

# Annual Report 2014



**PNC PORTS**  
CORPORATION



PORTS FOR PROSPERITY













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# About PNG Ports Corporation Limited





An aerial photograph of a port facility. In the foreground, there is a large, dark, paved area, possibly a parking lot or a storage yard, with some buildings and structures. A long, straight pier or breakwater extends from the shore into the water. To the left, a large ship is docked at a quay, and a barge is visible in the water. The water is a murky green color. The sky is a clear, deep blue.

## VISION

To be Papua New Guinea's premier gateway for maritime trade.

## MISSION

PNG Ports Corporation Limited will be the leading;

- Trade facilitator,
  - Terminal Operator,
  - Seaport developer; and
  - Seaport administrator
- by providing internationally competitive gateway facilities and services through superior customer focus.



# About PNG Ports Corporation Limited

## VALUES







## Service Excellence

To strive to serve our customers efficiently, competently and courteously. This will be reflected in our ongoing commitment to provide the necessary technical and soft skill training to support our personnel to ensure continuous improvement in service delivery.

## Commercially Astute

We are committed to maximising our shareholder value and mitigating risks through an established risk management framework.

## Forward Thinking and Improvement

We are dedicated to improving every aspect of the organisation's business activities through a commitment to learning, innovation, communication and investing in technical and world class port management practices.

## Safety and Security First

Safety and security are our priority in everything we do.

## Teamwork

We are committed to operating on the basis of teamwork and mutual respect, whilst maximising professional growth and the development of our employees.

## Zero Tolerance

We have a zero tolerance approach to fraud and corruption within the organisation. All employees are expected to act with integrity and honesty at all times.

## Sustainable Outcomes

We are committed to servicing the community whilst ensuring that appropriate systems and policies are in place to mitigate any social and environmental impact of our activities.



# About PNG Ports Corporation Limited

## OVERVIEW

### PNG Ports Corporation Limited Overview

PNG Ports Corporation Limited ('PNGPCL') prides itself as Papua New Guinea's gateway to maritime trade and a key player in providing sea transport infrastructure throughout our network of 16 ports in the Maritime Provinces across the country.

Our core services include wharfage, berthage, berth reservation, pilotage, cargo and container storage, stevedoring access and administration of stevedoring licences.

As a fully corporatised State Owned Entity ('SOE'), PNGPCL's ownership is vested in trust with the Independent Public Business Corporation ('IPBC') on behalf of the State. Its powers and functions are governed by the Harbours Act Chapter 240.

Through an instrument of delegation by the Department of Transport ('DoT'), PNGPCL is responsible for the harbour management and maritime compliance functions at all land/water interfaces (wharves and jetties), declared and non-declared ports and harbours throughout the country.

PNGPCL's core business is regulated under the Independent Consumer and Competition Act 2002 by the economic regulator – the Independent Consumer & Competition Commission ('ICCC') through an enforceable

and binding Regulatory Contract between PNGPCL and the ICCC. The regulatory contract governs the price path to be applied by PNGPCL for the period of five (5) years.

Since its corporatisation in 2002, PNGPCL has over the years injected significant capital outlay on the rehabilitation, development and modernisation of the port network in order to improve overall its efficiency and productivity. PNGPCL is also committed to ensuring that it supports the National Government's broader economic and development policy in achieving the country's development goals for maritime infrastructure.







# About PNG Ports Corporation Limited

## OUR 16 PORTS



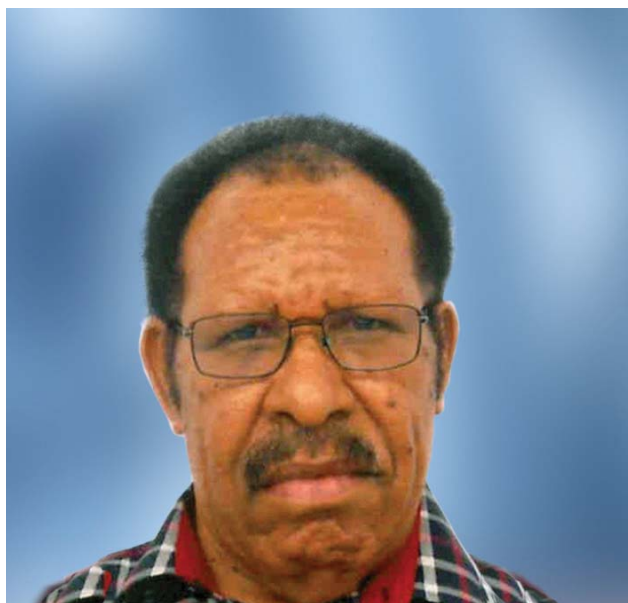


The 16 ports owned and operated by PNGPCL is spread through-out the maritime provinces of Papua New Guinea. The port of Samarai is operated under an agency management.





## CHAIRMAN'S REPORT



I am delighted to present to all our stakeholders, valued clients and the general public the PNG Ports Corporation Limited ('PNGPCL') 2014 Annual Report.

In the financial year (FY) 2014, the company made an after-tax profit of K8 million. This was an upward improvement from the previous FY 2013 that recorded a loss of K18.3 million. The restated figure of K18.3 million in contrast to the K28.5 million after-tax profit that was reflected in the company's 2013 Annual Report, is the outcome of adjustments made to the company's 2013 accounts by the Auditor General's office.

PNGPCL's balance sheet for the FY 2014 showed an asset value of K1.3 billion. This indicated a 1.5% growth from the corresponding period which was mainly attributed to an increase in the company's cash at bank, trade and receivables. The company's debt level was also managed well with results showing a debt ratio of 40 percent which is below the 50 percent industry benchmark. Owner's equity recorded K790 million, an increase of 1 percent from the corresponding period.

The operating revenue for FY2014 rose by 8 percent (K19.5 million) from the corresponding period with a total of K242 million. This is a reflection of the increase in the company's revenue streams with cargo and container throughput levels climbing steadily by 3 percent and 4 percent respectively in FY 2014 as compared to the previous year.

PNGPCL remains focused on fulfilling its obligation as a state owned entity in line with the National Government's medium term



development strategies. Part of this is the company's commitment to rehabilitating the core port infrastructure for the entire ports network in order to improve our port operations.

PNGPCL committed a total budget of K 815.5 million for the financing of the ongoing capital expenditure projects from 2013 to 2015 as part of the forward capital expenditure plan.

These capital expenditure projects include amongst others, the development of the Lae Port Tidal Basin of which phase 1 was commissioned and completed on the 17th December 2014. The K800 million project was a milestone achievement for PNGPCL co-funded by a loan from Asian Development Bank and the Government of Papua New Guinea. Other major projects which are ongoing include the Lae berth 3 extension which is valued at K150 million, the Kavieng port storage facility which is in construction at the cost of K4 million and is expected to be completed in 2015, the Oro bay Trestles Rehabilitation which is valued at K11 million and the Kimbe Coastal Wharf Permanent structure valued at K49 million. The completion of these projects are expected to bring about significant improvements to the port operations.

PNGPCL will continue to be committed to supporting the National Government in providing services to the people of PNG and the business communities through maritime infrastructure. I would like to conclude my report by thanking

members of the Board, the Chief Executive Officer Mr. Stanley Alphonse, his dedicated executive management team and staff of

PNGPCL for the company's achievements this year. I certainly look forward to the same level of dedication and support in 2015 and beyond.



**Nathaniel Poya, OBE**  
Chairman



## CHIEF EXECUTIVE OFFICER'S REPORT



2014 has been a good year for PNGPCL in terms of our financial and operational performance. In FY2014, PNGPCL recorded an overall cargo throughput of 7.6 million revenue tonnes (insert) representing a marginal 3 percent growth from the previous year. Container trade improved by 4 percent recording 357,000 Twenty-foot Equivalent Units ('TEU's) whilst the number of Vessel calls registered was 6, 711 representing a slight 2 percent drop from the corresponding period.

Lae, Port Moresby and Kimbe port continue to maintain their respective positions as the top three ports that cater for a majority of the company's domestic and international trade and hence revenues. Lae port handled 49 percent of the ports overall cargo volumes, followed by Port Moresby port handling 23 percent, and Kimbe port with 8 percent. These three ports earned 80 percent of the company's operating revenue. The operations of the other ports are cross subsidised with revenues from the profitable ports. This therefore enables the continuity and sustainability of the operations of non-profitable ports.

In terms of financial performance, PNGPCL earned an after tax profit of K8 million which reflected a recovery from the K18.3 million loss in the FY 2013. The company also achieved a reasonably good financial position maintaining its asset value at K1.3 billion whilst debt levels were managed well at 10% below the benchmark of 50%. Operating revenues increased by 8 percent with a record of K242 million. The management is confident that revenue levels will continue to pick up in the coming year going forward after the completion of all the major port capital expenditure projects that are aimed at enhancing productivity and efficiency.

The port capital expenditure projects aimed at upgrading our core infrastructure are progressing well. The first phase of the Lae



port tidal basin project valued at over K800 million was completed and commissioned this year. The new facility will revolutionise the entire port operations by bringing about significant improvements to the port particularly increasing the capacity to accommodate larger shipping liners, increasing yard space for movement and storage of cargo, reducing vessel turnaround times and other port related efficiencies. The project for the construction of the new permanent multipurpose wharf structure at the port of Kimbe was awarded to Curtain Brothers in May this year at the cost of K49 million and is now in its preparation stage. The facility will cater for the growing number of international vessels that call into the port as a result of the growing multibillion kina oil palm industry in West New Britain Province. The project is timely and is expected to be completed in mid-2015. Other port infrastructure projects in progress include the Kavieng port storage facility and Oro bay trestles rehabilitation.

In the company's Human resource front, human capital assets continue to remain vital assets to PNGPCL's success. As such continues training programs have been rolled out this year to up-skill and enhance the knowledge of employees so that they perform their roles diligently and meet the future needs of the company in an ever changing business environment. I am pleased to declare that PNGPCL has at present total staff strength of 752.

PNGPCL as part of its community service initiatives and consistent with its corporate social responsibility, continues to provide sponsorships and donations to various social oriented activities at a value of over K700, 000. To further reinforce its company values, the company also joined civil societies and other corporate bodies throughout the country to observe important dates in the social calendar such as White Ribbon Day (Elimination of Violence against Women & Children), Red Ribbon Day (World HIV/Aids Day) and Pink Ribbon Day (Awareness on Breast Cancer).

FY2014 has indeed proven to be a good year for PNGPCL and I'm confident that the organisation will continue to perform beyond expectations in the years to come. To conclude, I would like to sincerely thank the Board, executive management team and staff members for their efforts and commitment this year and look forward to the continued support and cooperation in 2015.



STANLEY ALPHONSE  
Chief Executive Officer









## **OPERATIONS REVIEW**

**Human Resource**

**Major Projects**

**International Accreditation**

**Community Engagement**

**Trade Performance**



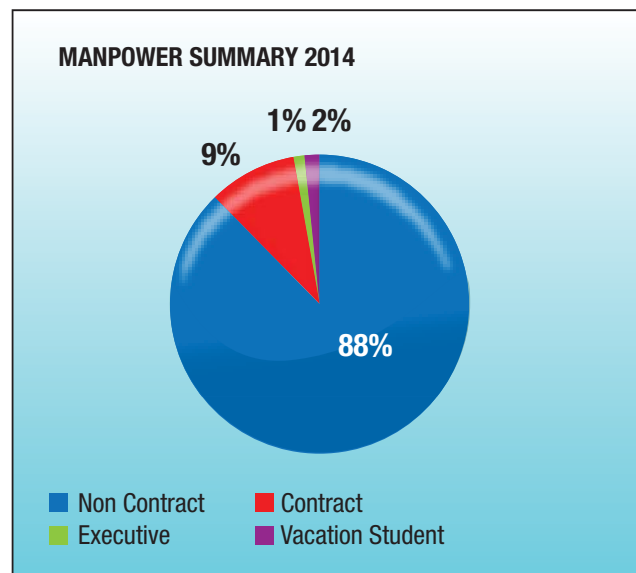
# Operation Review

## HUMAN CAPITAL DEPARTMENT



In 2014 PNGPCL continued to restructure the organisation through rightsizing and re-aligning of its workforce to improve service delivery and productivity in line with its PNGPCL 20 year Corporate Strategic Plan.

As at 31st December 2014, PNGPCL had a total staff strength of 752 which indicated a 6 percent decrease from the previous year. Of the 752 employees, 660 were permanent employees (88%), 72 were employed on fixed term contracts (9%), 8 employed in executive management levels (1%) while 12 were employed as vacation trainees (2%).



