



PNG PORTS
CORPORATION



Annual Report 2015



PORTS FOR PROSPERITY



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Vision and Mission





VISION

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

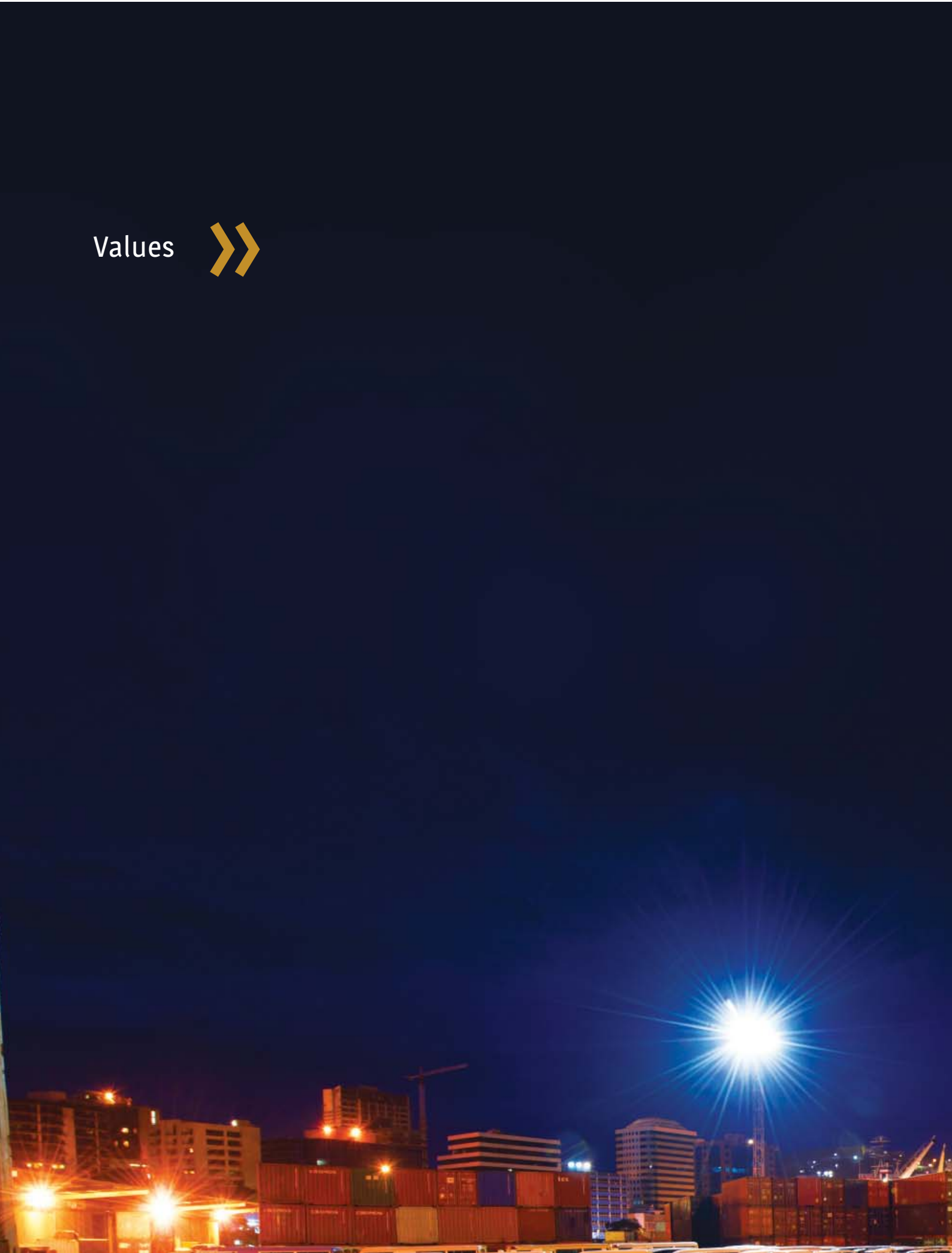
MISSION

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.

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 ('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.

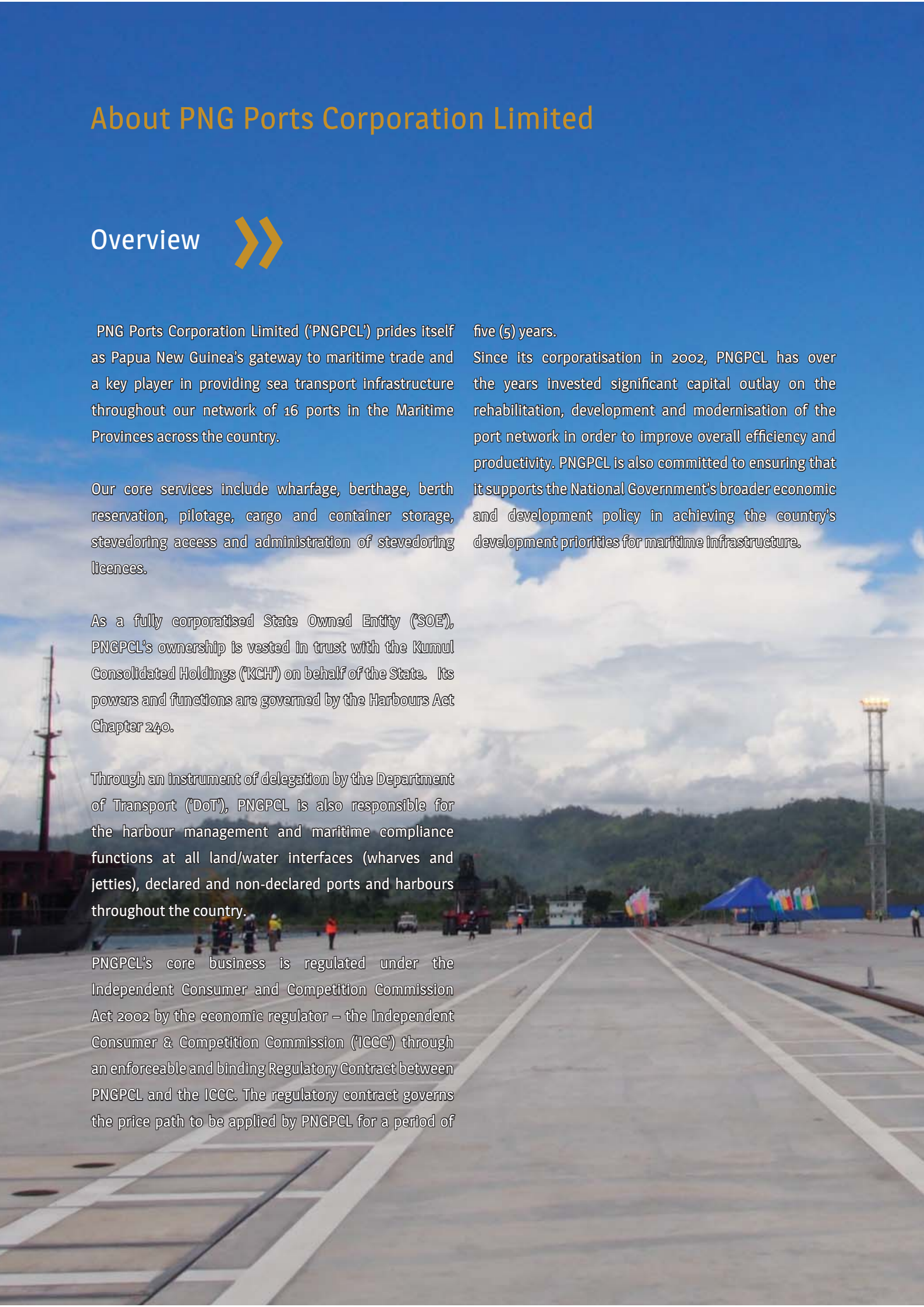
As a fully corporatised State Owned Entity ('SOE'), PNGPCL's ownership is vested in trust with the Kumul Consolidated Holdings ('KCH') on behalf of the State. Its powers and functions are governed by the Harbours Act Chapter 240.

Through an instrument of delegation by the Department of Transport ('DoT'), PNGPCL is also 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 Commission 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 a period of

five (5) years.

Since its corporatisation in 2002, PNGPCL has over the years invested significant capital outlay on the rehabilitation, development and modernisation of the port network in order to improve overall 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 priorities for maritime infrastructure.





Our 16 Ports





OUR PORTS AND CONTACTS



- Aitape - Tel (675) 457 2540
- Alotau - Tel (675) 641 1266
- Buka - Tel (675) 973 9927
- Daru - Tel (675) 645 9137
- Kavieng - Tel (675) 984 2245
- Kieta - Tel (675) 276 9238
- Kimbe - Tel (675) 983 5355
- Lae - Tel (675) 473 4100
- Lorengau - Tel (675) 970 9060
- Madang - Tel (675) 422 2351
- Oro Bay - Tel (675) 276 3616
- Port Moresby - Tel (675) 308 4200
- Rabaul - Tel (675) 982 1533
- Vanimo - Tel (675) 457 1086
- Wewak - Tel (675) 456 2298



Chairman's Report



It gives me great pleasure to present to all our stakeholders, valued clients and the general public the PNG Ports Corporation Limited ('PNGPCL') 2015 Annual Report.

2015 was a good financial year for PNGPCL as the company made a Net Profit after-Tax ('NPAT') of K346.6 million. This was largely attributed to a gain of K298.4 million in the net asset from the sale of Port Moresby Port to Kumul Consolidated Holdings ('KCH'). The previous financial year (FY) 2014 recorded a NPAT of K15.6 million as restated following adjustments made to the company's 2014 accounts by the Auditor General's office.

PNGPCL's balance sheet for the FY 2015 showed an asset value of K1.6 billion indicating a 24 percent growth from the corresponding period. The steady growth in the company's asset base over the last 3 years is attributed to the ongoing rehabilitation of the port infrastructure throughout the port network and revaluation of the company's land, buildings and wharf facilities.

The company was able to reduce its debt level by 22 percent with total liabilities recorded at K392.7 million. Financial indicators also showed a debt ratio of 24 percent which is below the 50 percent industry benchmark. Owner's equity recorded K1.2 billion reflecting a 52 percent growth from FY 2014. This was largely attributed to the increase in company's retained earnings of K760 million which more than tripled from the previous year.

In terms of operating revenue, PNGPCL generated K249 million from the provision of its services as reflected in the 2015 Income Statement. This was an improvement of 3 percent from the corresponding period.

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 and facilitate the country's growing economy.

This year PNGPCL allocated a total budget of K328 million for the financing of the ongoing capital expenditure projects in the ports of Lae, Kimbe, Alotau, Oro and Lorengau.

One of the major capital expenditure ('CAPEX') projects that PNGPCL is committed to delivering is the development of the Lae Port Tidal Basin of which Phase 1 was completed and commissioned on the 17th of December 2014. On the 2nd of April this year, the Tidal Basin port was officially handed over to PNGPCL by KCH through the signing of a Memorandum of Agreement.

The new Motukea wharf is another million kina port infrastructure project that is expected to revolutionise the entire port operations. PNGPCL obtained a commercial loan of K300 million from Bank of South Pacific to fund the development and expansion of the new wharf. The transfer of operations from Port Moresby port to Motukea commenced in July 2014.

With the development of the Lae Tidal Basin and Motukea ports, the Government through KCH has embarked on seeking expressions of interest from globally recognised sea port operators to manage the two new ports. Tender notices have been advertised both locally and internationally.

Other operational milestones achieved this year included the company's accounts attaining a qualified audit opinion for the first time since its corporatisation. Also the verification of all assets across the port network has resulted in a more accurate asset register and the backlog of audits dating back several years are now up to date. Furthermore, PNGPCL has installed the internationally acclaimed Klein Port n Tier system that will increase the company's efficiency in port operations and financial revenue management.

