

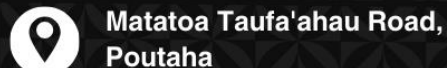
FINANCIAL YEAR

23/24



# ANNUAL REPORT

Powering the Sustainable  
Development for the Kingdom



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## 1. ABOUT US

### 1.1 Ownership, Purpose & Regulatory Framework

**Headquarters**

Matatoa Taufa'ahau Road, Poutaha

**Employees**

271 Staff

**Began Operations**

2008

**Total Power Demand to date**

13 MW

**Governance**

Tonga Power Ltd. is a publicly owned enterprise governed by appointed Chairman and Board of Directors appointed by the Ministry of Public Enterprise.

**Our Distribution Network**

We have a total of 301 Kilometers of wholly owned and operated high-voltage across the islands of Tongatapu, 'Eua, Ha'apai and Vava'u.

**The Company**

Tonga Power Ltd. operates under a strict regulatory framework through the Electricity Concession Contract (ECC) as well as operating under the Public Enterprise Act 2010 which provides greater commercialization incentives for state owned corporate entities.

Tonga's electricity sector was re-structured in 2008 when the Government established the Electricity Commission (EC) through the Electricity Act 2007, and purchased the electricity assets from a privately owned entity.

The functions of the EC include the regulation of tariffs, establishing consumer service standards, managing electrical safety, as well as the licensing of electricians, and creation of regulations for major electrical works. TPL operates under a strict regulatory framework through the Electricity Concession Contract (ECC) in which tariffs, operational efficiency benchmarks, consumer service standards and penalties are specified between the EC, the Government and Tonga Power Limited.

TPL has its own Company Constitution and also operates under the Public Enterprises Act as amended which provides greater commercialization incentives for state owned corporate entities. Tonga Power is entrusted with enforcing the Electricity Act and regulations.

### 1.2 Our Strategic Objectives

Furthermore, TPL has been established with an independent Board of Directors drawn from the commercial sector of Tonga, appointed by Government. TPL's new strategic priorities is outlined in its Business Plan 2022- 2027 reflects seven major areas of focus:

1. **Green Energy transition:** TPL prioritizes national & international goals through implementation and integration of Renewable Energy into our Resilient Grid. The strategic priority for this Business plan is ensuring sustainable progress towards achieving 70% Renewable Energy by end of year 2025. This consist of a mixture of large scaled donor funded and Independent Power producer renewable energy sites and small third-party rooftop solar. We have made great progress this financial year in progressing our IPP Negotiations for the upcoming 20MWIPP & 50MWh BESS as well as getting Board and Cabinet approval. We expect to get Regulatory approval in Q1 of the

next financial year. Furthermore, developments have been made with the new China Wind 2.2MW project implemented through MEIDECC with HV connection to the site completed in this financial year. Our projects team successfully commissioned a rooftop pilot project as part of UK's contribution to the energy sector to allow for feasibility data collection and analysis for a 2-year period of the impacts of this project on low-income customers and will aid in refining our SDG policy to allow for integration of more solar rooftops into the grid reducing the new additions of large scaled high CAPEX RE projects. In order for this energy transition to work TPL is also increasing its investments in renewing its diesel genset fleet for all outer islands to ensure we have reliable and resilient power that addresses the intermittency challenges of renewable energy. With thanks to the government of Australia TPL will be integrating 3x2MW diesel gensets including infrastructure upgrades to our Popua power station to allow for future connections such as our upcoming 33kV transmission line that will connect the 20MWIPP solar to the power station. TPL alongside ADB had successfully confirmed financing required for the 33kV transmission project a total of 11.3 million USD from ADB/DFAT/EU. Grant negotiations and grant approval is planned for the next financial year 24/25 and begin project implementation by Q1 2025.

2. **Grid Resilience:** TPL's efforts to make our grid more secure, reliable and resilient will directly impact and enhance our customers satisfaction. With increased integration of Renewable Energy and technologies such as Battery Energy Storage systems and advanced metering system technologies has created complexity of our efficient and effective management of our Grid. Grid Resilience efforts include initiatives and projects that advance safety and security of the grid as well as projects that support interoperability, operational efficiency, asset management, customer access to data and integration distributed energy resources. This means ensuring cohesive and parallel developments throughout our power generation and network distribution operations through our owner communities of Tongatapu, Vava'u, Ha'apai and 'Eua. We continue to make great progress in integrating our new energy management system (GDMS) project completing installation of radio & wireless backup links to all RE sites for redundancy for our fiber network. CoMaps controller's installations had also been completed to all diesel gensets in Tongatapu for integration into our energy management system. This system will address the power control supply management to constantly meet our customers electricity demand. Furthermore, TPL's collaboration with NorthPower has identified critical infrastructure weaknesses with our existing distribution grid including the transition away from our HVABC bundled setup to open wire setup as weve identified the issues and impacts of the HTHH eruption. Additionally Northpower is closely collaborating with our engineers in assessing the locations of each reclosers for each feeder aswell as protection settings of the power station to ensure the settings match the current network and grid requirements. Strategic team have also collaborated with power modelling experts part of the Grid strengthening project who have allocated portion of their work to putting in place TPL's first ever open source power systems model which will help our engineering team and encapsulate in them the skills to be able to effectively model real time grid scenarios considering

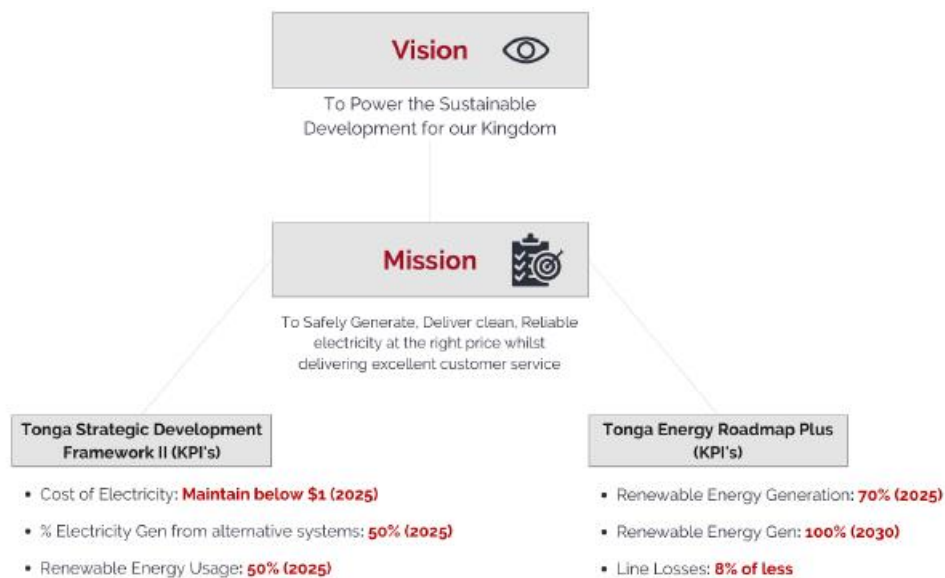
integration of more RE into the grid or customer load and its impacts, this model will be finalized by next financial year for test run.

3. **Customer Experience:** In order to keep up with our customer trends TPL is consistently monitoring and noticing change and diversification in customer expectations. Today's customer desire service from instantaneous access to information and data on energy usage to the personal touch of walk-in pay centers. In order for TPL to improve our customer experience all areas of our customer service communication process & procedures require effective management, whether it be customer complaints or customer enquiries. This goal allows us to better understand what our customers want, deliver on those expectations and ensure that every interaction a customer has with us is positive. Continuous developments in our communication and public relations efforts, revamping our customer comms channels and conducting audits to our comms channels enables us to progress our customer's experience. TPL has prioritized key developments this financial with our new power bill, customer service trainings and key developments for rolling out E-billing and online payment to our outer islands. TPL continues to strive for transparency at all times and keep customers informed of all developments with TPL and at the same time ensure customers interactions and experience with TPL is excellent at all times which is what we continue to strive for. Were hoping with our new smiley terminals installed in the next financial year, we will be able to have a baseline and indicators to continuously improve our services.
4. **Employee Experience:** Our employees is our biggest strength, and a strong supported workforce is crucial for meeting our Strategic & Business Objectives. In addition to ensuring employees have the tools and training needed to perform their work successfully, we commit to providing professional development and advancement opportunities, proactively cultivating the culture of the organization, embracing diversity and emphasizing engagement. Transitioning to a more complex energy system further prioritizes the need for effective capacity building programs for our staff. Major Projects department has integrated a portion of its project requirements on the job training which has resulted in good training allocations specifically for the technical staff of TPL. TPL recruited a project management specialist for the NNUP Area 5 project which has provided improved management and training for our NNUP linesman and lineswoman. Project management training is also offered for woman staff of TPL.
5. **Financial Health:** Remains a core Strategic objective for TPL ensuring our financial resilience in enabling efficient management of all internal and external financing sources successfully in order to achieve our Strategic Objectives in turn maximize the Shareholder value.
6. **Health & Safety:** We recognize the priority of Health & Safety on all aspects of our business and our community. Therefore, this goals speaks to how we operate and commit to keeping our employees healthy and sage as well as the role we play in the safety of the community. TPL's new whatsapp incident management group has enabled more effective management of incidents for TPL. A remarkable milestone for TPL is

there has been 0 death incident for TPL staff or the public due to our network infrastructure which reflects the safety culture we continue to follow in TPL in all our process & procedures. TPL continue to progress conducting exercised for its Business and disaster recovery plans to ensure all risks are managed and staff are aware of process & procedures to follow.

7. **Shareholder Compliance:** We prioritize the importance to always be in compliance with reporting requirements from our shareholders to ensure required information is effectively communicated and reported according to setout deadlines.

### 1.3 Our Vision & Mission



As a public enterprise, the purpose of Tonga Power Limited (TPL) is to serve the people of the Kingdom of Tonga by providing safe, reliable, and electricity at the right price to its 20,000 plus customers. TPL's mission is to generate and deliver clean electricity at the right price while delivering excellent customer service. Its vision is to power sustainable development in Tonga by contributing to the country's economic growth and environmental sustainability. TPL is committed to meeting the government's renewable energy targets and promoting energy efficiency and conservation to reduce reliance on imported fossil fuels. As a public utility, TPL also plays a vital role in ensuring the welfare and well-being of the people of Tonga by providing access to electricity to all communities, including remote and rural areas.

## 1.4 Our Board of Directors



**Mr. Tapu Panuve**

Chairman of the  
Common Utilities  
Board of Directors



**Mr. Maliu Takai**

Deputy Chairman of  
the Common Utilities  
Board of Directors



**Mr. Saimone Helu**

Director for the  
Common Utilities  
Board of Directors



**Mr. Saia Penitani**

Director for the  
Common Utilities  
Board of Directors



**Mrs. Tuna Likiliki**

Director for the  
Common Utilities  
Board of Directors



**Dr. Tevita Tukunga**

Director for the  
Common Utilities  
Board of Directors



**Mr. Maika Haupeakui**

Director for the  
Common Utilities  
Board of Directors

## 1.5 Our Senior Management Team



**Finau Moa**

Acting Chief  
Executive Officer



**Henrietta Lavemai**

Administration  
Manager



**Samisoni Fatai**

Network Distribution  
Manager



**Murray Sheerin**

Power Generations  
Manager



**Paini Lie**

Engineering Manager



**Falemei Fale**

Human Resources  
Manager



**Viliami Ongosia**

Network Design &  
Planning



**Sosefina Maileseni**

Risk & Compliance  
Manager



**Heta Telefoni**

Retail Manager



**Peifaga Fuiono**

Chief Information  
Officer



**Sitiveni Nau**

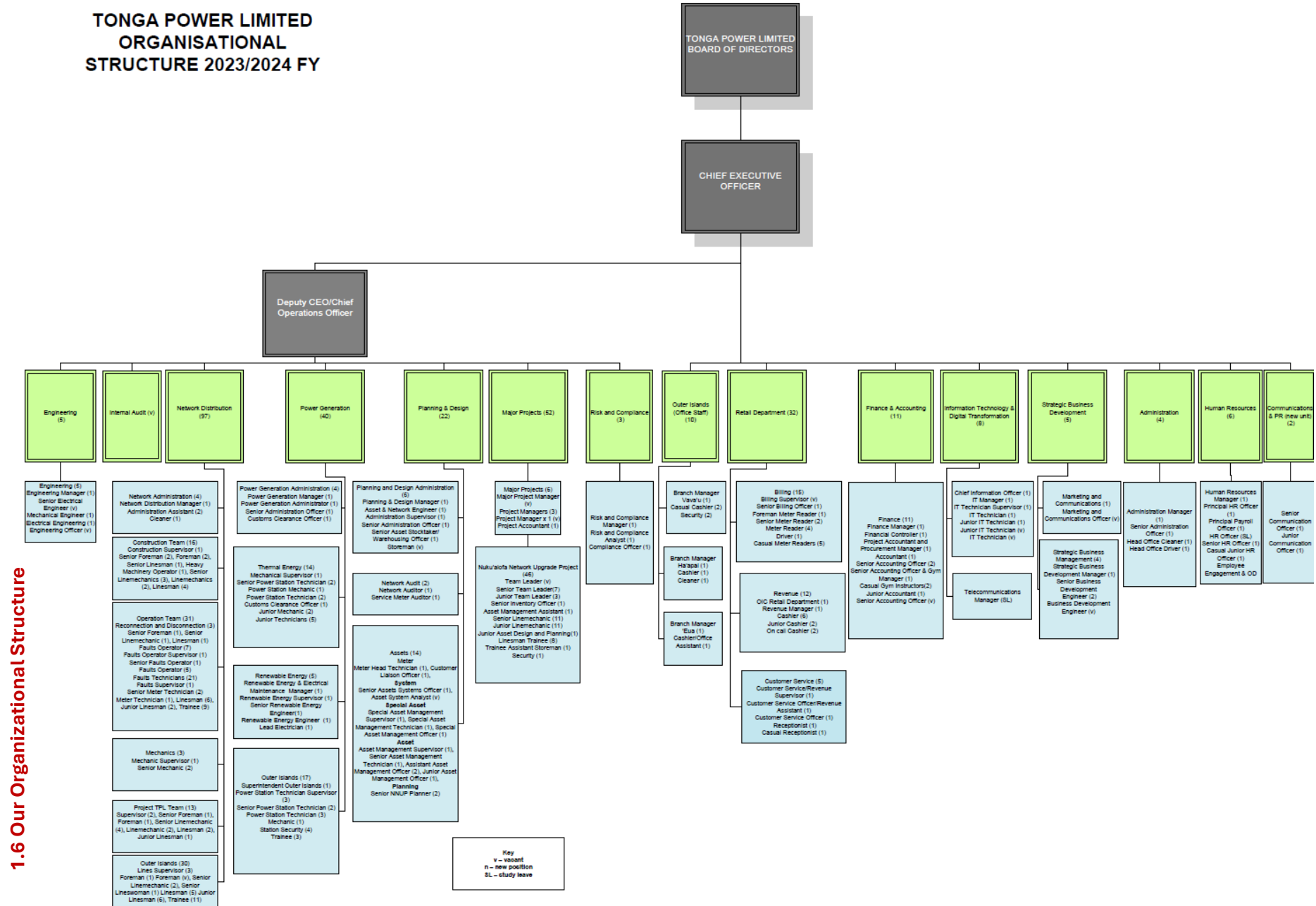
Finance Manager



**Andrew Kautoke**

Strategic & Business  
development Manager &  
Acting Major Projects  
manager

# TONGA POWER LIMITED ORGANISATIONAL STRUCTURE 2023/2024 FY



## 1.6 Our Organizational Structure

## 2. Letter to the Minister

20<sup>th</sup> December 2024

The Honorable Minister for Public Enterprises  
Nuku'alofa.

Dear Minister,

**Subject: Tonga Power Limited Annual Report for the FY 2023/2024**

I am honored to submit Tonga Power Limited's Annual Report for the financial year 2023/2024. This comprehensive document outlines TPL's performance in strict adherence to the stipulations outlined in Section 19 of the Public Enterprises Act, as amended.

Throughout the year, Tonga Power demonstrated steadfast commitment in meeting its obligations and upholding all prescribed responsibilities. Concurrently, the organisation maintained optimal operational oversight of the entire power grid encompassing Tongatapu, Vava'u, Ha'apai, and 'Eua despite challenges faced during the year. It is imperative to acknowledge the invaluable support rendered by the Government, particularly through the provision of the lifeline tariff, as well as the steadfast encouragement extended towards our projects in renewable energy and network upgrade projects.

On behalf of the esteemed Members of the company, I extend heartfelt gratitude to the Government for its unwavering support. We eagerly anticipate continued collaboration in the forthcoming year and beyond.

Sincerely,



.....  
**Mr. Tapu Panuve**  
**Chairman of the Common Utilities**  
**Board of Directors**



.....  
**Mr. Finau Moa**  
**Acting Chief Executive Officer**

### 3. Key Outcomes FY23/24

| Strategic Objective    | Annual Measurable Target                                  | Business Plan FY23/24 Target | FY23/24 progress |
|------------------------|-----------------------------------------------------------|------------------------------|------------------|
| <b>GREEN ENERGY</b>    | RE Penetration                                            | 23%                          | 19%              |
|                        | Accumulated Fuel Displacement                             | 11.4%                        | 3.8%             |
|                        | Sunergise 6MWIPP Project                                  | 100%                         | 100%             |
|                        | TREP 03 (Solar, VVU & Éua)                                | 100%                         | 100%             |
|                        | TREP 13 GDMS                                              | 50%                          | 80%              |
|                        | China Wind                                                | 20%                          | 10%              |
|                        | RAPID 20MWIPP (70% RE)                                    | 5%                           | 3%               |
| <b>GRID RESILIENCE</b> | System Average Interruption Index (SAIDI)                 | <850 mins                    | 4,358.6 mins     |
|                        | System Average Interruption Frequency Index (SAIFI)       | 14                           | 24.8             |
|                        | System Loss Index                                         | 9%                           | 11.5%            |
|                        | Nuku'alofa Network Upgrade Project Area 3                 | 100%                         | 100%             |
|                        | Nuku'alofa Network Upgrade Area 5                         | 50%                          | 35%              |
|                        | OIREP Phase 3 Vava'u Network upgrade                      | 100%                         | 100%             |
|                        | OIREP Phase 4 Niuatoputapu Island network & solar upgrade | 30%                          | 100%             |
|                        | TREP 01 Load Shifting BESS                                | 100%                         | 100%             |
|                        | TREP 02 Grid Stability BESS                               |                              |                  |
|                        | Smart Meter Firmware Upgrades to 5,005 meters             | 100%                         | 1000%            |

|                            |                                                        |          |                                             |
|----------------------------|--------------------------------------------------------|----------|---------------------------------------------|
|                            | Plotting Meter Locations to 1,638 meters               | 100%     | 100%                                        |
|                            | Smart Meter CGR installation                           | 100%     | 80%                                         |
| <b>EMPLOYEE EXPERIENCE</b> | Employee Retention Rate                                | >90%     | 97.85%                                      |
|                            | Employee Turnover Rate                                 | <5%      | 2.15%                                       |
|                            | Employee Wellness                                      | <10%     | 5%                                          |
|                            | Employee Absenteeism                                   | <5%      | 2,31%                                       |
| <b>CUSTOMER EXPERIENCE</b> | Customer Complaint Resolution time                     | 2-5 Days | 2-5 Days                                    |
|                            | Customer Enquiry communication time                    | 2-5 Days | 2-5 Days                                    |
| <b>FINANCIAL HEALTH</b>    | Revenue                                                |          | \$82,345,141                                |
|                            | Net Profits after Tax                                  |          | TPL<br>1,847,862/Consolidated<br>2,154,038, |
|                            | Debtor Days                                            |          | 30 days                                     |
|                            | Debt to Equity Ratio                                   |          | 1:56 (56%)                                  |
|                            | Debt Ratio                                             |          | 1:0.56                                      |
|                            | Return on Equity                                       |          | 2%                                          |
|                            | Liquidity Ratio                                        |          | \$0.68                                      |
| <b>HEALTH &amp; SAFETY</b> | Fatality Register updated                              | 90%      | 100%                                        |
|                            | Internal Audit of working site                         | 90%      | -                                           |
|                            | HSE Forms completed                                    | 90%      | 100%                                        |
|                            | Up to date risk register (HSE risks)                   | 90%      | 100%                                        |
|                            | Evacuation Plan completed & updated for all facilities | 90%      | 100%                                        |
|                            | Exercise BCP % DRP                                     | 80%      | -                                           |
|                            | BCP/DRP up to date                                     | 80%      | -                                           |
|                            | Complete monthly facilitations of HSE meetings         | 90%      | 10%                                         |

|                               |                                                                                                  |      |      |
|-------------------------------|--------------------------------------------------------------------------------------------------|------|------|
| <b>SHAREHOLDER COMPLIANCE</b> | All MPE Reporting requirements & requests to be fulfilled accurately & timely                    | 100% | 100% |
|                               | All Electricity Commission Reporting requirements & requests to be fulfilled accurately & timely | 100% | 100% |
|                               | All Donor related reporting requirements                                                         | 100% | 100% |

### 3.1 Annual Performance Highlights

- **Tonga Renewable Energy Stabilisation Package (TRES):**
  - Signed in April 2024, with a budget of AUD \$15 million (TOP \$22.84 million).
  - **3 x 2MW Cummins Generators** procured to replace aging diesel gensets, scheduled to be operational by July 2025.
  - **33kV Transmission Project:** Upgrades scheduled for Q4 FY24 to strengthen grid reliability and support renewable energy integration.
- **Power Generation Projects:**
  - Successfully commissioned in Dec new **2MW Cummins gensets** in Tongatapu, funded by Australia's aid (DFAT) and furthermore successfully delivering the commissioning ceremony, enhancing grid reliability.
  - New **QSK23 generators** procured for Ha'apai and 'Eua, supporting more efficient and stable power generation for our outer islands
- **New Connections & Metering:**
  - **581 new connections** installed, **320 old meters** replaced, and **156 faulty meters** repaired.
- **IT and Smart Metering:**
  - **Firmware upgrades** completed, with a **93% read rate** achieved for smart meters, improving from **47%** post-volcanic eruption.
  - **17,320 meters** successfully read daily, out of over 18,000 active meters, significantly improving data collection.
- **Project Audits & Surveys:**