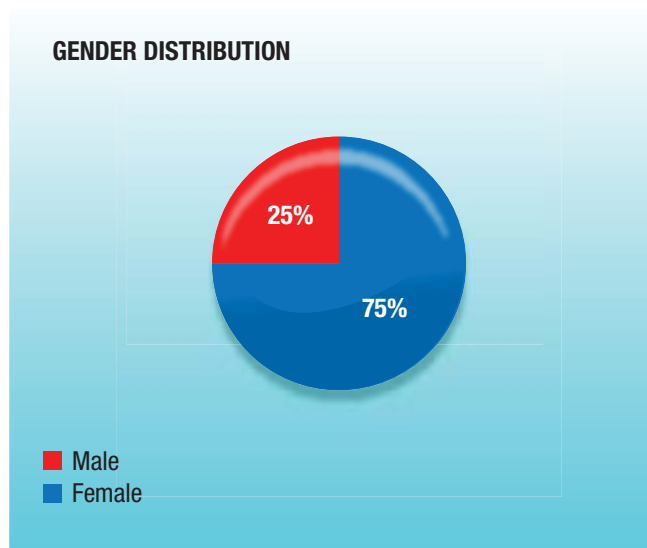
### REPORTS

In terms of gender distribution, the male population constituted a total of 567 of PNGPCL's workforce and 185 were female employees. The recruitment strategies adopted by PNGPCL through its recruitment drive, Graduate Development Programme and Cadetship Program resulted in more female employees being recruited by PNGPCL of which a good number have progressed professionally to assume senior positions within the business.

Recognising that human capital plays a key role in the progressive success of any organisation, PNGPCL ensures that it offers highly competitive employment conditions to attract and retain qualified and competitive staff whilst also providing capacity building opportunities.

#### Graduate Development Programme

The Graduate Development Programme falls in line with the Human Capital's strategy to recruit, develop and maintain a highly competitive workforce to drive the company forward in terms of efficiency and profitability. Through the programme, university graduates are recruited and placed under 18 months' on-the-job training in departments relevant to their respective fields of study. Upon completion of their training, graduates are absorbed into respective departments subject to their performance.



#### Staff Training

This year, under the Occupational Health Safety and Environment (OHSE) Department, 7 In-House Trainings were conducted for employees which covered areas of health, safety, and preservation of the port environment. These trainings included Behavioural Based Safety, Confined Space Entry, Environmental Law and Awareness, Fatigue Management, PNGPCL System Overview, Hazard Identification and Job Safety Analysis.



# Operation Review

## HUMAN CAPITAL DEPARTMENT



### Employee Health Check program

This year the company also organised free medical checks for staff as part of its proactive approach in promoting a safe and health conscious working environment.

Medical checks included, physical examination, electrocardiogram, chest X-ray, Blood sugar, Hepatitis B, Liver Function Test, and mammogram. Employees diagnosed with health issues of concern were referred by the medical practitioners to seek further investigation and treatment.

### Other Staff Incentives

PNGPCL took the lead to comply with the Consumer Price Index movement by adjusting its pay for all staff with a 4.7 percent increase on individual salaries. The CPI increase in staff wages compliments the very attractive remunerations package it already offers for its employees.

# Major Projects

## **MODERNISATION EXERCISE**

In 2014 PNGPCL continued to invest in various port infrastructure improvement projects under its overall port modernisation initiative. The modernisation exercise is aimed at developing the core port infrastructure up to international standards to meet current and future demand for port services as well as explore opportunities outside of its traditional business and bring about improvements in port efficiency.





## Lae Port Tidal Basin Project

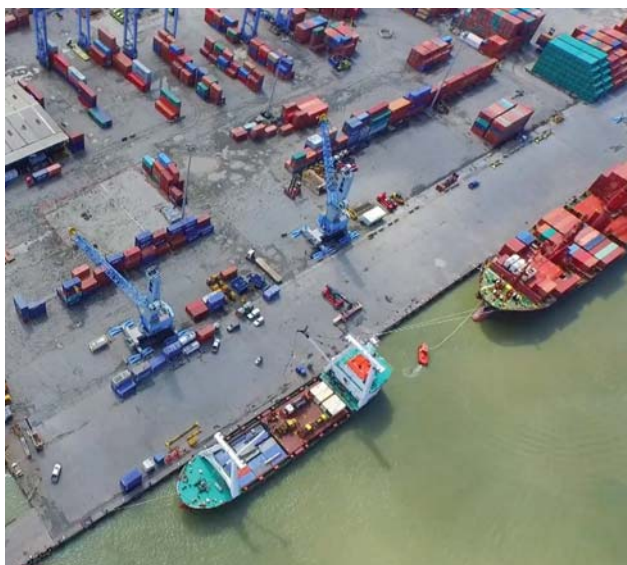
The commissioning of the completion of the Phase 1 Lae Port Tidal Basin Project took place on the 17th December 2014. The 800 million kina project was a milestone achievement for PNGPCL and was co-funded by a loan from the Asian Development Bank (ADB) (85%) and the Government of Papua New Guinea (15%). The project contract had been awarded to China Harbour Engineering in 2012.

The major scope of phase 1 involved the dredging of a marine tidal basin of 700 metres in length and 400 metres wide with a depth of 13 metres below sea level. The purpose of the tidal basin is to provide a deep, protected harbour for large container-loaded vessels.

The second major activity was the construction of the 240 metre wharf that will support quay cranes and facilitate container vessels. The maximum loading of the container berth is 50,000 tons. Other features include a container yard, stacking area and general port facilities. The new Tidal Basin facility is expected to be in operation in 2015.

The new tidal basin is expected transform the entire port operations. The new facility constructed at international standards, will now be able to accommodate the increasing volumes of cargo and traffic through the provision of more berths and wharfage spaces for larger vessels, increase in yard space for the movement and storage of cargo which in turn relieves wharf congestion. This is fitting since Lae port handles the bulk of the country's trade.

## MODERNISATION EXERCISE



### Lae Berth 3 Extension Project

The Lae Berth 3 extension project awarded to Nawae Construction was completed this year and valued at over K150 million. Through the project, the berth length at Lae port was extended by 100 metres, hence the total berth length is now 745 metres. With the extended berth, Lae port can now cater for more vessels reducing harbour traffic and ship turnaround times. More vessels will also result in increased revenue through pilotage, wharfage and berthage revenue streams.



# Operation Review



## Kavieng New Container Storage

The new Kavieng port storage facility is another major port rehabilitation project. The project was awarded to LIMS Construction Limited and is currently being constructed at the cost of K4 million. The storage facility is expected to be completed in 2015.

Upon completion of the new storage facility, Kavieng port's storage capacity will increase to 1.6 hectares from its current storage capacity of 6,624 square metres. The new facility will relieve the current wharf congestion and lead to the rise in containerised cargo throughput for Kavieng port and ultimately increased economic growth for New Ireland province.



## Oro Bay Port Trestles Rehabilitation

The Western Trestles at Oro Bay port underwent major rehabilitation after they were destroyed by Cyclone Guba in 2013.

PNGPCL was able to fund the project at the cost of approximately K11 million. The project was awarded to Curtain Brothers and included the reconstruction of the western and eastern trestle to accommodate 40 foot containers.

## MODERNISATION EXERCISE



### Kimbe Coastal Wharf Permanent Structure

Kimbe is one of the top 3 performing ports after Lae and Port Moresby port. Its performance has been mainly attributed to the Oil Palm activities which has led to high trade volumes. The coastal wharf is therefore constructed to accommodate projected growth.

The project was awarded to Curtain Brothers on May 26th 2014 at the cost of K49 million

and is now in its preparation stage. The project is timely and is expected to be completed in mid-2015.

Upon completion, the wharf will serve as a multipurpose wharf that will service Oil Palm Tankers and coastal vessels. This is anticipated to reduce berth congestion and increase efficiency at the wharf.



## PORT SAFETY AND MANAGEMENT

PNGPCL is committed to ensuring that its operations are conducted in an environmentally responsible manner and as such has developed an approach of continually reviewing and updating its compliance with worlds best practice safety and environmental management requirements pursuant to the Environment Act 2003, Contaminants Act 1978 and Environmental Contaminants (Pesticides) Act 1978 including relevant international conventions and protocols.

PNGPCL also has a PNG Harbours Management Services ('PNGHMS') division responsible for the control and regulation of all the declared ports and harbours that come under PNGPCL's mandate pursuant to the Harbours Act Chapter 240 of 2002 and the Ports Management and Safety Regulation 2010. These functions are performed under delegation from the PNG Department of Transport.

The company has further implemented the Health Safety & Environment Safety Management System for the Head office, Port Moresby port and Lae port. The system is consistent with requirements of the ISO 9000 group of standards and the company is especially proud to be certified in the following categories;

- ISO 14001:2004 – International Standard – Environmental Management Systems;
- OHSE 18001:2007 – International Standard – Safety Management Systems ; and
- AS/NZS 4801:2001 – Australia and New Zealand Standard – Safety Management Systems.

# Community Engagements

## INTERNATIONAL ACCREDITATION

PNGPCL continues to maintain its status as a good corporate citizen with a goal of having a positive impact on the employees, communities and stakeholders through its sponsorship programs.

Sponsorship assistance came under two categories; Community sponsorship and Sporting sponsorship. A total of K 700,000 was allocated to these sponsorships which included;

### Community Sponsorships

- World Tuberculosis Day - K8,882.50
- Trukai Fun-Run T-shirts to Tatana Primary School ,POM Technical College & Bugandi Secondary School worth K10,000.00
- Donation to Milne Bay community affected by cyclone - K5,000.000
- 5th Melanesian Festival of Arts & Culture - K5,000.00
- IBS School Debate Competition - K5,000.00
- Simbu Think Thank Quiz - K2,500.00
- Aviat Club Pool Competition - K5,000.00
- Kokoda Walk for the Future - K10,000.000
- PNG Defence Force - K1,000.00
- Rara Rarei Foundation - K2,000.00
- Solomon Island Flood Victims - K7,000.00
- Cyclone ITA - K10,000.00

### Sporting Sponsorships

- Yarangs Soccer Club - K3,128.50
- PNG Games - K350,000.00
- NCD Netball Team for PNG Games - K2,000.00
- PNG Body Builder Foundation –Mr Iso Finch - K3,000.00
- Wanderers Rugby Union Club (POM) - K15,246.00
- Morobe Golf Open - K12,500.000

Apart from direct financial performance, PNGPCL took part in various campaigns against the major issues that are currently destroying our society as well as impending PNGPCL's socio-economic development. Fight against HIV and Aids and Fight against Corruption are two major events that PNGPCL participated in and are aimed at eradicating bad practices within the organisation and the nation as a whole.



## ANALYSIS

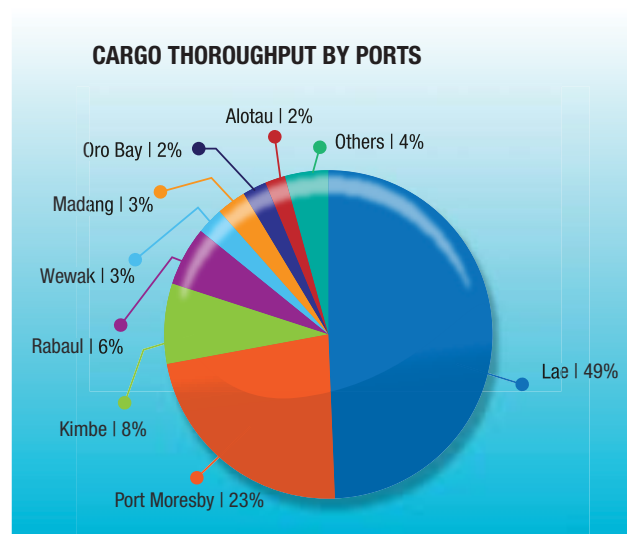
### Cargo Throughput

In 2014, there was a modest improvement in both the cargo and container throughput. The factors behind the growth include the commencement of the production and export of Liquefied Natural Gas ('LNG') and strong activity in the non-mineral private sector with the construction of infrastructure projects supported by the Government's expansionary fiscal policy.

In 2014, PNGPCL recorded a cargo throughput of approximately 7.6 million Revenue Tonnages which represented a modest 3 percent improvement from the previous year.

Taking a five year comparative analysis, the 2010 cargo throughput had the highest percentage growth of 19% which were largely attributed to the PNG LNG construction phase. While cargo volumes continued to increase steadily between 2010 and 2012, there was a noticeable decline in the percentage growth within that period with 2011 achieving a growth of 8 percent whilst 2012 cargo growth dropped to 3.5%. Despite the decline in percentage growth, 2012 volumes reached a peak of 8 million Revenue Tonnages, and the increased number in actual cargo throughput reflected the

boom in economic activities within the country during that period driven by the multi-billion kina Liquefied Natural Gas project, strong domestic output and demand for foreign goods within the external trade sector. In 2013, the percentage growth in cargo volumes continued to decline considerably by 8% as well as hitting the lowest throughput of 7.3 million Revenue Tonnages recorded within 5 years. This downward turn in volumes were consistent with the slowing down of economic activities attributed by the winding down of the LNG project construction phase and decrease in the country's export commodities. Essentially volumes were normalising to pre LNG construction periods.



