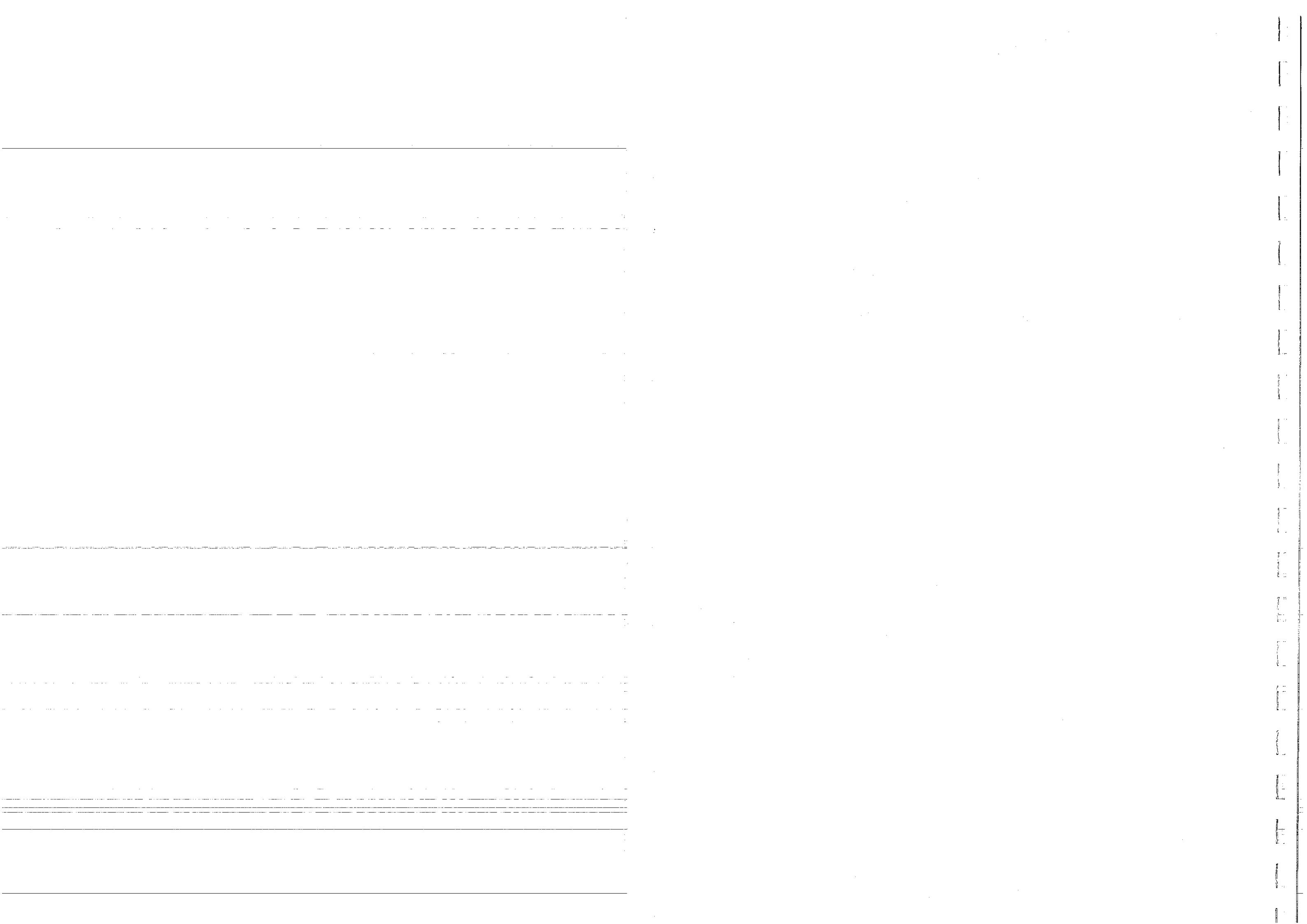




**ANNUAL REPORT
2014/2015**

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**'Alaivahamama'o Road
P.O.Box 382
NUKU'ALOFA**



1. Chairman Report

Tonga Asset Managers & Associates (TAMA) has concluded the financial year 2014/15 with marvelous result. A positive cash flow with first time ever to achieve a net profit \$314,579 against the projected net loss of - \$51,862 was anticipated by the Business Plan submitted in April 2014. With that, TAMA has managed to declare a dividend of \$50,000, a 16% of its net profit noted the accumulated net loss of - \$497,578 over the last 3 years when TAMA was incorporated. This has already accounted into this year's financial report.

In addition to the goals set out in the business plan that we submitted at the end of April, TAMA continued to operate as a successful enterprise with the following goals that it set going into the 2014-2015 financial year:

1. Policy development that encourages growth and more efficient operations e.g. automated payments
2. Acquiring other assets to maintain and build and thereby increase revenue streams e.g. Sea Star.
3. Leveraging off existing assets that have historically been underutilized by developing new revenue streams or value adding e.g. container charges on containers coming into the estate for maintenance of the roads

I am pleased to report, on behalf of the board, that TAMA was able to make significant steps towards the achievement of the goals we set for this past financial year:

1. The development of policy to streamline operations and encourage growth e.g. - facilitation of easier payments via tenancy agreement updates; user pays policies to ensure fairer allocation to those using our assets and formulation of asset maintenance and recovery policies
2. The shareholder provided invaluable assistance in the transfer of Sea Star properties, former Tonga Investment Ltd. properties in Havelu and former Shipping Corporation of Polynesia properties in Sopu. These properties helped towards the growth of revenue for TAMA during the year.
3. Development of new revenue streams from existing assets such as container charges, waste collection and landscaping charges on offer to all tenants
4. Committed to operate in a manner that enables constant reinvestment in infrastructure where more than \$800k pa'anga over the first four years has been reinvested into TAMA's asset base and being well on the way to continue achieving a positive net profit after tax. This is in line with \$1 million pa'anga was projected to reinvest in infrastructure during the first 5 years of operation.
5. Due to restatement of the liability it was required to recast the ADB loan debt at SDR 0.3372: TOP1 at balance date was a gain from translation and was reflected on the Income Statement. The Subsidiary Loan Agreement (SLA) was entered into between Government and TAMA at the balance date (signed 12/6/2015) with amortization scheduled for total debt of SDR478,013.22 equivalent of TOP1,417,595.44 at balance date. It was noted that the actual balance was still recorded by the Company with total sum of \$1.652 million.

In addition to the above milestones TAMA was able to achieve overall revenues of \$943,219 for the year compared to \$498,158 for 2013-2014. On the back of this it was able to derive an EBITDA result of \$666,968 (189%) against a budget of \$353,286. TAMA continued to show strong cash flows and finished up with a strong cash position of almost \$250k. No loans were taken out during the year and all activities were funded out of cash flows.