The 40th Pacific Maritime Transport Alliance conference ('PMTA') was quite the highlight this year hosted by PNGPCL in Port Moresby. The conference proved a major success with the participation of delegates from 26 pacific countries. Various issues in the maritime and transport industry were discussed in line with the theme "Improve Ports Productivity and Market Challenges". I am proud to mention that the PNGPCL Chief Executive Officer Mr. Stanley Alphonse is also the current President of the PMTA and I commend his support and contribution over the course of the conference.

2015 has certainly been an eventful year and with the company's strong operational and financial performance, PNGPCL will continue to make strategic investments into the core port infrastructure across the port network. This is to support the National Government in meeting the nation's needs for transportation of goods and people while primarily serving as PNG's gateway to trade.

As Chairman 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 2016 and beyond.



Nathaniel Poya, OBE
Chairman

Chief Executive Officer's Report



2015 has been a very challenging year for PNGPCL in terms of financial and operational performance. PNGPCL continued to strategically focus on improving the core port infrastructure to meet the current and future demand for port services despite unfavourable economic conditions.

In FY2015, PNGPCL recorded an overall cargo throughput of 7.1 revenue tonnages representing a 5.6 percent drop from the previous year. Container trade experienced a decline of 3.6 percent recording 343,770 Twenty-foot Equivalent Units ('TEU's) whilst the number of Vessel calls registered was 5,974, indicating an 11 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. Lae port handled 50 percent of the ports overall cargo volumes, followed by Port Moresby port handling 21 percent, and Kimbe port with 7 percent. These three ports earned 78 percent of the cargo throughput 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 bottom line financial performance, PNGPCL earned a Net Profit after Tax ('NPAT') of K346.6 million in 2015. Compared to the preceding year this was a substantial increase of K331 million. The company's short term liquidity remains strong as the company continues to maintain effective liquidity management. The net asset value was K1.6 billion whilst the debt level was well managed at 24 percent which is below the industry benchmark.

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.

A total capital expenditure ('CAPEX') of over 328 million was spent on a number of key Projects. The highest value project in this mix is the Motukea New Wharf Extension and associated facility project which accounted for a total of K269 million. PNGPCL is now progressing with various pre-construction works for the planned international wharf at Motukea. The completion of which in mid-2017 will see the full transfer of port operations to the new port. This project and other planned projects further compliments PNGPCL's continued drive towards strategically investing in core port infrastructure under the company's twenty year corporate strategic plan 2012 - 2032.

PNGPCL will be looking to effectively manage the development of the latter phase of the Lae Tidal Basin Wharf with plans for developing the area into a world class industrial hub to complement the world class port facility.

In the company's Human resource front, human capital assets continue to remain vital assets to PNGPCL's success. As such continued 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 a total staff strength of 660.

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 K57, 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).

FY2015 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 2016.



STANLEY ALPHONSE
Chief Executive Officer

Operations Review





Human Capital

Major Ports

International Accreditation

Community Engagement

Trade Performance

Operations Review

Human Capital >>



The Human Capital Division ('HCD') provides vital support to the company through its various functions of Human Resources ('HR') Management, HR Services (Information systems & Benefits), Recruitment, Organisational Structure, Employee Relations, Policy & Planning, as well as Training and Development.

Voluntary Retrenchment Program

The company rolled out the Voluntary Retrenchment Program in the month of January this year through the HCD. From this exercise, 42 long serving employees were acknowledged for their invaluable contribution to PNGPCL and received entitlements for their service to the company.

Organisation Structure Review

In line with PNGPCL's desire to achieve greater operational efficiency, superior customer service, empowerment and enhancement of the decision making processes, HCD carried out a review of the organisation structure. The review is still in progress and is expected to be finalised and approved by the company board in 2016.

Man Power Summary & Distribution

As at 31st December 2015, PNGPCL had a total staff strength of 660 which indicated a 12 % decrease from the preceding year. Of the 660 employees, 571 were permanent employees (86%), 78 were employed on fixed-term contracts (12%), while at the executive management level, 6 nationals (1%) and 5 expatriates (1%) were employed.

Man Power Summary 2015

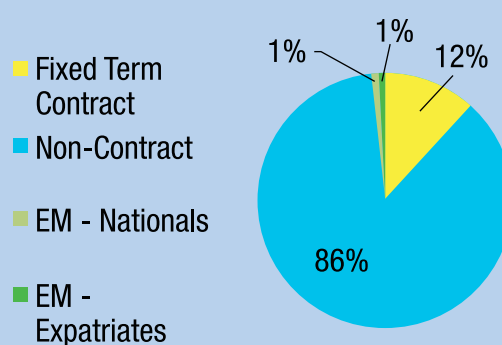


Fig 1

In terms of gender distribution, the male population dominated the workforce with a total of 501 while there were 159 female employees. Despite this imbalance, a handful of women occupied middle level supervisory roles with one in the executive management level team. PNGPCL continued to promote gender equality through its recruitment drives to reduce the current gap.

Gender Distribution

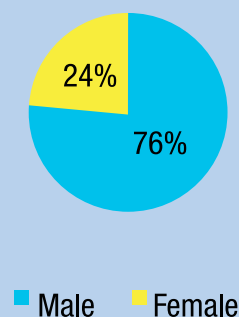


Fig 2

Operations Review



Graduate Development Program

Skills enhancement and capacity building programs remain an important key deliverable for HCD. The Graduate Development Program is one such program that aims to attract young, vibrant and energetic University graduates to be part of PNGPCL's dynamic workforce. Under the program, the graduates undergo an 18 months on-the-job training that is targeted at enhancing their skills and knowledge in their respective field of study.

Now carried out biannually, the next GDP will be rolled out in 2016. The program was advertised in October this year with an overwhelming 350 applications already received. HCD has begun the selection process with the program scheduled to commence in February 2016.

Since its inception in 2010, PNGPCL has seen quite a number of graduates progressing to senior and managerial positions after the completion of the program.

Annual Health Checks

Health Checks are organised annually by the company for staff as part of a proactive approach in promoting a healthy lifestyle and encouraging work life balance.

Health checks conducted this year included, physical examination, electrocardiogram, chest X-ray, Blood sugar, Hepatitis B, Liver Function Test, mammogram and Tuberculosis ('TB') tests. Employees diagnosed with health issues of concern were referred by the medical practitioners to seek further investigation and treatment.

Modernisation Exercise



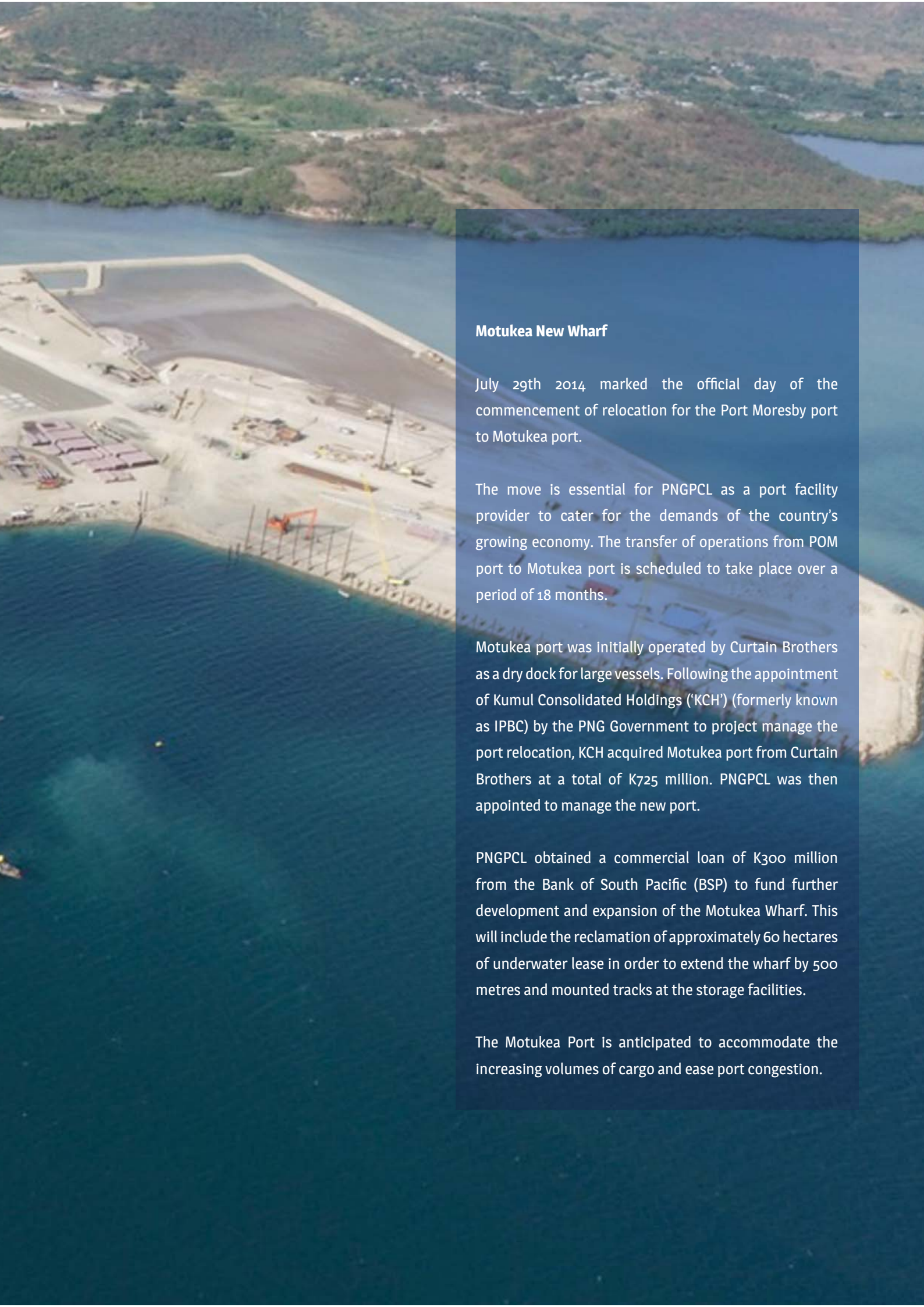
Port infrastructure is vital for PNGPCL to function as a port facility and services provider. The growing demand for port services within the country and Asia Pacific Region positions PNGPCL's main ports of POM and Lae as the transshipment hub in the region.

In order to cater for this demand and create efficiency within the port network, PNGPCL has invested K 328 million this year into the port modernisation exercise. This included the upgrade and expansion of existing port facilities throughout the country as well as the construction of new port facilities such as the Motukea wharf and Lae Tidal Basin.

Operations Review

Modernisation Exercise





Motukea New Wharf

July 29th 2014 marked the official day of the commencement of relocation for the Port Moresby port to Motukea port.

The move is essential for PNGPCL as a port facility provider to cater for the demands of the country's growing economy. The transfer of operations from POM port to Motukea port is scheduled to take place over a period of 18 months.

Motukea port was initially operated by Curtain Brothers as a dry dock for large vessels. Following the appointment of Kumul Consolidated Holdings ('KCH') (formerly known as IPBC) by the PNG Government to project manage the port relocation, KCH acquired Motukea port from Curtain Brothers at a total of K725 million. PNGPCL was then appointed to manage the new port.