# Trade Performance

## ANALYSIS

**COASTAL & OVERSEAS CARGO**



Cargo volumes improved slightly in 2014 by 3 percent as the economic climate began to recover.

Coastal cargo recorded a throughput of 2.8 million Revenue Tonnages reflecting the highest growth of 9% in the last 5 years whilst overseas cargo dropped slightly by 0.1 percent from the corresponding period with a throughput of 4.8 million Revenue Tonnages.

In terms of composition of trade, overseas cargo constituted 63 percent of the overall trade, while coastal cargo constituted 37 percent. Major cargoes traded were in the form of break bulk, palm oil and bulk fuel.

**CARGO REVENUE**



Lae, Port Moresby and Kimbe ports continued to be the 3 top performing ports, with Lae port handling 49 percent of cargo throughput (3.7 million RT), Port Moresby port handling 23 percent (1.7 million RT) and Kimbe port with 8 percent (nearly 600,000 RT). Cargo throughput for all three ports had declined by 13 percent, 8 percent and 6 percent respectively. Rabaul port handled the 4th highest cargo throughput with 440,000 RT.



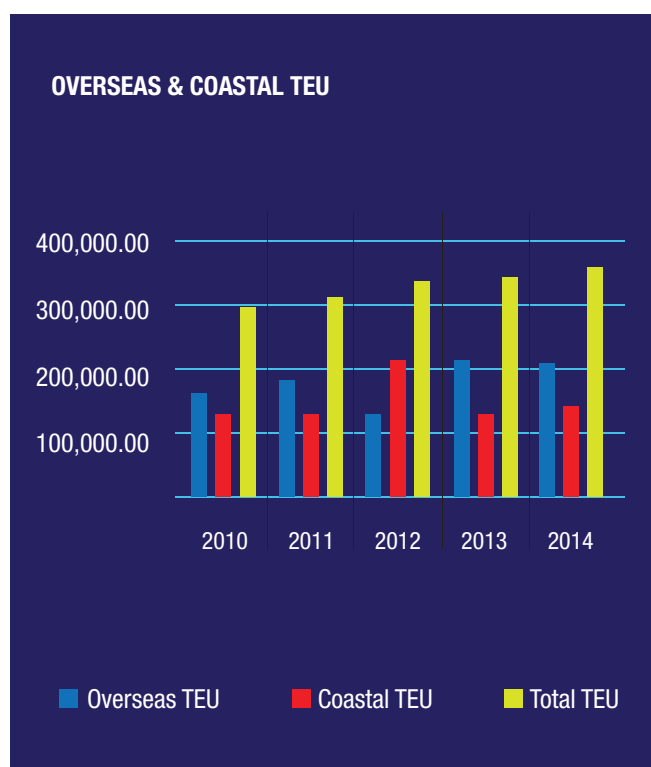
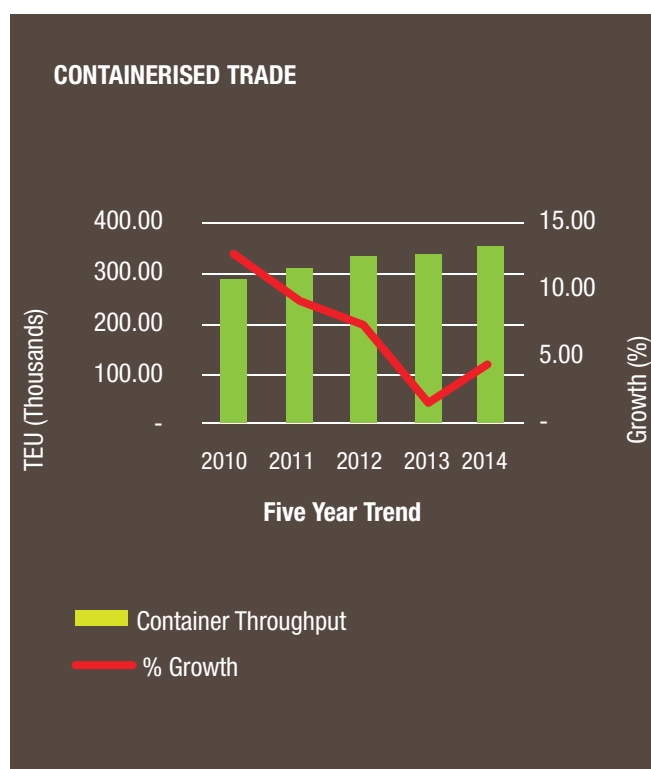
# Trade Performance

## ANALYSIS

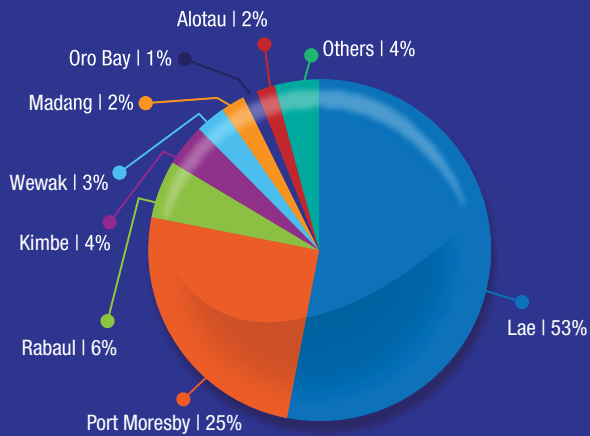
### Containerised trade

Within the last 5 years, PNGPCL recorded the highest growth of 12% in 2010 for cargo throughput however the growth of container volumes recorded marginal decreases in volumes recording an 8.8% and 7% growth in 2011 and 2012 respectively slowing down to 1% in 2013. Whilst there were decreases in cargo revenue tonnages, Twenty Foot-Equivalent container volumes recorded a growth of 4% in 2014 with a total throughput of 357,000, the highest container throughput in the last 5 years.

This year, coastal container throughput accounted for 41 percent of the containerised trade with 144, 910 Twenty-Foot Equivalent Units ('TEU') while overseas trade accounted for 59% percent recording 212, 007 Twenty-Foot Equivalent Units ('TEU'). With overseas trade, imports accounted for 52 percent, while exports made up 48 percent.



### CONTAINER THOROUGHPUT BY PORTS



Container throughput by port performance revealed that Lae port handled a majority of the container throughput accounting for 53% (188,748 TEU) which was a 4 percent improvement from the previous year, followed by Port Moresby port with 25% (90,401 TEU) representing a 3 percent decline, and the third highest performing port was Rabaul port accounting for 6 percent of the total TEU (19,727 TEU) representing a substantial 22 percent increase from the corresponding period. Kimbe port was the fourth highest performing port accounting for 4 percent of TEU (13,970 TEU) which was a considerable increase of 10 percent. The rest of the ports accounted for less than 4 percent of the containerised trade respectively.



## Vessel Call

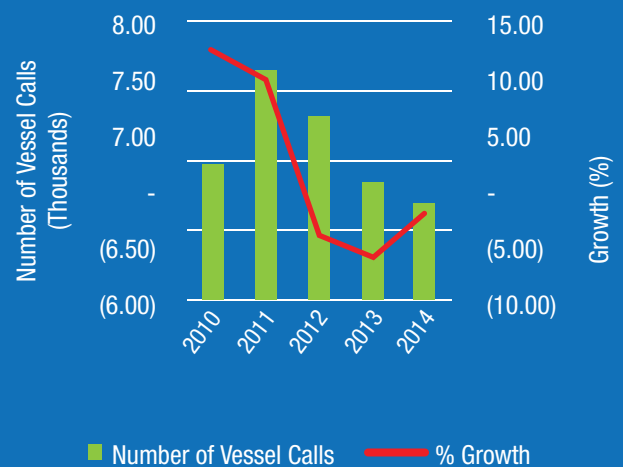
The last 5 years have shown that the percentage growth of vessel calls reached its highest peak of 13 percent in 2010. Vessel calls recorded by PNGPCL continued to increase in 2011 by nearly 10 percent with a total of 7,675 vessel calls making it the highest recorded in the 5 year period.

The number of vessel calls however declined after 2011 by 4.5 percent in 2012 (7,330), 6.6 percent in 2013 (6,846) and dropping again by nearly 2 percent in 2014 hitting the lowest number of vessel calls at 6,711.

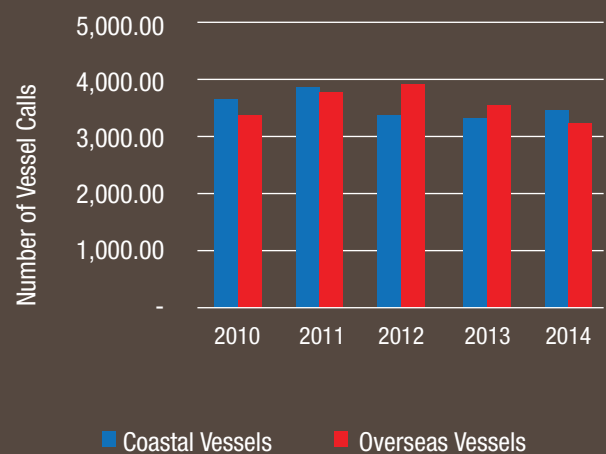
In 2014, overseas vessel calls totalled 3,246 indicating an 8 percent drop from the previous year. Overseas calls also accounted for 48.4 percent of total vessel calls and consisted mainly of fishing vessels, container vessels and tanker vessels. Coastal vessels registered for the year totalled 3,465 representing a 4 percent improvement from the previous year. Coastal vessels activity consisted mainly of general and barge vessels and accounted for 52 percent of the total vessel calls.

In terms of performance by port, Port Moresby, Lae and Wewak ports were the top 3 ports recording the highest number of vessel calls. Port Moresby accounted for 28% of total vessel calls recording 1,883 calls which indicated a

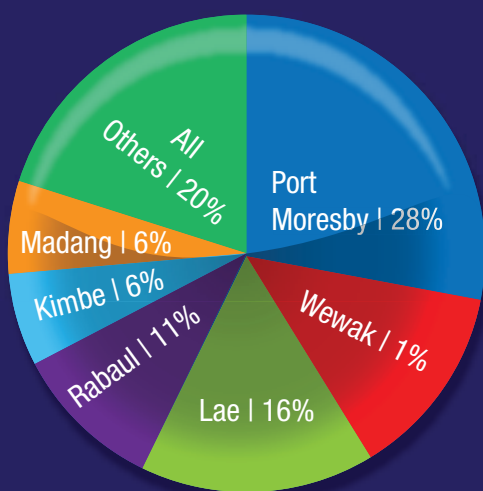
### VESSEL THROUGHPUT



### COASTAL & OVERSEAS VESSELS



**VESSELS CALL BY PORTS 2014**



7.6 percent improvement from the previous year. Lae port had the second highest number of vessel calls recording 1,063 and accounted for 16 percent of total vessel calls. This was a noticeable 6.7 percent increase from the corresponding period while Wewak port had the third highest number of vessel calls recording 882 calls and accounting for 13 percent of total vessel throughput. However it must be noted that this was a 13 percent decline from the previous year.

Rabaul port recorded 696 vessel calls which was the fourth highest and accounted for 11 percent of total calls. Kimbe and Madang ports had the fifth highest calls recording 427 and 419 vessel calls respectively (both accounted for 6 percent of total calls each). The rest of the other 9 ports including Oro, Alotau, Kavieng, Daru, Vanimo, Buka, Lorengau, Kieta and Aitape recorded less than 300 vessel calls in the year and accounted for less than 4 percent of total calls respectively.





CORPORATE GO

# GOVERNANCE

## CORPORATE GOVERNANCE

- ▶ Board of Directors
- ▶ Management team
- ▶ Corporate values
- ▶ Corporate Governance practice
- ▶ Financial Review



# Corporate Governance

## BOARD OF DIRECTORS



**NATHANIEL POYA** | OBE,  
Chairman of PNGPC  
Board of Directors



**JOB SUAT** | MSc  
Deputy Chairman



**HARVEY NII**  
Director



**PATRICK K AMINI**  
Director



**LUKE K NIAP**  
Director



**IGO OALA**  
Director



**EDDIE W HESINGUT**  
Director



**Prof JOHN PUMWA**  
Director

## EXECUTIVE MANAGEMENT



**STANLEY ALPHONSE**

Chief Executive Officer



**FEGO OTA KINIAFA**  
Chief Commercial Officer



**WAQA BAULEKA**  
Chief Infrastructure Officer



**ROWINA BELAPUN**  
Chief Finance Officer



**IAN HAYDEN - SMART**  
Chief Operating Officer



**MARTIN GINYARU**  
Chief Maritime Compliance Officer



## CORPORATE GOVERNANCE PRACTICE

PNGPCL is highly committed to developing, adopting and practising high corporate governance standards and practices in its day-to-day operations and management. The Board and Management of PNGPCL genuinely recognises this as one of the pillars for corporate success – and with this recognition, continuously endeavours to uphold and practice high corporate governance standards in all commercial decisions.