TAMA in the current financial year will continue reporting a positive net profit in June 2016 providing there are no major changes to the way it operates.

Members of TAMA's Board of Directors:

Mr. Va'inga Palu (Chairman)
Mr. Tatafu Moeaki
Mr. Semisi Tapueluelu
Mr. Salesi Fotu

In January this year 2 of the former directors - Mr. Tapu Panuve (Chairman) & Mr. Kisione Tupou were retired at the end of their appointment. They had assisted TAMA on setting up strong strategies to adopt and continue to develop new businesses to ascertain additional revenue stream for the Company. The Board has conducted 18 meetings with 60 participants during the financial year. The skills, experiences and the un-tired works were performed by the directors had contributed to take TAMA to this level.

On behalf of the Board of Directors, the CEO and Management of TAMA, I extend our gratitude and appreciation to the Hon. Minister of Public Enterprises, the CEO of the MPE for all the help and assistance accorded TAMA during the year. TAMA certainly look forward to a mutually beneficial working relationship in the coming year.

Malo 'aupito,



Va'inga Palu
Chairman

2. CEO's Report

Despite many challenges faced by TAMA over the 2014/15 financial year coupled with the Global economic crisis was evident in many tenants, but we have managed to succeed most of our targets for the year with successful results. We have marked 2014/15 as a milestone to achieve a net profit since it was inception in 2011. TAMA was focused on its objective and core functions for the year as set out on the Business Plan; *"it must be sustainable on its own"* - and towards this end the following objectives have been identified to provide a new course for TAMA starting from July 2014:

1. Expansion through asset acquisition to increase TAMA's business;
2. Become a sustainable unit that is no longer a drain on the public purse;
3. Provide a viable commercial service and product that will support its sustainability;
4. To operate in a manner that enables constant reinvestment in infrastructure while returning an acceptable dividend to shareholders by fiscal year 2015/2016;
5. To strengthen Management to match expansion TAMA's business;
And toward this end the following objectives have been identified to provide a new course for TAMA starting from July 2014"
 - i) Expanded asset acquisition formerly of Tonga Investment Ltd, Sea Stars and Shipping Cooperation of Polynesian to increase TAMA's business;
 - ii) As a result, gross revenue increased from \$498,158 to \$943,219 contributed by 89 percent growth in the 2014/15 rental income compared to 2013/14 result;
 - iii) Turned around TAMA's profitability from a Government subsidized entity up to 2011, carrying net losses to the favorable trading result in year ending 30 June 2015;
 - iv) TAMA now have the potential to become a sustainable business entity that is no longer a drain on the Government subsidy;
 - v) Committed to operate in a manner that enables constant reinvestment in infrastructure. At the end of the financial year 2014/15, \$800k has been reinvested in infrastructure since TAMA was in-cooperated in 2011. This is in line with the initial Business Plan in 2011 with intention to reinvest a total sum of \$1million over the next 5 years of operation on the infrastructure.
 - vi) Return an acceptable dividend to shareholders by fiscal year 2015/2016.
6. Bank Investment – A Term Deposit of TOP\$200,000 was invested on Commercial Bank with fixed term and rate to earn more income as additional revenue stream;
7. New Contracts - During the year, 17 new contracts were signed with 14 new and 3 existing tenants; 5 at the former Tonga Investment Ltd - Haveluloto, 2 at the Sea Stars Property – Tu'imatamoana Wharf and 10 at the Small Industries Centre - Ma'ufanga. This reflects additional revenue collection during the year.
8. General upgrading of properties – 15 buildings (13 at SIC Ma'ufanga and 1 each at Haveluloto and at Sea Stars) were repaired and upgraded to meet TAMA's standard during the year. The Security fence and the street light at the Small Industries Centre, Ma'ufanga were among the

above. The upgrading of the infrastructure was not only promoting the property with reasonable rate but to increase the book value of the shareholder's asset. A total sum of \$243,965 was reinvested on the above properties during the financial year 2014/15 against the budget of \$118,326.

9 **Valuation of Investment properties**

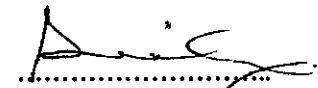
Investment Properties were previously transferred to TAMA has been arranged to be valued by an independent valuer within the coming financial year for the Board to adopt before incorporating their respective market values to its Books.

For future outlook, TAMA endeavours to promote and continue with the development of its properties by timely facilitating the repairs and maintenance of the six (6) buildings, security fence and road at Ma'ufanga and uplifting the landscaping process and beautification for the centre accordingly.

Although we haven't lease out part of the lease # 2934 at Tofoa as well as the lease property # 2879C at Sopu, where TOP\$100,000 pa'anga was projected on the 2014/15 financial year, but still we have managed to succeed the revenue target for the year from other sources. TAMA is still consulting and working closely with the Shareholder to reach out an agreement on the above proposal.

We wish to express our sincere appreciation to the Hon. Minister and the CEO of the Ministry of Public Enterprises, the Chairman and Board of Directors for their insights, advice, guidance and support throughout a year full of challenges and opportunities. We would not have been so successfully without your support and guidance.

Malo 'aupito



Tevita T. Hu'akau
Chief Executive Officer

3. Analysis/Overview of the Business

2014-2015 was a difficult year for both the Tongan economy and Tonga Asset Managers & Associates. However, as the economy weakened, occupancy rate increased which boost the revenue increased. Tonga Asset Managers and Associates met the challenge which focused on increase revenue collection by asset improvement and revising its rental and lease rate, imposing other sources of income apart from rent/lease, cost control and increased efficiency.

At the end of the 2014/15 financial year, TAMA has managed to achieve the following results;

- i) Total revenue income was TOP\$943,219 against the TOP\$731,338 projected for the year which contributed a 29 percentage growth in revenue collection when comparing to 2014/15 projection on Business Plan submitted in April 2014.
- ii) TAMA was proposed to deliver an EBITDA result of TOP\$353,286 in 2014/15 financial year. However, at the end of the financial year, TAMA has managed to deliver an EBITDA result of TOP\$666,968 which contributed 189% growth over the target on Business Plan 2014/15.
- iii) TAMA was also projected to achieve a net loss of - \$51,862 in 2014/15. At the end of the financial year, TAMA has managed to achieve a total net profit of TOP\$314,579 which contributed 706.6% increased over the projected net loss of - \$51,862 submitted in April 2014.

During the year the company endeavoured to ensure costs controlled and revenue opportunities maximized. However, the revenue generation capacity of the company has more rooms for improvement.

