

# ANNUAL REPORT 2019/20

## PORTS AUTHORITY TONGA







P.O Box 144, Vuna Road, Queen Salote Wharf, Nuku'alofa, KINGDOM OF TONGA. Tel: +676 23168, Fax: +676 24267. Email: marports@portsauthoritytonga.com

17<sup>th</sup> December, 2020

Hon. Dr. Pohiva Tu'i'onetoa  
Minister for Public Enterprises  
Ministry for Public Enterprises  
NUKU'ALOFA

Dear Honorable Minister,

**Subject: Ports Authority Tonga Annual Report 2020.**

I am pleased to present Ports Authority's Annual Report for 2020. The report provides a summary of Ports Authority's performance in accordance with Section 19 of the Ministry of Public Enterprises Act 2002.

Ports Authority continued to meet all its obligations as a Public Enterprise and fulfilled its responsibilities whilst also continuing to promote, encourage, and assist the development of the ports services in Tonga.

On behalf of the Management team and the Board of Directors, I take this opportunity to thank the Government of Tonga for its continued support and look forward to further collaboration in the future.

Sincerely,

Mr. Daniel Kimball Fale  
Board Chairman



# CONTENTS

Letter to the Minister	1
Performance	5
Chair / CEO Report	8
Governance	17
Board of Directors	18
Honouring of our Colleagues	21
Finance Division Report	25
Corporate Services Report	29
Port Operation Report	35
Infrastructure & Technical Services Report	39
Marine Services Report	43
Risk & Compliance Report	47
Port Facility, Security Unit Report	49
Reconciliation of Performance to Business PPlan	58
Financial Report	59

---

# Performance



## PERFORMANCE HIGHLIGHTS

OPERATIONS	2020	2019	2018	2017	2016
<b>Cargo throughput (Cargo Tonnes)</b>	383,045	430,656	383,228	409,162	333,507
<b>Container throughput (TEUs)</b>	23,581	26,046	24,716	25,383	19,914
<b>Shipping tonnes (GRT)</b>	2.1m	2.9m	2.5m	2.8m	2.0m
<b>Vessel visits</b>	191	218	188	209	179
<b>Employees (FTEs)</b>	148	148	138	142	152
<b>Financial</b>					
<b>Revenue</b>	\$12.1m	\$13.4m	\$12.3m	\$13.4m	\$10.3m
<b>EBITDA</b>	\$5.2m	\$6.5m	\$6.3m	\$6.8m	\$4.7m
<b>EBIT</b>	\$2.9m	\$4.4m	\$4.3m	\$4.8m	\$3.0m
<b>Net interest expense</b>	\$164k	\$5k	\$25k	\$132k	\$119k
<b>Taxation</b>	\$685k	\$1.1m	\$1.1m	\$1.1m	\$719k
<b>Net profit after taxation</b>	\$2.1m	\$3.3m	\$3.2m	\$3.6m	\$2.2m
<b>Dividend paid to Government</b>	\$2.5m	\$1.6m	\$905k	\$1.6m	\$1.0m
<b>Capital expenditure</b>	\$4.5m	\$6.9m	\$868k	\$2.9m	\$3.1m
<b>Term debt</b>	\$2.9m	\$2.3m	\$1.2m	\$2.2m	\$2.3m
<b>Total non-current tangible assets</b>	\$26.8m	\$24.6m	\$20.0m	\$21.4m	\$20.7m
<b>Shareholder return metrics</b>					
<b>Equity</b>	80%	77%	79%	76%	78%
<b>ROE</b>	8%	14%	15%	18%	11%
<b>ROA</b>	7%	11%	12%	13%	9%

### Acronyms:

TEUs – Twenty-foot Equivalent Units

GRT – Gross Registered Tonnes

FTEs – Full-Time Equivalents

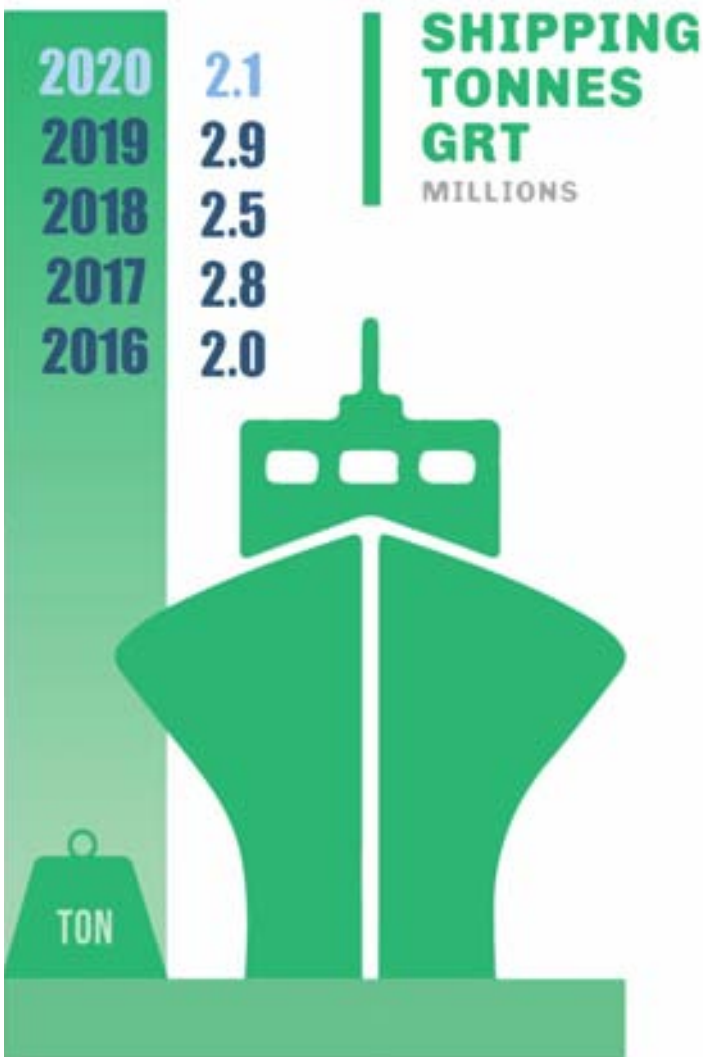
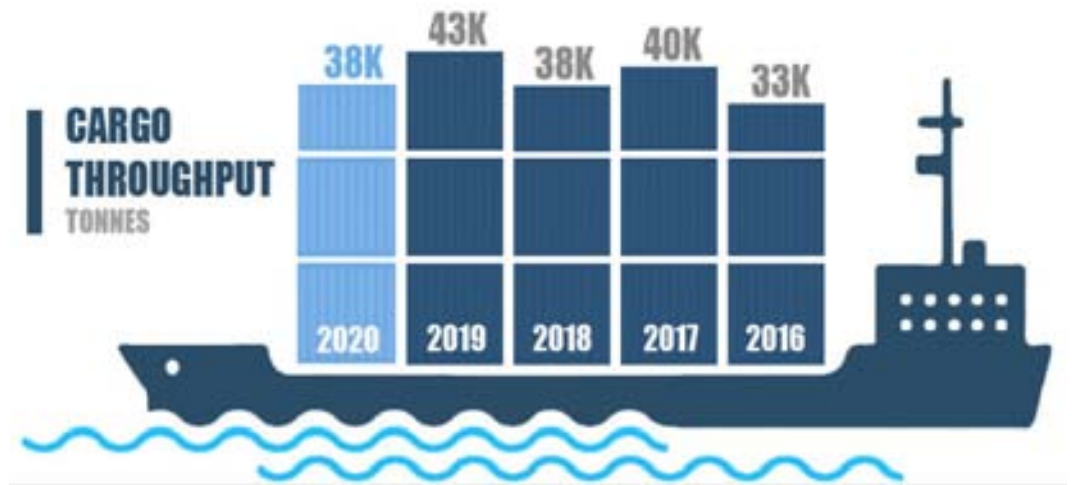
EBITDA – Earnings Before Interest, Taxation, Depreciation & Amortization

EBIT – Earnings Before Interest and Taxation

ROE – Return on Equity

ROA – Return on Assets

# PERFORMANCE



**\$12.1M  
REVENUE**

**\$2.1M  
NET PROFIT  
AFTER TAX**



# PERFORMANCE





# Chair/ CEO Report



# CHAIR/ ACEO REPORT



“

*This has been a critical year considering the uncertainties of the impact of COVID 19. The Authority have had to implement crisis strategies once the pandemic was declared worldwide to mitigate the impact of COVID 19*

”

## Chair/CEO Report

This financial year has been a tough one for our people and the organization in general. In March 2020 one of our colleagues, Mr. 'Etikenī Samani passed away at Vaiola Hospital. 'Etikenī was a valued member of our executive team since December 2015 who had been working diligently and committed to his role as the Risk and Compliance Manger during his term and will be missed. This was a great loss for Ports Authority and our thoughts are with 'Etikenī's family and friends.

This has been a critical year considering the uncertainties of the impact of COVID 19. The Authority have had to implement crisis strategies once the pandemic was declared worldwide to mitigate the impact of COVID 19 on PAT's income statement and cash flow by ceasing the overtime payments, freeze of new recruitments and cease of acting allowance payout to

name a few. The employee who were 65 years and above also ended their service on June 30th which was marked by a farewell ceremony hosted by the Authority. Further, administration costs were mitigated as well including the cease of ration and staff pick up and drop off. In addition, the non-committed CAPEX was deferred until further notice and the CAPEX budget for the next financial year was reduced.

These cost saving measures were some of the strategies PAT took on board and had introduced great change within PAT but they are imperative for PAT to sustain its core functions while also prioritizing the most important asset of the organization, its employees.

### Financial Performance

Revenue declined slightly compared to the previous year, where at the end of June was \$12.1 million compared to

\$13.4 million in 2019. Earnings before interest and taxation for the year was \$2.9 million as against \$4.4 million in 2019, and net profit after tax dropped to \$2.1 million from \$3.3 million of the previous year. Our ongoing capital investment programme meant depreciation for the year is up to \$2.3 million in comparison to \$2.0 million in the previous year.

Although it has been a challenging year, we are pleased to declare a fully-imputed full year dividend of \$2.5 million for the year ended June 2020. Despite the 50% dividend payable to the Shareholder stipulated under the Ports Authority Act 1998, the Authority declared dividend payment of 75% of Net Profits After Taxes.

### Cargo Volume

This year, the Authority recorded a decrease in the overall cargo volume at \$383,045 for the year ended June 2020, a 11% decrease from the previous year.



The total number of international vessels called decreased by 12% to 191 from 218 recorded in the previous year. This contributed significantly to the decrease in the total revenue as the cargo and container throughput also dropped.

by 12% while the liquid cargo increased by 0.3%. This was mainly attributed to the impacts of the border lock down thus reducing imports and exports, hence the decrease in imported construction materials.

9.5% with 23,581 handled at the Port of Nuku'alofa compared to the 26,046 recorded in the corresponding period a year earlier. Conventional general cargo dropped by 15% from last year.

The cargo volume in dry cargo decreased

The container throughput was down by

### Shipping

There were a total of 191 vessels called this year, well down from the 218 of the previous year. Cruise ships visits was down to 8 visits during the year compared to 13 in 2019. This decrease in the records of cruise ship visits was a result of the diversion orders and border closure from the Ministry of Health and Government as one of Tonga's precautionary measures to safeguard the border during the COVID 19 pandemic. General cargo vessel visits also dropped as shown in the decrease in cargo throughputs.



### Infrastructure

Some significant decisions regarding the future need of the business were made



during the year. Ports Authority Tonga is escalating its commitment to improving the safety of the wharves and facilities at the Port of Nuku'alofa. In December 2019, the Board approved the acquisition of the new barge from Queensland, Australia. Ports Authority welcomed the arrival of the new barge at Vuna Wharf

in April 2020 which was a momentous milestone for the Authority to accomplish.

The new barge was acquired from PMG Equipment PTY Ltd with the purchase price of TOP\$1.5 million, which was funded from the Authority's cash flow and secured bank loan from the Bank of the

South Pacific. The barge is being utilized for the dredging of the Taufu'ahau Tupou IV Domestic Wharf and will also be used for dredging of the Fua Wharf basin and other port related works. The acquisition of the new barge will enable PAT to fulfill its goals and objectives for a safe and secured Port.



The Slipway project is currently underway which began in February 2020 and it is expected to be completed by the end of July. The project has been awarded to Fletcher Royco with an estimated cost of \$700,000. Once completed, the slipway will have the capacity to accept boats at up to 300 tons for repair and maintenance purposes.

The final stage for tar sealing of the Taufu'ahau Domestic Wharf with cold mix bitumen completed in June 2020. The project provides proper parking space at the new domestic wharf as well as the new upgraded cargo sheds at Fua Wharf.



In addition to the infrastructure development on the wharf vicinity, the modification, refurbishment, extension works to the existing custom warehouse commenced in May 2020 with an allocated CAPEX cost of \$650,000. This property investment will enable PAT to generate revenue to finance other port infrastructural developments. Once the project completes, the custom brokers will be relocated from their existing office build-

ing to be closer to the cargo warehouse by the end of July 2020.

### Health & Safety

PAT continues to focus on the Health, Safety and Wellbeing of its employees. The promotion of health and safety at the workplace is embedded into the Authority health and safety strategies. In addition, PAT promotes best practices through the

quality management system along with fully complying with the ISPS code relevant laws, regulations, conventions and international standards. At the same time, continue to operate the domestic wharves at high standard to improve health and safety and security standards.

New PPEs were issued to the staff in February 2020 as part of PAT's endeavor to put safety first for its employees. Complete and proper PPE were also provided for our front line staffs at the Queen Salote International Wharf to protect our Marine and Operations teams while they perform their duties as the nation works collaboratively to fight against COVID 19.



In addition to the issuing of the new PPEs, new showers with hot water and an industrial washing machine have been installed at the QSIW to be utilized after vessel operations by the front line team as part of the precautionary measures that are being implemented by the Ministry of Health. This is also part of PAT's



compliance with the requirements of the Ministry of Health and Government.

### Environment

This year has seen an emphasis on sustainability to improve the profitability and long term operation of the Authority and making necessary changes through

the development of new policies and structures to guide and enhance the overall performance of the Authority.