- **Audits** conducted for **160 major Capex projects, 564 service lines, and 27 CT meters.**
- Special asset surveys in '**Eua** and **Ha'apai** covered streetlights, transformers, and customer counts per transformer.
- **Collaboration with North Power:**
  - Partnered with North Power to conduct thermal and acoustic inspections of high voltage assets, improving the reliability and safety of TPL's grid
  - Worked with North Power to improve fault detection, focusing on long-term infrastructure upgrades and network performance enhancements for the main grid of tongatapu
- **GIS and Inspection Upgrades:**
  - **GIS accuracy** reached **90%**, with updates completed for **Vava'u** (September 2023), **Ha'apai** (January 2024), and '**Eua** (March 2024).
  - **Drone and thermal inspections** conducted for HVABC lines in Nuku'alofa, Ha'apai, 'Eua, and Vava'u, improving network reliability.
- **Streetlight Management:**
  - Installed **119 new LED streetlights** across Tongatapu and conducted ongoing audits for **1.4 million kWh** of unmetered streetlight consumption.
- **Capital Projects:**
  - Completed design and planning for major projects like the **THS Sports Complex, LDS Temple, and TWB Solar Connection.**
  - Ongoing planning for the **Queen Salote Wharf Upgrade** and **Fanga'uta Lagoon Bridge Project.**
- **Transformer Data Logging & Maintenance:**
  - **12 transformers data-logged**, with transformer inspections conducted across Tongatapu, Ha'apai, and 'Eua to ensure grid reliability.
- **Technology One SaaS Migration:**
  - **100% completion** of the migration to the SaaS platform, improving access, operations, and email integration.
  - **100% staff training** completed on Tech-One core modules like financials, HR, payroll, and asset management.
- **Infrastructure & System Upgrades:**
  - Completed **failover links** between Power Generation, Town Office, and Head Office, reducing system downtime.
  - **SCADA system upgrades** and **Comap controllers** for diesel gensets completed, improving system reliability.
- **24MW Independent Power Producer (IPP) Project:**

- Commercial negotiations completed, with board approval passed.
- **Renewable Energy Progress:**
  - **China Wind Project** reached **10% completion**, targeting full implementation by FY24/25.
  - **UK Rooftop Solar Pilot Project** completed, with policy expansion plans.
  - **Sunergise Solar Project** ongoing, with inverter replacements and discussions for deed of amendment for COD to be finalized in FY24/25.
- **Customer Segmentation & Service Projects:**
  - **New Power Bill Development** Completed the development of TPL's new power bill, with plans for finalization and rollout in FY24/25.
  - **Vehicle Tracking Pilot Project:** Rolled out to improve fleet management and operational efficiency & safety
  - **Customer segmentation:** Development plans in progress 3,418 commercial customers categorized via the Orion System, with developments of new customer new connection process and procedures
  - **E-Billing and Online Payment Systems:** Development underway for expansion to outer islands.
  - **Smiley Terminal Project:** Development plan completed with full rollout expected in FY24/25.
  - **VOIP Call center:** Development plan completed to be rolled out in FY24/25
- **Public Relations & Customer Communication:**
  - **Monthly Awareness Programs:** Facilitated across departments to improve internal collaboration and communication of pressing matters from all products and services offered by TPL
  - **Press Conferences:** Held **3 press conferences** to address key incidents and developments.
  - **Press Releases:** Regularly issued to improve transparency on TPL's projects and operations.
  - **Incident Communication:** Launched the **WhatsApp Incident Management Process** for real-time customer updates and keeping track of incidents
  - **Customer Audits:** Monthly audits integrated into TPL's service channels to maintain high customer service standards.

## 4. Corporate Governance

Tonga Power considers its inherent responsibility to disclose timely and accurate information regarding the company financials and performance as well as to comply with good governance practices.

### 4.1 Board of Directors

The paramount role of the Board of Directors is to furnish adept leadership and strategic guidance, aimed at augmenting the enduring value of the company for the benefit of its shareholders and various stakeholders. The Board exercises vigilant oversight over the

company's operational matters, with each director diligently executing their responsibilities with impartiality, autonomy, and an unwavering commitment to act in the company's best interests. Furthermore, the Board is entrusted with charting a definitive course from the highest echelons of leadership, while ensuring the establishment of a resilient governance framework, thereby facilitating the company's triumph and the sustenance of long-term, viable growth.

In the fiscal year 2023/2024, the Board convened on twelve (12) occasions, with the attendance record of each member presented below. As of June 30th, 2024, the composition of the Board was as

| Director               | July 2023 – June 2024 | Number of Board Meetings attended |
|------------------------|-----------------------|-----------------------------------|
| <b>Tapu Panuve</b>     | Board Chairman        | 11                                |
| <b>Lord Lasike</b>     | Director              | 11                                |
| <b>Saia Penitani</b>   | Director              | 11                                |
| <b>Tevita Tukunga</b>  | Director              | 11                                |
| <b>Maliu Takai</b>     | Director              | 9                                 |
| <b>Saimone Helu</b>    | Director              | 11                                |
| <b>Maika Haupeakui</b> | Director              | 8                                 |
| <b>Tuna Likiliki</b>   | Director              | 11                                |

#### 4.2 Board of Sub-Committees

The following subcommittees were established and includes membership from the Board in order to assist in advisory functions:

- ✓ Finance and Audit Committee
- ✓ HR & Legal Committee
- ✓ Stakeholder Engagement and Communications Committee

## 5. Chairman & CEO's Statement



Dear Esteemed Shareholders,

It is with great pride and responsibility that I present Tonga Power Limited's (TPL) Annual Performance Report for the fiscal year 2023/24. This year has been both transformative and challenging as we continued our journey toward a sustainable, resilient energy future for Tonga. Guided by our strategic objectives, we have made remarkable progress across multiple fronts, from infrastructure upgrades and renewable energy integration to improvements in customer service and operational efficiency. However, as with any significant transformation, we also faced challenges that required adaptability and innovation.

One of the cornerstones of our progress this year was the signing of the Tonga Renewable Energy Stabilisation Package (TRES) in April 2024. With a budget of AUD \$15 million (TOP \$22.84 million), this initiative will replace aging diesel gensets with 3 x 2MW Cummins generators, scheduled to be

operational by July 2025. This milestone will significantly enhance our energy security and support our national goal of achieving 70% renewable energy by 2025. Simultaneously, the 33kV Transmission Project, with scheduled upgrades in Q4 FY24, will further reinforce our grid's capacity to integrate renewable energy sources as planned for our upcoming 20WMIPP Solar & 50MWh BESS.

Throughout FY23/24, we also made significant progress in strengthening grid resilience. A key part of this was our collaboration with North Power during the aftermath of the volcanic ash fallout, which caused significant outages in our HVABC (High Voltage Aerial Bundled Cable) network. This partnership was vital in conducting advanced thermal and acoustic inspections, which helped us swiftly identify and resolve critical areas impacted by the volcanic ash. These inspections not only addressed immediate issues but also provided insights into long-term improvements needed to ensure our grid's resilience. The completion of drone inspections in key regions like Nuku'alofa, Ha'apai, 'Eua, and Vava'u further enhanced our ability to detect potential weaknesses in the network and take preventive measures.

However, the transition to renewable energy has not been without its challenges. One of the major steps we took this year was the establishment of Tonga's first-ever Energy Management System (EMS) under the Generation Distribution Management System (GDMS) project. While the system promises to modernize and automate how we balance energy supply and demand, we experienced several unplanned outages during its initial integration into the grid. The unique conditions of Tonga's grid posed unexpected complexities for the EMS, and as the system

adjusts to these situations, some disruptions were inevitable. Despite these challenges, the system is now better aligned with the operational realities of our grid, and we are confident that it will become a cornerstone of our future energy management capabilities.

In terms of customer service, we have continued to modernize our interactions with the public. The rollout of e-billing and the WhatsApp Incident Management Process has improved our communication channels, providing real-time updates during outages and enhancing overall customer engagement. We are also progressing toward the Smiley Terminal Project, which will offer customers a more interactive feedback platform. These initiatives, coupled with our ongoing monthly customer audits, are critical to ensuring that we meet our customers' evolving needs and also ensure we are aware of the areas of our services that need improvement.

We also achieved significant milestones in our power generation capacity, particularly with the successful commissioning of 1MW Cummins gensets in Tongatapu, funded through Australia's Department of Foreign Affairs and Trade (DFAT). These efforts are complemented by the procurement of new QSK23 generators for Ha'apai and 'Eua, which have greatly improved the stability of power generation in Tonga's outer islands.

Our renewable energy projects continue to advance, with 10% progress made on the China Wind Project, and completion expected by FY24/25. We have also completed the UK Rooftop Solar Pilot Project, with plans for policy expansion to further increase Tonga's solar rooftop capacity in a way that will provide benefits to both the customer and TPL. Additionally, ongoing inverter replacements under the Sunergise Solar Project highlight our commitment to improving renewable energy performance.

Financially, we have continued to make prudent investments. The successful negotiation of the 20MW & 50MWh BESS Independent Power Producer (IPP) Project, positions TPL to further diversify its energy sources while enhancing grid stability. Our commitment to financial health ensures that we remain resilient and capable of supporting critical infrastructure investments, especially aging diesel genset fleet that have been in service since 1998.

However, our challenges with unplanned outages this year highlight the need for continued improvements in grid reliability and management systems. As we move into FY24/25, we are focused on refining the integration of new technologies and ensuring that our grid remains resilient while adapting to the demands of increased renewable energy penetration.

Looking ahead, TPL remains dedicated to its strategic objectives. Our transition to renewable energy will continue to drive our efforts, supported by ongoing infrastructure improvements and enhanced customer service. We are committed to providing a reliable, sustainable energy future for Tonga, and the lessons learned this year will only strengthen our resolve. The upcoming rollout of new projects such as the new power bill system and further investments in grid resilience will ensure that we meet the energy needs of our customers and fulfill Tonga's national and environmental goals.

I would like to extend my deepest gratitude to the Board of Directors, management, staff, and all stakeholders for their continued trust and support. Together, we will continue to build a brighter, more resilient future for Tonga.

**Sincerely,**



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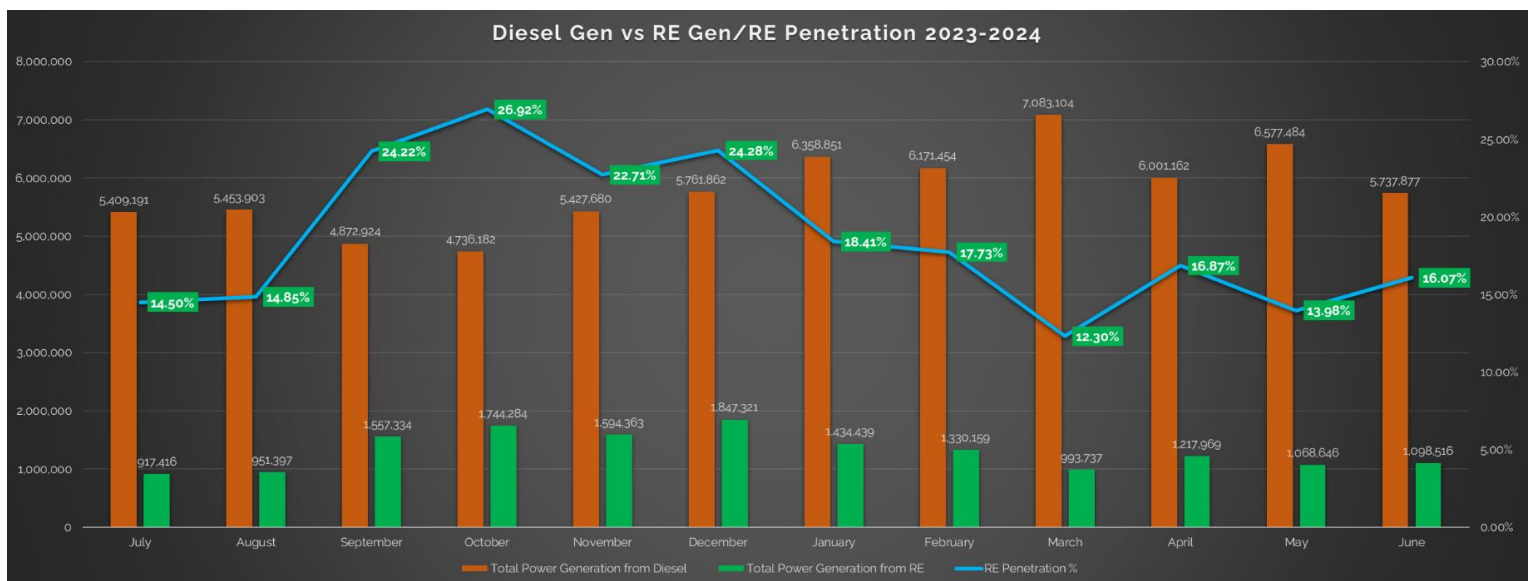
**Mr. Tapu Panuve**  
**Chairman for the Common Utilities**  
**Board of Directors**



.....

**Mr. Finau Moa**  
**(Acting Chief Executive Officer)**

## 6. Review of 2023



### 6.1 Power Generation Performance

#### Overview of Annual Key Achievements/Developments

- Electricity production increased consistently throughout the year, with a notable 8.5% rise in December due to favorable weather conditions.
- Renewable energy (RE) penetration peaked at 24% in December, supported by strong performance in wind and solar energy, particularly in 'Eua, where RE penetration reached 42.73%.
- New Cummins Generators installed across Tongatapu and Ha'apai, supported by Australian aid, to replace aging diesel gensets and enhance the resilience of the power grid.
- Overall, fuel efficiency improved across the year, with efficiency peaking at 3.80 kWh/L in June.
- Comap Controllers were installed across various gensets to replace aging systems, allowing for better integration of diesel generation with renewable sources.
- New generators and auxiliary equipment installed in Ha'apai and 'Eua to enhance power generation stability and efficiency.

#### Challenges Faced:

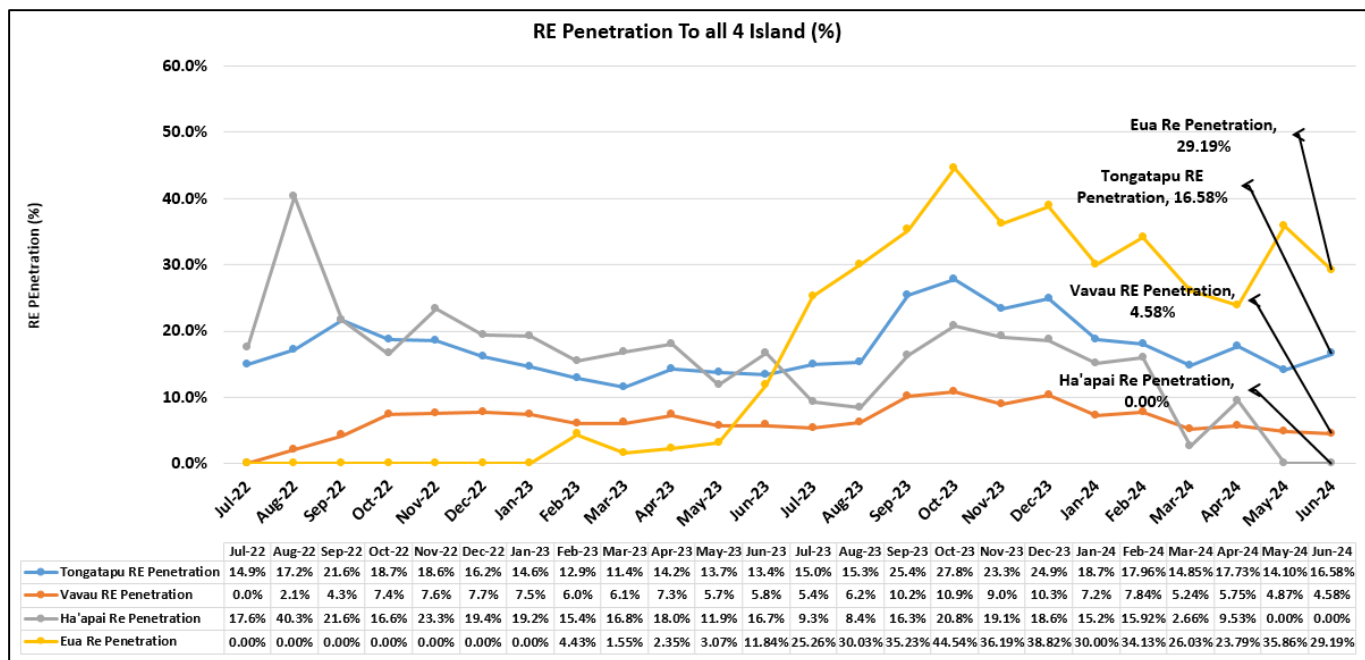
- ✓ The department faced ongoing challenges related to aging diesel generators, with some sets nearing the end of their operational life. This necessitated the replacement of critical equipment, such as the No. 4 engine in Tongatapu, which experienced severe wear.
- ✓ Switchgear and control systems required constant upgrades to handle increasing energy loads and the integration of newer renewable energy projects.
- ✓ Spare parts, equipment and overhaul parts with long lead times after ordering.
- ✓ Unplanned outages occurred during the initial testing and commissioning of the Energy Management System (EMS), particularly when the grid was unprepared for load

variations caused by solar and cloud fluctuations. A key blackout was caused during testing of the system by external contractors.

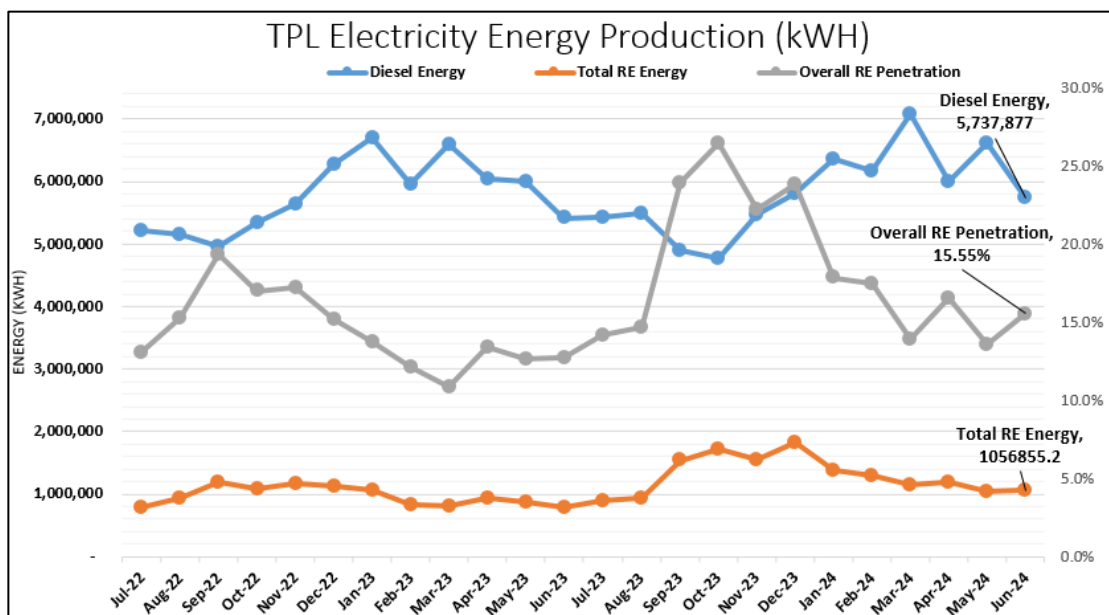
- ✓ Long wait for insurance claim for G8 alternator repairs.
- ✓ Bad weather conditions, particularly in January and February 2024, led to significant decreases in solar generation, which dropped by 7.57%, and caused a drop in RE penetration from 24% to 17.46%.
- ✓ Wind turbine inspections and maintenance also caused intermittent reductions in wind energy generation.

## Operational Performance

The graph illustrates the renewable energy (RE) penetration rates for the four islands since July 2022. Éua maintains the highest RE penetration rate at 29.19%, while Ha'apai has consistently shown the lowest RE penetration rate at 0%. Both Éua and Vava'u experienced decreases this month, dropping from 35.86% and 4.87% in May 2024 to 29.19% and 4.58%, respectively. Ha'apai has remained at 0% RE penetration since being offline in May 2024. However, Tongatapu saw an increase from 14.10% to 16.58% this month as all Sunergise PV sites have been restored and are now fully operational.



The following chart illustrates the variation in diesel and renewable energy production, along with the penetration of renewable energy (RE), since July 2022. In June 2024, RE penetration increased from 13.35% to 15.55% compared to the previous month. Additionally, there was a decline in diesel energy production, which decreased by 12.93%, dropping from 6,590,065 kWh to 5,737,877 kWh. However, total RE production increased by 4.05%, rising from 1,015,695.8 kWh to 1,056,855.2 kWh in June 2024.



- **Total Energy mix production July 22 – July 23**

The portfolio of power generation from different energy sources are shown in the Table below. Currently 87.3% of energy generation comes from conventional diesel generation. Renewable energy makes up the rest. Popua Power Station has the highest power generated from diesel energy of 73.66%, while Vava'u, Ha'apai, and 'Eua generated 9.18%, 2.31%, and 2.10% of the total energy production, respectively. In terms of renewable energy, Eua Huelo e La'a had the lowest power output owing to a fiber connectivity issue between the PV site and the Power Station, whereas Matatoga Solar had the greatest power produced from solar energy at 3.35%. Iii o Manumataongo produced 0.77% of its electricity from wind sources. The rest are shown on the table and graph below.

## 6.2 Network Distribution & Planning Performance

### Network Reliability Measures Summary Table

| SAIDI Monthly Performance (Minutes) |                 |                   |                 |               |
|-------------------------------------|-----------------|-------------------|-----------------|---------------|
| Month                               | 2021/2022       | 2022/2023         | 2023/2024       | Annual Target |
| Jul                                 | 54.473          | 89.36             | 162.560         | 850           |
| Aug                                 | 580.105         | 268.675           | 120.316         | 850           |
| Sep                                 | 399.144         | 287.709           | 207.476         | 850           |
| Oct                                 | 277.278         | 103.569           | 584.622         | 850           |
| Nov                                 | 95.299          | 14.432            | 93.366          | 850           |
| Dec                                 | 167.731         | 49.474            | 42.241          | 850           |
| Jan                                 | 1155.541        | 325.555           | 159.762         | 850           |
| Feb                                 |                 | 996.621           | 1308.215        | 850           |
| Mar                                 | 120.398         | 209.748           | 207.072         | 850           |
| Apr                                 | 2.403           | 168.817           | 236.206         | 850           |
| May                                 | 1019.636        | 130.145           | 362.946         | 850           |
| Jun                                 | 98.198          | 779.016           | 873.825         | 850           |
| <b>Total</b>                        | <b>3970.206</b> | <b>3423.12014</b> | <b>4358.607</b> |               |

The table above displays the monthly SAIDI values for each financial year, comparing FY23/24 with the previous years since FY20/21. As shown, there is an increase in FY23/24, primarily due to more frequent power outages caused by issues with the HV lines faults such as the Volcanic ash faults and power generators from our Comaps upgrade and faults due to ageing gensets. These outages have affected customers and resulted in longer restoration times.