### Role of the Board

The operations of the board is governed by the Companies' Act 1997 ('Companies Act) and the IPBC Act 2007 ('IPBC Act). The Board of PNG Ports is responsible for the broad policy and corporate governance of the company. The Board executes this responsibility by setting the company's strategic direction, establishing targets for management, providing direction towards meeting these targets and monitoring performance of the management.

The Board is also responsible for appointing the CEO to oversee and direct the day to

day operations of the company. The CEO is accountable for the operational performance of PNGPCL and is the first point of contact when the board interacts with the Management.

### Board Composition

PNGPCL is a State Owned Entity, Corporatized under the Privatisation Act 2002. The IPBC is the sole shareholder holding shares in trust on behalf of the State and as such the IPBC Act sets forth the underlying provisions by which the company is governed and the appointment of

## CORPORATE GOVERNANCE PRACTICE

its Board. In turn the IPBC reports to the IPBC Board and the Ministry of Public Enterprise and State Investment and National Executive Council.

In accordance with the provisions of the IPBC Act, the Board members are appointed by the IPBC subject to the approval of the National Executive Council. The IPBC as the sole shareholder of PNGPCL under the IPBC Act appoints directors, the Chairman and deputy chairman. PNGPCL as of the 31st of December 2014 had eight (8) Board members, inclusive of the Chairman, which were appointed by the IPBC through the due process stipulated by the IPBC Act 2007.

### **Ethical Standards**

The Directors strive to uphold exceptional ethical standards when conducting themselves in the capacity as Directors of the PNGPCL Board. This also encompasses complying with all relevant legislations and codes of conduct of the State of Papua New Guinea and the Company's Act 1997.

### **Directors Interest**

As at the end of 31st December 2014 none of the Directors was a shareholder to the Company and did not have any material interest in PNGPCL or any related entity that undertook business with the company.

### **Remuneration of Board**

In accordance with Section 212 (f) and (g) of the Companies' Act , the shareholder of the company, through ordinary resolution has resolved that the company will not disclose details of the Directors remuneration in the 2014 annual report.

### **Board Meetings**

Each year there are periodically scheduled Board Meetings to deliberate on agendas pertaining to the operations of PNGPCL. The management provides Board information papers to inform the Board on progress of certain projects or to propose recommendation for the Board's approval. In accordance with Schedule 4 of the Company's Act 1997 two days' notice are given to all directors for a meeting and the meeting will proceed if there is a quorum of majority of the directors. All Board resolutions are passed through a majority vote.

### **Indemnity**

As prescribed by the IPBC Act, the IPBC has the discretion to indemnify any director of his/her actions as director of PNGPCL. Breaches of the law and criminal acts are specifically exempted from this provision.



## CORPORATE GOVERNANCE PRACTICE

### Financial Results

The Directors and the Shareholder are provided monthly and quarterly financial reports in an acceptable format required by Board and Management. The annual financial statements are prepared in accordance with the generally accepted International Financial Reporting Standards ("IFRS"). The financial statements also adhere to the requirements of the Companies' Act 1997 which explicitly states that this is the responsibility of the Board.

### Auditors

The Auditor of the company is the Auditor General of PNG. The Auditor General conducts the audit or appoints an agent to conduct audits of the company's accounts on its behalf at the end of each reporting period. The Audit Report is then provided by Auditor General to the IPBC, which is then forwarded to the Public Enterprise and State Investment Minister to be presented in parliament.

## FINANCIAL REVIEW

### Financial I Summary

Year ended 31st December	2014	2013 As	2013 restated	2012	2011	2010
	K'm	K'm	K'm	K'm	K'm	K'm

#### Operating Result

Operating revenue	242	222.5	222.5	255.9	243.3	168.1
Operating expenses	188.2	234.8	167.8	165.2	186.9	17.9
Operating profit before interest and tax	25.9	(16.6)	50.4	100.2	68.4	48.7
Finance costs	6.5	9.7	9.7	2.1	1.4	(3.3)
Profit (Loss) before Taxes	20.2	(25.8)	41.2	98.8	67.6	46.5
Profit(Loss) after Taxes	8	(18.3)	28.5	75.9	47.6	42.4

#### Financial Position

Total Assets	1,311.80	1,291.90	1,358.30	1,332.1	1,175.4	464.2
Total Liabilities	521.4	509.5	512.2	497.5	419.5	200.4
Contributed Capital and Reserves	620	640.3	640.3	650.0	660.0	263.8
Retained earnings	170.5	142.1	205.8	184.6	95.9	81.4
Total Equity & Liabilities	1,311.80	1,291.90	1,358.30	1,332.1	1,175.4	464.2

#### Cash Flows

Net Cash flows from operating activities	71.8	42.3	109.3	137.2	94.2	52.5
Net Cash flows from investing activities	65.6	88.5	(155.5)	(98.8)	(110.8)	(68.1)
Net Cash flows from financing activities	49.7	(26)	(26)	34.2	16.4	24.0
Net Cash flows	123.7	67.7	67.7	140	67.9	67.5



## FINANCIAL PERFORMANCE | Analysis

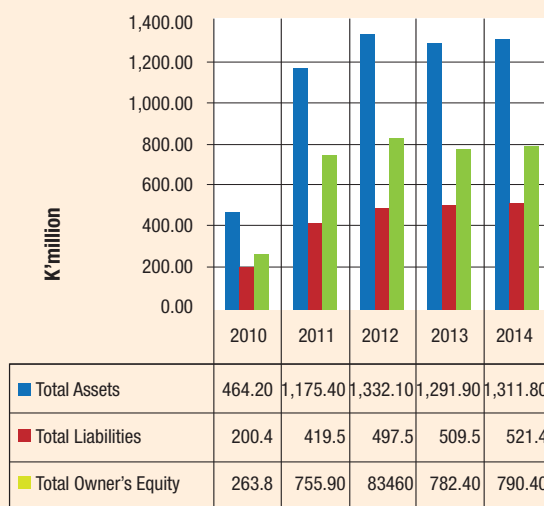
The financial performance analysis is a reflection of the company's performance over the past 5 years. The 2014 financial results are compared against the 2013 financial results as restated in the Auditor General's report.

### Financial position

PNGPCL recorded a total asset of K1.3 billion in its balance sheet for the year ended 31st December 2014. This was an increase of K19.9 million from the previous year representing a 1.5% growth. The increase in assets were attributed to a growth in cash, trade and receivables.

Liabilities recorded in the 2014 balance sheet totalled K521.4 million. This represented an increase of K11.9 million (2.3%) from the previous year. The increase in liabilities were largely due to increase in loan and borrowings from respective financial institutions for the financing of company assets as well as employee provisions. Owner's equity increased by K8 million representing a slight 1% growth.

FINANCIAL POSITION



## FINANCIAL PERFORMANCE | Analysis

### Earnings before Interest and Tax

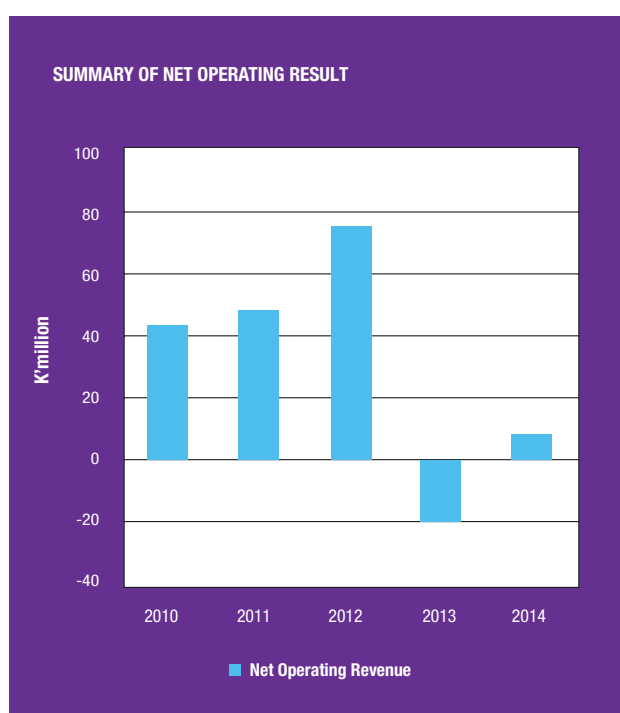
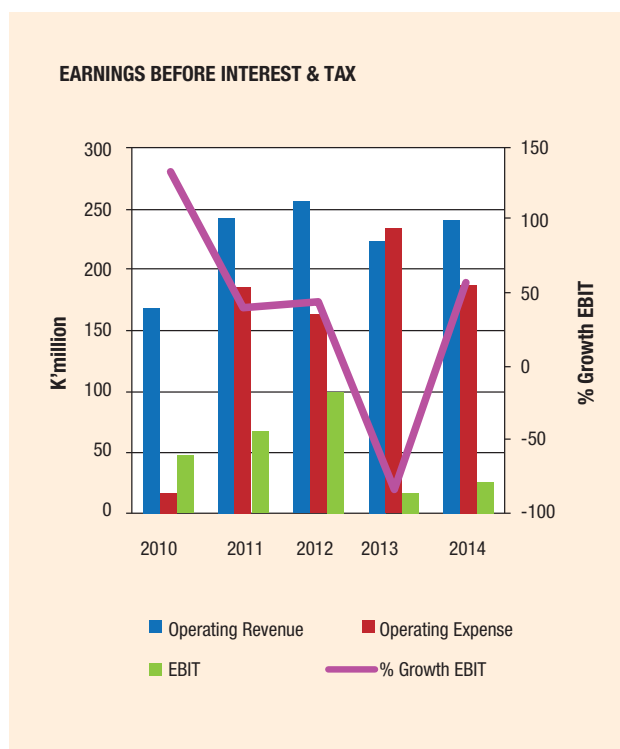
PNGPCL's Statement of Comprehensive Income showed that in 2014, PNGPCL earned an operating revenue of K242 million. This reflected an upward improvement of K19.5 million in the company's revenue streams, as compared to the previous financial year.

The Operating Expenses recorded in the 2014 Income Statement was K188.2 million. This means the company was able to reduce its operating expenses by 19.85% (K46.6 million) from the corresponding period which had recorded an operating expense of K234.8 million.

The company's Earnings Before Interest & Tax (EBIT) in 2014 was K25.9 million. This indicated a 57% improvement from the previous financial year that had recorded a negative balance of K16.5 million.

### Net Operating Revenue

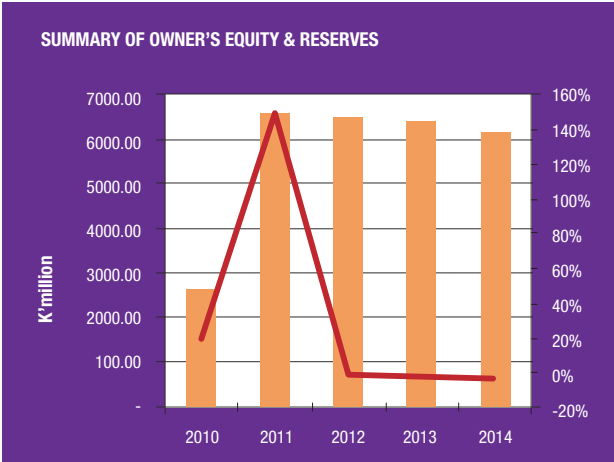
The net operating revenue recorded in 2014 totalled K8 million. This was an upward improvement from the previous financial year of 2013 that recorded a loss of K18.3 million. The K18.3 million is as restated in the 2013 financial statements following the adjustments made by the Auditor General's office to the company's 2013 accounts.



## FINANCIAL PERFORMANCE | Analysis

### Owner's Equity

The Owner's Equity in 2014 recorded a total of K 790 million representing a slight 1 percent increase from the corresponding period. Total reserves recorded was K612 million reflecting a 3 percent decline from the 2013 financial year. The reserves consist of asset revaluation reserves and stockholder fund reserves.