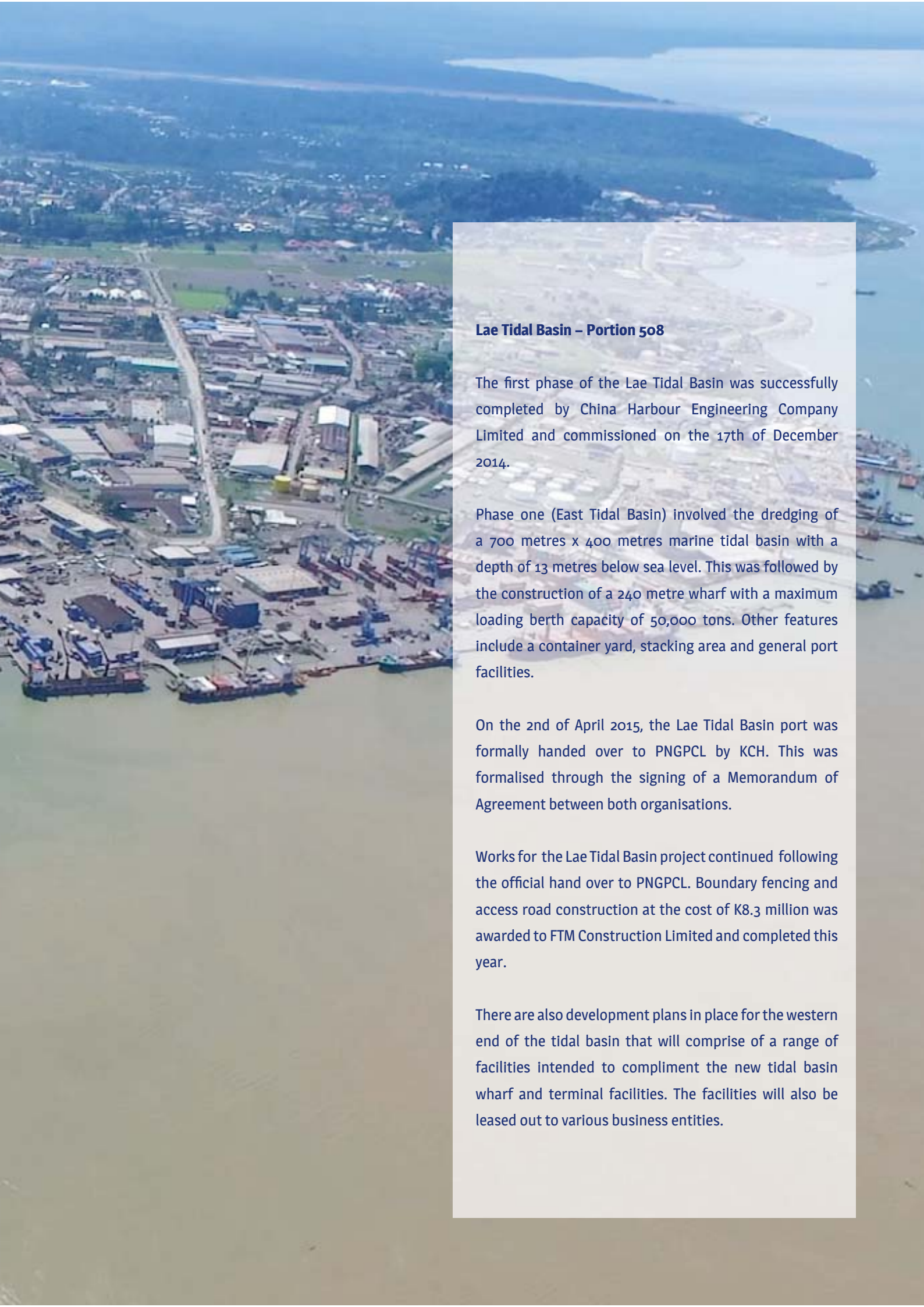
PNGPCL obtained a commercial loan of K300 million from the Bank of South Pacific (BSP) to fund further development and expansion of the Motukea Wharf. This will include the reclamation of approximately 60 hectares of underwater lease in order to extend the wharf by 500 metres and mounted tracks at the storage facilities.

The Motukea Port is anticipated to accommodate the increasing volumes of cargo and ease port congestion.

Operations Review

Modernisation Exercise





Lae Tidal Basin – Portion 508

The first phase of the Lae Tidal Basin was successfully completed by China Harbour Engineering Company Limited and commissioned on the 17th of December 2014.

Phase one (East Tidal Basin) involved the dredging of a 700 metres x 400 metres marine tidal basin with a depth of 13 metres below sea level. This was followed by the construction of a 240 metre wharf with a maximum loading berth capacity of 50,000 tons. Other features include a container yard, stacking area and general port facilities.

On the 2nd of April 2015, the Lae Tidal Basin port was formally handed over to PNGPCL by KCH. This was formalised through the signing of a Memorandum of Agreement between both organisations.

Works for the Lae Tidal Basin project continued following the official hand over to PNGPCL. Boundary fencing and access road construction at the cost of K8.3 million was awarded to FTM Construction Limited and completed this year.

There are also development plans in place for the western end of the tidal basin that will comprise of a range of facilities intended to compliment the new tidal basin wharf and terminal facilities. The facilities will also be leased out to various business entities.

Operations Review

Modernisation Exercise



New constructed Kimbe Port Coastal Wharf

Kimbe Coastal Wharf Rehabilitation

The Kimbe Coastal wharf rehabilitation project was completed this year with the newly improved infrastructure officially launched on the 1st of October 2015. The project contract had been awarded to Curtain Brothers in 2014 at the cost of K49 million and its completion signified a milestone achievement for PNGPCL.

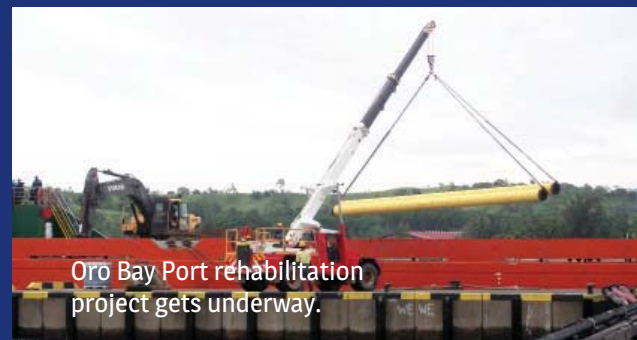
Kimbe port is ranked the 3rd busiest and profitable port after POM and Lae and its high trade volumes are driven by the oil palm industry. The coastal wharf will cater to the projected growth and is anticipated to reduce berth congestion, enable the smooth flow of cargo on the wharf which will in turn reduce vessel turnaround times. The wharf will be used as a multi-purpose wharf that will service mostly oil palm tankers and coastal vessels.



Surveyors at work on the New Kavieng Container Storage Yard



Newly built house at Lorengau Port for Business Manager



Oro Bay Port rehabilitation project gets underway.

Kavieng New Container Storage

The new container storage facility was completed and officially commissioned on the 5th of March this year. A total of K4 million had been invested into the construction of the storage facility. Kavieng port's storage capacity has now increased from 6,624 m² to 1.6 hectares upon completion of the project. This new facility will contribute to relieving wharf congestion at Kavieng port.

Other wharf maintenance and port upgrade activities were undertaken in various ports including Alotau, Oro and Lorengau.

Operations Review

International Accreditation



Port Safety and Management

The PNGPCL Harbours Management Services (The Regulatory Division of PNGPCL) continues to ensure that business practices within the declared ports are in compliance with the 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 to protect and enhance the environment, the welfare of the employees and the surrounding community.

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.

In compliance with the Port Management and Safety Regulations, and in support of the 2015 South Pacific Games, PNGPCL successfully staged and coordinated the Water Sporting Events within the inner and outer Port Moresby Harbour.

Community Engagements | Highlights

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.

This year, PNGPCL allocated a total of K571, 300.00 to sponsorships and donations in various areas including Education, Sports, Health and others.

Education

In an effort to promote the country's Human Resource Development, PNGPCL allocated a total of K32, 732.00 to 7 schools in the country to help fund their schools' activities and projects.

Sports

PNGPCL also recognised that sports is an integral part of the community structure as it reduces social tension, crime and provides young people with opportunities to become disciplined and learn good moral values. A total of 15 sporting clubs received financial assistance from PNGPCL amounting to K385, 102.00.

Health

Another area that PNGPCL prioritized this year is health. A sponsorship value of K26, 500.00 was allocated to hospitals, clinics and medical appeals.

Other causes that received financial assistance from PNGPCL included;

- NGOs - K45,916.00;
- Professional Groups - K51,050.00;
- National Events - K10,000.00;
- Religion - K15,000.00 &
- Others - K5,000.00

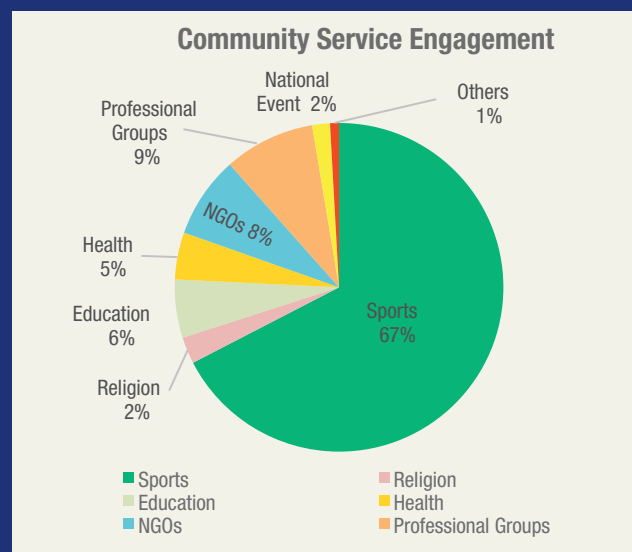


Fig 3

Apart from direct financial assistance, PNGPCL participated in various campaigns against major issues that have a negative impact on the country's socio-economic development. These included the Fight against HIV and Aids and Fight against Corruption aimed at eradicating bad practices within the organisation and the nation as a whole.

Operations Review

Trade Performance | Analysis



Cargo Throughput

In 2015, PNGPCL handled an overall cargo throughput of 7,169,582.81 Revenue Tonnages representing a 5.6 percent drop from the corresponding period. The decline in cargo volumes was a result of the country's low economic growth attributed to several offsetting factors including the temporary closure of the country's major mining operations (Ok Tedi and Pogera mines), low international commodity prices and low domestic output.

The 5 year comparative analysis for Cargo Throughput (Fig 4) shows a 3.5 percent growth in cargo volumes from 2011 to 2012. This was a reflection of the economic boom driven by the multi-billion kina Liquefied Natural Gas ('LNG') project. However the winding down of the LNG construction phase and the drop in export commodities the following year in 2013 caused a sharp downward turn in overall throughput by 8 percent. 2014 results reflected an improvement of 3 percent with a total of 7.5 million Revenue Tonnages driven by a substantial 9 percent growth in coastal cargo trade, as well as the commencement of the production and export of the LNG and strong activity in the non-mineral private sector.



Fig 4

Coastal & Overseas Cargo

2015 port statistics indicated a considerable drop in the coastal cargo trade from the previous year by 10.4 percent recording a throughput of 2,499,689.59 Revenue Tonnages.

The 5 year comparative analysis for Coastal cargo (Fig 5) shows that there was a steady decline of approximately 2 percent in coastal cargo throughput from 2011 to 2013. Coastal cargo picked up significantly in 2014 by 9.4 percent recording 2,789,824 Revenue Tonnages however declined dramatically again by 10.4 percent in 2015 recording 2,499,689 Revenue Tonnages.

Overseas Cargo recorded a throughput of 4,669,893 Revenue Tonnages in 2015. This reflected a slight 2.8 percent drop from the corresponding period (Fig 6). In the last 5 years, the highest overseas cargo throughput was recorded in 2012 with a total of 5,403,063 Revenue

Tonnages.

In terms of composition of trade, overseas cargo constituted 65 percent of total cargo throughput, while coastal cargo constituted approximately 35 percent. Major cargoes traded included containers, break bulk, palm oil and bulk fuel.

The three main ports which handled a majority of cargo volumes were Lae, Port Moresby port and Kimbe ports (Fig 7). Lae port handled 3,579,224 Revenue Tonnages (4.7 percent decline from the previous year) which accounted for 50 percent of total cargo throughput; Port Moresby port handled 1, 473, 805 Revenue Tonnages (14 percent decrease) which constituted 21 percent of cargo throughput, while Kimbe port's cargo volumes declined as well by 10 percent from the previous year handling 535, 715 Revenue Tonnages, making up 7 percent of cargo throughput.



