



Fiji Ports Corporation Limited
Annual Report 2007



MISSION STATEMENT / VALUES

Vision

To be the regional leader in providing world-class port services, domestically and internationally.

Mission

To effectively manage the port facilities, develop, promote and provide cost-effective, economically and environmentally sound port services to our port users and stakeholders, while adhering to the highest standards of integrity.

Values

Our Corporate Values are:

Customer focus

Safety

Accuracy

Punctuality

Quality of Products and Services

Speed of Operations

Accountability

Communications

Team Work

Standardisation

Continuous Improvement

Integrity of Trust

Loyalty

To be a good Corporate Citizen



Suva wharf at night illustrates the round the clock modern efficient service provided by Fiji Ports.

Table of Contents

Highlights

Chairman's Report

Board Members

Corporate Governance

Acting CEO's Report

Infrastructure and Services

Human Resources

Compliance with Legislation
and Regulation

Commercial and Marketing



Container mobile shore cranes have substantially improved turnaround time at both Lautoka and Suva wharves.



Highlights

- Consolidated financial highlights, FPCL and PTL:
- Income revenue increased by \$2.7million (7.7%)
- Improvement in profit by \$20,000 (0.5%)
- Gross profit, (profit from operations) increased by \$102,000 (1.2%)
- Gross margin improved to 24.7%, compared with 23.2% in 2006
- Financial highlights, FPCL:
- Gross margin maintained at 24.5%, the same as for 2006
- Increase in gross profit by \$337,000
- Increase in net profit by 7.2%
- Other highlights:
- Implementation of IRFS
- 100% occupancy rate of rental properties
- Land reclamation project completed at Lautoka
- Final two acres of reclaimed land at Lautoka available for lease
- Successful organisational restructuring and streamlining almost complete
- ISPS audit compliant
- Cargo handling targets met or exceeded
- Tonnage projections exceeded
- Container projections exceeded

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4
3
3
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7
5
2



CHAIRMAN'S REPORT

The financial year 2007 was characterised by challenge, change, and communication. I am happy to report that challenges were met and positive changes were achieved, as the result of continuous dialogue between Fiji Ports Corporation Limited, Ports Terminal Limited, and all parties concerned.

Following a Board and managerial re-organisation, the Acting CEO and his Managerial staff were at the helm for three months. They are to be commended for their contribution to the overall successful year experienced by FPCL.

Operations and restructure

After the appointment of the new CEO, restructuring was carried out, in the company's commitment to improving returns for the financial year. The aims were to reduce overheads and streamline duplicated functions. Achieving these aims was a tough challenge, as the expenses budget was substantially reduced. This meant a corresponding reduction in employees' medical benefits, and managers' car mileage and cell-phone use, for example. Initial opposition was overcome when it was seen that the Board of Directors also complied with the new, more stringent measures, leading the way and setting a standard. Indeed, the composition of the Board of Directors was trimmed, from five to three members.

Operations have been streamlined under FPCL management, although PTL remains as separate, subsidiary entity.

The restructuring, which is almost complete, has been carried out slowly, so as to avoid employment casualties and to ensure that the workforce is appropriately redeployed within FPCL. Overall, the changes have

worked well. Minor problems with some stakeholders have been removed as a result of FPCL's willingness to reach out, communicate, and arrive at a mutual understanding.

FPCL has achieved its aim of efficient communications within the operational arm of the core business, and is comfortable with the outcome to date. Government and Public Enterprises have been very helpful in effecting the changes that have taken place.

Human resources

Communication with the workforce was a vital ingredient in the successful introduction of changes essential to the continued viability of FPCL and PTL. Throughout the process, Board members and Management have worked with the Union and workers, and as Chairman, I undertook a personal involvement in explaining to the wharf workforce as to why changes were necessary.

The emphasis of FPCL management is to be aware of the concerns of the people who do the physical work that keeps the company viable. At present, the main offices of FPCL are located in Flagstaff, creating both a physical and a psychological divide between the managerial and operative arms of the business. To help bridge this divide, as well as being a part of the ongoing drive towards internal consolidation, FPCL intends to move the company headquarters to the Port of Suva. An appropriate building has been identified, that both FPCL and PTL will work out of. Thus FPCL management will be more visible to the wharf workforce, and be seen as working within the operational area.



Fiji is a major South Pacific destination for shipping.

Financial

The year 2007 saw the best overall financial performance yet for FPCL, with increased gross turnover and a gross profit increase of \$101,927 or 1.2%. Although exports were down, imports were up for the year, and 90% of revenue was realised from imports and exports.

Compared with the previous year the improvement in revenue exceeded projections by an increase of \$1.3million, from \$27 to \$38million.

The year's budget was based on expected tonnage, but unexpected vessels such as cable-laying ships also made use of the port's facilities during the year.

Key indicators for 2007 were the International Monetary Fund's global projections and the Reserve Bank of Fiji's national and regional projections. The events of 2006 were also factored into the projections, but had no appreciable effect upon the company's performance.

The total income for 2007 was \$37,369,572 compared with \$34,713,042 for 2006, an increase of \$2656,530 (7.7%).

Total net profit for 2007 was \$4,02,078 compared with \$4021,487 for 2006, an increase of \$20,591, or 0.5%.

Capital infrastructure and expenditure realised \$2.33 million on asset returns, well above the \$1.5 million projection for 2007. In comparison with 2006, when \$18.9million was spent, asset purchases for 2007 totalled \$12.879 million.

With the technical assistance of KPMG, FPCL adopted International Financial Reporting Standards (IFRS) during 2007. This change had no impact on the company's bottom line, the only change being the transfer of Property, Plant, and Equipment to Investment Property.

THE VISION FOR THE FUTURE

Trans-shipping

FPCL is committed to the continued development of Fiji as the 'hub of the Pacific' in order to avoid an over dependence on Australia and New Zealand, and to reduce trans-shipment costs from those countries to Fiji. FPCL aims to attract shipping companies to ship goods, first to Fiji, and then on to other Pacific Island countries.

It is in this light that FPCL is reviewing the possibility of operating its own trans-shipment business on-premises. This would entail smaller ships carrying goods to the

smaller island countries, and thus helping consumers with reduced prices for imported commodities. An important factor in favour of this proposed enterprise is the number of consumers supported by any one transaction. By spreading the cost throughout the South Pacific, the combined populations are enough to support such a business. FPCL is also looking at other companies showing interest in this possible development. FPCL is negotiating with overseas terminal operators for advice and expertise, for example, the Port of Amsterdam, as to how best achieve these aims. The company has received positive feedback, indicating that these goals are very possible to attain.

To this end, the ongoing development of infrastructure is of paramount importance, as is the reduction of handling time and costs. Investment in machinery such as loaders and forklifts, at \$8 to \$9 million each, is justified by the improved handling efficiency and turn-around time.

Intercoastal shipping

FPCL is encouraging the trans-shipment of containers between Fiji ports by sea rather than by road, and is offering attractive conditions and rates to promote this. Not only does this make good business sense for FPCL and PTL, it also contributes to both improved road maintenance and road safety.

For example, Fiji Water shipments to the United States of America leave from the Port of Suva, while shipments to Australia and New Zealand go through the Port of Lautoka. Any shortfall in container consignments has been trucked between ports until recently, when Fiji Water began to take advantage of the improved intercoastal trans-shipping rates.

Rokobili

The feasibility study of the proposed five million dollar Rokobili project revealed that, even with a low percentage rate of interest, it would be a struggle to re-pay loans. Therefore, Government has been actively involved in sourcing overseas partners, and hopes to have achieved this by the end of 2008.

Rokobili could function as a tax-free zone, with the de-venting (repackaging) of imported raw products, and parts being imported and re-assembled on site.

Conclusion

The future of Fiji Ports is bright as long as we continue to look after our human resources, stay focused, and maintain our core business. We already operate as a hub in the South Pacific, and need only to develop the infrastructure necessary to accommodate future expansion.

