



**FIJI PORTS CORPORATION LIMITED**  
**ANNUAL REPORT 2008**

# VISION AND MISSION STATEMENT/ VALUES

## VISION

To be the regional leader in providing world class port services.

## MISSION

To effectively manage the Ports of Fiji.

To provide efficient, cost effective port services; and

To be socially and environmentally responsible

## VALUES

Our Corporate Values are:

- Customer satisfaction
- Safety and security
- Quality of services
- Accountability
- Transparency
- Loyalty and integrity
- Timeliness
- Team work
- Continuous improvement
- Corporate citizenship
- Social responsibility

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## COVER

Fiji Ports Corporation Limited prides itself on providing a modern efficient operation for the wide selection of ships that benefit from its services. Turn around time is a priority at Ports and its tugboats help speed up the process.

**FIJI PORTS CORPORATION LIMITED**  
GPO Box 780, Fiji Islands, Telephone: 3312 700  
Fax: 3300 064 Email: fpcl@connect.com.fj



**24th June 2009**

The Minister  
Ministry of Public Enterprises  
Level 4 Civic Tower  
Suva

Dear Minister,

I am pleased to present the 2008 Annual Report of Fiji Ports Corporation Limited as required under the Public Enterprises Act 1996.

The Report provides a consolidated summary on the performance of Fiji Ports which comprises Fiji Ports Corporation Limited and Ports Terminal Limited as its subsidiary company.

Fiji Ports achieved its targets in 2008 which reflected operational efficiency and effectiveness in the delivery of quality services to our port users and/or customers locally and abroad.

In the midst of our economic and political challenges, Fiji Ports still continued developing and improving on its performance and ensuring that proper infrastructures are put into place. The outstanding efforts and contributions of the management and staff of Fiji Ports must be acknowledged and commended.

On behalf of the Fiji Ports Board of Directors, I take this opportunity to thank the Government for its continued support and cooperation and look forward to the future with confidence.

Sincerely,

Semi Koroilavesau  
Chairman



## HIGHLIGHTS 2008

### Consolidated financial highlights of FPCL and PTL subsidiary:

- Net profit after tax was down by \$2.290m or 57% when compared to 2007, however the actual 2008 NPAT was 47% better than the forecasted 2008 NPAT.
- 2008 saw a decrease in consolidated financial performance due mainly to sharply increased operating expenses and exchange losses
- Another major impact was the international economic crisis during the second half of the financial year. Sharply fluctuating currency exchange rates had a significant impact on the company's accounting under the newly adopted International Financial Reporting Standard due to unrealised exchange losses of \$3.5 million on FPCL's foreign exchange loan repayment to the Asian Development Bank.

### Other highlights

- 100% occupancy rate of rental properties
- Construction of passenger terminal at Muaiwalu II [Narayan Wharf]
- Organisation realignment/re-engineering completed
- ISPS Audit compliant
- Cargo handling targets achieved
- Tonnage projections exceeded
- Container projections exceeded
- Sea Ports Management Regulations passed and gazetted
- Completion of Queens Wharf repairs, Lautoka
- Completion of 15 acre Reclamation, Lautoka



## CHAIRMAN'S REPORT

The financial year 2008 continued the previous year's trend, and again was one of challenge and change. I am happy to report that, as a result of continuous dialogue between Fiji Ports Corporation Limited, Ports Terminal Limited, and all parties concerned, the challenges were met and positive changes were achieved.

### Operations and Organisational Realignment

After the appointment of the new CEO at the beginning of the year, a review of the Company's organisational structure was undertaken as part of the company's commitment to improving operational efficiency and subsequent financial returns. The aim was to further reduce overheads, streamline duplicated functions and improve management responsibility and accountability.

The realignment, which is almost complete, has been systematically carried out to avoid employee losses and to ensure that the workforce fully understands the reasons behind the realignment. Overall the changes have worked well, with all operations, both marine and stevedoring, being realigned into a single Port Operations Division, albeit that Ports Terminal Limited (PTL) remains a separate entity and a wholly owned subsidiary of FPCL.

Following a lengthy consultation process with all stakeholders, FPCL has also assumed responsibility for all marine operations within the ports under its management, a role previously undertaken by officers employed by the Fiji Islands Maritime Safety Administration (FIMSA), thus ensuring that the Company now controls and manages all commercial functions of the ports for which it is responsible.

Relations between FPCL and its stakeholders, particularly its customers, have been significantly improved 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 its 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. 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. As stated in the Annual Report 2007, this creates both a physical and a psychological divide between the managerial and operative arms of the business, as well as creating a major impediment to the efficient and effective management of the Company. To help bridge this divide, as well as being a part of the ongoing drive towards internal consolidation, FPCL has made considerable progress towards the goal of moving the company headquarters to the Port of Suva. An appropriate and conveniently located building has been identified, and negotiations are currently underway for the purchase of the building with a view to moving into it in the first half of 2009. When this move is completed, both FPCL and PTL will be managed and operated from the same location. As a result, management will be more visible to the wharf workforce and be seen as working within the operational area as part of the team.



## Financial

The 2008 financial year was not as fruitful as 2007, as we saw a decline in the overall financial performance for Fiji Ports. The net profit after tax was down by \$2.290m or 57% when compared to prior however the actual 2008 NPAT was 47% better than the forecasted 2008 NPAT.

There was no significant change in the total gross turnover in 2008 when compared to 2007; however there was an increase of \$3.6m or 12% in the total expenditure in 2008 when compared to the previous year. This increase was a direct result of the recognition of an unrealised exchange loss of \$3.5m on our ADB Loan due to strengthening of the US dollar during 2008, whereas in 2007 Fiji Ports had recorded an unrealised exchange gain of \$1.7m.

## The Vision for the Future

FPCL continues to be committed to the 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.

To this end, FPCL continues to investigate the various options to realise the proposed five hundred million dollar Rokobllili project with the assistance of Government, which has been actively involved in sourcing overseas partners.

FPCL also continues to seek new business opportunities which are commensurate with its core business. In addition to the possibility of operating its own trans-shipment business on-premises, the Company has offered to purchase

the ailing Government Commercial Company, Fiji Ships and Heavy Industries Ltd (FSHIL) with a view of rejuvenating the existing slipway facilities and business, and in the future expanding the facilities to provide ship repair and ship building facilities in Fiji with the capability of servicing much larger vessels, which will be of benefit to the shipping industry of both Fiji and the South Pacific Region.

FPCL is also committed to the ongoing development of port and cargo handling infrastructure and will continue to invest in plant and machinery such as loaders and forklifts through purchase or leasing to ensure the improved efficiency and handling of cargoes and the reduction in turn-around time for vessels calling at Fiji's ports.

FPCL has also taken the decision to recapture some of its lost core business revenue by reengaging in the provision of pilotage services for foreign vessels visiting Fiji's ports. Most of the business has been enjoyed by a private provider, using resources, such as pilot boats, provided by FPCL. A decision by FPCL during the year to build, own and operate its own pilot boats rather than hiring them from a private contractor was vindicated when the demise of the contractor led to the loss of pilot boat services resulting in the need for FPCL to source alternative, and expensive, means of ensuring the continuation of the pilot service. The new boats, the first purpose built pilot boats to have been built in Fiji using local labour and expertise, are expected to enter service during the first half of 2009.

FPCL continues to encourage the trans-shipment of containers between Fiji ports by sea rather than by road, and has introduced attractive conditions and rates to promote this. This makes good business sense for FPCL and PTL, as well as contributing



to both improved road maintenance and road safety. The challenge is already being met by one local company that has purchased two vessels for the specific purpose of trans-shipping containers between the ports of Suva and Lautoka.

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 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



**Desmond Whiteside**  
Director

**Kesaia Tuisawau**  
Director

**George Ben**  
Director

**Ian Cambell**  
Director

## Executive Management



**Christopher Marshall**  
Chief Executive Officer



**Waqa Bauleka**  
General Manager Technical  
Services



**Eminoni Kurusiga**  
General Manager  
Port Operations



**Asit Sen**  
General Manager  
Finance



**Jiu Daunivalu**  
General Manager  
Corporate Services

## CORPORATE GOVERNANCE

The Board of Directors oversees the performance of the company and ensures that Fiji Ports achieved its corporate targets of 2008. The role of the Board involves formulating right policies and implementing good governance principles whilst driving Fiji Ports towards achieving its short to long-term strategic objectives, which are geared towards future development and growth of the Fiji Ports as Hub Port of the Pacific.