The Quality Management System have been developed to drive continuous improvement in business processes to provide and maintain high value added information systems. PAT is committed to

complete the QMS process to obtain its ISO-9001 certification at the end of 2020.

PAT is under discussion with a QMS Consultancy Company from Australia to complete this vital process. If completed, PAT would be the first Government Agency to be certified under ISO-9001 certifying that PAT is providing a quality service to its customers. As part of our strategy for a more resilient port, the Government of Tonga has requested assistance from Asian Development Bank (ADB) in preparing a project to upgrade the existing international port—Queen Salote International Wharf in Nuku'alofa.



Fiber switch introduced for PAT systems communications.

The proposed project is to upgrade the Nuku'alofa port, rehabilitating, renewing and expanding the existing infrastructure and improving the management and operations practices. The outcome of the Project is capacity and operations of the Queen Salote International Wharf improved. The impact of the project will be a safer, more reliable, and more affordable



transport infrastructure and services in Tonga. The project is estimated to cost \$50 million and is expected to commence in 2021.

### Community

The Authority continues to provide support to different events across the nation. This year the sponsorships were allocated to the Tonga Diabetes As-

sociation, Tonga Sports Council, Vava'u Music Competition, Broadcom FM87.5 for the live broadcasting of the 'Ikale Tahī Games. Further, Ports Authority participated in the national contribution towards the late Prime Minister's funeral, Hon. Samiuēla 'Akilisi Pohiva.

### Governance

The Chairman of the Board resigned from

his role as the Chairman of the Shared Transport Sector on 28th February 2020. The Authority acknowledges the loyalty, outstanding leadership and dedicated services from Dr. Sione Ngongo Kioa during his term as the Chairman of the Board.

The sudden death of our Board Member Mr. Fine Tohi, brought great sadness and loss for the Shared Transport Sector. Mr. Tohi was a Director for Ports Authority Tonga from 2018 to 2020. Mr. Tohi performed his role as Director diligently and professionally. Ports Authority Tonga wishes the departed soul of Mr. Fine Tohi rests in eternal peace and fortitude to his family and friends.

### The Year Ahead

Looking ahead, PAT will be investing in new machineries, new and more robust IT systems, improved customer services and property projects to align with the current business needs and requirements but most importantly to take the Author-







ity's services to a higher level. One of our long-term plan is to register the Authority as a company in the future. Re-branding Ports Authority Tonga to adopt a business structure that could provide more opportunities such as the PPP arrangement and Equity Investment for the Authority to grow in the future.

At the same time, PAT works towards its 20-year Port Master Plan to address fu-

ture growth and the need for operational efficiency while providing business and job opportunities to the people of Tonga.

**Thank you**

The Authority is grateful to both our import and export customers in the region and surround who utilize the services of the Authority as well as all port users, shipping agents and all our customers in

Tonga and abroad.

Our thanks also go to the shipping lines for continuing to provide dependable services to the Port of Nuku'alofa, which enables our customer's success, which in turn facilitate regional prosperity. Our achievements would not be possible without dedicated work of our staff across all departments who continue to work hard, adapt to, changing requirements and strive to improve year on year.



ACEO - 'Alo ki Hakau Maileseni

Chairman - Mr. Daniel Kimball Fale

## RENOVATING OF THE OLD SLIPWAY AT QUEEN SALOTE WHARF



## Governance



### Governance

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).

Ports Authority Tonga, we believe that our success as a commercially viable and profitable Public Enterprise is due to applying effective corporate governance that ensures the Authority adheres to

good governance practices.

This is through ongoing monitoring of our performance and reviewing it against best business practice. Sets out in the Ports Authority Act 1998 and the Public Enterprises Act 2002, the rules and policies that govern the way we behave, the Board continued to ensure that the Directors and employees operate according to the standard of ethical behavior to which we must adhere.

This involves ensuring that the Authority have policies including but not limited to approving sponsorship and donations, managing fraud, addressing complaints, health and safety incidents.



## Board as at 30 June 2019-2020

Name	Role	Appointment	Note
Dr. Sione Ngongo Kioa	Chairman	11 <sup>th</sup> May 2019	Resigned 28 <sup>th</sup> February, 2020
Dr. Sitiveni Halapua	Acting Chairman	27 <sup>th</sup> April 2019	—
Mr. Sateki 'Aho	Director	11 <sup>th</sup> May 2019	—
Mr. Sevenitini Toumo'ua	Director	18 January 2019	—
Mr. Fine Tohi	Director	18 January 2019	Passed Away 03 <sup>rd</sup> January, 2020

## Meeting attendance

Meeting Held	Board Meeting	Special Board	CEO Recruitment
Dr. Sione Ngongo Kioa	8	12	—
Dr. Sitiveni Halapua	6	7	—
Mr. Sateki 'Aho	10	14	4
Mr. Sevenitini Toumo'ua	10	16	7
Mr. Fine Tohi	6	10	Passed Away 03 <sup>rd</sup> January, 2020

# THE BOARD

DIRECTOR MEMBERS FOR 2019/ 2020



**Dr. Sione Ngongo Kioa**  
Chairman  
11th May 2019 – 28th Feb 2020



**Dr Sitiveni Halapua**  
Acting Chairman  
28th Feb 2020 – 31st Aug 2020;  
Director  
27th Apr 2019 – 7th Sep 2020



**Mr Sateki 'Ahio**  
Director  
18th Jan 2019 – 31st Aug 2020



**Mr Sevenitini Toumo'ua**  
Director  
18th January 2019  
Deputy Chairman  
1st September 2020



**Mr Fine Tohi**  
Director  
18th January, 2019-2nd January, 2020

# THE BOARD

DIRECTOR MEMBERS FOR 2020/ 2021



**Mr Daniel Kimball Fale**  
Chairman  
1st September 2020



**Mr Sevenitini Toumo'ua**  
Director  
18th January 2019  
Deputy Chairman  
1st September 2020



**Mr 'Inoke Finau Vala**  
Director  
1st September 2020



**Mr Sione Posesi Bloomfield**  
Director  
1st September 2020



**Mr Paula Tatafu**  
Director  
1st September 2020



**Mr Sione Talanoa Fifita**  
Director  
15th September 2020



**HSH Prince Kalaniuvalu, The Lord Fotofili**  
Director  
15th September 2020

# Honouring of our Colleagues



## Fine Tohi DIRECTOR

The Board, Management and Staff of Ports Authority Tonga extends our heartfelt condolences to the family and friends of Director Fine Tohi, in his passing.

Director Fine Tohi joined the Ports Authority Board in 2008 where he performed his Directorship role diligently and professionally up to 2010. On 11th May 2018, Mr Tohi was appointed as a Director of the Shared Transport Sector Board up to January, 2020 which comprises of Ports Authority Tonga, Tonga Airports Limited and the Friendly Island Shipping Agency.

Mr. Fine Tohi was a highly appreciated

board member with a comprehensive business knowledge and experience in the shipping industry. He was a pillar of the governance for the Board and the Authority. His support of and commitment to the Board and the Transport Sector was evident and appreciated throughout his term.

In addition to his function as a Board Director, Mr. Fine Tohi was the General Manager for Dateline Transam Shipping Ltd for the past 12 years.

He shared the Board's strong commitment towards the transport sector and during the duration of his Directorship years, he has given valuable contribu-

tions to the Board.

With his entrepreneurial attitude and deep market understanding of the shipping industry, combined with strong empathy for customers and employees, he was fundamental to the success and growth of the Ports Authority Tonga.

We are thankful for Director Fine Tohi for his years of service as a member of the Ports Authority Tonga Board as well as the Transport Sector.

Our thoughts are with his wife and children. May the Almighty rest his soul in peace and give strength to his family.



Director Fine Tohi





## Honouring of our Colleagues



### **‘Etikeni Samani** **Risk and Compliance Manager**

Mr ‘Etikeni Samani was recruited on 8th December, 2015 as Manager Risk & Compliance after more than 14 years in the Banking sector including Tonga Development Bank and National Reserve Bank of Tonga. As Manager Risk and Compliance he is also a member of the Senior Executive member of Ports Authority Tonga. Mr. Samani had been instrumental in lifting the Authority’s reporting to the Ministry of Public Enterprises and the Boards where MPE started to use PAT as an example for Public Enterprises to benchmark on.

During his four years of serving Ports Authority, Mr. Samani was involved in driving and lifting the Authority’s quality of performance on matters submitted to the Board and other Government Task Force Committees including the Petroleum, Fishing and Stevedoring.

As the key driver in producing the first risk assessment and incorporating risks into the Authority’s Business Plan, ‘Etikeni was dedicated to the development of the Quality Management System to be able to certify the Authority under the ISO-9001 2015 to ensure that the Port of Nuku’alofa is providing quality services

to its customers. This was extended to ensuring required tasks and CAPEX Projects are completed in accordance with the Authority’s business and corporate plan.

In the forefront, he dedicated his effort and skills into driving PAT’s compliance with relevant laws, conventions and standards, safety and security requirements which in assisted in driving lifting PAT’s performance in general. While delivering on his key roles, ‘Etikeni was also the focal point to resolving issues and complaints from staff and customers.

As well as Risk and Compliance, ‘Etikeni has other responsibilities such as overseeing and leading the implementation of the Green Port Project which contributed to pushing the Authority to further improve its operation efficiency, energy efficiency and preventing marine pollution.

Prior to joining Ports Authority, ‘Etikeni already had a successful career at the National Reserve Bank of Tonga as the Director of Corporate Services who managed the HR, IT, Property and Administration divisions. He went on to partaking in a work attachment as the Human Resources Manager Generalist with

Westpac Group in Melbourne, Australia. He spent five years as the Corporate Services Manager with Tonga Development Bank from 2003 -2008 where he managed the HR, Planning, Marketing and Public Relation units.

‘Etikeni completed four degrees including his Master of Business, Master of Human Resources, Master of Business in Communication and successfully achieved a Bachelor of Arts in Communication Studies. Among other qualifications, he went on to completing a Graduate Diploma in Public Sector Manager and Certificate in Public Relations.

On 28th February 2020, the Board of Directors approved the appointment of Mr. ‘Etikeni Samani to the role of Deputy CEO – Chief Operation Officer.

It was with great sadness that on 17th March 2020, the Authority was informed of the passing of our friend and colleague at Vaiola Hospital. ‘Etikeni was a valued member of our team and will be missed.

“Ports Authority Tonga would like to pass on our sincere condolences to ‘Etikeni Samani’s family and friends at this time. We take our heads off to you today, and always”.

# 'Etikeni Samani



# Finance Report



Under the direction of the Chief Financial Officer, PAT's Finance Division oversees all financial activities of the Authority including financial reporting, stock control and asset management, payroll processing, credit management, accounts payable, internal controls, capital and operational budgeting etc. The Finance Division employs nine (9) staff.

The Finance Division also encompasses the ICT Department, under the leadership of the CFO. The Finance function has continuously striven to modernize various work processes and financial operations.

## Financial Performance

This financial year has been a tough one for the Authority in terms of its financial performance. The Authority already had a substandard first six months of the financial year, and then the coronavirus outbreak came along which negatively impacted the second half performance of

the Authority. Yet despite this setback, the Authority has, remarkably, managed to maintain the profitability levels.

The Authority Net Profit After Tax (NPAT) of \$2.1 million represents a significant reduction of 38% from the 2019 reported NPAT of \$3.3 million, and also fell short of the target NPAT of \$3.4 million by 40%. This is directly attributed to the temporary impact of the coronavirus outbreak from January 2020.

The Authority revenue showed a drop of 10% over 2019, which is down by \$1.3 million from \$13.4 million in 2019 to \$12.1 million in 2020, which is below the budget by 13%. This, again, is largely due to the temporary impact of the coronavirus outbreak and the negative growth in cargo volumes. Cargo volumes and vessel visits were already lower before the coronavirus outbreak, but these were being worsened by measures taken globally to slow the spread of the virus. This drop in revenue is also attributed to the fact

that in 2019, a one-off income of \$700k was made in relation to the insurance claim on TC Gifa. Excluding this one-off, a drop of only 5% is noted. International Seaward continues to be the main source of income for the Authority, accounted for 84% of the total revenue, with Local Seaward and Other Income contributed the remaining 16%.

Total expenses increased by 4%, from \$9 million in 2019 to \$9.4 million in 2020, which is just 1% higher than the budget. This is attributed to a 13% increase in depreciation and amortization, and a 3,184% increase in finance costs. The increase in depreciation is due to the acquisition of a new tugboat and TOA machinery towards the end of the 2019 financial year. Consequently, depreciation expenses on those assets were fully recognized in 2020. On the other hand, the increase in finance costs owes to the fact that the Authority topped up its revolving fund loan at BSP bank by \$1.5 million to finance the acquisition of the



barge, which was worth around \$1.5 million. Personnel costs decreased by 1% over 2019 and 5% lower than the budget, mainly attributed to the decrease in employee cost due to vacant senior positions.

Personnel costs accounted for 42% of the total expenses, and 33% of the total revenue, which exceeds the 30% benchmark, attributed to the reduction in revenue. Other administration and operation expense were well monitored

and controlled. In 2020, under the direction of the Government, the Authority incurred expenses of around \$176k on the restoration works of 'Eua Wharf after TC Harold caused damages to the wharf. The Authority also waived around \$240k in international tariff charges on supplies related to TC Gita relief and supplies approved by the CEO.

### Financial Position

The Authority financial position has

weakened over 2019 as noted by a cash balance of \$617k and a current liquidity of 1.08, both considerably lower than 2019 figures of \$2.8 million and 1.11 respectively.

However, gearing ratio did improve from 23% in 2019 to 20% in 2020. Net cash flow from operating activities was \$4.3 million, an 18% decrease from 2019 figure of \$5.3 million. This \$4.3 million was not enough to fund the Authority investing and financing activities. Therefore, in order to fund its investing and financing activities, the Authority redeemed most of its term deposits worth around \$615k, and topped up its revolving fund loan by \$1.5 million. At the end of 2020, the Authority holds \$312k in term deposits and a loan balance of \$2.8 million.