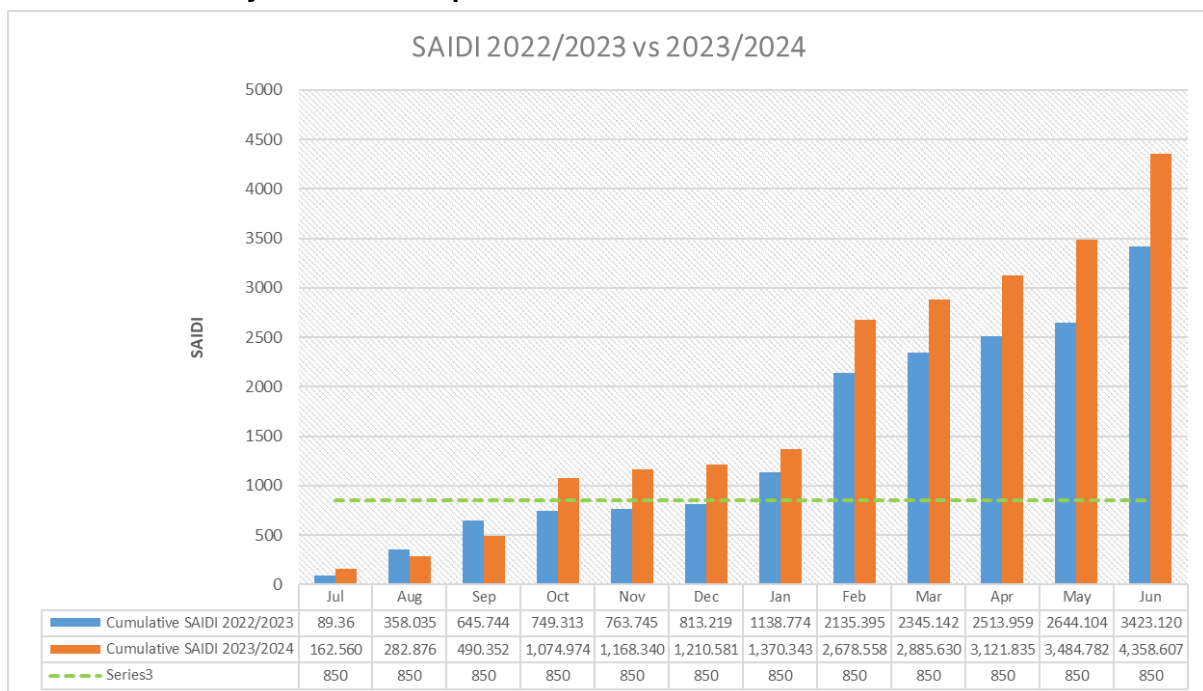
| SAIFI Monthly Performance |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|
| Month                     | 2021/2022     | 2022/2023     | 2023/2024     | Annual Target |
| Jul                       | 0.375         | 0.965         | 0.942         | 14            |
| Aug                       | 2.313         | 2.307         | 1.307         | 14            |
| Sep                       | 1.113         | 1.441         | 1.391         | 14            |
| Oct                       | 1.166         | 1.49          | 3.78          | 14            |
| Nov                       | 0.525         | 0.243         | 1.016         | 14            |
| Dec                       | 1.237         | 0.176         | 0.106         | 14            |
| Jan                       | 4.665         | 1.592         | 1.062         | 14            |
| Feb                       |               | 2.289         | 5.907         | 14            |
| Mar                       | 1.131         | 1.41          | 1.383         | 14            |
| Apr                       | 0.015         | 0.855         | 2.030         | 14            |
| May                       | 1.955         | 1.099         | 2.756         | 14            |
| Jun                       | 0.646         | 3.791         | 3.154         | 14            |
| <b>Total</b>              | <b>15.141</b> | <b>17.658</b> | <b>24.835</b> |               |

The table above displays the monthly SAIFI values for each financial year, comparing FY23/24 with the previous years since FY20/21. As shown, there is an increase in FY23/24, largely due to more frequent power outages caused by issues with the HV lines and power generators.

| CAIDI Monthly Performance (Minutes) |                 |                 |                 |               |
|-------------------------------------|-----------------|-----------------|-----------------|---------------|
| Month                               | 2021/2022       | 2022/2023       | 2023/2024       | Annual Target |
| Jul                                 | 145.235         | 92.67           | 172.549         | N/A           |
| Aug                                 | 250.733         | 116.447         | 92.046          | N/A           |
| Sep                                 | 358.636         | 199.746         | 149.124         | N/A           |
| Oct                                 | 237.891         | 69.515          | 154.659         | N/A           |
| Nov                                 | 181.455         | 59.434          | 91.896          | N/A           |
| Dec                                 | 135.618         | 281.162         | 397.865         | N/A           |
| Jan                                 | 247.71          | 204.545         | 150.386         | N/A           |
| Feb                                 |                 | 435.381         | 221.459         | N/A           |
| Mar                                 | 106.534         | 148.758         | 149.738         | N/A           |
| Apr                                 | 164.821         | 197.361         | 116.345         | N/A           |
| May                                 | 521.455         | 118.470         | 131.684         | N/A           |
| Jun                                 | 151.909         | 205.518         | 277.069         | N/A           |
| <b>Total</b>                        | <b>2501.997</b> | <b>2129.007</b> | <b>2104.820</b> |               |

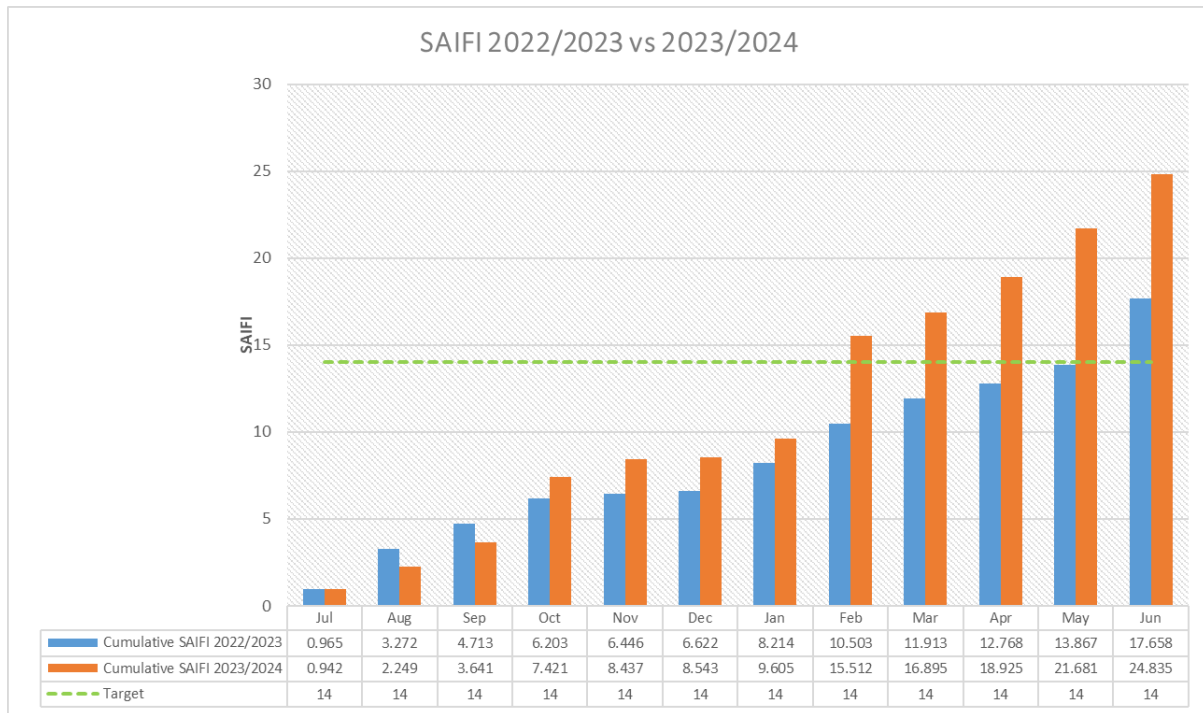
The table above presents the monthly CAIDI values for each financial year, comparing FY23/24 with previous years starting from FY20/21. The data shows a decrease in CAIDI for FY23/24 compared to previous years. This reduction indicates that, despite an increase in the frequency of power outages, the average restoration time for each outage has improved. This suggests that the power system has become more efficient in restoring service during interruptions, leading to shorter outage durations on average. This improvement in restoration time attributed to enhanced operational practices and more effective response strategies implemented throughout the financial year.

### Network Reliability Measures Graphs

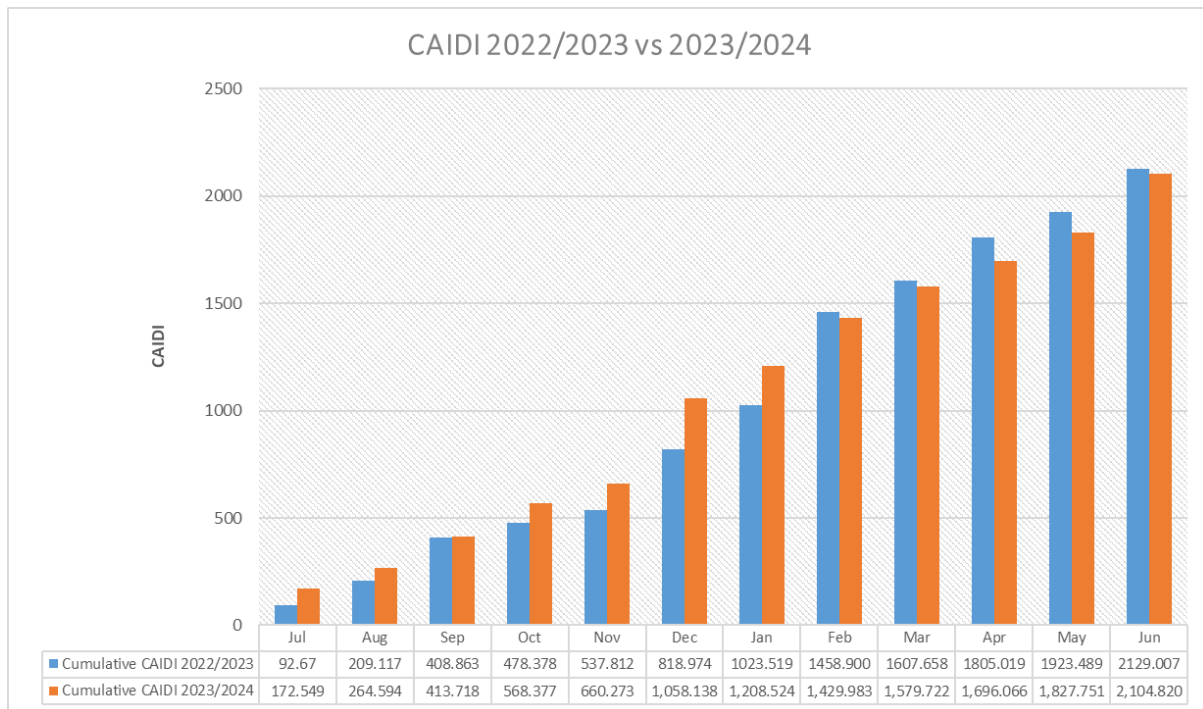


Note: This graph presents the cumulative System Average Interruption Duration Index (SAIDI) for FY2023/24, compared with the previous financial year. The final accumulated SAIDI value for FY23/24 is 4,358.607 minutes, significantly exceeding the annual target of 850 minutes. The graph illustrates a noticeable increase in SAIDI compared to the previous year, highlighting a higher frequency of power outages throughout the financial year, which has led to extended

restoration times. As a key metric, SAIDI measures the average duration of service interruptions experienced by customers. Elevated SAIDI values reflect prolonged outages, which adversely impact system performance and customer satisfaction.



Note: This graph compares the cumulative System Average Interruption Frequency Index (SAIFI) for FY23/24 with that of FY22/23, utilizing data from the Faults Report. The final accumulated SAIFI for FY2023/24 is 24.835, significantly exceeding the annual target of 14. This increase indicates a higher frequency of power interruptions throughout the year. Noteworthy faults at the Power Station and unforeseen issues with HV lines contributed to widespread unplanned outages, impacting the SAIFI metric. SAIFI, a key performance indicator, measures the average number of interruptions experienced by customers. The elevated SAIFI value highlights the need for enhancements in system reliability and reflects the adverse effects on customer satisfaction and overall system performance.



Note: This graph presents a comparative analysis of the cumulative Customer Average Interruption Duration Index (CAIDI) for FY23/24 in comparison to FY22/23, based on data from the Faults Report. The final CAIDI value for FY23/24 is 2,104.820 minutes. CAIDI, which integrates both the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI), measures the average duration of each interruption experienced by customers. While no specific CAIDI target has been established for the current financial year, this metric offers valuable insights into the overall reliability of the power system, reflecting the average length of interruptions that customers have endured throughout the year.

### Key Achievements/Developments:

#### 1. New Connections and Upgrades:

- **581 new connections** were successfully installed.
- **320 old meters** replaced, and **156 faulty meters** repaired, contributing to improved metering accuracy and reliability.

#### 2. Special Projects and Capital Works:

- Design and planning (D&P) for major projects completed, including:
  - **TWB Solar Connection.**
  - **LDS Temple at Neiafu.**
  - **THS Sports Complex.**
  - **HV Supply for Queen Salote Wharf Upgrade Project.**
  - **Fanga'uta Lagoon Bridge Project.**
  - **PIF sites in Popua, Sopus, Fasi, and Kapeta.**

- **OIREP Phase 3 and Phase 4 planners** were deployed to Vava'u, Ha'ano, 'Uiha, and Nomuka to support renewable energy integration and grid reliability.

### 3. Asset Management and Inspections:

- **564 service lines** and **27 CT meters** inspected.
- Special asset surveys completed in '**Eua** and **Ha'apai**, covering streetlights, transformers, and customers per transformer.
- **12 transformers data-logged** to monitor and improve grid efficiency.
- **GIS accuracy** reached **90%**, including updates for the outer islands, contributing to enhanced asset management and planning.

### 4. Streetlight and Transformer Management:

- **119 new LED streetlights** installed across Tongatapu, improving energy efficiency and reducing maintenance costs.
- Regular inspections for unmetered streetlights, resulting in **1.4 million kWh** of unmetered streetlight consumption being recorded and addressed.

### 5. Technological Advancements:

- **Drone and thermal inspections** for HVABC lines in Nuku'alofa, Ha'apai, 'Eua, and Vava'u completed, enhancing the identification of potential faults and network resilience.
- Continued integration of advanced systems like **Tech-One** for asset and inventory management.

## Challenges Faced:

### 1. Supply Chain Delays:

- Global shipping and manufacturing delays caused significant issues with the procurement of critical materials, including meters, power poles, and other supplies.
- This led to delays in important projects and maintenance work.

### 2. Aging Infrastructure:

- Several components of the existing infrastructure, including transformers and power lines, are reaching the end of their life, leading to frequent breakdowns and increased maintenance costs.
- Ongoing issues with **HV faults**, which take long to resolve due to technical capacity limitations.

### 3. Coordination and Resource Allocation:

- Overlapping projects, especially with the rapid push for renewable energy integration, have stretched resources thin and resulted in delays for some critical projects.

- Limited resources for technical teams, including outdated fleet and tools, impacted the pace of project delivery.

#### **4. Economic and Financial Constraints:**

- The company faced cash flow shortages, impacting the execution of planned Capex projects. This resulted in delays with key infrastructure orders, notably meters and materials for network upgrades.
- Rising costs of materials like copper and aluminum have further strained project budgets.

#### **5. Network Losses:**

- Increasing line losses were observed due to the growing number of distributed generation sources (e.g., rooftop solar) connected to the network. These sources, especially those far from load centers, contributed to energy inefficiencies.

#### **6. Customer Complaints and Metering Issues:**

- Slow resolution of customer complaints, particularly related to meter assessments and smart meter functionality, led to dissatisfaction. A lack of human resources to address these issues in a timely manner exacerbated the problem.

### **Mitigation Strategies:**

#### **1. Improving Asset Maintenance:**

- Focused on preventive asset maintenance by expanding the data-logging of transformers and using thermal inspections to identify and resolve faults before they cause outages.

#### **2. Coordination Improvements:**

- Enhanced communication and collaboration between departments to better allocate resources and streamline project execution, particularly to manage multiple projects more efficiently.
- Continued investment in **staff training** and development to improve technical capacity and reduce delays in resolving faults.

#### **3. Addressing Supply Chain Issues:**

- Working closely with suppliers to fast-track the procurement process and secure materials needed for essential projects.
- Seeking collaboration with government agencies like NEMO to expedite the delivery of urgent materials during disaster recovery periods.

#### **4. Technological Enhancements:**

- Continued deployment of **drone and thermal inspections** to reduce downtime and improve fault detection, especially in hard-to-reach areas.
- Expansion of **Tech-One** and other digital tools to streamline asset management, improve reporting, and enhance project tracking.

#### 5. Financial Adjustments:

- Refocused financial forecasting to ensure that high-priority projects are adequately funded, despite the cash flow shortages.
- Reevaluation of cost structures to adapt to rising material costs and ensure the continued feasibility of long-term projects.

### 6.3 Major Projects & Business Development Performance

- Secured grant financing of 15 million AUD as part of the TRES Project
- Secured grant financing of 500k NZD as part of MFAT technical assistance funding for our RE transition to be implemented next financial year
- Successfully revised TPL's strategic plan for the five-year period of 2022-2027.
- Assumed responsibility for Business performance reporting to the Ministry of Public Enterprise, achieving a 100% compliance rate for the financial year.
- Completed the standardization of customer communication recording templates and reporting procedures for Tongatapu, Vava'u, Ha'apai & Éua.
- Conducted trainings on the standardization of faults recording & submission process and procedures for the Outer Islands.
- Successfully submitted a business case for board approval on the TPL power bill design upgrade project.
- Successfully submitted and implemented the Rooftop Pilot project proposal, with the agreement signed.



The Major Projects & Business Development Department has continued to drive progress in the successful implementation of Tonga Power Limited's ambitious renewable energy and network upgrade initiatives. The fiscal year 2023/2024 marked several significant milestones, showcasing our commitment to sustainable energy solutions and modernizing our network infrastructure.

## Detailed Key Achievements of the Business Development and Major Projects Department (FY23/24)



### 1. Tonga Renewable Energy Stabilisation Package (TRES):

- **Funding and Agreement:** The department successfully secured a AUD 15 million grant through the Tonga Renewable Energy Stabilisation Package (TRES), signed in April 2024. This package is pivotal in stabilizing the Tongatapu grid by integrating modern energy technologies and bolstering renewable energy capacity.

The Annual Management Plan for the Tonga Renewable Energy Stabilization Package (TRES) outlines several planned works, covering three key projects to enhance Tonga's energy infrastructure. Here is a summary of the planned works for the next financial year:



### Tongatapu Power Generation Upgrade Project (TPGUP) (FY24/25)

- Objective: Secure and install three new 2MW Cummins generators to ensure grid reliability and enhance renewable energy integration.
- Key Activities:
  - Manufacture and transport the generators.

- Integrate new generators with power management systems.
- Modify the existing powerhouse and build a new Low Voltage (LV) switch room.
- Install ancillary equipment (LV & HV switchboards, transformers, fuel tanks, etc.).
- Budget: TOP \$8.8 million (AUD \$5.67 million).
- Outcome: Expected to improve electricity supply reliability with a 90% availability factor and reduce unplanned outages.

#### Grid Enhancement for Sustainable Transition (GREST) (FY24/25 – FY25/26)

- Objective: Upgrade the distribution network from Fualu to the power station and enhance parts of the 11kV network to enable grid stability and integration of the RAPID 20MWIPP Solar project with a 55MWh Battery Energy Storage System (BESS).
- Key Activities:
  - Establish a Project Management Unit (PMU).
  - Recruit consultants and finalize project designs.
  - Procure equipment and begin civil works.
- Budget: TOP \$12.5 million (AUD \$8.08 million).
- Outcome: Enabling Increase renewable energy generation by 30% and reduce fossil fuel dependence



## **2. NNUP (Nuku'alofa Network Upgrade Project) Area 5:**

### **Project Overview**

- **Project Title:** Nuku'alofa Network Upgrade Project (NNUP) – Area 5
- **Project Number:** 49450-036-TON

- **Grant Number:** 0868-TON(SF)
- **Implementing Agency:** Tonga Power Ltd (TPL)
- **Executing Agency:** Ministry of Finance, Tonga
- **ADB Financing:** USD 7.2 million
- **Non-ADB Financing:** USD 1.5 million
- **Project Timeline:** January 2023 to December 2024



## Project Scope and Objectives

1. **Objective:**
  - Upgrade the electricity network in Nuku'alofa, focusing on improving disaster resilience and reducing technical losses.
  - Enhance gender inclusiveness and capacity-building within TPL.
2. **Key Outputs:**
  - Rehabilitation of 18 km of high-voltage (HV) and 60 km of low-voltage (LV) networks.
  - Installation of 16 HV/LV transformers and improved customer connections.
  - Promotion of gender inclusiveness in staffing and community engagement.

## Progress to Date (January 2023 - June 2024)

### Geographical Focus:

Area 5 of Nuku'alofa is divided into six major villages across eleven sections:

- **Completed Sections:**
  - **Tu'atakilangi (Section 1)** – 100% completed.
  - **Kupolu (Section 2)** – 100% completed.
  - **Sia'atoutai (Sections 3, 4, 5)** – 75% completed.
- **Remaining Sections:**

- **Hofoa (Sections 6, 7) and Sopo (Sections 8-10)** – construction targeted for 2024.
- **Halavave (Section 11)** – scheduled for the second half of 2024.