Fig 5



Fig 6

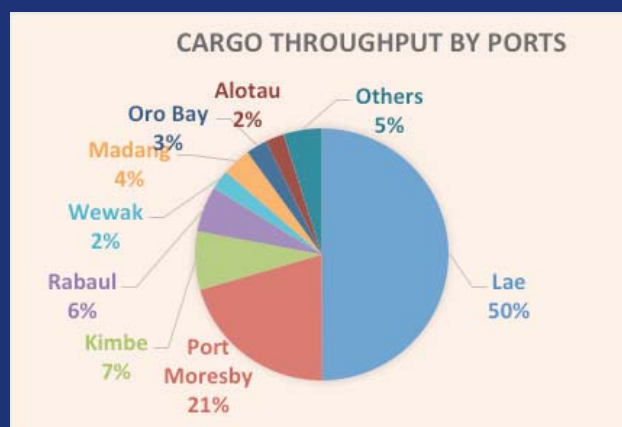


Fig 7

Operations Review

Trade Performance | Analysis



Containerised trade

Port statistics recorded a container throughput of 343,770 Twenty-Foot Equivalent Units ('TEU') in 2015. This represented a 3.6 percent drop from the previous year. 2014 recorded 356,918 TEUs, the highest recorded TEUs within the last 5 years (Fig 8).

In terms of percentage growth, container throughput reached the highest growth of 8 percent in 2011 with a total of 315,988 TEUs. Container volumes climbed steadily in 2012 (7%), 2013 (1%) and 2014 (4%) and eventually dropped by 3.6 percent in 2015 (Fig 8).



Fig 8

Coastal and Overseas Trade

This year, coastal container throughput accounted for 38.7 percent of containerised trade with a total of 132,995 TEUs while overseas containers accounted for 61 percent recording 210,775.57 TEUs (Fig 9). With overseas trade, imports accounted for 50.1 percent of container volumes, while exports accounted for 49.9 percent of container volumes.

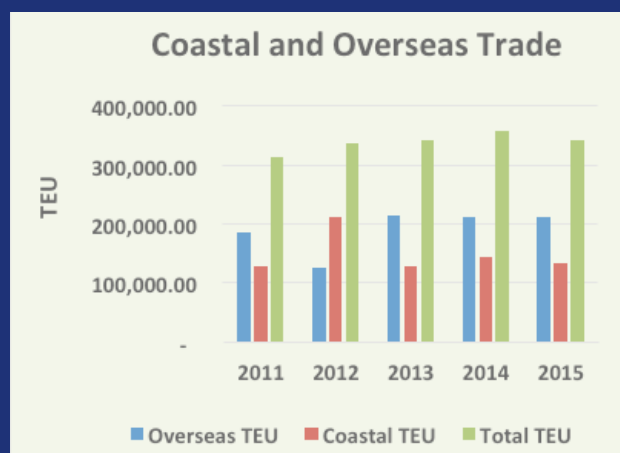


Fig 9

Lae, Port Moresby and Rabaul ports dominated the overall container trade by accounting for more than half of the container volumes that passed through the port network. Lae port alone contributed 54 percent of containerised cargo (186,839 TEUs), Port Moresby port accounted for 23 percent (79,111 TEUs) and Rabaul port accounted for 5 percent (18,702 TEUs) (Fig 10).

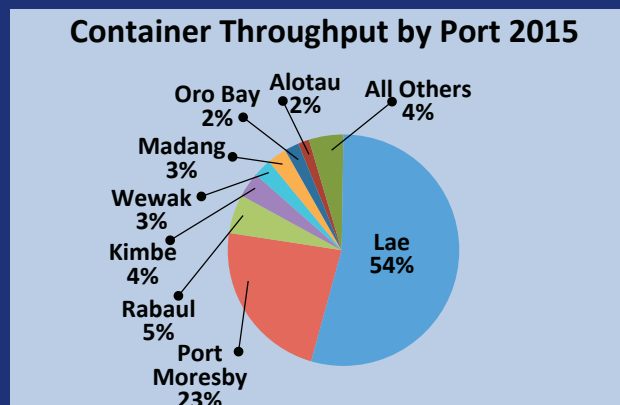


Fig 10

Trade Performance | Analysis



Vessel Calls

PNGPCL recorded a total of 5,974 vessel calls in 2015 throughout the port network as compared to 6,711 vessel calls in the previous year. This indicated an 11 percent decline (Fig 11).

2011 recorded the highest number of vessel calls totalling 7,675. Since then, there has been a modest decline in vessel throughput as per the 5 year comparative analysis (Fig 11). 2012 results reflected a 4.49 percent decrease, followed by another noticeable decline of 6.6 percent in 2013 and 1.9 percent in 2014. 2015 vessel throughput of 5,974 was the lowest recorded number of vessel calls in the last 5 years.

Coastal and Overseas Calls

Port statistics revealed that the coastal vessel calls recorded in 2015 was 3,135 while overseas vessel calls recorded was 2,839 (Fig 12). Both coastal and overseas vessel calls dropped by 9.5 percent and 12.5 percent respectively this year. Coastal vessel calls accounted for 52 percent and consisted mainly of general vessels, tanker and barge vessels, as well as passenger and fishing vessels. Overseas calls made up 48 percent of total vessel calls and consisted of container vessels, tankers, cruise vessels, logging vessels, fishing vessels as well as roll-on roll-off vessels.



Fig 11



Fig 12

Operations Review

Trade Performance | Analysis



In terms of performance by port, Port Moresby, Lae and Rabaul ports were the top 3 ports recording the highest number of vessel calls (Fig 13). Port Moresby accounted for 24% of total vessel calls recording 1,471 calls which indicated a 22 percent drop from the previous year. Lae port had the second highest number of vessel calls recording 1,035 and accounted for 17 percent of total vessel calls. This was a noticeable 2.6 percent decline as well from the corresponding period while Rabaul port had the third highest number of vessel calls recording 702 calls and accounting for 12 percent of total vessel throughput, 0.8 percent growth from the previous year.

Wewak port recorded 648 vessel calls which was the fourth highest and accounted for 11 percent of total calls. Kimbe and Madang ports had the fifth and sixth highest calls recording 516 and 404 vessel calls respectively (both accounted for 9 percent and 7 percent respectively). 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.

Vessel Calls by Port 2015

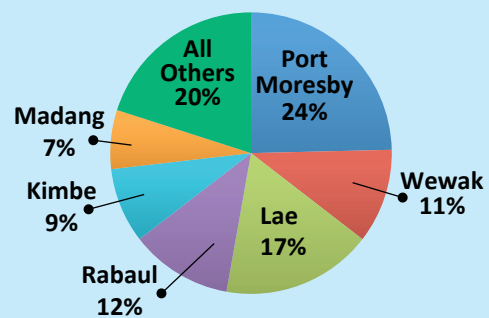


Fig 13



Papua New Guinea's

**Gateway
TO Growth
AND Prosperity**

Corporate Governance





Board of Directors

Management Team

Corporate Values

Corporate Governance Practice

Financial Review

Corporate Governance

Board of Directors



NATHANIEL POYA | OBE,
Chairman of PNGPCL 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



IAN HAYDEN-SMART
Chief Operating Officer



ROWINA BELAPUNA
Chief Finance Officer



WAQA BAULEKA
Chief Infrastructure Officer



MARTIN GINYARU
Chief Maritime Compliance Officer



JOSEPH AISA
General Manager Corporate Affairs

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 Kumul Consolidated Holdings Act 2002 ('KCH Act'). The Board of PNGPCL 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 KCH is the sole shareholder holding shares in trust on behalf of the State and as such the KCH Act sets forth the underlying provisions by which

the company is governed and the appointment of its Board. In turn the KCH reports to the KCH Board and the Ministry of Public Enterprise and State Investment and National Executive Council.

In accordance with the provisions of the KCH Act, the Board members are appointed by the KCH subject to the approval of the National Executive Council. The KCH as the sole shareholder of PNGPCL under the KCH Act appoints directors, the Chairman and deputy chairman. PNGPCL as of the 31st of December 2015 had eight (8) Board members, inclusive of the Chairman, which were appointed by the KCH through the due process stipulated by the KCH Act 2002.

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 Companies Act 1997.

Directors Interest

As at the end of 31st December 2015 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 2015 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 Companies 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 KCH Act, the KCH 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.

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 KCH, which is then forwarded to the Public Enterprise and State Investment Minister to be presented in parliament.

Corporate Governance

Financial Review



Financial | Summary

Year ended 31st December	2015 K'm	2014 As restated K'm	2014 K'm	2013 As restated K'm	2012 K'm	2011 K'm

Operating Result

Operating revenue	249	242	242	222.5	255.9	243.3
Operating expenses	174	188.2	188.2	234.8	165.2	186.9
Operating profit before interest and tax	371.6	25.9	25.9	(16.6)	100.2	68.4
Finance costs	8.2	8.2	6.5	9.7	2.1	1.4
Profit (Loss) before Taxes	364.3	20.2	20.2	(25.8)	98.8	67.6
Profit(Loss) after Taxes	346.6	15.6	8	(18.3)	75.9	47.6

Financial Position

Total Assets	1,626.40	1,311.80	1,311.80	1,291.90	1,332.1	1,175.4
Total Liabilities	392.7	500.6	521.4	509.5	497.5	419.5
Contributed Capital and Reserves	473	620	620	640.3	650.0	660.0
Retained earnings	760	191	170.5	142.1	184.6	95.9
Total Equity & Liabilities	1,626.40	1,311.80	1,311.80	1,291.90	1,332.1	1,175.4

Cash Flows

Net Cash flows from operating activities	131	71.8	71.8	42.3	137.2	94.2
Net Cash flows from investing activities	(155.6)	(65.6)	(65.6)	(88.5)	(98.8)	(110.8)
Net Cash flows from financing activities	(23.9)	49.8	49.8	(26)	34.2	16.4
Net Cash flows	75.2	123.7	123.7	67.7	140	67.9

The restated financial figures for the FY 2014 is the outcome of the adjustments made to the company's 2014 accounts by the Auditor General's office

Financial Performance | Analysis



The financial performance analysis is a reflection of the company's performance over the past 5 years. The 2015 financial results are compared against the 2014 financial results as restated in the Auditor General's report.

Financial position

PNGPCL achieved a good financial position this year. Total assets recorded was K1.6 billion for the year ended 31st December 2015 as shown on the balance sheet. This was a substantial increase of K314 million from the previous year, reflecting a 24% growth. There has been a steady growth in the company's asset base since 2013 (Fig 14) as a result of the ongoing upgrade of the port infrastructure and revaluation of the land, buildings and wharf facilities giving rise to the value of the company's fixed assets.

This year the company's debt level was reduced considerably by 22% with total liabilities recorded at K392.7 million as compared to K500.6 million recorded in the previous year. A decrease in total loans and borrowings was an underlying factor. The increase in asset base and reduction in debt levels over the last 3 years has given PNGPCL the ability to maintain a solid net asset position over this period.

Earnings before Interest and Tax

The company generated an operating revenue of K249 million from the provision of its services as shown on the 2015 Income statement. This was a 3% improvement from the corresponding period that earned an operating revenue of K242 million. Operating revenue dropped by 13% (K222.5

million) the following year in 2013 after a decline in the company's business lines however picked up again in 2014 by 9% (K242 million).