3.1 Key strategies initiated and relative success

Although the company has yet to achieve all its expected strategies for the period as set out in the Business Plan - 2014-2015, it continued to consolidate its efforts on each of the strategies particularly;

- i) on improving and maintaining existing infrastructure;
- ii) improve profitable and available cash resources;
- iii) improve facilities for tenants;
- iv) maintain and nurture key relationships with shareholder;
- v) customers and tenants and key stakeholders;

The above strategies had largely contributed to the success of the financial year resulted on a net profit earning. The 17 contracts were signed with mostly new tenants during the year had contributed on increased revenue earnings by \$168,877 (35%) on rent only when compared to 2013/14 result.

3.2 Legal, Regulatory and Environmental issues

ADB Loan; A Subsidiary Loan Agreement (SLA) was entered into between Government and TAMA at the balance date (signed 12/6/2015).

During the financial year 3 of the outgoing tenants who were not willing to pay their outstanding rent/lease had proceeded with legal action against them to clear their due. Some money were started to recover through this process from these bad debt clients.

The Management office is maintaining the sewage system at the Small Industries Centre with regular pumping and removing waste liquid by septic truck on a monthly basis to avoid any environmental disturbance.

3.3 Marketing Position, Market Shares and Market Prospect

Our target markets are Businesses, Government Ministries, Private sectors and Other Organizations that make use of the TAMA's properties for their businesses operation. Despite the additional properties we had but TAMA still cannot be able to meet the demand from customers for the available spaces mainly at Small Industries Centre area at Ma'ufanga.

This year, 2015 is a first time that space at the Small industries Centre, Ma'ufanga has fully occupied which is reflecting on our revenue earning for the year. The Management Office has recorded 11 standby business people who were seeking for available spaces at Ma'ufanga centre.

TAMA has also put more effort and focusing its Marketing strategies on the property at Vava'u and yet to confirm potential clients for the available buildings, the former Vanilla Company as well as the small office spaces.

3.4 Management of Business risks

The company has established and implemented a Risk Management system for identifying, assessing, monitoring and managing material risk throughout the organization.

The company's key legislations and policies ensure ethical and responsible decision-making and endeavors to influence and guide the directors, employees and other stakeholders of the practices necessary to maintain confidence in the company's integrity and to demonstrate the commitment of the company to ethical practices.

Despite the many challenges faced by the company during the period, it managed to deliver its core services effectively with the resources available.

3.5 People issues

TAMA has 3 staff positions with 2 casual labours. The 3 staff are at the Management Office including the Chief Executive Officer, Accounting Officer with Accounting/Data Input Clerk. One caretaker at Small Industries Centre at Ma'ufanga, Tongatapu and the other is at Kameli, Neiafu, Vava'u are both the casual labours.

The relationship between staff and customers are vital for the benefit and the ongoing operation of TAMA. Staff still needs to be adequately trained so that the quality of customer services is at professional level.

The Data Input Clerk, Unaloto Langi was resigned from work in May this year and moved forward to her new post with the Government Custom Department. That cost Management with extra charges on hiring an Accountant covering for her whilst Management had undertaken to recruit a replacement at the beginning of the next financial year.

However, the success of the year was a result of the joint effort made by management and staff.

3.6 Physical assets and equipment issues

The Directors of the Board together with Management Team have identified various areas for capital development on the Business Plan submitted in April 2014. 6 buildings at the Ma'ufanga Centre were proposed to repair during the financial year couple with computers printer machines replacement and two

victa lawn mowers machines for Ma'ufanga and Vava'u Centres at the total budget of \$118,326 on Capital expenses. At the end of the financial year, 15 buildings were managed to repair and upgrade to maintain TAMA's asset on its professional standard. These include 13 buildings at SIC - Ma'ufanga and 1 each at Haveluloto and Sea Stars; Street light and part of the Security fence at SIC - Ma'ufanga. These were covered with total cost of \$243,965. There were neither computers nor lawn mowers purchasing during the year.

3.7 Product/Services supply issues

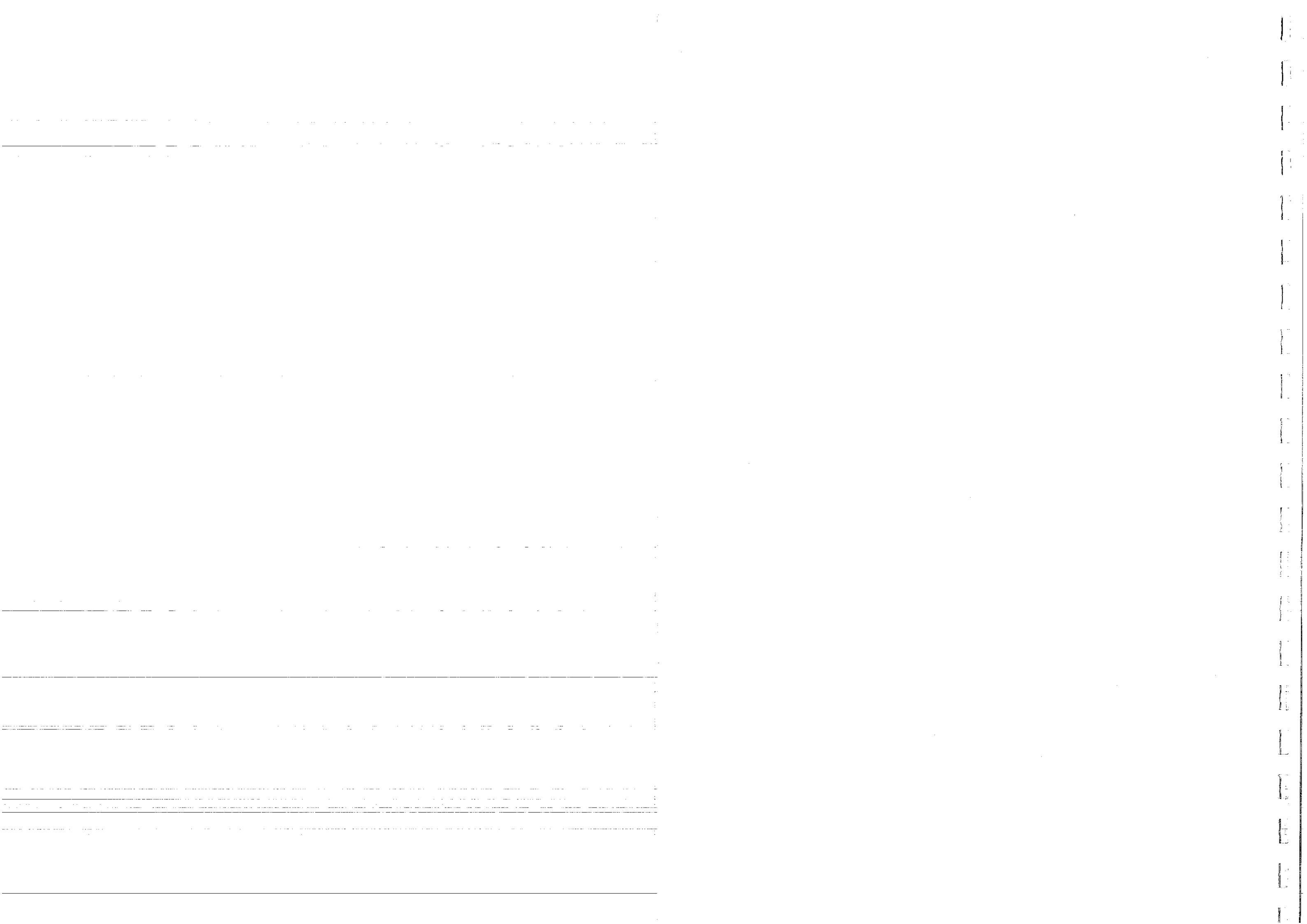
TAMA does not have immediate product & services supply issues. However, we have only available spaces for lease and rental purposes. At the end of the financial year, TAMA has 74 tenants on all its properties. 47 at SIC – Ma'ufanga and 2 at Vava'u; 23 at Haveluloto/Tofoa and 1 each at Sea Stars and Sopu respectively. Out of the 74 tenants, they were categorizing as big, medium and small businesses according the size as they are. There are 6 big businesses only, 5 at SIC-Ma'ufanga and one at Sea Stars properties; 29 medium, 37 small, 1 school and 1 Government Ministry. Those businesses are manufacturing varieties and different products and services they offered. The products are manufacturing at SIC-Ma'ufanga are including drinking waters, nonu juices, beer & liquor, tobacco, washing powder/soups, paints, kitchen facilities and etc. Some businesses are doing office spaces for storages/warehouses. Some are offering services including Construction, Electrical, Security, repair and installation of air conditions and freezers. Fish processing for export and local market. The former Sea Star is also conducting fishing industry for export and local markets. We have a concrete block manufacturing at Haveluloto, warehouses, Construction Companies, Squash Company, School, Offices and residential spaces.