### Key Performance Indicators (KPIs)

The tough financial results are reflected in the KPIs with the Authority reporting a Return on Equity (ROE) of just 8%, down from 14% in 2019 and below the target ROE of 14%.





This is the first time since 2014 that the Authority reported ROE is below the 10% threshold set by the Ministry of Public Enterprises for all PEs.

All of the KPI's have dropped from prior year, directly attributed to lower profit results this year, with the exception of gearing and equity ratios, strengthened by the decrease in liabilities.

### 2020 Dividend Payout

The Authority declared and paid to the Shareholder during the 2020 AGM in

December 2019 a total cash dividend of \$2,483,828. The amount of dividend paid was 75% of the Authority's NPAT for FY 2018/19 and this is the highest dividend that the Authority ever paid to its Shareholder since its establishment in 1999.

This is an increase by 56% from what was declared as dividend in the previous year. As a result of the declining profit and low cash flow position at year end due to COVID-19 Government may reconsider any dividend payout in the 2021 AGM.

### CAPEX

The total capital expenditure budgeted for 2020 was \$6.7 million, however due to the impact of the coronavirus outbreak, PAT had managed to utilize only \$4.5 million or 67% of the approved budget. The remaining 33% of the budgeted CAPEX was deferred to be completed over the next two financial year. The Authority total capital expenditure of \$4.5 million was funded through a loan of \$1.5 million from BSP Bank and the rest from its cash flow.

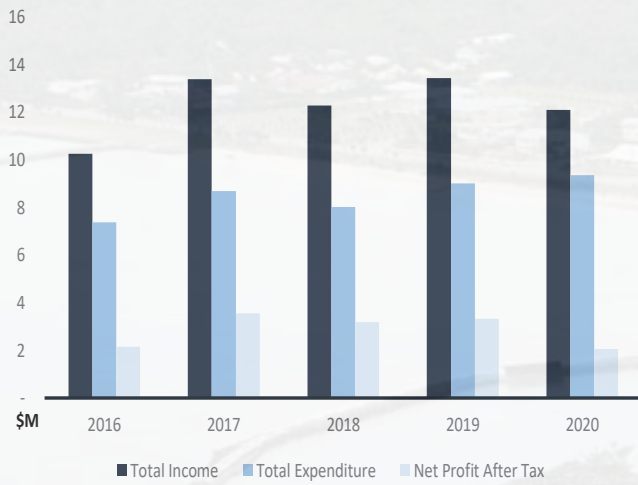
### COVID-19 Strategies

When COVID-19 pandemic finally hits us towards the end of the third quarter of the financial year the Board and Management were forced to come up with a crisis strategy.

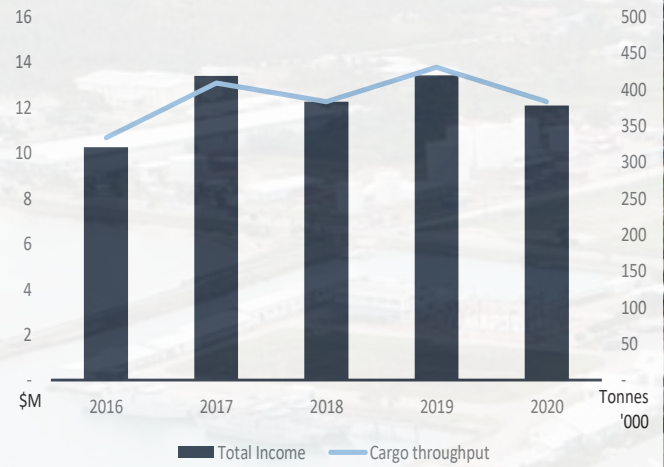
The purpose of this strategy is to ensure that PAT is well prepared on what actions to be taken at what degree of impact that COVID-19 will have on PAT. PAT had implemented some of the strategies during the last quarter of the financial year and so far it has been proven to be a successful.



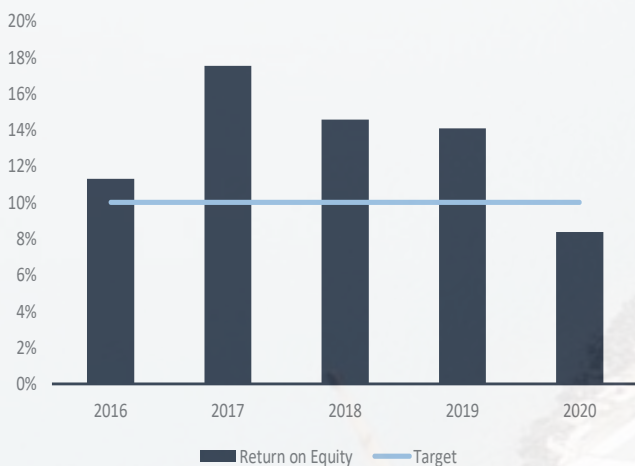
Profitability – 5 Year Trend



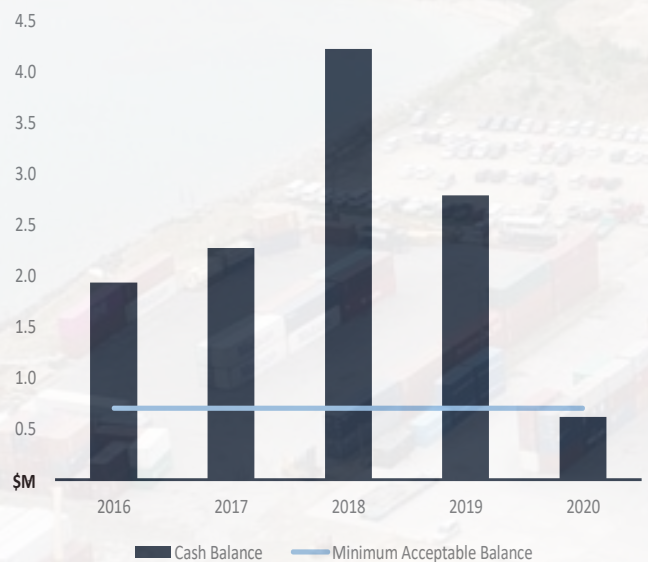
Total Revenue vs Cargo Throughput



Return on Equity



Cash Flow



Reconciliation of Performance to Business Plan

FINANCIAL PERFORMANCE	BUSINESS PLAN 2020	PERFORMANCE 2020	STATUS
ROE	14%	8%	Not Achieved
NPAT	\$3.4m	\$2.1m	Not Achieved
EBIT	\$4.7m	\$2.9m	Not Achieved
Gearing Ratio	24%	20%	Achieved
Cash from Operating Activities	\$5.9m	\$4.3m	Not Achieved
Interest cover ratio (times)	41	18	Not Achieved

# Corporate Services Division



## CORPORATE SERVICES DIVISION

The overall objective of the Corporate Services Division is to provide efficient and effective support to allow the wider Department to deliver on PAT's business goals responding and adapting to changing internal and external challenges.

The Division consists of 7 units which are the Human Resources, Administration, Legal, Communications, Management Supports which include Customer Services and Properties.

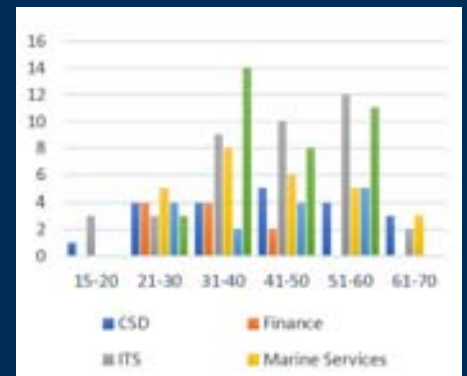
### Our People

The Human Resources Unit aims to bring out the best in employees, thus contributing to the success of the organization. The primary responsibility includes advertising and attracting the right candidates for available positions and ensures that employees deliver according to expectations.

The HR Unit is also responsible for motivating employees by developing compensation packages that may include holiday, payment of unused sick leave and salary increments.

Although training programs are initiated from each divi-

sion, HR Unit ensures that the required training programs are logistically arranged. There is a general direction by reminding every division of the compliance with the Human Resources Management Rules and most importantly the organization's



Employees by Age



goals.

### Succession Planning

PAT is in the process of developing a Succession Planning. The employee is entitled to retire at the age of 55 and compulsory at the age of 60.

The lack of qualified personnel for the industry especially the Marine and Engineering Divisions is a major problem. PAT has to invest in training of its employees and searches for local suitably qualified candidates. HR Unit also promotes opportunities for promotion via succession.

### Employees

There were 153 employees in total, 148 staff and 4 casual labours. This is compared to 157 employees, 150 staff and 7 labours at the end of the

financial year 2018/19 and decrease of 3.5%.

The major reasons for the decrease are due to resignations and retirements from work. It is worth noting that PAT converted all casual labours into permanent staff



### Employees by Division

owing to the nature of their jobs.

The 4 casual labours will be released when their current tasks are completed.

Majority of the employees are with the Infrastructure, Marine and the Security Divisions.

### Gender Equality

PAT is encouraging gender equality although it is still a male dominant industry. Encouraging women to pursue careers within the maritime industry is still immature.

It is noted that there are only



### Gender Distribution by Division





## Local Training

Training Name	Duration	Sponsor	Attendees	Location
ISPS Security Training	2 days	PAT	13 Security Staff	PAT Conference Room
ESS & Pay Global	5 days	PAT	5 staff from Corporate 1 staff from Finance	PAT Conference Room
APNIC ( Asia- Pacific Network Information Centre) Workshop on email server installation and hardening	17/10/2019	MEIDECC	Talanoa Langi	Tano'a Hotel
Leadership and Planning Training	3 <sup>rd</sup> - 7 <sup>th</sup> February 2020	PAT	Alo Mailleseni, Iketau Kaufusi Mele Lavemaau, Hakaumotu Fakapelea, Etikeni Samani, Halloween Kisina, Akameta Fe'ao, Jane Fonua, Tevita Liu, Katinia Molitika, Aisea Petelo, Lavinia Fakatouffita, Talanoa Langi, Viliami Pua, Tevita Hamani, Andrew Niukapu, Sione Taione	PAT Main Office
National Standard of Procedure(SOP) for Port State Measure Agreement (PMSA)	13 <sup>th</sup> February, 2020	Ministry of Fisheries	Mr. Michael Kanongata'a	Fisheries Conference Room
QMS	5 <sup>th</sup> - 13 <sup>th</sup> March 2020	PAT	Management Team	PAT Conference Room
PMS	29 <sup>th</sup> - 30 <sup>th</sup> April 2020	PAT	Brisbane Lokotui Uloi Mafi Maikolo Kaihea Lisiate Finau Ofa Nonu Malia Leua	PAT Conference Room
Basic Fire Fighting (Chemistry of Fire)	2 <sup>nd</sup> June 2020	PAT	Corporate Services and Finance Staff	PAT Conference Room

## Overseas Training

Training Name	Duration	Sponsor	Attendees	Location
Regional Maritime Security Workshop & Meetings for Head of Maritime Administration	22nd -25th July 2019	IMO & SPC	Mr. Sione Talanoa	Port Vila ,Vanuatu
Pacific Islands Forum Fisheries Agency Dockside Boarding Inspection Training	18 <sup>th</sup> - 22 <sup>nd</sup> November 2019	Ministry of Fisheries	Mr. Michael Kanongata'a	Suva, Fiji
Directors Course	16 <sup>th</sup> - 23 <sup>rd</sup> February, 2020	PAT	Mr. Sateki 'A'Hoio Mr. Sione 'Akau'ola	Auckland, New Zealand
Cruise Study Visit	22 <sup>nd</sup> - 28 <sup>th</sup> February, 2020	PAT	Mrs. Mele H Lavemaau	Port Vila, Vanuatu

23 (15%) of the employees are female. They are being employed as supporting staff mainly at the Corporate Services and the Operation QSW.

## Employee Training

The Authority fully supports any employee undertaking further training/education locally or overseas that will enhance or improve the efficiency and effective-

ness of his/work in the Authority.

In house training is also conducted to advance skills amongst employees.

## Corporate Social Responsibility

Promoting a culture of care, the Authority placed emphasis on upholding its social responsibility to the community through:

1. Offering 20% rebates on handling charges for all exported produce and discounted berthage fee for all squash export.
2. Waived 95% or \$233,853.15 of storage fees at the Queen Salote International Wharf due to squash seasons, COVID 19 lockdown period and damages caused



Corporate Services Key Performance Indicators as per the Business Plan 2020		Actual (As at June 30, 2020)
Staff Cost ratio	<=45%	41%
Staff down time	<=10%	14.3%
Balanced span of control	1-4	2.5 Employees
Staff training implementation rate	>=80%	65 %
Staff performance	Meeting requirements (80%) Exceeding requirements (20%)	Not Achieved
Staff satisfaction	>=80%	Not Achieved
Staff turnover	<=5%	2.5 %
Safety/Sexual harassment incident	0%	0%
Injury rate	0%	0%

by Tropical Cyclone Harold.

3. Discount of storage fees at the Storage Warehouse equivalent to \$13,272.27 or 5% of total waived.

#### Port Tenants

For the twelve months starting from July 2019 – June 2020, the tenancies variations were as follows:

The total rental income generated from the overall 2 current tenants at the Port of Nuku'alofa for the year was \$333,665.

Total outstanding rent for the year was \$130,404.

Arrangement is underway for settlement of this debt. The term for each rental depends on the type of business including restaurant and café, bar, custom brokers, private club, agricultural export commodities, offices for local passenger vessels and pontoon or floating jetty.

Tenancies	Total
New Tenancies	5
Renewals	1
Relinquish	Nil
Terminated	3
Current Tenants	29

## Staff Profile



### SALESI VAKE Custodian Supervisor

Salesi Vake is an Inspirational Leader with 18 years of experiences in the Cleaning Unit of the Authority. What he brings to any organisation is highlighted in his personal tagline: Building Teams, Inspiring Excellence and Generating Results. He is a relationship-driven Custodian Supervisor who nurtures and empowers his team to deliver unprecedented bottom-line result.

Salesi and his team make sure that the Port areas of Nuku'alofa looks clean and tidy at all times. They are the frontline in terms of cleanliness and it's

a responsibility he and his team take very seriously.