I wish to take this opportunity to thank all of our stakeholders: The Government of the Republic of Fiji; Shipping companies, both large and small; the City Councils; Importers and Exporters, and all other stakeholders within the industry.

I also wish to thank the Ministry for Public Enterprises and Public Sector Reforms for their guidance, my fellow Directors for their support and collective decision-making, and finally, the management and especially, the staff of Fiji Ports Corporation Limited and Ports Terminal Limited, for their commitment to the company's vision.

Semi Koroilavesau
CHAIRMAN

Board Members



Semi Koroilavesau
Chairman



Ben Naidu
Director

Kesaia Tuisawau
Director
(Feb 07-June 08)

George Ben
Director
(Feb 07-June 08)

Management



Waqa Bauleka
Acting Chief Executive
Officer (General Manager
Infrastructure Services)



Eminoni Kurusiga
General Manager
Ports Terminal Limited
(Subsidiary of FPCL)



Asit Sen
General Manager
Finance, IT & Administration



Osea Tuberi
Acting Manager
Human Resource

Corporate Governance

The role of the Board of Directors

The role of the Board of Directors is to effectively represent and promote the interests of the shareholders, with a view to adding long-term value to the Company's share. Having regard to its role, the Board directs and supervises the management of, and the business and affairs of the Company, including and in particular:

- Ensuring that the Company's goals are clearly established, and that strategies are in place for achieving them;
- Establishing policies for strengthening the performance of the company, including ensuring that management is pro-actively seeking to build the business through innovation, initiative, new technology, new products and the development of its business capital;
- Monitoring the performance of management;
- Appointing the Chief Executive Officer, setting the terms of the employment agreement and, where necessary, terminating employment;
- Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring that the Company's financial statements are true and fair, and otherwise conform with law;
- Ensuring that the Company adheres to high standards of ethics and corporate behaviour, and
- Ensuring that the Company has appropriate risk management /regulatory compliance policies in place.

In the normal course of events, day-to-day management of the Company is left to Management.

All Directors are expected to make decisions objectively, in the interests of the Company. The Board as a whole is collectively responsible for the success of the Company. All Directors, whether non-executive or executive, have the same general, legal responsibilities.

The Board of Directors, 2007

Chairman	Mr Semi Koroilavesau
Deputy Chairperson	Mrs Kesaia Tuisawau
Director	Mr Ben Naidu
Director	Mr Ian Campbell
Director	Mr George Ben

Board meetings, 2007

A total of seven monthly Board meetings were held between April and December in 2007. Attendance at these meetings was as follows:

Director	Number of meetings		Number of meetings attended
	entitled to	attend	
Semi Koroilavesau	7	7	0
Kesaia Tuisau	7	6	1
George Ben	7	7	0
Ian Campbell	7	6	1
Ben Naidu	7	6	1



Acting CEO'S REPORT

It is a pleasure to report on the performance of Fiji Ports Corporation Limited (FPCL) and Ports Terminal Limited (PTL). Following the events of December 2006, there was a slow start to 2007. For the first six months of the year, trade through the country's ports and the associated returns were abnormally low. However, business experienced a strong recovery in the second half of the year, and both FPCL and PTL performed well. The Corporation remained strong and viable, returning a positive financial out come.

Operational review

The Operations arm of FPCL has seen a year of change to the management and organisational structures in the on-going drive towards greater transparency, and accountability to stakeholders.

The events of 2006 were factored into budget projections, but had no impact, and budget projections were exceeded. Projected container numbers were 69,000, with 87, 000 achieved. Fiji Water made a sizeable contribution to these figures. The general cargo tonnage projection was 1.5 million tonnes, with 1.83 million tonnes achieved.

The long-term goals of FPCL continue to be ever-improving efficiency, increased productivity, and reducing the hours that vessels are alongside, as speeding up the turn-around time impacts the costs to ship-owners.

To achieve these aims it is necessary to concentrate on operations and training for employees, as making the change to being a part of a productivity- and customer-driven company requires on-going motivation and training. In the past there has been a long-term problem with worker complacency because of being employed by a monopoly company. The workforce is responding well to

the idea of being in competition with larger overseas ports such as Australia and New Zealand.

Ports Terminal Fiji (PTL) the subsidiary company of FPCL, which carries out the stevedoring function, set maximum targets for handling containers. These still have to met, but are in the process of being achieved.

The target for containers per hour through mobile crane use was set at 12 to 20, with 15 containers per hour currently being achieved. Using vessels' cranes, the target of nine to 12 containers per hour was set, and we are currently reaching 10 containers per hour.

The company's equipment fleet at Suva ranges from the 2.5ton forklift to the 40ton, heavy container handler with telescopic spreaders. Yard tractor-trailers are also available to facilitate the transfer of containers from shipside to transit area, and vice-versa. At the Port of Lautoka, the provision for equipment is contracted out, but is also supplemented by PTL.

The fleet at the Port of Suva consists of:

- 40ton heavy container handlers with telescopic spreaders 3
- 38ton heavy container handlers with telescopic spreaders 2
- 32ton heavy container fork trucks 2
- 25ton heavy container fork truck 1
- 12ton empty container handler with telescopic spreader 1
- 8ton forklift 1
- 6ton forklift 2
- 4ton forklift 2
- 3ton forklift 1
- yard tractor 8

The equipment fleet at Lautoka comprises:

- 40ton heavy container handler with telescopic spreader 1
- 38ton heavy container handler with telescopic spreader 1
- 32ton heavy container forklift 1

The range of stevedoring gear enhances the proper lifting of cargo of different shapes and sizes. An annual safety inspection of all equipment is undertaken as a statutory requirement,

One problem area is that when three vessels are alongside, the port becomes congested, impinging on forklift access and mobile crane use. The company sees the proposed Rokobili expansion with dedicated cargo vessel areas as a future, long-term solution.

Problems have been experienced with the downtime needed for machines under repair and maintenance. The system is currently under review, with the possibility of such works being contracted out if the review's findings reveal inadequacies with in-house mechanics.

Another area that needs to be addressed in the future is training, particularly of mobile crane operators. In 2006, mobile crane operators received a three-week training by an experienced crane operator from the Port of Napier, New Zealand. There is no institution or facility in Fiji for the training, upskilling, or certification of crane operators. New technology on vessels means that stevedores also need ongoing training in order to better meet customers' needs.

PTL's customers include shipping companies, agents, customs forwarding and truck haulage companies. All are involved in an operations meeting held every fortnight. Any problems are aired and solutions are found in this forum.

Still in process, and due to be completed by the end of 2008, is the Radio Data Terminal upgrade project. This new upgraded version is important on the wharf, whereby the stevedores use handheld devices to input cargo particulars, especially containers, when they are unloaded or loaded onto the vessels, or offloaded or loaded onto trucks. A cargo tracking facility is also a feature of this upgraded equipment.

