEO)



Mr. Halloween Kisina
General Manager Operation Services



Vacant
General Manager Finance & IT



Mr. Tevita Iketau Kaufusi
General Manager Infrastructure and Technical Services



Vacant
General Manager Risk and Compliance (Internal Audit)



Cpt. Hakaumotu Fakapelea
General Manager Marine Services

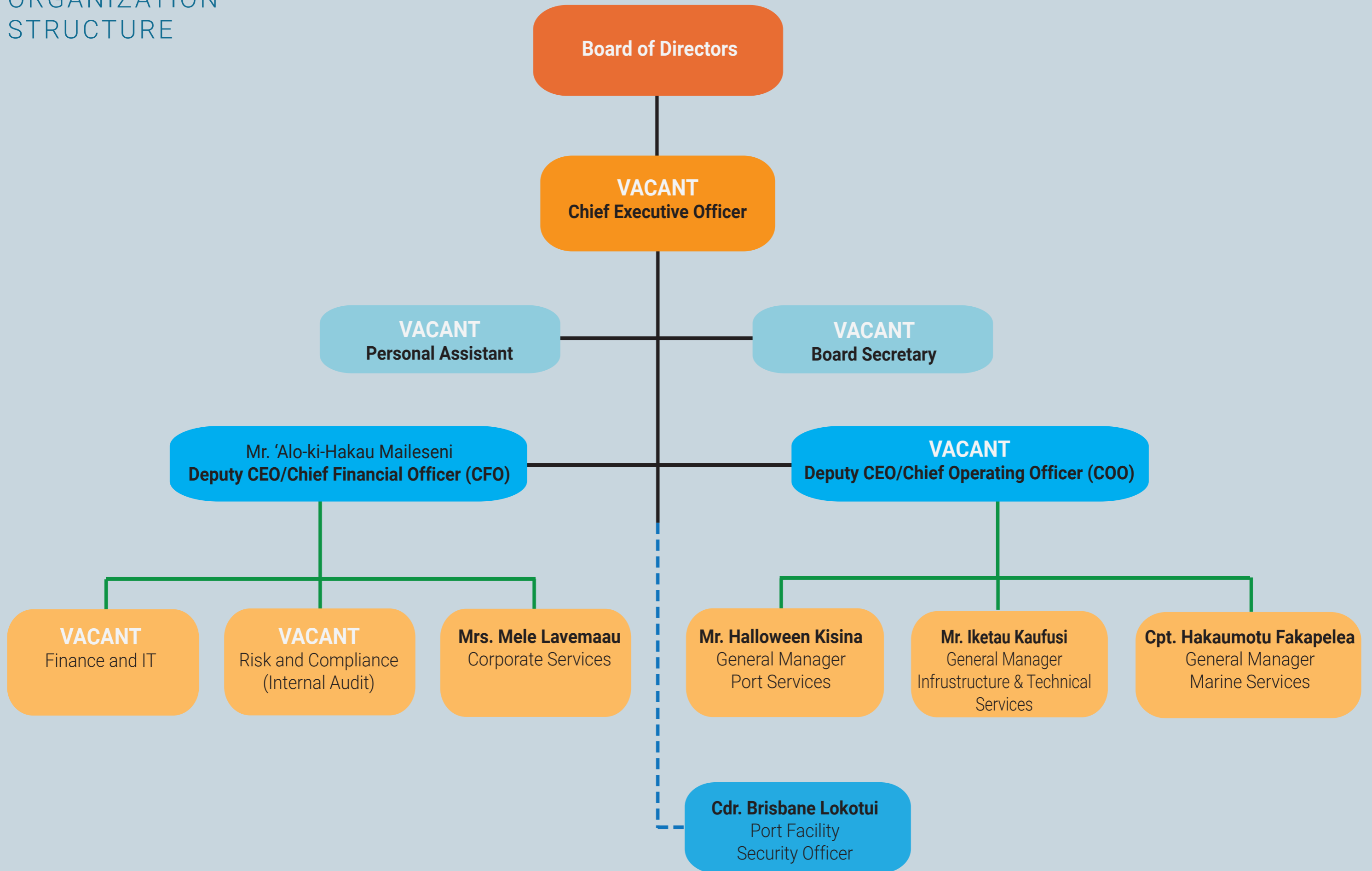


Mrs. Mele Lavemaau
General Manager Corporate Services



Cdr. Brisbane Lokotui
Port Facility Security Officer

ORGANIZATION STRUCTURE



HEALTH AND SAFETY



HEALTH AND SAFETY

PAT continued to place great emphasis on identifying and managing health and safety critical risks that could kill or seriously hurt anyone at the port area. This involved managing long hours and irregular working schedules which can potentially increase the risk of fatigue among workers and ensuring PAT staff are well equipped with PPE gears. PAT continued to work closely with port users in maintaining a healthy and safety port. These led to achieving 0% injury rate during FY 2020/21 for PAT staff.

PAT strives towards reviewing and strengthening key processes to continuously improve risk, quality management system, work health, safety and environment systems at the Port environment.

The Authority's compliance with relevant regulatory requirements remains a top priority. In addition, the company continues to promote and maintain safety standards that protects the staff, port users and the public from harm. This requires a genuine understanding of the very real risks involved in working in a port environment and promoting health and safety around the port environment and within the organisation.

The World Health Organization declared a pandemic in relation to the Novel Coronavirus (COVID-19) in 2020, bringing a significant health impact globally. Measures

taken to contain the virus are already having a significant negative economic impact on global markets including Tonga's major trading partners. Borders continue to be closed and economic activity in Tonga has been drastically impacted with business disruptions and levels of activity already reducing in most market sectors.

For this reporting period, there has been no environment and community health issues reported from port declared areas. PAT ensures that its strategies and risk mitigation measures aligns with the needs of the region and the directions enforced by the Ministry of Health and Government during the border closure to control the COVID 19 from entering our borders.

In addition, PAT manages and operates all domestic wharves operations at high standard while improving health and safety, security standard, traffic management, storage, berth allocations and boats clearance.

Whilst the focus now is to mitigate the impacts of COVID 19 on our operation, PAT continues to promote health and safety at the workplace through the annual medical check-up of our staff and enforcing healthy workplace lifestyles in the work environment through the inclusion of exercises every week in our work program.

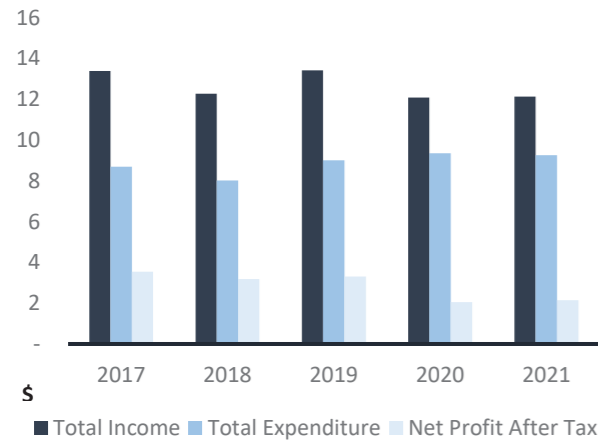


DIVISIONAL REPORTS



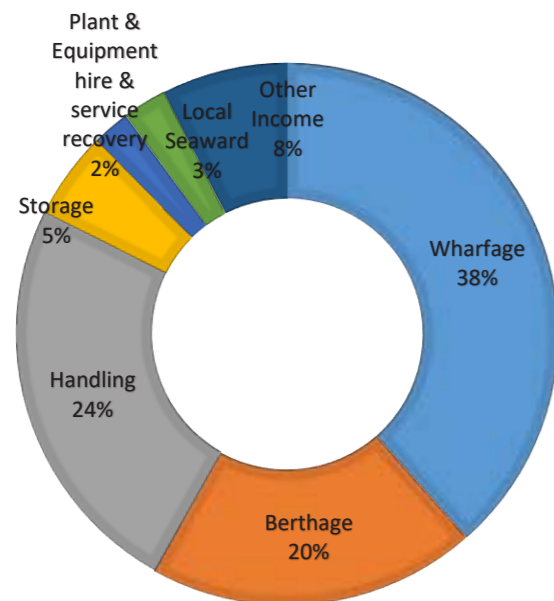
FINANCE & IT DIVISION

The Authority Net Profit after Tax (NPAT) of \$2.2 million represents a 5% increase from the 2020 reported NPAT of \$2.1 million, falling short of the target NPAT of \$3.3 million by 35%. This is caused by a rise in the number of container throughput and cargo throughput leading to an increase in berthage and handling revenue by 19% and 4% respectively.

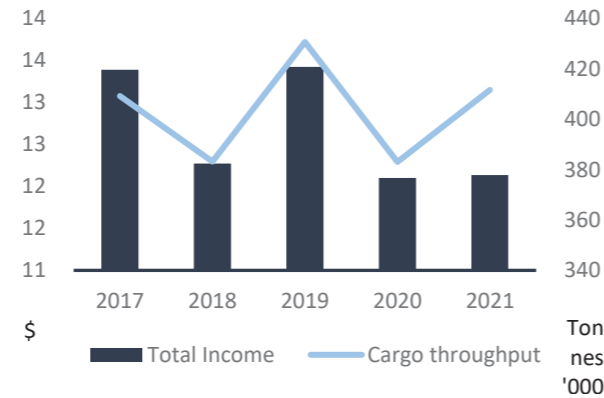


The Authority existence is heavily dependable on overseas ships visiting Tonga. A drop in the number of overseas ships visiting Tonga will generally result in a decline in the Authority revenue and profit. As international seaward contributed almost 90% of the Authority total revenue every financial year.

COMPOSITION OF 2021 INCOME



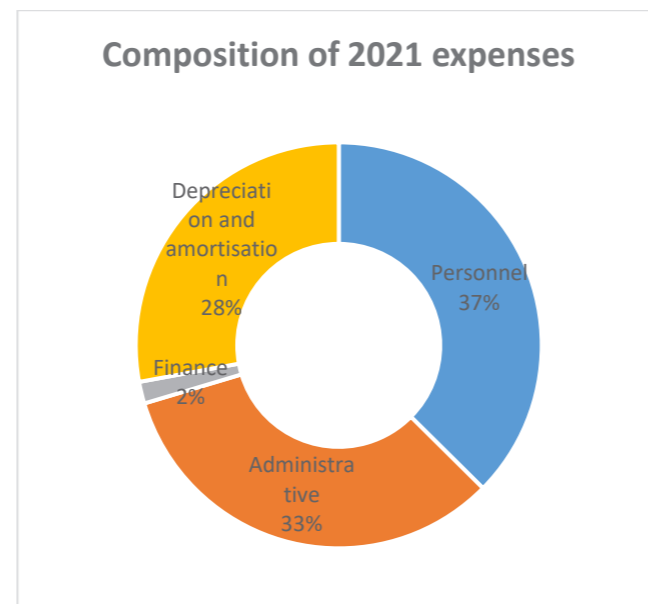
The Authority revenue showed a slight increase of 0.3% over 2020, that's up by \$36k from \$12.10 million in 2020 to \$12.14 million in 2021. This is attributed to the Authority selling most of its construction machinery and equipment. However, the increase in revenue is largely due to rise in the



number of container throughput and cargo throughput. This has resulted in an increase in the volume handled and berthage hours at the port of Nuku'alofa.

The Authority total expenses decreased by 1%, from \$9.4 million in 2020 to \$9.3 million in 2021. This is mainly attributed to a 13% decrease in personnel costs combined with a decrease in finance costs. The decrease in expenses is attained to the well management of expenses by the Authority.