The governance principles clearly demarcate the Board and Management role. The day-to-day management of Fiji Ports is the Executive Officers', and/or Management's, role.

All members of the Board are expected to make decisive decisions in the interests of the company. The Board is accountable to the Minister of Public Enterprises and submits performance reports to, and/or briefs, the Government on the performance of the company on a regular basis.

## BOARD OF DIRECTORS 2008

The Board of Directors for 2008 :

**Mr Semi Koroilavesau** - Appointed as Chairman (28th February 2007)

**Mrs Kesaia Tuisawau** - Appointed as Deputy Chairperson (28th February 2007 – Relieved 30th June 2008)

**Mr George Ben** - Appointed as Director (28th February 2007 - Terminated 30th June 2008)

**Mr Ian Campbell** - Appointed as Director (16th February 2006- Terminated 30th June 2008)

**Mr Ben Naidu** - Appointed as Director (4th February 2005)

**Mr Desmond Whiteside** - Appointed as Director (30th June, 2008, Passed away 9th December 2008)

## BOARD MEETINGS

A total of 10 monthly meetings were held between January to December 2008. Directors' attendance at these meetings was as follows:-

Director	Number of meetings to attend	Number of meetings attended	Apologies
Semi Koroilavesau	10	10	-
Kesaia Tuisawau	10	4	-
George Ben	10	4	-
Ian Campbell	10	4	-
Ben Naidu	10	10	-
Desmond Whiteside	10	6	-



## CEO'S REPORT

It is a pleasure to report on the performance of Fiji Ports Corporation Limited (FPCL) and its subsidiary company, Ports Terminal Limited (PTL) for 2008.

2008 saw a number of significant changes in the operations and management of the company, designed to improve efficiency, accountability and profitability.

### OPERATIONS

#### Vessel Traffic

##### Total Foreign Vessels

The total of foreign vessel calls for the year was 1317, compared to 1172 in 2007, resulting in an increase equivalence of 13%. This accounted for a total GRT of 11572969 tonnes producing 100GRT hours of 2.5 million, compared to a GRT of 10483863 tonnes GRT and 2.3 millions 100 GRT hours in 2007.

Cargo carrying vessels increased by 8.7% over 2007 due to the introduction of new shipping lines, with the significant one being the CGM Lines making fortnightly calls into Lautoka. In addition to this was the emphasis on the vessel sharing arrangement (VSA) introduced by the big players, namely Hapag Lloyd, Hamburg- Sud and Maersk Lines having regular Suva calls. The increase in vessel numbers had resulted in a corresponding increase in vessel tonnage. Efficiency improvements which resulted in faster vessels turn - around times had continued during the year, influenced by improved operational methods especially in the use of mobile cranes.

The number of local vessel calls for the year was 3318 compared to 3605 in 2007, resulting in a decrease of 8%. The significant attributing factor was the repositioning of some local tourism cruise operations to Denarau from Lautoka. Additionally,

the reduction in sailings of some RORO vessels due to increasing capacity had some bearing on this as well. The above, however, accounted for 1253583 tonnes GRT which resulted in 766737 100 GRT hours.

Foreign cargo throughput was 3378006 tones compared to 3314108 tonnes in 2007. This is equivalent to an increase of 2%.

Non containersized cargo recorded a decrease of 39% whilst containerised cargo experienced a slim decrease of 0.08%. Non containerised cargoes will continue decrease as the advantage of containerisation will continue to prevail. However the containerised figures showed that the country is not heavily reliant on imports as in past years. This is shown in a ratio of 57% and 43% import and export tonnages, respectively.

Dry bulk volume reached 774344 tonnes compared to 689186 tonnes in 2007, which is a 12% increase. The current problems with the sugar industry were not heavily felt as the sugar exportation had a 51% increase over the last year's tonnage.

Liquid bulk throughput was 801524 tonnes in comparison to 814930 tonnes in 2007, which resulted in a slightly 2% decrease.

Local cargo handled for the year was 224319 tonnes compared to 241210 tonnes in 2007 – a 7% decrease.

The realignment of the Operations Division was done in an effort to streamline the activities and responsibilities of the division as a whole. This has not been happening in the past as both entities (FPCL and PTL) had operational arms in their respective structures.



Ports Terminal Limited, the stevedoring arm of the company, had continued to seek avenues in trying to improve productivity, aligning itself with the other neighboring regional ports. One of the major drawbacks is, however, the inability of the shore based equipment to sufficiently meet the demand, especially with the utilisation of the shore mobile cranes. Attempts have been made to address this in terms of a proper replacement programme, as well as the possible introduction of incentive schemes.

An issue that needs to be addressed is the further training of mobile crane operators as they will need to be both properly certified, and with the knowledge and know-how similar to those in overseas ports. The company will continue to seek assistance from overseas ports and training institutions for assistance as it is felt that there is none available locally.

## FINANCE

Formerly called Finance and Administration, the Finance Department is responsible exclusively for all financial matters of both Fiji Ports and its subsidiary company and is headed by General Manager Finance.

The Senior Accountants who are directly responsible for supervising the Finance Clerks will now also be responsible to supervise the Invoicing clerks, who had previously been reporting to operations department. This is to ensure uniformity in interpretation of accounting and invoicing systems and practices so as to minimize the high number of errors and customer disputes experienced in the past.

## FINANCIAL HIGHLIGHTS

In 2008, Fiji Ports and its subsidiary recorded \$2.3m less net profit when compared to prior year. This decline is a result of an increase in the operating cost which is mainly due to the recognition of an unrealized exchange loss of \$3.5m on our ADB Loan due to strengthening of the US dollar during 2008 while in 2007 Fiji Ports recorded an unrealized exchange gain of \$1.7m. The strengthening of the US dollar was a direct result of the international economic downturn that we all had experienced towards the second half of the 2008 financial year.

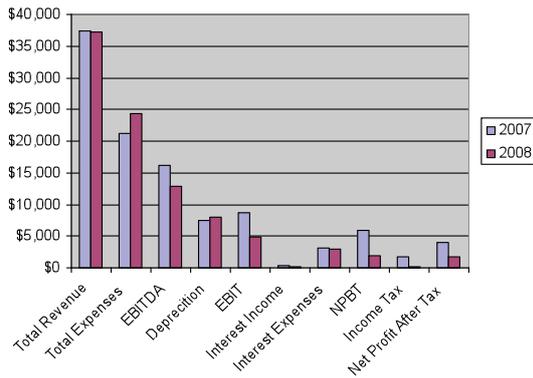
The table below provides a summary of the consolidated financial performance for 2007 and 2008:

	2007	2008
Total Revenue *	\$37,636	\$37,386
Total Expenses *	\$31,770	\$35,408
<b>EBIT</b>	<b>\$8,666</b>	<b>\$4,806</b>
<b>Net Profit After Tax</b>	<b>\$4,042</b>	<b>\$1,752</b>
Return on Assets	5.77%	3.16%
Return on Investment	5.53%	2.40%
Profit Margin	10.82%	4.71%
Current Ratio	\$1.15	\$1.96

\* These figures are inclusive of Financial Income/ Expenses

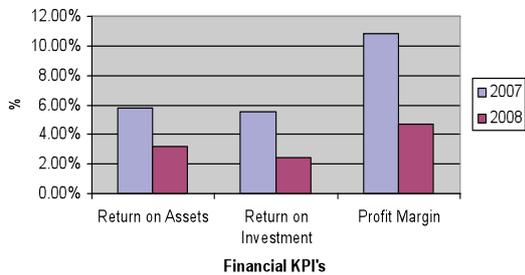


**Financial Performance Highlights**



The following graph summarises some of the key Financial Performance Indicators, as per table above.

**Financial KPI's (Percentage)**



**TARIFF**

A new tariff structure submitted in 2007 was rejected by the Commerce Commission in January 2008. A new process began in March 2008 involving comprehensive negotiations and consultation with the company's stakeholders, resulting in an agreed position which was resubmitted to the Commerce Commission in August 2008.

The proposed new tariff structure seeks an overall 15% increase in charges, but also includes some productivity incentive components.

There has been no increase in port charges since May 2001 despite the transition of the company from a government funded department to a Government Commercial Company (with no subsidies) and a very significant increase in all operating costs during the intervening seven years.

At the date of this report the Commerce Commission are yet to make a decision on FPCL's submission.