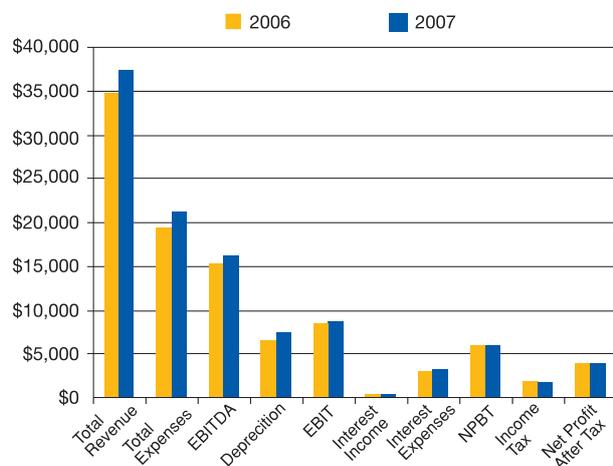
Financial highlights

The year 2007 saw a slight improvement in financial performance of Fiji Ports and its subsidiary when compared to 2006. The Net Profit after tax for 2007 was slightly up by \$20,591, or 0.5%. The table below provides a summary of the consolidated financial performance for 2006 and 2007:

	2006	2007
Total Revenue *	\$35,045	\$37,636
Total Expenses *	\$29,189	\$31,770
EBIT	\$8,563	\$8,666
Net Profit After Tax	\$4,021	\$4,042
Return on Assets	5.73%	5.77%
Return on Investment	5.50%	5.53%
Profit Margin	11.58%	10.82%
Current Ratio	\$1.30	\$1.15

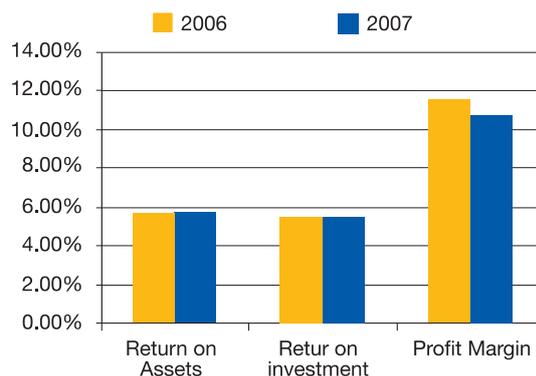
* These figures are inclusive of Financial Income/Expenses

Financial Performance Highlights



The following graph summaries some of the Key Financial Performance Indicators, as per the above table:

Financial KPI's (Percentage)



IT development

The IT Department is responsible for the installation, maintenance and repair of hard and software, as well as cabling, data security, administration, purchasing, educational workshops for FPCL employees, and maintaining the in-house telephone system. The department achieves this with no out-sourcing.

There were two major IT projects for the year 2007. Firstly, Human Resources software was installed that automatically updates employee details and information such as leave taken or leave still available. This was customised to meet the specific needs of FPCL, and is integrated with payroll details, which were computerised mid-2006.

Secondly, and still in process, due to be finished by the end of 2008, is the RDT project. This new upgraded version is important on the wharf, whereby the stevedores use handheld devices to input changes, tracking the location and accessing all information about specific containers.

A major upgrade of the internal network inside Suva Port is being developed. PTL looks forward to being fully on-line, as this drives productivity.

Overall, the IT Department is vital to the company's internal and external communications, and continues

to develop internally multiple tasks within one software package provided by Capital Business, Australia.

INFRASTRUCTURE AND SERVICES

Owned 100% by the Fiji Government, Fiji Port Corporation Limited is a Government Commercial Company, committed to providing a return to its shareholder. Today, 95% of Fiji's imports and exports are traded through FPCL and handled by the subsidiary company, Fiji Ports Terminal Limited.

FPCL owns and operates Fiji's four major ports.

The Port of Suva, the country's largest and busiest container and general port, provides the maritime gateway to the capital city, Suva, on the island of Viti Levu.

The Port of Lautoka, also situated on Viti Levu, is Fiji's largest port for the handling of bulk cargo and specialises in bulk sugar, molasses, woodchips, petroleum and gas

The Port of Malau is located on the island of Vanua Levu. This is primarily a facility for handling molasses and caters to the Vanua Levu sugar cane growers. Although the facility is privately owned by the Fiji Sugar Corporation, the Seaports Management Act places it under the jurisdiction of FPCL.

The Port of Levuka, situated at the 'Old Capital', the township of Levuka on the island of Ovalau, is primarily a dedicated fishing port, serving the fishing vessels that supply the PAFCO fish cannery at Levuka.

General maintenance forecasts throughout 2007 for the ports show a high rate of completion. Maintenance carried out at the Port of Lautoka achieved a 100% completion rate, as did general maintenance works completed at the Port of Levuka. The last major repairs to Queen's Wharf, Lautoka, took place on 1990. The 'old' wharf is 150 x 80 metres; the new wharf measures an additional 150 x 46 metres, which gives the Lautoka facility greater handling capacity. The Port of Suva completed 90% of the general maintenance projected for 2007.

Reclamation work at Lautoka, carried out at a cost of \$9million, was completed in May 2007. Two areas of land, of three and 15 acres respectively, are open to Port related business.



A fifth port, the Port of Wairiki, was recently completed, but is yet to be commissioned as a Port of Entry for Fiji. The primary function of the port, located on Vanua Levu, is as a woodchip handling facility, catering to the needs of the logging industry. Tropik Woods Fiji Limited will be responsible for port management.

Investment Property

The implementation of IRFS saw the transfer of Property, Plant, Equipment to Investment Property, valued at \$3,648,481. Rental income increased to \$1.1million, compared with \$1.02million, in 2006.

Rentals and leases include office space at Flagstaff, Walu Bay, sheds and land at Walu Bay, and Lautoka and Levuka ports. Sheds at Walu Bay are used for fish processing and engineering workshops. Land leased at the Rokobili project is used as a container yard, and for fish processing, canneries, and a bitumen tank.

Offices and sheds are available on three to fifteen- year leases, and land, which is freehold, is available as one or two- acre lots, on 75year leases.

Of the land reclaimed at Lautoka two years ago, the last two acres available are now in the market.

Leasehold land is tendered for and a 'premium' price is paid, followed by an annual rate. This rental rate is reviewed every five years, with increases being adjudicated by the Prices and Incomes Board.

Existing tenants at Rokobili are showing interest in leasing more land as a result of the publicity given to the new Ports development project.

In 1996, most buildings and sheds were vacant, but the 1997-1998 boom in the fishing industry led to the 1998-1999 extension to the fishing jetty at Walu Bay, and 2007 show a 100% occupancy rate.

From between \$1.2 to \$1.3 million in revenue is generated annually from property leases and rentals alone.



HUMAN RESOURCES

The workforce

The total number of staff employed by FPCL and PTL subsidiary as at the end of December 2007 was 168, plus 252 registered relief workers (RRWs). Staffing level was maintained, and vacant positions were filled.

Ports Terminal Limited operates as a separate subsidiary entity, and carries out the stevedoring function of the company, maintaining the resources and the manpower essential to the efficient and effective handling of cargo. PTL operates 24 hours a day, seven days a week, the exceptions being Good Friday and Christmas Day.

The 21 permanent personnel working at the Port of Suva include supervisors, foremen, bay planners, winch men, mobile crane operators, drivers, loggers and riggers. These General Purpose Workers comprise a talented, multi-skilled workforce. When the need arises, 120 Registered Relief Workers are available for deployment.

At the Port of Lautoka a sub-contractor provides stevedores, but PTL maintains a supervisory role.

Training

The Training Plan for 2007 focused on the ongoing education all workers, and a budget increase was made to all areas of training. As time the essence in the core business of FPCL and PTL, extensive training to increase



International passenger liners frequently call into Fiji.

productivity, efficiency and turnaround times is of the utmost importance.

In the short-term, training focused on the proper training required to keep the workforce abreast of international standards.

Sixteen training programmes were conducted in 2007. The training programmes covered the management and technical, supervisors, clerical and others.

Consultants from the Port of Singapore assisted with education on port management, while the Chinese Government fully subsidised training for middle management personnel. TPAF conducted Leadership, Communication, and Report Writing training sessions during the year.

More than 43% of the workforce in FPCL and PTL are over the age of 45 years, and this presents a challenge to have Succession Planning. The company continues to training staff for advancement.

Industrial relations

FPCL maintains its record of no industrial action since 1998. The in-house Workers' Association meets with management on a monthly basis to discuss terms and conditions. The partnership agreement between workers and management was revised during 2007 to bring it into alignment with the current Employment Bill.

Organisational restructuring

The modification to the organisational structure saw some reductions in benefits available to workers, but an amicable understanding was reached as a result of Board and Management involvement in explaining the financial necessity for these changes.

However, FPCL maintains its policy of awarding an annual bonus based on the company performance, as well as individual performance-based salary increases.

Staff turnover is still low, approximately one person per year for reasons of migration, as salaries and staff benefits still remain attractive.