Composition of 2021 expenses

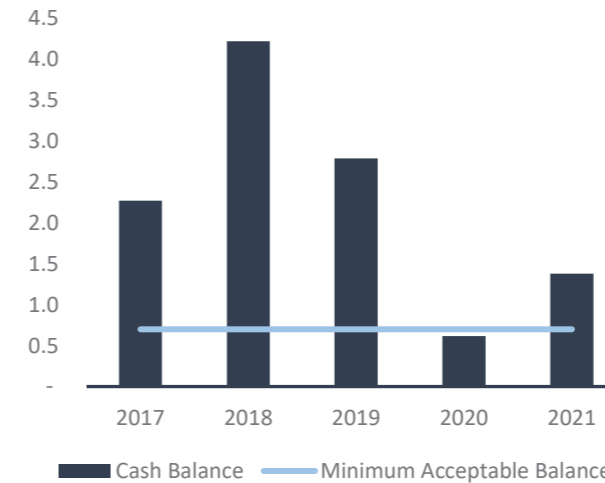


A reduction in financing costs was achieved via effective utilisation of strong cash flows to pay off

one BSP loan leaving the Authority with just \$2.1 million in interest bearing borrowings, a 27% decrease from \$2.9 million in 2020. Decrease in personnel costs is due to vacancy in high-level position and the ceasing of overtime payment.

2021 Financial Position

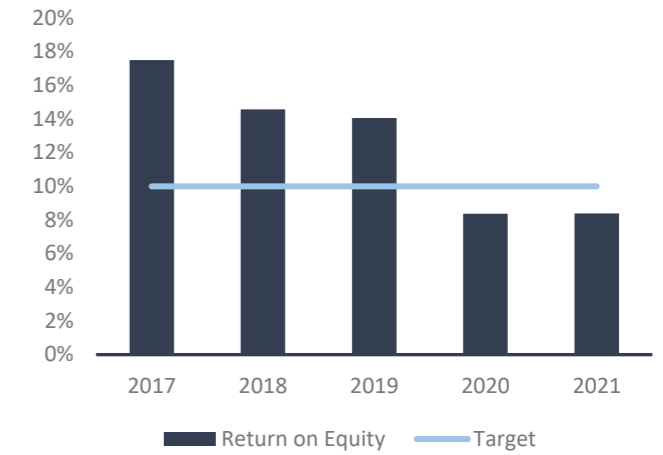
The Authority financial position remains strong with a healthy cash balance of \$1.4 million and a solid current liquidity of 2.09.



The Authority cash balance of \$1.4 million signifies a 123% increase from the 2020 reported cash balance of \$617k, beneath the target cash balance by just 2%. This is due to the fact that the Authority spent less on capital expenditure in 2021 compared to the prior year 2020.

Due to strong cash flows, the Authority repaid its loans worth around \$793k in 2021. Property, plant and equipment decreased by \$1.8 million, which is a 6% decrease over 2020. This is mainly attributed to the selling of construction machinery and equipment.

The steady financial results are reflected in the KPIs with the Authority reporting a Return on Equity of 8%, held steady from 8% in 2020 and below the target ROE of 13%. This is the second consecutive year, return on equity is below the 10% threshold set by the Ministry of Public Enterprises for all PEs to achieve.



Most of the KPI's have improved from prior year, directly attributed to higher profit results this year. Only cash flow from operating activities dropped from 2020 due to the impact of Covid-19.

2021 Dividend Pay out

In 2021, the total dividend payable to the Government in respect of the prior year (2020) profit amounted to \$1.0 million. However, the Authority declared and paid dividend of \$1.5 million at its Annual General Meeting equivalent to 75% of the 2020 net profit after tax.

The dividend of \$1.5 million paid to the Government is expected to be returned back to the Authority to fund the Prime Minister's Small Island Wharves Development Project.

However, due to the ongoing effect of COVID-19 on PAT financials, the Board has declared 50% of Net Profit After Tax as dividend payable to the Shareholder in the 2021 Annual General Meeting.

New policies in place

During the year numerous policies were put forth by the Management and approved by the Board aiming at strengthening the internal controls and promoting good governance within the organisation. Policies such as Coded of Ethics, Whistle blower were amongst those policies approved.

Also some of these policies were intended to address some of the risk identified and recorded in the company Risk Register. This include Record Retention Policy. Ongoing review of Finance Policy and Procurement Policy were carried out during the

year to ensure it is aligned with the changing in the business environment.

Finance and IT Personnel

Finance Division has been operating without a General Manager for two years in a row and with Deputy CEO/Chief Financial Officer to acting on the CEO position. This was a major challenge for the Division in terms of leadership and skill set required to lead the division during this difficult time. Mr. 'Akameta Fe'ao stepped up and take the challenge in this level.

Ms. Malia Leua was lent from the Security Division to cover for Mrs. Telesia Mailau while she was on three months' maternity leave. During the second half of the financial year Mr. Wesley Tei a returned Scholar from AIS St Helen with the Bachelor of Commerce joined the Finance Division as daily payroll officer.

A reshuffle took place during the year as Mr. Tei took over the payroll function. Ms. Nau Sakalia former Payroll Officer was transferred from Payroll section to IT Unit to fill in a vacant position in the Unit. Ms. Sakalia has a Diploma in ICT from TIHE and her moving from Payroll to IT Unit is the most appropriate decision made by the Managers for her future career.

Mr. 'Akameta Fe'ao the Financial Accountant enrolled as a Part time student on USP Bachelor of Commerce program during the year. PAT is assisting Mr. Fe'ao with his tuition as part of its capacity building program.

At the same time Mr. 'Alo Maileseni Deputy CEO/CFO and Acting CEO along with Mr. Tevita Liu-Management Accountant as a Provisional Members of the Australian and New Zealand Chartered Accountant are pursuing a Graduate Diploma of Chartered Accounting (GradDipCA) as they working towards their full membership.

External Auditor

Shareholder in the 2020 Annual General Meeting held in February 2021 passed a resolution for the appointment of Tonga Audit Office to carry out the external audit function for the Authority in the FY 2020/21. Tonga Audit Officer took over this role from PWC Fiji after more than ten years. Finance

team are looking forward to work with the Tonga Audit Office team in carrying out this year's audit.

Major IT Infrastructure Upgrade Project

PAT is working with this company called Servers Work from New Zealand towards the end of the towards the end of financial year on the upgrade of the Authority's IT system and infrastructure.

This upgrade project was deferred from the previous financial year and hopefully PAT can implement this upgrade in the next financial year. In the second quarter of the financial year, an incident happened which result in data loss and system down a period of time. It reflects the vulnerability of our network to system failure, thus require this upgrade.

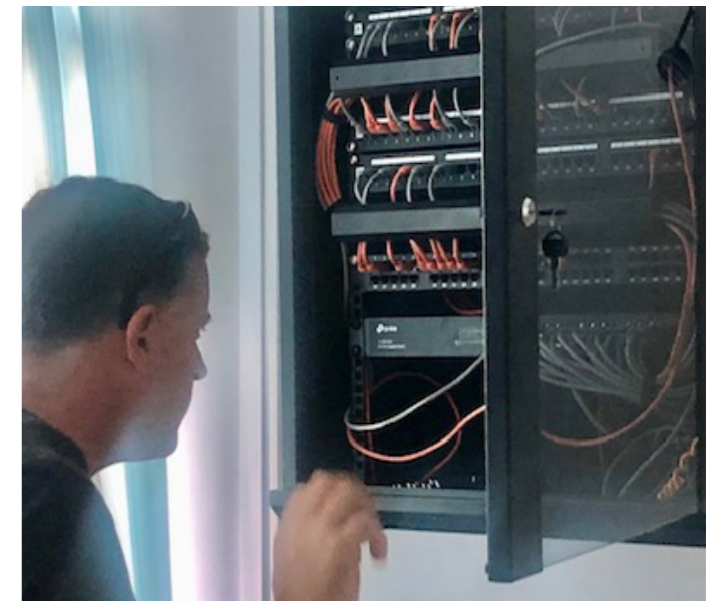
PAT also planned to complete its Quality Management System certification under ISO 9001-2015 which has been deferred from the previous financial year during the year. However, it was deferred again in the current year due to shortage of staff and other new priorities that came up during the year.

RISK AND COMPLIANCE (Internal Auditor) DIVISION

Risk and compliance is a critical role in any organisation as risk drives strategic decisions whereas compliance is a tactical decision. Without doubt, compliance and risk management are closely aligned.

It's being two years now since this important role has not been filled due to the Cabinet Decision to cease all recruitments in order for the Remuneration Authority to carry out their review of all Public Enterprises salary packages.

As a result, Risk and Compliance functions were shared between Finance and Corporate Services in addition to their usual duties. This includes ensuring compliance with all MPE reporting requirements, health and safety requirements, dealing with customers' complaints. While the duties were shared between the two departments they can only do so much but not all. Quality Management System certification was one of the major project of the Risk and Compliance Division.



CORPORATE SERVICES

Corporate Services Division continues to provide efficient and effective support to all Divisions to deliver on PAT's business goals while responding and adapting to changing internal and external challenges. The most obvious challenge is the fight against the COVID – 19 pandemic. Corporate Services Division is pleased to announce that it has well adapted to the new lifestyle that comes with the quest to contain any potential intrusion of COVID – 19 into our shores.

The Division has issued instructions that it is mandatory not only for every employee to be vaccinated but also for colleagues who are entering the wharf when vessels are arriving or departing.

The Monitoring Team under the Marine Security Team has worked tirelessly at QSW in ensuring that Tonga still maintains its COVID FREE status.

The Division consists of 8 units which are Administration and Support, Human Resources and Training, Receptionist and Customer Services, Transport, Legal and Properties, Communications, Marketing and Custodian.

Administration and Support

The unit ensures that all employees have read, understood and complied with the Human Resources Policy Manual and that compliance with the Ports Authority Act 1998 and other appropriated Acts are being adhered to.

Human Resources and Training

The importance of capacity building and training continues to be a priority although it has been restricted to local training and workshops. Corporate Services will continue

to liaise with other divisions to put together and facilitate short, medium to long term training programs in order to advance the skills of the employees and in collaboration with PAT's Succession Planning.

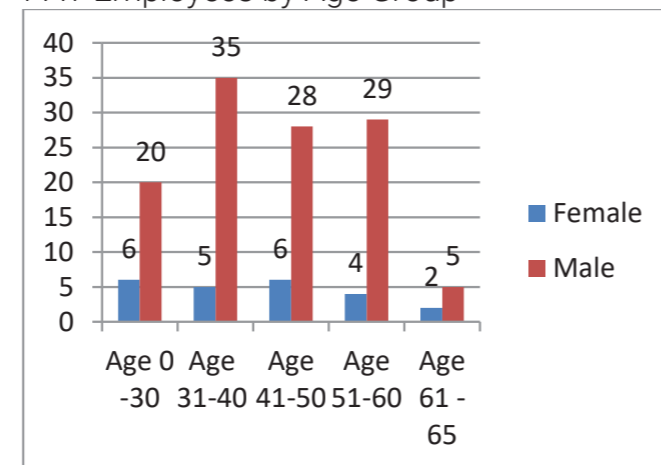
Internal divisional trainings have been conducted with the aim of boosting the morale of employees and understanding of the organization's goals.

Practical Work Experience

The Authority has allowed students from the Tupou Tertiary Institute (TTI) and the Tonga Institute for Higher Education (TIHE) to conduct their practical experience on areas such as information technology, finance and administration. It is not unusual that some of the practical workers seek job opportunity with the Authority when their studies are completed.

Likewise, there are students from the TMPI also seek working experience in areas of welders and electrician.

PAT Employees by Age Group



Employees

There were 143 employees in total, 140 staff and 3 casual labours. This is compared to 152 employees, 148 staff and 4 labours at the end of the financial year 2019/20 and decrease of 6.6%. The major reasons for the decrease are 3 retirees, 1 resignation and 5 dismissals.

Retired and Dismissed Staff

We are acknowledging the devoted and hard work that has been done by 3 of PAT's employees and entitling for the reward of retiring. The Authority wishes them a period of relaxation and rest after the long years they have served at the Ports Authority Tonga.

The reason for dismissing the 5 employees (2 staff and 3 casuals) were absent with no authorities. They stayed in their own accord and never returned although efforts were made to determine the reasons for their absence.