# Corporate Governance

## PERFORMANCE INDICATORS

RATIOS	2014	2013	BENCH MARK	REMARKS
Net Profit margin	3%	0%	30%	The NPM this year improved slightly by 3% after recovering from the previous year's loss however was still well below the 30% industry benchmark.
Return on capital employed	2%	-2%	10%	The ROCE for the previous period shows a negative 2% indicating that the company did not receive any returns from its capital. The current ROCE has improved to 2% however is still below the 10% benchmark.
Asset Turnover ratio	18%	17%	50%	The Asset turnover ratio improved by 1% totaling 18%. Revenue is yet to be fully realized from asset utilization because of the ongoing infrastructure improvement program that is still in progress.
Current ratio	1.36:1	0.62:1	2:1	he increase in ratio compared to the corresponding period is attributed to increase in cash at bank, trade and other receivables.
Debt to Equity Ratio	66%	65%	50%	The debt to equity ratio this year grew by 1%, and is 16% above the benchmark. This is due to the increase in the company's loans and borrowings as well as an increase in retained earnings.
Debt Ratio	40%	39%	50%	This year, the debt ratio increased by 1% compared to the previous year indicating that PNGPCL increased its leverage but maintained the debt level below the benchmark of 50 percent. Increase in assets were factored by ongoing upgrade of wharf facilities and increase in debt was a reflection of more borrowing of loans to finance capital assets.
Equity Ratio	62%	63%	50%	The equity ratio in 2014 decreased by a percentage however remained above the industry's benchmark due to a 20% increase in retained earnings compared to the previous year. Higher ratio indicates that there is still room for the company to obtain debt finance to undertake its ongoing capex programs.

# FINANCIAL STATEMENTS





## **FINANCIAL STATEMENTS**

- ▶ **Directors Report**
- ▶ **Auditor General's Report**
- ▶ **Statement of Financial Position**
- ▶ **Statement of Comprehensive**
- ▶ **Income**
- ▶ **Statement of changes in Equity**
- ▶ **Statement of Cash-flows**
- ▶ **Notes to and forming part of the financial statements**



## DIRECTORS REPORT

The directors present their financial statements on the affairs of PNG Ports Corporation Limited (“the Company” or “PNGPCL”) for the year ended 31st December 2014.

### Activities

The principal activities of the Company during the course of the financial year were, as promulgated by the Harbours Act (Chapter 240) is the provision of management services, operations and control of all activities governing the movement of ships and cargo handling within its declared ports strategically located throughout Papua New Guinea.

### Results

The net profit after taxation for the year was K 8, 044, 192 (2013: K 18, 334, 963 loss).

### Dividends

Dividend declared in 2014 amounted to K nil (2013: K 17,000,000).

### Directors

The directors at the date of the report of the company are listed below. No director was a shareholder of the Company at 31st December 2013 and none had any material interests in any contract or arrangement with the company or any related entity during the year. The directors during the year ended 31st December 2014 were as follows:

- Nathaniel Poya, OBE - Chairman
- Job Suat – Deputy Chairman
- Harvey Nii – Director
- Luke K Niap – Director
- Eddie W Hesingut – Director
- John Pumwa – Director
- Igo Oala – Director
- Patrick K Amini – Director

### Remuneration of Directors and Employees

In accordance with the provisions of the Companies Act 1997 (section 212(3)), the shareholders of PNG Ports Corporation Limited have resolved that the Company does not need to disclose directors and employees remuneration in its annual report.

For and on behalf of the board of directors;

## AUDITOR GENERAL'S REPORT



Phone: (+675) 3012200 Fax: (+675) 325 2872 Email: agopng@ago.gov.pg Website: www.ago.gov.pg

**The Managing Director**  
PNG Ports Corporation Limited  
PO Box 671  
**PORT MORESBY**  
National Capital District

Date: 29<sup>th</sup> February, 2015  
Our Reference: 31-63-4  
Action Officer: U.Torbiso  
Designation: DOA  
Your Reference:

Dear Sir,

**AUDIT REPORT ON  
PNG PORTS CORPORATION LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2014**

I attach a copy of the Auditor-General's Report together with a copy of the certified financial statements of the above named Company for the year ended **31 December, 2014**.

Please ensure that these are tabled by you at the Company's Annual General Meeting.

Yours faithfully,

**ULYSSES TORBISO**  
a/Assistant Auditor-General  
(Statutory Bodies Audit Branch)  
**FOR: AUDITOR-GENERAL**

## AUDITOR GENERAL'S REPORT



Phone: (+675) 3012200 Fax: (+675) 325 2872

Email: agopng@ago.gov.pg Website: www.ago.gov.pg



*The Honourable William Duma, MP*  
Minister for Public Enterprise & State Investment  
*Office of the Minister*  
Harbourside West Stanley Esplanade  
P O Box 320  
**PORT MORESBY**  
National Capital District

*Date: 29<sup>th</sup> February, 2016*  
*Reference: 31-63-4*

Dear Sir,

**AUDIT REPORT ON  
PNG PORTS CORPORATION LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2014**

I enclose a copy of the above named company's financial statements for the year ended **31 December, 2014** together with my report thereon in accordance with the provisions of the *Companies Act, 1997*.

Yours faithfully,

**PHILIP NAUGA**  
*Auditor-General*



## AUDITOR GENERAL'S REPORT



Phone: (+675) 3012200 Fax: (+675) 325 2872

Email: [agopng@ago.gov.pg](mailto:agopng@ago.gov.pg) Website: [www.ago.gov.pg](http://www.ago.gov.pg)



### INDEEDENT AUDIT REPORT ON THE ACCOUNTS OF *PNG PORTS CORPORATION LIMITED* FOR THE YEAR ENDED 31 DECEMBER 2014

#### To the Minister for Public Enterprise & State Investment

I have audited the accompanying financial statements of PNG Ports Corporation Limited for the year ended **31 December, 2014**. The financial statements comprise:

- Statement of Financial Position;
- Statement of Comprehensive income;
- Statement of Changes in Equity;
- Statement of Cash Flow; and
- Summary of significant accounting policies and other explanatory notes.

#### Responsibility for the Financial Statements

The Directors are responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Company and that comply with the *Companies Act, 1997* and other mandatory financial reporting requirements in Papua New Guinea in accordance with the *International Financial Reporting Standards* which have been approved by the Accounting Standards Board as the financial reporting standards for use in Papua New Guinea. The Directors are also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### Responsibility of the Auditor-General

I have conducted an independent audit in order to express an opinion to you. My audit has been planned and performed in accordance with *International Standards on Auditing* as promulgated by the *International Federation of Accountants* to obtain reasonable assurance whether the financial statements are free of material misstatement. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

## AUDITOR GENERAL'S REPORT

The nature of an audit is influenced by factors such as the use of professional judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. I have considered the risks, based on those assessments, on the internal controls relevant to the preparation and fair presentation of the financial statements in designing audit procedure considered appropriate in the circumstances.

Procedures were performed to assess whether, in all material respects, the financial statements present fairly, in accordance with the *Companies Act, 1997*, International Financial Reporting Standards and other mandatory financial reporting requirements, a view which is consistent with my understanding of the Company's financial position, and of its performance as represented by the results of their operations and cash flows.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for this report.

### **BASIS FOR QUALIFIED OPINION**

#### **Revaluation of Property, Plant and Equipment – Revaluation of Entire Class of Assets**

The Company carried out a revaluation in 2011 of land, building and wharf facilities resulting in an increase in the value of the property, plant and equipment by K568 million. However, wharf facilities with a carrying value of K73 million were not considered for revaluation. This in my opinion is a departure from *International Accounting Standards 16 – Property, Plant and Equipment (IAS 16)* which requires that where an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. Had the wharf facilities been completely revalued in their entirety, the carrying value of property, plant and equipment and revaluation reserve may have been materially different to that recorded in the attached financial report. The financial effect of this matter is unable to be quantified.

#### **Presentation of Consolidated Financial Statements**

In Note 2 “*Basis of Preparation and Significant Accounting Policies*” the directors state that the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS 10 “*Consolidated Financial Statements*” requires that the Parent should present consolidated financial statements. These financial statements are not consolidated financial statements of the Group consisting of PNG Ports Corporation and its subsidiaries.

The financial statements are the separate financials statements of PNG Ports Corporation Limited and therefore do not comply with the requirement of IFRS 10.

## AUDITOR GENERAL'S REPORT

### QUALIFIED OPINION

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph above:

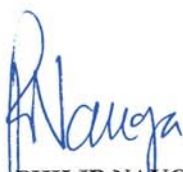
- (a) the financial statements of PNG Ports Corporation Limited for the year ended 31 December, 2013:
  - (i) give a true and fair view of the financial position and the results of its operations and cash flows for the year ended on that date; and
  - (ii) the financial statements have been presented in accordance with the *Companies Act 1997*, *International Financial Reporting Standards* and other generally accepted accounting practice in Papua New Guinea;
- (b) proper accounting records have been kept by the Company as far as it appears from my examination of those records; and
- (c) I have obtained all the information and explanations required.

### OTHER MATTER

In accordance with the *Audit Act, 1989 (as amended)*, I have a duty to report on significant matters arising out of the financial statements, to which the report relates. I draw attention to the following issue:

#### Compliance with the *Companies Act, 1997*

The financial statements for the year ended 31 December, 2014 have not been submitted to the Registrar within the required timeframe. This is in my opinion, a contravention to the *Companies Act, 1997*, which requires the Directors of every company to, within five months after the balance date of the company, submit the duly signed financial statements to the Registrar unless the Registrar extended the period on the application of the company.



**PHILIP NAUGA**  
Auditor-General

29 February, 2016



# PNG PORTS CORPORATION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2014

# Financial Statements

## INDEX

**PNG PORTS CORPORATION LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2014**

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## COMPANY INFORMATION

### **PNG PORTS CORPORATION LIMITED** **COMPANY INFORMATION** **31 DECEMBER 2014**

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PNG Ports Corporation Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea.

Registered Office & Principal Place of Business	Section 53, Lot 8, Stanley Esplanade, Port Moresby, National Capital District
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Directors	Nathaniel Poya, OBE Job Suat Harvey Nii Luke K Niap Eddie W Hesingut John Pumwa Igo Oala Patrick K Amini
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Chief Executive Officer	Mr. Stanley Alphonse
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Secretary	Mr. Joseph Aisa
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Auditor	Auditor General of Papua New Guinea PO Box 423 Waigani National Capital District
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Bankers	Westpac Bank (PNG) Limited ANZ Banking Group (PNG) Limited Bank South Pacific Limited
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## DIRECTORS' REPORT

### **PNG PORTS CORPORATION LIMITED** **DIRECTORS' REPORT** **31 DECEMBER 2014**

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The directors present their financial statements on the affairs of PNG Ports Corporation Limited ("the Company" or "PNGPCL") for the year ended 31 December 2014.

#### **Activities**

The principal activities of the Company during the course of the financial year were, as promulgated by the Harbors Act (Chapter 240) is the provision of management services, operations and control of all activities governing the movement of ships and cargo handling within its declared ports strategically located throughout Papua New Guinea.

#### **Results**

The net profit after taxation for the year was K8,044,192 (2013: K18,334,963 loss).

#### **Dividends**

Dividend declared in 2014 amounted to K nil (2013: K17,000,000).

#### **Directors**

The directors at the date of the report of the company are listed on Page 1. No director was a shareholder of the Company at 31 December 2014 and none had any material interest in any contract or arrangement with the Company or any related entity during the year. The directors during the year ended 31 December 2014 were as follows:

Nathaniel Poya, OBE  
Job Suat  
Harvey Nii  
Luke K Niap  
Eddie W Hesingut  
John Pumwa  
Igo Oala  
Patrick K Amini

#### **Remuneration of Directors and Employees**

In accordance with the provisions of the Companies Act 1997 (section 212(3)), the shareholders of PNG Ports Corporation Limited have resolved that the company does not need to disclose directors and employee remuneration in its annual report.

For and on behalf of the board of directors

Director



Date 19/11/2015

Director



Date 19/11/2015

# Financial Statements

## STATEMENT OF FINANCIAL POSITION

### PNG PORTS CORPORATION LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31 December 2014 K	As restated 31 December 2013 K	As restated 1 January 2013 K
<b>ASSETS</b>				
Cash and cash equivalents	21	123,684,558	67,719,159	139,944,605
Trade and other receivables	12	112,532,244	33,560,615	35,238,161
Investments	11	—	—	—
		<u>236,216,802</u>	<u>101,279,774</u>	<u>175,182,766</u>
Noncurrent asset held for sale	10	—	12,450,000	—
<b>Total current assets</b>		<u>236,216,802</u>	<u>113,729,774</u>	<u>175,182,766</u>
Deferred tax assets	9(c)	26,625,840	67,701,002	46,328,676
Receivable from related parties	12, 19	15,946,329	14,682,846	13,581,001
Property, plant and equipment	10	1,033,056,050	1,095,779,462	1,080,190,049
<b>Total non-current assets</b>		<u>1,075,628,219</u>	<u>1,178,163,310</u>	<u>1,140,099,726</u>
<b>Total assets</b>		<u>1,311,845,021</u>	<u>1,291,893,084</u>	<u>1,315,282,492</u>
<b>LIABILITIES</b>				
Trade and other payables	16	26,073,527	77,637,868	28,636,956
Provision for taxes payable	9(b)	27,282,398	78,483,360	89,858,409
Loans and borrowings	15	99,618,208	8,705,398	14,694,764
Trust payable	17	6,901,223	6,901,223	4,045,855
Employee provisions	18	6,815,361	4,863,204	11,443,805
Deferred income	17(d)	7,086,439	5,952,167	5,952,167
<b>Total current liabilities</b>		<u>173,777,156</u>	<u>182,543,220</u>	<u>154,631,956</u>
Employee provision	18	10,876,206	9,946,962	8,722,608
Trust payables	17	1,125,755	5,723,516	45,473,061
Loans and borrowings	15	128,997,884	97,361,759	92,738,682
Deferred income	17(d)	117,252,913	121,127,138	103,278,404
Deferred tax liabilities	9(d)	89,338,006	92,757,577	92,669,906
<b>Total non-current liabilities</b>		<u>347,590,764</u>	<u>326,916,952</u>	<u>342,882,661</u>
<b>Total liabilities</b>		<u>521,367,920</u>	<u>509,460,172</u>	<u>497,514,617</u>
<b>EQUITY</b>				
Share capital	13	7,830,000	7,830,000	7,830,000
Reserves	14	612,142,413	632,472,818	642,170,774
Retained earnings		170,504,688	142,130,094	167,767,101
<b>Total equity</b>		<u>790,477,101</u>	<u>782,432,912</u>	<u>817,767,875</u>
<b>Total equity and liabilities</b>		<u>1,311,845,021</u>	<u>1,291,893,084</u>	<u>1,315,282,492</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.