COMPLIANCE WITH LEGISLATION AND REGULATIONS

Sea Ports Management Act 2005

FPCL and PTL operate under the legal framework of the Sea Ports Management Act 2005, which came into force on 29th June 2005, the Public Enterprises Act 1996, and the Companies Act.

The framework provides for the effective management of commercial operations of sea ports; clarity of operational and regulatory responsibilities, to be vested appropriately with the relevant agency, for example, Fiji Islands Maritime Safety Administration [FIMSA]; and stringent monitoring of

the company's performance, under the Public Enterprise Act 1996, by the shareholder, Government, through the offices of the Ministry of Public Enterprises and the Ministry of Finance.

Health, Safety and Environment

Security and safety environment are critical to our port operations, and relevant audits were undertaken to ensure that we fully comply with the International Ship and Port Facility Security Code and Occupational Health and Safety regulations. Under ISPS, security is provided 24 hours a day, seven days a week, at the wharf areas, including entrance to the wharf. For OHS, a Committee oversees compliance to health and safety rules and standards, and also conducts workshops regularly in driving awareness to all staff.

COMMERCIAL AND MARKETING

A Marketing Plan that dovetails with the Corporate Plan was developed by the Commercial and Marketing Division. It provides the roadmap for the Fiji Ports in promoting and enhancing the services provided by the company in 2007. At initial marketing phase, the Fiji Ports embarked on improving and enhancing the services provided, and creating an identity, incorporating the Fiji Ports values, that portrays a vibrant and viable organisation that could effectively provide services to the satisfaction of the customers, shareholder, and public at large.



An important aspect of marketing was promoting and maintaining professionalism in the organisation, covering the internal change of culture that required all employees to be more customer-oriented. In promoting and branding the company, uniforms were provided for the staff and signage was placed at all Ports of Entry.

Fiji Ports was also an active member of the Cruise Liner Task Force, in ensuring that safety and security services are provided for the Cruise Liners when they call at Suva and Lautoka Ports. The company also supported the Cruise Liner Task Force in its efforts to improve and promote cruise vessel calls to Fiji.

Waqa Bauleka
Acting Chief Executive Officer



Off-loaded containers are immediately removed from the wharf to avoid congestion.

Rokobili Project



Rendering of the Rokobili container terminal to be located in Walu Bay in Suva

The Port of Suva has been experiencing growth in cargo throughput at around seven to nine percent in the past few years, and is projected to reach or exceed its capacity by 2012. It has also been projected that by 2016 approximately 440 vessels will visit Fiji annually, indicating a growth rate of about five percent per annum.

Excluding King's South and Princess Wharfs, the current 515metres of berth length and three hectares of yard space will limit the port to its current maximum capabilities of approximately 80,000 Twenty-foot Equivalent Units (TEU) for yard storage, and 100,000 TEU for berthing per year.

Therefore, the Government is looking at a long-term development plan, called the Rokobili Terminal Project, to cater for the projected growth. This \$5million project, located south of the Tamavua river mouth and north of the Yacht Berth, is for a modern cargo-port facility, which will provide an international container storage area as well as expand the multi-purpose functions of the Port of Suva.

Preparatory works have been carried out, including the issuance of the development lease to FPCL, and the approval of the Environmental Impact Assessment (EIA) by the Department of Environment.

However, the feasibility study of the proposed project revealed that, even with a low percentage rate of interest, it would be difficult to repay loans. Thus, consultative meetings have been held with the relevant government agencies to discuss the way forward in financing the project, with possible options identified, such as Public Private Partnership (PPP) with local and/or overseas strategic partners, subject to Government's endorsement. Consequently, Government has been actively involved in sourcing overseas partners, and hopes to have achieved this by the end of 2008.

Already, existing tenants at the Rokobili development are expressing interest in leasing more land as a result of the publicity given to the proposed development.

There is also the possibility that the Rokobili development could function as a tax-free zone, with the de-venting (repackaging) of imported raw products, and the re-assembling of imported parts on site.

The Rokobili Project is of vital importance to the economic development of the nation. The costs of constructing, maintaining and operating the facility are outweighed by the long-term benefits that will accrue as a result of this undertaking. These benefits include:

- savings in ship turn-around time,
- savings in ship-to-shore transfer and terminal storage costs (depending on the operational concept)
- savings in inland transport costs from Suva
- savings in transfer costs of Suva-bound or originating cargo to Lautoka, including road freight costs
- reduced road traffic congestion
- improved road surface conditions
- improved road safety and
- being unaffected by any unknown trade stoppages.

It is envisaged that completion of the Rokobili Terminal Project will enhance the Port of Suva and Fiji's role as the Hub of the South Pacific, with trading links to the outer islands, the Pacific region and to international markets.

Financial Statements

Directors Report	
Statement by Directors	
Income Statement	1
Statement of Changes in Equity	2
Balance Sheet	3
Statement of Cash Flows	4
Notes to and forming part of the Financial Statements	5 - 21
Detailed Profit and Loss Statement	22

Ports Terminal Limited

Directors' report

In accordance with a resolution by the Board of Directors, the Directors herewith submit; the balance sheet of the Company as at 31 December 2007, the related income statement, statement of changes in equity and the cash flow statement for the period ended on that date, and report as follows:

Directors

The names of the Directors in office at the date of this report are:

Semi Koroilavesau	George Ben	Kesaia Tuisawau
Ian Campell	Ben Naidu	

Principal Activities

The principal activities of the Company were that of providing and managing the port infrastructure and services within the declared ports.

Results

The operating result for the year was a profit of \$1,622,220, after providing for income tax expenses of \$733,792, compared with a 2006 profit of \$1,763,672 and income tax of \$790,848.

Dividends

The Directors did not propose dividends to be paid for the year ended 31 December 2007. The Directors declared and paid dividends, in respect of the prior year, totalling \$881,836, at the rate of 28 cents per share, compared with \$807,205 paid in 2006.

Reserves

The Directors recommend that no transfer be made to reserves within the meaning of the Seventh Schedule for the Companies Act 1983.

Bad and Doubtful Debts

Prior to the completion of the Company's financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts and allowing for doubtful debts. In the opinion of the Directors, adequate allowance has been made for doubtful debts.

As at the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts, or the provision for doubtful debts in the Company, inadequate to any substantial amount.

Current Assets

Prior to the completion of the financial statements of the Company, the Directors took reasonable steps to ascertain whether any current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Company. Where necessary these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

Unusual Transactions

Apart from these matters, in the opinion of the Directors, other matters specifically referred to in the financial statement, the results of the operations of the Company during the financial year, were not substantially affected by any item, transaction or event of a material or unusual nature, nor have any arisen between the end of the financial year and the date of this report, other than those reflected in the financial statements.

Ports Terminal Limited

Statement of changes in equity

For the year ended 31 December 2007

	Note	2007 \$	2006 \$
Share Capital			
Balance at the beginning of the year		3,084,300	3,084,300
Movement during the year		-	-
Balance at the end of the period	15	<u>3,084,300</u>	<u>3,084,300</u>
Retained Profits			
Balance at the beginning of the year		4,423,769	3,467,302
Dividends paid during the year (28 cents per share)		(881,836)	(807,205)
Operating profit after income tax		1,622,220	1,763,672
Balance at the end of the period		<u>5,164,153</u>	<u>4,423,769</u>
Total equity		<u><u>8,248,453</u></u>	<u><u>7,508,069</u></u>

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Financial Statements set out in pages 5 to 21

Ports Terminal Limited

Balance sheet

For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	16	1,681,062	869,894
Trade and other receivables	5	2,740,277	3,048,838
Investments	7	202,292	190,850
Inventories	8	246,655	222,773
Other assets	9	718,777	262,280
Total current assets		5,589,063	4,594,635
Non-current assets			
Property, plant and equipment	10	5,606,723	6,454,179
Deferred tax asset	4(c)	45,362	83,746
Total non-current assets		5,652,085	6,537,925
Total assets		11,241,148	11,132,560
Current liabilities			
Payables	11	969,211	1,094,134
Interest bearing borrowings	12	633,269	857,429
Provision	13	-	109,473
Employee entitlements	14	98,984	90,542
Income tax liability	4(b)	255,625	(89,899)
Total current liabilities		1,957,089	2,061,679
Non-current liabilities			
Interest bearing borrowings	12	398,154	1,055,243
Deferred tax liability	4(d)	637,452	507,568
Total non current liabilities		1,035,606	1,562,811
Total liabilities		2,992,695	3,624,490
Net assets		8,248,453	7,508,069
Shareholders' equity			
Issued capital	15	3,084,300	3,084,300
Accumulated profits		5,164,153	4,423,769
Total Shareholders' equity		8,248,453	7,508,069
Capital commitments and contingent liabilities	20,21		

For and on behalf of the Board and in accordance with the resolution of the directors.