The above result has increased the occupancy rate from 83% in 2013/14 to 89% 2014/15. The Business Plan submitted in April 2014 was projected to increase by 5% but TAMA has managed to exceed it by 1% over the stated budget.

3.8 Business systems and other resources

Tonga Asset Managers & Associated Limited, formerly known as Small Industries Centre Limited, is a Government owned Public Enterprise (Public Enterprises Act 2002 and the Companies Act 1995). A completely self-funding business with a core function and responsibilities to upgrade and revive the status of its facilities to good and sound factory buildings before renting out.

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained to safeguard Shareholders' investment and the company's assets. Management report to Board on a monthly basis including compliance issues with all applicable statutory and regulatory requirements to Ministry of Public Enterprises are in order accordingly.



**TONGA ASSET MANAGERS & ASSOCIATES LIMITED FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2015**

DIRECTORS' REPORT

1. Principal Activity

The principal activity of Tonga Asset Managers & Associates (TAMA) is the provision of commercial rental and commercial lease services both at Ma'ufanga, in Tongatapu and at Neiafu in Vava'u.

2. Incorporation and Commencement of Trading

The TAMA was incorporated and commenced trading on 1st July 2011 by taking over the Assets of the formerly Small Industries Center from Government of Tonga.

3. Trading Results

TAMA has reported a Net Profit (Loss) after income tax of \$314,579 for the year ending 30 June 2015 (2014 - \$(153,914)).

4. Dividend

Dividend of \$50,000 has been declared by the directors for the year ending 30th June 2015.

5. Revaluation Reserve

Revaluation Reserve of \$6,202,768 was arising from the Property Valuation in 2009 and adopted by the directors at 1 July 2011.

6. Provisions

During the year ending 30 June 2015 the TAMA has in place provisions for Bad and Doubtful Debts and Accumulated Depreciation. New provisions charged in the Statement of Income for the year was \$24,323 (2014 - \$9,574)

The company has taken appropriate actions to ensure there is sufficient provision in place to cover for any doubtful debts for its Accounts Receivable during the year ending 30 June 2015.

7. Basis of Accounting

It is the opinion of the directors that the basis of Accounting for preparation of TAMA Financial Statements for year ending 30 June 2015 is adequate.

8. TAMA as a Going Concern

The directors believe that TAMA will continue its trading operations within the next 12 months after the Balance Sheet date at 30 June 2015.

9. Subsequent Events after Balance Date

The directors believe that matters arising after the balance date are sufficiently dealt with in these Financial Statements.

10. Unusual Transactions

The directors believe that the trading results for the year ending 30 June 2015 would not be materially affected by any unusual transactions.

11. Transactions related to Directors and Chief Executive Officer

The directors believe that all transactions related to directors and the Chief Executive Officer is sufficiently disclosed as Related Party in these Financial Statements.

During the year ending 30 June 2015, the directors received no other benefits other than their basic and meeting fees.

12. Directors

The names of directors for the year ending 30 June 2014 are as follows:

Va'inga Palu	Chairman (appointed 18 th January 2015)
Tapu Panuve	Chairman (retired 22 nd January 2015)
Kisione Tupou	Director (retired 21 st January 2015)
Tatafu Moeaki	Director (reappointed 4 th November 2014)
Semisi Tapueluelu	Director (appointed 21 st January 2015)
Salesi Fotu	Director (appointed 6 th February 2015)

This Directors' Report is signed in accordance with the directors' approval dated 9th December 2015.



Va'inga Palu
Chairman



Semisi Tapueluelu
Director

TONGA ASSET MANAGERS & ASSOCIATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

DIRECTORS' APPROVAL OF THE ACCOUNTS

It is in the opinion of the Directors that the accompanying Financial Statements:

Balance Sheet at 30 June 2015,

Statement of Comprehensive Income for the year ending 30 June 2015,

Statement of Changes in Equity for the year ending 30 June 2015 and

Statement of Cash Flows for the year ending 30 June 2015,

are drawn up so that to give a true and fair view of the State of Affairs of the Company, Results of the Company, Movement of Shareholders Funds and Company Cash Flows respectively.

This Directors' opinion is signed in accordance with the directors' approval dated 9th day of December 2015.



Va'inga Palu
Chairman



Semisi Tapueluelu
Director

Hasiloni Fungavai
Chartered Accountant
TOFOA

Phone: 30-328, 7775337

TONGA ASSET MANAGERS & ASSOCIATES LIMITED

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the Tonga Asset Managers & Associates Limited

Reports

The accompanying Financial Statements of Tonga Asset Managers & Associates Limited for the year ended 30 June 2015 are comprised of the following reports:

Directors' Report

Directors' Approval of the Financial Statements

Auditors' Report

Balance Sheet

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes in to and forming parts to the Financial Statements

I have conducted the audit of the Financial Statements of the Tonga Asset Managers & Associates Limited for the year ended 30 June 2015 as set out this report.