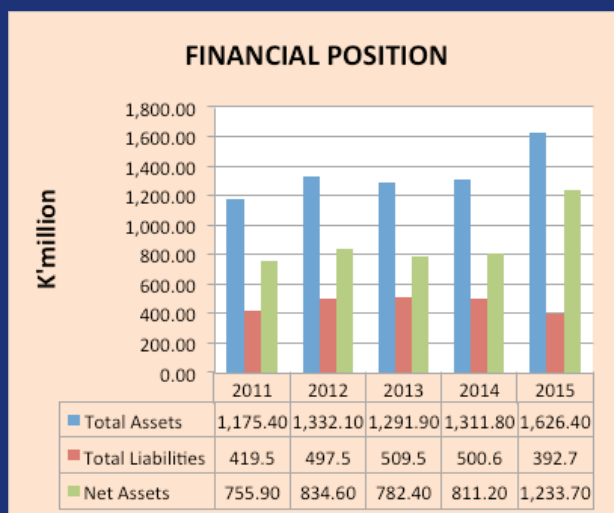


Fig 14

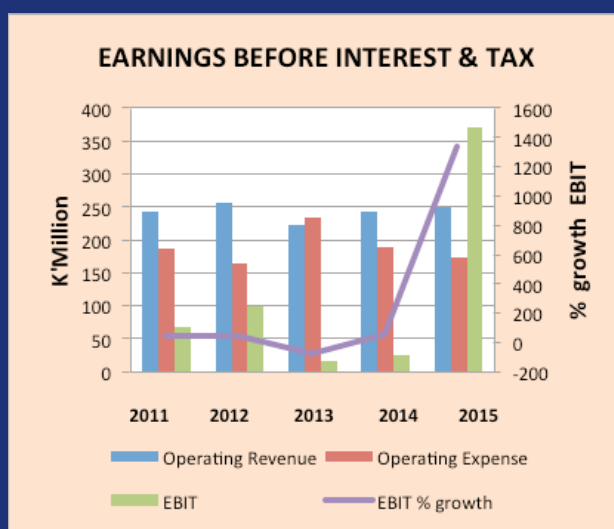


Fig 15

Corporate Governance

Financial Performance | Analysis



The Operating Expenses for the year amounted to K174 million, a reduction by 8% from the previous year which had recorded a total operating expense of K188.2 million. The earnings before interest and tax for 2015 was K371.6 million, a significant increase of K345.7 million from the corresponding period which recorded K25.9 million. This was largely attributed to the gain on disposal of property, plant and equipment this year which amounted to K298 million.

Net Operating Result

PNGPCL recorded an after-tax profit of K346.6 million in the 2015 income statement. This represented a significant increase of K331 million from the corresponding period that recorded an after-tax profit of K15.6 million.

Owner's Equity

Total equity grew considerably by 52 percent in 2015 amounting to K 1.2 billion. This reflected an increase of K423 million from the corresponding period which recorded K811 million. This growth was largely attributed to the company's retained earnings of K760 million which more than tripled from the corresponding period which recorded K191 million. Total reserves amounted to K465 million and consisted of asset revaluation reserve and stockholder fund reserve.

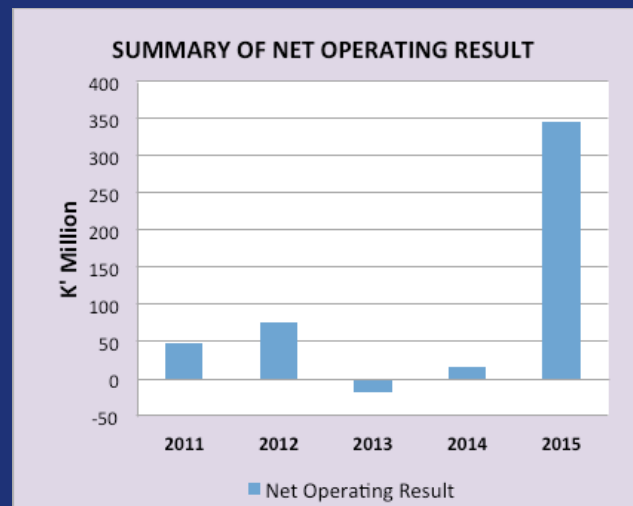


Fig 16

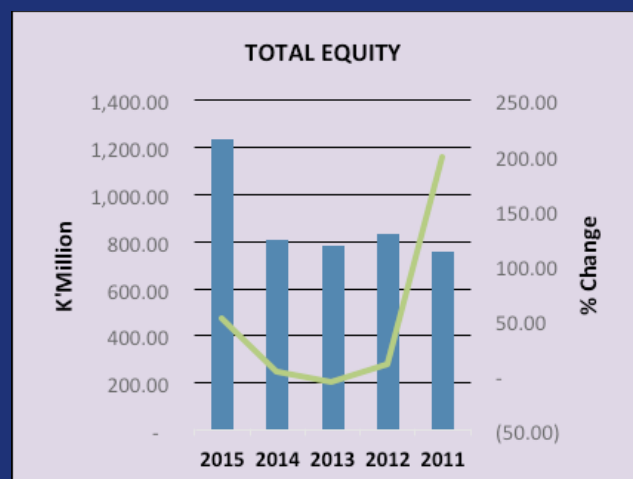


Fig 17

Financial Performance | Analysis

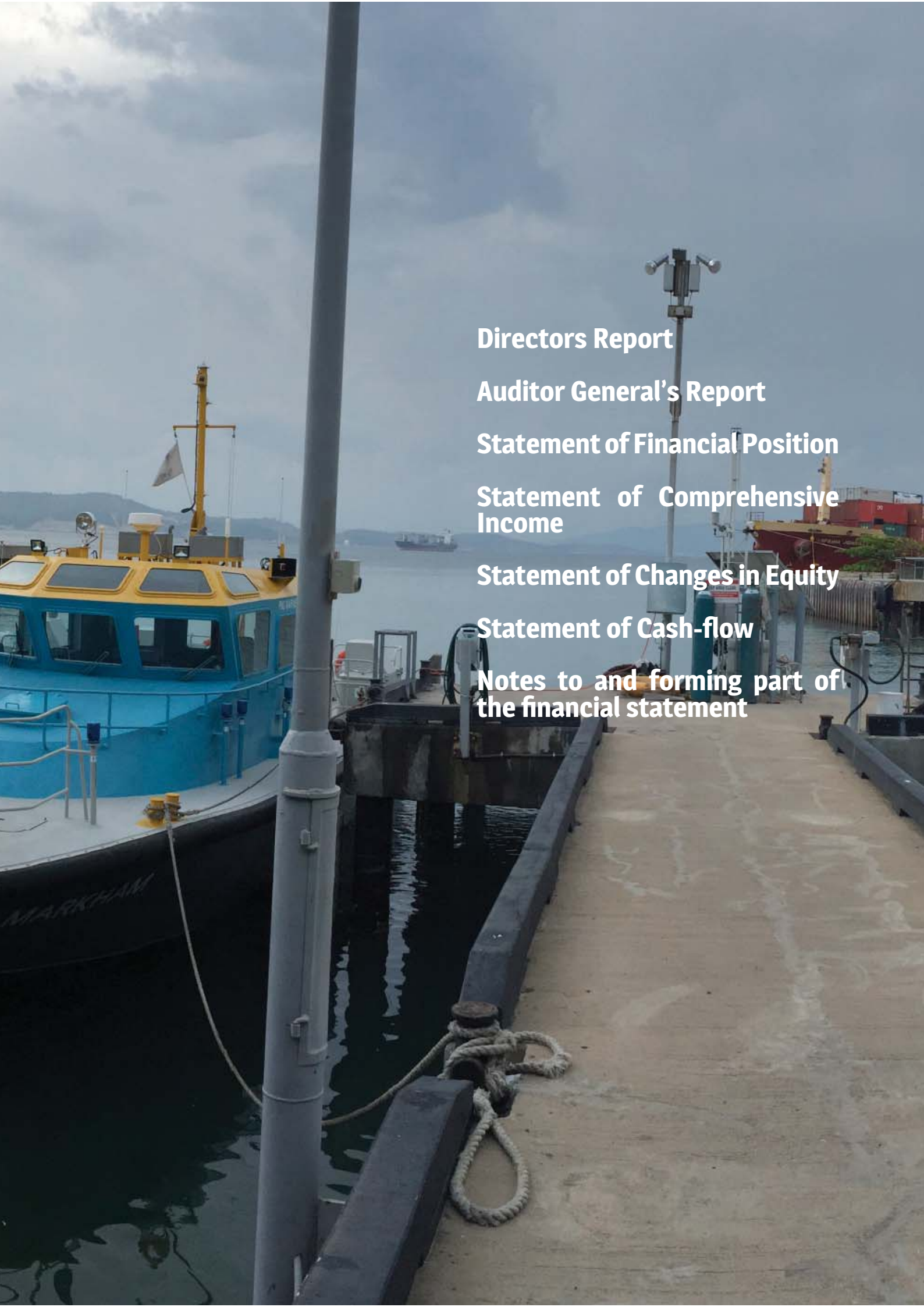


Performance Indicators

Ratios	2015	2014	Bench mark	Remark
Net Profit margin	139.2%	6%	30%	The NPM for this year was 139. 2%, a substantial improvement of 133% from the previous financial year. It is also well above the industry bench mark indicating the company's ability to maximize profits.
Return on capital employed	24%	2%	10%	The ROCE for this year increased considerably by 22% from the previous period and is also 14% higher than the industry benchmark. This represents the company's ability to employ its capital effectively and generate shareholder value.
Asset Turnover ratio	15%	18%	50%	The Asset turnover ratio dropped by 3% from the corresponding period as a result of the rise in total asset value by 24%. Revenue generated from asset utilization is yet to be realized as the infrastructure improvement program is still in progress.
Current ratio	1.2: 1	1.36:1	2:1	The current ratio for the year dropped slightly by 0.16 from the previous period. However it shows that the company is still in good financial health with a higher proportion of asset value relative to the value of liabilities. PNGPCL is able to pay back its current liabilities.
Debt to Equity Ratio	31.8%	61.7%	50%	The debt to equity ratio this year declined by 30%. This was a result of a reduction in company debts by 22% while an increase in equity by 52% mainly attributed to an increase in retained earnings.
Debt Ratio	24%	38%	50%	This year, the debt ratio decreased by 14% compared to the previous year indicating that PNGPCL decreased its leverage and maintained the debt level below the benchmark of 50 percent.
Equity Ratio	76%	62%	50%	The equity ratio in 2015 increased by a 14 % however remained above the industry's benchmark due to an increase in retained earnings which more than tripled 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





Directors Report

Auditor General's Report

Statement of Financial Position

**Statement of Comprehensive
Income**

Statement of Changes in Equity

Statement of Cash-flow

**Notes to and forming part of
the financial statement**

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 2015.

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 K346, 582, 219 (2014: K15, 616, 768).

Dividends

No dividends were declared in 2015 and 2014.

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 2015 and none had any

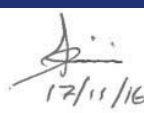
material interests in any contract or arrangement with the company or any related entity during the year. The directors during the year ended 31st December 2015 were as follows:

- 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;

Director Date		Director Date	
	17/11/16		17/11/16



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: 5th December, 2016
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 2015**

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, 2015**.

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

Yours faithfully,

LEMEKI ILA
a/Deputy Auditor-General
(Statutory Bodies Audit Branch)
FOR: AUDITOR-GENERAL



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

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

INDEEDENT AUDIT REPORT ON THE ACCOUNTS OF PNG PORTS CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015

To the Minister for Public Enterprise & State Investment

I have audited the accompanying financial statements of PNG Ports Corporation Limited and its subsidiary for the year ended **31 December, 2015**. 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.



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.

AUDIT OPINION

In my opinion,

- (a) the financial statements of PNG Ports Corporation Limited for the year ended 31 December, 2015:
  - (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) except as noted under Other Matters paragraph, proper accounting records have been kept by the Company; 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, 2015 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

5 December, 2016

FINANCIAL STATEMENTS

31 DECEMBER 2015



- »» Company Information
- »» Directors' Report
- »» Statement of financial position
- »» Statement of comprehensive income
- »» Statement of changes in equity
- »» Statement of cash-flows
- »» Notes to and forcoming part of the financial statements

Company Information



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

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

Chief Executive Officer	Mr. Stanley Alphonse

Secretary	Mr. Joseph Aisa

Auditor	Auditor General of Papua New Guinea PO Box 423 Waigani National Capital District

Bankers	Westpac Bank (PNG) Limited ANZ Banking Group (PNG) Limited Bank South Pacific Limited

Directors' Report



The directors present their financial statements on the affairs of PNG Ports Corporation Limited ("the Company" or "PNGPCL") for the year ended 31 December 2015.