.....
Director

.....
Director

The Balance Sheet is to be read in conjunction with the notes to and forming part of the Financial Statements set out in pages 5 to 21.

Ports Terminal Limited

Statement of cash flows

For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		12,601,850	10,925,974
Payments to suppliers and employees		(9,616,209)	(7,468,027)
Interest and bank charges paid		(57,825)	(100,235)
Interest received		4,585	812
Income tax paid		(220,000)	(310,000)
Net cash provided by operating activities		<u>2,712,401</u>	<u>3,048,524</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(126,706)	(2,361,801)
Proceeds from investments		(11,442)	16,288
Net cash (used in) investing activities		<u>(138,148)</u>	<u>(2,345,513)</u>
Cash flows from financing activities			
Dividends paid		(881,836)	(807,205)
Repayment of term loans		(881,249)	(911,498)
Net cash (used in) financing activities		<u>(1,763,085)</u>	<u>(1,718,703)</u>
Net increase in cash and cash equivalents		811,168	(1,015,692)
Cash and cash equivalents at the beginning of the period		869,894	1,885,586
Cash equivalents at the end of the period	16	<u><u>1,681,062</u></u>	<u><u>869,894</u></u>

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Financial Statements set out in pages 5 to 21.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

1 Statement of significant accounting policies

Ports Terminal Limited is a Government owned entity incorporated under the Companies Act, 1983, and a Government Commercial Company under the Public Enterprises Act of 1996, domiciled in Fiji. The address of the Company's registered office is at Kaunikuila House, Flagstaff and the principal place of business is Suva Kings Wharf, Port of Suva, Fiji.

The financial statements were authorised for issue by the directors on _____.

1.1 Basis of accounting

The financial statements of the Company have been drawn up in accordance with the provisions of the Companies Act 1983, International Financial Reporting Standards ("IFRS"). The financial statements have been prepared primarily on the basis of historical costs, and except where specifically stated, do not take into account current valuations of non-current assets.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year amounts and other disclosures.

The accounting policies have been consistently applied, and except where there is a change in accounting policy, are consistent with those of the previous year.

1.2 Adoption of IFRS

The Company has adopted IFRS with effect from 1 January 2007. No amendments have been made on transition to IFRS as the Company previously applied accounting policies that are aligned with IFRS. However, additional disclosures have been made in the financial statements as required by IFRS.

1.3 Use of estimates and judgments

The preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies, which have the most significant effect on the amounts recognised in the financial statements, including the following notes:

Note 1.8 – Property, Plant and equipment impairment

Note 1.11 - Receivables impairment

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

1 Statement of accounting policies (cont'd)

1.4 Functional and presentation currency

These financial statements are presented in Fiji dollars ("FJD"), which is the company's functional currency. Except as indicated, financial information presented in FJD has been rounded to the nearest dollar.

1.5 Foreign currencies

Foreign currency transactions during the year are translated into Fiji currency at rates ruling at the date of transaction. Assets and liabilities in foreign currencies at year-end are translated into Fiji currency at rates ruling at balance date. Gains and losses (realised and unrealised) are brought to account in determining the results for the year.

1.6 Revenue recognition

Income comprising service revenue from provision of port services is brought to account on an accrual basis. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and revenue can be reliably measured.

1.7 Expenses recognition

All expenses are recognised in the Income Statement on an accrual basis.

1.8 Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at valuation or at cost less depreciation and accumulated losses. Property that is being constructed or developed for future use is classified as work in progress under property, plant and equipment, and stated at cost, until construction or development is completed. Gains and losses on disposal of property, plant and equipment are taken into account in determining the results for the period. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

1 Statement of accounting policies (cont'd)

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major improvements, renovations and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight line-basis over the estimated useful lives of items of property, plant and equipment. The depreciation rates used for each class of asset are as follows:

Plant and equipment	10% - 50%
Furniture and fittings	10% - 33%
Motor vehicles and motorised equipment	10% - 33%
Computer equipment	33%

1.9 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference 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.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

1 Statement of significant accounting policies (cont'd)

1.10 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

1.11 Trade and other receivables

Trade receivables are carried at original invoice amount (inclusive value added tax) less allowance made for impairment of these receivables. their receivables are recognised and carried at cost less impairment loss. An allowance for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. This allowance is based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified.

1.12 Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit and loss and held-to-maturity. The classification is dependent on the purpose for which the investments are acquired. Management determines the classification of investments at the time of the purchase and re-evaluates such designation on a regular basis. Purchases and sales of investments are recognised on the trade date, which is the date the Company commits to purchase or sell the asset.

Held-to-maturity

Investments which management has the intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortised cost. Investments that fall under this category are term deposits.

Financial assets at fair value through profit and loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and are included in current assets. Trading investments are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the Income Statement in the period in which they arise. Units in Colonial First State Mortgaged Funds falls under this category.

Trade and other receivables are recorded as per policy note 1.11.

Other financial assets and liabilities

Cash and deposits are valued at transaction date value. Borrowings are recognised according to policy note 1.19.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

1 Statement of significant accounting policies (cont'd)

1.13 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, or at net realisable value, whichever is the lower. The cost of the inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Inventory comprises of parts and fuel and oil.

1.14 Impairment of assets

The carrying amounts of the company's assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

1.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Trade and other payables are stated at cost.

1.16 Employee entitlements

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave expected to be settled within 12 months of the reporting date, represent present obligations in respect of employees' services up to the reporting date. They are calculated at undiscounted amounts based on remuneration rates that the Company expects to pay as at reporting date including related on-costs, such as payroll tax. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

1 Statement of significant accounting policies (cont'd)

1.16 Employee entitlements (cont'd)

(iii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

1.17 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

1.18 Borrowings

Borrowings are stated at the gross value of the outstanding balance. Interest is taken to the Income Statement when payable.

The borrowing costs that are directly attributable to the acquisition or construction of the capital assets are capitalised. Other borrowing costs are recognised as an expense in the year in which they are incurred.

1.19 Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are paid.

Dividends paid during the year are subject to the provisions of the Fiji Income Tax Act and Income Tax (Dividend) Regulations 2001.