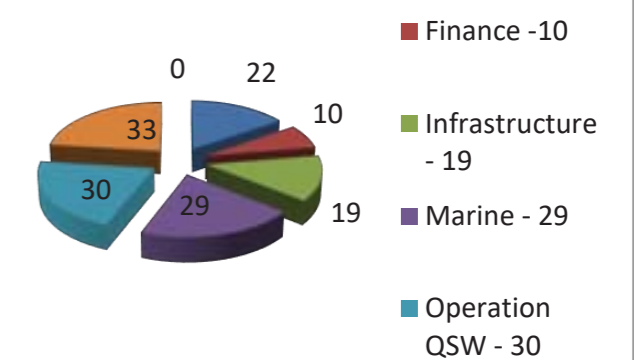
Retiring Staff June 2020 – June 2021

| Name | Post | Division | Years of Service |
|-----------------|------------------|----------------------------|-----------------------|
| 'Aho K Kolomalu | Security Guard | Port Security | 6 years and 11 months |
| Kitione Vaka Vi | Site Foreman | Infrastructure & Technical | 16 years 10 months |
| 'Atonio 'Onesi | Slipway Operator | Marine Services | 15 years 8 months |

The majority of the employees are with the Security/Domestic Operation, Operation QSW and Marine Divisions.



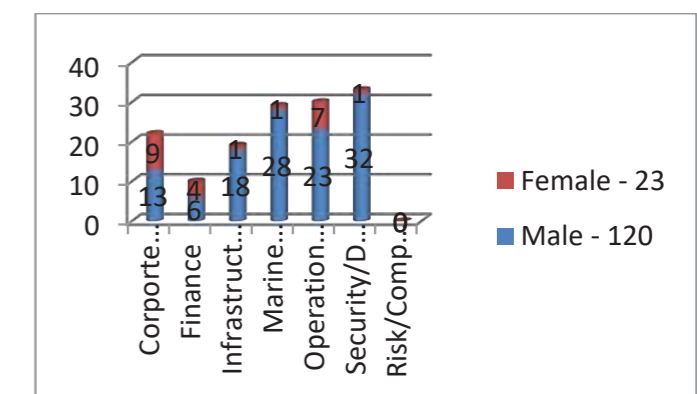
Employees



Gender Equality

PAT is a male dominant industry, the major reason being the nature of the services and how they are provided although gender equality is being promoted. There are 23 female employees compared to 22 in 2019/20. They are being employed as supporting staff mainly at the Corporate Services and the Operation QSW.

Gender Distribution by Division.



Property Investment

In addition to the core function of providing a good and proper berthage facilities for vessels arriving the country, the Authority also invest in properties which ranges from buildings for local ferries, buildings for Custom Brokers, Restaurants, Pontoon and Floating Jetties and land areas.

Owing to the effects of COVID 19 on small businesses, PAT has offered a discount rate

on most of its rental properties. These rates will be revised when businesses return to normal. At the same time rental rates offered to properties occupied by local ferries are lower than the market rate. This is considered to be part of PAT's social obligation to the public at large.

Debt Recovery

The effects of COVID 19 is also reflected in some of the debt recovery totaling \$279693.41 although PAT has made discount concessions.



Corporate Social Responsibilities

Part of the Authority's corporate social responsibilities to the community and the people of Tonga involves giving back to the community. PAT endeavors to provide value to enrich the lives of its customers and the community.

Throughout the year PAT contributed over \$14,397.00 to various programs and activities. The sponsorship funds are allocated towards programs with objectives which aligns with the Authority's strategic goals and those that supports programs which enhances PAT's brand as a commercial organization, to better present PAT's services and establish cordial relations.

At the same time, PAT continues to offer discounts on storage fees with a total of over \$251,761.00 recorded during this financial year not only to businesses but also to individual customers and non-profit organizations.





PORT SERVICES

The Operation Division vision is “To be the best provider of superior quality port terminal and operation services to the Kingdom of Tonga” committed to tailoring operation to the needs of its customers through engaging with customers all the way to the completion of the task and to maintain level of professionalism through training and maintaining its staff.

The year started with the retirement of two of its staff and no replacement was made restrictions for these two but designation of their task to the current staff. The establishment of 5 supervisors to monitor 4 sections of the division was also instigated to further promote the vision of the division. There was also an upgrade to the Port Management system, which further enhance its performance and also included a new feature for Access Control which helps capture data for truck turnaround time. Cargo Throughput for the year was 7% higher than the previous year. Dry cargo increased by 10% while liquid cargo decreases by 6% compared to the previous year. Import of dry cargo increased by 15% and import of liquid cargo decreases by 6%. Export for the year decreased by 31% compared to the previous year which the export of squash decreased by 41% and also transshipment decreases as the route for Hawaii was omitted which most of the transshipment was for. The reduction in duty for food product in aid of the COVID 19 restriction contributed to the increase in tonnage for the year.

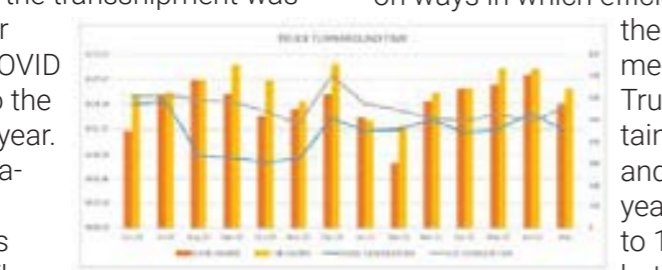
Ship turnaround time measures the time between the berthing of the vessels to its departure from the wharf. The reduction in the number of vessel called for the year shows the impact of the removal of the route from Hawaii the COVID restrictions imposed and

the merge of Neptune and Pacific Direct Link thus further reduced the number of vessel called. The average turnaround time for vessel for the year was 12 hours compared to 9 hours the previous year and average operation time was 9 hours compared to 6 the previous years. As mentioned as the number of vessels reduced it would mean that there would be increase in the berth time and also the average operation hours. During the year there were no complaints from the shipping agents which further indicates that turnaround time for vessels is efficient with regards to the requirement if vessels and operators.

Crane efficiency which measures the crane movement per hour also indicate the time it takes to operate a vessel and also how efficient the stevedores and Authority operates in unloading/loading of a vessel. Stevedores operates mostly to their own Shipping Agents and also it has been very competitive in the stevedores where there are new registration for stevedoring services which will help improve its performance and help to achieve efficiency in the Port of Nukualofa . The average movement per crane for the year was 19 moves compared to 23 the previous years which is much lower than industry average of 24 moves and 30 moves in the Authority plan for the year.

The Authority is still working with the Stevedores on ways in which efficiency can be improve through the Operation Committee which meets almost every quarter. Truck Turnaround time for container trucks to enter the wharf and drop/pick containers for the year was 14 minutes compared to 12 minutes the previous years but as mentioned above this year data was captured through PMS not the manual system which was employed the previous year. It takes 11 minutes to drop off empties at the Port

of Nukualofa but for the year it was targeted at 7 minutes for empties and 15 minutes for full containers. Cargo dwell time for the year shown on the table above that on average it takes 7 days to clear a full container, 6 days for breakbulk and 10 days for vehicles.



| CARGO DWELL TIME | | | | | | | | | | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| CARGO TYPE | AVE 20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | AVE 21 |
| FULL CONTAINER | 7 | 6 | 7 | 6 | 5 | 9 | 7 | 8 | 8 | 7 | 7 | 6 | 8 | 7 |
| BREAK BULK | 8 | 3 | 5 | 1 | 3 | 7 | 7 | 7 | 5 | 7 | 7 | 7 | 8 | 6 |
| VEHICLES | 12 | 7 | 6 | 6 | 9 | 20 | 8 | 8 | 12 | 9 | 7 | 9 | 13 | 10 |
| HIGHEST STORAGE DAYS | | | | | | | | | | | | | | |
| FULL CONTAINER | 121 | 86 | 95 | 106 | 138 | 399 | 65 | 28 | 37 | 101 | 29 | 69 | 63 | 101 |
| BREAK BULK | 27 | 6 | 9 | 4 | 10 | 9 | 9 | 29 | 7 | 68 | 94 | 45 | 25 | 26 |
| VEHICLES | 165 | 59 | 88 | 37 | 205 | 734 | 54 | 72 | 77 | 71 | 19 | 56 | 49 | 127 |

Prime Minister's small Islands wharves Development Projects at Nomuka Island at 2020



Prime Minister's small Islands wharves Development Projects at 'Uiha Island at 2020



INFRASTRUCTURE & TECHNICAL SERVICES

Infrastructure and Technical Services

The Financial Year 2020-2021 was another remarkable year for the Infrastructure and Technical Services Division. Despite numerous challenges, the unit has progressively delivered results on several fronts with enduring spirit. All designed CAPEX and other proposed plans for the said Financial Year completed accordingly. Our physical performance remained positive in most areas of engineering and constructions from new build projects to repair works and sustaining of the organization's assets. The expansion of our work setting to outer islands projects and Hahake District development scheme has further the task ahead of planning and preparation for the coming Financial Year 2021-2022. Despite the limited staff and resources, we are confident and remain optimistic that these expansions of work are feasible.

In the previous Financial Year, Infrastructure and Technical Services Division faced the aftermath of cyclone Harold and the impact of the global pandemic Covid-19. This has caused rescheduling of some CAPEX from the previous financial years and completed in the Financial Year 2020-2021. In addition, we had adopted a revised strategic plan and adjusted to fit our main scope of work.

The intention is to prioritize actions with performance initiatives to contain changing operations. Strategically it will assist the Division in addressing our Vision and Mission accordingly. Whilst infrastructure and engineering remained the core segment of our operation, it does not limit our perspective in contributing to the growth of other Divisions.

Infrastructure and Technical Services Division are looking forward to overcome the challenges ahead, at the same time seize the opportunity to enhance our 19 staff onboard to deliver quality of work and offer the best available services.

We would like to acknowledge and appreciate all third-party counterparts for their continuing support throughout the year.

Port and Harbour Works

PAT Slipway Upgrades

Over \$700,000 was spent on the slipway upgrade which was one of the highlighted achievements for Financial Year 2020-2021. Over the past two decades from its first commissioning, this completely new infrastructure equipped with new cradle and steel structure, sufficiently raised its towing competency from 200 to 300 ton. In a joint work with Fletcher Royco Joint Venture, this investment will facilitate dry-docking of close to 97% of vessels in Tonga that used overseas slipways in the past years.



Taufa'ahau Wharf Dredging

Maintenance reclamation project of Taufa'ahau Wharf has been operated for two consecutive financial years. In over \$138,103 of operation cost, this navigational dredging focused on maintaining depth for vessel's navigational channels. Ensuring that berthing area are safe passage for vessels.



Wharf Basin Cleaning

Dredging plays crucial role for port's development and maintain critical berthing areas in Nukualofa Port. Since the acquisition of PAT new barge, it has been a continuous cleaning operation for the removal of deposited waste and silt from the basin. Classifying as high maintenance assets, they constantly undergo the most frequent routine of reclamation and infrastructural work in order to sustain its usability and contribute to the effective operations of the Port.



Head Office Modification

This reconstruction and renovation work for this building, purposely to relocate Marine, Operation and Infrastructure & Technical Services Divisions of the organization to one building. Over \$235,000 was spent on this interior upgrades which have accommodated 20 staff and offer efficient, accessible customer service for the public and port users.



Domestic Wharf Bitumen

The additional bitumen upgrades covered a total of 528m² area of Taufu'ahau Domestic Wharf parking to the office shed of Tofa and Onemato Shipping. Undoubtedly, this expansion facilitates safe passage for cargo hauling to and from the terminal for this two shipping companies.



Nomuka & Uiha Wharf

Technical assessment on various aspects of engineering conducted and confirmed these proposed developments are broadly feasible without insurmountable planning and engineering problems. An environmental Impact Assessment (EIA) carried out to address various environmental issues in pursuant with requirements of Environmental Impact Assessment Act 2003. Upon finalization of these requirements, constructions work for Nomuka and Uiha Wharf projected to commence in Financial Year 2021/2022.