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 K346,582,219 (2014: K15,616,768).

Dividends

No dividends were declared in 2015 and 2014.

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 2015 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 2015 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

Director
Date

17/11/16

Statement of Financial Position



	Note	31 December 2015 K	31 December 2014 K (As restated) – Note 26	1 January 2014 K (As restated) – Note 26
ASSETS				
Cash and cash equivalents	21	75,215,551	123,684,558	67,719,159
Trade and other receivables	12	30,201,782	112,532,244	33,560,615
Investments	11	–	–	–
Total current assets		105,417,333	236,216,802	101,279,774
Asset held for sale		–	–	12,450,000
		105,417,333	236,216,802	113,729,774
Deferred tax assets	9(c)	24,953,796	26,625,840	67,701,002
Receivable from related parties	12, 19	12,000,000	15,946,329	14,682,846
Property, plant and equipment	10	1,484,006,626	1,033,056,050	1,095,779,462
Total non-current assets		1,520,960,422	1,075,628,219	1,178,163,310
Total assets		1,626,377,755	1,311,845,021	1,291,893,084
LIABILITIES				
Trade and other payables	16	20,946,168	26,073,527	77,637,868
Provision for taxes payable	9(b)	17,681,640	27,282,398	78,483,360
Loans and borrowings	15	26,762,120	99,618,208	8,705,398
Trust payable	17(a)	7,607,696	6,901,223	6,901,223
Employee provisions	18	6,974,635	6,815,361	4,863,204
Deferred income	17(d)	7,525,124	7,086,439	5,952,167
Total current liabilities		87,497,383	173,777,156	182,543,220
Employee provision	18	12,399,941	10,876,206	9,946,962
Trust payables	17(a)	1,125,755	1,125,755	5,723,516
Loans and borrowings	15	115,066,138	128,997,884	97,361,759
Deferred income	17(d)	109,357,747	117,252,913	121,127,138
Deferred tax liabilities	9(d)	67,243,746	68,577,529	79,569,679
Total non-current liabilities		305,193,327	326,830,287	313,729,054
Total liabilities		392,690,710	500,607,443	496,272,274
EQUITY				
Share capital	13	7,830,000	7,830,000	7,830,000
Reserves	14	465,411,834	612,142,413	632,472,818
Retained earnings		760,445,211	191,265,165	155,317,992
Total equity		1,233,687,045	811,237,578	795,620,810
Total equity and liabilities		1,626,377,755	1,311,845,021	1,291,893,084

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 35.

For and on behalf of the board of directors

Director 
Date 

Director 
Date 17/11/16



Statement of Comprehensive Income



	Note	2015 K	2014 K (As restated) – Note 26
Revenue from rendering of service		249,082,830	242,078,750
Direct costs		(9,992,052)	(27,947,719)
Gross profit		239,090,778	214,131,031
Other revenue (expenses)	6	306,760,559	(19,489,648)
Personnel expenses	8	(66,997,264)	(65,314,564)
Depreciation	10	(45,822,191)	(55,247,822)
Administrative expenses		(26,712,015)	(24,740,455)
Other operating expenses	7	(34,739,807)	(23,425,015)
		(174,271,277)	(168,727,856)
Results from operating activities		371,580,060	25,913,527
Finance income		956,361	718,292
Finance costs	15	(8,246,385)	(6,471,179)
Net finance expense		(7,290,024)	(5,752,887)
Profit before tax		364,290,036	20,160,640
Income tax expense	9(a)	(17,704,817)	(4,543,872)
Profit for the year		346,585,219	15,616,768
Other comprehensive income			
Revaluation increment (Note 10)		60,025,298	–
Income tax effect (Note 9d)		1,765,950	–
Other comprehensive income for the year		61,791,248	–
Total comprehensive income for the year		408,376,467	15,616,768

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 35.



Statement of Changes in Equity



	Share Capital K	Reserves K	Retained Earnings K	Total K
Balance at 1 January 2014, as previously presented	7,830,000	632,472,818	142,130,094	782,432,912
Adjustment on correction of error (Note 26)	—	—	13,187,898	13,187,898
Balance at 1 January 2014, as restated	7,830,000	632,472,818	155,317,992	795,620,810
Profit for the year, as restated	—	—	15,616,768	15,616,768
Other comprehensive income	—	—	—	—
Total comprehensive income, as restated	—	—	15,616,768	15,616,768
Depreciation transfer for revalued assets (Note 14)	—	(20,330,405)	20,330,405	—
Balance at 31 December 2014, as restated	7,830,000	612,142,413	191,265,165	811,237,578
Profit for the year	—	—	346,585,219	346,585,219
Other comprehensive income, net of tax	—	61,791,248	—	61,791,248
Total comprehensive income	—	61,791,248	346,585,219	408,376,467
Depreciation transfer for revalued assets (Note 14)	—	(222,594,827)	222,594,827	—
Transaction with shareholder (Note 14)	—	14,073,000	—	14,073,000
Balance at 31 December 2015	7,830,000	465,411,834	760,445,211	1,233,687,045

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 35.



Statement of Cash Flows



	Note	2015 K	2014 K
Cash flows from operating activities			
Cash receipts from customers		332,300,007	238,380,846
Cash paid to suppliers and employees		(167,853,821)	(134,455,642)
Cash generated from operating activities	21(b)	164,446,186	103,925,204
Income taxes paid	9(b)	(25,201,364)	(25,661,826)
Interest paid	15	(8,246,385)	(6,471,179)
Net cash from operating activities		130,998,437	71,792,199
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(160,767,424)	(102,425,687)
Loans to subsidiaries		3,946,329	(1,263,483)
Interest income		956,361	718,292
Proceed from sale of fixed assets		260,317	37,357,509
Net cash used in investing activities		(155,604,417)	(65,613,369)
Cash flows from financing activities			
Proceeds of borrowings	15	-	50,000,000
Proceeds from shareholder loan		-	10,000,000
Repayment of borrowings	19,15	(15,275,580)	(9,470,376)
Dividend payments	19(d), 16	(8,500,000)	-
Proceed (payment of) from lease liabilities		987,744	(480,688)
Trust fund and related interest receipts		(1,075,191)	(262,367)
Net cash from (used in) financing activities		(23,863,027)	49,786,569
Net increase/(decrease) in cash and cash equivalents		(48,469,007)	55,965,399
Cash and cash equivalents at beginning of the year		123,684,558	67,719,159
Cash and cash equivalents at end of the year	21(a)	75,215,551	123,684,558

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 35.





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 Kumul Consolidated Holdings ("KCH") 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) in or at 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 _____.

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) 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 in the current year, the Company adopted all new and revised IFRS, amendments to existing International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations that are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Company.

Description	Effective for annual periods beginning on or after
Amendments to IAS 19, <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
<i>Annual Improvements 2010-2012 Cycle</i>	
IFRS 2, <i>Share-based Payment</i>	1 July 2014
IFRS 3, <i>Business Combinations</i>	1 July 2014



Notes to and forming part of Financial Statements



Description	Effective for annual periods beginning on or after
IFRS 8, <i>Operating Segments</i>	1 July 2014
IAS 16, <i>Property, Plant and Equipment</i> and IAS 38, <i>Intangible Assets</i>	1 July 2014
IAS 24, <i>Related Party Disclosures</i>	1 July 2014
<i>Annual Improvements 2011-2013 Cycle</i>	
IFRS 3, <i>Business Combinations</i>	1 July 2014
IFRS 13, <i>Fair Value Measurement</i>	1 July 2014
IAS 40, <i>Investment Property</i>	1 July 2014

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 standards and interpretations to have a significant impact on its financial statements:

Description	Effective for annual periods beginning on or after
Amendments to IAS 1, <i>Disclosure Initiative</i>	1 January 2016
Amendments to IAS 16 and IAS 41, <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to IAS 16 and IAS 38, <i>Clarification of Acceptable Methods of Depreciation and Amortization</i>	1 January 2016
Amendments to IAS 27, <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to IFRS 11, <i>Accounting for Acquisition of Interests in Joint Operations</i>	1 January 2016
IFRS 14, <i>Regulatory Deferral Accounts</i>	1 January 2016
<i>Annual Improvements to IFRSs (2012-2014 Cycle)</i>	1 January 2016
IFRS 9, <i>Financial Instruments</i> (issued in 2014)	1 January 2018
IFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019

The Company continues to assess the impact of the foregoing new and amended accounting standards and interpretations effective subsequent to 2015 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 profit or loss is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the 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: 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.

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, any 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.

De-recognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

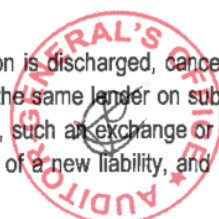
- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

e. Fair Value Measurement





Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

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

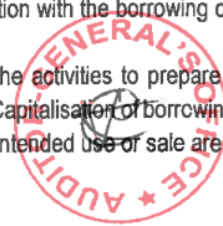
The share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Share capital is measured at the value of the shares issued.

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. 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 statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income.

A revaluation deficit is recognised in statement of 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.

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 the statement of comprehensive income.

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.

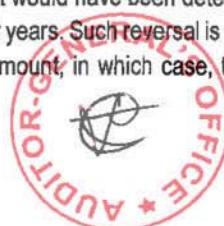
j. Impairment of non-financial assets

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 comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other 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.

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 profit or loss 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.

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.

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.

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%.

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

	2015 K	2014 K (As restated)
Total liabilities	392,690,710	500,607,443
Less: cash and cash equivalents	75,215,551	123,684,558
Net debt	317,475,159	376,922,885
Total equity	1,233,687,045	811,237,578
Debt to capital ratio at 31 December	26%	46%

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 the 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 a 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. An analysis and assessment of the company's land and buildings was performed internally to determine the fair value of the land and buildings as at 31 December 2015. Fair value of the properties was determined using the income approach specifically the discounted cash flow method. The discounted cash flow method considers the present value of the cash flows expected to be generated by the Company. The cash flow projections include specific estimates for 5 years. The expected cash flows are discounted using a risk adjusted discount rate (Note 10).

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

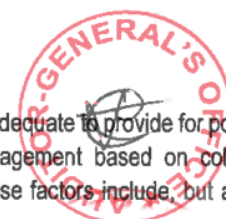
This has been based on the estimated useful lives as determined by management. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. The revision is made when considered necessary.