#### **Customer Connections:**

- 289 customers were connected to the upgraded network, providing them with more reliable and disaster-resilient power.
- 11 new customers were connected for the first time, increasing the community's access to electricity.

#### **Financials and Procurement**

- **Package 2 (Network Construction Works):**
  - Approved: USD 1.41 million, Disbursed: USD 309,054.18 (35% complete).
- **Package 3 (Supply of Power Poles):**
  - Approved: USD 1.39 million, Disbursed: USD 459,509.38 (707 poles delivered).
- **Procurement Challenges:**
  - There have been delays in the procurement of conductors and hardware due to logistical issues. However, pre-existing materials from prior stages were used to maintain some progress.
  - ADB has approved procurement plans, but delays were mitigated by allowing the use of existing stock until new materials are delivered.

#### **Key Challenges and Mitigations**

1. **Procurement Delays:**
  - Delays in procuring key materials like conductors and transformers have slowed progress. The decision to use existing stock allowed work to continue while awaiting new materials.
2. **Health and Safety:**

- Health and safety remained a top priority, with no major incidents reported from January 2023 to June 2024.
  - Weekly toolbox meetings were held to ensure all workers were fully aware of safety protocols, and the team complied with the Health and Safety Plan.
- 3. Community Engagement:**
- Public awareness campaigns continued throughout the project, including consultations in each village before commencing works. Turnout was often low, but additional radio and media announcements ensured broad awareness.

### **Health, Safety, and Environmental Safeguards**

- **Environmental Monitoring:**
  - Tree trimming and vegetation management complied with environmental guidelines. Waste management followed proper disposal practices at designated landfills or was retained by landowners for firewood.
- **Social Safeguards:**
  - Construction caused minimal disruption, with some complaints about noise and minor inconveniences related to temporary power outages. These were resolved promptly.
- **Safety:**
  - No accidents were reported during the reporting period, but daily hazard assessments were conducted to ensure all work adhered to safety guidelines.

### **Gender Inclusiveness**

- **Staff Participation:**
  - Of the 263 staff involved in the project, 65 were women (25%).
  - Ongoing recruitment efforts targeted women for roles such as line mechanics, with a goal of further increasing female participation in the project.

### **Project Risks and Mitigations**

- **Project Risks:**
  - The primary risks included procurement delays for key materials and the environmental impact of construction work. The risk of disruption to the community was mitigated by careful planning of construction schedules.
- **Mitigations:**
  - Procurement issues were managed by allowing work to continue using available materials until new supplies arrived. Environmental impacts, such as tree trimming and waste disposal, were managed in compliance with local regulations.

### **Outlook for July 2024 - December 2024**

- 1. Work Schedule:**

- The remaining LV and HV network upgrades in **Sia'atoutai, Hofoa, Sopu, and Halavave** are on track for completion by the end of 2024.
  - 2. **Procurement:**
    - All delayed materials are expected to arrive in the second half of 2024, which will accelerate progress on the remaining sections.
  - 3. **Community Engagement:**
    - Continued public awareness campaigns will inform the community about the remaining phases of the project and any disruptions related to the construction work.
3. **Renewable Energy Integration:**

### **China Wind Project 2.25MW**

TPL successfully completed the High Voltage (HV) connection to the China Wind Project site through the efforts of the NNUP Area 5 project team.

#### **Land Acquisition:**

One of the major challenges for the project was completing the land acquisition process, which took nearly seven years. This issue has now been fully resolved, with the land lease deeds finalized and approved by the Ministry of Lands and Survey.

#### **Key Government Involvement:**

- **Ministry of Infrastructure:** Cleared road access and overhanging trees to facilitate the transportation of equipment to the project site.
- **Ministry of Lands and Survey:** Conducted the land survey and handled the allotment process.
- **MEIDECC:** Led negotiations with the Chinese government and contractors to ensure smooth project coordination.

#### **Ongoing Works:**

- **Turbine Foundations:** Construction of the foundations for the three wind turbines is underway.
- **Power Control Building:** The construction of the Power Control Building is progressing as planned.
- **Cabling:** Installation of underground cabling between the turbines and the Power Control Building is ongoing.
- **Transformer:** The foundation for the transformer has been successfully completed.

#### **Challenges:**

1. **Material Quality:** Local materials, such as gravel and sand, did not meet the required quality standards, necessitating the outsourcing of materials from Fiji.
2. **Heavy Machinery:** Local machinery was insufficient for the specialized tasks, such as lifting and installing turbines. As a result, the required heavy machinery had to be sourced from China.

#### Next Steps:

- The main objectives for the next quarter are to continue with the turbine foundation work, complete the installation of the turbines, and ensure the project remains on schedule for completion by the end of FY24/25.
  - **Rooftop Solar Pilot Project:** As part of efforts to encourage distributed generation, the department completed 9 out of 10 rooftop solar installations. This pilot project lays the groundwork for the expansion of small-scale renewable energy systems across Tonga, reducing reliance on traditional power sources as well as developing the policy framework.
  - **Sunergise 6MW Solar Project:** Collaborating with Clay Energy, the department oversaw the replacement of inverters across Sunergise sites. Additionally, ongoing negotiations for a deed of amendment on the power purchase agreement (PPA) aim to enhance the efficiency and cost-effectiveness of solar energy production.
- 4. **Business Development Initiatives:**
  - **24MW Independent Power Producer (IPP) Project:** One of the department's major achievements was completing commercial negotiations for a 20MW IPP project with board approval of the PPA. The next steps is getting PPA Approval from the Electricity commission as well as securing land for the project.
  - **Customer Segmentation Project:** The Business Development team successfully categorized 3,418 commercial customers using the TPL Customer Orion System. This segmentation enables more tailored services and better data management. However, 505 customers are still classified as 'UNKNOWN' due to incomplete data, which remains a focus for the upcoming year. Team is also looking into revamping the new connection process according to the new customer segments proposed in FY24/25
- 5. **Public Relations and Communication:**
  - **Communication Channels:** Successfully maintained contracts with key platforms such as Broadcom 87.5FM, Kele'a Media, Radio Tonga, and Digicel, facilitating

widespread communication for campaigns and announcements.

- **Campaign Progress:**
  - **SMILEY Project:** Pending, with a launch scheduled for July 2024.
  - **Customer Service Campaign:** Completed, with consultations held in the Outer Islands and TBU, resulting in actionable customer feedback.
  - **New Power Bill Campaign:** Pending, with a launch planned for September 2024.
  - **Outdoor Branding Campaign:** Currently in the brainstorming and planning phase.
- **Announcements and Audits:**
  - **124 announcements** were made, covering press releases, outage notifications (planned and unplanned), job postings, and disconnection notices.
  - Customer Service Audit initiated in January 2024.
- **Monthly Radio Programs:** Facilitated **12 monthly radio programs** to raise public awareness on key topics such as power outages, new developments at Tonga Power Limited (TPL), and customer service improvements.
- **Press Conferences:**
  - Held **three major press conferences** to address significant incidents at TPL, including power disruptions and operational challenges, providing transparency and reassurance to the public.
- **Next Priorities:** Focus on launching the SMILEY Project and New Power Bill campaigns on time, progressing the Outdoor Branding Campaign, and continuing proactive public engagement through radio programs and press events.

Overall, communication efforts have been consistent, with radio programs and press conferences serving as crucial platforms for engaging with the public and addressing key incidents. Upcoming campaigns are on track for launch in FY 24/25.

#### 6.4 Human Resource Performance

For the 2023/2024 FY, the Human Resources Division closely monitored its strategic objectives and annual targets as highlighted below;

| Strategic Objectives | Strategic Measures                                                  | Target for the 23/24 FY | Actual                                                                |
|----------------------|---------------------------------------------------------------------|-------------------------|-----------------------------------------------------------------------|
| 1. GREEN ENERGY      | Implementation of HR Workforce Learning Strategy & Development Plan | 30%                     | 30% completion of training needs survey and training plan development |

|                        |                             |      |                  |
|------------------------|-----------------------------|------|------------------|
|                        | Employee Satisfaction Index | 30%  | Satisfactory 90% |
| 3. EMPLOYEE EXPERIENCE | Employee Retention Rate     | >90% | 100%             |
|                        | Employee Turnover Rate      | <5%  | 1.95%            |
|                        | Employee Wellness           | <10% | <10%             |
|                        | Employee Absenteeism        | <5%  | 2.32%            |

### TPL Workforce

As of June 2024, Tonga Power Limited workforce comprised of 227 permanent employees and 47 casual employees at a total of **264 employees** distributed throughout Tongatapu, Vava'u, Ha'apai and 'Eua.

By June 2024, the overall staff count declined by 3.65% relative to June 2023. From 274 to 264.

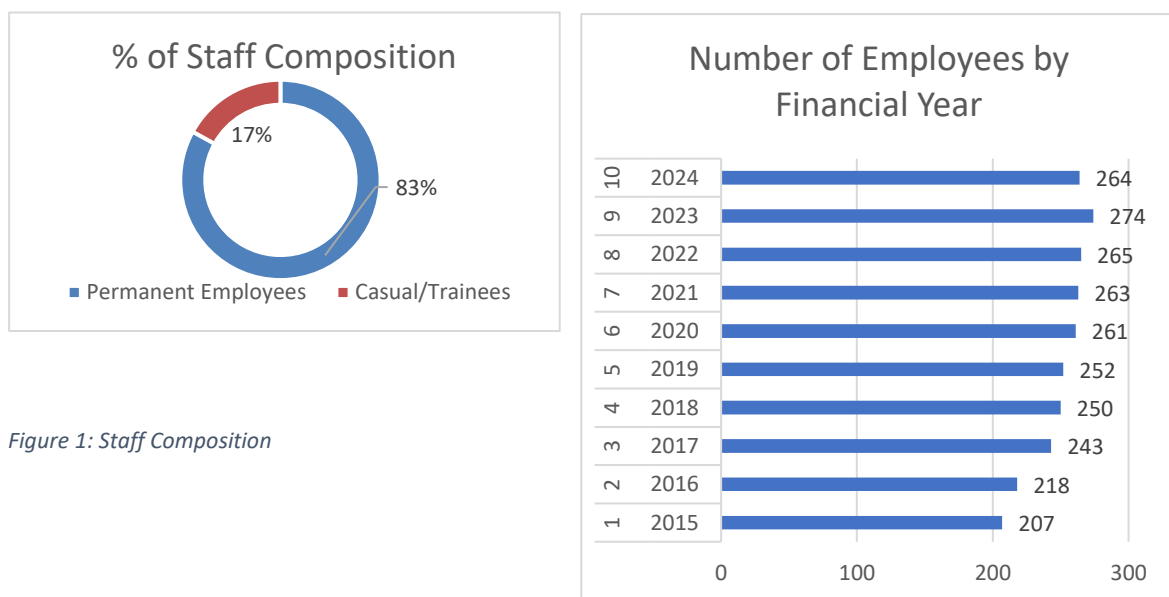


Figure 2: Total staff numbers (2015 – 2024)

This is an overview of our staff numbers during the previous nine years (9), as illustrated in the accompanying graph. There has been a steady increase in our staff from 207 employees in 2015 to a maximum of 274 in 2023. Statistics, however, show a decrease to 264 staff in June 2024.

The increase of staff signifies TPL's expansion and the effective initiatives executed over the years. The reduction in 2024 requires careful assessment. The primary factors contributing to this drop encompass labor movement trends and shifts in employment preferences among skilled workers, particularly linesmen.

Despite experiencing a decrease in overall staff numbers. The retention rate has consistently exceeded our annual target of 90%. This achievement is largely attributable to our efficient recruitment processes, which have allowed us to swiftly fill vacancies as they arise.

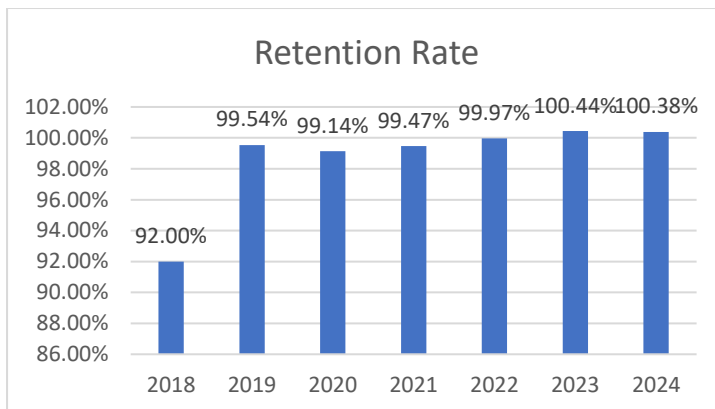


**Figure 3: Staff Retention Rate**

In terms of gender composition, about 28% of the total number of all employees are females and 72% are male.



28%



72%

While this reflects the nature of our work as a male dominant organisation, The data reflects a consistent increase in the number of female employees, which is a testament to our commitment to diversity and inclusion within Tonga Power.

| Year   | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------|------|------|------|------|------|------|------|------|
| Female | 58   | 61   | 64   | 67   | 67   | 70   | 74   | 74   |

*Table 1: No of female employees, 2017 - 2024*

From 2017 to 2023, we have seen an increase from 58 to 74 female employees, representing a growth of approximately 27.6% over this period. Notably, the years 2020 and 2021 saw a stabilization in numbers at 67, which may suggest external factors influencing hiring practices during that time. However, It is important to note that we have resumed growth, achieving an increase to 70 in 2022, and maintaining this upward trajectory into 2023.

### HR Team

For the 2324 FY, Ms. Malia Hehea (HR Officer) has been on a two-year study leave since January 2023. During her absence, Ms. 'Alisi Halatanu was brought on board as a casual HR Officer to

assist during Ms. Hehea's leave, but she resigned in September 2023. We also recruited Ms. Jamie Sa as a Senior HR Officer in November 2022; however, she departed from her position in November 2023.

To address these vacancies, the following appointments were made.

- i. Mrs. Sela Fakapelea joined us in April 2024 as a Senior HR Officer
- ii. Ms. Charlene Finau has been appointed as a Casual HR Officer

In addition to these changes, the HR Manager, Falemei Fale, resigned on April 30, 2024. Mrs. 'Uluakimata Ma'afu has assumed the role of HR Manager effective May 1, 2024.

Overall, there were six (6) human resources staff with one person away on study leave in Fiji, so five (5) HR staff for the most of 2324FY. As such we had a ratio of 1.89 of HR to employees which means that the number of HR staff is sufficient to cater for the total staff numbers at TPL.

### **Performance Review**

Employees were able to complete their 1-2-1 with their supervisors as part of their annual performance review for the 2022/2023 FY in November 2023 and was submitted to the Board.

For the 2022/2023 FY, 96% of staff completed a performance review with 45% of staff meeting and exceeding expectation with 30% as outstanding. One of the things noted for improvement was the quality of 1-2-1 meetings and managing expectations.

### **Trainings (Short term & Scholarships)**

We continue to support capacity building and training for our employees. Although we have faced significant challenges, including budget limitations and the loss of key staff. These factors have prompted us to reassess our training strategies while ensuring that we continue to invest in our workforce's development. It is imperative that we maintain a skilled and knowledgeable team to uphold our operational standards and service delivery.

### **Short Term Trainings**

Some of the trainings completed for the financial year were as follows;

- 1) A TPL nomination for one (1) employee from the Power Generation team has been sent to participate in the (ORC) Diesel Maintenance Program in Japan in October, 2023
- 2) Mr. Peifaga Fuiono (Chief Information Officer) attended 2 days' event for Technology One Product User Group Event in Brisbane Australia on 31st July through to 1st August, 2023.
- 3) 16 Staff Members from the Popua Power Station including GM-Operations attended BESS (Battery Energy Storage System) training on 21st July, 2023.
- 4) Two representatives from HR attended a workshop conducted by RFB for new members to the Retirement Fund Board
- 5) Three representatives from TPL, including ACEO, HRM & Strategic Business & Development Unit Manager attended the PPA 30th Annual Conference & Trade

Exhibition that was held in Saipan from 25-28 September, 2023. The HR Manager travelled due to invitation from World Bank for the Pacific Women in Power (PWIP) program which was presented during the PPA conference. The outcome of a meeting between the ACEO and World Bank discussed the following programs for TPL moving forward;

- 6) Six (6) representatives from TPL, including one Senior HR Officer, a Risk & Compliance Analyst and four Senior Team Leaders from the NNU Project attended a three days' ADB's Health & Safety Training from 26-28 September, 2023. The training was well received by TPL participants which provided an overview of risk audit for health and safety, importance of safety at the workplace etc. The participants all received certificates.
- 7) All staff members from the HR team including the HR Manager, two Senior HR Officers and one Senior Payroll/HR Officer participated in a two days training on 19th & 30th October on Human Resources & Payroll Configuration Design Workshop by TechOne consultants. This aims to improve knowledge and skills of HR team to enable usage of other HR modules on TechOne such as training, recruitment etc.
- 8) Graduate Engineer-Mechanical, Fineula Tui'onetoa attended a one-day training workshop conducted by NEMO (National Emergency Management Office) on 24th October 2023. This training aimed at equipping participants with the knowledge and skills required to perform effective Initial Damage Assessment (IDA) following disasters or emergencies.
- 9) Two staff members from the IT team, 'Akuila L. Pohiva, Data & Network Analyst and Kavamone To'ia, a Junior IT Technician participated in a three days' training from 7th ,8th & 9th November on Certified Fibre Optic Technician Training that was led by Comms Learning NZ. They have now become certified Fibre Optic Technicians with high achievements. Mr Kavamone To'ia had the highest marks out of all the trainees which included technicians from Digicel and TCC.
- 10) TechOne training for the Finance team commenced on the 3rd November, 2023.
- 11) A training for Tech One key users was conducted in head office on a monthly basis.
- 12) The ongoing Induction training for new staff and trainees were completed as well.

### **Long Term Trainings**

Two (2) staff members have departed for further studies during the financial year as follows;

- i. Mr. Pesalili Tohi, who is pursuing a Bachelor's degree in Engineering at the University of the South Pacific with an AUSAID scholarship. Mr. Tohi departed in early February 2024.
- ii. Mr. 'Akuila Pohiva Langi is pursuing a Master's degree in Cyber Security at the University of Sydney through the Australia Awards Scholarship. Mr. Langi departed in July 2024.

The afore-mentioned are some of the training and development programs that the Company successfully completed. We are dedicated to improving staff development and training to augment the value contributed to our business, seeing our staff as our most significant assets.

### **Died in Service**

It was a difficult time as we reflect on the recent losses within our Tonga Power family. It is with a heavy heart that I inform you the demise of three great colleagues whose efforts have significantly impacted Tonga Power.

Firstly, we mourn the loss of Mr. Finau Angitau, who served as a Power Station Technician at the Popua Power Station. Mr. Angitau passed away in September 2023

Subsequently, we also mourned the loss of Mr. Matiu Hafoka, a Senior Line Mechanic at the Vava'u Distribution Network, who passed away on January 1, 2024.

Finally, we commemorate Mr. Kepueli Fe'ao, who tragically passed away in service on March 16, 2024, from natural causes.

The passing away of these individuals constitutes a profound loss for both their families and Tonga Power.

### **Staff Movement**

#### **Appointment**

TPL had a total of 43 appointments for the 2324FY. Of the 43 appointments, one (1) of those are casuals within TPL being appointed to permanent position. The rest were appointment of twenty-two (22) new trainees and 21 (twenty-one) permanent staff.

#### **Promotion**

There were four (4) internal promotions.

- i. Ms. Heta Telefoni- Retail Manager in February 2024
- ii. Ms. Grace Afeaki- Senior Billing Officer in June 2024.
- iii. Mr. Kitone Kalu- Senior Storeman/Warehousing Officer in June 2024
- iv. Ms. Siunipa Noavea- Customer Liaison Officer

#### **Resignation**

There was a total of fifty-three (53) exit/departures occurred, comprising of resignations, dismissals, and deaths, with forty-five (45) permanent staff and eight (8) casual employees. Most staff are departing to explore opportunities in fields outside of TPL.

#### **Dismissals**

Six employees were terminated due to serious misconduct.

#### **Acting Appointments**

Four (4) employees were approved for acting appointments as follows;

- i. Mr. Andrew Kautoke has assumed the role of Acting Major Projects Manager effective 31 July 2023 following the resignation of Mr. Finau Katoanga. The position has been advertised repeatedly without yielding a successful candidate, resulting in the prolonged interim arrangement.
- ii. Acting appointment of Mrs. Fane Fonua as the GM Finance Manager on 27 July 2023.
- iii. Mrs. 'Uluakimata Ma'afu has assumed the role of Acting Human Resources Manager as of 1 May 2024, following the resignation of Mrs. Falemei Fale.
- iv. Ms. Sela Fatai has held the position of Acting Project Accountant since February 5, 2024, following the departure of Mrs. Fonua in the same month.

### Transfer

We had one (1) transfer during the financial year. Ms. Fekita Mataele, who previously held the position of Chief Executive Officer (ACEO) at Tonga Gas, has returned to her former role as Risk & Compliance Analyst as of 1 May 2024.

### Retirement

No retirement took place during the financial year.

### Ombudsman Case

There was no ombudsman report.

### Other Matters

As we conclude the financial year 2023/2024, I would like to take this opportunity to provide an overview of the key challenges and highlights;

- i. **Transition to PESSEP 2022 Policy:** As you are aware, the PESSEP Policy is currently under review by our Legal Counsel. The consultation process with staff regarding this transition has presented numerous challenges, primarily in ensuring that all employees are adequately informed and involved in the discussion. Effective communication is crucial during this period of change, and we are committed to addressing any concerns that may arise as we move forward.
- ii. **Staff Health:** A total of 135 Staff Members from TPL & NNUP, took part in medical checkups (Body fat, Blood Glucose, Blood Pressure, Blood Cholesterol etc.) conducted by the Ministry of Health, Tonga Health team on 25th October 2023. This is an important aspect of preventative healthcare and can help identify potential health issues before they can become serious. This checkup was only for Tongatapu employees and request has been made for similar checkups for our outer island employees.
- iii. **Serious Incidents:** This financial year has also been marked by serious incidents that have necessitated immediate attention and action. Notably, we have dealt with a sexual harassment case that required thorough investigation and intervention to

uphold our commitment to a safe workplace environment. Additionally, we faced a significant theft involving three Senior Linesmen who were implicated in the unauthorized removal of drum cables from TPL compound.