Salesi started out at Ports Authority Tonga in 2002 as a Laborer at the Construction Unit now called the Infrastructure and Technical Services Division. He was then transferred to the Security Unit in 2003 – 2011. Salesi was again transferred to lead the Cleaning Unit in 2012 until he retired in 30 June 2020 at the age of 67. "As a custodian at first, I was ashamed of what I do because I felt people were looking at you as a low level wage earner. My family was always first and they were the central

motivation to do my job, to put some bread on the table at home".

"I have to work with many young men to look after all the rubbishes at Port areas. These young men joined us and then left for the reason that they cannot withstand working in the unit. When I first started as a Leader in the Cleaning Unit, Personal Protective Equipment such as gloves, boots and proper gear was absent. We struggled with the dust, filth and smelling of garbage and litter everyday".

In this life, things happen around us, things happen to us, but the only thing truly matters how to choose to react to it and what you make out of it. Life is all about learning, adapting, converting all the struggle that we experience into something new.

"After all these years I've been working for the Authority, I have learnt that life is too short in this world. I have enjoyed my time with all the staff and it was amazing to walk out (retired) that door with a feeling of joyfulness, knowing that I have done a great job for the Authority and Tonga as a whole. I have more time now with my wife, 3 children and 18 grandchildren at home".





# Port Operation Division



## INTERNATIONAL OPERATION

The Operation Division aims at providing premier port services to its customers and the people of Tonga

which was tied very closely to the overall mission of the Authority. At the beginning of the year the Authority have put in place measures to identify key performance indicators of the efficiency of operation in the

Port of Nukualofa. Ship turnaround time is a major indication which shipping agents and consignees are very much concern with as they determine the freight cost. The average ship turnaround time for the year was 10 hours and average operation time was 7 hours.

The analysis of ship turnaround time was not done in the previous year so we cannot compare this to the previous month but for the year the authority have not received any formal complaints with regards to the ship turnaround time thus this indicator was achieved during the year.

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 move-  
ment per crane for the year was 23  
moves which is one move short from  
Industry Average of 24 moves and  
still below the Authority set standards  
which is 30.

The Truck Turnaround time for con-  
tainer trucks to enter the wharf and  
drop/pick containers for the year was  
00:12:38 minutes and seconds. This  
started The Authority also measures  
the dwell time of cargo in.

Cargo dwell time for the year shown  
on the table above that on average it  
takes 7 days to clear a full container, 8  
days for breakbulk and 12 days for  
vehicles.

The data shows that on average contain-  
ers are released within the grace pe-  
riod of 10 days while storage are mainly  
charged on vehicles

and breakbulk.

Cargo Throughput for the year was  
5% less than the previous year and  
so as the container throughput which  
was 14% less the previous year.  
Imports was hit the hardest as the  
year started very slow compared to  
the previous year but also with the  
COVID-19 lock down it further con-  
tributes to the decrease in imports for  
the year. Export was 1% higher than  
the previous year but since this year  
the transshipment and restow cargo  
was split this year from the total  
export than the estimated increase in

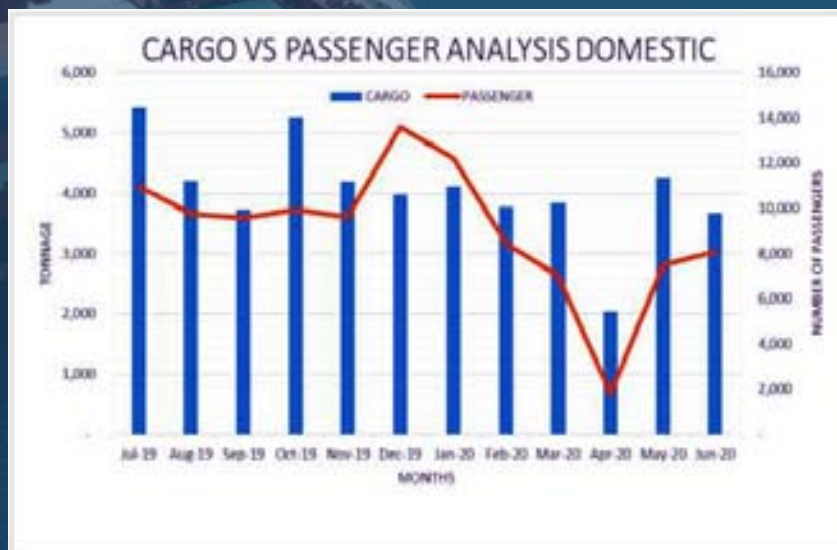
export would be much higher.

Domestic operation reported to-  
tal passengers of more than 100K  
travelled to and from the islands. It  
is estimated that almost 64% of the  
total passengers travelling is from/to  
'Eua and the 36% are to the northern  
islands.

Total cargo that was shipped to/from  
the islands was 48,000 tonnes where  
63% was shipped to/from the north-  
ern islands while 37% was shipped  
to/from Eua. As with the international  
operation domestic travelling and

shipping was also  
affected by the lock  
which is clearly show  
on the graph in April  
2020.

The year finishes  
with the retirement  
of one of the depart-  
ment staff which the  
Department was very  
fortunate that she  
was part of the team  
and wishes her well  
and the remainder of  
the staffs were well.



## Staff Profile



# FE'OFA'AKI KANONGATA'A

Warehouse Supervisor

Fe'ofa'aki has been the Warehouse Supervisor since joining the team in June 2010. Fe'ofa'aki and her team of 4 with the assistance of at least 2 operators and 2 tally clerks were responsible for the unloading of LCL containers to the Warehouse, safe storage of cargo, ensuring proper documentation is completed before all imported cargo are released from the Warehouse. Careful coordination and planning has been the major success of their job every day. Running 3 task at a time with very limited resources requires careful coordination and planning as there are

containers that need to be unloaded, cargo that is required for inspection and consignees are also waiting for cargo to be released.

It was a challenge everyday having to deal with the requirement of three different customers such as consignees, freight forwarders and broker and most of time dealing with all of them at the same time while there are also regulatory agencies such as Customs and Quarantine. Fe'ofa'aki with her calmness and composure was able to deal with these challenges on a daily basis. "It was very important that the end of

the day our customers are happy that will make us happy and encourage us every morning when we come to work is that we know that we contribute to the success of the Authority and also to the life of our customers. It was their job to make sure that all customers complaints are handled on a timely manner and to ensure that these complaints are kept at less than 5% of complaints are not settled.

These challenges keep her and her team motivated each day as they enter the workplace each morning people are always there waiting for their cargo. Working through difficult times when there was only a few bonded warehouses in the kingdom with most of the cargo unloading in the Authority Warehouse and with very little resources and the number of staff she is considered to be one of the most talented and gifted supervisors at the port. Since then the Authority has been trying very hard to ensure efficiency through investment in more equipment and development of computerized system based on the process that was developed during her times in the warehouse. She will be sorely missed and we wish her all the best in all her endeavors.







# INFRASTRUCTURE & TECHNICAL SERVICES DIVISION

MESSAGE FROM THE MANAGER



Looking back over the past months I can say it has been a year of momentum progress that continues from 2018/2019 financial year. The first half of this financial year 2019/2020, ITS committed to complete above 40% of its budgeted value for allocated Capex.

During the second half 2019/2020 FY, our division faced multiple challenges from Tropical cyclone Harold and Covid-19 pandemic. This resulted on various disruptions and deferral of few projects and re-scheduling of remaining Capex for 2020/2021 financial year.

The year-end financial result as of June 2020, we manage to complete 57% of Capex for the year. It is a comfortable outcome despite uncontrollable issues that we have experience. Undoubtedly all three department within this division will continue to maintain effortless contributions in positioning our staff commitment for the upcoming financial year.

**Iketau Kaufusi**  
ITS Manager

## PREFACE

The Infrastructure and Technical Services Division proactively facilitate the corporate planning of framework for physical infrastructural development that contained in the organization which accountable for related Port users. It is within this division the provision of technical support services for the organization operational machinery and maintaining of facilities and buildings that is viable for the overall development of Port Authority Tonga.

## Mission Strategy

- Provide reliable, secure, and easily

accessible infrastructure to meet the business and service needs of the organization plan.

- Implement and maintain technical support for operating needs.
- Focus on providing value-added services, ensuring we have the right employee in the right roles.

## 1. YEAR ACHIEVEMENT Capex

- Upgrade of Domestic Wharf Cargo Shed
- Domestic Wharf Tar Sealing
- Custom Duty Warehouse Modification

This vital development contributes to the

organization's accountability toward its client and core business partners on numerous services PAT offers. The upgrade and stationed of this double cargo shed provides crucial services for Eua Sea Transport companies with secured office and sufficient storage. This project was budgeting TOP \$1,000,000.00 from PAT cash flow including container terminal and parking sealing. The Contractor was To'a Civil Work.

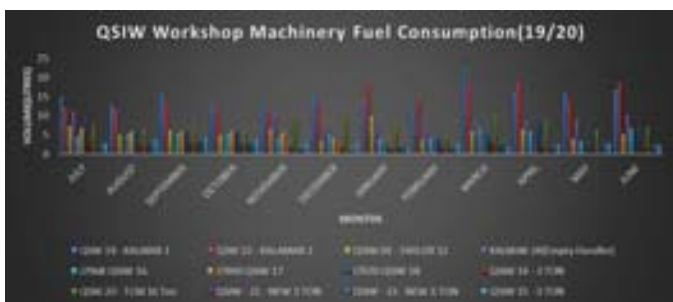
## Contractors

The purpose of this instrutural development is to accommodate the request office for increasing numbers of custom brokers. This newly office for work is

completely equipped with professional and standard code of work. The cost for this project was TOP\$700,000.00 and was fund from PATcash flow. The project was constructed by Oregon Pacific International limited under Supervision of Quality Design.

### QSIW Perimeter Fence

This vital project upgrades certify that it complies with the ISPS standard of protection for imported cargo and storage. It also ensures that operation is not interrupted along with paramount safety of port users.



This project cost was fund from PATs cash flow and the construction was executed by PAT infrastructure task force.

### Acquisition of New Barge

The Arrival of the new bulk cargo barge was an investment by PAT in addition to its investments the technical equipment.

This valuable asset will assist in numerous architectural development activities not only within Tongatapu ports but also maintenance tasks for outer island wharf. This barge was fund by PAT cash flow and its worth TOP\$ 3000,000.00 including other expenses.

### DEPARTMENT OPERATION & KPI

This year focusses on strategic review of work procedures and policy through re-evaluating of existing tools for staff performance, maintenance management, project

planning and implement of significant measures to achieve the overall functions of the organization.

The move to strengthen worker's obligation and comply to work value / culture were substantially exploit through frequent discussion forum with employees on a set basis which is an improvement of 20% engagement from precedent year. In reference to Management of Assets, the work plan has initiated from the start of the financial year to ensure that all related activities are appropriately facilitated in the most cost-effective manner.

### Infrastructure Workshop

The core function of this unit is to provide mechanical support in repairs and maintenance of handling machinery and equipment for daily basis operation of the organization. Throughout the year, the emphasis to ensure that equipment is in operable condition were the paramount objectives of this workshop. The financial year starts with 5 mechanics for two mechanical workshop for repair / maintain the equipment and stand-by on every cargo vessel harbored at international port.

The unforeseen disruptions from events forces this department to re-adjust its working plan and simply focus on addressable maintenance plan. Of all KPI initiated for this financial year, the Execution of Maintenance Planned and Maintain of Fuel Consumption Rate were successfully achieved.

### Fuel Consumption Rate Detailed Analysis

Fuel efficiency varies per machine and the load it carries. Starting July -19, machine's fuel consumption fluctuated at almost the same pace as compared to their working hours.

The only notable distinction that sights the uncommon perception, as operating hours increase, the average fuel consumption is low and so as vice-versa.



**Rationale Statement**

I. PAT still sustain an efficient fuel

consumption rate of / consume under economic level benchmark of less than 25litres/hour.

safe for employment. In fact, responding to maintenance activities considerably applies to the limited numbers of staff that employed in this unit.



II. Indicates a good condition of / and proper maintenance services of equipment

Additionally, it is a successful year to date as inspections and maintenance of PAT facilities completed above 80 percent. This result was possible through increasing supervision of working zone and in workshop.

**Construction Task Force**

**OUTLOOK FOR FY 2020/2021**

The foremost objective of this department is to apply possible actions for repairing and maintenance of the organization building and facilities that is fit and

We anticipate a continuance of success for the year ahead not only on internal duties but also a frequent interaction with external trading companies that we have worked together for the past year.

There are other several areas of interest as mandate to fulfill in FY 2020/2021 such as additional documentation of record, internal /external training for upgrades of staff's skills and knowledge. Importantly to maintain a cost-effective work plan in a safe environment.



## Staff Profile



# SOAPE TOMASI

## Heavy Plant Operator

Soape's heavy machinery skills have proved most useful in his role as Heavy Plant Operator, as well as his eye for detail. When dealing with hundreds of containers for customers, accuracy is vital, so being particular about the way things are set out really helps.

Soape started at the Authority sixteen

years ago in November 2004. He dedicated his time at the Authority to working at the Infrastructure and Technical Services and the Operation Division as well. "When I started looking for a similar place to my previous job, I found it quite hard because there were not many plus companies have their own trained heavy machinery people". He was grateful there-

fore when Ports Authority Tonga gave him the break he needed.

"Everyone was really welcoming," he says. "It's a really nice atmosphere to work in. People were understanding of my steep learning curve, because struggled at the pace at first and slowly improved from there".

Soape's main responsibilities involve driving heavy machinery not limited to heavy load truck and forklift during loading and unloading of container ships. "We have to work long hours when there are more ships at the Port of Nuku'alofa. We do not have the capacity and the resources but we just sacrifice our work for the people of our country".

"We know really well that the Port of Nuku'alofa is the 'gateway to the world' and it is a pretty exciting environment to be in," says Soape, who is happily to live the rest of his life after retiring at the age of 65 from the Authority with an extensive hard working years of experiences.



# MARINE SERVICE



## MARINE DIVISION

### 1.0 Ports Authority New Barge PAT 001

On April 23rd, 2020 the PAT working barge PAT BGE 001 arrived from Townsville, Australia and was towed by an Australian Tug boat PT Kythira. The barge was commissioned by ACEO Mr Alo Maileseni on 4th June 2020. She is manned by 2 crew and under the supervision of Marine Services.