1.2 Comparative figures

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial year amounts.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
	\$	\$
2	Operating income	
	Handling	11,888,951
	Pilotage	360,645
	License fees	147,171
	Other services income	341,003
	Total revenue	<u>12,737,770</u>
3	Other operating income	
	Gain on sale of plant and equipment	<u>6,221</u>
4	Income tax	
(a)	Income tax expense	
	Operating profit before income tax	2,356,012
	Prima facie tax thereon at 31%	730,364
	Tax effect on permanent differences:	
	Non-deductible expenses	<u>3,428</u>
	Income tax expense attributable to operating profit	<u>733,792</u>
	Income tax expense comprise movements in	
	Current year tax expense	565,524
	Deferred tax asset	38,384
	Deferred tax liability	<u>129,884</u>
		<u>733,792</u>
(b)	Income tax liability	
	Opening balance	-89,899
	Current year tax expense	565,524
	Income tax paid	(220,000)
	(Under/over provision in prior years)	0
	Closing balance	<u>255,625</u>
		<u>(89,899)</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
4	Income tax - cont'd		
(c)	Deferred tax asset		
	Attributable to timing differences	<u>45,362</u>	<u>83,746</u>
(d)	Deferred tax liability		
	Attributable to timing differences	<u>637,452</u>	<u>507,568</u>
5	Trade and other receivables		
	Trade accounts receivable	1,347,098	1,624,842
	Less: Allowance for doubtful debts	(98,995)	(101,111)
		<u>1,248,103</u>	<u>1,523,731</u>
	Staff advances	5,118	87,852
	Other receivables	1,431,914	1,377,595
	Owing from related party	18(d) 55,142	59,660
		<u>2,740,277</u>	<u>3,048,838</u>
6	Allowance for doubtful debts		
	Balance at 1 January	101,111	101,111
	Impairment loss recognised	-	-
	Bad debts written-off	(2,116)	-
	Balance at 31 December	<u>98,995</u>	<u>101,111</u>
7	Investments		
	Units in Colonial First State Managed Funds	-	118,576
	Term deposit- Held to maturity	202,292	72,274
		<u>202,292</u>	<u>190,850</u>
8	Inventories		
	Parts	182,635	167,819
	Fuel and oil	64,020	54,954
		<u>246,655</u>	<u>222,773</u>
9	Other assets		
	Prepayments	152,738	140,761
	Deposits	427,369	63,419
	VAT receivable	138,670	58,100
		<u>718,777</u>	<u>262,280</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
	\$	\$
10 Property, plant and equipment		
Plant and equipment- at cost	1,094,067	1,067,009
Less: Accumulated depreciation	(608,131)	(518,858)
	<u>485,936</u>	<u>548,151</u>
Furniture and fittings- at cost	90,714	88,812
Less: Accumulated depreciation	(87,043)	(85,043)
	<u>3,671</u>	<u>3,769</u>
Motor vehicles and motorised equipment- at cost	9,774,543	9,691,209
Less: Accumulated depreciation	(4,674,039)	(3,802,819)
	<u>5,100,504</u>	<u>5,888,390</u>
Computer equipment- at cost	93,861	79,449
Less: Accumulated depreciation	(77,249)	(65,580)
	<u>16,612</u>	<u>13,869</u>
Total	<u>5,606,723</u>	<u>6,454,179</u>
Movements in Carrying Amounts		
Plant & Equipment		
Opening balance	548,151	528,455
Additions	27,058	104,060
Depreciation expense	(89,273)	(84,364)
Balance as at 31 December 2007	<u>485,936</u>	<u>548,151</u>
Furniture & Fittings		
Opening balance	3,769	7,009
Additions	1,902	2,436
Depreciation expense	(2,000)	(5,676)
Balance as at 31 December 2007	<u>3,671</u>	<u>3,769</u>
Motor Vehicles		
Opening balance	5,888,390	4,465,852
Additions	126,010	2,243,926
Disposals	(42,676)	(41,343)
Depreciation expense	(871,220)	(780,045)
Balance as at 31 December 2007	<u>5,100,504</u>	<u>5,888,390</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

10	Property, plant and equipment (cont'd)	2007	2006
		\$	\$
	Computer Equipment		
	Opening balance	13,869	19,717
	Additions	14,411	11,378
	Depreciation expense	(11,668)	(17,226)
	Balance as at 31 December 2007	<u>16,612</u>	<u>13,869</u>
	Total as at 31 December 2007	<u><u>5,606,723</u></u>	<u><u>6,454,179</u></u>
11	Payables		
	Trade creditors	347,315	242,175
	Sundry creditors	621,896	851,959
		<u>969,211</u>	<u>1,094,134</u>
12	Interest bearing borrowings		
	Current		
	Bank Loans	-	272,770
	Loan from related party (Note 18)	633,269	584,659
		<u>633,269</u>	<u>857,429</u>
	Non-Current		
	Bank Loans	-	-
	Loan from related party (Note18)	398,154	1,055,243
		<u>398,154</u>	<u>1,055,243</u>
	Particulars relating to borrowings:		

- a) The loan from the related party Fiji Ports Corporation Limited (FPCL) is unsecured and subject to interest at the fixed rate of 4% per annum, repayable by monthly installments of \$55,250.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

13	Provisions	Customer claims \$	Total \$
	At 31 December 2006	109,473	109,473
	Additional provisions	5,000	5,000
	Used during the year	(58,024)	(58,024)
	Unused amounts reversed	(56,449)	(56,449)
	At 31 December 2007	<u>-</u>	<u>-</u>
		2007	2006
14	Employee entitlements Annual leave	\$	\$
		<u>98,984</u>	<u>90,542</u>
15	Share capital		
	Authorised capital		
	5,000,000 ordinary shares of \$1.00 each	<u>5,000,000</u>	<u>5,000,000</u>
	Issued and paid up capital		
	3,084,300 ordinary shares of \$1.00 each	<u>3,084,300</u>	<u>3,084,300</u>
	The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.		
16	Cash and cash equivalents		
	Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
	Cash on hand	70,550	152,720
	Cash at bank	1,610,512	717,174
		<u>1,681,062</u>	<u>869,894</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
17 Profit from operations	\$	\$
Profit from operations has been determined after charging the following expenses:		
Auditors' remuneration	11,430	29,500
Depreciation	1,009,726	914,012
Salaries and wages	3,200,062	2,862,527
FNPF and FNTC levy	307,722	518,382
Provision for:		
- Employee entitlements	335,027	11,128
- Customer claims	(51,449)	(3,740)
Other expenses	5,522,221	4,626,612
	<u>10,334,739</u>	<u>8,958,421</u>
Financing income and expenses:		
Recognised in the Income Statement		
Interest expense on loan from parent	57,825	100,235
Interest income on term deposits	(4,585)	(10,422)
	<u>53,240</u>	<u>89,813</u>

18 Related-party transactions

The company is controlled by Fiji Ports Corporation Limited ("FPCL") which owns 100% of the company's shares. FPCL is a government commercial company.

Directors

The names of persons who are directors of Ports Terminal Limited at any time during the financial year were as follows:

Semi Koroilavesau	George Ben	Ben Naidu
Ian Campell	Kesaia Tuisawau	

Key Management Personnel

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

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

18 Related-party transactions (cont'd)

During the year the following person was identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the company:

Name	Current title
Eminoni Kurusiga	General Manager

Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions.

All transactions with related parties are made on normal commercial terms and conditions

The following transactions were carried out with related parties:

	2007	2006
	\$	\$
Key management compensation		
(a) Short-term benefits	<u>77,893</u>	<u>68,661</u>
The aggregate compensation of the key management personnel comprises only of salary and short term benefits.		
(b) Sales of goods and services		
Sales	<u>301,800</u>	<u>463,580</u>
(c) Purchases of goods and services		
Management fees	300,000	300,000
Rental	330,792	305,853
Purchases	<u>950,987</u>	<u>366,559</u>
(d) Year-end balances arising from sales/purchases of goods/services		
Receivable from related parties (Note 5)	<u>55,142</u>	<u>59,660</u>
(e) Loan from related party - Fiji Ports Corporation Limited		
Beginning of the year	1,639,902	2,224,561
Loan repayments received	(663,000)	(663,000)
Interest charged	<u>54,341</u>	<u>78,341</u>
End of the year (Note 12)	<u>1,031,243</u>	<u>1,639,902</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

19 Financial risk management

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance

Risk management is carried out by finance executives and management of controlled entities of the Company. Management and finance executives identify, and evaluate financial risks in close co-operation with the company's operating units. The Board provides direction for overall risk management covering specific areas, such as mitigating credit risks, and investment of excess liquidity.