- iv. Staff Migration and Skill Gaps:** Another pressing issue is the migration of Senior Linesmen overseas, which has resulted in skill gaps within our workforce. In response, both the HR and Distribution Managers are collaborating closely to identify suitable replacements. We are actively working to train our current trainees in linesman work to ensure continuity in operations and maintain service quality.

Despite the numerous obstacles encountered this year, we are committed to identifying effective solutions. Our proactive strategy seeks to alleviate these problems by transparent communication, comprehensive training initiatives, and a dedication to maintaining workplace standards.

## 6.5 Information Technology Performance

### 1. Overview of IT Department

The IT department plays a critical role in supporting Tonga Power Limited (TPL) through its operational and project management functions. The department's structure is divided into key teams responsible for Smart Meter operations, IT infrastructure, and support services. This report outlines the major initiatives, performance, and challenges faced during FY23/24.

### 2. Key Achievements for FY23/24

#### Smart Meter Project

- **Firmware Upgrade:** 100% completed, resulting in improved meter communication.
- **CGR Deployment:** 25 CGRs installed with 8 more expected for FY24/25.
- **Performance:** The read rate for ITRON improved from 47% post-volcano eruption to 93%, with daily meter reads increasing to 17,320 meters.

#### TechnologyOne Implementation

- **SaaS Migration:** 100% completion, providing accessibility from any location with internet.
- **Staff Training:** Core module training (financials, HR, payroll, asset management) completed.
- **Improvements:** Enhanced operational efficiency with integrated email and improved system performance.

#### Failover Links for Critical Sites

- **Completion:** 100% completed. Failover links now ensure fewer disruptions at power stations when primary connections go offline.

#### IT Asset Management

- **Completion:** The IT asset management strategy was fully developed and implemented, awaiting review with the Strategic Department.

#### IT Policy and Procedures

- **Completion:** 100% implementation, awaiting approval from Risk and Compliance.

#### Smiley Terminal and Call Center Projects

- **Smiley Project:** 90% completed, aiming to go live in FY24/25.
- **VOIP Call Center:** 40% completed, with delays due to ISP issues. The project will continue in FY24/25.

#### IT Support Services

- **Issues Resolved:** 1,891 issues reported, with a 92% resolution rate.
- **Network and Systems Uptime:** Achieved a 99% uptime for both systems and major applications.

### 3. Challenges and Risks

- **Smart Meter Project:** Network instability and shipment delays impacted meter data collection. To mitigate these, backup batteries were ordered for CGRs and additional staff were recommended.
- **TechnologyOne Utilization:** Despite training, some modules are underutilized. Further training and monitoring are required.
- **Disaster Recovery:** The lack of a disaster recovery site and reliance on out-of-warranty infrastructure present risks. Plans are in place for hardware upgrades and the establishment of a disaster recovery site.
- **Failover Links:** The failover process is currently manual, creating operational delays. Plans are underway to automate this process.

### 4. Next Steps for FY24/25

- **Smart Meter Project:** Improve read rate to over 95% and deploy additional CGRs to strengthen communication infrastructure.
- **Disaster Recovery:** Implement a disaster recovery site and upgrade IT infrastructure to ensure business continuity and data protection.
- **TechnologyOne:** Migrate existing modules to the CiAnywhere platform and integrate ArcGIS for better asset management.

- **IT Support:** Replace end-of-life computers and laptops and enhance support for outer islands through new IT equipment and UPS installations.

## Conclusion

The IT department made significant strides in improving operational efficiency and project delivery in FY23/24, despite facing challenges in network stability and infrastructure limitations. Key projects, including the Smart Meter Project and TechnologyOne implementation, achieved their objectives, laying a solid foundation for FY24/25. The focus for the coming year will be on strengthening disaster recovery measures, upgrading IT infrastructure, and continuing to enhance IT support across all TPL departments.

## 6.6 Engineering Department

### Key Achievements

#### 1. Network Upgrades and Maintenance:

- **Recloser Issues Resolved:** Successfully worked with the power generation team to fix recloser malfunctions at Maui, which caused multiple blackouts on the Nuk 1 feeder.
- **Outer Island Network Upgrades:** Completed upgrades in 'Uiha and Ha'afeva for the renewable energy project (OIREP), ensuring a more stable power supply.
- **Tonga High School Sports Complex:** Finalized high-voltage (HV) works, including the installation of two new transformers, and performed testing and commissioning for the project.

#### 2. Renewable Energy Integration:

- **Nishi Trading Solar System:** Oversaw the commissioning of the new solar system, ensuring proper planning, metering, and connection of the protection system.
- **TWB Solar Project:** Supported the testing and commissioning process, ensuring 50% of power generation capacity is operational.

#### 3. Collaborations and Technical Support:

- **North Power Partnership:** Conducted thermal and acoustic inspections of Tongatapu's HV network, identifying key areas for improvement and working towards minimizing HV faults.
- **Energy Management System (EMS) Implementation:** Collaborated with Energy Pool to test the EMS and Power Management System (PMS), with initial successful results, bringing the system into partial automatic mode.
- **Customer Claims Resolution:** Investigated electrical appliance damage claims, providing recommendations to customers for appliance protection and ensuring fair resolution of issues.

#### 4. **Health and Safety Initiatives:**

- **Health and Safety Manual:** The team made significant progress in drafting a new Health and Safety Manual, with 90% of the work completed. This manual will enhance safety protocols for engineering activities.

#### **Operational Highlights**

- **Monitoring and Fault Management:** With the help of the new Simplicity platform, the department can now monitor network performance from the main office, ensuring quick response to power station issues and network faults.
- **Transformer Testing:** Assisted the distribution team in testing and reclaiming transformers, ensuring reliable performance and optimal power delivery.
- **Feeder Backbone Inspection:** Conducted HV line inspections with North Power consultants, identifying potential risks to feeder reliability and compiling data for the network reliability program.

#### **Challenges Faced**

1. **Customer Complaints:** There was an increase in complaints related to recent power outages, often linked to aging HV assets and grid instability.
2. **Outdated Network Manuals:** The network design and construction manuals are incomplete and outdated, affecting the efficiency of maintenance and upgrade projects.
3. **Resource Limitations:** The department faced a shortage of test equipment, vehicles, and access to modern engineering software, hampering the ability to conduct comprehensive grid studies.
4. **Stolen Power:** Unauthorized meter bypasses were discovered, including cases where TPL staff were involved, impacting public safety and revenue collection.

#### **Goals for FY24/25**

1. **Grid Strengthening Plan:** Continue collaborating with North Power to implement measures that enhance the reliability of the HV network and minimize outages.
2. **Skill Development:** Focus on building the technical expertise of the engineering team to reduce dependence on overseas consultants and improve internal project delivery.
3. **Manuals and Standards:** Update and complete TPL's network manuals, standards, and work procedures to ensure consistent, high-quality work across projects.
4. **PIF Preparation:** Support the Government of Tonga's preparations for the Pacific Islands Forum (PIF) by ensuring uninterrupted power supply for newly constructed buildings.
5. **CT Meter Inspections:** Continue inspections to secure accurate revenue collection from high-load customers and ensure reliable metering.
6. **Health and Safety Manual:** Finalize and implement the Health and Safety Manual by Q1 FY24/25.

#### **Risk Assessment**

- **Personal Protective Equipment (PPE):** Ensuring that all field engineers are equipped with the necessary PPE is critical to reducing workplace injuries.
- **Training and Competency:** Continued investment in training is essential to maintain the safety and proficiency of engineering staff, particularly in specialized tasks like working at heights and operating high-voltage equipment.

## Conclusion

The Engineering Department made significant progress during FY23/24 despite facing challenges related to network reliability, customer complaints, and resource limitations. The department's achievements, including the completion of key projects and collaboration with external partners, have positioned Tonga Power Limited for future success. Looking ahead, the focus will be on strengthening the grid, developing internal capabilities, and improving the overall efficiency and safety of operations to meet the demands of Tonga's evolving energy landscape.

## 6.7 Risk & Compliance Performance

### Key Achievements FY23/24

#### 1. Regulatory Reporting:

- Submitted the **Annual Regulatory Report 2023** and **Half-Year Performance Report** to the Electricity Commission (EC), covering TPL's performance on fuel efficiency, system reliability, and network losses.
- Implemented the **Quarterly Tariff Review**, ensuring that tariff adjustments align with EC regulations.
- **CAPEX Proposal:** Coordinated reporting on Tonga Power's capital expenditure (CAPEX) proposals to the EC, ensuring compliance with budget approvals.

#### 2. Health & Safety:

- Updated the **Fatality Register** and ensured the completion of the **Incident Register**.
- Conducted **monthly Health & Safety meetings**, although completion rates fell short of targets due to resource constraints.
- Participated in the **NDRMO Workshop** for disaster risk management and an **ADB Training on Environmental Safeguards**.

#### 3. Customer Complaints Resolution:

- Investigated and finalized two long-standing customer complaints (Tupou College and Tano'a Hotel) related to high consumption and master meter issues.
- Handled customer claims for damages from low/high voltage incidents, and coordinated with the Engineering and Billing Divisions for timely resolution.

#### 4. Risk Management:

- Continuously monitored and updated the company's **Risk Register** through the **TechOne PPRisk Module**.
- Completed internal audits on working sites and addressed risks related to health and safety, though some compliance audits were delayed due to resource limitations.

#### 5. **RAPID Project:**

- Finalized an analysis on the tariff impact of the RAPID project, contributing to Tonga's goal of achieving 70% renewable energy by 2030.

### Challenges Faced

1. **System Losses & Voltage Standards:** Ongoing breaches in fuel efficiency standards and system losses highlight the need for network upgrades, especially in areas with aging infrastructure.
2. **Policy Alignment:** Implementation of new policies issued by the Public Enterprises Sector Efficiency and Effectiveness Program (PESSEP-22) is still in progress. Compliance audits will be prioritized next FY.
3. **Data Accuracy and Timeliness:** Inconsistent data collection and late submissions have delayed reporting, affecting timely decision-making and compliance with regulatory deadlines.
4. **Staff Training & Resources:** Limited staffing and delays in training have impacted the unit's ability to meet compliance targets. Addressing this will be a priority in the coming year.
5. **Budget Constraints:** Competing business priorities have affected resource allocation for compliance activities, especially for external audits and site visits.

### Goals for FY24/25

1. **Regulatory Reset Preparation:** Prepare for the **Regulatory Reset Period 4 in 2025**, ensuring that all compliance measures are in place and reporting is accurate.
2. **Policy Overhaul:** Complete the overhaul of company policies in line with PESSEP-22 and enforce compliance across all departments by the end of 2024.
3. **Expanding Mandates:** Extend compliance audits and risk assessments to cover the outer islands, including site visits, health and safety audits, and divisional risk assessments.
4. **Business Continuity and Disaster Recovery:** Finalize and execute the **Business Continuity Plan (BCP)** and **Disaster Recovery Plan (DRP)** to mitigate risks related to operational disruptions.
5. **Risk Register Revamp:** Complete the overhaul of the company's risk register to reflect the current operational risks and mitigation measures.

## Risk Assessment

TPL faces several key business risks:

- **Compliance Risks:** Evolving regulations, political instability, and changes in corporate governance may impact TPL's ability to comply with regulatory requirements.
- **Financial Risks:** Market volatility and economic uncertainty pose a threat to revenue stability and cost management.
- **Operational Risks:** Aging infrastructure, unplanned outages, and risks related to contractors and suppliers remain a significant threat to service reliability.
- **Strategic Risks:** TPL's long-term goals, including the integration of renewable energy, may be hindered by external factors such as technological advancements and resource availability.

## Conclusion

The Risk & Compliance Unit made considerable progress during FY23/24 despite facing challenges related to staffing, budget constraints, and evolving regulatory requirements. The focus for the upcoming fiscal year will be on improving compliance processes, enhancing risk management practices, and ensuring that TPL meets its regulatory obligations. With a revamped risk register and expanded audit coverage, the department is well-positioned to support Tonga Power Limited in achieving its operational and strategic goals.

## 6.8 Admin performance

### Highlights for FY23/24

#### 1. Matatoa Beautification Project

- The beautification initiative at Matatoa Head Office began in July 2023 and included replanting gardens, installing fencing, and designing entry/exit signs.
- The project faced delays, leading the Board to direct TPL to take over the project in October. The Board approved a budget of \$34,345.50 for completion, with each utility contributing \$8,586.40.
- **Completion:** The fencing and planting of the front gardens were completed in November 2023. Plans are in place to continue beautifying the remaining compound areas.
- **Property Manager:** The recruitment of a Property Manager has been proposed to oversee property matters for TPL in Tongatapu and the outer islands.

#### 2. Security Services

- A tender for TPL's security services was completed in November 2023, resulting in new contracts aimed at cost savings while maintaining asset safety.
- **Contracts Awarded:**
  - Every Season Security took over head office security.
  - Safeguard Security, a long-time partner, was retained for the power station and renewable energy sites.
- **Completion:** Contracts were signed in December 2023. The rotation of security service providers is seen as beneficial for maintaining high service standards.

### 3. Staff and Contractors

- **Driver Recruitment:** After the resignation of the office driver, a new driver was hired in January 2024, providing critical support for office errands.
- **Cleaning Services:** Contracted cleaners were employed to maintain cleanliness in the Taumoepeau office and Matatoa reception area, both key customer service locations.
- **Groundskeeping:** Two daily-paid groundskeepers were hired in June 2024 to maintain the head office and Distribution compound gardens, significantly improving the condition of the grounds.
- **Facility Maintenance:**
  - Resealing of loose tiles in the head office conference room was completed.
  - Plans are underway to renovate customer payment areas and restrooms at the power station, incorporating dedicated female facilities and showers for staff.

### 4. Health and Safety Initiatives

- A high priority is placed on maintaining clean and hygienic office spaces for staff and customers. Daily cleaning efforts have been expanded, and office cleanliness has improved significantly compared to previous, less frequent cleaning schedules.

### Challenges Faced

1. **Facility Repairs:** Ongoing maintenance issues with the relatively new head office building, including unstable tiles and the need for restroom upgrades, have required consistent attention.
2. **Security Tendering:** Some existing security providers did not submit bids due to miscommunication, but the process resulted in selecting new providers and ensuring continued asset protection.

### Goals for FY24/25

1. **Completion of Matatoa Beautification Project:** Continue work on beautifying the remaining areas of the head office compound and recruit a Property Manager to oversee facility maintenance.

2. **Security Enhancements:** Review and improve security protocols at all TPL sites, ensuring effective protection of assets and staff.
3. **Facility Upgrades:** Address the customer payment area and restroom maintenance issues, particularly at the power station, to ensure staff comfort and safety.
4. **Administrative Efficiency:** Continue to streamline administrative processes, focusing on improving board communication, logistics management, and facility upkeep.

## Conclusion

The Administration Department has successfully supported TPL's operations throughout FY23/24, providing essential services in facility management, security, and administrative support. The dedication of the Administration team has resulted in significant improvements in office cleanliness, staff logistics, and facility maintenance. Looking ahead, the department will focus on completing ongoing projects, addressing facility issues, and further enhancing operational efficiency.

## 6.9 Retail Performance

The Retail Department at Tonga Power Limited (TPL) is responsible for managing revenue collection, billing, and customer services across all islands. The department oversees the Revenue, Billing, and Customer Service divisions, which include tasks such as disconnections, reconnections, account management, and handling technical and billing-related complaints. The department's goal is to maximize revenue, ensure accurate and timely invoicing, and maintain excellent customer service.

### Key Achievements

1. **Improved Billing Processes:**
  - The billing cycle was significantly improved, with the September 2023 cycle being completed in a record three weeks. Subsequent billing from October 2023 to June 2024 was completed on time, following the established schedule.
  - The introduction of government policy obligations (GPO) impacted the billing process, particularly in terms of tariff changes, but the department successfully managed these challenges.
2. **Consumption Trends:**
  - **December 2023 and March 2024** saw the highest power consumption, each recording 7 million kWh. Average consumption for the year ranged between 5-6 million kWh, reflecting a seasonal increase in usage during the summer months.
3. **Revenue Collection Exceeded Targets:**
  - The department consistently exceeded its monthly revenue collection targets, with collections peaking in **February 2024 (\$7.1 million, 136%)** and **March 2024 (\$7.3 million, 138%)**. Most months recorded collections above \$6 million, demonstrating the department's effective collection strategies.
4. **Debtor Management:**
  - The lowest accounts receivable (AR) were recorded in **October 2023** at \$2.2 million. Despite fluctuations, the team maintained AR levels below \$4 million

throughout the year, managing customer payment plans and addressing overdue accounts efficiently.

**5. Smart Meter Integration:**

- By the end of June 2024, **92%** of meters were smart meters, with significant improvements in meter readings. In **April and June 2024**, 92% of smart meters were read electronically, a significant increase from 57% in July 2023.
- The department plans to convert the remaining 8% of meters to smart meters in the next financial year.

**6. Disconnection and Reconnections:**

- Disconnection rates were highest in **May 2024 (17%)** and **June 2024 (16%)**, following improvements in billing processes. Disconnection rates fluctuated due to various factors, including late payments and system upgrades.
- The team worked diligently to notify customers of arrears via multiple communication channels, including email, SMS, and public announcements, helping to manage disconnections effectively.

**7. Customer Service:**

- The Retail Department handled an average of 0.6% to 0.9% customer complaints throughout the year, with most inquiries relating to power reconnections, invoice statements, and payment plans. The department successfully closed most inquiries and complaints within the month they were received.

**8. Lifeline Tariff (GPO):**

- The department managed the GPO for residential customers consuming less than 150kWh per month, with the number of customers receiving the GPO averaging **50-55%**. GPO values ranged from \$108,000 to \$120,000 per month, ensuring timely updates in collaboration with the Ministry of Finance.

## Challenges

**1. Inaccurate Meter Readings:**

- While smart meter integration has improved, the department continues to face challenges with inaccurate readings for the remaining manual meters. Efforts are underway to ensure full automation by the end of 2025.

**2. Billing Disputes:**

- Customers occasionally disputed bills due to perceived inaccuracies, requiring additional resources to resolve disputes and rebill customers when necessary.

**3. Bad Debts:**

- The department continues to face challenges in recovering debts from customers operating 3-phase containers, with monthly consumption ranging from \$1K to \$3K. A revised customer bond policy is required to mitigate these losses.

**4. Regulatory Compliance:**

- Ensuring compliance with tariff changes and GPO requirements remains a challenge, especially with the joint billing system for waste and power services. A manual separation process has been implemented to address this.

**5. Customer Education:**

- Educating customers about their bills, energy conservation, and available payment options is an ongoing challenge, particularly for reducing disputes and improving payment timeliness.

#### **Goals for FY24/25**

##### **1. Complete Smart Meter Integration:**

- The department aims to convert the remaining 8% of manual meters to smart meters, achieving full automation for all meter readings by the end of FY24/25.

##### **2. Improve Debt Recovery:**

- Implement a revised customer bond policy for 3-phase container customers to prevent revenue losses due to non-payment.

##### **3. Enhance Customer Communication:**

- Continue improving customer education efforts to minimize billing disputes, promote energy conservation, and provide more flexible payment options.

##### **4. Streamline Billing and Compliance:**

- Address issues with joint billing of waste and power services, ensuring compliance with regulatory requirements and improving the accuracy of accounts receivable management.

#### **Conclusion**

The Retail Department made significant progress in improving billing efficiency, revenue collection, and customer service during FY23/24. Despite challenges such as inaccurate meter readings and billing disputes, the department achieved its primary goals of maximizing revenue and ensuring timely invoicing. Looking ahead, the department is focused on completing smart meter integration, improving debt recovery, and enhancing customer communication to further strengthen its operations.

#### **6.10 Regulatory Compliance 2023 Performance Outcomes**

**Electricity Act 2016 Revised Edition:** All requirements including payment of regulatory fees and other levies, offences etc. are met.

**Electricity Concession Contract:** TPL complies with all the reporting requirements, efficiency, technical and services standards set forth in the Concession Contract III effective January 2021 except for voltage standards. The new contract was effective this year and few non compliances include not meeting line losses target of 10% and fuel efficiency of not more than 4.00kWh.

**Product/Service and Supply Issues:** TPL's service standards to consumers are regulated through the Electricity Concession Contract. TPL is in compliance with all service standards except the voltage stability standard. Occasionally, breach of this standard occurs due to poor quality networks. In these occasions TPL pays compensations to the affected customers upon completion of an investigation conducted by TPL engineers and if necessary, by independent sources.

**Customer complaints:** TPL manages all customer complaints through its Customer Complaints Management Policy. All complaints are reported to the Board on a monthly basis and there are on average about 50 customer complaints from all four island groups per month.

**Reliability of supply:** The key reliability measure TPL uses is SAIDI (System Average Interruption Duration Index), which measures the average total duration of interruption per connected customer. TPL generally complies with this requirement.

**Ministry of Public Enterprise Act 2016 Revised Edition:** All the requirements including directors' requirements, Board meeting requirements, and auditing requirements are met. However there were few issues of non-compliances mainly on reporting requirements/deadlines not met.

**Companies Act 2016 Revised Edition:** All the requirements including constitution, share register, shareholder rights, and directors' duty of care, disclosure interest, keeping accounting records, appointment of auditors, annual report, and annual return requirements are generally met.

Other legislation requirements to which TPL complies with are: ***Renewable energy Act, Business Licenses Act, Public audit Act, Public health Act, National retirement benefit Scheme, Price and wage control Act, Anti-corruption commissioner Act, and Public finance management Act, Consumption Tax Act.***

#### **Statement of Community Services, claims for GPO**

TPL has spearheaded the implementation of projects that align with the following GPO.

***Under the TSDF II:*** National Outcome E: More reliable, safe and affordable energy services. The results to date, 11% system losses down from 18% in 2010, Average total duration of power interruption per customer has significantly increased due to strong winds arriving at our shores during cyclone season and about 12.0% of energy is coming from renewable energy source in 2021.

***Outcome Objective 5*** – Appropriately skilled workforce to meet the available opportunities in Tonga and overseas. The TVNU and NNU projects are upskilling TPL lines staff to an internationally recognized standard of line mechanic.

## 7. Financials



## INDEPENDENT AUDITOR'S REPORT

### To the Members of the Tonga Power Limited

#### Opinion

We have audited the financial statements of the Tonga Power Limited ("the company"), which comprise the statement of financial positions as at 30<sup>th</sup> June 2024, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion, the accompanying financial statements presents fairly, in all material aspects, the financial position of the company as at 30<sup>th</sup> June, 2024, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (*IFRSs*).

#### Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (*ISSAIs*). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the audit of the financial statements* section of our report. We are independent of the Tonga Power Limited in accordance with the International Ethic Standards, (*IESBA code*) together with the ethical requirements that are relevant to our audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibility of Management for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The management's responsibilities arise under the Public Enterprise Act 2002.

In preparing the financial statements, management is also responsible for assessing its ability to continue as a going concern. Management is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to cease all of the functions of the Company, or there is no realistic alternative but to do so.

#### Auditor's Responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that include our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with *ISSAIs* will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures that can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

As part of an audit in accordance with *ISSAIs*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Company, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  
.....  
Sefita Tangi FCPA (Aust.)  
AUDITOR GENERAL



Dated: 20<sup>th</sup> December, 2024

**TONGA POWER LIMITED AND SUBSIDIARY COMPANIES**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

**TONGA POWER LIMITED AND SUBSIDIARY COMPANIES**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

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The directors present their report together with the financial statements of Tonga Power Limited ("the Company") and of the Group, being the Company and its controlled entity ("the Group") for the year ended 30 June 2024 and the auditor's report thereon.

## **1 DIRECTORS**

The following were directors of the Company at any time during the financial year and up to the date of this report:

|                     |                                                |
|---------------------|------------------------------------------------|
| Mr. Tapu Panuve     | Appointed on 1-Mar-2022                        |
| Mr. Maliu Takai     | Appointed on 1-Mar-2023                        |
| Mr. Maika Haupeakui | Appointed on 1-Mar-2022                        |
| Mr. Saimone Helu    | Appointed on 1-Mar-2022                        |
| Dr. Tevita Tukunga  | Appointed on 1-Mar-2022                        |
| Mr. Sosaia Penitani | Appointed on 1-Mar-2022                        |
| Mrs Tuna Likiliki   | Appointed on 1-Mar-2023                        |
| Hon Lasike          | Transferred to another PE Board on 28-Feb-2022 |

## **2 PRINCIPAL ACTIVITY**

The principal activity of the Group is to generate and supply electricity to the people of Tonga and the sale of gas. The Company also undertakes certain electrical contracting work for private customer service lines.

## **3 TRADING RESULTS**

The profit after income tax of the Company for the financial year was \$1,776,182 (2023: profit after income tax of \$315,078). The profit after income tax of the Group for the financial year was \$2,128,378 (2023: profit after income tax of \$922,252).

## **4 DIVIDENDS**

During the year, the Company paid dividends of \$500,000 for the year ended 30 June 2023, at the rate of \$484.97(2023: \$683.45) per share. This is consistent with the Company's long term value objective under its dividend policy to distribute funds to its shareholder.

## **5 CURRENT ASSETS**

The directors took reasonable steps before the financial statements were made out to ascertain that the current assets of the Company and the Group was shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of the business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements to be misleading.

## **6 TRANSFERS FROM RESERVES**

There is no transfer from reserves in respect of the year ended 30 June 2024.

## **7 BAD AND DOUBTFUL DEBTS**

The directors took reasonable steps before the financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for expected credit loss. At the date of this report, the directors are not aware of any circumstances which would require writing off of bad debts, or the amount of the expected credit loss allowance, inadequate to any substantial extent.

## **8 DIRECTORS' BENEFIT**

No director has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made with the Company or a related corporation with the director or with a firm of which the director is a member, or in a company in which the director has a substantial financial interest.

#### 9 RELATED PARTY TRANSACTION

In the opinion of the directors, all related party transactions have been adequately recorded in the books of the Company and the Group.

#### 10 EVENTS SUBSEQUENT TO BALANCE DATE

During the period from the end of the year to the date of this report, no significant or unusual item, transaction, or event has occurred that, in the view of the Directors, is likely to have a significant impact on the Group and the Company's operations, financial results, or overall status in the coming years.

#### 11 OTHER CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements misleading.

#### 12 GOING CONCERN

The financial statements of the Company and the Group have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company recorded a profit after income tax of \$1,776,182 for the year ended 30 June 2024 (2023: profit after income tax of \$315,078) and as at that date had a working capital deficiency of \$1,883,353 (2023: 8,204,245). The Group recorded a profit after income tax of \$2,128,378 for the year ended 30 June 2024 (2023: profit after income tax of \$922,252) and as at that date had a working capital deficiency of \$3,197,758 (2023: deficiency of \$6,374,077). The continuing financial viability of the Company and the Group is dependent on the existing financing facilities with ANZ Tonga Limited and/or the profitability of the Company and the Group.

#### 13 UNUSUAL TRANSACTIONS

The results of the Company's and the Group's operations during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

#### 14 SIGNIFICANT EVENTS DURING THE YEAR

While the ultimate disruption which may be caused by the outbreak is uncertain, it may result in an adverse impact on the Company's financial position, performance and cash flows, should it result in ongoing economic downturn.

Dated at Nuku'alofa this 19 day of December 2024.

For and on behalf of the Board of Directors by authority of a resolution of the Directors.

Director

Director

In the opinion of the directors:

- (a) the accompanying statements of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the Company and of the Group for the year ended 30 June 2024;
- (b) the accompanying statements of financial position are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2024;
- (c) the accompanying statements of changes in equity are drawn up so as to give a true and fair view of the movement in shareholders' funds of the Company and of the Group for the year ended 30 June 2024;
- (d) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Company and of the Group for the year ended 30 June 2024;
- (e) at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable; and
- (f) all related party transactions have been adequately recorded in the books of the Company.

Dated at Nuku'alofa this 19 day of December 2024.

For and on behalf of the Board of Directors by authority of a resolution of the Directors.

.....  
Director

.....  
Director

**TONGA POWER LIMITED AND SUBSIDIARY COMPANIES**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2024**

6

|                                               |        | Consolidated      |                   | Company           |                   |
|-----------------------------------------------|--------|-------------------|-------------------|-------------------|-------------------|
|                                               |        | 2024              | 2023              | 2024              | 2023              |
|                                               | Note   |                   |                   |                   |                   |
| Revenue                                       | 6      | 83,508,543        | 87,345,645        | 74,180,000        | 77,804,144        |
| Cost of sales                                 | 10 (a) | (69,435,922)      | (74,133,505)      | (63,140,366)      | (67,520,668)      |
| <b>Gross profit</b>                           |        | <b>14,072,621</b> | <b>13,212,139</b> | <b>11,039,634</b> | <b>10,283,475</b> |
| Other income                                  | 7      | 8,228,327         | 5,988,298         | 8,165,141         | 5,910,504         |
| Impairment loss on trade receivables          |        | -                 | -                 | -                 | -                 |
| Selling and distribution expenses             | 10 (b) | (5,879,810)       | (7,475,914)       | (5,686,508)       | (7,288,069)       |
| Administrative and other expenses             | 10 (c) | (12,527,197)      | (9,590,503)       | (10,241,752)      | (7,482,236)       |
| <b>Operating profit</b>                       |        | <b>3,893,941</b>  | <b>2,134,021</b>  | <b>3,276,515</b>  | <b>1,423,675</b>  |
| Finance income - interest revenue             |        | -                 | 3,014             | -                 | 3,014             |
| Finance loss - other                          |        | (150,152)         | 41,139            | (26,776)          | 31,743            |
| Finance costs - other                         |        | (957,340)         | (1,079,888)       | (881,496)         | (1,038,328)       |
| Net finance costs                             | 8      | (1,107,492)       | (1,035,735)       | (908,272)         | (1,003,571)       |
| <b>(Loss) / Profit before tax</b>             |        | <b>2,786,449</b>  | <b>1,098,286</b>  | <b>2,368,243</b>  | <b>420,104</b>    |
| Income tax benefit / (expense)                | 11 (a) | (658,071)         | (176,034)         | (592,061)         | (105,026)         |
| <b>(Loss) / Profit</b>                        |        | <b>2,128,378</b>  | <b>922,252</b>    | <b>1,776,182</b>  | <b>315,078</b>    |
| Other comprehensive income, net of tax        |        | -                 | -                 | -                 | -                 |
| <b>Total comprehensive (expense) / income</b> |        | <b>2,128,378</b>  | <b>922,252</b>    | <b>1,776,182</b>  | <b>315,078</b>    |

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**TONGA POWER LIMITED AND SUBSIDIARY COMPANIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2024**

7

|                                     |        | Consolidated       |                    | Company            |                    |
|-------------------------------------|--------|--------------------|--------------------|--------------------|--------------------|
|                                     |        | 2024               | 2023               | 2024               | 2023               |
| <b>ASSETS</b>                       |        |                    |                    |                    |                    |
| <b>Current assets</b>               |        |                    |                    |                    |                    |
| Cash                                | 12     | 2,401,905          | 1,466,564          | 1,758,639          | 1,034,665          |
| Trade and other receivables         | 13     | 14,696,024         | 12,042,460         | 15,036,952         | 12,410,814         |
| Inventories                         | 14     | 2,061,682          | 1,760,231          | 1,373,738          | 1,342,444          |
| Debt investment securities          | 15     | 791,372            | 790,350            | 349,948            | 349,948            |
| Current tax asset                   |        | -                  | -                  | -                  | -                  |
|                                     |        | <u>19,950,983</u>  | <u>16,059,605</u>  | <u>18,519,277</u>  | <u>15,137,871</u>  |
| <b>Non-current assets</b>           |        |                    |                    |                    |                    |
| Deferred tax assets                 | 11 (d) | 550,652            | 595,932            | 470,368            | 539,317            |
| Debt investment securities          | 15     | -                  | -                  | -                  | -                  |
| Intangible assets                   | 16     | 995,222            | 985,079            | -                  | -                  |
| Property, plant and equipment       | 17     | 129,335,114        | 131,993,729        | 126,475,195        | 128,833,725        |
| Investment in subsidiaries          | 25     | -                  | -                  | 3,595,695          | 3,595,695          |
| Right-of-use assets                 | 26     | 2,841,622          | 2,799,696          | 1,479,104          | 1,400,450          |
|                                     |        | <u>133,722,610</u> | <u>136,374,436</u> | <u>132,020,362</u> | <u>134,369,186</u> |
| <b>TOTAL ASSETS</b>                 |        | <u>153,673,592</u> | <u>152,434,041</u> | <u>150,539,639</u> | <u>149,507,057</u> |
| <b>LIABILITIES</b>                  |        |                    |                    |                    |                    |
| <b>Current liabilities</b>          |        |                    |                    |                    |                    |
| Current tax liability               | 11 (b) | 965,799            | 900,693            | 587,352            | 603,946            |
| Bank Overdraft                      | 12     | 2,420,076          | 5,141,403          | 2,420,076          | 5,141,403          |
| Trade and other payables            | 18     | 12,618,165         | 8,106,236          | 10,515,867         | 9,683,937          |
| Employee entitlements               | 19     | 346,504            | 387,265            | 305,789            | 305,789            |
| Borrowings                          | 20     | 3,257,000          | 4,309,018          | 3,089,214          | 4,128,090          |
| Provision for dividend              | 22     | -                  | -                  | -                  | -                  |
| Deferred income - donated assets    | 24     | 3,456,509          | 3,456,509          | 3,456,509          | 3,456,509          |
| Lease liabilities                   | 26     | 84,687             | 132,557            | 27,823             | 22,441             |
|                                     |        | <u>23,148,741</u>  | <u>22,433,682</u>  | <u>20,402,630</u>  | <u>23,342,116</u>  |
| <b>Non-current liabilities</b>      |        |                    |                    |                    |                    |
| Deferred tax liabilities            | 11 (c) | 7,481,148          | 7,408,167          | 7,063,261          | 7,127,501          |
| Borrowings                          | 20     | 14,241,041         | 16,585,494         | 13,893,683         | 15,944,021         |
| Deferred income - donated assets    | 24     | 42,143,214         | 41,599,741         | 42,143,214         | 41,599,741         |
| Lease liabilities                   | 26     | 2,632,657          | 2,414,097          | 1,547,862          | 1,426,460          |
|                                     |        | <u>66,498,060</u>  | <u>68,007,499</u>  | <u>64,648,020</u>  | <u>66,097,723</u>  |
| <b>TOTAL LIABILITIES</b>            |        | <u>89,646,800</u>  | <u>90,441,181</u>  | <u>85,050,650</u>  | <u>89,439,838</u>  |
| <b>EQUITY</b>                       |        |                    |                    |                    |                    |
| Share capital                       | 21 (b) | 33,783,595         | 33,783,595         | 33,783,595         | 33,783,595         |
| Asset revaluation reserve           | 23     | 9,104,057          | 9,104,057          | 9,104,057          | 9,104,057          |
| Retained earnings                   |        | 21,139,139         | 19,105,208         | 22,601,337         | 17,179,567         |
| <b>TOTAL EQUITY</b>                 |        | <u>64,026,791</u>  | <u>61,992,860</u>  | <u>65,488,989</u>  | <u>60,067,219</u>  |
| <b>TOTAL LIABILITIES AND EQUITY</b> |        | <u>153,673,592</u> | <u>152,434,041</u> | <u>150,539,639</u> | <u>149,507,057</u> |

For and on behalf of the Board of Directors.

Director

Director

The above statements of financial position should be read in conjunction with the accompanying notes.

**TONGA POWER LIMITED AND SUBSIDIARY COMPANIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

8

|                                                           |        | Consolidated       |                    | Company            |
|-----------------------------------------------------------|--------|--------------------|--------------------|--------------------|
|                                                           |        | 2024               | 2023               | 2024               |
|                                                           | Note   |                    |                    | 2023               |
| <b>Cash flows from operating activities</b>               |        |                    |                    |                    |
| Receipts from customers                                   |        | 81,133,298         | 77,683,590         | 71,897,138         |
| Payments to suppliers and employees                       |        | (66,336,025)       | (71,727,390)       | (58,108,030)       |
| Income tax paid                                           | 11 (b) | (489,581)          | (39,652)           | (463,823)          |
| Insurance proceeds                                        |        | -                  | 0                  | -                  |
| Interest received                                         |        | 2,189              | 78,911             | -                  |
| Interest paid                                             |        | (830,311)          | (1,009,391)        | (797,693)          |
| <b>Net cash from operating activities</b>                 |        | <b>13,479,570</b>  | <b>4,986,068</b>   | <b>12,527,592</b>  |
| <b>Cash flows from investing activities</b>               |        |                    |                    |                    |
| Investment in debt securities                             |        | -                  | -                  | -                  |
| Proceeds from debt securities                             |        | -                  | -                  | -                  |
| Proceeds from sale of plant and equipment                 |        | -                  | -                  | -                  |
| Acquisition of intangible assets                          | 16     | (15,932)           | (8,075)            | -                  |
| Acquisition of property, plant and equipment              |        | (5,449,736)        | (3,929,799)        | (5,393,247)        |
| <b>Net cash used in investing activities</b>              |        | <b>(5,465,668)</b> | <b>(3,937,874)</b> | <b>(5,393,247)</b> |
| <b>Cash flows from financing activities</b>               |        |                    |                    |                    |
| Proceeds from borrowings                                  | 20 (b) | -                  | -                  | -                  |
| Repayment of borrowings                                   | 20 (b) | (3,757,404)        | (3,876,038)        | (3,089,214)        |
| Dividends paid                                            | 22     | (500,000)          | (704,587)          | (500,000)          |
| Payment of lease liabilities                              | 26     | (99,830)           | (106,730)          | (99,830)           |
| <b>Net cash (used in)/from financing activities</b>       |        | <b>(4,357,234)</b> | <b>(4,687,355)</b> | <b>(3,689,044)</b> |
| <b>Net decrease in cash and cash equivalents</b>          |        | <b>3,656,668</b>   | <b>(3,639,161)</b> | <b>3,445,301</b>   |
| <b>Effect of movements in exchange rates on cash held</b> |        | <b>-</b>           | <b>(30,864)</b>    | <b>-</b>           |
| <b>Cash at beginning of year</b>                          |        | <b>(3,674,839)</b> | <b>(4,814)</b>     | <b>(4,106,738)</b> |
| <b>Cash at end of year</b>                                | 12     | <b>(18,171)</b>    | <b>(3,674,839)</b> | <b>(661,437)</b>   |

The above statements of cash flows should be read in conjunction with the accompanying notes.

|                                         | Share Capital | Asset<br>Revaluation<br>Reserve | Retained<br>Earnings | Total Equity |
|-----------------------------------------|---------------|---------------------------------|----------------------|--------------|
|                                         | \$            | \$                              | \$                   | \$           |
| <b>CONSOLIDATED</b>                     |               |                                 |                      |              |
| Balance at 1 July 2022                  | 33,783,595    | 9,104,057                       | 18,887,543           | 61,775,195   |
| Total comprehensive Expense             |               |                                 |                      |              |
| Profit                                  | -             |                                 | 922,252              | 922,252      |
| Transfer to retained earnings           |               | -                               | -                    | -            |
| Prior year adjustment                   | -             | -                               | -                    | -            |
| Total comprehensive expense             | -             | -                               | 922,252              | 922,252      |
| Transaction with owners of the Company  |               |                                 |                      |              |
| Contributions and distributions         |               |                                 |                      |              |
| Dividends paid to owners of the Company | -             | -                               | (704,587)            | (704,587)    |
| Total contributions and distributions   | -             | -                               | (704,587)            | (704,587)    |
| Balance at 30 June 2023                 | 33,783,595    | 9,104,057                       | 19,105,208           | 61,992,860   |
| Balance at 1 July 2023                  | 33,783,595    | 9,104,057                       | 19,105,208           | 61,992,860   |
| Total comprehensive Expense             |               |                                 |                      |              |
| Profit                                  | -             |                                 | 2,128,378            | 2,128,378    |
| Transfer to retained earnings           |               | -                               | -                    | -            |
| Prior year adjustment                   | -             | -                               | 405,553              | 405,553      |
| Total comprehensive expense             | -             | -                               | 2,533,931            | 2,533,931    |
| Transaction with owners of the Company  |               |                                 |                      |              |
| Contributions and distributions         |               |                                 |                      |              |
| Dividends paid to owners of the Company | -             | -                               | (500,000)            | (500,000)    |
| Total contributions and distributions   | -             | -                               | (500,000)            | (500,000)    |
| Balance at 30 June 2024                 | 33,783,595    | 9,104,057                       | 21,139,139           | 64,026,791   |
|                                         |               |                                 |                      |              |
|                                         | Share Capital | Asset<br>Revaluation<br>Reserve | Retained<br>Earnings | Total Equity |
|                                         | \$            | \$                              | \$                   | \$           |
| <b>COMPANY</b>                          |               |                                 |                      |              |
| Balance at 1 July 2022                  | 33,783,595    | 9,104,057                       | 17,884,154           | 60,771,806   |
| Total comprehensive expense             |               |                                 |                      |              |
| Profit                                  | -             |                                 | 315,078              | 315,078      |
| Transfer to retained earnings           |               | -                               | -                    | -            |
| Total comprehensive expense             | -             | -                               | 315,078              | 315,078      |
| Transaction with owners of the Company  |               |                                 |                      |              |
| Contributions and distributions         |               |                                 |                      |              |
| Dividends paid to owners of the Company | -             | -                               | (704,587)            | (704,587)    |
| Total contributions and distributions   | -             | -                               | (704,587)            | (704,587)    |
| Balance at 30 June 2023                 | 33,783,595    | 9,104,057                       | 17,179,567           | 60,067,219   |
| Balance at 1 July 2023                  | 33,783,595    | 9,104,057                       | 17,179,567           | 60,067,219   |
| Total comprehensive expense             |               |                                 |                      |              |
| Profit                                  | -             |                                 | 1,776,182            | 1,776,182    |
| Transfer to retained earnings           |               |                                 |                      |              |
| Prior year adjustment                   |               |                                 | 4,145,588            |              |
| Total comprehensive expense             | -             | -                               | 5,921,770            | 1,776,182    |
| Transaction with owners of the Company  |               |                                 |                      |              |
| Contributions and distributions         |               |                                 |                      |              |
| Dividends paid to owners of the Company | -             | -                               | (500,000)            | (500,000)    |
| Total contributions and distributions   | -             | -                               | (500,000)            | (500,000)    |
| Balance at 30 June 2024                 | 33,783,595    | 9,104,057                       | 22,601,337           | 65,488,989   |

The above statements of changes in equity should be read in conjunction with the accompanying notes.

## **1 REPORTING ENTITY**

Tonga Power Limited (the "Company") is a limited liability company incorporated and domiciled in the Kingdom of Tonga and its registered office and principal place of business is at the Lakalakaimonu Multi Utility Complex, Taufa'ahua Road and Poutaha, Nuku'alofa, Tonga.

The principal activity of Tonga Power Limited and subsidiary companies (the "Group") is to generate and supply electricity to the people of Tonga and the sale of gas. The Company also undertakes electrical contracting work particularly for private customer service lines.

## **2 BASIS OF ACCOUNTING**

### **(a) Basis of preparation**

#### **(i) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board and the requirements of the Public Enterprises Act, 2002 and the Tonga Companies Act, 1995.

The financial statements were authorised for issue by the Board of the Directors on 19<sup>th</sup> December, 2024.

#### **(ii) Basis of measurement**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Distribution Network Equipment and Land and Buildings and except where otherwise noted.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and management's judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 (d).

#### **(iii) Going concern**

The financial statements of the Company and the Group have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company recorded a profit after income tax of \$1,776,182 for the year ended 30 June 2024 (2023: profit after income tax of \$315,078) and as at that date had a working capital deficiency of \$1,883,353 (2023: 8,204,245). The Group recorded a profit after income tax of \$2,128,378 for the year ended 30 June 2024 (2023: profit after income tax of \$922,252) and as at that date had a working capital deficiency of \$3,197,758 (2023: deficiency of \$6,374,077). The continuing financial viability of the Company and the Group is dependent on the existing financing facilities with ANZ Tonga Limited and/or the profitability of the Company and the Group.

### **(b) Basis of consolidation**

The consolidated financial statements of the Company as at and for the year ended 30 June 2024 comprise the Company and its controlled entities (together referred to as the "Group" and individually as "Group entities").

#### *Business combination*

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

### **(b) Basis of consolidation (continued)**

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are measured at cost, less impairment.

## 2 BASIS OF ACCOUNTING (continued)

### (c) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Tongan Pa'anga and denoted "\$", which is the Group's functional and presentation currency, rounded off to the nearest Tongan Pa'anga.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### (d) Accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRSs 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 3(g) – Impairment of financial assets

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Foreign currency transactions

Transactions in foreign currencies are translated to TOP at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to TOP at the exchange rate prevailing at the reporting date. The foreign currency gains or losses on translation are recognised in profit or loss.