Therefore, the dredging of the Taufu'ahau Tupou IV domestic Wharf's basin commenced on Thursday June 11th 2020. Tugboat Olovaha was made available for dredging towing operation of the barge coupled with the assistance of the mooring boat as a working boat.

### 2.0 Aids to Navigation

The tropical cyclone Harold was the worst

amongst the 3 cyclones that hit Port of Nukualofa. All 15 wooden beacons were destroyed and two buoys at Avalahi Passage moved out of position. The Aids to Navigation team managed to repair and relocate all buoys within one week only.

### 3.0 Slipway

March 2020 - The Slipway ceased normal operation due to major replacement required which is target to completed by August 2020

### 4.0 Pilotage and impact of COVID-19 at Ports Pilotage of a container ship (vehicles)

The Port Master and his Deputy carried out the Pilotage work at Port of Nukualofa. For the financial year 2019/2020 an overall Pilot movement is totaled to 202 (131 Container ships; 50 Liquid Bulk and 9 Cruise Ships) plus 12 other arrivals.

Besides other arrivals, the gross tonnage of arrival vessels for this financial year equal to 2,137,548 GRT (Container Ships – 1,469,062 GRT; Liquid Bulk – 187,702 GRT and Cruise Ships – 480,784 GRT).

### Significant Events in the Port Area

- February 2020 - The Maritime Security Level in the Ports raised to Security Level 2 as per the entry restriction for COVID avoidance precaution. All vessel's entry is under the primary approval of the Ministry of Health as per Maritime Safety Committee approved procedures for COVID-19.
- Restriction only applied to Cruise ships, yacht and Pleasure Crafts and warships with the exemptions of container ships and oil/gas tankers.
- February 2020 – An order of diver-



sion issued for 3 Cruise ships due to approved COVID-19 restriction procedures.

- March 2020 – 4 Cruise ships cancelled their calls followed by the clo-

sure of our boarder due to approved COVID-19 restriction procedures.

### 5.0 Marine Services - Administration

The financial year began with a total of 29 staff and 1 daily paid labour, closing the financial year with 2 staff on retirement and one recruitment.

#### Port of Nukualofa - International ships arrival summary

	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Total
Container Ship	11	10	12	13	12	11	10	11	12	10	9	10	131
Liquid Bulk	5	4	3	4	3	4	5	5	5	3	4	5	50
Cruise Ship				2	2	2	1	2					9
Other	2	2	3	1	3	1							12

#### Port of Nuku'alofa - GROSS TONNAGE Summary

Container Ship	127279	113872	121543	157274	136840	115840	120624	115208	133777	108643	101525	117637	1469062	
Liquid Bulk	18992	16826	12014	16826	12014	13596	18992	18159	19492	11131	13347	17326	187702	
Cruise ship				81641	118612	141436	47842	91253					480784	
													TOTAL	2137548

## Staff Profile



### **SENITA PUAFISI** Master MV 'Unga, Pilot Boat

I started working for the Government of Tonga on 2nd July 1978 and later transferred to Ports Authority Tonga until retirement on 30th June 2020 at the age of 66.

Throughout the years, I have developed my career in maritime by working in various vessels of the authority until I retired at the rank of Master on Pilot boat 'UNGA.

In addition, my later years of service for PAT involves the safe transfer of the pilot to all kind of ships, rescue services and reports on any unlit aids to navigation.



For 42 years of loyalty fulfilling his obligations to PAT, Senita commented: "I loved my job and find it very difficult to let go as this is the only means of financial assistance to my family. My gratitude is extended to PAT for all your timely and valuable support so far".

Senita is a quite but a stout heart employee. He completed allocated pilot transfer tasks with good judgement. A very outgoing employee with an excellent example of timeliness. He hailed from Ha'utu, Fahefa, Tongatapu.

## Staff Profile



### 'OKATESI MILOFIENI HALAFUKA 2nd Mate MV Hifofua, Tug Boat

I hailed from Hihifo Ha'apai. With previous experience on foreign going vessels as an AB, I commenced with Ports Authority Tonga on 18th April 2004 until retirement on 30th June 2020 at the age of 62.

Although I have been working in various vessels of PAT throughout the years, every day is precious. Maintenance of vessels is a priority and safety is of paramount, hence involving in a meaning working environ-

ment until I retired at the rank of 2nd Officer on Tug Boat HIFOFUA.

In addition, my job involves radio communication from tug boat to pilot, navigation work during dry dock, towage and salvage and responsible for the safety equipment of tug boat.

Completed 16 years of dedicated service for PAT, Lofeni relayed: "I always adored my job in which I served joyfully, however age is a factor for retirement. My gratitude goes out to the Management, Board and Staff for all the kindness and contribution shown during my time of service in which I will treasure".

Lofeni is the first one to be on the Tug boat and last to leave. An outstanding self-discipline and hospitable seafarer. He has a very distinctive voice in VHS communication delivering messages short, clear and effective.





# RISK AND COMPLIANCE



## RISK and COMPLIANCE

Quality Management System  
In March 2020, Quality Management System (QMS) initial review and a systematic Documentation process and internal auditing continued. This process contributed to completing developing a Quality Policy and Manual to assist certifying PAT under the ISO 9001:2015 Quality Management System.

PAT is committed to obtain its ISO-9001 certification at the end of 2020. The Authority is pursuing the discussion with a QMS Consultancy Company from Australia to complete this vital process. If completed, PAT would be the first Government Agency to be certified under ISO-9001 which will confirm that PAT is providing a

quality service to its customers. The QMS will address issues related to the lack of well documented policies and procedures and key challenges and risks identified in the Authority's SWOT analysis as outlined in the organization's business plan.

PAT has included in its plans to engage a consultant or a consultancy company to assist the Authority to complete the work that the late Manager of Risk and Compliance, Mr 'Etikeni Samani started up to the beginning of March this year and with the transition to be certified under ISO-9001. PAT is committed to complete this project in the next financial year. In the completion of this project, PAT will be the only Government agency to be QMS certified in Tonga.

ADB Upgrading and Developing

of the Queen Salote International Wharf (QSIW)  
The Government of Tonga has requested assistance from Asian Development Bank (ADB) in preparing a project to upgrade the existing international port—Queen Salote International Wharf (QSIW)—in Nuku'alofa (Tongatapu island). The proposed project is to upgrade the Nuku'alofa port, rehabilitating, renewing and expanding the existing infrastructure and improving the management and operations practices. The outcome of the Project is capacity and operations of the Queen Salote International Wharf improved. The impact of the project will be a safer, more reliable, and more affordable transport infrastructure and services in Tonga. The project is estimated to cost \$50 million and is expected to commence in



2021.

One of the main threats that PAT faces each year is the impacts from natural disasters as Tropical Cyclones and earthquakes. PAT continues to focus on upgrade and development projects to provide safer, more reliable port infrastructure and services in Tonga. The Queen Salote International Wharf upgrade project, the rehabilitation of the existing port infrastructure and extension of the existing international wharf will enhance the resilience of the international Port of Nuku'alofa.

**Health and Safety**

PAT continues to prioritize the Health, Safety and Wellbeing of its employees. The promotion of health and safety at the workplace is embedded into the Authority health and safety strategies. In addition, PAT promotes best practices through the quality management system along with fully complying with the ISPS code relevant laws, regulations, conventions and international standards. At

the same time, continue to operate the domestic wharves at high standard to improve health and safety and security standards. Great emphasis is placed 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 at all times during operations. PAT continued to work closely with port users in maintaining a healthy and safety port. These led to achieving 0% injury rate during FY 2019/20 among PAT staff.

As part of the Authority's support towards the national fight against the impact of COVID 19 and to ensure our front line staff are safe at all times when handling containers from cargo vessels, conducting pilot duties for arriving international vessels a stock of face masks, full body

suits, hand sanitizers, gloves and other PPE gears were imported and distributed to the front line staff. In particular, our Marine and Operation's team. PAT also installed new showers at Queen Salote International wharf to be utilized by the essential workers following each vessel operation. Recently, the Authority purchased a commercial washing machine and dryer as part of its effort to comply with the requirements of the national task force to mitigate the impacts of COVID 19 and our staff return home safely following the vessel operations.

**Compliance**

PAT continued to place greater importance on meeting its compliance requirements, not only with relevant laws, standards and conventions but also the requirements from the Government and the Ministry of Public Enterprises. At the end of the FY, PAT did not constitute a major breach of its compliance requirements.

# Port Facility Security Unit



## PORT FACILITY SECURITY UNIT

### 1. General

Looking behind the activities and challenges of the year 2019 – 2020, it is with no second thought that the journey was rough, turbulent yet full of accomplishment and achievement of so many goals and planned tasks. For the Maritime Security Division, setting goals is one way we can brotherly and collectively steward the resources and what else is available to focus our goals accordingly to our Mission, Vision, Objectives, Roles and Responsibilities.

When we deliberate and explore the division's goal setting, we have to be realistic, optimistic, practical, feasible and proactive and that's what had been the case for the Maritime Security. We have to make sure that our goals should line up with PAT's overall plan. The Security Guards had been told and advised to stay

humble and honest yet very strong and committed so as to fulfill his job description.

It was important for us as security guards to hold firm also to our Christian belief so as to help us spiritually and morally so as to enable us to accomplish our plans and goals.

Hard work is a necessity. When we set goals, we should work diligently in hopes of achieving them, hence the Maritime security Division looked at the PAT's Vision, Mission, Roles and Responsibilities and we agreed of the followings as the guidelines and directions for the Maritime security Division : "The plans of the diligent lead surely to abundance, but everyone who is hasty comes only to poverty" (Proverbs 21:5).

### 2. Maritime Security's Vision and Mission

- Vision  
To provide a safe, sound and secured

ports where goods and services are protected by our professional security guards.

#### • Mission

With our professional and well trained guards we execute with pride and our utmost best to ensure that the security tasking allocated to us at the various areas of operation are carried out successfully with pride.

### 3. Core Values

The Maritime Security Division were committed to adhere to the following core values that we undoubtedly believe lead us and guide us through our daily routine as security guards. The followings are the Division's Core Vales:

- a. Respect;
- b. Integrity;
- c. Commitment;
- d. Accountability;
- e. Courage; and
- f. Humility



The Maritime Security Division then incorporated our Divisional Goals and Objectives into that of the PAT's and made sure that we are always in line with what we have been expected to.

#### 4. Performance

The annual performances of the guardsmen were very satisfactory and they are very capable of performing much better than this. They all possess both physical courage and moral courage. Although they still have rooms for improvement they nevertheless give up in vying to achieve optimum result in the execution of their core functions. They are taking up their roles quite seriously now as they witness the hardships that the working people of the country are facing as the result of the pandemic CORVID 19.

Tropical Cyclone Harold struck Tonga-tapu and 'Eua on the 9<sup>th</sup> April 2020. Some of the guards were on standby together with the PFSO at QSW. The guards did

very well and courageously go out at the height of the cyclone and assist the Marine Division in securing the tug boats. Furthermore, they roved around checking the entire QSW and the other wharves that we had security guards on cyclone watch and assisted in whatever means they could. Their efforts on this particular night were commendable.

After going through the guards' general assessment for last quarter, it is evident that what is quite lacking amongst the guards are the administrative skills and the attitude towards work. There are few values and characteristics that they need to possess so as to enable them to fully adjust to the correct attitudes of security guards.

There will be some inspirational talks and dialogue with the security guards to help in motivating them further into performing to the optimum level.

Few of the security guards will be coun-

selled as there are few signs of problems appearing from few guards although they are still manageable but addressing them now will undoubtedly lead them into the right direction. For this financial year 2019 – 2020, the performances of the maritime Security Guards are coloured green, and improving.

#### 1. Areas of Operation / Responsibilities (AO)

##### a. International Wharves

The security guards carried their usual duties in these AO as usual by controlling the movements of personnel, goods/cargoes, equipment and transport through the gates of the Queen Salote Wharf and Vuna Wharf.

The observance of the compliances with the ISPS Code are strictly adhered to so that the validity and integrity of this compliance is honoured and intact. Rules, regulations, directives instituted for the international wharves were to be



observed and not to be compromised. Security personnel were able to maintain and sustain the quality of work that is expected of them. There was no complain received regarding any shortfall on our behalf and performances.

## **b. Domestic Wharves**

Security personnel continue on with their usual tasks towards the domestic wharves. The allocated roles and responsibilities of the security personnel were well executed with ships' owners being satisfied with the security personnel's professionalism.

Taufa'ahau Tupou IV Domestic Wharves has been treated as a different entity and security has been securing and protecting the facility to maintain its high standard 24/7 operation from Monday to Sunday. The old Faua Domestic wharf is still operational and the MV 'Onemato is

still using it. Security guards and ships' agencies staffs work well together during embarkation and disembarkation of the local ferries.

## **5. International Port Area**

### **a. Queen Salote Wharf (International Restricted Zone)**

#### **i. Cargo Ships**

- An average of 10 international cargo ships per month berthed and loaded/unloaded cargoes at QSIW during the last financial year.

#### **ii. ISPS Code Compliance**

- Maritime Security has a daily role/responsibility of ensuring all operational activities undertaken
- within international ports comply with the ISPS Code requirement and it is pleasing to inform the Board that the compliance with the ISPS Code is

- honoured and respected
- within international ports comply with the ISPS Code requirement and it is pleasing to inform the Board that the compliance with the ISPS Code is honoured and respected
- After the TC Harold, there were quite a number of repairs to be done to fences and gates so as to keep the QSIW in compliance with the ISPS Code.

#### **iii. Cargo Handling (Import/Export)**

- Maritime Security made the final check of official documents for releasing and accepting goods into the international port facility using the PMS System and sometimes reverted to manual documentation when the system is down.
- Although there are also some minor discrepancies the security guards had somehow sorted out a methodol-



ogy of mitigating these issues.

- Maritime Security division also carry out clearances of cargoes even after working hours but with request.