**ORGANISATION**

The organisational structure of the company was realigned in October to streamline the organisation's operations; more clearly delineate the duties and responsibilities of FPCL and PTL; improve efficiency and productivity, and improve the lines of management and accountability.



As PTL is still a Restructure Entity (RE) it has been retained as a separate company albeit a wholly owned subsidiary of FPCL. As such, PTL assumes responsibility for all stevedoring and cargo handling services, including all terminal operations while all marine operations, including pilotage, are FPCL responsibilities.

All port operations are now collectively managed by the newly created Port Operations Department.

### PORTS OF ENTRY

FPCL owns and operates the three main ports of Fiji - Suva, Lautoka and Levuka. It is expected that a fourth port, Wairiki on Vanua Levu, will shortly be transferred to the ownership of the company.

In addition, FPCL has responsibility for the operation and ISPS requirements for other declared ports of entry including Malau (owned by the Fiji Sugar Corporation); Rotuma (owned by the Rotuma Council and declared a Port of Entry in 2008); Wairiki (to be owned by FPCL but operated by Tropik Wood Industries Ltd); and Vuda (owned by Mobil Oil).

### PORT AND MARINE OPERATIONS

During the year responsibility for the management of vessel movements, berth allocation and the appointment of pilots at the ports of Suva and Lautoka, formerly performed by a FIMSA employed Port Master, were transferred to the newly created position of Harbour Master (senior pilots employed by FPCL) in the respective ports. This change ensures that FPCL now controls all aspects of its commercial operations as well as finally bringing about a clear division between FPCL's operational responsibility and FIMSA's regulatory role.

In mid year FPCL made the decision to recapture its share of the port pilotage business in Fiji (a core function of most port management companies); a function that had, over recent years, been assumed by private pilot companies.

Despite controlling the allocation of pilots, FPCL maintains a policy of equally dividing the business between the private pilotage provider and FPCL. At the same time the company recognised the risks associated with contracting pilot boat services whereby it has no direct control of the provision of the service, and accordingly made the decision to build and operate its own pilot boats. This decision was ultimately vindicated when the pilot boat contractor went into receivership. FPCL's new vessels are currently under construction by a local builder and will enter service in early 2009.

### TECHNICAL SERVICES

All port maintenance and engineering programmes as well as infrastructure development initiatives are the responsibility of the Technical Services Department, formerly Infrastructure & Services.

FPCL continued to maintain and improve infrastructure at the three main ports of Fiji and all programmes were completed on time and within budget.

During the latter part of 2008 work began to upgrade the passenger and wharf facilities at Muaiwalu No. 2 (Narain wharf) for the benefit of the local shipping industry. This programme, expected to be completed in the first half of 2009, will cost approximately \$2m and is excess to the normal budget provisions, being a component of FPCL's Community Service Obligation.



For much of 2008, discussions were conducted between Government and a potential investor / joint venture for the development of a new container terminal facility, but agreement has now been deferred due to the world financial situation. Other avenues for the funding of the Rokobili Container Terminal will continue to be pursued in the immediate future.

## CORPORATE SERVICES

The Commercial Marketing Department established in 2006 was changed to Corporate Services Division in January 2008. A new General Manager Corporate Services [GMCS] was recruited to oversee the Commercial Marketing and Strategic planning activities of the company, Human Resources, Information Technology, Legal and Properties.

## MARKETING & STRATEGIC

### Marketing

Highlights of the year included the “rebadging” of the company with the aim of improving its public awareness. While the Company logo remains unchanged, the trademark name has been changed from FPCL to ‘Fiji Ports’.

Marketing is vital in positioning ‘Fiji Ports’ brand name locally and overseas. Fiji Ports signage has been updated at all Ports facilities, including advertising, in coordination with a specialised billboard marketing agency (Metro Fiji Ltd) that was awarded the exclusive rights for Fiji Ports billboard advertisements.

The company’s website ([www.fijiports.com.fj](http://www.fijiports.com.fj)) has been totally reconstructed and is now a more professional and informative site, an important tool for marketing the company both domestically and internationally.

Fiji Ports continues to be an active member of the Cruise Liner Task Force in Suva and a major contributor to the Pacific Countries Ports Association (PCPA), the body that represents the interests of all port companies and authorities in the South Pacific Region, and a full member of the International Association of Ports and Harbours (IAPH).

### Strategic Planning

Fiji Ports involved the Board, Executive Officers, and staff in the formulation of its 2009 Corporate Plan. Internal workshops were conducted and also attended by key stakeholders including relevant Government agencies to help formulate and support Fiji Ports in



its future strategic direction. A cohesive approach in planning was adopted in 2008 to ensure wider participation of port users and other stakeholders in reviewing and formulating new strategic goals of the company.

## HUMAN RESOURCES

### Workforce

The total number of permanent staff employed jointly by FPCL and PTL at the end of 2008 was 173. In addition, a further 318 Registered Relief Workers (RRW's) were employed, mainly in the PTL stevedoring operations.

The above numbers do not include stevedoring contractors hired from a local contractor at the port of Lautoka.

### Training

There were a total 175 employees who received specialised training during the year, the trainees being drawn from every sector of the organisation, at a total cost of \$126,636.00.

### Industrial Relations

FPCL/PTL continues to maintain its record of having had no industrial disputes with its workforce since 1998. This is largely the result of the ongoing good relations between management and the Longshoreman's Union maintained by regular monthly and, where necessary, additional meetings to ensure a fully informed dialogue between the company and its workforce.

The Partnership Agreement was continually reviewed to meet both the Employment Act requirements and workers requests, including the RRW staff wage levels which had not been reviewed since 2005, resulting in their being granted a 4% increase.

### Health and Safety

Fiji Ports stringently observes all OH&S requirements in the workplace, ensuring that all employees are able to enjoy a safe working environment.

Fiji Ports continues to provide all security services for the ports of Suva and Lautoka required under the ISPS code. This service is provided on behalf of the Fiji Islands Maritime and Safety Administration (FIMSA), the delegated authority of the Government of Fiji. The ports of Suva and Lautoka undergo regular ISPS audits by overseas security authorities.

## INFORMATION TECHNOLOGY

The IT department was transferred from the Financial Division to the Corporate Service Division as part of realigning roles and functions to be effectively carried out. The IT Department plays a vital role in the company's overall operations.

Numerous IT projects were successfully completed in 2008 such as the upgrading of Radio Data Telegraphic [RDT], which allowed stevedores to input charges, tracking location and accessing information about specific containers.

The website was also upgraded and changes were made regularly to incorporate new and other port related items for public information, and for marketing purpose.



## PORT REGULATIONS

In September, Cabinet approved the gazetting of the Sea Port Management Regulations 2008, thus giving much needed support to the Sea Ports Management Act 2005.

## PROPERTIES

Property rental income was increased from \$1.1 million in 2007 to \$1.4 million in 2008.

The increase was due to rental review, new tenants and temporary leases from the Lautoka reclaimed land.

### Head Office Location

For some years an alternative location for the Head office, currently located in Kaunikuila House at Flagstaff, Suva, has been considered.

During 2008 the opportunity arose to purchase a suitable building adjacent to a site at Muaiwalu No. 2 (Narain Wharf) previously identified as the location for a possible new head office development. Successful negotiations have resulted in a cost neutral purchase of the new site and the sale of Kaunikuila House.

It is expected that relocation to the new Head Office will be completed during the first half of 2009.

## OTHER ACTIVITIES

The interaction of staff was encouraged to build healthy relationships and close co-ordination amongst workers at all levels of the Fiji Ports. This was achieved through a Sports Day event held on Saturday 25th October at Suva Grammar School playground, followed by a Church service at Marist Lambert Hall on Sunday 26th October 2008. All employees, including the Board, from the four major ports of entry [Suva, Lautoka, Levuka, Malau], and their families attended the two-day events, in which they also celebrated and commemorated the third anniversary of the establishment of Fiji Ports Corporation Ltd.

Fiji Ports performed other non-commercial activities in terms of donations to a number of community-driven projects, including schools and other non-government organisations.

Christopher Marshall  
**Chief Executive Officer**



# Financial Statements



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# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

## Directors' report

In accordance with a resolution of the board of directors, the directors herewith submit the balance sheet of the company and the group as at 31 December 2008, the related income statement, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

## Directors

The names of the directors of Fiji Ports Corporation Limited at the date of this report are Semi Korolavesau and Ben Naidu.