Nomuka proposed site



'Uiha designated site



Prime Minister's for villiages boats ramps and wharves Projects for Manuka, Nautoka and 'Eueiki at Afa



MARINE SERVICES

The Marine Division is comprising of a range of maritime based activities that encompass the unit's roles including the Piloting Movements and Tugboat Movements and overseeing the safety operation of Aids to Navigation end ensuring the compliance with relevant acts and regulations. The unit also manages the safe operation of the slipway as well as its ongoing maintenance throughout the year. Our key responsibility involves the safe movement of both international and domestic vessels with the Port of Nuku'alofa in accordance with the Ports Authority Act 1998.

The unit is manned with 4 staff that take care of Administration roles. Most of the PAT expensive assets are operate and maintenance by marine staff, a 37 years old Tugboat Hifofua manned with 7 crew, 11 years old Tugboat Olovaha manned with 5 crew, 6 years old pilot boat Unga manned with 3 crew, 10 years old PAT 01 Barge manned with 2 crew and one old aluminium mooring boat.

The Ports Authority upgraded Slipway (300ton) is operated by 5 staff included an electrician who oversees the repairs of all the Aids to Navigation within the Ports of Nukualofa. These men also do the mooring of all international ships arriving Ports of Nukualofa.

Aids to Navigation

A risk assessment conducted of passage to 'Eua identified that this particular area is of high risk for domestic passengers' ships with the possibility to run aground. Installing of this aluminium tower will ensure the safe navigation for all ships utilising this passage. Therefore, preparation was made for reinstalling of new 4 meters port side aluminium structure beacon at Pangaimotu Island reef near to a small boat passage

which is connected to Piha Passage. Travellers to and from 'Eua were surprised when observing the distinctive marker on the reef. From ship's captain point of view, this is a major improvement on Aids to navigation within the port areas. The yearly maintenance of Avalahi Passage buoys was on a timely basis. All the Avalahi Passage's buoys have been repaired and fit for another year. The people of Atata Island requested 3 wooden beacons (with retro refelectors) to reinstall on their North East reef edges to assist their fishermen navigate out at night time.

Salvage

PAT salvaged a private yacht which sank inside Faua basin a year ago. The assistance of PAT floating pontoons and the new barge made the job less complicated. Ports continue to clean up the Faua Basin with a goal for safe navigation of all ships.

Upgrade Developments

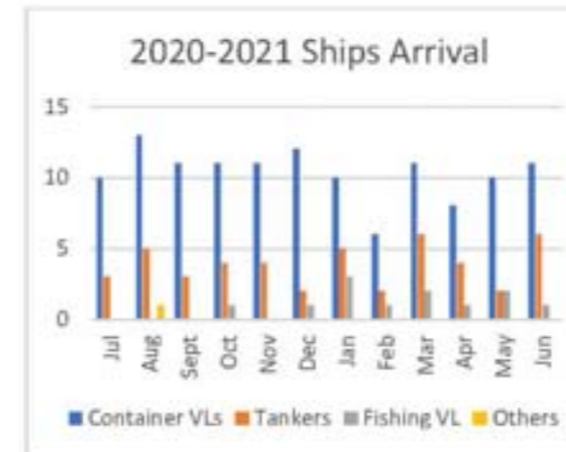
The slipway cradles of 300 tons was upgraded at end of 2020 and completed in April this year. Local fishing boats and vessels in the capacity of 300 tons and less can now slip on the newly upgraded slipway for repair and maintenance.

Issued Licenses

Assessing of stevedoring gears and experiences of port workers is conducted by Port Master and recommended for issuing of Stevedore Licence Permit. There are only 3 companies whose stevedoring Licence Permit was issued including the Royco Stevedores, Pacific Forum Stevedores and Joes Mataele Stevedores and they are all waiting for renewal their permits once PPP project is implemented.

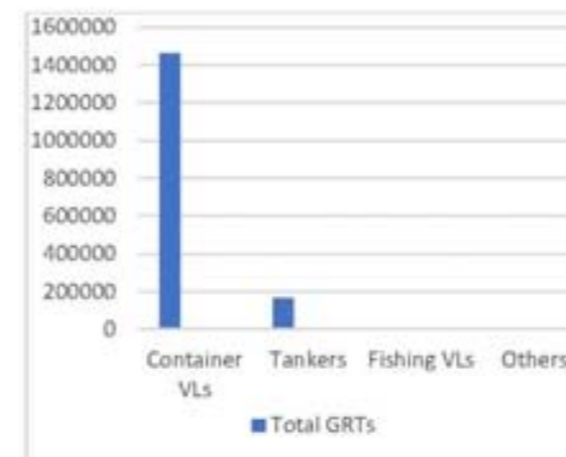
Ships Arrivals

A total number of ships arrived 182 (Container ships -124, Tankers - 45, Fishing Vessel - 12 and one other Ship).



Gross Register Tonnage

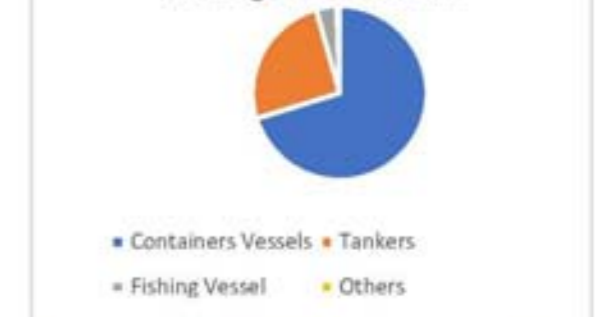
This year arrival totaled Gross Register Tonnage (GRT) is 1,621,951 GRT (Container Ships - 1,460,740 GRT; Tanker ships - 161,211 GRT). The fishing vessels and other is not included.



Pilotage Movement

Port Master and his Deputy carry out the piloting jobs in the Port of Nukualofa and this year (2020/2021) overall Pilot movements totaled 363 (255 Container ships; 92 Tanker ships) plus 16 arrivals.

Pilotage Movement



Ports Authority Tonga Marine Services



Japanese Ambassador to Tonga, HE Mr. Kensaku Munenaga visited the 27 years old tug boat MV Hifofua



Tonga Government Grant to support funding the construction of the Nomuka and 'Uiha Wharves



PORT SECURITY/ DOMESTIC OPERATION

General

Port Security and Domestic Operation Divisions both successfully executed their prescribed roles and responsibilities well despite the many challenges we faced since the declaration of the Covid 19 as a global pandemic. The Port Security was able to completely execute its function despite the global negative and destructive impact brought about by the Covid 19 pandemic which also impacted the Ports Authority Tonga's operations. On the other hand, Domestic Operation division was functioning quite normally.

ISPS Compliance

The Security Division continued to play an important role in maintaining the security and safety of the port environment for port users and efficient and effective facilitation of international and local commercial operations. The major security role at the international ports of Queen Salote Wharf and Vuna Wharf is to ensure that all security activities and commercial operation within the port facilities comply with the ISPS Code, Shipping Regulation 2004 and PFSP (Port Facility Security Plan) with the aim to minimize security risks and safeguard the lives of customers, staff and port users.

Port Security as required by ISPS Code was able to conduct three drills on the 19 May 2021 namely;

- i. Access Control; (Emphasis on checking identification cards)
- ii. Access Control; and (Emphasis on patrol procedures and reporting's)
- iii. Shift Leaders' Inspection (Comprehensive security checks of the restricted areas.

The drill proved the readiness of the security guards and their knowledge of conducting their duties showed that they are driven by the compliance requirement of the ISPS Code hence we are still able to maintain and sustain international ports at a ISPS Code Compliance. The Certificate of Compliance for QSIW and Vuna Wharf still valid till 2024.

Roles and Responsibilities

Port Security: The global Covid 19 pandemic did af-

fect the normal and usual security requirement and activities and the elevating of the security level to Level 2 during the arrival of any foreign vessels and also during cargo operations is an imminent indication of the seriousness of the dangers of Covid 19 and the must strict observance of this pandemic in the Queen Salote International Wharf is going to stay for sometimes.

For the domestic port facilities and port area, the security division has enforced effective access control and safety measures to safeguard the PAT assets, infrastructures, machineries, equipment and public lives. The holding of various public occasions which is common within the port area has also engaged Port Security's time and service in order to ensure security and safety. Make sure that all Covid 19 restriction, observance and requirement are followed and respected as per Ministry of Health and the maritime Security committee directives.

Port Security is very pleased with the effective enforcement of the ISPS Code's compliance in the two international port facilities (Vuna & Queen Salote Wharf) which showed by non- occurrence of any security incidents within the restricted zones. Furthermore, security guards were able to competently use the electronic Port Management System (PMS) in releasing imports and receiving export goods into Queen Salote Restricted Zone. There were no thefts, tampering with public goods or any commission of any criminal offences in the port area.

Domestic Operations: During the year 2020-2021 this division were able and competently executed its roles and responsibilities very well, ensuring that PAT provides superb port services which is safe, secure, reliable and environmentally friendly either at port or at anchorage. In addition the division has to always ensure the efficiency and the safety of domestic operations either be a domestic ferries or fishing vessels with all domestic vessels and fishing vessels are logged and accounted for accurate billing.

Furthermore, the division must ensure that all vessels are observing the rules and regulations and any other issues surveyed and checked by maritime regulator. We also liaised very closely with the

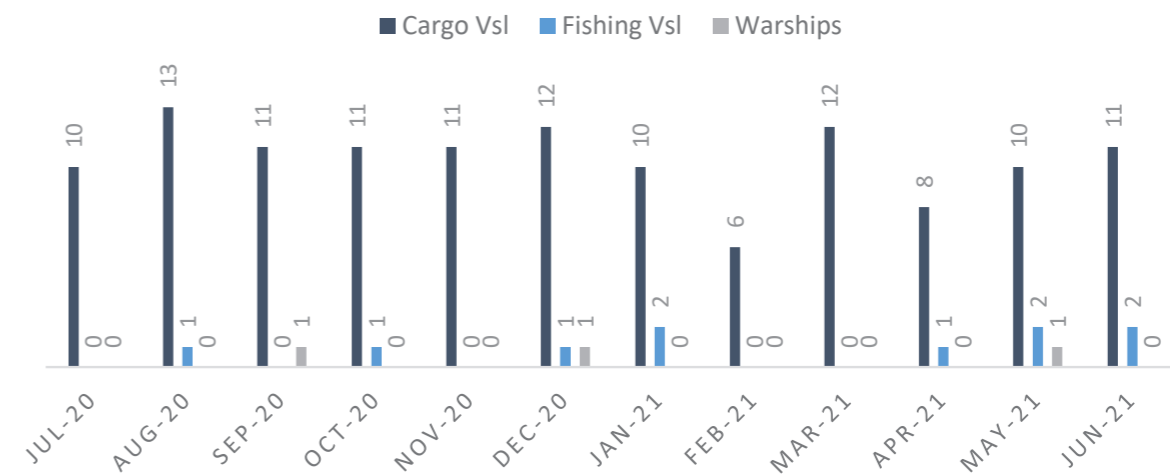
Department of marines ensuring that our cooperation and mutual understanding are honoured and respected. If we feel that an issue of dishonesty amongst ship-owners regarding their vessels are thoroughly addressed.