For and on behalf of the board of directors

Director

Director

Date 19/11/2015

Date 19/11/2015



# Financial Statements

## STATEMENT OF FINANCIAL POSITION

### PNG PORTS CORPORATION LIMITED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2014

	Note	2014 K	As Restated 2013 K
Revenue from rendering of service		242,078,750	222,511,589
Direct costs		(27,947,719)	(10,953,610)
<b>Gross profit</b>		<b>214,131,031</b>	<b>211,557,979</b>
Other revenue (expenses)	6	(19,489,648)	6,680,474
Personnel expenses	8	(65,314,564)	(68,825,450)
Delay claims on projects			(67,000,000)
Depreciation	10	(55,247,822)	(48,104,426)
Administrative expenses		(24,740,455)	(28,494,454)
Other operating expenses		(23,425,015)	(22,406,792)
<b>Results from operating activities</b>		<b>25,913,527</b>	<b>(16,592,669)</b>
Finance income		718,292	419,145
Finance costs		(6,471,179)	(9,669,733)
<b>Net finance expense</b>		<b>(5,752,887)</b>	<b>(9,250,588)</b>
<b>Profit (Loss) before tax</b>		<b>20,160,640</b>	<b>(25,843,257)</b>
Income tax expense	9(a)	(12,116,451)	7,508,294
<b>Profit (Loss) for the year</b>		<b>8,044,189</b>	<b>(18,334,963)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>8,044,189</b>	<b>(18,334,963)</b>

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.





# Financial Statements

## STATEMENT OF CHANGES IN EQUITY

### PNG PORTS CORPORATION LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital K	Reserves K	Retained Earnings K	Total K
Balance at 1 January 2013, as previously presented	7,830,000	642,170,774	184,557,101	834,557,875
Adjustment on correction of error (Note 26)	-	-	(16,790,000)	(16,790,000)
Balance at 1 January 2013, as restated	7,830,000	642,170,774	167,767,101	817,767,875
Loss for the year, as restated	-	-	(18,334,963)	(18,334,963)
Other comprehensive income	-	-	-	-
Total comprehensive income, as restated	-	642,170,774	149,432,138	799,432,912
Depreciation transfer for revalued assets (Note 14)	-	(9,697,956)	9,697,956	-
Dividends declared	-	-	(17,000,000)	(17,000,000)
Balance at 31 December 2013, as restated	7,830,000	632,472,818	142,130,094	782,432,912
Profit for the year	-	-	8,044,189	8,044,189
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	8,044,189	8,044,189
Depreciation transfer for revalued assets (Note 14)	-	(20,330,405)	20,330,405	-
Dividends declared	-	-	-	-
Balance at 31 December 2014	7,830,000	612,142,413	170,504,688	790,477,101

The statements of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.



# Financial Statements

## STATEMENT OF CASH FLOW

### PNG PORTS CORPORATION LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 K	As Restated 2013 K
<b>Cash flows from operating activities</b>			
Cash receipts from customers		238,380,846	227,859,354
Cash paid to suppliers and employees		(134,455,642)	(150,784,617)
Cash generated from operating activities	21(b)	103,925,204	77,074,737
Income taxes paid	9(b)	(25,661,826)	(25,151,410)
Interest paid		(6,471,179)	(9,669,733)
<b>Net cash from operating activities</b>		<b>71,792,199</b>	<b>42,253,594</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(102,425,687)	(87,895,041)
Loans to subsidiaries		(1,263,483)	(1,101,845)
Interest income		718,292	419,145
Proceed from sale of fixed assets		37,357,509	59,333
<b>Net cash used in investing activities</b>		<b>(65,613,369)</b>	<b>(88,518,408)</b>
<b>Cash flows from financing activities</b>			
Proceeds of borrowings	15	50,000,000	100,000,000
Proceeds from shareholder loan		10,000,000	—
Repayment of borrowings	19,15	(9,470,376)	(102,400,000)
Proceed (payment of) from lease liabilities		(480,688)	1,033,711
Trust fund and related interest receipts		(262,367)	(8,469,865)
Release of grant		—	(7,624,478)
Payment of dividend		—	(8,500,000)
<b>Net cash used in financing activities</b>		<b>49,786,569</b>	<b>(25,960,632)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>55,965,399</b>	<b>(72,225,446)</b>
Cash and cash equivalents at beginning of the year		67,719,159	139,944,605
<b>Cash and cash equivalents at end of the year</b>	21(a)	<b>123,684,558</b>	<b>67,719,159</b>

The statements of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 38.



# Financial Statements

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **1. GENERAL INFORMATION**

PNG Ports Corporation Limited ("Company" or "PNGPCL") is a company domiciled in Papua New Guinea. It is a State Owned Entity ("SOE") whose ownership is vested in trust with the Independent Public Business Corporation ("IPBC") on behalf of the Government of PNG.

The Company is primarily involved in the provision of management services, operations and control of activities governing the movement of ships and cargos within its declared ports. It is the sole authority over all declared ports in the country and manages 15 of the 23 declared ports in PNG. These are Lae, Port Moresby, Kimbe, Madang, Alotau, Rabaul, Kavieng, Oro Bay, Kieta, Buka, Vanimo, Lorengau, Wewak, Daru and Aitape. The Company is vested with a delegated authority by the Department of Transport (DoT) to provide harbour management and maritime compliance responsibilities at all land/water interfaces (wharves and jetties) declared and non-declared ports and harbours throughout the country.

The registered address of the Company is located at Section 53, Lot 8, Stanley Esplanade, Port Moresby, National Capital District.

The financial statements have been authorised for issue by the Board of Directors on 19<sup>th</sup> November 2015.

#### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997.

The financial statements have been prepared primarily on the historical cost basis, except for certain property, plant and equipment which are measured at fair value. All amounts are rounded to the nearest PGK, except as otherwise indicated.

The financial statements are presented in Papua New Guinea Kina (PGK), which is the Company's functional and presentation currency.

##### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

##### **a. Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS, amendments to existing International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretation which were adopted on 1 January 2014 which are not relevant to the Company:

- Investment Entities (Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities, and IAS 27, Separate Financial Statements)
- Amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC 21, Levies





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### *Annual Improvements to IFRS*

These improvements contain non-urgent but necessary amendments to IFRS. Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- Amendment to IFRS 13, Fair Value Measurement (2010 to 2012 Cycle)
- Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards - First-time Adoption of IFRS (2011 to 2013 Cycle)

#### **b. Future Changes in Accounting Policies**

The Company will adopt, where applicable, the following standards, amendments to existing standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

#### *Effective in 2015*

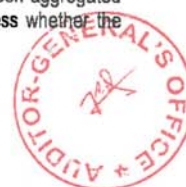
- Amendments to IAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 January 2015. It is not expected that this amendment would be relevant.

#### *Annual Improvements to IFRS Effective in 2015*

These improvements are effective for annual periods beginning on or after 1 January 2015 and are not expected to have a material impact on the Company. These improvements include:

#### *2010 - 2012 Cycle*

- Improvement to IFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- Amendment to IFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, is applied prospectively for business combinations for which the acquisition date is on or after 1 July 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*. The Company shall consider this amendment for future business combinations.
- Amendments to IFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- Amendment to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- Amendment to IAS 24, *Related Party Disclosures - Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### **2011 - 2013 Cycle**

- Amendment to IFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within IFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- Amendment to IFRS 13, *Fair Value Measurement - Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.
- Amendment to IAS 40, *Investment Property*, is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in IAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

#### **Effective in 2016**

- Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its property and equipment.
- Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 41, *Agriculture - Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity).

The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- Amendments to IAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- IFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

#### *Annual Improvements to IFRSs (2012 - 2014 Cycle) Effective in 2016*

These improvements are effective for annual periods beginning on or after 1 January 2016 and are not expected to have a material impact on the Company. These improvements include:

- Amendment to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- IFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in IFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to IFRS 7, *Financial Instruments: Disclosures* - Applicability of the Amendments to IFRS 7 to Condensed Interim Financial Statements, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- Amendment to IAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- Amendment to IAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### Effective in 2017

- IFRS 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15.

#### Effective in 2018

- IFRS 9, *Financial Instruments*. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 is not expected to have any significant impact on the Company's financial statements.

The Company continues to assess the impact of the foregoing new and amended accounting standards and interpretations effective subsequent to 2014 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Company's financial statements when these amendments are adopted.

#### c. Foreign currency transactions

Transactions in foreign currencies are re-measured to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items that are recognised in comprehensive income is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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period, and the amortised cost in foreign currency re-measured at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-measured to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are re-measured using the exchange rate at the date of the transaction. Foreign currency gains and losses are recorded on a net basis.

#### d. Financial instruments

##### **Financial assets**

All financial **assets** are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company has the following financial **assets**: held-to-maturity financial asset, loans and receivables and cash and cash equivalents.

##### **a. Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

##### **b. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### **Financial liabilities**

The Company initially recognises all liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Company has the following financial liabilities: trust payables, loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### ***"Day 1" Difference***

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized.

#### ***Offsetting of financial instruments***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### ***Impairment of Financial Assets***

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event or events has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

**f. Share capital**

The share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Share capital is measured at the value of the shares issued.

**g. Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Capitalisation of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing cost ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

**h. Noncurrent asset held for sale**

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Asset held for sale are presented separately as current items in the statement of financial position.

**i. Property, plant and equipment**

*Recognition and measurement*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Certain assets have been revalued. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying value. Any revaluation surplus is credited to equity except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the comprehensive income, in which case the increase is recognised in comprehensive income.

A revaluation deficit is recognised in comprehensive income except to the extent that it offsets an existing surplus on the same asset recognised in equity.

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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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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, and are recognised within other income in profit or loss.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### *Subsequent costs*

The cost of replacing a 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 Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. 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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and prior periods are as follows:

Wharf facilities	30-50 years
Buildings	15-23 years
Machinery and equipment	5 years
Motor vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### **j. Impairment of nonfinancial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties



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### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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previously revalued with the revaluation taken to comprehensive income. For such properties, the impairment is recognised in comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**k. Employee benefits**

A liability is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

*Defined contribution plans*

Contributions to defined contribution superannuation plans are expensed when incurred.

*Other long-term employee benefits*

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

*Short-term employment benefits*

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

**l. Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**m. Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

*Operational revenue*

Revenue related to the provision of management services, operations and control of all activities governing the movement of ships and cargo handling are brought to account when the service has been rendered by or on behalf of the Company.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### *Other income*

Other income includes interest on short term deposits and investments and gains from the sale of non-current assets.

#### *Finance income*

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

#### **n. Government grants**

Grants provided by the national government are recognised as deferred revenue (deferred income). It is then recognised in the income statement on a systematic basis (amortised over the useful life of the completed and commissioned project) in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

#### **o. Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **p. Investment in subsidiaries**

Investments in subsidiaries are recorded at cost, which is the fair value of consideration transferred less impairment loss.

#### **3. Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### *Trade and other receivables*

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

#### **4. Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

#### ***Risk management framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

##### **a. Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.



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### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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More than 95 percent of the Company's customers have been transacting with the Company for over five years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's credit customers.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

**b. Investments**

The Company limits its exposure to credit risk by investing only in liquid securities. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company'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.

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

**Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the capital using a gearing ratio. The Company policy is to keep the gearing ratio below 60%.





# Financial Statements

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Company's debt to capital ratio at the end of the reporting period was as follows:

	2014 K	2013 K
Total liabilities	527,203,544	512,190,831
Less: cash and cash equivalents	123,684,558	67,719,159
Net debt	403,518,986	444,471,672
Total equity	763,839,221	756,092,253
Debt to capital ratio at 31 December	53%	59%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

#### 5. Management's Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and notes to financial statements. In preparing the Company's financial statements, management has made its best estimates and judgments relating to certain amounts, giving due consideration to materiality.