## Principal activities

The principal activity of the parent company is providing and managing the port infrastructure and services within declared ports. The principal activity of its subsidiary during the financial year was the provision of stevedoring services within the port facilities trading as "Ports Terminal Limited". There have been no significant change in these activities during the year.

## Results

The net profit after income tax for the group amounted to \$1,751,965 (2007: \$4,042,078) after providing for an income tax expense of \$225,625. (2007: \$1,823,825). The net profit after income tax for the holding company amounted to \$798,699 (2007: \$2,419,859) after providing for an income tax credit of \$471,892 (2007: \$1,090,032).

## Dividends

The total dividend paid for the group in respect of the prior year (2007) amounted to \$2,021,040 at 3 cents per share (2006: \$2,010,746 at 3 cents per share) and the dividend paid by the parent company in respect of prior year (2007) amounted to \$1,209,930 at 2 cents per share (2006: \$1,128,910 at 2 cents per share).

## Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the payments of liabilities in the normal course of business.

## Bad and doubtful debts

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

As at the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the allowance for doubtful debts, in the company and the group, inadequate to any substantial extent.

## Non-current assets

Prior to the completion of the financial statements, the directors took reasonable steps to ascertain whether any non current assets were unlikely to be realised in the ordinary course of business compared to their values as recorded 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 through ongoing operation or sale.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non current assets in the company's and the group's financial statements misleading.

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY

## DIRECTORS' REPORT (CONT'D)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### Unusual transactions

Apart from these matters and other matters specifically referred to in the financial statements, in the opinion of the directors, the results of the operations of the company and the group during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the company or the group in the current financial year, other than those reflected in the financial statements.

#### Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the company or the group, the results of those operations or the state of affairs of the company or the group in the subsequent financial year.

#### Other circumstances

As at the date of this report:

- (i) no charge on the assets of the company and the group has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the company and the group could become liable; and
- (iii) no contingent liabilities or other liabilities of the company and the group have become or are likely to become enforceable within the year of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's and the group's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

#### Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the company and the group or of a related corporation) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Dated this 24th day of June 2009.



Director



Director

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY**  
**STATEMENT OF DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

In accordance with a declaration of the directors of Fiji Ports Corporation Limited and its subsidiary, we state that in the opinion of the directors:

- (i) the accompanying income statement of the company and the group is drawn up so as to give a true and fair view of the results of the company and the group for the year ended 31 December 2008;
- (ii) the accompanying statement of changes in equity of the company and the group is drawn up so as to give a true and fair view of the changes in equity of the company and the group for the year ended 31 December 2008;
- (iii) the accompanying balance sheet of the company and the group is drawn up so as to give a true and fair view of the state of affairs of the company and the group as at 31 December 2008;
- (iv) the accompanying statement of cash flows of the company and the group is drawn up so as to give a true and fair view of the cash flows of the company and the group for the year ended 31 December 2008;
- (v) at the date of this statement there are reasonable grounds to believe the company and the group will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the company and the group.

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

Dated this 24th day of June 2009.



Director



Director

**REPUBLIC OF THE FIJI ISLANDS  
OFFICE OF THE AUDITOR GENERAL**



6<sup>th</sup> Floor, Ratu Sukuna House,  
MacArthur Street,  
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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

**FIJI PORTS CORPORATION LIMITED  
ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008**

**INDEPENDENT AUDIT REPORT**

**Scope**

I have audited the financial statements of the Fiji Ports Corporation Limited for the year ended 31 December 2008 in accordance with section 103 of the Public Enterprise Act 1996 and section 13 of the Audit Act. The financial statement consists of the Income Statement, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement, and the accompanying notes. The Company is responsible for the preparation and presentation of the financial statements and the information they contain. My responsibility is to express an opinion on these financial statements.

My audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and Seaports Management Act 2005, so as to present a view which is consistent with my understanding of the Company's financial position, the results of its operations and its cash flows.

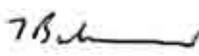
The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In my opinion:

- a. proper books of account have been kept by the Company, so far as it appears from my examination of those books, and
- b. the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:
  - i) are in agreement with the books of accounts;
  - ii) to the best of my information and according to the explanations given to me:
    - a) give a true and fair view of the state of affairs of the company as at 31 December 2008 and of the results, movement in reserves and cash flows of the Company for the year ended on that date; and
    - b) give the information required by the Company Act 1983 in the manner so required.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit.

  
Tevita Bolanavanua  
ACTING AUDITOR GENERAL



Suva, Fiji  
4 June 2009

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Operating revenue	2	36,000,156	34,517,125	23,955,584	22,081,156
Other revenue	3	1,216,108	2,852,447	2,582,076	3,415,264
<b>Total income</b>		<u>37,216,264</u>	<u>37,369,572</u>	<u>26,537,660</u>	<u>25,496,420</u>
Administration expenses		(5,726,648)	(2,523,227)	(4,237,222)	(1,118,942)
Operating expenses		(26,683,704)	(26,181,075)	(19,164,525)	(18,121,460)
<b>Total administration and operating expenses</b>	19	<u>(32,410,352)</u>	<u>(28,704,302)</u>	<u>(23,401,747)</u>	<u>(19,240,402)</u>
<b>Profit from operations</b>		<b>4,805,912</b>	<b>8,665,270</b>	<b>3,135,913</b>	<b>6,256,018</b>
Finance income		169,672	266,225	153,428	261,640
Finance expenses		(2,997,994)	(3,065,592)	(2,962,534)	(3,007,767)
<b>Net finance costs</b>	19	<u>(2,828,322)</u>	<u>(2,799,367)</u>	<u>(2,809,106)</u>	<u>(2,746,127)</u>
<b>Profit/(loss) before income tax</b>		<b>1,977,590</b>	<b>5,865,903</b>	<b>326,807</b>	<b>3,509,891</b>
Income tax (expense)/credit	4(a)	(225,625)	(1,823,825)	471,892	(1,090,032)
<b>Net profit/(loss) for the year</b>		<u><b>1,751,965</b></u>	<u><b>4,042,078</b></u>	<u><b>798,699</b></u>	<u><b>2,419,859</b></u>

The accompanying notes form an integral part of this income statement.

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Share capital</b>					
Balance at the beginning of the year		73,154,852	73,154,852	73,154,852	73,154,852
Issue of shares		-	-	-	-
Balance at the end of the year	18(b)	<u>73,154,852</u>	<u>73,154,852</u>	<u>73,154,852</u>	<u>73,154,852</u>
<b>Accumulated profits</b>					
Balance at the beginning of the year		9,515,063	7,483,731	4,350,915	3,059,966
Operating profit after income tax		1,751,965	4,042,078	798,699	2,419,859
Dividends	18(c)	<u>(2,021,040)</u>	<u>(2,010,746)</u>	<u>(2,021,040)</u>	<u>(1,128,910)</u>
Balance at the end of the year		<u>9,245,988</u>	<u>9,515,063</u>	<u>3,128,574</u>	<u>4,350,915</u>
<b>Total Equity</b>		<b><u>82,400,840</u></b>	<b><u>82,669,915</u></b>	<b><u>76,283,426</u></b>	<b><u>77,505,767</u></b>

The accompanying notes form an integral part of this statement of changes in equity.