FY 2021-2022 Activities

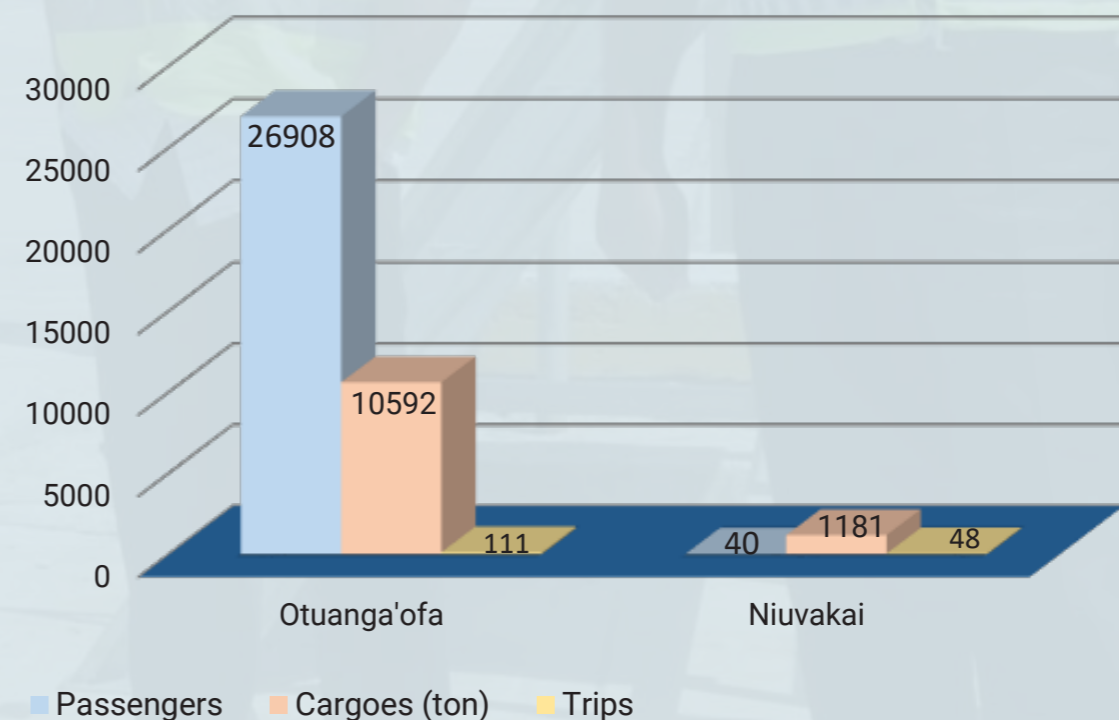
For Port Security, there will be more quarterly drill to be conducted at the two international wharves. ISPS code training for security guards refresher training to be conducted also. There will also be some General

Security Guards refresher training and also Security Supervisors training to be conducted. Another important training which is very important to be conducted is Port Users/PAT Staff ISPS Code Training. For Domestic Operations, refresher training on the JDs of the Supervisor and that of the Domestic Operation Officer. Such training will clarify the roles and responsibilities of each position. Domestic Operation staffs will also try to ensure that all local domestic vessels, big or small must only berth at its allocated areas and not at anywhere that they please.

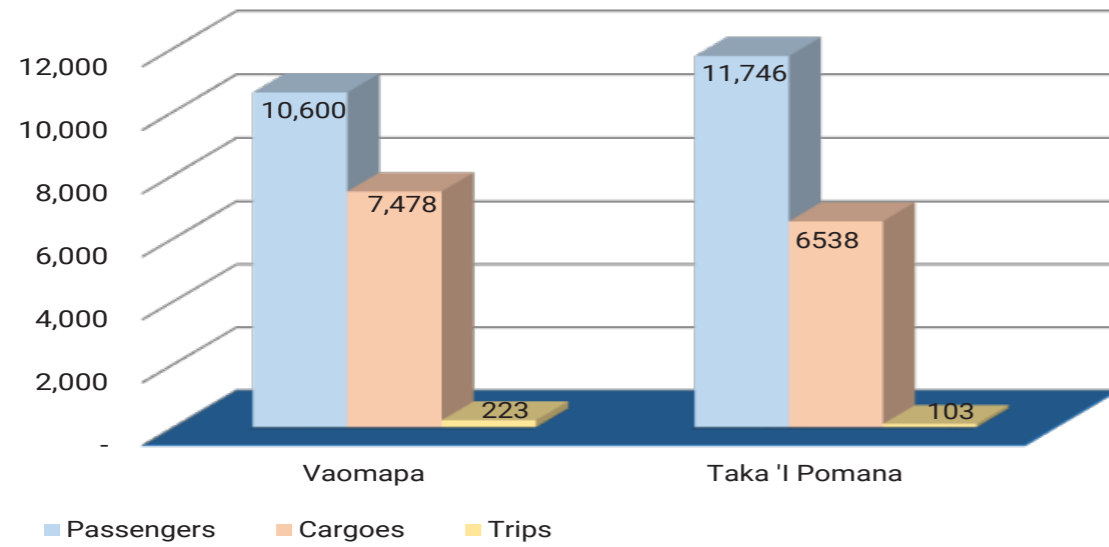
CARGO VESSELS CALLED INTO QSIW DURING FY20/21



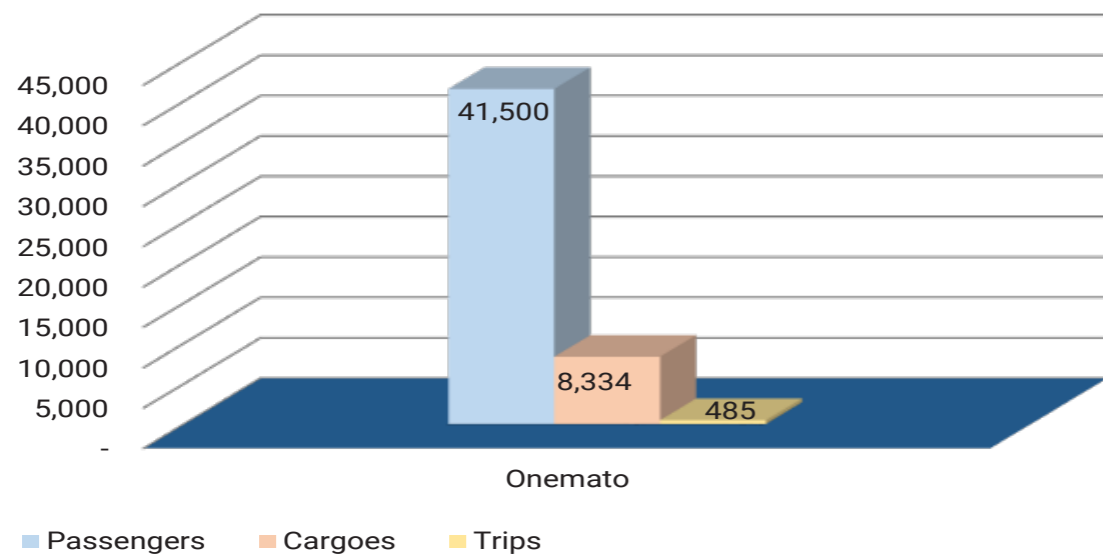
Ships' Travel Analysis at Queen Salote Domestic Wharf for the Year Ended 20-21



Ships' Travel Analysis at Taufa'ahau Domestic Wharf for the Year Ended 20-21



Ships' Travel Analysis at Faua Domestic Wharf for the Year Ended 20-21



RECONCILIATION OF PERFORMANCE TO BUSINESS PLAN

| Objectives | Performance Measure | Business Plan 2021 | Performance 2021 | Achieve/ Not Achieved |
|---------------------------|--|--------------------|------------------|-----------------------|
| PEOPLE | Lost time injury frequency rate | < 1.5 | 0% | Achieve |
| ECONOMIC PERFORMANCE | Earnings before interest, tax, depreciation & amortization | \$6.9m | 4.6m | Not Achieved |
| | Return on Equity | 15% | 13% | Not Achieved |
| | Equity to total assets | 78% | 85% | Achieve |
| | Net debt to equity | < 45% | 15% | Achieved |
| | Dividends declared | \$1.6m | \$1.5m | Not Achieved |
| ENVIRONMENT AND COMMUNITY | Incidents leading to pollution of harbour | Nil | Nil | Achieved |
| | Compliance with all resource consent conditions | 100% | 100% | Achieved |
| | Compliance with Tonga Maritime safety standards | 100% | 100% | Achieved |
| CUSTOMER | Cargo throughput (RT – revenue tonnes) | 415,580 | 411,676 | Not Achieved |
| | Ships visits | 194 | 166 | Not Achieved |
| | Shipping tonnes (GRT – gross registered tonnes) | 2.0m | 1.6m | Not Achieved |





CONTENTS

- 53 to 54 Statement by directors
- 55 to 56 Independent auditor's report
- 57 Statement of profit or loss and other comprehensive income
- 58 Statement of financial position
- 59 Statement of changes in equity
- 60 Statement of cash flows
- 76 to 86 Notes to and forming part of the financial statements.

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 2021 and the related statements of profit or loss and other 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 TOP 2,190,252 (2020: TOP 2,055,260) after deducting income tax expense of TOP 730,084 (2020: 685,492).

Reserves

The transfer to the General Reserve is in accordance with Section 31(2) of the Ports Authority Act 1998. Accordingly an amount of TOP 1,095,126 (2020: TOP 1,027,630) was transferred to the Reserve.

Directors Benefit

No director of the authority has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of contract made by the Authority with the director or with a firm of which the director is a member, or with a company in which the director has substantial financial interest other than what is disclosed in the financial statements.

Going Concern and Impact of COVID-19

The World Health Organization declared a pandemic in relation to the Novel Coronavirus (COVID-19) in 2020, bringing a significant health impact globally, Measures taken to contain the virus are already having a significant negative economic impact on global markets including Tonga's major trading partners. Borders continue to be closed and economic activity in Tonga has been drastically impacted with business disruptions and levels of activity already reduction in most market sectors.

There is considerable uncertainty around the possible duration of, and the resulting depth of impact that may come from the disruptions caused, due to the fluidity of the situation.

In response to the economic impact of the COVID-19 outbreak, the Authority will be conservative in incurring expenses. To keep abreast of developments and being situationally aware, regular consultations and discussions are done by the management. The Authority continues to carefully monitor and assess its business operations and finances daily and will undertake further actions as appropriate.

Directors and Management believe the Authority has reasonably adequate financial resources to be able to manage its business risks within the current uncertain economic outlook due to the COVID-19 outbreak. They have a reasonable expectation that the Authority has adequate resources to continue in operations existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 Authority to meet its obligations as and when they fall due.

In the opinion of the directors:

- (a) the accompanying statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Authority for the year ended 30 June 2021;
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the Authority's affairs as at 30 June 2021;
- (c) the accompanying statement of changes in equity for the year ended 30 June 2021 is drawn up so as to give a true and fair view of the movement in equity; 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 Authority for the year ended 30 June 2021.

Signed in accordance with a resolution of the directors this 14 day of October 2021.

For and on behalf of the Board,



Chairman



Acting Chief Executive Officer

Independent Auditor's Report (Opinion)

Independent Auditor's Report (Opinion)

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2021

| | Notes | 2021 TOP | 2020 TOP |
|--|----------------|-------------------|-------------------|
| Revenue | 5 (a) | 11,644,088 | 11,748,210 |
| Other income | | 491,401 | 351,219 |
| Total Income | | 12,135,489 | 12,099,429 |
| Depreciation and amortisation | 13, 14, 15, 16 | (2,582,747) | (2,300,560) |
| Administrative and other operation expenses | 5 (b) | (3,004,759) | (2,921,612) |
| Personnel expenses | 6 | (3,466,930) | (3,972,087) |
| Profit from operations | | 3,081,054 | 2,905,170 |
| Finance Income | | 24,954 | 5,270 |
| Finance Cost | | (185,671) | (169,688) |
| Finance Cost-net | | (160,717) | (164,418) |
| Profit from operations before tax | | 2,920,337 | 2,740,752 |
| Income tax expenses | 7 (a) | (730,084) | (685,492) |
| Profit after tax | | 2,190,252 | 2,055,260 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 2,190,252 | 2,055,260 |

The above statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to financial statement.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

| | Notes | 2021 TOP | 2020 TOP |
|---|-------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 8 | 1,378,706 | 616,997 |
| Other financial asset at amortised cost | 9 | 986,187 | 1,229,016 |
| Inventories | 10 | 89,064 | 96,150 |
| Trade receivables | 11 | 1,696,857 | 281,221 |
| Other receivables and prepayments | 12 | 793,276 | 1,242,190 |
| Total current assets | | 4,944,090 | 3,465,574 |
| Non-Current assets | | | |
| Property, plant and equipment | 13 | 23,603,982 | 25,821,787 |
| Investment properties | 14 | 1,527,501 | 991,162 |
| Right of use asset | 16(a) | 198,416 | 201,505 |
| Intangible assets | 15 | 56,324 | 127,039 |
| Total non-current assets | | 25,386,224 | 27,141,493 |
| Total Asset | | 30,330,314 | 30,607,067 |
| Current Liabilities | | | |
| Trade payables | | 238,816 | 130,767 |
| Other payables and accruals | 17 | 259,577 | 595,817 |
| Borrowings | 18 | 593,500 | 813,324 |
| Lease Liabilities | 16(b) | 326 | 326 |
| Dividend payable | 19 | 624,152 | 1,070,471 |
| Income tax payable | 7(c) | 676,564 | 600,824 |
| Total current liabilities | | 2,392,935 | 3,211,529 |
| Non-current liabilities | | | |
| Borrowings | 18 | 1,508,837 | 2,067,688 |
| Lease Liabilities | 16(b) | 203,637 | 203,963 |
| Deferred tax liability | 7(b) | 602,948 | 549,973 |
| Total non-current liabilities | | 2,315,422 | 2,821,624 |
| Total liabilities | | 4,708,357 | 6,033,153 |
| Net assets | | 25,621,958 | 24,573,914 |
| Equity | | | |
| Capital | 20 | 10,949,097 | 10,949,097 |
| General reserve | 21 | 14,672,861 | 13,624,817 |
| Total Equity | | 25,621,958 | 24,573,914 |

The above statement of financial position is to be read in conjunction with the notes to financial statement.