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 are not



Notes to and forming part of Financial Statements



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)

	2015 K	2014 K
Gain (loss) on disposal of property, plant and equipment	298,417,362	(29,338,722)
Realised foreign exchange gain (loss)	(17,083)	5,154
Other income	8,360,280	9,843,920
	<u>306,760,559</u>	<u>(19,489,648)</u>

7. Other operating expenses

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

	2015 K	2014 K
Professional and consultancy fees	14,450,338	11,557,201
Insurance	7,577,291	5,196,810
Bad and doubtful debts (Note 12)	5,995,322	(98,964)
Rental	2,493,533	2,771,126
Donations and sponsorship	1,332,982	1,229,118
Advertising and promotion	880,201	729,125
Auditors remuneration	622,545	432,375
ICCC fees	537,000	306,000
Publication and subscriptions	377,735	296,528
Bank charges	157,797	222,771
Other expenses	315,063	782,925
	<u>34,739,807</u>	<u>23,425,015</u>

The auditor is Deloitte Touche Tohmatsu

8. Personnel expenses

	2015 K	2014 K
Wages and salaries	57,106,737	58,767,605
Contributions to defined contribution plans	2,852,209	2,981,807
Other staff costs	7,038,318	3,565,152
	<u>66,997,264</u>	<u>65,314,564</u>



Notes to and forming part of Financial Statements



9. Income tax

a. Income tax expense (benefit)

	2015 K	2014 K (As restated)
Profit for the year	364,290,036	20,160,640
Tax rate	30%	30%
Income tax on the profit	109,287,011	6,048,193
Overprovision in prior years	(12,893,254)	(6,909,630)
Tax effect of permanent differences	(78,688,940)	5,405,309
	<u>17,704,817</u>	<u>4,543,872</u>

	2015 K	2014 K (As restated)
Income tax expense (benefit) comprises:		
Current income tax	28,347,411	12,128,477
Deferred income tax	2,250,660	(674,975)
Overprovision in prior years	(12,893,254)	(6,909,630)
	<u>17,704,817</u>	<u>4,543,872</u>

b. Income tax payable

	2015 K	2014 K
Balance at beginning of the year	(27,282,398)	(78,483,360)
Current income tax	(28,347,411)	(12,128,477)
Overprovision in prior years	12,746,805	37,667,613
Tax paid	25,201,364	25,661,826
Balance at end of the year	<u>(17,681,640)</u>	<u>(27,282,398)</u>

c. Deferred tax assets

	2015 K	2014 K
Balance at beginning of the year	26,625,840	67,701,002
Charge to income tax expense	(1,672,044)	(2,951,370)
Reversal of timing difference	—	(38,123,792)
Balance at the end of the year	<u>24,953,796</u>	<u>26,625,840</u>

d. Deferred tax liability

	2015 K	2014 K (As restated)
Balance at beginning of the year	(68,577,529)	(79,569,679)
Charge to income tax expense	(578,615)	3,626,345
Relating to revaluation reserve	1,765,950	—
Overprovision in prior year	146,448	7,365,805
Balance at the end of the year	<u>(67,243,746)</u>	<u>(68,577,529)</u>





e. Net deferred tax liability

	2015 K	2014 K (As restated)
Employee benefits	5,812,373	5,307,470
Provisions	931,423	408,370
Capitalized cost – wharf amortized	18,210,000	20,910,000
Deferred tax assets	24,953,796	26,625,840
Prepaid insurance	(562,190)	(1,620,200)
Accrued interest	(11,548)	(21,000)
Property, plant and equipment	(67,670,008)	(66,936,329)
Deferred tax liability	(67,243,746)	(68,577,529)
Net deferred tax liability	(42,289,950)	(41,951,689)

10. Property, plant and equipment

- a. An analysis and assessment of the Company's land and buildings was performed by internally to determine the fair value of the land and buildings as at 31 December 2015. Fair value of the properties was determined using the income approach specifically the discounted cash flow method. The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current discounted amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.





PNG PORTS CORPORATION LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

10. Property, plant and equipment

As at 31 December 2015:

	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
Cost							
As at 1 January 2015	34,647,000	1,045,758,374	40,796,524	13,291,082	83,001,075	23,583,835	1,241,077,890
Additions	-	751,250,000	294,220	9,409,779	608,664	77,954,761	849,517,424
Transfers	2,600,000	37,830,280	5,213,831	-	3,202,348	(48,846,459)	-
Revaluation	-	60,025,298	-	-	-	-	60,025,298
Write-off/Disposals	(69,000)	(456,247,505)	(252,113)	(219,409)	(501,573)	-	(457,289,600)
As at 31 December 2015	37,178,000	1,448,616,447	46,052,462	22,481,452	86,310,514	52,692,137	1,693,331,012
Accumulated Depreciation							
As at 1 January 2015	-	169,061,149	7,916,690	9,338,324	21,705,677	-	208,021,840
Depreciation for the year	-	31,304,866	2,461,444	2,683,573	9,372,308	-	45,822,191
Disposals	-	(44,288,622)	(68,778)	(136,304)	(25,941)	-	(44,519,645)
As at 31 December 2015	-	156,077,393	10,309,356	11,885,593	31,052,044	-	208,324,386
Net book value	37,178,000	1,292,539,054	35,743,106	10,595,859	55,258,470	52,692,137	1,484,006,626

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
Cost							
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
Accumulated Depreciation							
As at 1 January 2014	-	144,557,949	6,890,340	9,482,232	17,376,841	-	178,307,362
Depreciation for the year	-	41,715,639	2,217,675	2,474,847	8,839,661	-	55,247,922
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	9,338,324	21,705,677	-	208,021,840
Net book value	34,647,000	876,697,225	32,879,834	3,952,758	61,295,398	23,583,835	1,033,056,050



Notes to and forming part of Financial Statements



11. Investment in subsidiaries

	Ownership Interest	2015 K	2014 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)
		<u>-</u>	<u>-</u>

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

In May 2016, settlement of the sale by Dylup Estate Holdings Limited of Allotment 2, Portion 6, Portion 489, Portion 488, Portion 376, Portion 42 and Portion 1 Milinch Malas, Fourmil Karkar, Madang to Kumul Consolidated Holdings occurred at a cost of K12 million (see Note 27).

12. Trade and other receivables

	2015 K	2014 K
Trade debtors (Note 20)	24,474,465	30,375,025
Provision for doubtful debts	(2,654,743)	(961,235)
	<u>21,819,722</u>	<u>29,413,790</u>
Amounts owed by related entities (Note 19)	25,833,765	24,755,350
Provision for doubtful debts (Note 19a and 19c)	(13,833,765)	(8,809,022)
	<u>12,000,000</u>	<u>15,946,328</u>
Deposits (Note 19a)	-	72,500,000
Other debtors and prepayments (Note 20)	8,382,060	10,618,455
	<u>42,201,782</u>	<u>128,478,573</u>

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:

	2015 K	2014 K
Beginning balance	9,770,256	13,419,118
Provisions (reversals) during the year (Notes 20 and 19c)	6,718,252	(3,648,862)
	<u>16,488,508</u>	<u>9,770,256</u>

Presented in the statement of financial position:

	2015 K	2014 K
Current	30,201,782	112,532,244
Non-Current	12,000,000	15,946,329
	<u>42,201,782</u>	<u>128,478,573</u>





13. Share capital

	2015 K	2014 K
Issued ordinary share capital		
As at 1 January	7,830,000	7,830,000
Issued during the year	–	–
As at 31 December	<u>7,830,000</u>	<u>7,830,000</u>

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

14. Reserves

	2015 K	2014 K
Asset revaluation reserve	443,828,868	604,632,447
Stockholder fund reserve	21,582,966	7,509,966
	<u>465,411,834</u>	<u>612,142,413</u>

	2015 K	2014 K
Asset revaluation reserve		
Balance at 1 January	604,632,447	624,962,852
Revaluation surplus	61,791,248	–
Transfer to retained earnings	(222,594,827)	(20,330,405)
Balance at 31 December	<u>443,828,868</u>	<u>604,632,447</u>

	2015 K	2014 K
Stockholder reserve		
Balance at 1 January	7,509,966	7,509,966
Additions	14,073,000	–
Balance at 31 December	<u>21,582,966</u>	<u>7,509,966</u>

a. Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property, plant and equipment. In 2015, revaluation surplus amounting to K48.14 million, net of tax, was recognised in relation to the revaluation of land and buildings. 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 K222.59 million in 2015 (2014: K20.33 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. In 2015, an additional contribution amounting to K14.07 million was recognized in relation to the Motukea transaction.



15. Loans and borrowings

	2015 K	2014 K
Westpac Loan (Note 15a)	129,454,043	142,929,624
Loans from shareholders (Note 19a)	10,000,000	82,500,000
State loan (Note 19b)	—	1,800,000
ANZ Finance Lease	2,374,215	1,386,468
	141,828,258	228,616,092
Current portion	26,762,120	99,618,208
Noncurrent portion	115,066,138	128,997,884
	141,828,258	228,616,092

- a. In August 2013, the Company refinanced its existing loan facility of K100,000,000 it had with Bank of South Pacific Limited with Westpac Bank (PNG) Limited. The loan is secured by a fixed and floating charge over all of the Company's assets. The loan is on a 3 year fixed interest of 5.96% with principal repayments of K2.5 million on a bi-annual basis.

In 2014, the Company made additional drawdown amounting to K50 million. The loan is on a 5 year fixed interest of 6.25% with repayments of K0.97million on a monthly basis.

Interest expense recognized from these borrowings amounted to K8,246,385 (2014:K6,471,179) and recorded under finance costs in the statement of comprehensive income.

The movement in loans payable is as follows:

	2015 K	2014 K
Beginning balance	142,929,624	100,000,000
Proceeds from loans	—	50,000,000
Repayment of loans	(13,475,581)	(7,070,376)
	129,454,043	142,929,624

16. Trade and other payables

	2015 K	2014 K
Other creditors and accrued expenses	11,305,269	7,746,476
Trade creditors	6,040,829	3,792,626
Retention	3,065,129	2,822,848
GST payable	534,941	3,211,577
Dividends payable (Note 19a)	—	8,500,000
Balance at 31 December	20,946,168	26,073,527

Terms and conditions of the above financial liabilities follow:

- Trade creditors are non-interest bearing and are normally settled on 30 day terms
- Other creditors are non-interest bearing and have an average term of six months
- Retention payable is normally settled throughout the financial year after the no defects period

Notes to and forming part of Financial Statements



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

17. Trust payables and deferred income

a. Trust payables

	2015 K	2014 K
Cargo Levy	7,607,696	6,901,223
National Project Fund	1,125,755	1,125,755
	<u>8,733,451</u>	<u>8,026,978</u>

The trust payable is presented in the statement of financial position as follows:

	2015 K	2014 K
Current	7,607,696	6,901,223
Noncurrent	1,125,755	1,125,755
	<u>8,733,451</u>	<u>8,026,978</u>

b. Trust funds – Wharf projects

The Government has provided the Company with special purpose funds to facilitate wharf infrastructure development at various ports. The above special purpose funds (excluding Cargo Levy) represent existing funds received and are to be used for specific wharf projects. PNGPCL would assist and facilitate with the project implementation and construction. A separate Trust Account is maintained to receive all funds provided by the State for these projects. Excess funds are currently being invested in interest bearing deposits with commercial banks.

c. Trust funds – Cargo levies

This fund is utilised to provide for the short fall in Guaranteed Minimum Wages and Attendance Money to registered Waterside Workers in Port Moresby and is financed by a levy on cargo handled as per Section 24 and 25 of the Harbors Act, Chapter No.240.

d. Deferred income

	2015 K	2014 K
Completed projects	137,438,127	133,102,732
Accumulated amortization	(21,292,055)	(13,835,574)
Carrying value of completed projects	116,146,072	119,267,158
In-progress projects	736,799	5,072,194
	<u>116,882,871</u>	<u>124,339,352</u>

Movement in the accumulated amortization follows:

	2015 K	2014 K
Beginning balance	13,835,574	6,760,225
Amortization during the year	7,456,481	7,075,349
Ending balance	<u>21,292,055</u>	<u>13,835,574</u>





	2015 K	2014 K
Current portion	7,525,124	7,086,439
Noncurrent portion	109,357,747	117,252,913
	<u>116,882,871</u>	<u>124,339,352</u>

18. Employee provision

	2015 K	2014 K
Provision for annual leave	5,657,162	4,997,347
Provision for long service leave	12,399,941	10,876,206
Staff loyalty	1,317,473	1,818,014
	<u>19,374,576</u>	<u>17,691,567</u>

	2015 K	2014 K
Current portion	6,974,635	6,815,361
Noncurrent portion	12,399,941	10,876,206
	<u>19,374,576</u>	<u>17,691,567</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 the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the 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. Kumul Consolidated Holdings Limited (KCH)

Kumul Consolidated Holdings Limited 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 KCH but is expected to make dividend payments to the government as the sole shareholder through KCH from any declared profits.