Responsibility of the Board of Directors for the Financial Report

The company's directors are responsible for the preparation and presentation on the Financial Statements and all the information contained therein.

Scope of Audit

My audit has been conducted in according with the Generally Accepted Auditing Standards in order to provide a reasonable assurance as to whether the Financial Statements are free from material misstatement. Audit procedures were undertaken to examine and evaluate supporting evidence of amounts contained in this report were on test basis in order to form an opinion whether the Financial Statements are presented in according with the Generally Accepted Accounting Practice and International Reporting Financial Reporting Standards (IFRS).

Audit Opinion

In my opinion and to the best of my knowledge, the accompanying Financial Statements give a true and fair view of the financial position as at 30 June 2015, the results of its operation, changes in equity and the company's cash flow for that year then ended and are in accordance with the Generally Accepted Accounting Practice and the provisions of the Tonga Companies Act 1995.

I have obtained all information and explanations that in my view sufficient for the purpose of this audit.


Hasiloni Fungavai
Chartered Accountant

Nuku'alofa, Tonga
9th day of December 2015

TONGA ASSET MANAGERS & ASSOCIATES LIMITED

BALANCE SHEET

AS AT 30 JUNE 2015

Notes **2015**
 \$ **2014**
 (\$)

ASSETS

Current Assets

Cash on Hand and at Bank	(5,6)	235,400	137,411
Investment in Term Deposits	(5,6)	200,000	-
Account Receivable (net of provisions)	(7)	83,341	71,900
Due from Shareholder	(8)	40,712	40,712
Prepaid Expenses		15,681	9,453
Total Current Assets		\$575,134	\$259,476

Non- Current Assets

Property, Plant and Equipment	(4)	8,829,117	8,927,109
Other investment assets	(22)	2,121	130,522
Total Non Current Assets		\$8,831,238	\$9,057,631

Total Assets

\$9,406,372 **\$9,317,107**

LIABILITIES

Current Liabilities

Account Payable and accruals	(9)	26,629	88,309
Tenants Bonds	(10)	134,882	123,486
Tax Payable	(11)	35,184	30,401
Dividend Payable		50,000	-
Total Current Liabilities		\$246,695	\$242,196

Non Current Liabilities

Subsidiary Loan Agreement for ADB Loans	(12)	\$1,417,595	\$1,652,074
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SHAREHOLDER'S EQUITY

Shareholders Capital	(2)	1,761,707	1,717,647
Revaluation Reserve	(3)	6,202,768	6,202,768
Retained Earnings (Deficit)		(222,393)	(497,578)

Total Shareholders' Equity

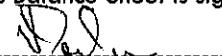
\$7,742,082 **\$7,422,837**

Total Equity & Liabilities

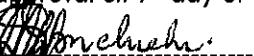
\$9,406,372 **\$9,317,107**

The above Balance Sheet should be read in conjunction with the accompanying notes into the Accounts on pages 18 to 24.

This Balance Sheet is signed in accordance with the directors' approval on 9th day of December 2015.



Va'inga Palu
Chairman



Semisi Tapueluelu
Director

TONGA ASSET MANAGERS & ASSOCIATES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

REVENUE	Notes	2015	2014
Rental Income	(17A)	651,116	482,239
User Charge Income	(17)	9,287	8,389
Other Income	(17B)	<u>282,816</u>	<u>7,530</u>
Total Income		<u>943,219</u>	<u>498,158</u>
 Less OPERATING EXPENSES			
Administration expenses	(13)	34,571	26,664
Board of Directors expenses	(13,20)	53,769	53,278
Employment expenses	(13)	92,062	83,717
Depreciation	(4)	342,133	325,666
Interest expenses	(9)	738	24,996
Office expenses	(13)	23,054	32,505
Property expenses	(13)	72,795	95,671
Provisions for doubtful debts	(7)	<u>9,518</u>	<u>9,574</u>
Total expenses		<u>628,640</u>	<u>652,071</u>
Less Tax expense		<u>-</u>	<u>-</u>
Net Profit (Loss) After Income Tax		<u>\$314,579</u>	<u>\$(153,913)</u>

The above Income Statement should be read in conjunction with the accompanying notes into the Accounts on pages 18 to 24.

TONGA ASSET MANAGERS & ASSOCIATES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Share Capital	Capital Reserve	Retained Earnings	Total
		\$	\$	\$	\$
Balance at 30 June 2013	(2,3)	\$1,717,647	\$6,202,768	\$(343,664)	\$7,491,053
Capital injections		85,698	-	-	85,698
Net Profit (Loss) after tax 30 June 2014		-	-	(153,914)	(153,914)
Balance at 30 June 2014	(2,3)	\$1,717,647	\$6,202,768	\$(497,578)	\$7,422,837
Capital injections		44,060	-	-	44,060
Net Profit (Loss) after tax 30 June 2015		-	-	314,579	314,579
Dividend declared		-	-	(50,000)	(50,000)
Prior year		-	-	10,605	10,605
Balance at 30 June 2015		\$1,761,707	\$6,202,768	\$(222,393)	\$7,742,082

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to and forming part into the Accounts on pages 18 to 24.

TONGA ASSET MANAGERS & ASSOCIATES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$	2014 \$
CASHFLOW FROM (TO) OPERATING ACTIVITIES			
Cash Receipts from Customers		689,927	548,685
Cash Paid to Suppliers and Employees	(13)	<u>(326,541)</u>	<u>(321,624)</u>
Cash Flow from (used) in Operations		363,386	227,061
Income tax expenses			
Net movement in consumption tax		<u>4,783</u>	<u>21,596</u>
Cash Flows from (used) in Operations		<u>368,169</u>	<u>248,657</u>
CASH FLOW FROM (TO) FINANCING ACTIVITIES			
Received from shareholder		44,060	85,698
Bank fees and interest		<u>(796)</u>	<u>(1,053)</u>
Payment to investment	(5,6)	<u>(200,000)</u>	<u>(130,522)</u>
Dividend paid	(20)	-	-
Net Cash Flows from (to) in Financing activities		<u>(156,736)</u>	<u>(45,877)</u>
CASH FLOW FROM (TO) INVESTING ACTIVITIES			
Acquisition of Fixed Assets	(4)	<u>(113,443)</u>	<u>(89,555)</u>
Net Cash Flows from (to) in Financing activities		<u>(113,443)</u>	<u>(89,555)</u>
Net Increase (Decrease) in Cash and Cash Equivalent		97,990	113,225
Cash and Cash Equivalent at 1 st July 2014	(6)	<u>137,411</u>	<u>24,186</u>
CASH AND CASH EQUIVALENT AT 30 JUNE 2015		<u>\$235,401</u>	<u>\$137,411</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to and forming part into the Accounts on pages 18 to 24.