For and on behalf of the Board,


Chairman


Acting Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2021

| | Notes | Capital TOP | General Reserved TOP | Retained earnings TOP | Total TOP |
|--|-------|-------------------|----------------------------|-----------------------------|-------------------|
| Balance at 1 July 2019 | | 10,949,097 | 12,597,187 | - | 23,546,284 |
| Net profit for the year | - | - | - | 2,055,260 | 2,055,260 |
| Dividend payable - current year profit | 19 | - | - | (1,027,630) | (1,027,630) |
| Transfer to general reserve | 21 | - | 1,027,630 | (1,027,630) | |
| Balance at 30 June 2020 | | 10,949,097 | 13,624,817 | - | 24,573,914 |
| Prior Year Adjustment | - | - | (47,083) | - | (47,083) |
| Net profit for the year | - | - | - | 2,190,252 | 2,190,252 |
| Dividend payable-current year profits | 19 | - | - | (1,095,126) | (1,095,126) |
| Transfer to general reserve | 21 | - | 1,095,126 | (1,095,126) | |
| Balance at 30 June 2021 | | <u>10,949,097</u> | <u>14,672,861</u> | <u>-</u> | <u>25,621,958</u> |

The above statement of Change in Equity to be read in conjunction with the notes to the financial Statement.

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2021

| | Note | 2021 TOP | 2020 TOP |
|--|------|--------------------|--------------------|
| Cash flows from operation activities | | | |
| Cash receipts from Customers | | 11,821,878 | 12,550,036 |
| Payment to employees and suppliers | | (7,064,621) | (6,997,684) |
| Cash generated from operation | | 4,757,257 | 5,552,352 |
| Income taxes paid | | (639,113) | (1,048,085) |
| Interest paid | | (137,532) | (169,688) |
| Interest received | | 15,000 | 5,270 |
| Net cash generated from operation activities | | 3,995,612 | 4,339,849 |
| Cash flows from investing activities | | | |
| Proceeds from sale of PPE | | 60,000 | 8,110 |
| (Purchase)/maturity of term deposits | | 247,742 | (188,622) |
| Payment for property, plant and equipment | | (1,206,180) | (4,467,877) |
| Net cash used in investing activities | | (898,437) | (4,648,389) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 1,500,000 |
| Dividends paid | | (1,541,445) | (2,483,828) |
| Repayment of borrowings | | (792,865) | (877,676) |
| Repayment of lease liability | | (326) | (306) |
| Net cash used in financing activities | | (2,334,636) | (1,861,810) |
| Net decrease in cash and cash equivalents | | 762,539 | (2,170,350) |
| Cash and cash equivalents at the beginning of the year | | 616,167 | 2,787,347 |
| Cash and cash equivalents at the end of the year | 8 | 1,378,706 | 616,997 |

The above statement of Cash Flow is to be read in conjunction with the notes to the financial statement

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

1 GENERAL INFORMATION

Ports Authority Tonga (" the Authority") is a body corporate established under the Ports Authority Act 1988.

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

Its function are to establish, improve, maintain, operate and manage ports services and facilities 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 ("IFRS"). The financial statements have been prepared under the historical cost convention.

(b) Going concern and impact of COVID-19

The World Health Organization declared a pandemic in relation to the Novel Coronavirus (COVID-19) in 2020, bringing a significant health impact globally. Measures taken to contain the virus are already having a significant negative economic impact on global markets including Tonga's major trading partners. Borders continue to be closed and economic activity in Tonga has been drastically impacted with business disruptions and levels of activity already reducing in most market sectors.

There is considerable uncertainty around the possible duration of, and the resulting depth of impact, that may come from the disruption caused, due to the fluidity of the situation.

In response to the economic impact of the COVID-19 outbreak, the Authority will be conservative in incurring expenses. To keep abreast of developments and being situationally aware, regular consultations and discussions are done by the management. The Authority continues to carefully monitor and assess its business operations and finances daily and will undertake further actions as appropriate.

Directors and Management believe the Authority has reasonably adequate financial resources to be able to manage its business risks within the current uncertain economic outlook due to the COVID-19 outbreak. They have reasonable expectation that the Authority has adequate resources to continue in operation existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) 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) Transaction 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.

(d) Investment properties

Investment property is stated at cost less accumulated depreciation and impairment losses. Rental income from investment property is accounted for in accordance with note 2 (p)

(e) 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 capitalized 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 amounts.

Gain 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.

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 follow;

| | <u>Useful live</u> | <u>Depreciation rates</u> |
|-----------------------------------|--------------------|---------------------------|
| Building | 10-35 years | 2.9% - 10% |
| Wharves and associated facilities | 12-40 years | 2.5% - 8% |
| Onshore equipment | 4-20 years | 5.0% - 25% |

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

| | | |
|-----------------------|------------|------------|
| Offshore equipment | 5-20 years | 5.0% - 20% |
| Navigation aids | 3-25 years | 4.0% - 33% |
| Furniture and fitting | 2-20 years | 5.0% - 50% |

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

(f) Intangible assets

Computer software

Acquired computer software licenses, which have a finite life, are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Authority and that will probably generate economic benefits exceeding costs beyond on year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

(g) Impairment of non-financial assets

Asset 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.

(h) Leases

Policy applicable from 1 July 2019

As a lessee

The Authority recognises a right-of-use asset and a lease liability at the operating lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs.

Incurred and an estimate of costs to dismantle and remove the underlying asset or to restore to underlying asset or the site on which is to located, less any lease incentives received.

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of r right-of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of -use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate. The Authority uses its incremental borrowing rate of 6.4% as the discount rate.

Asset and liabilities arising from a lease are initially measured on a present value basis.

Lease Liabilities include the net present value of the following lease payments:

- o fixed payment (including in-substance fixed payment), less any lease incentives receivable.
- o variable lease payment that are based on an index or a rate.
- o the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- o payments of penalties for termination the lease, if the lease term reflects the lessee exercising that options.

The Authority does not have leases which contain the amounts expected to be payable by the lessee under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Authority's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- o The amount of the initial measurement of lease liability.
- o any lease payments made at or before the commencement date less any lease incentives received
- o any initial direct costs, and
- o Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities. Cash payments for the interest portion are presented as cash flows from operation activities, consistent with presentation of other interest payments. Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented as cash flows from operation activities.

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

As a lessor

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; If not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Authority applies IFRS 15 to allocate the consideration in the contract.

Lease income from operating leases where the Authority is a lessor is recognised in rental income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

The Authority is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Authority accounted for such leases in accordance with IFRS 16 from the date of initial application. Under IFRS 16, the Authority is required to assess to classification of a sub-lease with reference to the right-of-user asset, not the underlying asset. The Authority does not have any sub-lease contracts.

Policy applicable before 1 July 2019

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Authority as lessee are classified as operation leases. Payments made under operation leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

As a lessor

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Lease income from operating leases where the Authority is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(i) 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.

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

(j) Trade and other receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment losses.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant difficulties of the debtor and default or delinquency in payments.

Impairment losses on receivables are presented as net impairment losses within operation profit. Subsequent recoveries of amounts previously written off are credited against same line item. Impairment losses are determined on an expected credit loss basis (Noted 3(i))

(k) Inventories

Inventories are measured at the lower of cost and net realizable 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 net realizable value is the estimated selling price measured in the ordinary course of business and less selling cost.

(l) Borrowing

Borrowings are recognised initially at fair value net of transaction costs incurred and are subsequently carried at amortised costs.

(m) 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 results of past service provided by the employee and the obligation can be measured reliably.

(n) 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 payable 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 operation cycle of the business if longer). If not, they are presented as non-current liabilities.

(o) 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.

(p) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Authority recognises revenue when it transfers control over a product or service to a customer. Revenue is presented net of returns, allowances and trade discounts.

Revenue is recognised in the financial statements for the major activities as follows:

| Revenue type | Nature, timing of satisfaction of performance obligations and significant payment terms. |
|--------------|--|
| Wharfage | <p>This represents fee charged for the use of wharf and is based on the amount of containers that have been loaded/unloaded (both full and empty) from the ship/vessel during the handling/stevedoring processes. Sales is invoiced to the customers based on space occupied by customer load (Containers and breakbulk cargo).</p> <p>Revenue is recognised as the Authority satisfies the respective performance obligation for the service. Revenue is measured at the transaction price (tariff rates) as per government legislated gazette. Payment term is 30 days.</p> |
| Handling | <p>This represents fee charged for process of uploading and offloading cargo (Containers, vehicles, heavy machinery etc.) from the vessel onto the wharf and vice versa. Sales is invoiced to the customers based on the quantity and sizes of containers handled at the wharf.</p> <p>Revenue is recognised as the Authority satisfies the respective performance obligation for the service. Revenue is measured at the transaction price (tariff rates) as per government legislated gazette. Payment term is 30 days.</p> |
| Berthage | <p>This represents fee charged for berthage; whenever a ship berths at the port, berthage fees is charged to various vessels calling into the wharf. The charges are based on the Gross Tonnage (GRT in tonnes) that the vessel is carrying and the number of hours that the ship/vessels have berthed. Sales is invoiced to the customers based on the hours berthed at the wharf</p> |

| | |
|---------------|---|
| | Revenue is recognised as the Authority satisfies the respective performance obligation for the services. Revenue is measured at the transaction price (tariff rates) as per government legislated gazette. Payment term is 30 days. |
| Local seaward | <p>This relates to fees charged for wharfage, handling and berthage in relation to the local vessels.</p> <p>Revenue is recognised as the Authority satisfies the respective performance obligation for the service. Revenue is measured at the transaction price (tariff rates) as per government legislated gazette. Payment term is 30 days.</p> |
| Storage | <p>This represents fee charged for the storage space on the wharf occupied by customer containers/cargo. Sales is invoiced to the customers based on storage space occupied at the wharf.</p> <p>Revenue is recognised as the Authority satisfies the respective performance obligation for the service. Revenue is measured at the transaction price (tariff rates) as per government legislated gazette. Payment term is 30 days.</p> |
| Rental Income | <p>Rental income from operating leases is recognised as the services (rentals) are provided on a straight line basis over the lease term when they fall due and presents income earned from renting out the various investment properties held by the Authority.</p> <p>Revenue is measured at the transaction price agreed under the rental lease agreement. Payment term is 30 days.</p> |

(q) Finance income and expenses

Finance income and expenses comprises of interest income on term deposits and government bonds and interest expense on borrowings.

(r) 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 affected neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized 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 utilized.

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

(s) **Dividend distribution**

According to Section 31 (3) of the Ports Authority Act 1998, 50 percent of the net profit of the Authority shall be paid annually as a dividend to the Government.