#### iv. Monitoring Team

- Since the directive from the Government Task Force for COVID 19 to set up a Monitoring team whenever a cargo vessel calls in Nuku'alofa.
- Before embarking onboard to offload cargoes a health officer would demonstrate the correct procedures of putting on the PPE and also the removal of the PPEs.
- The Maritime Security Guards also monitor the stevedores and rove around the vicinity of the cargo operation so as to assist the monitoring team.
- So far the roles of the monitoring team and the guards are very critical in trying to keep Tonga free of

COVID 19.

#### v. Defects

- Although there were some defects/damages at QSW during the year especially after TC Harold, the Infrastructure division and the IT Division were able to fixed/repared these defects.

#### d. Vuna Wharf

##### i. Cruise Ships / Pleasure Boats / Research Vessel / Warships

- Throughout the year, the above mentioned vessels/ships visited the Kingdom but then the threat of the COVID 19 pandemic no more vessels of these sorts visited Tonga
- Due to the COVID 19 pandemic, there has not been any foreign vessel berthing alongside Vuna Wharf except for the tug-boat M.V P. T

KYTHIRA that came alongside on the 23 Aril 2020. The tugboat was towing behind her PAT's barge PAT 001from Australia.

##### ii. ISPS Code Compliance

- Vuna Wharf was in compliance with the Code before the cyclone struck Tonga. After TC Harold struck Tonga few things needed to be fixed so that the integrity of the wharf's compliance with ISPS Code is maintained. Some parts of the restricted area's fence were damaged and they were later fixed up.
- Just like QSIW, there is no fire main for hydrants and also no fresh water main in Vuna Wharf.

##### iii. Other Security Duties

- Maritime Security provided a security guard at the guard house to monitor and looked after the entrance to



Vuna Wharf and to monitor the usage of wharf parking by government employees of St George Building.

- Checking of registered Fishing passes
- Ensuring that no unwanted visitors walking around the Vuna Wharf.

#### **e. Domestic Port Area**

##### **a. QSW No. 3 & 4**

##### **i. Domestic Ferries MV 'Otuanga'ofa and MV Niuvakai**

- Maritime Security continued with securing the two wharves by patrolling just outside the fence
- During ships' arrival especially MV 'Otuanga'ofa, Maritime Security guards are often requested to control traffic flow.

#### **b. Fua Domestic Wharf**

##### **i. Domestic Ferry 'MV 'Onemato'**

- Maritime Security provided security tasks and duties here and currently only MV 'Onemato is still operating from here. Guards assist in controlling the movement of people and vehicles.

#### **c. Taufa'ahau Tupou IV (TTIV) Domestic Wharf**

##### **i. Domestic Ferries**

- MV Taka 'i Pomana ad MV Vaomapa are currently using the wharf together with PAT's Tug boat Olovaha

##### **ii. Security Tasking**

- Maritime Security provided the usual security works by controlling the movement and flow of traffics during operation times.
- Monitor the parking areas
- Checking of fishing passes were always conducted when lockdown

was over and the curfew hours was changed to 2200hrs to 0500hrs.

#### **6. Non Port Areas**

##### **d. Flea Market**

##### **i. 2-3 hours operation from Monday to Friday and 8-9 hours on Saturday.**

- Maritime Security is tasked to monitor the flea market every Saturday and throughout the week.

##### **e. Front Gate Guard House**

##### **i. 24 hours security operation**

- Maritime security provide the initial and final checks of goods coming in and out QSW.

##### **f. Fish Market Area**

##### **i. 24/7 Hours' security operation**

- Maritime security, is tasked with the monitoring of the fish market area



ensuring there is no other illegal activities is conducted in this area.

## 7. Activities during the financial year 2019–20

### a. September 2019

- i. Training on access control at the Custom Warehouse/Custom Shed

### b. October 2019

- i. 22<sup>nd</sup> and 23<sup>rd</sup> – Audit of QSIW and Vuna Wharves respectively by U.S. Coast Guard lead by LCDR Nieman.
- ii. Training on Port Facility Security Assessment and Port Facility Security Audit

### c. November 2019

#### i. Introduction of new ID cards.

December 2019

- i. 10<sup>th</sup> – Police and Custom searched the Custom Shed
- ii. 13<sup>th</sup> – Halloween Kisina became Acting PFSO

### e. January 2020

- iii. 2<sup>nd</sup> – Required Fitness Level of the Maritime Security Guards

### f. February 2020

- i. 13<sup>th</sup> – Installation of a Tsunami warning radio by MEIDECC
- ii. 21<sup>st</sup> – Increase MARSEC to Level 2 when there is a cargo vessel berthed alongside
- iii. 29<sup>th</sup> – Reported death of a Lavengamalie school girl by drowning at the swimming pool.

### g. March 2020

- i. 4<sup>th</sup> – MARSEC Level 2
- ii. Swimming pool closed down
- iii. 23<sup>rd</sup> – New PFSO CDR Brisbane Lokotui
- iv. 30<sup>th</sup> – COVID 19 Lockdown and Curfew 2000hrs to 0600hrs

### h. April 2020

- i. 5<sup>th</sup> – Extended curfew to 12<sup>th</sup>
- ii. 9<sup>th</sup> – TC Harold
- iii. 12<sup>th</sup> – Lockdown lifted but restrictions were still stood
- iv. Monitoring Team required to be at

the QSW to monitor stevedores and PAT staffs working during cargo operations

- v. 23<sup>rd</sup> – M.V.P. Kythira arrived Vuna wharf with PAT's barge from Australia
- vi. 25<sup>th</sup> – Hon PM and few Cabinet Ministers visited QSW during cargo operation

### i. May 2020

- i. Curfew relaxed; 2100hrs to 0600hrs
- ii. Curfew further relaxed; 2200hrs to 0500hrs
- iii. Basic Fire Fighting for security personnel and the main office's staffs.

### j. June 2020

- i. Curfew further relaxed; 2300hrs to 0500hrs

## 8. Short Falls

As we journeyed through along the year, we could identify some shortfalls on our performances and we could only learn when we are not perfect.





We looked at ways of how we execute our core function and duties and we came up with results that sometimes we accepted wholeheartedly and as a result it questions our performances and ways of doing things and sometimes we come up with questions that tell us that certain obstacle should be addressed in such ways and such methodology.

Sometimes we underestimate things because we are often overconfidence and this really misled us sometimes. Once we identify the gaps we then are able to devise the best possible ways.

## 9. Lessons

We learned that to achieve the possible results is to look at the issues/matters cautiously and attentively and analyse the situation. We learned that there are

few acceptable ways of doing something and we have to be optimistic, proactive and be realistic and humble oneself and sincere.

We learned to be honest and be respectful to others. We have to take charge and take control. We have to avoid being too lenient execute the task with true professionalism and not fake one.

## 10. Way-forward

At every monthly meeting we attend we all agree that whatever ways and means that are feasible, practical, realistic and operable and bring about acceptable to optimum level of result are the way forward.

Committing oneself with integrity to executing one's allocated tasks no mat-

ter how small or how huge is the job, but addressing it with physical and moral courage will ultimately give the security guard the best possible result that he expects.

Doing things right with the right attitude, right mentality, honesty, and good faith in one self's potential and capabilities will always bring about the best optimum result and that is the way forward for best achievement and accomplishment.

## 11. Conclusion

It has been a challenging year for the Maritime Security as they went about doing what they were tasked to do. The Division went through three leaderships and as we all aware of the fact that every leader has his own style and he must make sure that his followers follow exactly what he wants, so this result



in the security guards being confused and in dilemma at times.

However, the guards handled this pretty well and were able to stay focused in

their job and perform to the best of their abilities.

The COVID 19 pandemic has affected a lot of people mentally and emotionally. Some security Guard businesses are really struggling and the wages/salaries out there are very low and some of them really feel it now.

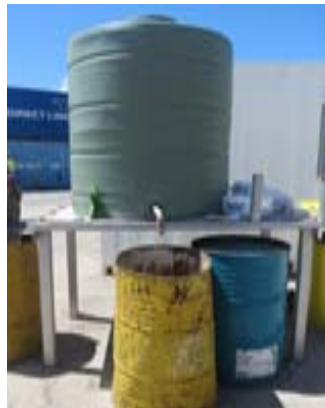
Maritime Security Guards are feeling quite safe for the meantime and are counting this as great opportunity to work and get paid and are able put food on the able and to look after their family.

This COVID 19 situation somehow motivates the guards to stay focus and perform their duties effectively and satisfactorily. The guards' overall performances have been pleasing and are continuing to improve.

CDR (Ret'd) Brisbane Lokotui  
PFSO



COVID-19 TASK FORCE AWARENESS AT QUEEN SALOTE INTERNATIONAL WHARF



## RECONCILIATION OF PERFORMANCE TO BUSINESS PLAN

30 <sup>th</sup> June 2020	Business Plan 2020	Performance 2020	Achieved/ Not Achieved	Explanation
<b>Customer Services</b>				
Staff Cost Ratio (HR cost/total operating cost)	<=45%	41%	Achieved	
Staff Down Time (absenteeism)	<=10%	14.3%	Not Achieved	More staff utilized their sick leave and Casual leave during the year in addition to vacation leave
Balanced Span of Control	1-4 employees		Achieved	
Staff Training Implementation Rate	>=80%	65%	Not Achieved	Training of staff will be targeted to improve next FY
No. training days/staff	X% increase	10% Increase	Achieved	
Staff effectiveness / performance (m = meet requirements, e = exceed requirements)	80% m 20% e		Not Achieved	PAT carried out this assessment but not completed for all quarters. There were no Increment awarded
Workforce and Succession Plan developed across the business	>=80%	<80%	Not Achieved	PAT is still working to develop this important plan for staff
Staff Satisfaction	>=80%	25%	Not Achieved	Work in progress next FY to improve this survey
Sexual Harassment	0%	0%	Achieved	
Injury Rate	<1%	0%	Achieved	
Staff Turnover	<=5%	2.5%	Achieved	
<b>Environmental</b>				
No Harbor spill cause by Authority	0%	0%	Achieved	
No health issues reported from port declared areas	0%	0%	Achieved	
Comply with environmental legislation	100%	100%	Achieved	
<b>Financial</b>				
ROE	14%	8%	Not Achieved	Attribute to drop in revenue, due to the impact of COVID-19
NPAT (\$000)	\$3.4m	\$2.1m	Not Achieved	Attribute to drop in revenue, due to the impact of COVID-19
EBIT (\$000)	\$4.7m	\$2.9m	Not Achieved	Attribute to drop in revenue, due to the impact of COVID-19
Gearing Ratio	24%	20%	Achieved	
Cash Flow from Operating Activities (\$000)	\$5.9m	\$4.3m	Not Achieved	Attribute to drop in receipt from customer, and increase in payment to supplier
Interest Cover Ratio	41	18	Not Achieved	Attribute to increase in interest expense, due to borrowing of \$1.5m from the revolving fund at BSP
<b>Operational Performance</b>				
Key Assets with documented Maintenance plan	100%	20%	Not Achieved	Work in progress with next financial year is the new deadline.
Maintenance plan establish in AMS	100%	0%	Not Achieved	Work in progress with next financial year is the new deadline.
Key assets with appropriate Asset Strategy and 5-year capital and operational plans approved by the CEO	100%	0%	Not Achieved	Work in progress with next financial year is the new deadline.
Plant down time	<10%	<10%	Achieved	



# Financial Report

Statement by Directors	61-62
Independent Auditor's Report	63-65
<b>Statement of profit or loss and other comprehensive income</b>	<b>66</b>
Statement of Financial position	67
Statement of changes in equity	68
<b>Statement of cash flows</b>	<b>69</b>
<b>Notes to and forming part of the financial statements</b>	<b>70-96</b>

**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 2020 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 2,055,260 (2019: TOP 3,311,770) after deducting income tax expense of TOP 685,492 (2019: TOP 1,092,510).

**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 1,027,630 (2019: TOP 1,655,885) 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 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 a reasonable expectation that the Authority has adequate resources to continue in operational 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.

**Statement by directors - (Cont'd)**

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 2020;
- (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 2020;
- (c) the accompanying statement of changes in equity for the year ended 30 June 2020 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 2020.

Signed in accordance with a resolution of the directors this 14 day of October 2020.

For and on behalf of the Board,

  
.....  
Chairman

  
.....  
Acting Chief Executive Officer





## Independent Auditor's Report

To the Board of Directors of Ports Authority Tonga

### Report on the audit of the financial statements

#### *Opinion*

We have audited the accompanying financial statements of Ports Authority Tonga (the 'Authority'), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 June 2020, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Authority in accordance with the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Tonga, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### *Responsibilities of Directors and Management for the Financial Statements*

Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Ports Authority Act, 1998, and for such internal control as the directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors and management are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors and management either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

The directors and management are responsible for overseeing the Authority's financial reporting process.

---

*PricewaterhouseCoopers, Level 8 Civic Tower, 272 Victoria Parade, Suva, Fiji.  
GPO Box 200, Suva, Fiji.  
T: (679)3313955 / 3315199, F: (679) 3300947*

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.
- Conclude on the appropriateness of the directors and managements use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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



### **Report on Other Legal and Regulatory Requirements**

In our opinion the financial statements have been prepared in accordance with the requirements of the Ports Authority Act, 1998 in all material respects, and;

- a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b) the Authority has kept financial records sufficient to enable the financial statements to be prepared and audited.

### **Restriction on Use**

This report is made solely to the Authority's Board of Directors, as a body, in accordance with Section 396(1) of the Ports Authority Act, 1998. Our audit work has been undertaken so that we might state to the Authority's Board of Directors those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

**PricewaterhouseCoopers**  
**Chartered Accountants**

A handwritten signature in blue ink, appearing to read 'Kaushick Chandra'.

**Kaushick Chandra**  
**Partner**

**14 October 2020**  
**Suva, Fiji**

	Notes	2020 TOP	2019 TOP
Revenue	5 (a)	11,748,210	12,435,713
Other income		<u>351,219</u>	<u>989,486</u>
Total income		12,099,429	13,425,199
Depreciation and amortisation	13, 14, 15, 16	( 2,300,560)	( 2,044,476)
Administrative and other operating expenses	5 (b)	( 2,921,612)	( 2,974,418)
Personnel expenses	6	<u>( 3,972,087)</u>	<u>( 3,997,017)</u>
<b>Profit from operations</b>		2,905,170	4,409,286
Finance income		5,270	107,121
Finance cost		<u>( 169,688)</u>	<u>( 112,127)</u>
Finance cost - net		<u>( 164,418)</u>	<u>( 5,006)</u>
<b>Profit from operations before tax</b>		2,740,752	4,404,280
Income tax expense	7 (a)	<u>( 685,492)</u>	<u>( 1,092,510)</u>
<b>Profit after tax</b>		2,055,260	3,311,770
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>2,055,260</u> =====	<u>3,311,770</u> =====

The above statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 70 to 96.