#### (b) Property, plant and equipment

##### *Recognition and measurement*

The Group measures items of plant and equipment at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses except for distribution network equipment and land and building which are measured at revaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

##### *Subsequent expenditure*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as asset revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against asset revaluation reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from 'asset revaluation reserves' to 'retained earnings'.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Property, plant and equipment (continued)

##### **Depreciation**

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit and loss. The principal annual rates in use are:

|                                |                   |
|--------------------------------|-------------------|
| Generation Equipment           | 3.33% to 33.33%   |
| Distribution Network Equipment | 1.82% to 100%     |
| Computers & Equipment          | 11.55% to 29.97%  |
| Furniture & Fixtures           | 10.25% to 25.31%  |
| Tools & Equipment              | 10.03% to 25.31%  |
| Motor vehicles                 | 20% to 33.33%     |
| Land & Building                | 3.33%             |
| Other Auxiliary Equipment      | 10%               |
| Leasehold land                 | Term of the lease |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on the disposal of property plant and equipment are recognised in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (c) Intangible assets

##### **Software**

##### **Recognition and measurement**

Intangible assets include cost of computer software in respect of the billing system. Acquired intangible assets are initially recorded at their cost at the date of acquisition being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs directly attributable to the design and testing of software are recognised as intangible assets.

##### **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

##### **Amortisation**

All acquired computer softwares have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over its estimated useful life of 5 years. Amortisation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

##### **Goodwill**

Goodwill arising on acquisition of subsidiaries is measured at cost less accumulated impairment losses.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

#### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Cost is determined using the weighted average method for fuel and First-in First-out (FIFO) method for spare parts. Inventory cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

#### (f) Financial instruments

##### i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Financial instruments (continued)

##### ii. Classification and subsequent measurement

###### *Financial assets*

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### *Financial assets: Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Financial instruments (continued)

##### ii. Classification and subsequent measurement (continued)

##### ***Financial assets: Assessment of whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

##### ***Financial assets: Subsequent measurement and gains and losses***

Financial assets that are measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### iii. Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gains or loss on derecognition is also recognised in profit or loss.

##### iv. Derecognition

##### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Financial instruments (continued)

##### iv. Derecognition (continued)

###### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### vi. Modification of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see 4(iv)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

##### (g) Impairment

###### i. Non-derivative financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Impairment (continued)

##### Non-derivative financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers debt securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

ECLs are discounted at the effective interest rate of the financial asset.

##### **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Impairment (continued)

##### Non-derivative financial assets (continued)

##### *Credit-impaired financial assets (continued)*

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a receivable by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### Non financial assets

Assets that have an indefinite useful life are tested annually for impairment. For all other non financial assets (other than inventories and deferred tax assets), at each reporting date, the Company reviews the carrying amounts to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or CGU's.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

#### (h) Share capital

Ordinary shares are classified as equity and carried in the Company and the Group's financial statements at par value. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and taxable temporary difference arising on the initial recognition of goodwill.

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

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### (j) Employee entitlements

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

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### (ii) Superannuation

Contributions are paid to the Company's Retirement Fund Scheme on behalf of the employees to secure their retirement benefits. Superannuation costs are recognised as an expense in profit or loss as and when services are rendered by the employees.

##### (iii) Bonus plans

The Company and the Group pays bonuses to employees based on the performance of the Company and the Group and achievement of individual objectives by the employees as per their employment contracts. A provision is recognised when there is contractually obligation or where there is a past practice that has created a constructive obligation for bonuses to be paid.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### (l) Dividends

Provision is made for the amount of any dividend declared, determined by the directors on or before the end of the financial year but not distributed at reporting date.

#### (m) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes discounts and amounts collected on behalf of third parties. The Group and the Company recognises revenue when it transfers control over a product or service to a customer.

#### *Nature and timing of satisfaction of performance obligations and significant payment terms*

##### Electricity sales

There is an implied contract between a customer and the Group for the purchase, delivery, and sale of electricity. This represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The customer obtains control of the good (electricity) when delivered over a period of time. Therefore, revenue is recognised over time as electricity is delivered to the customer.

Progress is determined based on the units sold/consumed. This provides a faithful depiction of the transfer of the good as the customer simultaneously receives and consumes the benefits provided by the Group's performance of the revenue contract.

The transaction price is determined based on rates approved by the Government of Tonga at the time the service had been rendered and units sold/consumed by the customers. The transaction price includes the non-refundable upfront fees as it is not considered to be a material right.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Revenue from contracts with customers (continued)

##### *Nature and timing of satisfaction of performance obligations and significant payment terms (continued)*

###### Electricity sales (continued)

Variable consideration is included in the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

###### Gas sales

There is an implied contract between a customer and the Group for the purchase, delivery and sale of gas. This represents a promise to transfer goods. The customer obtains control of the good (gas) when delivered. Therefore, revenue is recognised at a point in time when the gas has been delivered to the customer.

#### (n) Deferred income

Property, plant and equipment acquired with the aid of specific grants are capitalised and depreciated in accordance with Note 4(b), with the related grant being credited to the Deferred income as a liability and released to profit or loss over the expected useful economic life of the related property, plant and equipment.

#### (o) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 3.

##### Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Leases (continued)

##### Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

#### i. As a lessee

##### Under IFRS 16 - from 1 July 2019

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Leases (continued)

##### i. As a lessee (continued)

###### Under IFRS 16 - from 1 July 2019 (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

###### Under IAS 17 - before 1 July 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

###### Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

##### ii. As a lessor

The Group enters into lease agreements as a lessor with respect to a property to a related party.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, other than changes resulting from adoption of IFRS 16 as noted in note 3.

### 4 FAIR VALUE

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

The different levels have been defined as follows:

- Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable) inputs.

## 5 FINANCIAL RISK MANAGEMENT

The Company and Group's activities expose them to a variety of financial risks: market risk (including currency risk and interest rate 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 management who identify and evaluate financial risks. The Board provides direction for overall risk management covering specific areas, such as mitigating foreign exchange, interest rate, and 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 and interest rates 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.

Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term. In managing this risk, the Group seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

#### (i) Foreign exchange

Foreign exchange risk arises from recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand (NZD) and American (USD) dollar. As a measure, prompt settlement of liabilities (and assets if necessary) is exercised by management to minimise the exposure to foreign exchange losses. As an additional measure, the Group negotiates competitive rates with its bankers to minimise losses and maximise gains when receipts and payments become due.

To determine the Group's sensitivity to foreign exchange risk, an implied volatility in exchange rates is calculated based on the maximum variation of month end spot rates from the average exchange rate in the year.

At 30 June 2024, the strengthening/weakening by 1% of the Pa'anga against the NZD and USD with all other variables held constant is expected to have minimal impact on the net profit and equity balances currently reflected in the Company and the Group's financial statements. Minimal asset and liability balances are maintained in foreign currencies, hence, there has been little sensitivity to movements in the NZD and USD.

#### (ii) Political climate

The Group operates in Tonga and changes to governments and the policies they implement affect the economic situation and ultimately the revenues of the Group. To address this, the Group reviews its pricing and service ranges regularly and responds appropriately.

## 5 FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (iii) Cash flow interest rate risk

As the Group's interest bearing assets in the form of debt securities, are small relative to its operations, its cash flows are substantially independent of changes in market interest rates as they are at fixed rates.

The Group's interest bearing borrowings are in the form of long-term borrowing. The interest bearing borrowing is at a variable interest rate.

Given the fixed nature of interest rates described above, the Group has a high level of certainty over the impact on cash flows arising from interest income and expenses.

### (b) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure.

The Group has no significant concentrations of credit risk. The Group does not have any policies that limit the amount of credit exposure to any one customer or group of customers.

#### Cash and cash equivalents

The Company held cash of \$(661,437) at 30 June 2024 (2023: \$(4,106,738)). The Group held cash of \$(18,171) at 30 June 2024 (2023: \$(3,674,839)). The cash are predominantly held with banks, which are rated Aa3, based on Moody's ratings. Impairment on cash has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Company and the Group considers that its cash have low credit risk based on the external credit ratings of the counterparties. Accordingly, due to short maturities and low credit risk, the Company and the Group did not recognise an impairment allowance against cash as at 30 June 2024 (2023: \$Nil)

#### Debt investment securities

The Company held debt investment securities of \$349,949 at 30 June 2024 (2023: \$349,949). The Group held debt investment securities of \$791,372 at 30 June 2024 (2023: \$790,350). As at 30 June 2024, the debt investment securities are predominantly held with banks which are rated AA3, based on Moody's ratings. Impairment on debt investment securities has been measured on the 12-month expected loss basis. The Company and the Group did not recognise an impairment allowance against debt investment securities as at 30 June 2024 (2023: \$Nil).

#### Expected credit loss assessment for trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

5 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers:

| Group                  | Weighted -<br>average loss<br>rate | Gross<br>carrying<br>amount<br>\$ | Loss<br>allowance<br>\$ | Credit impaired |
|------------------------|------------------------------------|-----------------------------------|-------------------------|-----------------|
| <b>30 June 2024</b>    |                                    |                                   |                         |                 |
| 1 to 30 days           | 1.93%                              | 1,759,346                         | 19,816                  | No              |
| 31 to 60 days          | 8.30%                              | 947,858                           | 12,772                  | No              |
| 61 to 90 days          | 38.01%                             | 520,412                           | 52,605                  | No              |
| 91 to 120 days         | 85.50%                             | 107,450                           | 209,607                 | No              |
| Over 120 days past due | 100.00%                            | 908,715                           | 192,432                 | No              |
|                        |                                    | <u>4,243,781</u>                  | <u>487,232</u>          |                 |
| <b>30 June 2023</b>    |                                    |                                   |                         |                 |
| 1 to 30 days           | 1.93%                              | 1,688,952                         | 27,919                  | No              |
| 31 to 60 days          | 8.30%                              | 876,606                           | 67,817                  | Yes             |
| 61 to 90 days          | 38.01%                             | 449,042                           | 82,459                  | Yes             |
| 91 to 120 days         | 85.50%                             | 545,378                           | 51,875                  | Yes             |
| Over 120 days past due | 100.00%                            | 256,001                           | 299,458                 | Yes             |
|                        |                                    | <u>3,815,979</u>                  | <u>529,528</u>          |                 |
| Specifically assessed  |                                    |                                   |                         |                 |
| <b>Company</b>         |                                    |                                   |                         |                 |
| <b>30 June 2024</b>    |                                    |                                   |                         |                 |
| 1 to 30 days           | 1.93%                              | 1,725,738                         | 19,816                  | No              |
| 31 to 60 days          | 8.30%                              | 937,376                           | 12,772                  | No              |
| 61 to 90 days          | 38.01%                             | 392,857                           | 52,605                  | No              |
| 91 to 120 days         | 85.50%                             | 97,855                            | 209,607                 | No              |
| Over 120 days past due | 100.00%                            | 1,001,045                         | 192,432                 | No              |
|                        |                                    | <u>4,154,871</u>                  | <u>487,232</u>          |                 |
| <b>30 June 2023</b>    |                                    |                                   |                         |                 |
| 1 to 30 days           | 1.93%                              | 1,610,677                         | 19,816                  | No              |
| 31 to 60 days          | 8.30%                              | 676,506                           | 12,772                  | No              |
| 61 to 90 days          | 38.01%                             | 349,058                           | 52,605                  | No              |
| 91 to 120 days         | 85.50%                             | 535,670                           | 209,607                 | No              |
| Over 120 days past due | 100.00%                            | 551,029                           | 192,432                 | No              |
|                        |                                    | <u>3,722,940</u>                  | <u>487,232</u>          |                 |
| Specifically assessed  |                                    |                                   |                         |                 |

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are either based on actual and forecast GDP or inflation rates.

5 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity and the availability of funding through committed credit facilities to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date.  
The amounts are gross and undiscounted, and include estimated interest payments.

|                                             | Less than 1<br>year<br>(\$) | Between 1<br>and 2 years<br>(\$) | Between 2<br>and 5 years<br>(\$) | Greater than<br>5 years<br>(\$) | Contractual<br>outflows<br>(\$) | Carrying<br>amount<br>(\$) |
|---------------------------------------------|-----------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------|
| <b>Non-derivative financial liabilities</b> |                             |                                  |                                  |                                 |                                 |                            |
| <b>Consolidated</b>                         |                             |                                  |                                  |                                 |                                 |                            |
| <b>At 30 June 2024</b>                      |                             |                                  |                                  |                                 |                                 |                            |
| Borrowings                                  | 3,396,472                   | 3,396,472                        | 10,189,416                       | 515,681                         |                                 | 17,498,041                 |
| Trade and other<br>payables                 | 12,618,165                  |                                  |                                  |                                 | 12,618,165                      | 12,618,165                 |
|                                             | <u>16,014,637</u>           | <u>3,396,472</u>                 | <u>10,189,416</u>                | <u>515,681</u>                  | <u>12,618,165</u>               | <u>30,116,206</u>          |
| <b>At 30 June 2023</b>                      |                             |                                  |                                  |                                 |                                 |                            |
| Borrowings                                  | 4,309,018                   | 4,309,018                        | 12,927,054                       | 3,225,460                       |                                 | 24,770,550                 |
| Trade and other<br>payables                 | 8,106,236                   |                                  |                                  |                                 | 8,106,236                       | 8,106,236                  |
|                                             | <u>12,415,254</u>           | <u>4,309,018</u>                 | <u>12,927,054</u>                | <u>3,225,460</u>                | <u>8,106,236</u>                | <u>32,876,786</u>          |
| <b>Company</b>                              |                             |                                  |                                  |                                 |                                 |                            |
| <b>At 30 June 2024</b>                      |                             |                                  |                                  |                                 |                                 |                            |
| Borrowings                                  | 3,089,214                   | 3,089,214                        | 9,267,642                        | 1,536,827                       | 16,982,897                      | 16,982,897                 |
| Trade and other<br>payables                 | 10,515,867                  |                                  |                                  |                                 | 10,515,867                      | 10,515,867                 |
|                                             | <u>13,605,081</u>           | <u>3,089,214</u>                 | <u>9,267,642</u>                 | <u>1,536,827</u>                | <u>27,498,764</u>               | <u>27,498,764</u>          |
| <b>At 30 June 2023</b>                      |                             |                                  |                                  |                                 |                                 |                            |
| Borrowings                                  | 4,128,090                   | 4,128,090                        | 12,384,270                       | (568,339)                       | 20,072,111                      | 20,072,111                 |
| Trade and other<br>payables                 | 9,683,937                   |                                  |                                  |                                 | 9,683,937                       | 9,683,937                  |
|                                             | <u>13,812,027</u>           | <u>4,128,090</u>                 | <u>12,384,270</u>                | <u>(568,339)</u>                | <u>29,756,048</u>               | <u>29,756,048</u>          |

5 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management

The Group's objectives when obtaining and managing capital are to safeguard the Group's ability to continue as a going concern and to provide shareholders with a consistent level of returns. 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 borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the statement of financial position, plus net debt. The gearing ratio of the Company and the Group as at 30 June 2024 and 2023 is as follows:

|                            | Consolidated |            | Company    |            |
|----------------------------|--------------|------------|------------|------------|
|                            | 2024         | 2023       | 2024       | 2023       |
| Total borrowings (Note 20) | 17,498,041   | 20,894,512 | 16,982,897 | 20,072,111 |
| Less: cash (Note 12)       | 2,401,905    | 1,466,564  | 1,758,639  | 1,034,665  |
| Net debt                   | 19,899,946   | 22,361,076 | 18,741,536 | 21,106,776 |
| Total equity               | 64,026,791   | 61,992,860 | 65,488,989 | 60,067,219 |
| Total capital              | 83,926,737   | 84,353,936 | 84,230,525 | 81,173,995 |
| Gearing Ratio              | 24%          | 27%        | 22%        | 26%        |

6 REVENUE

Regulated revenue

|              |            |            |            |            |
|--------------|------------|------------|------------|------------|
| Fuel         | 42,297,280 | 49,278,776 | 42,297,280 | 49,278,776 |
| Non-fuel     | 29,320,908 | 26,364,177 | 29,320,908 | 26,364,177 |
| GPO recovery | 1,390,519  | 1,938,270  | 1,390,519  | 1,938,270  |
| Gas          | 9,328,543  | 9,541,501  |            |            |
|              | 82,337,250 | 87,122,724 | 73,008,707 | 77,581,223 |

Non-regulated revenue

|                           |            |            |               |               |
|---------------------------|------------|------------|---------------|---------------|
| Fees, upgrade and repairs | 1,171,293  | 222,921    | 1,171,293     | 222,921       |
|                           | 1,171,293  | 222,921    | 1,171,293     | 222,921       |
|                           | 83,508,543 | 87,345,645 | \$ 74,180,000 | \$ 77,804,144 |

**Disaggregation of revenue**

In the following table, revenue from contracts with customers in the scope of IFRS 15 is disaggregated by location.

|           |               |               |               |               |
|-----------|---------------|---------------|---------------|---------------|
| Tongatapu | 72,990,749    | \$ 76,347,880 | 63,662,206    | \$ 66,806,379 |
| Vava'u    | 6,660,639     | \$ 7,021,093  | 6,660,639     | \$ 7,021,093  |
| Ha'apai   | 1,891,641     | \$ 1,984,798  | 1,891,641     | \$ 1,984,798  |
| Eua       | 1,965,514     | \$ 1,991,874  | 1,965,514     | \$ 1,991,874  |
|           | \$ 83,508,543 | \$ 87,345,645 | \$ 74,180,000 | \$ 77,804,144 |

7 OTHER INCOME

|                                                   |           |           |              |              |
|---------------------------------------------------|-----------|-----------|--------------|--------------|
| Release of deferred income (Note 25)              | 3,456,509 | 3,456,509 | 3,456,509    | 3,456,509    |
| Government grant received                         |           |           |              |              |
| Dividend income                                   |           |           |              |              |
| Gain on disposal of property, plant and equipment |           | -         |              | -            |
| Sundry income                                     | 4,771,818 | 2,531,789 | 4,708,632    | 2,453,995    |
|                                                   | 8,228,327 | 5,988,298 | \$ 8,165,141 | \$ 5,910,504 |

|                                                                                       | Consolidated<br>2024 | 2023              | Company<br>2024   | 2023              |
|---------------------------------------------------------------------------------------|----------------------|-------------------|-------------------|-------------------|
| <b>8 NET FINANCE COSTS</b>                                                            |                      |                   |                   |                   |
| Interest income under the effective interest method                                   |                      | 3,014             | -                 | 3,014             |
| <b>Total interest income arising from financial assets measured at amortised cost</b> | -                    | 3,014             | -                 | 3,014             |
| Net foreign exchange loss                                                             | (150,152)            | 41,139            | (26,776)          | 31,743            |
| <b>Finance income - other</b>                                                         | (150,152)            | 41,139            | (26,776)          | 31,743            |
| Financial liabilities measured at amortised cost – interest expense (Note 21(b))      | (873,537)            | (1,009,391)       | (797,693)         | (970,039)         |
| Interest expense - lease liabilities (Note 27)                                        | (83,803)             | (70,497)          | (83,803)          | (68,289)          |
| Ineffectiveness of derivative financial instruments                                   |                      |                   |                   | -                 |
| <b>Finance costs - other</b>                                                          | (957,340)            | (1,079,888)       | (881,496)         | (1,038,328)       |
| <b>Net finance costs recognised in profit or loss</b>                                 | (1,107,492)          | (1,035,735)       | (908,272)         | (1,003,571)       |
| <b>9 PERSONNEL EXPENSES</b>                                                           |                      |                   |                   |                   |
| Key management personnel (Note 28(d))                                                 | 1,822,778.00         | 1,354,777         | 1,822,778         | 1,354,777         |
| Staff salaries and related expenses                                                   | 5,248,228.00         | 6,317,044         | 5,248,228         | 6,317,044         |
| Superannuation contribution                                                           | 553,705.00           | 501,695           | 553,705           | 501,695           |
|                                                                                       | <u>7,624,711</u>     | <u>8,173,516</u>  | <u>7,624,711</u>  | <u>8,173,516</u>  |
| <b>10 (LOSS) / PROFIT BEFORE TAX</b>                                                  |                      |                   |                   |                   |
| (Loss) / Profit before tax has been determined after charging as expenses:            | 2,786,449            | 1,098,286         | 2,368,243         | 420,104           |
| <b>(a) Cost of sales</b>                                                              |                      |                   |                   |                   |
| Fuel cost                                                                             | 44,020,320           | 47,372,059        | 44,020,320        | 47,372,059        |
| Renewable energy cost                                                                 | 1,689,597            | 2,048,844         | 1,689,597         | 2,048,844         |
| Gas cost                                                                              | 6,295,556            | 6,612,837         |                   | -                 |
| Salaries and wages                                                                    | 4,760,423            | 5,183,814         | 4,760,423         | 5,183,814         |
| Superannuation contribution                                                           | 364,032              | 351,318           | 364,032           | 351,318           |
| Third party costs                                                                     | 386,710              | 429,132           | 386,710           | 429,132           |
| Maintenance costs                                                                     | 5,806,752            | 5,491,154         | 5,806,752         | 5,491,154         |
| Supplies and consumables                                                              | 104,664              | 112,811           | 104,664           | 112,811           |
| Rent/ lease expenses                                                                  | 698,781              | 1,358,273         | 698,781           | 1,358,273         |
| Other repairs                                                                         | 615,754              | 438,173           | 615,754           | 438,173           |
| Depreciation of generation equipment                                                  | 784,371              | 1,133,916         | 784,371           | 1,133,916         |
| Other expenses                                                                        | 3,908,962            | 3,601,174         | 3,908,962         | 3,601,174         |
|                                                                                       | <u>69,435,922</u>    | <u>74,133,505</u> | <u>63,140,366</u> | <u>67,520,668</u> |