(t) **Financial instruments**

Financial assets

(i) Classification

The Authority classifies its financial assets in the following measurement categories:

- o those to be measured subsequently at fair value (either through profit or loss or through OCI), and
- o Those to be measured at amortised cost.

The classification depends on the Authority's business model for managing the financial statements and the contractual term of the cash flows.

The Authority's financial assets measured at cost consist of cash and cash equivalents, other financial assets, receivables from members and other receivables.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date-the date on which the Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from them have expired or where there have been transferred and the Authority has also transferred substantially all risks and rewards of ownership.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- o it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- o its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income, gains/(losses) arising from derecognition, foreign exchange gains/(losses) and impairment losses are recognised in profit or loss.

(iii) Impairment of financial assets

The Authority assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer to note 3(i)

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised costs, except for:

- o Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Authority recognises any expense incurred on the financial liability; and
- o Financial guarantee contracts and loan commitments.

(ii) De-recognition

Financial liabilities are derecognised when they are extinguished (i.e when the obligation specified in the contract is discharged, cancelled or expired). The Authority also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred on liabilities assumed) is recognised in profit or loss.

(u) **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 profit or loss 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.

(v) **Comparative information**

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

(w) **Rounding**

Amount have been rounded to the nearest pa'anga 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

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

(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.

The maximum exposure to credit risk at balance date to recognised financial asset, is the carrying amount, net of any provisions for impairment of these assets, as disclosed in the statement of financial position and notes to the financial statements.

Movement in the allowance for impairment losses on trade receivables is summarized as follows:

| | 2021 TOP | 2020 TOP |
|----------------------------------|------------------|------------------|
| Balance at beginning of year | \$337,836 | \$347,545 |
| Impairment losses recognised | - | (\$9,709) |
| Balance at end of year (Note 11) | <u>\$337,836</u> | <u>\$337,836</u> |

While cash and cash equivalents, other financial asset and other receivables are also subject to impairment requirements of IFRS 9, any impairment loss is deemed immaterial.

The Authority applies the IFRS 9 simplified approach to measure expected credit losses for trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared risk characteristics and the days past due. The Authority uses the 'net flow rate' model based on the probability of trade receivables following the movement of cash outstanding from payment status of current through all delinquency buckets until write off. Loss rates are based on historical credit losses experienced within the year. These rates are then adjusted to reflect current and forward looking information based on macroeconomic factors and the Authority's internal evaluation of trade receivables over their expected lives.

The following table provides analysis about the exposure to credit risk and expected credit losses to trade receivables as at 30 June 2021

| | Expected weighted average loss rate | Gross carrying amount (\$) | Loss Allowance (\$) |
|--------------------------|-------------------------------------|----------------------------|---------------------|
| Trade receivables | | | |
| 1 to 30 days past due | 5% | 591,061 | 28,242 |
| 31 to 60 days past due | 5% | 384,353 | 19,804 |
| 61 to 90 days past due | 23% | 372,293 | 85,474 |
| More than 90 past due | 30% | 686,986 | 204,316 |
| | | <u>2,034,693</u> | <u>337,836</u> |

| | Expected weighted average loss rate | Gross carrying amount (\$) | Loss Allowance (\$) |
|--------------------------|-------------------------------------|----------------------------|---------------------|
| Trade receivables | | | |
| 1 to 30 days past due | 11% | 255,461 | 28,242 |
| 31 to 60 days past due | 28% | 70,546 | 19,804 |
| 61 to 90 days past due | 96% | 88,734 | 85,474 |
| More than 90 past due | 100% | 204,316 | 204,316 |
| | | <u>619,057</u> | <u>337,836</u> |

(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.

| | 2021 TOP | | 2020 TOP | |
|------------------------------|------------------|------------------|------------------|------------------|
| | Less than 1 year | More than 1 year | Less than 1 year | More than 1 year |
| Financial liabilities | | | | |
| Loan and borrowings | 593,500 | 1,508,837 | 813,324 | 2,067,688 |
| Trade payables | 238,816 | - | 130,767 | - |
| Other payables and accruals | 259,577 | - | 595,817 | - |
| Lease Liabilities | 13,400 | 906,000 | 13,400 | 919,400 |
| | <u>1,105,293</u> | <u>2,414,837</u> | <u>1,553,308</u> | <u>2,987,088</u> |

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

(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 optimizing 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. Risk is low as interest rates of the Authority are mostly fixed for short term investments while interest on borrowings is fixed for the duration of the loan.

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

| | 2021 TOP | 2020 TOP |
|--|------------------|------------------|
| Variable rate instruments | | |
| Borrowing - Bank South Pacific Tonga Limited | <u>2,102,337</u> | <u>2,881,012</u> |

Sensitivity analysis

A 1% change in the interest rate would have approximately TOP 7,693 (2020: TOP 10,543) impact on interest expenses

(iv) Operational risk

The primary responsibility for the development and implementation of control 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:

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

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

(v) Capital risk management

The Authority's objective when managing capital are to safeguard the organization'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 net debt to equity ratios at 30 June 2021 and 2020 were as follows:

| | 2021 TOP | 2020 TOP |
|--|-------------------|-------------------|
| Total borrowing (Note 18) | 2,102,337 | 2,881,012 |
| Less: Cash and cash equivalents (Note 8) | 1,378,706 | 616,997 |
| Net debt | 723,631 | 2,264,015 |
| Total equity (page 7) | <u>25,621,958</u> | <u>24,573,914</u> |
| Net debt to equity ratio | 3% | 9% |

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 asset, 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) *Depreciation and amortisation*

On acquiring an asset, management determines the most reasonable length of time it expects the Authority to maintain that asset with reference to characteristics of similar assets or classes of assets held by the Authority 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.

Accounting policy for depreciation and amortisation is described in Note 2(d) and 2(e) respectively.

(ii) *Provision for impairment of financial assets - refer Notes 2 (t) and 3(i)*

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.

(iii) *critical judgement in determining rates for discounting future lease payments.*

Management applied judgment in selecting an appropriate rate to discount the remaining future lease payments when determining lease liabilities under IFRS 16.

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Authority's incremental borrowing rate of 6.4% as at 1 July 2020. The incremental borrowing rate is the rate of interest that the Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain and borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Authority has opted to use the interest rate on borrowing as its incremental borrowing rate.

5 INCOME, ADMINISTRATIVE AND OTHER EXPENSES

| | 2021 TOP | 2020 TOP |
|--|-------------------|-------------------|
| (a) Revenue | | |
| International seaward | | |
| wharfage | 4,669,954 | 4,627,648 |
| berthage | 2,384,107 | 2,005,600 |
| handling | 2,950,715 | 2,828,334 |
| Local seaward | 317,216 | 366,411 |
| Storage | 633,963 | 755,274 |
| Slipway | 35,168 | 16,261 |
| Plant and equipment hire | 191,302 | 764,589 |
| Rental income | 383,865 | 292,741 |
| Services recoveries and others | 77,800 | 91,352 |
| | <u>11,644,088</u> | <u>11,748,210</u> |
| (b) Administrative and other operating expenses | | |
| Included in administrative and other operating expenses are the following; | | |
| Auditor's remuneration | 27,000 | 26,800 |
| Consultant fees | 71,131 | 66,240 |
| Director's fees | 87,800 | 59,916 |
| Donation | 14,397 | 29,103 |
| Fuel | 41,749 | 33,564 |
| Insurance | 647,830 | 613,652 |
| Legal fees | 4,350 | 1,750 |
| (Gain)/Loss on disposal of property, plant and equipment | 57,196 | (105,199) |
| Repairs and maintenance | 596,084 | 370,763 |
| 6 PERSONNEL EXPENSES | | |
| Wages and salaries | 2,949,509 | 3,064,645 |
| Superannuation contributions to National Retirement Fund | 280,438 | 275,792 |
| Overtime and annual leave | 236,983 | 631,650 |
| | <u>3,466,930</u> | <u>3,972,087</u> |
| Number of permanent staff at end of the year | <u>140</u> | <u>148</u> |

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

7 INCOME TAX

(a) Income tax expenses

Income tax expense recognised in the statement of profit or loss and other comprehensive income;

| | 2021 TOP | 2020 TOP |
|---------------------------------------|----------------|----------------|
| Current tax expenses | 677,109 | 601,430 |
| Over/(under) provision in prior years | - | 304 |
| Temporary differences | 52,975 | 83,758 |
| Income tax expenses | <u>730,084</u> | <u>685,492</u> |
| Reconciliation of income tax expense | | |
| Operating profit | 2,920,337 | 2,740,752 |
| Prima facie income tax expense @ 25% | 730,084 | 685,188 |
| Over/(Under) provision in prior years | - | 304 |
| Income tax expense | <u>730,084</u> | <u>685,492</u> |

(b) Deferred tax liability (net)

| | | |
|-------------------------------|------------------|------------------|
| Provision for doubtful debts | - | 84,458 |
| Property, plant and equipment | (602,948) | (634,431) |
| | <u>(602,948)</u> | <u>(549,973)</u> |

Movement in temporary differences during the year comprise of the following

| | 1 July 2019 | Recognised in profit or loss | 30 June 2020 |
|-------------------------------|------------------|------------------------------------|------------------|
| Provision for doubtful debts | 86,887 | (2,429) | 84,458 |
| Property, plant and equipment | (552,798) | (81,633) | (634,431) |
| | <u>(465,911)</u> | <u>(84,062)</u> | <u>(549,973)</u> |

| | 1 July 2020 | Recognised in profit or loss | 30 June 2021 |
|-------------------------------|------------------|------------------------------------|------------------|
| Provision for doubtful debts | 84,458 | - | - |
| Property, plant and equipment | (634,431) | 31,483 | (602,948) |
| | <u>(549,973)</u> | <u>31,483</u> | <u>(602,948)</u> |

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

7 INCOME TAX (Cont'd)

(c) Income tax payable

| | 2021 TOP | 2020 TOP |
|--|------------------|--------------------|
| Balance at 1 July | 600,824 | 1,047,479 |
| Current year tax expense | 677,109 | 601,430 |
| Income tax paid including withholding tax on interest income | <u>(601,369)</u> | <u>(1,048,085)</u> |
| Balance at 30 June | <u>676,564</u> | <u>600,824</u> |

8 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;

| | 2021 TOP | 2020 TOP |
|---------------------|------------------|----------------|
| Cash at bank | 1,299,018 | 616,167 |
| VISA Card Account | 2,792 | - |
| Cash on hand | 76,896 | 830 |
| Short term deposits | - | - |
| | <u>1,378,706</u> | <u>616,997</u> |

9 OTHER FINANCIAL ASSETS AT AMORTISED COST

| | 2021 TOP | 2020 TOP |
|------------------|----------------|------------------|
| Term deposit | 316,930 | 312,016 |
| Government bonds | 669,258 | 917,000 |
| | <u>986,187</u> | <u>1,229,016</u> |

The average interest rate on term deposits in 2021 was 1.75% (2020: 1.75%) and the average maturity term is 365days (2020: 365). The average interest rate on Government bonds in 2020 is 3% and the average maturity term is 6 years.