**PORTS AUTHORITY TONGA**

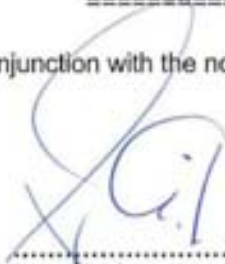
**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Notes	2020 TOP	2019 TOP
<b>Current assets</b>			
Cash and cash equivalents	8	616,997	2,787,347
Other financial assets at amortised cost	9	1,229,016	1,040,394
Inventories	10	96,150	142,144
Trade receivables	11	281,221	364,871
Other receivables and prepayments	12	<u>1,242,190</u>	<u>1,609,147</u>
<b>Total current assets</b>		<u>3,465,574</u>	<u>5,943,903</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	25,821,787	23,503,191
Investment properties	14	991,162	1,094,931
Right of use asset	16(a)	201,505	-
Intangible assets	15	<u>127,039</u>	<u>198,238</u>
<b>Total non-current assets</b>		<u>27,141,493</u>	<u>24,796,360</u>
<b>Total assets</b>		<u>30,607,067</u>	<u>30,740,263</u>
<b>Current liabilities</b>			
Trade payables		130,767	554,590
Other payables and accruals	17	595,817	340,642
Borrowings	18	813,324	861,696
Lease liabilities	16 (b)	326	-
Dividend payable	19	1,070,471	2,526,669
Income tax payable	7 (c)	<u>600,824</u>	<u>1,047,479</u>
<b>Total current liabilities</b>		<u>3,211,529</u>	<u>5,331,076</u>
<b>Non-current liabilities</b>			
Borrowings	18	2,067,688	1,396,992
Lease liabilities	16 (b)	203,963	-
Deferred tax liability	7 (b)	<u>549,973</u>	<u>465,911</u>
<b>Total non-current liabilities</b>		<u>2,821,624</u>	<u>1,862,903</u>
<b>Total liabilities</b>		<u>6,033,153</u>	<u>7,193,979</u>
<b>Net assets</b>		<u>24,573,914</u>	<u>23,546,284</u>
<b>Equity</b>			
Capital	20	10,949,097	10,949,097
General reserve	21	<u>13,624,817</u>	<u>12,597,187</u>
<b>Total equity</b>		<u>24,573,914</u>	<u>23,546,284</u>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 70 to 96.

For and on behalf of the Board,

  
Chairman

  
Acting Chief Executive Officer

**PORTS AUTHORITY TONGA****STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2020**

		<b>Capital</b>	<b>General Reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>Notes</b>	<b>TOP</b>	<b>TOP</b>	<b>TOP</b>	<b>TOP</b>
Balance at 1 July 2018		10,949,097	10,941,302	-	21,890,399
Net profit for the year		-	-	3,311,770	3,311,770
Dividend payable – current year profits	19	-	-	( 1,655,885)	( 1,655,885)
Transfer to general reserve	21	<u>-</u>	<u>1,655,885</u>	<u>( 1,655,885)</u>	<u>-</u>
Balance at 30 June 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 profits	19	-	-	( 1,027,630)	( 1,027,630)
Transfer to general reserve	21	<u>-</u>	<u>1,027,630</u>	<u>( 1,027,630)</u>	<u>-</u>
Balance at 30 June 2020		<u>10,949,097</u>	<u>13,624,817</u>	<u>-</u>	<u>24,573,914</u>

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 70 to 96.

**PORTS AUTHORITY TONGA****STATEMENT OF CASH FLOWS  
YEAR ENDED 30 JUNE 2020**

	<b>Notes</b>	<b>2020 TOP</b>	<b>2019 TOP</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		12,550,036	12,709,279
Payment to employees and suppliers		( 6,997,684)	( 6,316,296)
Cash generated from operations		5,552,352	6,392,983
Income taxes paid		( 1,048,085)	( 1,094,245)
Interest paid		( 169,688)	( 112,127)
Interest received		5,270	103,280
<b>Net cash generated from operating activities</b>		<u>4,339,849</u>	<u>5,289,891</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of PPE		8,110	-
(Purchase)/maturity of term deposits		( 188,622)	729,545
Payment for property, plant and equipment		( 4,467,877)	( 6,868,985)
<b>Net cash used in investing activities</b>		<u>( 4,648,389)</u>	<u>( 6,139,440)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,500,000	1,500,000
Dividends paid		( 2,483,828)	( 1,595,177)
Repayment of borrowings		( 877,676)	( 490,808)
Repayment of lease liability		( 306)	-
<b>Net cash used in financing activities</b>		<u>( 1,861,810)</u>	<u>( 585,985)</u>
Net decrease in cash and cash equivalents		( 2,170,350)	( 1,435,534)
Cash and cash equivalents at the beginning of the year		<u>2,787,347</u>	<u>4,222,881</u>
<b>Cash and cash equivalents at the end of the year</b>	8	616,997	2,787,347
		=====	=====

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 70 to 96.

**PORTS AUTHORITY TONGA**

**1. GENERAL INFORMATION**

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

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

Its functions are to establish, improve, maintain, operate and manage ports services and facilities in 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.

The financial statements were approved by the Board of Directors on 14 October 2020.

*(i) New standards adopted by the authority*

**IFRS 16 'Leases'**

IFRS 16 Leases (IFRS 16) is applicable for annual reporting periods beginning on or after 1 January 2019. The Authority has applied IFRS 16 with a date of initial application of 1 July 2019, as permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019. Comparatives for the prior year have not been restated.

The adoption of IFRS 16 resulted in changes in accounting policies and presentation. The nature and effects of the key changes to the Authority resulting from its adoption of IFRS 16 are summarised below.

On adoption of IFRS 16, the Authority recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Authority's incremental borrowing rate as of 1 July 2019. 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 an asset of similar value to the right of use asset in a similar economic environment.

Cash payments for the principal portion of the lease liabilities amounting to \$306 were presented as cash flows from financing activities for the year ended 30 June 2020. Cash payments for the interest portion amounting to \$13,094 were presented as cash flows from operating activities for the year ended 30 June 2020.



**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(a) Basis of Preparation – (Cont'd)**

*(i) New standards adopted by the authority – (Cont'd)*

**IFRS 16 ‘Leases’ – (Cont'd)**

The following reconciles the Authority’s operating lease commitments at 30 June 2019 to lease liabilities recognised as at 1 July 2019:

Operating lease commitments at 30 June 2019	946,200
Discounted using the incremental borrowing rate of at the date of initial application	204,594
- Recognition exemption for short-term	-
- Recognition exemption for low-value leases	-
Lease liabilities recognised at 1 July 2019	204,594

The associated right-of-use assets were measured at the amount equal to the lease liabilities as at 1 July 2019.

In applying IFRS 16 for the first time, the Authority has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Authority has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The following table summarises the impacts of adopting IFRS 16 on the Authority’s statement of financial position. There was no material impact on the Authority’s statement of comprehensive income and statement of cash flows for the year ended 30 Jun 2020. Line items that were not affected by the changes have not been included.

Statement of financial position (extract)	30 June 2020 TOP	IFRS 16 TOP	1 July 2019 TOP
<b>Assets</b>			
Right-of-use assets	-	204,594	204,594
<b>Liabilities</b>			
Lease liabilities - current	-	306	306
Lease liabilities - non-current	-	204,288	204,288

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(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 a reasonable expectation that the Authority has adequate resources to continue in operational 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) Transactions and balances*

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

**(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 capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

**(f) Intangible assets**

*Computer software*

Acquired computer software licences, which have a finite life, are capitalised 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 one year, are recognised as intangible assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Impairment of non-financial assets

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

(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 the underlying asset or the site on which it is located, less any lease incentives received.

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 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.

Assets 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:

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(h) Leases - (Cont'd)**

***Policy applicable from 1 July 2019 - (Cont'd)***

**As a lessee - (Cont'd)**

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:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- 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 operating 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 operating activities

**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.

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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(h) Leases - (Cont'd)**

***Policy applicable from 1 July 2019 - (Cont'd)***

**As a lessor- (Cont'd)**

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 the classification of a sub-lease with reference to the right-of-use 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 operating leases. Payments made under operating 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.

**(j) Trade and other receivables**

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

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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(j) Trade and other receivables - (Cont'd)**

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

**(k) Inventories**

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

**(l) Borrowings**

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

**(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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(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:

<b>Revenue type</b>	<b>Nature, timing of satisfaction of performance obligations and significant payment terms</b>
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 off-loading cargo (containers, vehicles, heavy machinery etc.) from the vessels 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 ships berths at the port, berthage fees is charged to various vessels calling into to 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 invoices to the customers based on the hours berthed 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>
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>



**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(p) Revenue – (Cont'd)**

Revenue type	Nature, timing of satisfaction of performance obligations and significant payment terms
Storage	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.  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.
Rental income	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.  Revenue is measured at the transaction price agreed under the rental lease agreement. Payment term is 30 days.
Slipway, Plant and equipment hire, service recoveries and others	This represents income earned from slipway, plant and equipment hires, service recoveries and other similar services.  Income associated with these services are recognised on receipt and when the goods/services have been provided. Revenue is measured at the transaction prices (tariff rates) as per government legislated gazette. Payment term is 30 days.

**(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 affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

**PORTS AUTHORITY TONGA**

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(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:

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

The classification depends on the Authority's business model for managing the financial statements and the contractual terms 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 they 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:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Financial instruments – (Cont'd)

*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:

- 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
- 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 or 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 amounts.

(w) **Rounding**

Amounts 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
- (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 assets, 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:

	<b>2020 TOP</b>	<b>2019 TOP</b>
Balance at beginning of year	347,545	347,545
Impairment losses recognised	( 9,709)	-
Balance at end of year (Note 11)	337,836	347,545

While cash and cash equivalents, other financial assets 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 this 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.

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020**

**PORTS AUTHORITY TONGA**

**3. FINANCIAL RISK MANAGEMENT (Cont'd)**

**(i) Credit risk (Cont'd)**

The following table provides analysis about the exposure to credit risk and expected credit losses for trade receivables as at 30 June 2020:

	<b>Expected weighted average loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
		\$	\$
<b>Trade receivables</b>			
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 days past due	100%	204,316	204,316
<b>Total</b>		<b>619,057</b>	<b>337,836</b>

The following table provides analysis about the exposure to credit risk and expected credit losses for trade receivables as at 30 June 2019:

	<b>Expected weighted average loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
		\$	\$
<b>Trade receivables</b>			
1 to 30 days past due	28%	466,243	128,311
31 to 60 days past due	53%	52,293	27,751
61 to 90 days past due	88%	20,336	17,939
More than 90 days past due	100%	173,544	173,544
<b>Total</b>		<b>712,416</b>	<b>347,545</b>

**(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.

	<b>2020 TOP</b>		<b>2019 TOP</b>	
	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>
<b>Financial liabilities</b>				
Loans and borrowings	813,324	2,067,688	861,696	1,396,992
Trade payables	130,767	-	554,590	-
Other payables and accruals	595,817	-	340,642	-
Lease Liabilities	13,400	919,400	-	-
	<u>1,553,308</u>	<u>2,987,088</u>	<u>1,756,928</u>	<u>1,396,992</u>
	=====	=====	=====	=====

**3. FINANCIAL RISK MANAGEMENT (Cont'd)**

**(iii) Market risk**

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

Interest rate risk

Cash flow interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. 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 loans.

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

	<b>2020</b>	<b>2019</b>
	<b>TOP</b>	<b>TOP</b>
<u>Variable rate instruments</u>		
Borrowing – Bank South Pacific Tonga Limited	2,881,012	2,258,688
	=====	=====

Sensitivity analysis

A 1% change in the interest rate would have approximately TOP 10,543 (2019: TOP 7,521) impact on interest expense.

**(iv) Operational risk**

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

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

**3. FINANCIAL RISK MANAGEMENT (Cont'd)**

**(v) Capital risk management**

The Authority's objectives when managing capital are to safeguard the organisation'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 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
	<b>TOP</b>	<b>TOP</b>
Total borrowings (Note 18)	2,881,012	2,258,688
Less: Cash and cash equivalents (Note 8)	<u>616,997</u>	<u>2,787,347</u>
Net debt	2,264,015	( 528,659)
Total equity (Page 7)	<u>24,573,914</u>	<u>23,546,284</u>
Net debt to equity ratio	9%	-2%

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

*(i) 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 judgements 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.