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Current assets</b>					
Cash and cash equivalents	17	8,795,058	4,681,224	6,681,806	3,000,162
Trade and other receivables	5	2,170,286	2,093,407	1,993,792	1,771,069
Investments	7	3,000,000	2,202,292	2,750,000	2,000,000
Inventories	8	258,882	246,655	-	-
Other assets	9	2,049,680	1,278,122	655,705	559,345
<b>Total current assets</b>		<b>16,273,906</b>	<b>10,501,700</b>	<b>12,081,303</b>	<b>7,330,576</b>
<b>Non-current assets</b>					
Property, plant and equipment	10	126,959,065	131,642,144	121,342,172	126,035,421
Investment property	11	3,530,433	3,557,882	3,530,433	3,557,882
Trade and other receivables	5	-	-	-	398,154
Deferred tax assets	4(c)	5,411,343	4,513,481	5,348,164	4,468,120
<b>Total non-current assets</b>		<b>135,900,841</b>	<b>139,713,507</b>	<b>130,220,769</b>	<b>134,459,577</b>
<b>Total assets</b>		<b>152,174,747</b>	<b>150,215,207</b>	<b>142,302,072</b>	<b>141,790,153</b>
<b>Current liabilities</b>					
Trade and other payables	12	4,422,998	3,344,766	3,486,853	2,718,992
Interest bearing borrowings	13	1,852,850	3,793,405	1,852,850	3,793,405
Provisions	14	478,515	810,533	478,515	810,533
Employee entitlements	16	361,968	239,055	239,867	140,101
Income tax liability	4(b)	1,200,863	960,543	815,262	704,918
<b>Total current liabilities</b>		<b>8,317,194</b>	<b>9,148,302</b>	<b>6,873,347</b>	<b>8,167,949</b>
<b>Non-current liabilities</b>					
Interest bearing borrowings	13	58,635,322	55,149,266	58,635,322	55,149,266
Intangibles	15	1,643,101	1,643,101	-	-
Deferred tax liability	4(d)	1,178,290	1,604,623	509,977	967,171
<b>Total non-current liabilities</b>		<b>61,456,713</b>	<b>58,396,990</b>	<b>59,145,299</b>	<b>56,116,437</b>
<b>Total liabilities</b>		<b>69,773,907</b>	<b>67,545,292</b>	<b>66,018,646</b>	<b>64,284,386</b>
<b>Net assets</b>		<b>82,400,840</b>	<b>82,669,915</b>	<b>76,283,426</b>	<b>77,505,767</b>
<b>Shareholders' equity</b>					
Share capital	18(b)	73,154,852	73,154,852	73,154,852	73,154,852
Accumulated profits		9,245,988	9,515,063	3,128,574	4,350,915
<b>Total shareholders' equity</b>		<b>82,400,840</b>	<b>82,669,915</b>	<b>76,283,426</b>	<b>77,505,767</b>

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

  
 Director

  
 Director

The accompanying notes form an integral part of this balance sheet.

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		36,806,112	38,566,559	25,857,925	25,431,982
Payments to suppliers and employees		(20,530,262)	(20,300,108)	(15,972,968)	(9,653,582)
Interest and bank charges paid		(2,997,994)	(3,065,592)	(2,962,534)	(3,007,767)
Interest received		257,876	266,225	153,428	261,640
Income tax paid		(1,325,000)	(309,901)	(755,002)	-
Dividend		-	-	811,110	-
<b>Net cash provided/(used in) by operating activities</b>		<u>12,210,732</u>	<u>15,157,183</u>	<u>7,131,959</u>	<u>13,032,273</u>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(3,313,189)	(6,661,552)	(2,267,710)	(6,507,638)
Payment for investment		(797,707)	(2,011,443)	(750,000)	(2,000,000)
Proceeds from sale of plant and equipment		-	6,221	42,934	-
<b>Net cash (used in)/ Investing Activities</b>		<u>(4,110,896)</u>	<u>(8,666,774)</u>	<u>(2,974,776)</u>	<u>(8,507,638)</u>
<b>Cash flows from financing activities</b>					
Payment of dividends	18 (c)	(2,021,040)	(2,010,746)	(2,021,040)	(1,128,910)
Proceeds from/(repayment) of term loan		(1,964,962)	(4,066,175)	1,545,501	(3,793,405)
Net cash provided/ (used in) by Financing Activities		<u>(3,986,002)</u>	<u>(6,076,921)</u>	<u>(475,539)</u>	<u>(4,922,315)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>4,113,834</u>	<u>413,488</u>	<u>3,681,644</u>	<u>(397,680)</u>
<b>Cash and cash equivalents at the beginning of year</b>		<u>4,681,224</u>	<u>4,267,736</u>	<u>3,000,162</u>	<u>3,397,842</u>
<b>Cash and cash equivalents at the end of the year</b>	17	<u><u>8,795,058</u></u>	<u><u>4,681,224</u></u>	<u><u>6,681,806</u></u>	<u><u>3,000,162</u></u>

The accompanying notes form an integral part of this cash flow statement.

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 1 Statement of significant accounting policies

Fiji Ports Corporation 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. The principal place of business is Suva Kings Wharf, Port of Suva, Fiji.

The financial statements were authorised for issue by the directors on 24th June 2009.

#### 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 and 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 Principles of consolidation

The group financial statements consolidate the financial statements of Fiji Ports Corporation Limited and its subsidiary drawn up to 31 December 2008.

##### *Subsidiaries*

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The consolidated financial statements include the information contained in the financial statements of Fiji Ports Corporation Limited and its controlled company from the date the holding company obtains control until such time as the control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

#### 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 that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 1.8: Property, plant and equipment impairment

Note 1.9: Recognition of deferred tax asset

Note 1.12: Receivables impairment

Note 1.14: Investment properties impairment

Note 1.15: Impairment of assets

Note 1.18: Provisions

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

## 1. Statement of significant 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 to Fiji currency at rates ruling at the date of transaction. Assets and liabilities in foreign currencies at year end are translated to Fiji currency at rates ruling at balance date. Gains and losses (realised and unrealised) are brought to account in the Income Statement.

### 1.6 Revenue recognition

Income comprising sales revenue from providing port services and managing port infrastructure is brought to account on an accrual basis as services are provided.

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 Expense 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 cost less depreciation and impairment 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 complete. Gains and losses on disposal of property, plant and equipment are taken into account in the Income Statement. 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.

#### (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 is 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. Freehold land is not depreciated. The depreciation rates used for each class of asset are as follows:

Wharves	5% - 20%
Buildings	5% - 20%
Motor vehicles and motorised equipment	10% - 33%
Plant and equipment	10% - 33%
Office equipment	10% - 33%
Furniture and fittings	10% - 33%

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENT (CONT'D)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 1 Statement of significant accounting policies (cont'd)

##### 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 related 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 prior 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.

##### 1.10 Cash and cash equivalents

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, deposits held at call with banks.

##### 1.11 Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit and loss, held-to-maturity and loans and receivables. 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 group 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.

###### *Loans and receivables*

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Loan to subsidiary is classified under this category.

*Trade and other receivables are recorded as per policy note 1.12.*

###### *Other financial assets and liabilities*

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

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

## 1 Statement of significant accounting policies (cont'd)

### 1.12 Trade and other receivables

Trade receivables are carried at original invoice amount less allowance made for impairment. Other 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.

### 1.13 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. The cost of the inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### 1.14 Investment property

Investment property is stated at cost less depreciation and impairment losses. When an item of property, plant and equipment (refer accounting policy 1.8) becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the Income Statement immediately.

### 1.15 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.

### 1.16 Trade and other payables

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

### 1.17 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. These are calculated at undiscounted amounts based on remuneration rates that the Group 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.

#### *(ii) Defined contribution superannuation funds*

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

## FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

### 1.18 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Provision for dredging is a constructive requirement that is estimated based on historical expenses incurred.

Provision for legal claims are provided for based on solicitors assessment as to the maximum exposure to the claims against the company.

### 1.19 Borrowing costs

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.

### 1.20 Dividend distribution

Dividends are recorded in the group'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.

### 1.21 Intangibles

*Goodwill on consolidation*

Goodwill on consolidation represents the excess on consolidation after the transfer of Ports Terminal Limited's assets to Fiji Ports Corporation Limited. Goodwill is tested annually for impairment and carried at cost less impairment losses.

### 1.22 Comparative figures

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

FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
 NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
 FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008	2007	2008	2007
2 Operating revenue	\$	\$	\$	\$
Marine services	6,973,019	6,396,425	6,973,019	6,396,425
Handling/stevedoring	13,271,216	11,832,720	-	-
Dockage	4,767,994	4,724,242	4,767,994	4,724,242
Wharfage	5,801,662	5,750,605	5,801,662	5,750,605
Storage	2,811,012	2,464,467	2,811,012	2,464,467
Pilotage	94,385	118,139	-	-
Licence fees	229,789	234,593	82,446	87,422
Other service income	2,051,079	2,995,934	3,519,451	2,657,995
	<b>36,000,156</b>	<b>34,517,125</b>	<b>23,955,584</b>	<b>22,081,156</b>
3 Other revenue				
Management fees	-	6,500	300,000	306,500
Dividend income	-	-	811,110	-
Rent income	1,180,321	1,122,502	1,442,496	1,391,540
Unrealised exchange gain	-	1,717,224	-	1,717,224
Gain on sale of plant and equipment	12,437	6,221	5,120	-
Other income	23,350	-	23,350	-
	<b>1,216,108</b>	<b>2,852,447</b>	<b>2,582,076</b>	<b>3,415,264</b>
4 Income tax				
a) Income tax expense/(credit)				
Operating profit/(loss) before tax	1,977,590	5,865,903	326,807	3,509,891
Prima facie tax thereon at 31%	613,053	1,818,430	101,310	1,088,066
Over provision from prior years	(389,715)	-	(323,562)	-
Non-deductible expenses	2,287	5,395	(249,640)	1,966
	<b>225,625</b>	<b>1,823,825</b>	<b>(471,892)</b>	<b>1,090,032</b>
<i>Income tax expense/(credit) comprises:</i>				
Current income tax expense	1,470,944	1,238,960	861,672	673,436
Deferred income tax assets	(891,213)	-	(918,987)	-
Deferred income tax expense	(354,106)	584,865	(414,577)	416,596
	<b>225,625</b>	<b>1,823,825</b>	<b>(471,892)</b>	<b>1,090,032</b>
b) Income tax liability				
Opening balance	960,543	31,482	704,918	31,482
Current year tax expense	1,565,320	1,238,962	865,346	673,436
Income tax paid	(1,325,000)	(309,901)	(755,002)	-
Closing balance	<b>1,200,863</b>	<b>960,543</b>	<b>815,262</b>	<b>704,918</b>
c) Deferred tax asset				
Attributable to provisions	5,411,343	4,513,481	5,348,164	4,468,120
d) Deferred tax liability				
Accelerated depreciation for tax purposes	1,178,290	1,604,623	509,977	967,171

FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
 NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
 FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>5 Trade and other receivables</b>				
<b>Current</b>				
Trade receivables	2,340,639	2,605,413	1,687,005	1,258,315
Allowance for doubtful debts	(508,279)	(590,364)	(412,523)	(491,369)
	<b>1,832,360</b>	<b>2,015,049</b>	<b>1,274,482</b>	<b>766,946</b>
Loan to related party (Note 20)	-	-	398,154	633,269
Staff advances	51,950	15,594	25,532	10,476
Other receivables	783,791	521,643	793,439	819,257
Allowance for doubtful debts	(497,816)	(458,879)	(497,816)	(458,879)
	<b>2,170,286</b>	<b>2,093,407</b>	<b>1,993,792</b>	<b>1,771,069</b>
<b>Non-current</b>				
Loan to related party (Note 20)	-	-	-	398,154
Total trade and other receivables	<b>2,170,286</b>	<b>2,093,407</b>	<b>1,993,792</b>	<b>2,169,223</b>
<b>6 Allowance for doubtful debts</b>				
Balance at 1 January	1,049,243	1,139,460	950,248	1,038,349
Impairment loss recognised	-	347,403	-	347,403
Bad debts written-off	(43,148)	(437,620)	(39,909)	(435,504)
Balance at 31 December	<b>1,006,095</b>	<b>1,049,243</b>	<b>910,339</b>	<b>950,248</b>
<b>7 Investment</b>				
<b>Current</b>				
Term deposits - held to maturity	3,000,000	2,202,292	2,750,000	2,000,000
<b>8 Inventories</b>				
Parts	110,887	182,635	-	-
Fuel and oil	147,995	64,020	-	-
	<b>258,882</b>	<b>246,655</b>	<b>-</b>	<b>-</b>
<b>9 Other assets</b>				
Prepayments	464,271	480,755	292,519	328,017
Deposits	961,181	427,369	-	-
VAT receivable	624,228	369,998	363,186	231,328
	<b>2,049,680</b>	<b>1,278,122</b>	<b>655,705</b>	<b>559,345</b>

FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
 NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
 FOR THE YEAR ENDED 31 DECEMBER 2008

10 Property, plant and equipment	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Land - at cost	27,182,037	26,614,952	27,182,037	26,614,952
Building - at cost	3,276,821	3,177,090	3,186,222	3,177,090
Less: Allowance for depreciation	(1,488,273)	(998,083)	(1,397,674)	(998,083)
	<u>28,970,585</u>	<u>28,793,959</u>	<u>28,970,585</u>	<u>28,793,959</u>
Wharves at cost	86,465,925	79,342,896	86,465,925	79,342,896
Less: Allowance for depreciation	(16,169,535)	(11,112,946)	(16,169,535)	(11,112,946)
	<u>70,296,390</u>	<u>68,229,950</u>	<u>70,296,390</u>	<u>68,229,950</u>
Plant and equipment - at cost	2,439,293	2,287,782	1,311,097	1,193,715
Less: Allowance for depreciation	(1,198,420)	(847,283)	(495,597)	(239,152)
	<u>1,240,873</u>	<u>1,440,499</u>	<u>815,500</u>	<u>954,563</u>
Furniture and fittings- at cost	243,388	192,673	151,013	101,959
Less: Allowance for depreciation	(159,173)	(132,055)	(70,507)	(45,012)
	<u>84,215</u>	<u>60,618</u>	<u>80,506</u>	<u>56,947</u>
Motor vehicles and motorised equipment - at cost	29,593,040	28,512,187	18,798,262	18,737,644
Less: Allowance for depreciation	7,927,989)	(6,070,770)	(2,311,488)	(1,396,731)
	<u>21,665,051</u>	<u>22,441,417</u>	<u>16,486,774</u>	<u>17,340,913</u>
Office equipment - at cost	1,108,148	1,026,809	1,012,767	932,948
Less: Allowance for depreciation	(607,471)	(404,906)	(521,624)	(327,657)
	<u>500,677</u>	<u>621,903</u>	<u>491,143</u>	<u>605,291</u>
Work in progress	4,201,274	10,053,798	4,201,274	10,053,798
	<u>4,201,274</u>	<u>10,053,798</u>	<u>4,201,274</u>	<u>10,053,798</u>
Total property, plant and equipment	<b><u>126,959,065</u></b>	<b><u>131,642,144</u></b>	<b><u>121,342,172</u></b>	<b><u>126,035,421</u></b>

## FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

### (i) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Land &amp; buildings</b>				
Carrying amounts - Land beginning	26,614,952	15,662,000	26,614,952	15,662,000
Carrying amounts - Building beginning	2,179,006	2,523,898	2,179,006	2,523,898
Additions - Land	576,217	10,952,952	576,217	10,952,952
Depreciation expense	(399,590)	(344,891)	(399,590)	(344,891)
	<u>28,970,585</u>	<u>28,793,959</u>	<u>28,970,585</u>	<u>28,793,959</u>
<b>Wharves</b>				
Carrying amount at beginning	68,229,950	72,680,214	68,229,950	72,680,215
Additions	7,123,029	273,019	7,123,029	273,019
Disposals	-	(259)	-	(259)
Depreciation	(5,056,589)	(4,723,024)	(5,056,589)	(4,723,025)
	<u>70,296,390</u>	<u>68,229,950</u>	<u>70,296,390</u>	<u>68,229,950</u>

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

10 Property, plant and equipment - cont'd	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
(i) Movements in Carrying Amounts (continued)				
<b>Plant and equipment</b>				
Carrying amount at beginning	1,440,499	833,215	954,563	285,064
Additions	151,511	861,626	117,382	834,568
Depreciation	(351,137)	(254,342)	(256,445)	(165,069)
	<u>1,240,873</u>	<u>1,440,499</u>	<u>815,500</u>	<u>954,563</u>
<b>Furniture and fittings</b>				
Carrying amount at beginning	60,618	68,654	56,947	64,886
Additions	51,870	22,668	50,210	20,766
Disposals	(1,155)	(8,229)	(1,156)	(8,230)
Depreciation	(27,118)	(22,475)	(25,495)	(20,475)
	<u>84,215</u>	<u>60,618</u>	<u>80,506</u>	<u>56,947</u>
<b>Motor vehicles and motorised equipment</b>				
Carrying amount at beginning	22,441,417	24,202,928	17,340,913	18,314,538
Additions	1,278,643	181,121	164,444	55,111
Disposals	(159,605)	(115,070)	(36,657)	(72,394)
Depreciation expense	(1,895,404)	(1,827,562)	(981,926)	(956,342)
	<u>21,665,051</u>	<u>22,441,417</u>	<u>16,486,774</u>	<u>17,340,913</u>
<b>Office equipment</b>				
Carrying amount at beginning	621,903	512,651	605,291	498,781
Additions	81,339	757,915	79,819	743,504
Disposals	-	(463,394)	-	(440,540)
Depreciation expense	(202,565)	(185,269)	(193,967)	(196,454)
	<u>500,677</u>	<u>621,903</u>	<u>491,143</u>	<u>605,291</u>
<b>Work in progress</b>				
Carrying amount at beginning	10,053,798	15,913,013	10,053,798	15,913,013
Additions	2,043,615	5,612,805	2,043,615	5,612,805
Capitalised	(7,896,139)	(11,472,020)	(7,896,139)	(11,472,020)
	<u>4,201,274</u>	<u>10,053,798</u>	<u>4,201,274</u>	<u>10,053,798</u>
Net written down value at 31 December	<u><u>126,959,065</u></u>	<u><u>131,642,144</u></u>	<u><u>121,342,172</u></u>	<u><u>126,035,421</u></u>