TONGA ASSET MANAGERS & ASSOCIATES LIMITED
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Tonga Asset Managers & Associates Limited (the Company) is a company registered in the Kingdom of Tonga under the Tonga Companies Act 1995.

The Financial Statements of the Tonga Asset Managers & Associates Limited have been prepared in accordance with the Generally Accounting Standards and the requirements of the Tonga Companies Act 1995 and the Amendment Public Enterprises Act 2010.

(b) Basis of Presentation

The measurement base adopted is that of Historical Cost. Reliance is also based on the Company as a Going Concern.

Accrual Accounting is used to match expenses and revenues for each Accounting period.

(c) Reporting Currency

The currency of the Financial Statements are presented in Tonga Pa'anga (TOP). The transactions in foreign currencies are converted into Pa'anga using the rates of exchange ruling at the date of the transaction.

(d) Specific Accounting Policies

(i) Revenue

Revenue from rental is recognized when rent is invoiced to tenants sat the beginning of each months.

(ii) Property, Plant and Equipment

Property, Plant and Equipment are recognized at costs less accumulated depreciation. Depreciation has been calculated using maximum rates allowed by the Tonga Income Tax Act 2007.

(iii) Depreciation

Depreciation is charged to the Income Statement using the Straight Line Method at maximum rates permitted by the Tax Department:

Building	5%
Computer	12.5-25%
Equipment & Plant	12.5-25%
Furniture & Fittings	12.5-25%
Motor Vehicles	25%

(iv) Income Tax

Income Tax is accounted for using the taxes payable method. That is the income tax expense charged to the income statement is based on the return to the Revenue Services.

(v) Tonga Consumption Tax (TCT)

All items are stated exclusive of any Tonga Consumption Tax.

(e) Cash and Cash Equivalents

Cash and Cash Equivalents comprise Cash Balances at Balance date.

(f) Account Receivables

Account receivables are stated at their costs less provisions for Bad and Doubtful Debts.

(g) Provisions for Doubtful Debts

A Provision for doubtful debts is recognized as a charge against income when the Company has reasonable doubt that tenants can settle rental obligations.

	2. CAPITAL	2015	2014
		(\$)	(\$)
(a) Authorized Capital 1 ordinary shares @ \$1.00 per share		<u>\$1.00</u>	<u>\$1.00</u>
(b) Issued and fully Paid up Capital 1 ordinary shares @ \$1.00 per share		<u>\$1.00</u>	<u>\$1.00</u>

3. OPENING EQUITY AT 1 JULY 2011

The Opening Equity has arisen from the amounts representing the Opening Net Assets totaling \$7,834,717 which was taken over by the Company from Government of Tonga and was consisting of the following summary:

	Amounts (\$)
Assets:	
Debtors	97,739
Fixed Assets	<u>9,535,287</u>
Total Assets	<u>\$9,633,026</u>
Less Liabilities:	
Security Deposits	5,515
ADB Term Loans	<u>1,792,794</u>
Total Liabilities	<u>1,798,309</u>
Net Assets	<u>\$7,834,717</u>
Summary	
Revaluation Reserve	6,202,768
Opening Capital	<u>1,631,949</u>
Opening Equity at 1 July 2011	<u>\$7,834,717</u>

4. FIXED ASSETS AT 30 JUNE 2015

	Land & Building	Equipment Furniture	Motor Vehicles	Total
Costs	\$	\$	\$	\$
Total cost at 30 June 2013	9,925,528	41,281	16,087	9,982,896
Additions	69,938	2,617	17,000	89,555
Disposal	-	-	(16,087)	(16,087)
Total cost at 30 June 2014	9,995,466	43,898	17,000	10,056,364
Additions	243,965	-	-	243,965
Disposal	-	-	-	-
Total cost at 30 June 2015	10,239,431	43,898	17,000	10,300,329
Depreciation:				
Balance at 30 June 2013	775,208	21,871	5,094	802,173
Depreciation for the year	325,552	5,739	708	331,999
Disposal	-	-	(5,094)	(5,094)
Balance at 30 June 2014	1,100,760	27,610	708	1,129,078
Depreciation for the year	334,610	3,274	4250	342,134
Disposal	-	-	-	-
Balance at 30 June 2015	1,435,370	30,884	4,958	1,471,212
Book Value:				
Balance at 30 June 2015	\$8,804,061	\$6,014	\$12,042	\$8,829,117
Balance at 30 June 2014	\$8,894,706	\$16,288	\$16,292	\$8,927,286
Balance at 30 June 2013	\$9,150,320	\$19,410	\$10,993	\$9,180,723

Properties at Ma'ufanga and Neiafu were valued in August 2009 and adopted in 1st July 2011.

5 CASH AND CASH ON HAND

	2015	2014
	\$	\$
Cash on Hand		
Bank	235,400	137,411
Term Deposits	200,000	-
Total Cash and Bank at 30 June 2015	\$435,400	\$137,411

Term Deposits are at MBF at \$150,000 for 12 months at 6.5% pa and \$50,000 for 6 months at 6.0% and maturities on 14/5/2016 and 4/11/2015 respectively.

6 CASH AND CASH EQUIVALENT

Cash on Hand and at Bank	235,400	137,411
Total Cash and Cash Equivalent at 30 June 2015	\$235,400	\$137,411

7 ACCOUNT RECEIVABLE

Rent Receivable (up to 30 days)	23,880	14,555
Rent Receivable (up to 60 days)	13,245	7,386
Rent Receivable (up to 90 days)	13,334	9,038
Rent Receivable (Over 90 days)	64,116	51,573
Accrued rent	-	13,248
Staff receivable	-	-
Total Receivable	\$114,575	\$95,800
Add Other receivable	4,356	2,172
Less Write off against provisions	-	(4,106)
Less Provisions for Doubtful debts	(35,590)	(21,966)
Receivable (Net of provisions doubtful debts) at 30 June 2015	\$83,341	\$71,900

MOVEMENTS IN PROVISIONS:	2015	2014
Opening balance	21,966	16,498
Add new provisions for the year	24,323	9,574
Less write off against provisions	(10,699)	(4,106)
Balance at 30 June 2015	\$35,590	\$21,966

8 AMOUNT DUE FROM SHAREHOLDER	2015(\$)	2014(\$)
Amount due from shareholder at 30 June 2015		
Still unpaid from \$85,698 per CD 165 Sea Star as Government		
Equity in the financial year 30 th June 2014 with following detailed:		
CD Sea Star 30 th June 2014	\$85,698	
Less payment received during 30 th June 2014 for Sea Star	(44,986)	
Balance due from Government due to Sea Star 30th June 2015	\$40,712	\$40,712

9 ACCOUNT PAYABLE	2	015	2014
Accrued ADB Interests 2012		\$	\$
Accrued ADB Interests 2013		-	18,272
Accrued ADB Interests 2014		-	24,996
Accrued ADB/SLA Interests 2015	738	-	24,996
Accrued Directors and staff bonuses	6,000	6,000	
Accrued Utilities	1950	3,299	
Accrued wages	912	929	
Audit fees	4,500	4,500	
Accounting fees	2,000	-	
Trade creditors	6,890	4,463	
Land lease	8,750	-	
Insurance	854	854	
Paye	2,784	-	
Total Account Payable and Accruals at 30 June 2015	\$26,628	\$88,309	

10 TENANTS BONDS

These were security deposits paid by tenants and were owing at balance date.