In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and the effect of any changes in estimates will be reflected in the Company's financial statements when they become reasonably determinable.

##### Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements.

##### *Determination of the Company's functional currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be PGK. It is the currency that mainly influences the Company's operations.

##### *Operating lease commitments – Company as lessee*

Management assesses at the inception of the lease whether the arrangement is finance or operating lease based on who bears substantially all the risks and rewards incidental to ownership of the leased item. The Company has entered into property leases where it has determined that the risks and rewards related to the property are retained by the lessors. As such, the agreements are accounted for as operating leases.

##### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

##### *a. Revaluation of property, plant and equipment*

The Company measures land and buildings and other facilities at revalued amounts with changes in the fair value being recognised in other comprehensive income. The Company engaged an independent valuation



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

specialist to perform the valuation. The valuation methodology based on the referenced to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

*b. Estimation of useful lives of property, plant and equipment*

This has been based on the estimated useful lives as determined by management. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. The revision is made when considered necessary.

*c. Impairment of non-current assets*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment. Where an impairment trigger exists, the recoverable value is determined using value-in-use (VIU) calculations. No assets are considered impaired at year end.

*d. Allowance for doubtful accounts*

The Company maintains provisions for impaired accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management based on collection experience and other factors that affect the collectability of the accounts. These factors include, but not limited to, the length of the Company's relationship with the customers, the customer's payment behaviour and other known market factors.

*e. Recognition of deferred income tax assets*

The Company reviews the carrying amount of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

*f. Amortisation of deferred income*

Grants provided by the national government are recognised as deferred revenue (deferred income). It is then recognised in the income statement on a systematic basis (amortised over the useful life of the completed and commissioned project) in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

**6. Other revenue (expenses)**

	2014	2013
	K	K
Other income	9,843,920	6,552,678
Realised foreign exchange gain	5,154	129,549
Loss on disposal of property, plant and equipment	(29,338,722)	(1,753)
	<u>(19,489,648)</u>	<u>6,680,474</u>

**7. Other operating expenses**

Operating profit for the year is stated after charging the following items:

	2014	2013
	K	K
Auditors remuneration	432,375	470,439
Depreciation	55,247,823	48,104,427
Donations	554,876	328,047
Loss on disposal of property, plant and equipment	29,338,722	1,753



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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 8. Personnel expenses

	2014 K	2013 K
Wages and salaries	58,767,605	54,264,919
Contributions to defined contribution plans	2,981,807	2,974,920
Other staff costs	3,565,152	11,585,611
	<u>65,314,564</u>	<u>68,825,450</u>

#### 9. Income tax

##### a. Income tax expense

	2014 K	2013 K
Profit for the year	20,160,640	(25,843,257)
Tax rate	30%	30%
Income tax on the profit	6,048,192	(7,752,977)
Overprovision in prior years	—	(26,125)
Unrecognized timing differences	662,950	481,679
Tax effect of permanent differences	5,405,309	(210,871)
	<u>12,116,451</u>	<u>(7,508,294)</u>

	2014 K	2013 K
Income tax expense comprises:		
Current income tax	12,128,477	13,711,353
Deferred income tax	(674,975)	(21,675,200)
Overprovision in prior years	662,949	455,553
	<u>12,116,451</u>	<u>(7,508,294)</u>

##### b. Income tax payable

	2014 K	2013 K
Balance at beginning of the year	(78,483,360)	(89,858,408)
Current income tax	(12,128,477)	(13,711,353)
Overprovision in prior years	37,667,613	—
Tax paid	25,661,826	25,086,401
Balance at end of the year	<u>(27,282,398)</u>	<u>(78,483,360)</u>

##### c. Deferred tax assets

	2014 K	2013 K
Balance at beginning of the year	67,701,002	46,328,675
Charge to income tax expense	(2,951,370)	21,372,327
Reversal of timing difference	(38,123,792)	—
Balance at the end of the year	<u>26,625,840</u>	<u>67,701,002</u>





# Financial Statements

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### d. Deferred tax liability

	2014 K	2013 K
Balance at beginning of the year	(92,757,577)	(92,669,906)
Charge to income tax expense	3,419,572	(87,671)
Balance at the end of the year	(89,339,006)	(92,757,577)

#### e. Net deferred tax liability

	2014 K	2013 K
Employee benefits	5,307,470	4,443,050
Deferred income	—	38,123,792
Provisions	408,370	1,524,160
Capitalized cost – wharf amortized	20,910,000	23,610,000
<b>Deferred tax assets</b>	<b>26,625,840</b>	<b>67,701,002</b>
Prepaid insurance	(1,620,200)	(1,231,650)
Accrued interest	(21,000)	(24,216)
Property, plant and equipment	(87,696,806)	(91,501,711)
<b>Deferred tax liability</b>	<b>(89,339,006)</b>	<b>(92,757,577)</b>
<b>Net deferred tax liability</b>	<b>(62,712,165)</b>	<b>(25,056,575)</b>

#### 10. Property, plant and equipment

- a. In 2013, the Company reclassified Portion 648, Volume 9, Folio 196, and Portion 208, Volume 67, Folio 119, F/M: Markham, Lae (Wakuk land) from property, plant and equipment to noncurrent asset held for sale in the statement of financial position. The property was subsequently sold in August 2014.



# Financial Statements

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### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

As at 31 December 2014:

	OS Land & Leasehold Land K	Wharf facilities Land & Buildings K	Buildings & Fittings K	Vehicle & Boats K	Office Machines & Other Equipment K	Work in Progress K	Total K
<b>Cost</b>							
As at 1 January 2014	40,523,024	856,658,628	38,055,675	12,238,522	79,888,746	246,722,229	1,274,086,824
Additions	-	-	80,036	1,536,842	2,925	100,805,884	102,425,687
Transfers	-	230,305,773	5,021,199	2,140,472	8,063,499	(301,185,989)	(55,655,046)
Write-off/Disposals	(5,876,024)	(41,206,027)	(2,360,386)	(2,624,754)	(4,954,095)	(22,758,289)	(79,779,575)
As at 31 December 2014	34,647,000	1,045,758,374	40,796,524	13,291,082	83,001,075	23,583,835	1,241,077,890
<b>Accumulated Depreciation</b>							
As at 1 January 2014	-	144,557,949	6,890,340	9,482,231	17,376,841	-	178,307,362
Depreciation for the year	-	41,715,639	2,217,675	2,474,847	8,839,661	-	55,247,822
Disposals	-	(17,212,439)	(1,191,325)	(2,618,755)	(4,510,825)	-	(25,533,344)
As at 31 December 2014	-	169,061,149	7,916,690	9,338,323	21,705,677	-	208,021,840
<b>Net book value</b>	<b>34,647,000</b>	<b>876,697,225</b>	<b>32,879,834</b>	<b>3,952,759</b>	<b>61,295,398</b>	<b>23,583,835</b>	<b>1,033,056,050</b>

As at 31 December 2013:

	HOS Land & Leasehold Land K	Wharf facilities Land & Buildings K	Buildings & Fittings K	Vehicle & Boats K	Office Machines & Other Equipment K	Work in Progress K	Total K
<b>Cost</b>							
As at 1 January 2013	52,973,024	808,514,126	37,464,400	10,683,030	79,133,350	221,719,260	1,210,487,190
Additions	-	-	214,003	1,636,300	768,971	85,275,767	87,895,041
Transfers	(12,450,000)	48,144,502	377,272	-	-	(48,521,774)	(12,450,000)
Disposals	-	-	-	(80,808)	(13,575)	(11,751,024)	(11,845,407)
As at 31 December 2013	40,523,024	856,658,628	38,055,675	12,238,522	79,888,746	246,722,229	1,274,086,824
<b>Accumulated Depreciation</b>							
As at 1 January 2013	-	108,428,426	4,817,408	7,922,270	9,129,036	-	130,297,141
Depreciation for the year	-	36,129,523	2,072,932	1,640,590	8,261,381	-	48,104,426
Disposals	-	-	-	(80,628)	(13,576)	-	(94,205)
As at 31 December 2013	-	144,557,949	6,890,340	9,482,232	17,376,841	-	178,307,362
<b>Net book value</b>	<b>40,523,024</b>	<b>712,100,679</b>	<b>31,165,335</b>	<b>2,756,290</b>	<b>62,511,905</b>	<b>246,722,229</b>	<b>1,095,779,462</b>

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 11. Investment in subsidiaries

	Ownership Interest	2014 K	2013 K
Dylup Estate Holdings Limited	100%	1	1
North Coast Agri Services Limited	100%	1	1
Total cost		2	2
Provision for impairment		(2)	(2)
		-	-

The companies were incorporated to purchase the land and infrastructure of Dylup Cocoa and Copra plantation.

#### 12. Trade and other receivables

	2014 K	2013 K
Trade debtors	30,375,025	29,826,825
Amounts owed by related entities (Note 19a)	24,755,350	23,491,867
Deposits (Notes 19 and 27)	72,500,000	-
Other debtors and prepayments (Note 20)	10,618,454	8,343,887
Provision for doubtful debts	(9,770,256)	(13,419,118)
	128,478,573	48,243,461

Trade receivables are non-interest bearing and are generally on terms of 30 days.

For terms and conditions with related parties, refer to Note 19.

Movement in provision for doubtful accounts follow:

	2014 K	2013 K
Beginning balance	13,419,118	12,775,955
Provisions (reversals) during the year	(3,648,862)	643,163
	9,770,256	13,419,118

Presented in the statement of financial position:

	2014 K	2013 K
Current	112,532,244	33,560,615
Non-Current	15,946,329	14,682,846
	128,478,573	48,243,461

#### 13. Share capital

	2014 K	2013 K
Issued ordinary share capital		
As at 1 January	7,830,000	7,830,000
Issued during the year	-	-
As at 31 December	7,830,000	7,830,000

The capital of the PNG Ports Corporation Limited is deemed to be the initial capital as stated under the Harbors Act, Chapter 240 Section 11. This is supported by Legislation, Section 27 and 28 of the Harbors Act requiring the Minister





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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

to grant special purpose leases over the following ports: - Port Moresby, Rabaul, Lae, Madang, Kavieng, Samarai, Wewak, Kieta and Kimbe.

#### 14. Reserves

	2014 K	2013 K
Asset revaluation reserve	604,632,447	624,962,852
Stockholder fund reserve	7,509,966	7,509,966
	<u>612,142,413</u>	<u>632,472,818</u>
	2014 K	2013 K
Asset revaluation reserve		
Balance at 1 January	624,962,852	634,660,808
Transfer to retained earnings	(20,330,405)	(9,697,956)
Balance at 31 December	<u>604,632,447</u>	<u>624,962,852</u>
	2014 K	2013 K
Stockholder reserve		
Balance at 1 January	7,509,966	7,509,966
Additions	-	-
Balance at 31 December	<u>7,509,966</u>	<u>7,509,966</u>

#### a. Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property, plant and equipment. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Transfer of asset revaluation to retained earnings amounted to K20.33 million in 2014 (2013: K9.70 million).

#### b. Stockholder fund reserve

Stockholder fund reserve is the State contributions as shareholder to fund the port installations projects. These funds are reflected as the shareholder capital contribution to PNGPCL. These funds were initially reflected as trust funds held on behalf of the State for the port installation projects.

#### 15. Loans and borrowings

	2014 K	2013 K
Westpac Loan (Note 15a)	142,929,624	100,000,000
Loans from shareholders (Note 19a)	82,500,000	-
State loan (Note 19b)	1,800,000	4,200,000
ANZ Finance Lease	1,386,468	1,867,157
	<u>228,616,092</u>	<u>106,067,157</u>
	2014 K	2013 K
Current portion	99,618,208	8,705,398
Noncurrent portion	128,997,884	97,361,759
	<u>228,616,092</u>	<u>106,067,157</u>



# Financial Statements

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 18. Employee provision

	2014 K	2013 K
Provision for annual leave	4,997,347	2,752,704
Provision for long service leave	10,876,206	9,946,962
Staff loyalty	1,818,014	2,110,500
	<u>17,691,567</u>	<u>14,810,166</u>
	2014 K	2013 K
Current portion	6,815,361	4,863,204
Noncurrent portion	10,876,206	9,946,962
	<u>17,691,567</u>	<u>14,810,166</u>

#### 19. Related Party Transaction

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party making in the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its officers.

All transactions are commercial transactions made on an arm's length basis. The following are the related party transactions that occurred during the year:

##### a. Independent Public Business Corporation (IPBC)

The Independent Public Business Corporation is the government business arm that controls government business which includes the state owned enterprises (SOE). PNG Ports Corporation Limited is a government owned business enterprise involved in providing essential ports services and is registered under the PNG Companies Act. PNG Ports Corporation Limited does not pay any kind of fee to IPBC but is expected to make dividend payments to the government as the sole shareholder through IPBC from any declared profits.