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>11 Investment property</b>				
<b>Cost</b>				
Opening balance	3,557,882	3,648,481	3,648,481	3,648,481
Acquisitions	9,132	-	9,132	-
Closing balance	<u>3,567,014</u>	<u>3,648,481</u>	<u>3,657,613</u>	<u>3,648,481</u>
<b>Accumulated depreciation</b>				
Opening balance	-	(54,359)	(90,599)	-
Depreciation charge for the year	(36,581)	(36,240)	(36,581)	(90,599)
Closing balance	<u>(36,581)</u>	<u>(90,599)</u>	<u>(127,180)</u>	<u>(90,599)</u>
<b>Carrying amount</b>				
Opening balance	3,557,882	3,594,122	3,557,882	3,648,481
Closing balance	<u><b>3,530,433</b></u>	<u><b>3,557,882</b></u>	<u><b>3,530,433</b></u>	<u><b>3,557,882</b></u>

The fair value of investment property as at balance date is \$ 3,609,400.

<b>12 Payables</b>				
Trade creditors	745,898	1,072,972	537,450	688,351
Sundry creditors	3,677,100	2,271,794	2,942,241	1,975,499
Payable to subsidiary	-	-	7,162	55,142
	<u><b>4,422,998</b></u>	<u><b>3,344,766</b></u>	<u><b>3,486,853</b></u>	<u><b>2,718,992</b></u>

<b>13 Interest bearing borrowings</b>				
<b>Current</b>				
ANZ loan - Wharf	754,313	770,884	754,313	770,884
ANZ loan - Shore Crane	605,911	724,362	605,911	724,362
ADB loan	492,626	2,298,159	492,626	2,298,159
	<u><b>1,852,850</b></u>	<u><b>3,793,405</b></u>	<u><b>1,852,850</b></u>	<u><b>3,793,405</b></u>
<b>Non-current</b>				
ANZ loan - Wharf	15,414,230	16,151,972	15,414,230	16,151,972
ANZ loan - Shore Crane	16,296,840	16,784,300	16,296,840	16,784,300
ADB loan	26,924,252	22,212,994	26,924,252	22,212,994
	<u><b>58,635,322</b></u>	<u><b>55,149,266</b></u>	<u><b>58,635,322</b></u>	<u><b>55,149,266</b></u>

**Particulars relating to secured borrowings:**

- a) Both the bank loans from Australia and New Zealand Banking Group Limited is subject to interest at the fixed rate of 5.25% per annum, repayable by monthly installments of \$136,506 for ANZ Loan - Wharf and \$125,872 for ANZ Loan - Shore Crane. The loans are secured by First Registered Mortgage Debenture over all the company's assets, including undertakings and uncalled and unpaid capital.

## FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

### 13 Interest bearing borrowings cont'd

- b) The loan from the Asian Development Bank is guaranteed by the Government of the Republic of the Fiji Islands and is subject to a floating LIBOR interest rate. Repayment of the loan is on a 6 monthly basis at an estimated FJD \$800,000 to \$1,000,000, depending on exchange rate and interest.

### 14 Provisions

Company	Dredging \$	Legal claims \$	Total \$
At 31 December 2007	440,000	370,533	810,533
Additional provisions	2,155	12,506	14,661
Used during the year	(225,777)	(120,902)	(346,679)
At 31 December 2008	<u>216,378</u>	<u>262,137</u>	<u>478,515</u>
<b>Consolidated</b>			
At 31 December 2007	440,000	370,533	810,533
Additional provisions	2,155	12,506	14,661
Used during the year	(225,777)	(120,902)	(346,679)
At 31 December 2008	<u>216,378</u>	<u>262,137</u>	<u>478,515</u>

Provision for legal claim as at balance date represents legal claims brought against the company by customers and former employees. The provision is reflected in the Income Statement as an administrative expense. The directors are of the opinion that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2008.

Provision for dredging as at balance date represents anticipated dredging work at the four port of entries. Dredging is a constructive obligation and is performed on a periodic basis, where the waters around the port have to be dredged in order to maintain operations. The provision charge is reflected in the Income Statement within administrative expenses.

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>15 Intangibles</b>				
Goodwill on consolidation	<u>1,643,101</u>	<u>1,643,101</u>	<u>-</u>	<u>-</u>
<b>16 Employee entitlements</b>				
Employee entitlements	<u>361,968</u>	<u>239,055</u>	<u>239,867</u>	<u>140,101</u>

### 17 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks net of bank overdraft. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Cash on hand	50,150	74,150	3,600	3,600
Cash at bank	<u>8,744,908</u>	<u>4,607,074</u>	<u>6,678,206</u>	<u>2,996,562</u>
	<u>8,795,058</u>	<u>4,681,224</u>	<u>6,681,806</u>	<u>3,000,162</u>

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>18 Share capital</b>				
<b>a) Authorised capital</b>				
100,000,000 ordinary shares of \$1.00 each	100,000,000	100,000,000	100,000,000	100,000,000
<b>b) Issued and paid up capital</b>				
73,154,852 ordinary shares of \$1.00 each	73,154,852	73,154,852	73,154,852	73,154,852
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.				
<b>c) Dividends</b>				
Balance at the beginning of the year	-	-	-	-
Less: Dividends declared and paid	(2,021,040)	(2,010,746)	(2,021,040)	(1,128,910)
Add Dividends declared	-	-	-	-
Balance at the end of the year	<b>(2,021,040)</b>	<b>(2,010,746)</b>	<b>(2,021,040)</b>	<b>(1,128,910)</b>
<b>19 Profit from operations</b>				
<b>Administration and other operating expenses</b>				
Auditors' remuneration	59,826	26,330	35,500	14,900
Depreciation	8,036,154	7,506,580	6,950,594	6,496,854
Directors' fees	26,825	29,179	26,825	29,179
Salaries and wages and annual leave	6,070,824	5,958,270	2,825,183	2,423,181
FNPF and FNTC levy	561,708	541,596	240,390	233,874
Unrealised exchange loss	3,510,463	-	3,510,463	-
<i>Provision for:</i>				
- customer claims	-	(51,449)	-	-
- legal fees	27,130	53,258	27,130	53,258
Other expenses	14,117,422	14,640,538	9,785,662	9,989,156
	<b>32,410,352</b>	<b>28,704,302</b>	<b>23,401,747</b>	<b>19,240,402</b>
<b>Financing income and expense:</b>				
<i>Recognised in the Income Statement</i>				
Interest expense on interest bearing borrowings	(2,997,994)	(3,065,592)	(2,962,534)	(3,007,767)
Interest income on term deposits and loan to subsidiary	169,672	266,225	153,428	261,640
Net finance cost	<b>(2,828,322)</b>	<b>(2,799,367)</b>	<b>(2,809,106)</b>	<b>(2,746,127)</b>

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

## 20 Related-party transactions

### Directors

The names of persons who are directors of Fiji Ports Corporation Limited and its subsidiaries at any time during the financial year were as follows:

<b>Chairman:</b>	<b>Director:</b>	<b>Director:</b>
Semi Koroilavesau	Desmond Whiteside	Ben Naidu

### 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.

During the year the following persons were 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
Capt. Christopher Marshall	Chief Executive Officer
Waqa Bauleka	General Manager Technical Services
Asit Sen	General Manager Finance
Jiu Daunivalu	General Manager Corporate Services
Eminoni Kurusiga	General Manager Operation

### Identity of related parties

The Company has a related party relationship with its subsidiary Ports Terminal Limited.