11 TAX PAYABLE	2015	2014
Consumption Tax due (June 2015)	35,184	30,401
PAYE Tax due (June 2015)	2,784	1,419
Total Tax Payable at 30 June 2015	\$37,968	\$31,820

12 ASIA DEVELOPMENT BANK (ADB) LOAN:

ADB Credit Lines consist of the following:	Repayment Terms	Interest Rates	Balances 30/06/2015	Balance 30/06/2014
Government of the Kingdom of Tonga				
Asia Development Bank – 335 TON (SF)	1988-2017	1.00%	-	139,119
Asia Development Bank – 435 TON (SF)	1990-2019	1.00%	-	152,477
Asia Development Bank – 540 TON (SF)	1992-2021	1.00%	-	62,680
Asia Development Bank – 782 TON (SF)	1996-2025	1.00%	-	510,525
Asia Development Bank – 927TON (SF)	1988-2028	1.00%	-	787,273
Total ADB loan balances at 30 June 2015			\$1,417,595	\$1,652,074

The Government of the Kingdom of Tonga has arranged these loans from the ADB and were fully drawn for the development of the Small Industries Center both at Ma'ufanga and Vava'u. The Company were to take over these ADB Loans as on lent from Government as from 1st July 2011.

Government agreed per Cabinet Decision No 870 for a five years principal moratorium to 2015 and the Company will commence paying both principal and interests as from 2020. The Subsidiary Loan Agreement (SLA) between Government and TAMA was signed on 12th June 2015. .

13 OPERATING EXPENSES

Operating expenses consist of the following:

	<u>2015</u>	<u>2014</u>
	\$	(\$)
Advertising	4,276	1,661
Doubtful Debts	9,518	9,574
Bank fees	796	1,053
Insurances	2,685	8,556
Licenses and Subscriptions	417	565
Miscellaneous –	5,918	2,039
Professional fees (Accounting, Legal and Management)	10,839	12,593
Travel	9,640	196
Total	\$44,089	\$36,237
Board of Directors Expenses		
Directors' fees	50,265	49,359
Board meeting fees	3,504	3,919
Total	\$53,769	\$53,278
Employment Expenses		
Salaries & Wages	76,611	67,340
Casual Labour	13,413	14,377
Staff Amenities – Christmas Function	38	-
Staff Bonus	2,000	2,000
Total	\$92,062	\$83,717
Office Expenses		
Office Expenses	2,806	2,315
Printing & stationery	2,991	2,435
Postage	18	61
Motor vehicle	7,838	13,689
Telephone & Internet	2,204	2,786
Utilities	7,196	11,219
Total	\$23,053	\$32,505
Property Expenses		
Leases	19,000	19,000
Repairs & Maintenance – Buildings	15,683	21,692
Repairs & Maintenance – Compound	7,587	4,586
Repairs & Maintenance – Equipments	3,148	3,705
Utilities	2,528	3,103
Security	24,849	43,585
Total	\$72,795	\$95,671

	2015	2014
Staff bonus	\$ 2,000	\$ 2,000
Directors	4,000	4,000
Total	\$6,000	\$6,000

These bonus payments were endorsed by the Ministry for Public Enterprises and subject to approval by the Board.

14 BONUS

	2015	2014
Staff bonus	\$ 2,000	\$ 2,000
Directors	4,000	4,000
Total	\$6,000	\$6,000

15 PROFESSIONAL FEES

Accounting fees	2,000	800
Legal fees	4,339	5,273
Property valuation	-	2,000
Audit fees	4,500	4,500
Total	\$10,839	\$12,573

16 NET FINANCING COSTS

Bank Charges	\$796	\$1,053
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17 (A) RENTAL INCOME

These were income earned from the company's Rental Properties.

(B) OTHER INCOME

Write off ADB Interests	\$68,264
Restatement of ADB principal portion	\$234,479
Cancellation of stale cheques over 12 months	791
Adjustment to retained earnings	\$(20,718)
Total Other Income	\$282,816

18 INCOME TAX PAYABLE

Net Profit (Loss) before Tax	\$314,579	\$(153,917)
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There is no tax expense for the year due to accumulated carried forward tax losses arising from company operations of \$(382,825) to the year ending 30 June 2014 as advised per letter 18 November 2015.

19 INSURANCE

The Company Assets were not covered for insurance during the year. There is work underway to have insurance covers using Trust Funds.

20 RELATED PARTY TRANSACTIONS

(a) Directors

The directors of TAMAL during the year were:

Va'inga Palu	Chairman (appointed 18 th January 2015)
Tapu Panuve	Chairman (retired 22 nd January 2015)
Kisione Tupou	Director (retired 21 st January 2015)
Tatafu Moeaki	Director (reappointed 4 th November 2014)
Semisi Tapueluelu	Director (appointed 21 st January 2015)
Salesi Fotu	Director (appointed 6 th February 2015)

(b) Directors' fees and General Manager's wages for the year were:

Director's fees and remuneration	53,769	53,278
Chief Executive Officer's wages	40,000	40,000
Total directors fees and management wages	\$93,769	\$93,278

21 COMMITMENT AND CONTINGENT LIABILITIES	2015	2014
	\$	\$
(a) Capital Commitments	NIL	NIL
(b) Contingent Liabilities	NIL	NIL
(c) Lease Commitments for TAMAL at Ma'ufanga	\$1,051,875	\$1,070,625
a. The Company has leases over leasehold property at Ma'ufanga, Tongatapu and Neiafu, Vava'u for maximum remaining terms of 63 and 84 years respectively. The minimum lease payments at balance date were as follows:		

	2015	2014
	\$	\$
One to 12 months	16,875	16,875
Between 1 year and 5 years	84,375	84,375
More than 5 years	<u>950,625</u>	<u>969,375</u>
Total lease commitment at 30 June 2015	<u>\$1,051,875</u>	<u>\$1,070,625</u>

22 ADDITIONAL INVESTMENT LEASES

The company has received advice of the Cabinet Decisions (CD) of the following leases transferred to the Company to manage, maintain and develop:

1. Sea Star Fishing Company Ltd (SSFCL: CD 165 dated 21/2/2013
2. Shipping Corporations of Polynesia Ltd (SCPL) : CD 552 dated 21/6/2013 Lease No 2879C
3. Tonga Investment Ltd (TIL) : CD 223 dated 15/3/2013 Lease No 2008
4. Tonga Investment Ltd (TIL) : Lease No 2934

Future lease commitments for the above leased properties will be assessed and calculated during the year once firm management and development programs will be in place for each leased property. This will include obtaining an independent valuation of the various properties for market values to be incorporated into TAMA books of accounts.