Transactions and outstanding balances with IPBC are as follows:

		2014 K	2013 K
<b>Transaction during the year:</b>			
Dividend declaration	(i)	-	17,000,000
Loans from IPBC	(ii)	10,000,000	-
Advances for Motukea Port	(iii)	72,500,000	-
<b>Outstanding balances:</b>			
Dividend payable	(i)	8,500,000	8,500,000
Loans/advances payable	(ii) & (iii)	82,500,000	-
Other receivables	(iv)	-	-

- i. In 2013, the Board of Directors approved the declaration of cash dividends amounting to K17 million (nil in 2014). Cash dividends payable as at 31 December 2014 and 2013 amounted to K8.5 million (see Note 16).



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- ii. In 2014, the Company received K10 million advances from IPBC for the settlement of the Nawae claims (see Note 16). This has no fixed repayment terms and therefore classified as current in the statement of financial position.
- iii. In 2014, IPBC paid the deposit for the purchase of Motukea Port on behalf of the Company amounting to K72.5 million (see Note 27 (a)). This has no fixed repayment terms and therefore classified as current in the statement of financial position. This was subsequently settled on 1 July 2015.
- iv. The Company recognised other receivables amounting to K1,504,210 as at 31 December 2014 and 2013 representing the overpayment of dividends in the prior years (see Note 12). This is fully provided with provisions as at 31 December 2014 and 2013.

#### b. State loan

The loan amount represent amounts payable by PNGPCL to the State which is unsecured and interest free. The loan is payable in monthly installment of K200,000.00 As at 31 December 2014, outstanding balances amounted to K1.8 million (2013: K4.2 million), refer to Note 15.

#### c. Amounts owed by wholly owned subsidiaries

	2014 K	2013 K
<b>Outstanding balances:</b>		
<b>Gross receivables:</b>		
Dylup Estate Holdings Limited	19,481,503	19,534,812
North Coast Agri Service Limited	3,769,637	2,452,845
	<u>23,251,140</u>	<u>21,987,657</u>
Provisions for doubtful debts	(7,304,812)	(7,304,812)
<b>Net receivables</b>	<u>15,946,328</u>	<u>14,682,845</u>

The Company's outstanding receivables from wholly owned subsidiaries are interest free. The cash advances were repayable on demand and however the company does not expect to collect these within 12 months after 31 December 2014 and therefore classified as non-current assets.

#### d. Independent Consumer & Competition Commission (ICCC)

The Independent Consumer & Competition Commission is the government price regulator. Accordingly the ICCC regulates amongst many other SOE's the PNG Ports regulated tariffs like pilotage, berthing and berthing reservation. The ICCC charges an annual fee of K408,000 (2013:K408,000) which PNG Ports Corporation Limited pays in quarterly installments during the year.

#### e. Key Management Personnel

Compensation of key management personnel at reporting date as:

	2014 K	2013 K
Short term benefit	7,800,132	6,718,943
Post-employment benefit	463,701	416,933
	<u>8,263,833</u>	<u>7,135,876</u>





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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 20. Financial risk management

##### a. Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 K	2013 K
Trade receivables (Note 12)	29,413,790	25,216,729
Amounts owed by related parties (Note 19)	15,946,329	14,682,845
Other receivables (Note 12)	10,618,454	8,343,887
Deposits	72,500,000	-
Cash and cash equivalents	123,684,558	67,719,159
	<b>252,163,131</b>	<b>115,962,620</b>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2014 K	2013 K
Papua New Guinea	29,413,790	25,216,729
Other Pacific countries	-	-
Total	<b>29,413,790</b>	<b>25,216,729</b>

The age analysis of gross trade receivables at reporting date was:

	2014 K	2013 K
Past due 0-30 days	19,518,976	18,981,280
Past due 31-180 days	9,797,769	7,206,840
Past due 181-360 days	527,645	596,556
Past due more than 1 year	530,635	3,041,749
Total	<b>30,375,025</b>	<b>29,826,425</b>

##### Impairment losses

The movement in the allowance for impairment in respect of trade receivables was as follows:

	2014 K	2013 K
Balance at 1 January	4,610,096	3,966,933
Impairment recognised during the year	-	643,163
Impairment reversed during the year	(3,648,861)	-
Balance at 31 December	<b>961,235</b>	<b>4,610,096</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### b. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows			
		Less than one year	1-2 years	2-5 years	More than 5 years
<b>31 December 2014:</b>					
Loans and borrowings	228,616,092	99,618,208	13,931,740	41,795,220	73,270,924
Future interest payments	17,724,087	4,209,547	5,621,294	3,050,747	4,842,500
Trade and other payables	26,073,527	26,073,527	—	—	—
Employee provisions	17,691,567	6,815,361	—	—	10,876,206
	<u>290,105,273</u>	<u>136,716,643</u>	<u>19,553,034</u>	<u>44,845,967</u>	<u>88,989,630</u>
<b>31 December 2013:</b>					
Loans and borrowings	106,067,157	8,705,398	7,361,759	15,000,000	75,000,000
Future interest payments	11,622,000	1,147,300	2,115,800	2,726,700	5,632,200
Trade and other payables	77,637,868	67,637,868	10,000,000	—	—
Employee provisions	14,810,166	4,863,204	—	—	9,946,962
	<u>210,137,191</u>	<u>82,353,770</u>	<u>19,477,559</u>	<u>17,726,700</u>	<u>90,579,162</u>

#### c. Currency risk

The Company does not have significant foreign currency risk at reporting date.

#### d. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. However, the Company's loans payable bears fixed interest rates from date of release of loan until maturity date. The Company effectively locked its interest-bearing obligations to fixed interest to reduce its exposure to interest rate fluctuation.

#### e. Fair value versus carrying value

The fair values of financial assets and liabilities approximate their fair value at reporting date.

### 21. Statement of cash flows notes

- a. For the purpose of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts is reconciled to the related items in the statement of financial position as follows:

	2014 K	2013 K
Cash and bank balances	<u>35,555,858</u>	<u>25,830,912</u>
Short term deposits	<u>88,128,700</u>	<u>41,888,247</u>
	<u>123,684,558</u>	<u>67,719,159</u>



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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### b. Reconciliation of profit after income tax to net cash provided by operating activities

	2014 K	2013 K
<b>Profit for the year</b>	<b>8,044,189</b>	<b>(38,465,622)</b>
<b>Add / (deduct) items classified as investing / financing activities:</b>		
Interest income	(718,292)	(419,145)
Interest expense	6,471,179	9,669,733
<b>Add / (deduct) non-cash items:</b>		
(Profit) / loss on disposal of non-current assets	29,338,722	(59,155)
Amortisation of deferred income	(7,075,349)	(5,952,167)
Depreciation	55,247,823	48,104,427
Income tax expense	12,116,451	12,622,365
Write-off capital work in progress	55,655,044	11,751,023
<b>Cash generated before working capital changes</b>	<b>159,079,767</b>	<b>37,251,459</b>
(Increase)/Decrease in trade debtors and other debtors	(6,471,625)	1,677,546
(Decrease)/Increase in trade creditors and other creditors	(51,564,339)	43,501,979
Increase/(Decrease) in employee provisions	2,881,401	(5,356,247)
<b>Cash generated from operations</b>	<b>103,925,204</b>	<b>77,074,737</b>

#### 22. Leases

The Company entered into a lease facility arrangement with the ANZ Bank to purchase motor vehicles under both operating and finance lease arrangements.

##### a. Operating leases

	2014 K	2013 K
Less than one year	10,144	597,604
Between one and five years	-	10,144
More than five years	-	-
	<b>10,144</b>	<b>607,748</b>

##### b. Finance leases (Note 15)

	2014 K	2013 K
Less than one year	523,538	785,997
Between one and five years	862,930	1,084,160
More than five years	-	-
	<b>1,386,468</b>	<b>1,867,157</b>

#### 23. Commitments

At 31 December 2014, the Company had capital commitments of K35,881,933 (2013: K44,503,710) relating to the projects in progress.

#### 24. Contingent liabilities

The Company had contingent liabilities totaling to K1,152,000 as at 31 December 2014 (2013: K1,152,000) relating to litigation claims.





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### PNG PORTS CORPORATION LIMITED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

In relation to the purchase of Motukea port and consequential sales of the Fairfax Harbour Port (Note 27a), the Company will incur cost to relocate or transfer the assets from the existing port to the new port. The Company did not recognise provision for relocation costs as the amount cannot be reliably measured as at 31 December 2014.

#### 25. Employees

The number of employees at the end of the year was 776 (2013: 800).

#### 26. Restatement and comparative information

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2013 is presented in these financial statements due to the correction of an error retrospectively.

The prior period financial statements have been restated to correct the impact of delay claims charged by the contractor of Lae Port Project No. 280 to the Company. As at 31 December 2013, delay claims incurred amounting to PGK90 million for the Lae Port Project No. 280 was recognized as part of capital work in progress. In accordance with IAS 16, Property, plant and equipment, the cost of abnormal amounts of wasted material, labour, or other resources is not included in the cost of the asset.

The error as described above has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	As restated 2013 K	As restated 2012 K
<b>Statement of financial position</b>		
<b>Increase (decrease):</b>		
Deferred tax assets	23,610,000	6,210,000
Property, plant and equipment	(90,000,000)	(23,000,000)
Total non-current assets	(66,390,000)	(16,790,000)
<b>Total assets</b>	<b>(66,390,000)</b>	<b>(16,790,000)</b>
Provision for taxes payable	(2,700,000)	-
Deferred tax liabilities	(30,659)	-
Retained earnings	(63,659,341)	(16,790,000)
<b>Total equity</b>	<b>(66,390,000)</b>	<b>(16,790,000)</b>
<b>Total equity and liabilities</b>	<b>(66,390,000)</b>	<b>(16,790,000)</b>
<b>Statement of comprehensive income</b>		
<b>Increase (decrease):</b>		
Delay claims expense	67,000,000	(23,000,000)
Profit before tax	(67,000,000)	(23,000,000)
Income tax expense	20,130,659	6,210,000
<b>Profit (loss) for the year</b>	<b>(46,869,341)</b>	<b>(16,790,000)</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **PNG PORTS CORPORATION LIMITED** **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **27. Events Subsequent to the Reporting Date**

- a. On 1 June 2015 by virtue of NEC Decision No. 144/2015, the following transactions have been approved:
- i. *Sale of Fairfax Harbour Port to IPBC*  
In March 2015, the Board of Directors decided to sell the Fairfax Harbour Port in order to finance the acquisition of Motukea Port and consequently the noncurrent assets were reclassified to noncurrent assets held for sale. The noncurrent assets held for sale was carried at lower of the carrying value and fair value less cost to sell and depreciation ceased. The Company obtained the approval of Independent State of Papua New Guinea in accordance with IPBC Act Section 46B to sell the Fairfax Harbour Port to IPBC for total consideration of K710,927,000. The sales transaction was completed on 1 July 2015. The gain on sale of Fairfax Harbour Port recognized in 2015 amounted to K298 million.
  - ii. *Sales and operating leaseback of Fairfax Harbour Port*  
In relation to above item, the Company entered into sales and leaseback agreement with IPBC for the Fairfax Harbour Port on 1 July 2015. The term of the lease is for two years from commencement date, with option to renew on month to month basis upon mutual agreement for annual rent of K100.
  - iii. *Purchase of Motukea Port*  
On 28 October 2014, the Company entered into sale and purchase agreement with Ballimore No. 39 Limited (a third party) amounting to K725 million. In 2014, a deposit of K72.5 million was paid by IPBC on behalf of the Company. The remaining balance of K625 million was K652.5 million was subsequently paid on 1 July 2015. The Motukea Port was inaugurated on 29 July 2015.
- b. On 1 July 2015, IPBC provided capital contribution amounting to K14.1 million, being the difference between the selling price of Fairfax Harbor Port and purchase price of Motukea Port.
- c. On 30 March 2015, the Company incorporated a new subsidiary known as PNG Ports Subco 1 Limited. The wholly owned subsidiary will be the operating company of Motukea Port.
- d. On 30 March 2015, the Company incorporated PNG Marine Limited as wholly owned subsidiary. The main operation of the subsidiary is to manage the pilotage operation of the Company. Existing pilot boats were transferred by the Company to the subsidiary.
- e. On 01 April 2015, the Lae Tidal Basin Wharf was handed over to the Company from IPBC, the implementing agency for the Lae Port Tidal Basin Project. The total construction cost amounted to approximately K734 million. The valuation of the assets and transfer of loans related to the construction is still under discussion. The project was financed by the Government of PNG and loan from ADB. At hand over of the physical asset, the total ADB debt of approximately K434m was not transferred with the asset and remains with the IPBC as implementing agency of the project.



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