### Transactions with related parties

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

The following transactions were carried out with related parties:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Key management personnel compensation</b>				
Short-term benefits	412,669	233,172	412,669	233,172
	<u>412,669</u>	<u>233,172</u>	<u>412,669</u>	<u>233,172</u>
The aggregate compensation of the key management personnel comprises only of salary and short term benefits.				
<b>(b) Sales of goods and services</b>				
Management fees income	-	-	300,000	300,000
Rental income	-	-	262,175	330,792
Sale of services to subsidiary	-	-	1,792,644	950,987
	<u>-</u>	<u>-</u>	<u>1,792,644</u>	<u>950,987</u>
<b>(c) Purchases of goods and services</b>				
Purchase of services from subsidiary	-	-	111,500	301,800
	<u>-</u>	<u>-</u>	<u>111,500</u>	<u>301,800</u>

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>(d) Payable to subsidiary (Note 12)</b>	-	-	7,162	55,142
<b>(e) Loan to subsidiary</b>				
Beginning of the year	-	-	1,031,423	1,639,902
Loan repayments received	-	-	(663,000)	(663,000)
Interest charged	-	-	29,731	54,521
End of the year (Note 5)	-	-	<b>398,154</b>	<b>1,031,423</b>
<b>Comprising:</b>				
Current	-	-	398,154	633,269
Non-current	-	-	-	398,154
	-	-	<b>398,154</b>	<b>1,031,423</b>
The loan to subsidiary is unsecured and subject to interest at the fixed rate of 4% per annum, repayable by monthly installments of \$55,250.				
<b>21 Capital commitments</b>				
Capital expenditure:				
- approved by the board and committed	520,637	10,073,261	500,387	6,000,000
- approved by the board and not committed	-	-	-	-
	<b>520,637</b>	<b>10,073,261</b>	<b>500,387</b>	<b>6,000,000</b>
<b>22 Contingent liabilities</b>				
Contingent liabilities at balance date	-	92,538	-	92,538

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

## 23 Financial risk management

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

The group'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 group. Management and finance executives identify, and evaluate financial risks in close co-operation with the group'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 Group'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 group operates in Fiji and changes to governments and the policies they implement affect economic situation and ultimately the revenues of the group. To address this, the group reviews its pricing and product range regularly and responds to change in policies appropriately.

#### (ii) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2008 USD	2007 USD
ADB loan	15,309,585	15,606,251

The following significant exchange rates applied during the year:

	Reporting date mid-spot rate	
	2008	2007
USD	0.5584	0.663

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENT (CONT'D)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### Sensitivity analysis

A 10 percent strengthening of the USD against the Fiji dollar at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Equity	Profit or loss
<b>31 December 2008</b>		
USD	(3,046,320)	(3,046,320)
<b>31 December 2007</b>		
USD	(1,643,114)	(1,643,114)

A 10 percent weakening of the USD against the Fiji dollar at 31 December would have had the equal but opposite effect, on the basis that all other variables remain constant.

#### 23 Financial risk management - cont'd

##### (a) Market risk - cont'd

##### (iii) Interest rate risk

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

	Carrying amount 2008	2007
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets (Term deposits and loan to subsidiary)	648,159	1,233,715
Financial liabilities (ANZ loan)	(33,071,293)	(34,431,518)
	<u>(32,423,134)</u>	<u>(33,197,803)</u>
<b>Variable rate instruments</b>		
Financial liabilities (ADB loan)	<u>(27,416,878)</u>	<u>(24,511,153)</u>

##### Fair value sensitivity analysis for fixed instruments

The Group 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.

##### Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points (bp) in interest rates at the reporting date would have increased (decreased) equity and the profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease
	\$	\$	\$	\$
<b>31 December 2008</b>				
Variable rate instruments	<u>(68,542)</u>	<u>68,542</u>	<u>-</u>	<u>-</u>
<b>31 December 2007</b>				
Variable rate instruments	<u>(61,278)</u>	<u>61,278</u>	<u>-</u>	<u>-</u>

## FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

### (b) Credit risk

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

The group has no significant concentrations of credit risk. The group has policies in place to ensure that services are provided to customers with an appropriate credit history. The consolidated entity has policies that limit the amount of credit exposure to any one customer or group of customers. Credit levels accorded to customers are regularly reviewed to reduce the exposure to risk of bad debts.

The Group 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 2008 \$	2007 \$
Cash and cash equivalents	17	8,795,058	4,681,224
Trade and other receivables	5	2,170,286	2,093,407
Held-to-maturity investments	7	3,000,000	2,202,292
		<u>13,965,344</u>	<u>8,976,923</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
<b>31 December 2008</b>				
Trade receivables	1,359,900	258,917	96,512	625,310
<b>31 December 2007</b>				
Trade receivables	1,373,995	501,295	76,908	653,216

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

### (c) Liquidity risk

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

# FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY NOTES TO THE FINANCIAL STATEMENT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2008

## 23 Financial risk management - cont'd

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

<i>31 December 2008</i>	<b>On demand</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest bearing borrowings	-	7,036,941	28,147,765	25,303,465
Trade and other payables	-	4,422,998	-	-
	<u>-</u>	<u>11,459,939</u>	<u>28,147,765</u>	<u>25,303,465</u>
 <i>31 December 2007</i>				
Interest bearing borrowings	-	6,857,144	27,428,576	24,656,950
Trade and other payables	-	3,344,739	-	-
	<u>-</u>	<u>10,201,883</u>	<u>27,428,576</u>	<u>24,656,950</u>

### (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 group's objectives when obtaining and managing capital are to safeguard the group'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 group 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 group balance sheet) less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the group balance sheet plus net debt.

**FIJI PORTS CORPORATION LIMITED AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENT (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**23 Financial risk management - cont'd**

**(e) Capital risk management - cont'd**

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Interest bearing borrowings	60,488,172	58,942,671
Trade and other payables	4,422,998	3,344,739
Less cash and cash equivalents	8,795,058	6,681,224
Net debt	<u>56,116,112</u>	<u>55,606,186</u>
Equity	<u>82,400,923</u>	<u>82,669,915</u>
Capital and net debt	<u><b>138,517,035</b></u>	<u><b>138,276,101</b></u>
Gearing ratio	41%	40%

**24 Principal activities**

The principal activity of the parent company is providing and managing the port infrastructure and services within declared ports. The principal activity of the subsidiary during the financial year was the provision of stevedoring services within the port facilities trading as "Ports Terminal Limited" and there has been no significant change in this activity during the year.

# Cargo & Vessel Statistics (2004 -2008)

The positive result outlined below was contributed by the significant increase in vessel calls for the following vessel types:

- LOLO 7%
- Liquid Bulk 14%
- Fishing 18%
- Others 59%

## Total Foreign Vessels

Year	Nos.	GRT	100 GRT/HRS
2004	1369	8,082,666	2,386,139
2005	1183	9,187,726	2,236,179
2006	1122	9,443,770	2,789,262
2007	1172	10,483,863	2,312,745
2008	1317	11,572,969	2491644

## 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
2008	852	9,368,207	2,127,985

## Stevedored cargo tonnage carried by the aforementioned vessels

	2004	2005	2006	2007	2008
General Cargo	1,616,841	1,614,241	1,677,275	1,836,972	1802138
Dry Bulk	214675	329701	310771	298326	272722
Total	1,831,516	1,943,942	1,988,046	2,135,298	2074860

## a) Foreign Cargo Vessels 2007

Vessel Type	Number	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 2007

Vessel Type	Number	GRT	100 GRT Hours
RORO/Passenger	677	96049	345652
Conventional/Passenger	1354	117266	88256
Fishing/Others	1574	146389	171568
Total	3605	1127704	605476

## a) Foreign Cargo Vessels 2008

Vessel Type	Number	GRT	100 GRT Hours
Passenger	37	1733168	144445
Dry Bulk	41	815656	727700
Liquid Bulk	284	3155229	378799
LOLO	474	4571811	906834
RORO	1	4421	135
LOLO/RORO	46	703346	103848
Car Carrier	6	135744	10669
Fishing	368	99545	54176
Naval	1	240	285
Others	59	353809	164753
Total	1317	11572969	2491644

## b) Local Cargo Vessels 2008

Vessel Type	Number	GRT	100 GRT Hours
RORO/Passenger	715	1002673	420247
Conventional/Passenger	1085	169994	133240
Fishing/Others	1568	180916	213250
Total	3318	1353583	76637

## Cargo Throughput 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

## Cargo Throughput 2008

Type	Import	Export	Total
Non Containerised	46195	6548	52743
Containerised	1004013	745382	1749395
Dry Bulk	285207	489137	774344
Liquid Bulk	590044	211480	801524
Total Foreign	1925459	1452547	3378006
Local Cargo	82467	141852	224319
Total Fiji	2007926	1594399	3602925