Transactions and outstanding balances with KCH are as follows:

	2015 K	2014 K
Transaction during the year:		
Dividend declaration	(i) -	-
Loans from KCH	(ii) 10,000,000	10,000,000
Advances for Motukea Port	(iii) -	72,500,000



Notes to and forming part of Financial Statements



		2015 K	2014 K
Outstanding balances:			
Dividend payable	(i)	–	8,500,000
Loans/advances payable	(ii) & (iii)	10,000,000	82,500,000
Other receivables	(iv)	–	–

i. Cash dividends payable as at 31 December 2015 is Nil (2014:K8.5 million) [see Note 16].

ii. In 2014, the Company received K10 million advances from KCH for the settlement of the Nawae claims (see Note 15). This has no fixed repayment terms and therefore classified as current in the statement of financial position. This amount was settled in May 2016 during settlement on sale of Dylup Estate Holdings.

iii. The Company recognised other receivables amounting to K1,504,210 as at 31 December 2014 representing the overpayment of dividends in the prior years (see Note 12). This is fully provided with provisions as at 31 December 2015.

iv. On 1st April 2015, KCH handed over operations of the Lae Tidal Wharf to PNGPCL. The total construction cost amounted to approximately K734 million and was financed by the Government (GoPNG) and a loan from the Asian Development Bank (ADB). At the physical hand over of the asset, the ADB debt of approximately K434 million was not transferred and remains with KCH as the implementing agency in the interim. The related liability attached to the wharf still remains with KCH until such time as GoPNG, KCH and PNGPCL finalise discussions on this matter.

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 instalment of K200,000. As at 31 December 2015, outstanding balances amounted to Nil (2014: K1.8 million) [see Note 15]

c. Amounts owed by wholly owned subsidiaries

		2015 K	2014 K
Outstanding balances:			
Gross receivables:			
Dylup Estate Holdings Limited		19,534,812	19,481,503
North Coast Agri Service Limited		4,794,743	3,769,638
		24,329,555	23,251,141
Provisions for doubtful debts (Note 12)		(12,329,555)	(7,304,812)
Net receivables		12,000,000	15,946,329



The Company's outstanding receivables from wholly owned subsidiaries are interest free. The cash advances were repayable on demand, however, the Company does not expect to collect these within 12 months after 31 December 2015 and therefore they are classified as non-current assets (see Note 20).



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 (2014: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:

	2015 K	2014 K
Short term benefit	7,505,577	7,800,132
Post-employment benefit	436,741	463,701
	<u>7,942,318</u>	<u>8,263,833</u>

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:

	2015 K	2014 K
Trade receivables (Note 12)	21,819,722	29,413,790
Amounts owed by related parties (Notes 12 and 19)	12,000,000	15,946,329
Other receivables (Note 12)	8,382,060	10,618,455
Deposits	—	72,500,000
Cash and cash equivalents	75,215,551	123,684,558
	<u>117,417,333</u>	<u>252,163,132</u>

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

	2015 K	2014 K
Papua New Guinea	<u>21,819,722</u>	<u>29,413,790</u>

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

	2015 K	2014 K
Past due 0-30 days	15,057,415	19,518,976
Past due 31-180 days	7,980,864	9,797,769
Past due 181-360 days	888,359	527,645
Past due more than 1 year	547,827	530,635
Total	<u>24,474,465</u>	<u>30,375,025</u>



Notes to and forming part of Financial Statements



Impairment losses

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

	2015 K	2014 K
Balance at 1 January	961,235	4,610,096
Impairment recognised during the year (Note 12)	1,693,508	—
Impairment reversed during the year	—	(3,648,861)
Balance at 31 December	<u>2,654,743</u>	<u>961,235</u>

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
31 December 2015:					
Loans and borrowings (Note 15)	141,828,258	26,762,120	14,387,905	43,163,716	57,514,517
Future interest payments	13,514,540	3,122,887	2,498,407	3,050,746	4,842,500
Trade and other payables (Note 16)	20,946,168	20,946,168	—	—	—
Employee provisions (Note 18)	19,374,576	6,974,635	—	—	12,399,941
	<u>195,663,542</u>	<u>57,805,810</u>	<u>16,886,312</u>	<u>46,214,462</u>	<u>74,756,958</u>
31 December 2014:					
Loans and borrowings (Note 15)	228,616,092	99,618,208	13,931,740	41,795,220	73,270,924
Future interest payments	17,724,088	4,209,547	5,621,294	3,050,747	4,842,500
Trade and other payables (Note 16)	26,073,527	26,073,527	—	—	—
Employee provisions (Note 18)	17,691,567	6,815,361	—	—	10,876,206
	<u>290,105,274</u>	<u>136,716,643</u>	<u>19,553,034</u>	<u>44,845,967</u>	<u>88,989,630</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:

	2015 K	2014 K
Cash and bank balances	54,318,775	35,555,858
Short term deposits	20,896,776	88,128,700
	75,215,551	123,684,558

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

	2015 K	2014 K
Profit for the year	346,585,219	15,616,768
Add / (deduct) items classified as investing / financing activities:		
Interest income	(956,361)	(718,292)
Interest expense	8,246,385	6,471,179
Add / (deduct) non-cash items:		
(Profit) / loss on disposal of non-current assets (Note 6)	(298,417,362)	29,338,722
Amortisation of deferred income (Note 17)	(7,456,481)	(7,075,349)
Depreciation (Note 10)	45,822,191	55,247,823
Income tax expense	17,704,817	4,543,872
Write-off capital work in progress	(5,535,475)	55,655,045
Cash generated before working capital changes	105,992,932	159,079,768
(Increase)/Decrease in trade debtors and other debtors	96,365,940	(6,471,624)
(Decrease)/Increase in trade payables and other payables	(39,595,695)	(51,564,341)
Increase/(Decrease) in employee provisions	1,683,009	2,881,401
Cash generated from operations	164,446,186	103,925,204

c. Non-cash items

- Addition to property, plant and equipment amounting to K761.25 million was paid by KCH on behalf of the Group at settlement date and therefore considered as noncash investing activity in the 2015 statement of cash flows. This amount includes the K72.50 million advance payment made by KCH in 2014 as a deposit in relation to the purchase of Motukea Port and therefore this amount is considered non-cash financing activity in the 2015 statement of cash flows
- Disposals as a result of the sale of Fairfax Harbour Port to KCH amounting to K710.93 million was charged against KCH's receivable from the above transaction and therefore this is considered noncash investing activity in the 2015 statement of cash flows.





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

	2015 K	2014 K
Less than one year	–	10,144
Between one and five years	–	–
More than five years	–	–
	<u>–</u>	<u>10,144</u>

b. Finance leases (Note 15)

	2015 K	2014 K
Less than one year	1,171,640	523,538
Between one and five years	1,202,575	862,930
More than five years	–	–
	<u>2,374,215</u>	<u>1,386,468</u>

23. Commitments

At 31 December 2015, the Company had capital commitments of K36,627,395 (2014: K35,881,933) relating to the projects in progress.

In relation to the purchase of Motukea port and consequential sales of the Fairfax Harbour Port, the Company will incur cost to relocate or transfer the assets from the existing port to the new port.

24. Contingent assets and liabilities

The Company had contingent liabilities totaling to K1,152,000 as at 31 December 2015 (2014: K1,152,000) relating to litigation claims.

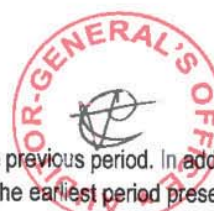
On 1st April 2015, KCH handed over operations of the Lae Tidal Wharf to PNGPCL. The total construction costs amounted to approximately K734 million and was financed by the Government (GoPNG) and a loan from the Asian Development Bank (ADB). At the physical hand over of the asset, the ADB debt of approximately K434 million was not transferred and remains with KCH as the implementing agency in the interim. The related liability attached to the wharf still remains with KCH until such time as GoPNG, KCH and PNGPCL finalise discussions on this matter.

25. Employees

The number of employees at the end of the year was 660 (2014: 776).

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



Notes to and forming part of Financial Statements



financial statements. An additional statement of financial position as at 1 January 2014 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 a tax calculation error. The management has assessed that the impact of this error arose from 31 December 2013.

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 2014 K	As restated 2013 K
Statement of financial position		
Increase (decrease):		
Deferred tax liability	(20,760,477)	(13,187,898)
Total non-current assets	(20,760,477)	(13,187,898)
Total assets	(20,760,477)	(13,187,898)
Retained earnings	20,760,477	13,187,898
Total equity	20,760,477	13,187,898
Total equity and liabilities	—	—
Statement of comprehensive income		
Increase (decrease):		
Income tax expense	(7,572,579)	(13,187,899)
Profit for the year	7,572,579	13,187,899

27. Events Subsequent to the Reporting Date

- Following the purchase of Motukea and disposal of Fairfax Harbour on 1 July 2015, PNGPCL entered into negotiations with various financial institutions for the funding of K450 million to build an international berth at the newly acquired Motukea Port. The K450m was to be allocated to refinancing existing loan and construction of the international berth.
- After the due diligence process, a loan agreement was signed with Bank of South Pacific (BSP) for K300 million in November 2015, however due to outstanding conditions precedent (CPs), the drawdown of the loan occurred in April 2016. The K300m draw down was allocated as follows; (1) K150m to refinancing of existing loan and (2) K150m to international berth construction on a progressive basis.
- At full board meeting number 2/2015, the Board resolved to sell its investment in Dylup Estate Holdings Ltd. On 24 May 2016, settlement on the sale of Dylup Estate Holdings Ltd to Kumul Consolidated Holdings occurred.





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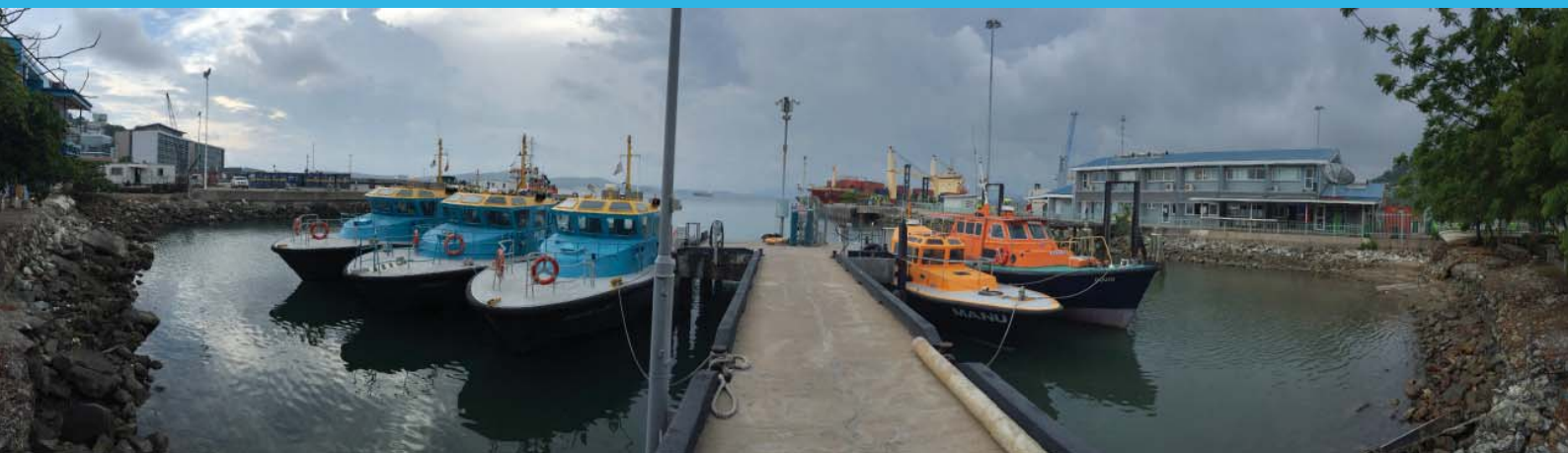
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