(a) Market risk

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

(i) Political climate

The Company operates in Fiji and changes to governments and the policies they implement affect economic situation and ultimately the revenues of the Company. To address this, the Company reviews its pricing and product range regularly and responds to change in policies appropriately.

(ii) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2007	2006
Fixed rate instruments		
Financial assets (Term deposits)	202,292	72,274
Financial liabilities (Related party)	1,031,423	1,639,902
	<u>1,233,715</u>	<u>1,712,176</u>

Fair value sensitivity analysis for fixed instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect the profit or loss.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

19 Financial risk management - cont'd

(b) 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.

The Company has no significant concentrations of credit risk. The company has policies in place to ensure that services are provided to customers with an appropriate credit history. Credit levels accorded to customers are regularly reviewed to reduce the exposure to risk of bad debts.

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

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

	Note	Carrying amount 2007 \$	2006 \$
Cash and cash equivalents	16	1,681,062	869,894
Trade and other receivables	5	2,740,277	3,048,838
Held-to-maturity investments	7	202,292	-
Financial assets at fair value through profit or loss	7	-	118,576
		<u>4,623,631</u>	<u>4,037,308</u>

Trade receivables

The table below summarises the ageing of trade receivables as at 31 December based on contractual undiscounted payments:

	0-30 days	30-60 days	60-90 days	> 90 days
31 December 2007				
Trade receivables	785,211	365,364	34,676	161,847
31 December 2006				
Trade receivables	367,536	1,015,244	20,003	131,755

Refer to note 6 for movement in the allowance for impairment in respect of trade receivables.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

19 Financial risk management - cont'd

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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.

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business of the Company, Management has deposits held at call.

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

31 December 2007	On demand \$	Less than 1 year \$	1 to 5 years \$	> 5 years \$
Interest bearing borrowings	-	663,000	368,423	-
Trade and other payables	-	2,740,277	-	-
	-	3,403,277	368,423	-
31 December 2006				
Interest bearing borrowings	-	663,000	1,249,672	-
Trade and other payables	-	3,048,838	-	-
	-	3,711,838	1,249,672	-

(e) Capital risk 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 Company's objectives when obtaining and managing capital are to safeguard the Company's ability to continue as a going concern and provide shareholders with a consistent level of returns and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including 'current and non-current borrowing' as shown in the Company balance sheet) less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the Company balance sheet plus net debt.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

19 Financial risk management - cont'd

(e) Capital risk management - cont'd

	Company	
	2007	2006
	\$	\$
Interest bearing borrowings	1,031,423	1,912,672
Trade and other payables	969,211	1,094,134
Less cash and cash equivalents	1,681,062	869,894
Net debt	319,572	2,136,912
Equity	8,248,453	7,508,069
Capital and net debt	8,568,025	9,644,981
Gearing ratio	4%	22%

20 Capital commitments

Capital commitment approved by the Board for the year ended 31 December 2007 amounted to \$73,261 (2006:\$Nil)

21 Contingent liabilities

Contingent liabilities amounted to \$92,538 for the year ended 31 December 2007 (2006:\$66,132)

22 Principal business activities

The principal activity of the Company were that of provision of port services.

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
	\$	\$
Administration expenses		
License/bond fees & rent	114	512
Customer claims & customs	(51,449)	8,681
Depreciation	1,009,726	914,012
Professional fees - legal	28,283	12,007
Professional fees- accounting	11,430	29,500
Professional fees- others	4,050	3,400
Management fees	300,000	300,000
Insurance	353,531	414,562
Bank charges	6,698	6,148
Donation	1,796	6,213
Telephone	79,541	66,915
Stationery	5,515	8,741
Office stores	1,672	53
Postage	384	200
Computer expenses	20,221	32,878
Subscription	480	-
Photocopying	1,811	898
Courier charges	733	718
Printing	12,469	14,590
E-mail	1,198	2,146
Transportation - general	43,131	38,012
Transportion - recoverable	98,282	95,102
Accomodation local	9,826	3,822
Subsistance	20,444	36,952
Travelling & accomodation - overseas	8,847	9,686
Entertainment - local	798	3,918
Meals - meetings	254	1,020
Public relations expenses	-	2,178
Marketing expenses	-	5,442
Advertising	3,531	9,436
Publication	7	5,552
General expenses	-	1,209
Total administration expenses	1,973,323	2,034,503

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
	\$	\$
Operating expenses		
Salaries and wages	3,200,062	3,091,649
FNPF	273,150	256,002
Annual leave	64,666	(11,193)
Sick leave	83,784	55,856
Bonus	186,577	42,051
Workmen compensation	(15,350)	1,968
Uniforms & protective clothing	28,016	31,545
Allowances	188,805	209,265
Training	21,302	91,386
Staff ammenities	19,777	16,262
TPAF	34,572	33,378
Funeral expense	2,244	730
Medical insurance	184,077	149,636
Medical expenses	33,310	29,588
Electricity	19,108	22,324
Rent	250,826	250,745
Water - local vessels	4	-
Sanitation & refuse - others	2,636	2,006
Repairs & maintenance - computer	519	6
Repairs & maintenance - furniture	980	1,078
Repairs & maintenance - plant	37,576	2,644
Repairs & maintenance - gear	57,421	2,011
Repairs & maintenance - general	1,680	6,001
Cleaning	34,327	38,808
Replacement - mini assets	2,582	3,749
Motor vehicle registration	1,114	222
Fuel & oil	16,902	14,683
Motor vehicle repairs & maintenance	12,820	17,037
Motor vehicle insurance	110	1,010
Labour inspection fees	13,734	14
Machine - labour	142,814	98,342
Machine -parts	606,057	499,754
Boat hire - pilot boat	5,320	-
Machine - tyres	143,553	54,385
Machine -fuel & oil	647,638	350,961
Crane hire	1,012,000	421,667
Equipment hire	387,300	459,951
TORS expense	659,403	678,397
Total operating costs	<u>8,361,416</u>	<u>6,923,918</u>
Finance Costs		
Interest	57,825	100,235
Interest income	(4,585)	(10,422)
	<u>53,240</u>	<u>89,813</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
	\$	\$
Revenue		
Handling	11,888,951	10,597,494
Pilotage	360,645	446,916
License fees	147,171	134,840
Other services income	341,003	421,046
Total revenue	<u>12,737,770</u>	<u>11,600,296</u>
Add: Other Operating Revenue		
Interest received	4,585	10,422
Gain on sale of plant and equipment	6,221	2,458
Total other operating revenue	<u>10,806</u>	<u>12,880</u>
Net Trading Result	<u>12,748,576</u>	<u>11,613,176</u>
Administration expenses	(1,973,323)	(2,034,503)
Operating Expenses	(8,361,416)	(6,923,918)
Finance Costs	(57,825)	(100,235)
	<u>(10,392,564)</u>	<u>(9,058,656)</u>
Operating Profit before Income Tax Expense	<u>2,356,012</u>	<u>2,554,520</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
	\$	\$
Administration expenses		
License/bond fees & rent	114	512
Customer claims & customs	(51,449)	8,681
Depreciation	1,009,726	914,012
Professional fees - legal	28,283	12,007
Professional fees- accounting	11,430	29,500
Professional fees- others	4,050	3,400
Management fees	300,000	300,000
Insurance	353,531	414,562
Bank charges	6,698	6,148
Donation	1,796	6,213
Telephone	79,541	66,915
Stationery	5,515	8,741
Office Stores	1,672	53
Postage	384	200
Computer expenses	20,221	32,878
Subscription	480	-
Photocopying	1,811	898
Courier charges	733	718
Printing	12,469	14,590
E-mail	1,198	2,146
Transportation - general	43,131	38,012
Transportion - recoverable	98,282	95,102
Accommodation local	9,826	3,822
Subsistance	20,444	36,952
Travelling & accommodation - ov	8,847	9,686
Entertainment - local	798	3,918
Meals - meetings	254	1,020
Public relations expenses	-	2,178
Marketing expenses	-	5,442
Advertising	3,531	9,436
Publication	7	5,552
General expenses	-	1,209
Total administrative expenses	<u>1,973,323</u>	<u>2,034,503</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	2007	2006
Finance Costs	\$	\$
Interest expense	57,825	100,235
Interest income	-4,585	-10,422
	<u>53,240</u>	<u>89,813</u>
Operating expenses		
Salaries and wages	3,200,062	3,091,649
Fnpf- Employers contribution	273,150	256,002
Annual leave	64,666	(11,193)
Sick leave/bonus	83,784	55,856
Bonus	186,577	42,051
Workmen Compensation	(15,350)	1,968
Uniforms & protective clothing	28,016	31,545
Allowance	188,805	209,265
Training	21,302	91,386
Staff amenities	19,777	16,262
Fiji National Training Council	34,572	33,378
Funeral expense	2,244	730
Medical insurance	184,077	149,636
Medical expenses	33,310	29,588
Electricity	19,108	22,324
Rent - external	250,826	250,745
Water - local vessels	4	-
Sanitation & refuse - others	2,636	2,006
Repairs & maintenance - comput	519	6
Repairs & maintenance - f/fitt	980	1,078
Repairs & maintenance - plant/	37,576	2,644
Repairs & maintenance - gear	57,421	2,011
Repairs & maintenance - general	1,680	6,001
Cleaning	34,327	38,808
Replacement - mini assets	2,582	3,749
Motor vehicle registration	1,114	222
Fuel & oil	16,902	14,683
M/V repairs & maintenance	12,820	17,037
M/V insurance	110	1,010
Labour inspection fees	13,734	14
Machine - labour	142,814	98,342
Machine -parts	606,057	499,754
Boat Hire - pilot boat	5,320	-
Machine - tyres	143,553	54,385
Machine -fuel & Oil	647,638	350,961
Crane hire	1,012,000	421,667
Equipment hire	387,300	459,951
TORS expense - external	659,403	678,401
	<u>8,361,416</u>	<u>6,923,918</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