The following upgrades were recorded as Work in Progress at 30 June 2014 were transferred to Fixed Assets at 1st July 2014 and commenced depreciated at 5% pa since those investment properties commenced earning rental revenues during the year:

<u>Investment Assets</u>	<u>Work in Progress (\$)</u>
1. Sea Stars Fishing Facilities at Tu'imatamoana	92,000
2. Tonga Investment Ltd Squash Property at Haveluloto	<u>38,522</u>
Total Work in Progress at 30/6/2014	<u>\$130,522</u>

23 DIVIDENDS

The Board declared a dividend of \$50,000 from the Net Profit after tax for the year ending 30 June 2015.

24 REGISTERED OFFICE

The Company's Registered Office is as follows:
 Tonga Asset Managers & Associates Limited
 Hala 'Alaivahamama'o
 Ma'ufanga
 TONGATAPU

5. Reconciliation – Performance to Plan

Item	Budget	Actual	Explanation
Revenue	\$731,338	\$660,403	The proposed lease-out land at Tofoa & Sopu were not done.
Cost of Sales	\$146,442	\$262,965	Increased by \$116,523.
Gross Profit	\$613,012	\$416,438	Decreased by \$196,574.
Selling & Distribution expenses			
Administrative & Other expenses	\$231,610	\$13,295	Decreased by \$218,315.
EBIT	\$353,286	\$666,968	Exceeded by 89%
Net Finance Costs			
PBIT	\$353,286	\$666,968	Exceeded by 89%
Other Comprehensive Income	Nil	\$282,816	Very good other sources.
Total Income	\$731,338	\$943,219	Exceeded by 29 %.
Current Assets	\$121,042	\$575,134	Increased by \$454,092.
Non-current Assets	\$9,048,305	\$8,831,238	Decreased by \$214,067
Total Assets	\$9,169,347	\$9,406,372	Increased by \$237,025.
Current Liabilities			
(Borrowing)	\$105,595	\$246,695	Increased by \$141,100.
Non-current Liabilities			
(Borrowing)	\$1,652,074	\$1,417,595	Has decreased by \$234,479.
Total Liabilities	\$1,758,033	\$1,664,290	Has decreased by \$93,743.
NET ASSETS	\$7,411,314	\$7,742,082	Has increased by \$330,768.
Share Capital	\$1,631,949	\$1,761,707	Increased by \$129,758.
Asset Revaluation Reserve	\$7,941,326	\$6,202,768	Decreased by \$1,738,558.
Retained Earnings	(\$2,161,961)	(\$222,393)	Decreased by (1,393,568)
TOTAL EQUITY	\$7,411,314	\$7,742,082	Increased by \$330,768.
Cash Flows from Operating Activities			

Cash Flows from Operating Activities			
Cash Flows from Operating Activities	\$328,900	\$368,169	Increased by \$39,268.
Increase/(Decrease) in cash	\$228,641	\$97,990	Decreased by \$130,651.
Cash at beginning of Year	\$138,819	\$137,411	Decreased by \$1,408.
Cash at end of Year	\$328,286	\$235,401	Decreased by \$92,885.
Gross Profit %	\$	\$	
EBIT %	100%	188.8%	Very good result.
Profit for the Year %	100%	706.6%	A very good profit margin to start with.
Return on Equity	(0.65%)	4.1%	Below Average but good result to start with.
Return on Total Assets	3.9%	7.1%	Very strong
Current Ratio	1.1	2.3	Very good
Debt: Equity	0.24	0.21	Very good
Total Salary Costs	\$154,044	\$145,831	Good
Salary Costs as % of Revenue	21%	15.5%	Need to reduce to a lower rate.
General Administration as % of Rev	7.7%	11%	Need proper control.
Tax Paid	Nil	Nil	A retain earnings (deficit) of -\$497,578.
Dividends Paid	Nil	\$50,000	Very good
Dividends %	Nil	16%	Very good
Total No. employees	3	3	
Specific Non-Financial KPI's:			
KPI 1 100% compliance with Shareholder's requirement	100%	100%	Very good.
KPI 2 100% compliance with strategy on directing payment the rent to the Bank	95%	98%	100% is a minimum rate.
KPI 3 Increase occupancy rate by 5%	(83%)	(89%) 6%	Exceeded by 1 % but required further improvement.

5.2 Explanation of key variances

- i) The proposed lease-out town 'api land on leases # 2934 – Tofoa and # 2879C Sopu were not yet endorsed by the Shareholder. The projected income for 2014/15 was \$100,000 from this project.
- ii) Total assets to operate TAMA increased from \$9.3 million in 2013/14 to \$9.4 million in 2014/15.
- iii) TAMA Financial Obligations, current liabilities reduced from \$242,196 in 2013/14 to \$ 196,694 in 2014/15 as the two sources that support TAMA asset whereas the long term debt (non-current liabilities) reduced from \$1.65 million to \$1.42 million.
- iv) Operational cash flow increased from \$248,657 in 2013/14 to \$ 368,169 in 2014/15 and cash on hand increased from \$137,411 in 2013/14 to \$ 235,401 in 2014/15.
- v) Accounts payable notably reduced from \$88,309 in 2013/14 to \$ 26,628 in 2014/15.
- vi) Accounts receivable increased from \$71,900 in 2013/14 to \$83,341 (16%) in 2014/15.
- vii) Depreciation expense mainly building increased from \$322,181 in 2013/14 to \$342,133 in 2014/15.
- viii) The EBITDA result \$666,968 has exceeded the budget by 89%.
- ix) The current ratio is strong in which enabling the Company's ability to pay its debt 2.3 times.
- x) TAMA would not eligible to make any tax payment since it accumulative return earnings (deficit) of (-\$497,578) since it cooperated in 2011 and the net profit \$314,579 still lower than that.
- xi) The net profit \$314,579 has exceeded the budget by 706%.
- xii) A very good growth on Return on Equity of 4.1 from (0.65%) was projected on the Business Plan.
- xiii) Return on Total asset is very strong which increased from the budget of 3.9% to 7.1%.
- xiv) Debt Equity is also strong which is 0.21 cents on every 1 pa'anga dollar value.
- xv) The percentage of salary to revenue is 15.5% which required reducing by initiating more revenue streams for the Company in the future.
- xvi) KPI 1 & KPI 2 – on Payment of rent direct to the Bank and occupancy rate required improvement. 100% is the minimum target.