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 2019. 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 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**

	<b>2020 TOP</b>	<b>2019 TOP</b>
<b>(a) Revenue</b>		
International seaward		
- wharfage	4,627,648	4,725,740
- berthage	2,005,600	2,810,035
- handling	2,828,334	3,459,339
Local seaward	366,411	305,891
Storage	755,274	660,815
Slipway	16,261	22,072
Plant and equipment hire	764,589	100,951
Rental income	292,741	230,675
Services recoveries and others	<u>91,352</u>	<u>120,195</u>
	<u>11,748,210</u>	<u>12,435,713</u>
	=====	=====

**(b) Administrative and other operating expenses**

Included in administrative and other operating expenses are the following:

Auditor's remuneration	26,800	26,800
Consultants fees	66,240	34,600
Director's fees	59,916	80,426
Donation	29,103	3,500
Fuel	33,564	46,252
Insurance	613,652	457,919
Legal fees	1,750	16,200
(Gain)/Loss on disposal of property, plant and equipment	(105,199)	267,217
Repairs and maintenance	370,763	719,457

**6. PERSONNEL EXPENSES**

Wages and salaries	3,064,645	2,843,736
Superannuation contributions to National Retirement Fund	275,792	286,337
Overtime and annual leave	<u>631,650</u>	<u>866,944</u>
	<u>3,972,087</u>	<u>3,997,017</u>
	=====	=====
Number of permanent staff at end of the year	<u>154</u>	<u>157</u>
	=====	=====



**PORTS AUTHORITY TONGA**

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020**

**7. INCOME TAX**

	<b>2020 TOP</b>	<b>2019 TOP</b>
<b>(a) Income tax expense</b>		
Income tax expense recognised in the statement of profit or loss and other comprehensive income:		
Current tax expense	601,430	1,054,973
Over/(Under) provision in prior years	304	( 8,560)
Temporary differences	<u>83,758</u>	<u>46,097</u>
Income tax expense	685,492	1,092,510
	=====	=====
<b>Reconciliation of income tax expense</b>		
Operating profit	2,740,752	4,404,280
Prima facie income tax expense @ 25%	685,188	1,101,070
Over/(Under) provision in prior years	<u>304</u>	<u>( 8,560)</u>
Income tax expense	685,492	1,092,510
	=====	=====
<b>(b) Deferred tax liability (net)</b>		
Provision for doubtful debts	84,458	86,887
Property, plant and equipment	<u>( 634,431)</u>	<u>( 552,798)</u>
	<u>( 549,973)</u>	<u>( 465,911)</u>
	=====	=====

Movement in temporary differences during the year comprise of the following

	<b>1 July 2018</b>	<b>Recognised in profit or loss</b>	<b>30 June 2019</b>
Provision for doubtful debts	86,887	-	86,887
Property, plant and equipment	<u>( 515,261)</u>	<u>( 37,537)</u>	<u>( 552,798)</u>
	<u>( 428,374)</u>	<u>( 37,537)</u>	<u>( 465,911)</u>
	<b>1 July 2019</b>	<b>Recognised in profit or loss</b>	<b>30 June 2020</b>
Provision for doubtful debts	86,887	( 2,429)	84,458
Property, plant and equipment	<u>( 552,798)</u>	<u>( 81,633)</u>	<u>( 634,431)</u>
	<u>( 465,911)</u>	<u>( 84,062)</u>	<u>( 549,973)</u>

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020**

**PORTS AUTHORITY TONGA**

**7. INCOME TAX (Cont'd)**

**(c) Income tax payable**

	<b>2020 TOP</b>	<b>2019 TOP</b>
Balance at 1 July	1,047,479	1,086,751
Current year tax expense	601,430	1,054,973
Income tax paid including withholding tax on interest income	<u>( 1,048,085)</u>	<u>( 1,094,245)</u>
<b>Balance at 30 June</b>	<b>600,824</b>	<b>1,047,479</b>
	=====	=====

**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:

	<b>2020 TOP</b>	<b>2019 TOP</b>
Cash at bank	616,167	1,891,940
Insurance fund	-	76,140
Cash on hand	830	830
Short term deposits	<u>-</u>	<u>818,437</u>
	<b>616,997</b>	<b>2,787,347</b>
	=====	=====

The accounting policy adopted is set out in note 2(i).

The insurance fund was set aside to cover for the life insurance benefit provided to the directors and staff of the Authority. A fixed amount was transferred to this account each month and is to be used for the settlement of claims arising from this benefit. The Authority has outsourced its life insurance cover in 2020.

**9. OTHER FINANCIAL ASSETS AT AMORTISED COST**

	<b>2020 TOP</b>	<b>2019 TOP</b>
Term deposits	312,016	123,394
Government bonds	<u>917,000</u>	<u>917,000</u>
	<b>1,229,016</b>	<b>1,040,394</b>
	=====	=====

The average interest rate on term deposits in 2020 was 1.75% (2019: 6.5%) and the average maturity term is 365 days (2019: 365 days). The average interest rate on Government bonds in 2020 is 3% and the average maturity term is 6 years.

	<b>2020 TOP</b>	<b>2019 TOP</b>
<b>10. INVENTORIES</b>		
Bunker fuel	70,315	116,309
Overhaul inventory	<u>25,835</u>	<u>25,835</u>
	<b>96,150</b>	<b>142,144</b>
	=====	=====

**PORTS AUTHORITY TONGA**

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020**

**11. TRADE RECEIVABLES**

	<b>2020 TOP</b>	<b>2019 TOP</b>
<b>Trade Receivables</b>		
Gross receivables	619,057	712,416
Less allowance for impairment losses	( 337,836)	( 347,545)
	281,221	364,871
	=====	=====

**12. OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables	981,808	109,017
Consumption tax receivable	<u>260,382</u>	<u>1,500,130</u>
	1,242,190	1,609,147
	=====	=====

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020**

**PORTS AUTHORITY TONGA**

**13. PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings TOP	Wharves and associated facilities TOP	Onshore equipment TOP	Offshore equipment TOP	Navigation aids TOP	Furniture and fittings TOP	Work in Progress TOP	Total TOP
<b>At 1 July 2018</b>								
Cost	6,218,732	15,353,567	8,625,554	10,606,908	756,561	1,026,792	663,794	43,251,908
Accumulated depreciation and impairment	(668,458)	(8,435,981)	(4,203,007)	(9,819,743)	(544,082)	(804,434)	-	(24,475,705)
<b>Net book amount</b>	<b>5,550,274</b>	<b>6,917,586</b>	<b>4,422,547</b>	<b>787,165</b>	<b>212,479</b>	<b>222,358</b>	<b>663,794</b>	<b>18,776,203</b>
<b>Year ended 30 June 2019</b>								
Opening net book amount	5,550,274	6,917,586	4,422,547	787,165	212,479	222,358	663,794	18,776,203
Additions	162,753	154,820	1,975,706	3,106,664	-	-	1,463,043	6,862,986
Disposals	(272,188)	-	-	-	-	-	-	(272,188)
Transfers	-	51,169	20,438	-	-	163,021	(234,628)	-
Depreciation charge for the year	(109,997)	(537,026)	(806,331)	(182,940)	(28,529)	(198,987)	-	(1,863,810)
<b>Closing net book amount</b>	<b>5,330,842</b>	<b>6,586,549</b>	<b>5,612,360</b>	<b>3,710,889</b>	<b>183,950</b>	<b>186,392</b>	<b>1,892,209</b>	<b>23,503,191</b>
<b>At 30 June 2019</b>								
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)
<b>Net book amount</b>	<b>5,330,842</b>	<b>6,586,549</b>	<b>5,612,360</b>	<b>3,710,889</b>	<b>183,950</b>	<b>186,392</b>	<b>1,892,209</b>	<b>23,503,191</b>
<b>Year ended 30 June 2020</b>								
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)
Transfers	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)
<b>Closing net book amount</b>	<b>6,140,023</b>	<b>6,274,765</b>	<b>4,740,161</b>	<b>6,139,035</b>	<b>164,344</b>	<b>108,055</b>	<b>2,255,404</b>	<b>25,821,787</b>
<b>At 30 June 2020</b>								
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)
<b>Net book amount</b>	<b>6,140,023</b>	<b>6,274,765</b>	<b>4,740,161</b>	<b>6,139,035</b>	<b>164,344</b>	<b>108,055</b>	<b>2,255,404</b>	<b>25,821,787</b>

**PORTS AUTHORITY TONGA****NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020****14. INVESTMENT PROPERTIES**

	<b>TOP</b>
<b>At 1 July 2018</b>	
Cost	2,991,009
Accumulated depreciation	( 1,792,309)
<b>Net book amount</b>	<u>1,198,700</u>
<b>Year ended 30 June 2019</b>	
Opening net book amount	1,198,700
Depreciation charge for the year	( 103,769)
<b>Closing net book amount</b>	<u>1,094,931</u>
<b>At 30 June 2019</b>	
Cost	2,991,009
Accumulated depreciation	( 1,896,078)
<b>Net book amount</b>	<u>1,094,931</u>
<b>Year ended 30 June 2020</b>	
Opening net book amount	1,094,931
Depreciation charge for the year	( 103,769)
<b>Closing net book amount</b>	<u>991,162</u>
<b>At 30 June 2020</b>	
Cost	2,991,009
Accumulated depreciation	( 1,999,847)
<b>Net book amount</b>	<u>991,162</u> =====

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

**15. INTANGIBLE ASSETS**

	<b>Computer Software TOP</b>
<b>Cost 30 June 2019</b>	389,993
Additions	13,327
Disposals	-
<b>Cost 30 June 2020</b>	<u>403,320</u>
<b>Accumulated amortisation at 30 June 2019</b>	( 191,755)
Annual Amortisation	( 84,526)
<b>Accumulated amortisation at 30 June 2020</b>	<u>( 276,281)</u>
<b>Carrying amount - 30 June 2019</b>	<u>198,238</u>
<b>Carrying amount - 30 June 2020</b>	<u>127,039</u> =====

**16. RIGHT OF USE ASSET AND LEASE LIABILITIES**

The Authority leases land for its operations and the term of land lease ranges from fifty to ninety-nine years.

Information about leases for which the Authority is a lessee is presented below.

**(a) Right of use asset**

The statement of financial position shows the following amounts relating to right-of-use assets:

	<b>Land TOP</b>
Balance as at 30 June 2019	204,594
Additions	-
Depreciation charge for the year	(3,089)
<b>Balance as at 30 June 2020</b>	<b><u>201,505</u></b>

**(b) Lease Liabilities**

Lease liabilities included in the statement of financial position as at 30 June 2020 consist of:

	<b>2020 TOP</b>
Current	326
Non-current	203,963
<b>Total lease liabilities at 30 June 2020</b>	<b><u>204,289</u></b>

The statement of comprehensive income shows the following amounts relating to leases:

	<b>2020 TOP</b>
Depreciation charge of right-of-use assets	3,089
Interest expense	13,094
Expense relating to low value and short-term leases	-
Cash outflow for leases:	
	<b>2020 TOP</b>
Repayment of principal lease liabilities	306
Interest Expense	13,094
	<u>13,400</u>
Rental expense – low value and short term leases	-
<b>Total</b>	<b><u>13,400</u></b>

**PORTS AUTHORITY TONGA****NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020****17. OTHER PAYABLES AND ACCRUALS**

	<b>2020 TOP</b>	<b>2019 TOP</b>
Accrued expenses	501,003	209,449
Sundry payables	<u>94,814</u>	<u>131,193</u>
	<u>595,817</u>	<u>340,642</u>
	=====	=====

**18. BORROWINGS**

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

	<b>2020 TOP</b>	<b>2019 TOP</b>
<b>Non-current</b>		
Secured bank loan	<u>2,067,688</u>	<u>1,396,992</u>
	<u>2,067,688</u>	<u>1,396,992</u>
	=====	=====
<b>Current</b>		
Secured bank loan	<u>813,324</u>	<u>861,696</u>
	<u>813,324</u>	<u>861,696</u>
	=====	=====

The secured loan is from Bank South Pacific Tonga Limited. Authority has a revolving loan facility of TOP 3m, of which TOP 1,500,000 was drawn down in 2019 and TOP 1,500,000 was drawn down in 2020. The loan is repayable by monthly instalments of TOP 43,250 and interest is charged at 6.40% per annum.

The Bank South Pacific Tonga Limited bank loan is secured over all present and after acquired property and assets and undertakings including uncalled and called capital of Ports Authority Tonga.

**19. DIVIDEND PAYABLE**

	<b>2020 TOP</b>	<b>2019 TOP</b>
Balance - 1 July	2,526,669	2,465,961
Dividend paid	( 2,483,828)	( 1,595,177)
Dividend declared and paid during the year	-	-
Dividend payable – current year profits	<u>1,027,630</u>	<u>1,655,885</u>
Balance - 30 June	<u>1,070,471</u>	<u>2,526,669</u>
	=====	=====

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

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS (Cont'd)  
YEAR ENDED 30 JUNE 2020**

**PORTS AUTHORITY TONGA**

**20. CAPITAL**

	<b>2020 TOP</b>	<b>2019 TOP</b>
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. COMMITMENTS 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 the Premises (Land, building, wharf etc) of the Outer Islands Ports, both domestic and international, be transferred to Ports Authority Tonga.

On 24 April 2019, His Majesty's Cabinet approval CD No 219 dated 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 Taufa'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 commitments in respect of capital projects as at end of financial year – TOP \$871,162 (2019: TOP 713,560).

**23. RELATED PARTIES**

**(a) Directors**

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

Mr. Daniel Kimball Fale – 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. Seventini Toumo'ua – Deputy (Reappointed 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 15th September 2020)  
Dr. Sione Ngongo Kioa - Chairman (Resigned on 28th February 2020)  
Dr. Sitiveni Halapua – Director (Resigned on 7th September 2020)  
Mr. Sateki 'Ahio – Director (Resigned on 31st August 2020)  
Mr. Fine Tohi – Director (Passed away 3rd January 2020)



**23. RELATED PARTIES (Cont'd)**

**(a) Directors (Cont'd)**

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

**(b) Amounts payable to related entities**

	<b>2020 TOP</b>	<b>2019 TOP</b>
<u>Government</u>		
Dividend payable	1,070,471	2,526,669
	=====	=====

**(c) Amounts receivable from related entities**

<u>Government</u>		
Trade receivables (gross)	603	8,090
Trade payables (gross)	980	179

**(d) Investment in Government Bonds**

917,000	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 698,235 (2019: TOP 17,613).

The Authority pays the Government for advertising, repairs and maintenance, lease and other services. Expenses relating to these amounted to TOP 1,641,012 (2019: TOP 1,153,649).

Dividend paid to Government amounted to TOP 2,483,828 (2019: TOP 1,595,177).

**(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 General Manager, Port Master, Human Resource Manager, Infrastructure and Technical Services Manager, Chief Financial Officer, Operations Manager and the Risk and Compliance Manager.

Key management compensation is disclosed as follows:

	<b>2020 TOP</b>	<b>2019 TOP</b>
Salaries and other short term benefits	665,730	791,197
	=====	=====

**24. LEASING ARRANGEMENTS**

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

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	<b>2020 TOP</b>	<b>2019 TOP</b>
Within one year	365,286	357,650
Later than one year but not later than 5 years	391,213	545,196
Later than 5 years	<u>479,975</u>	<u>435,600</u>
	1,236,474	1,338,446
	=====	=====

**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.