10 INVENTORIES

| | 2021 TOP | 2020 TOP |
|--------------------|---------------|---------------|
| Bunker fuel | 63,229 | 70,315 |
| Overhaul inventory | 25,835 | 25,835 |
| | <u>89,064</u> | <u>96,150</u> |

13 PROPERTY, PLANT AND EQUIPMENT

| | Wharves and associated facilities | | | | | | | | | |
|---|-----------------------------------|-----------------------|-------------------|--------------------|-----------------|------------------------|------------------|-------------------|-----|-----|
| | Land and Buildings | associated facilities | Onshore equipment | Offshore equipment | Navigation aids | Furniture and fittings | Work in Progress | Total | | |
| | TOP | TOP | TOP | TOP | TOP | TOP | TOP | TOP | TOP | TOP |
| At 30 June 2019 | | | | | | | | | | |
| Cost | 5,958,376 | 15,559,556 | 10,621,698 | 13,713,572 | 756,561 | 1,189,813 | 1,892,209 | 49,691,785 | | |
| Accumulated depreciation and impairment | (627,534) | (8,973,007) | (5,009,338) | (10,002,683) | (572,611) | (1,003,421) | - | (26,188,594) | | |
| Net book amount | 5,330,842 | 6,586,549 | 5,612,360 | 3,710,889 | 183,950 | 186,392 | 1,892,209 | 23,503,191 | | |
| Year ended 30 June 2020 | | | | | | | | | | |
| Opening net book amount | 5,330,842 | 6,586,549 | 5,612,360 | 3,710,889 | 183,950 | 186,392 | 1,892,209 | 23,503,191 | | |
| Additions | 443,818 | 90,455 | 54,056 | 2,735,032 | - | 81,171 | 1,050,019 | 4,454,551 | | |
| Disposals | - | - | (8,669) | - | - | (18,110) | - | (26,779) | | |
| Transfer | 472,498 | 145,933 | - | 22,676 | - | 45,717 | (686,824) | - | | |
| Depreciation charge for the year | (107,135) | (548,172) | (917,586) | (329,562) | (19,606) | (187,115) | - | (2,109,176) | | |
| Closing net book amount | 6,140,023 | 6,274,765 | 4,740,161 | 6,139,035 | 164,344 | 108,055 | 2,255,404 | 25,821,787 | | |
| At 30 June 2020 | | | | | | | | | | |
| Cost | 6,874,692 | 15,795,944 | 10,667,085 | 16,471,280 | 756,561 | 1,298,591 | 2,255,404 | 54,119,557 | | |
| Accumulated depreciation and impairment | (734,669) | (9,521,179) | (5,926,924) | (10,332,245) | (592,217) | (1,190,536) | - | (28,297,770) | | |
| Net book amount | 6,140,023 | 6,274,765 | 4,740,161 | 6,139,035 | 164,344 | 108,055 | 2,255,404 | 25,821,787 | | |
| Year ended 30 June 2021 | | | | | | | | | | |
| Opening net book amount | 6,140,023 | 6,274,765 | 4,740,161 | 6,139,035 | 164,344 | 108,055 | 2,255,404 | 25,821,787 | | |
| Additions | 1,016,477 | 1,164,768 | 28,696 | 18,333 | - | 49,177 | 71,562 | 2,349,013 | | |
| Disposals | - | - | (2,269,979) | - | - | - | - | (2,269,979) | | |
| Transfer | 446,783 | 1,123,348 | 418,267 | - | - | 13,454 | (2,001,853) | - | | |
| Depreciation charge for the year | (76,535) | (561,893) | (941,581) | (604,398) | (18,438) | (93,994) | - | (2,296,838) | | |
| Closing net book amount | 7,526,749 | 8,000,989 | 1,975,564 | 5,552,970 | 145,906 | 76,692 | 325,113 | 23,603,982 | | |
| At 30 June 2021 | | | | | | | | | | |
| Cost | 8,337,952 | 18,084,061 | 8,844,069 | 16,489,613 | 756,561 | 1,361,222 | 325,113 | 54,198,590 | | |
| Accumulated depreciation and impairment | (811,204) | (10,083,072) | (6,868,505) | (10,936,643) | (610,655) | (1,284,530) | - | (30,594,608) | | |
| Net book amount | 7,526,749 | 8,000,989 | 1,975,564 | 5,552,970 | 145,906 | 76,692 | 325,113 | 23,603,982 | | |

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

| | 2021 TOP | 2020 TOP |
|--------------------------------------|------------------|------------------|
| 11 TRADE RECEIVABLES | | |
| Gross receivables | 2,034,693 | 619,057 |
| Less allowance for impairment losses | (337,836) | (337,836) |
| | <u>1,696,857</u> | <u>281,221</u> |
| 12 OTHER RECEIVABLES AND PREPAYMENTS | | |
| Other receivables | 740,686 | 981,808 |
| Consumption tax receivable | 52,589 | 260,382 |
| | <u>793,276</u> | <u>1,242,190</u> |

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

14 INVESTMENT PROPERTIES

| | TOP |
|----------------------------------|--------------------|
| At 1 July 2019 | |
| Cost | 2,991,009 |
| Accumulated Depreciation | <u>(1,896,078)</u> |
| Net book amount | <u>1,094,931</u> |
| Year ended 30 June 2020 | |
| Opening net book amount | 1,094,931 |
| Depreciation charge for the year | <u>(103,769)</u> |
| Closing net book amount | <u>991,162</u> |
| At 30 June 2020 | |
| Cost | 2,991,009 |
| Accumulated Depreciation | <u>(1,999,847)</u> |
| Net book Amount | <u>991,162</u> |
| Year ended 30 June 2021 | |
| Opening net book amount | 991,162 |
| Additions | 734,868 |
| Depreciation charge for the year | <u>(198,529)</u> |
| Closing net book amount | <u>1,527,501</u> |
| At 30 June 2021 | |
| Cost | 3,725,877 |
| Accumulated depreciation | <u>(2,198,376)</u> |
| Net book amount | <u>1,527,501</u> |

The investment properties are valued in accordance with the policy in note 2 (c) of the financial statement

15 INTANGIBLE ASSETS

| | Computer Software TOP |
|---|-----------------------------|
| Cost 30 June 2020 | 403,320 |
| Additions | 13,043 |
| Disposals | - |
| Cost 30 June 2021 | <u>416,363</u> |
| Accumulated amortisation at 30 June 2020 | (276,281) |
| Annual Amortisation | <u>(84,291)</u> |
| Accumulated amortisation at 30 June 2021 | <u>(360,040)</u> |
| Carrying amount - 30 June 2020 | <u>127,039</u> |
| Carrying amount - 30 June 2021 | <u>56,324</u> |

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

16 RIGHT OF USE ASSET AND LEASE LIABILITIES

(a) Right of use asset

| | Land TOP |
|-----------------------------------|----------------|
| Balance as at 30 June 2020 | 201,505 |
| Additions | - |
| Depreciation charge for the year | <u>(3,089)</u> |
| Balance as at 30 June 2021 | <u>198,416</u> |

(b) Lease Liabilities

| | 2021 TOP |
|--|----------------|
| Current | 326 |
| Non-Current | <u>203,637</u> |
| Total lease liabilities at 30 June 2021 | <u>203,963</u> |

The Statement of comprehensive income shows the following amounts relating to leases

| | 2021 TOP |
|---|---------------------|
| Depreciation charge of right-of-use assets | 3,089 |
| Interest expenses | 13,094 |
| Expense relating to low value and short-term leases | - |
| Cash outflow for leases | |
| | 2021 TOP |
| Repayment of principal lease liabilities | 306 |
| Interest Expenses | <u>13,094</u> |
| | 13,400 |
| Rental expense-low value and short term leases | - |
| Total | <u>13,400</u> |

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS (Cont'd)
YEAR ENDED 30 JUNE 2021

17 OTHER PAYABLES AND ACCRUALS

| | 2021 TOP | 2020 TOP |
|------------------|----------------|----------------|
| Accrued expenses | 183,299 | 501,003 |
| Sundry payables | 76,277 | 94,814 |
| | <u>259,577</u> | <u>595,817</u> |

18 BORROWINGS

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

| | 2021 TOP | 2020 TOP |
|--------------------|------------------|------------------|
| Non-Current | | |
| Secured bank loan | 1,508,837 | 2,067,688 |
| | <u>1,508,837</u> | <u>2,067,688</u> |
| Current | | |
| Secured bank loan | 593,500 | 813,324 |
| | <u>593,500</u> | <u>813,324</u> |

19 DIVIDEND PAYABLE

| | 2021 TOP | 2020 TOP |
|--|----------------|------------------|
| Balance - 1 July | 1,070,471 | 2,526,669 |
| Dividend paid | (1,541,445) | (2,483,828) |
| Dividend declared and paid during the year | - | - |
| Dividend payable - current year profit | 1,095,126 | 1,027,630 |
| | <u>624,152</u> | <u>1,070,471</u> |

The amount of dividend payable is set out note 2 (s) to the financial statements.

20 CAPITAL

| | 2021 TOP | 2020 TOP |
|----------------------|-------------|-------------|
| Capital contribution | 10,949,097 | 10,949,097 |

Capital represents Government's contribution on the establishment of Ports Authority Tonga.

21 GENERAL RESERVE

The General Reserve is in accordance with Section 31 (2) of the Ports Authority Act 1998 and the amounts transferred to the reserve represents the balance of the annual profit after tax after deducting the dividend payable to Government.

22 COMMITMENT AND CONTINGENCIES

(a) Contingent assets

On 16 April 2019 the Ministry of Public Enterprises advised the Board of Ports Authority Tonga of His Majesty's Cabinet's approval CD No 390 of 15 April 2019 that Premises (Land, building, wharf etc) of the Outer Islands Ports, both domestic and international, be transferred to Pors Authority Tonga.

On 24 April 2019, His Majesty's Cabinet Approval CD No 219 date 11 March 2019 recommended to transfer the Premises (land, building, etc) of Shipping Corporation of Polynesia at the Queen Salote International Wharf to Ports Authority Tonga.

On 25 August 2019, His Majesty's Cabinet approval CD No. 909 dated 25 August 2019 recommended to transfer the Taufua'ahau Tupou IV Domestic Wharf to Ports Authority Tonga.

At year end, the above transfers have yet to be effected to Ports Authority Tonga, and the process is expected to continue in the coming year.

(b) Capital commitments

Capital commitment in respect of capital projects as at end of financial year - TOP 3,901,519 (2020: TOP 871,162)

23 RELATED PARTIES

(a) Directors

The board of directors together with their appointment dates are as follows;

Mr. Danial Kimball Fale - Chairman (Appointed on 1st September 2020)
Mr. Sevenitini Toumo'ua - Deputy Chairman (Appointed on 1st September 2020)
HSH. Prince Kalaniuvalu Fotofili - Director (Appointed on 15th September 2020)
Mr. Sione Posesi Bloomfield - Director (Appointed on 1st September 2020)
Mr. Inoke Finau Vala - Director (Appointed on 1st September 2020)
Mr. Paula Tatafu - Director (Appointed on 1st September 2020)
Mr. Sione Talanoa Fifita - Director (Appointed on 1st September 2020)

23 RELATED PARTIES (Cont'd)

(a) Directors (Cont'd)

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

(b) Amounts payable to related entities

| | 2021 TOP | 2020 TOP |
|-------------------|-------------|-------------|
| <u>Government</u> | | |
| Dividend payable | 624,152 | 1,070,471 |

(c) Amounts receivable from related entities

| | 2021 TOP | 2020 TOP |
|------------------------------------|-------------|-------------|
| <u>Government</u> | | |
| Trade receivables (gross) | 237 | 603 |
| Trade payable (gross) | 152 | 980 |
| (d) Investment in Government Bonds | 669,258 | 917,000 |

(e) 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 23,289 (2020: 698,235).

The Authority pays the Government for advertising, repairs and maintenance, lease and other services Expenses relating to these amounted to TOP 1,027,997 (2020: 1,641,012)

Receivable from related parties - Inter Pacific Limited \$285,550

Dividend paid to Government amounted to TOP: 1,541,445 (2020: 2,483,828)

(f) Transactions with key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Key management personnel comprises of the Action Chief Executive Officer (Chief Financial Office), General Manager Corporate Services, General Manager Port Operations, General Manager Infrastructure & Technical Services, General Manager Marine Services and Ports Facility Security Officer.

Key Management ompensation is disclosed as follow:

| | 2021 TOP | 2020 TOP |
|--|-------------|-------------|
| Salaries and other short term benefits | 546,658 | 665,730 |

24 LEASING ARRANGEMENTS

Some of the investment properties are leased to tenants under long-term operating leases with rentals payables monthly.

25 SUBSEQUENT EVENTS

No 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.

26 PRINCIPAL ACTIVITIES

The principal activity of the Authority is to establish, improve, maintain, operate and manage ports services and facilities in the Kingdom of Tonga.