	JUNE 2007	JUNE 2006
	\$	\$
NOTE 8. PROPERTY, PLANT AND EQUIPMENT (Continued)		
(i) Movements in Carrying Amounts		
Land & Buildings		
Carrying amount	0	964,620
Additions	0	(964,620)
Depreciation expense	0	0
Balance as at 31 December 2006	<u>0</u>	<u>0</u>
Plant & Equipment		
Carrying amount	528,455	354,724
Additions	0	246,468
Disposals	0	(39,602)
Depreciation expense	0	(33,135)
Balance as at 31 December 2006	<u>528,455</u>	<u>528,455</u>
Furniture & Fittings		
Carrying amount	0	10,137
Additions	0	1,169
Disposals	0	(373)
Depreciation expense	0	(3,924)
Balance as at 31 December 2006	<u>0</u>	<u>7,009</u>
Motor vehicles		
Carrying amount	4,465,852	3,858,741
Additions	0	946,826
Disposals	0	0
Depreciation expense	0	(339,715)
Balance as at 31 December 2006	<u>4,465,852</u>	<u>4,465,852</u>
Computer equipment		
Carrying amount	0	465,787
Additions	0	0
Disposals	0	(436,622)
Depreciation expense	0	(9,449)
Balance as at 31 December 2006	<u>0</u>	<u>19,716</u>
Total balance as at 31 December 2006	<u>#REF!</u>	<u>5,021,032</u>

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

#REF!

	12-Dec-06	6 months ended 2005
	\$	\$
Administration Expenses		
Accounting and internal audit fees		15,172
Annual reports and publications		6,367
Audit fees		24,700
Bank fees and charges		3,136
Computer charges		41,742
Consultancy fees		51,917
Directors fees and allowances		69,257
Donations and charities		4,400
Entertainment		17,148
General expenses		1,295
Legal fees		9,564
Local travelling & accomodation		85,828
Loss on sale of fixed assets		372
Overseas travelling & accommodation		79,201
Postage		2,355
Printing and stationery		39,751
Promotions and public relations		6,287
Subscriptions		6,068
Telephone		91,413
Total Administration expenses	0	585,973

Ports Terminal Limited

Notes to the financial statements

For the year ended 31 December 2007

#REF!	12-Dec-06	6 months ended 2005
	\$	\$
Operating Expenses		
Advertising		31,294
Boat and equipment hire		2,015,765
Cleaning Services		8,288
Depreciation		1,978,907
Electricity		364,770
Fiji National Provident Fund		131,975
Fiji National Training Council		26,953
Insurance		547,146
Licenses and rates		124,603
Motor vehicles expenses		12,138
Occupational health and safety		40,023
Pilot and linesmen hire		418,759
Ports seminars and conferences		8,408
Rental		1,600
Repairs and maintenance		174,427
Security		81,352
Sanitation and refuse		28,360
Staff costs		35,250
Subsistence		12,058
Training		33,404
Wages and salaries		1,538,373
Water		267,003
Workmen's compensation/medical retirement		
Total Administration expenses	<u>0</u>	<u>7,880,856</u>

Stevedored cargo tonnage brought
by the aforementioned vessels

Year	Nos.	GRT	100 GRT/HRS
2004	739	7,005,575	1,847,530
2005	782	8,280,322	1,960,055
2006	785	8,151,918	2,212,885
2007	784	8,361,785	1,924,668

a) Foreign Cargo Vessels

Vessels Type	No	GRT	100 GRT Hours
Passenger	30	1046280	426112
Dry Bulk	42	773474	494061
Liquid Bulk	215	2471412	487201
LOLO	467	4026121	1063778
RORO	0	0	0
LOLO/RORO	52	679910	149554
Car Carrier	9	201001	18281
Fishing	252	111556	109949
Naval	9	22490	14974
Others	46	111526	25352
Total	1122	9,443,770	2,789,262

Total foreign vessels

Year	Nos.	GRT	100 GRT/HRS
2004	1369	8,082,666	2,389,139
2005	1183	9,187,726	2,236,179
2006	1122	9,443,770	2,789,262
2007	1172	10,483,863	2,312,745

Cargo carrying vessels

Year	Nos.	GRT	100 GRT/HRS
2004	739	7,005,575	1,847,530
2005	782	8,280,322	1,960,055
2006	785	8,151,918	2,212,885
2007	784	8,361,785	1,924,668

2007

Type	Import	Export	Total
Non Containerized	72111	14017	86128
Containerized	962157	788687	1750844
Dry Bulk	301206	383480	689186
Liquid Bulk	503779	221151	814930
Total Foreign	1933753	1407335	3314108
Local Cargo	95605	145605	241210
Total Fiji	2029358	1552910	3562298

b) Local Cargo Vessels

Vessels Type	No	GRT	100 GRT Hours
RORO/ Passenger	852	827328	436174
Conventional/ Passenger	1667	112371	119521
Fishing/Others	696	84548	74174
Total	3215	1024247	629869

Vessels Type	No	GRT	100 GRT Hours
Passenger	36	1852334	199384
Dry Bulk	39	682252	336766
Liquid Bulk	249	2492679	360113
LOLO	441	4373752	864408
RORO	3	4556	1054
LOLO/RORO	48	654734	102889
Car Carrier	7	158368	11804
Fishing	312	149581	77093
Naval	0	0	0
Others	37	115607	110566
Total	1172	10483863	2312745

b) Local Cargo Vessels

Vessels Type	No	GRT	100 GRT Hours
RORO/ Passenger	677	964049	345652
Conventional/ Passenger	1354	117266	88256
Fishing/Others	1574	146389	171568
Total	3605	1127704	605476

Cargo Throughput 2006

Type	Import	Export	Total
Non Containerized	116342	8808	125150
Containerized	947146	604979	1552125
Dry Bulk	320418	428717	749135
Liquid Bulk	587995	255421	843416
Total Foreign	1971901	1297925	3269826
Local Cargo	128160	161473	289633
Total Fiji	2100061	1459398	3559459