|                                                                       | Consolidated      |                  | Company           |                  |
|-----------------------------------------------------------------------|-------------------|------------------|-------------------|------------------|
|                                                                       | 2024              | 2023             | 2024              | 2023             |
| <b>10 (LOSS) / PROFIT BEFORE INCOME TAX (continued)</b>               |                   |                  |                   |                  |
| <i>(b) Selling and distribution expenses</i>                          |                   |                  |                   |                  |
| Media announcements                                                   | 301,864           | 86,788           | 108,562           | 76,611           |
| Loss on disposal of property, plant and equipment                     | -                 | -                | -                 | -                |
| Repairs and maintenance                                               | -                 | 177,668          | -                 | -                |
| Depreciation of distribution network                                  | 5,577,946         | 7,211,459        | 5,577,946         | 7,211,459        |
|                                                                       | <u>5,879,810</u>  | <u>7,475,914</u> | <u>5,686,508</u>  | <u>7,288,069</u> |
| <i>(c) Administrative and other expenses</i>                          |                   |                  |                   |                  |
| Auditor's remuneration - audit services                               | 60,645            | 60,000           | 42,000            | 42,000           |
| Bank charges                                                          | 84,917            | 101,598          | 84,917            | 101,598          |
| Depreciation of property, plant and equipment                         | 2,982,822         | 1,594,018        | 2,569,046         | 1,270,032        |
| Depreciation of right-of-use assets                                   | 94,401            | 79,865           | 94,401            | 44,470           |
| Amortisation of intangible assets                                     | -                 | 74,906           | -                 | 74,906           |
| Electricity Commission fees                                           | 571,184           | 561,192          | 571,184           | 561,192          |
| Impairment loss on investment in subsidiaries                         | -                 | -                | -                 | -                |
| Insurance                                                             | 2,529,395         | 1,679,639        | 2,528,710         | 1,679,639        |
| Directors' emoluments (Note 27(a))                                    | 354,529           | 336,626          | 214,251           | 192,962          |
| Legal and professional fees                                           | 579,725           | 145,251          | 567,077           | 134,684          |
| Repairs and maintenance                                               | 472,959           | 134,540          | 270,749           | 15,097           |
| Salaries and wages                                                    | 3,418,230         | 3,591,766        | 2,310,583         | 2,488,007        |
| Superannuation contribution                                           | 189,673           | 150,377          | 189,673           | 150,377          |
| Travelling expenses                                                   | 315,580           | 98,277           | 315,580           | 98,277           |
| Other expenses                                                        | 873,137           | 1,026,917        | 483,581           | 673,464          |
|                                                                       | <u>12,527,197</u> | <u>9,590,503</u> | <u>10,241,752</u> | <u>7,482,236</u> |
| <b>11 INCOME TAX</b>                                                  |                   |                  |                   |                  |
| <i>(a) Income tax expense</i>                                         |                   |                  |                   |                  |
| Current tax (benefit) / expense                                       | 592,061           | 557,621          | 592,061           | 486,613          |
| Deferred tax benefit                                                  | (215,122)         | (582,374)        | (215,122)         | (582,374)        |
| Under/(over) provision in prior years                                 | -                 | 200,787          | -                 | 200,787          |
| Income tax (benefit) / expense                                        | <u>376,939</u>    | <u>176,034</u>   | <u>376,939</u>    | <u>105,026</u>   |
|                                                                       |                   |                  |                   | (0)              |
| <i>Prima facie income tax expense</i>                                 |                   |                  |                   |                  |
| Profit before tax                                                     | 2,786,449         | 1,098,286        | 2,368,243         | 420,104          |
| Prima facie income tax expense on operating profit at 25% (2021: 25%) | 696,612           | 274,571          | 592,061           | 105,026          |
| Permanent difference                                                  |                   |                  |                   |                  |
| Under/(over) provision in prior years                                 |                   |                  |                   |                  |
| Deferred tax derecognised                                             |                   |                  |                   |                  |
| Reversal of deferred tax derecognised previously                      | (38,541)          | (98,537)         | -                 | -                |
| Income tax (benefit) / expense                                        | <u>658,071</u>    | <u>176,034</u>   | <u>592,061</u>    | <u>105,026</u>   |
|                                                                       | 66,010            |                  |                   |                  |

|                                                                      | Consolidated<br>2024 | Consolidated<br>2023 | 2024               | Company<br>2023    |
|----------------------------------------------------------------------|----------------------|----------------------|--------------------|--------------------|
| <b>11 INCOME TAX (continued)</b>                                     |                      |                      |                    |                    |
| <i>(b) Current tax liability</i>                                     |                      |                      |                    |                    |
| Balance at the beginning of the year                                 | 900,693              | 699,470              | 603,946            | 367,104            |
| Income tax paid                                                      | (489,581)            | (39,652)             | (463,823)          | (39,652)           |
| Current tax (benefit) / expense                                      | 481,490              | 176,034              | 376,939            | 687,400            |
| (Over) / Under provision in prior years                              | 73,197               | 64,841               | 70,290             | (410,906)          |
| Balance at the end of the year                                       | <u>965,799</u>       | <u>900,693</u>       | <u>587,352</u>     | <u>603,946</u>     |
| <i>(c) Deferred tax liabilities</i>                                  |                      |                      |                    |                    |
| Property, plant and equipment                                        | (6,532,975)          | (6,450,169)          | (6,270,600)        | (6,354,503)        |
| Asset revaluation reserve                                            | (422,885)            | (422,885)            | (422,885)          | (422,885)          |
| Unrealised exchange gains                                            | -                    | -                    | -                  | -                  |
| Right-of-use assets                                                  | (525,287)            | (535,112)            | (369,776)          | (350,112)          |
|                                                                      | <u>(7,481,148)</u>   | <u>(7,408,167)</u>   | <u>(7,063,261)</u> | <u>(7,127,501)</u> |
| <i>(d) Deferred tax assets</i>                                       |                      |                      |                    |                    |
| Unrealised exchange losses                                           |                      |                      |                    |                    |
| Investment in subsidiaries                                           |                      |                      |                    |                    |
| Employee entitlements                                                | 76,447               | 76,447               | 76,447             | 76,447             |
| Trade receivables                                                    | -                    | 121,808              |                    | 121,808            |
| Lease liabilities                                                    | 398,071              | 345,211              | 393,921            | 341,061            |
| Intangible assets                                                    | 76,133               | 52,465               | -                  | -                  |
|                                                                      | <u>550,652</u>       | <u>595,932</u>       | <u>470,368</u>     | <u>539,317</u>     |
| -204007                                                              |                      |                      |                    |                    |
| -214007                                                              |                      |                      |                    |                    |
| 10000                                                                |                      | 2023                 |                    | 2023               |
| <b>12 CASH</b>                                                       |                      |                      |                    |                    |
| Cash at bank                                                         | 2,395,455            | 1,460,114            | 1,752,189          | 1,028,215          |
| Cash on hand                                                         | 6,450                | 6,450                | 6,450              | 6,450              |
| <b>Cash and cash equivalents ins statement of financial position</b> | <u>2,401,905</u>     | <u>1,466,564</u>     | <u>1,758,639</u>   | <u>1,034,665</u>   |
| Bank Overdraft                                                       | (2,420,076)          | (5,141,403)          | (2,420,076)        | (5,141,403)        |
| <b>Cash and cash equivalents in statement of cash flows</b>          | <u>(18,171)</u>      | <u>(3,674,839)</u>   | <u>(661,437)</u>   | <u>(4,106,738)</u> |

Financing facilities available to the Group at the end of the financial year consists of the following:

- The overdraft was increased to 5m from \$3 million with ANZ Banking Corporation at an interest rate of 9.5% per annum (2023: \$5 million at an interest rate of 9.5% per annum).

|                                           | Consolidated      |                   | Company           |                   |
|-------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                           | 2024              | 2023              | 2024              | 2023              |
| <b>13 TRADE AND OTHER RECEIVABLES</b>     |                   |                   |                   |                   |
| Trade receivables                         | 4,243,781         | 3,815,979         | 4,154,871         | 3,722,940         |
| Impairment on trade receivables           | (487,232)         | (529,508)         | (487,232)         | (487,232)         |
|                                           | <u>3,756,549</u>  | <u>3,286,471</u>  | <u>3,667,639</u>  | <u>3,235,708</u>  |
| Prepayments                               | 1,289,390         | 1,291,858         | 1,285,040         | 1,281,975         |
| Accrued income                            | 5,381,107         | 5,423,090         | 5,381,107         | 5,423,090         |
| Receivable from subsidiaries (Note 28(c)) | -                 | -                 | 438,288           | 438,288           |
| Receivable from WAL                       | 0                 | 41,811            | -                 | 41,811            |
| Consumption tax receivable                | 407,671           | 64,091            | 407,671           | 64,091            |
| Other assets                              | 3,861,307         | 1,935,139         | 3,857,207         | 1,925,851         |
|                                           | <u>14,696,024</u> | <u>12,042,460</u> | <u>15,036,952</u> | <u>12,410,814</u> |
| <b>14 INVENTORIES</b>                     |                   |                   |                   |                   |
| Fuel                                      | 1,011,738         | 884,871           | 1,011,738         | 884,871           |
| Spares                                    | 312,756           | 407,200           | 312,756           | 407,200           |
| Lubricant Oil                             | 49,244            | 50,373            | 49,244            | 50,373            |
| Gas and gas related products              | 687,944           | 417,787           | -                 | -                 |
|                                           | <u>2,061,682</u>  | <u>1,760,231</u>  | <u>1,373,738</u>  | <u>1,342,444</u>  |
| <b>15 DEBT INVESTMENT SECURITIES</b>      |                   |                   |                   |                   |
| <b>Current</b>                            |                   |                   |                   |                   |
| ANZ Banking Corporation                   | 791,372           | 790,350           | 349,948           | 349,948           |
| Government bonds                          |                   |                   | -                 | -                 |
|                                           | <u>791,372</u>    | <u>790,350</u>    | <u>349,948</u>    | <u>349,948</u>    |
| <b>Non-current</b>                        |                   |                   |                   |                   |
| Government bonds                          |                   |                   | -                 | -                 |

At reporting date, the Group held term deposits with ANZ Bank which attracted interest rate of 2% per annum (2023: 2% per annum).

|                                | 2024           | Consolidated<br>2023 | 2024        | Company<br>2023 |
|--------------------------------|----------------|----------------------|-------------|-----------------|
| <b>16 INTANGIBLE ASSETS</b>    |                |                      |             |                 |
| Opening net book amount        | 981,179        | 1,056,086            | -           | 74,906          |
| Additions                      |                | -                    |             |                 |
| Disposals                      |                |                      |             |                 |
| Amortisation charge            |                | (74,906)             | -           | (74,906)        |
| <b>Closing net book amount</b> | <b>981,179</b> | <b>981,179</b>       | <b>-</b>    | <b>0</b>        |
| <b>Computer software</b>       |                |                      |             |                 |
| Cost                           | 4,135,713      | 4,125,570            | 3,931,985   | 3,931,985       |
| Accumulated amortisation       | (4,103,928)    | (4,103,928)          | (3,931,985) | (3,931,985)     |
| <b>Net book amount</b>         | <b>31,785</b>  | <b>21,642</b>        | <b>-</b>    | <b>-</b>        |
| <b>Goodwill</b>                |                |                      |             |                 |
| Cost                           | 963,437        | 963,437              | -           |                 |
| <b>Net book amount</b>         | <b>963,437</b> | <b>963,437</b>       | <b>-</b>    | <b>-</b>        |
| <b>Intangible assets</b>       | <b>995,222</b> | <b>985,079</b>       | <b>-</b>    | <b>-</b>        |

The carrying value of goodwill is in relation to the Company's investment in Tonga Gas Limited. The recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of \$3,070,000. The key assumptions used in the estimation of value in use were as follows:

Discount rate

Terminal value growth rate

Budgeted EBITDA growth rate (average of next five years)

The discount rate was a post-tax measure based on the rate of 30-year US government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 17.54%.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for Tonga.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Any adverse movement in a key assumption would lead to impairment.

17 PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

|                                | Generation<br>Equipment<br>\$ | Distribution<br>Network<br>\$ | Computer<br>Equipment<br>\$ | Furniture<br>& Fixtures<br>\$ | Tools &<br>Equipment<br>\$ | Motor<br>Vehicle<br>\$ | Land &<br>Building<br>\$ | Capital<br>WIP<br>\$ | Renewable<br>Energy<br>\$ | Total<br>\$        |
|--------------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------------|------------------------|--------------------------|----------------------|---------------------------|--------------------|
| <b>At 30 June 2022</b>         |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Cost or valuation              | 34,238,280                    | 106,578,227                   | 1,981,592                   | 446,580                       | 7,269,457                  | 6,329,359              | 26,995,215               | 6,446,516            | 32,611,136                | 222,896,361        |
| Accumulated depreciation       | (17,813,691)                  | (42,949,096)                  | (1,571,193)                 | (369,160)                     | (5,676,572)                | (4,903,158)            | (3,722,877)              | -                    | (9,840,924)               | (86,846,671)       |
| <b>Net Book Amount</b>         | <b>16,424,589</b>             | <b>63,629,131</b>             | <b>410,398</b>              | <b>77,420</b>                 | <b>1,592,885</b>           | <b>1,426,201</b>       | <b>23,272,338</b>        | <b>6,446,516</b>     | <b>22,770,212</b>         | <b>136,049,690</b> |
| <b>Year Ended 30 June 2023</b> |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Opening net book amount        | 16,424,589                    | 63,629,131                    | 410,398                     | 77,420                        | 1,592,885                  | 1,426,201              | 23,272,338               | 6,446,516            | 22,770,212                | 136,049,690        |
| Additions                      | 967,706                       | 2,224,202                     | 211,580                     | 27,651                        | 128,255                    | 307,223                | 202,000                  | 2,127,030            | -                         | 6,195,647          |
| Transfers                      | -                             | -                             | -                           | -                             | -                          | -                      | -                        | -                    | -                         | -                  |
| Disposals                      | -                             | -                             | -                           | -                             | -                          | -                      | -                        | -                    | -                         | -                  |
| Depreciation expense           | (1,133,916)                   | (5,861,560)                   | (186,332)                   | (26,689)                      | (452,477)                  | (474,202)              | (766,534)                | -                    | (1,349,899)               | (10,251,609)       |
| <b>Closing net book amount</b> | <b>16,258,379</b>             | <b>59,991,773</b>             | <b>435,646</b>              | <b>78,382</b>                 | <b>1,268,663</b>           | <b>1,259,222</b>       | <b>22,707,804</b>        | <b>8,573,546</b>     | <b>21,420,313</b>         | <b>131,993,729</b> |
| <b>At 30 June 2023</b>         |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Cost or valuation              | 35,205,986                    | 108,802,429                   | 2,193,172                   | 474,231                       | 7,397,712                  | 6,636,582              | 27,197,215               | 8,573,546            | 32,611,136                | 229,092,009        |
| Accumulated depreciation       | (18,947,607)                  | (48,810,656)                  | (1,757,525)                 | (395,849)                     | (6,129,049)                | (5,377,360)            | (4,489,411)              | -                    | (11,190,823)              | (97,098,280)       |
| <b>Net Book Amount</b>         | <b>16,258,379</b>             | <b>59,991,773</b>             | <b>435,647</b>              | <b>78,382</b>                 | <b>1,268,663</b>           | <b>1,259,222</b>       | <b>22,707,804</b>        | <b>8,573,546</b>     | <b>21,420,313</b>         | <b>131,993,729</b> |
| <b>Year Ended 30 June 2024</b> |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Opening net book amount        | 16,258,379                    | 59,991,773                    | 435,647                     | 78,382                        | 1,268,663                  | 1,259,222              | 22,707,804               | 8,573,546            | 21,420,313                | 131,993,729        |
| Additions                      | 1,701,185                     | 2,169,388                     | 35,906                      | 7,419                         | 26,902                     | 381,034                | 22,582                   | 1,064,016            | 630,695                   | 6,039,127          |
| Transfers                      | -                             | (269)                         | 11,804                      | 127                           | -                          | 346                    | 2,820                    | -                    | 574,965                   | 589,793            |
| Disposals                      | -                             | -                             | -                           | -                             | -                          | -                      | -                        | -                    | -                         | -                  |
| Depreciation expense           | (784,371)                     | (5,577,946)                   | (192,410)                   | (27,939)                      | (323,734)                  | (561,872)              | (568,290)                | -                    | (1,250,974)               | (9,287,536)        |
| <b>Closing net book amount</b> | <b>17,175,193</b>             | <b>56,582,947</b>             | <b>290,947</b>              | <b>57,989</b>                 | <b>971,831</b>             | <b>1,078,730</b>       | <b>22,164,916</b>        | <b>9,637,562</b>     | <b>21,374,999</b>         | <b>129,335,114</b> |
| <b>At 30 June 2024</b>         |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Cost or valuation              | 36,907,171                    | 110,971,548                   | 2,240,882                   | 481,777                       | 7,424,614                  | 7,017,962              | 27,222,617               | 9,637,562            | 33,816,796                | 235,720,929        |
| Accumulated depreciation       | (19,731,978)                  | (54,388,602)                  | (1,949,935)                 | (423,788)                     | (6,452,783)                | (5,939,232)            | (5,057,701)              | -                    | (12,441,797)              | (106,385,815)      |
| <b>Net Book Amount</b>         | <b>17,175,193</b>             | <b>56,582,947</b>             | <b>290,947</b>              | <b>57,989</b>                 | <b>971,831</b>             | <b>1,078,730</b>       | <b>22,164,916</b>        | <b>9,637,562</b>     | <b>21,374,999</b>         | <b>129,335,114</b> |

PROPERTY, PLANT AND EQUIPMENT - COMPANY

|                                | Generation<br>Equipment<br>\$ | Distribution<br>Network<br>\$ | Computer<br>Equipment<br>\$ | Furniture<br>& Fixtures<br>\$ | Tools &<br>Equipment<br>\$ | Motor<br>Vehicle<br>\$ | Land &<br>Building<br>\$ | Capital<br>WIP<br>\$ | Renewable<br>Energy<br>\$ | Total<br>\$        |
|--------------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------------|------------------------|--------------------------|----------------------|---------------------------|--------------------|
| <b>At 30 June 2022</b>         |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Cost or valuation              | 34,238,280                    | 106,578,227                   | 1,781,451                   | 423,162                       | 1,673,460                  | 5,669,786              | 25,213,852               | 6,446,516            | 32,611,136                | 214,635,869        |
| Accumulated depreciation       | (17,813,691)                  | (42,949,096)                  | (1,404,683)                 | (349,141)                     | (1,367,986)                | (4,302,643)            | (3,281,671)              | -                    | (9,840,924)               | (81,309,834)       |
| <b>Net Book Amount</b>         | <b>16,424,589</b>             | <b>63,629,131</b>             | <b>376,768</b>              | <b>74,021</b>                 | <b>305,474</b>             | <b>1,367,143</b>       | <b>21,932,181</b>        | <b>6,446,516</b>     | <b>22,770,212</b>         | <b>133,326,035</b> |
| <b>Year Ended 30 June 2023</b> |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Opening net book amount        | 16,424,589                    | 63,629,131                    | 376,768                     | 74,021                        | 305,474                    | 1,367,143              | 21,932,181               | 6,446,516            | 22,770,212                | 133,326,035        |
| Additions                      | 967,706                       | 2,224,202                     | 187,706                     | 26,301                        | 70,830                     | 304,810                | -                        | 1,341,541            | -                         | 5,123,096          |
| Transfers                      | -                             | -                             | -                           | -                             | -                          | -                      | -                        | -                    | -                         | -                  |
| Disposals                      | -                             | -                             | -                           | -                             | -                          | -                      | -                        | -                    | -                         | -                  |
| Depreciation expense           | (1,133,916)                   | (5,861,560)                   | (171,869)                   | (25,815)                      | (83,782)                   | (491,249)              | (497,317)                | -                    | (1,349,899)               | (9,615,407)        |
| <b>Closing net book amount</b> | <b>16,258,379</b>             | <b>59,991,773</b>             | <b>392,605</b>              | <b>74,507</b>                 | <b>292,522</b>             | <b>1,180,704</b>       | <b>21,434,864</b>        | <b>7,788,057</b>     | <b>21,420,313</b>         | <b>128,833,725</b> |
| <b>At 30 June 2023</b>         |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Cost or valuation              | 35,205,986                    | 108,802,429                   | 1,969,157                   | 449,463                       | 1,744,290                  | 5,974,596              | 25,213,852               | 7,788,057            | 32,611,136                | 219,758,965        |
| Accumulated depreciation       | (18,947,607)                  | (48,810,656)                  | (1,576,552)                 | (374,956)                     | (1,451,768)                | (4,793,892)            | (3,778,988)              | -                    | (11,190,823)              | (90,925,241)       |
| <b>Net Book Amount</b>         | <b>16,258,379</b>             | <b>59,991,773</b>             | <b>392,605</b>              | <b>74,507</b>                 | <b>292,522</b>             | <b>1,180,704</b>       | <b>21,434,864</b>        | <b>7,788,057</b>     | <b>21,420,313</b>         | <b>128,833,725</b> |
| <b>Year Ended 30 June 2024</b> |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Opening net book amount        | 16,258,379                    | 59,991,773                    | 392,605                     | 74,507                        | 292,522                    | 1,180,704              | 21,434,864               | 7,788,057            | 21,420,313                | 128,833,725        |
| Additions                      | 1,701,185                     | 2,169,388                     | 18,239                      | -                             | 24,201                     | 352,734                | 22,582                   | 1,064,016            | 630,695                   | 5,983,040          |
| Transfers                      | -                             | (269)                         | 11,804                      | 127                           | -                          | 346                    | 2,820                    | -                    | 574,965                   | 589,793            |
| Disposals                      | -                             | -                             | -                           | -                             | -                          | -                      | -                        | -                    | -                         | -                  |
| Depreciation expense           | (784,371)                     | (5,577,946)                   | (137,491)                   | (25,367)                      | (88,311)                   | (533,290)              | (533,613)                | -                    | (1,250,974)               | (8,931,363)        |
| <b>Closing net book amount</b> | <b>17,175,193</b>             | <b>56,582,946</b>             | <b>285,157</b>              | <b>49,267</b>                 | <b>228,412</b>             | <b>1,000,494</b>       | <b>20,926,653</b>        | <b>8,852,073</b>     | <b>21,374,999</b>         | <b>126,475,195</b> |
| <b>At 30 June 2024</b>         |                               |                               |                             |                               |                            |                        |                          |                      |                           |                    |
| Cost or valuation              | 36,907,171                    | 110,971,548                   | 1,999,200                   | 449,590                       | 1,768,491                  | 6,327,676              | 25,239,254               | 8,852,073            | 33,816,796                | 226,331,799        |
| Accumulated depreciation       | (19,731,978)                  | (54,388,602)                  | (1,714,043)                 | (400,323)                     | (1,540,079)                | (5,327,182)            | (4,312,601)              | -                    | (12,441,797)              | (99,856,603)       |
| <b>Net Book Amount</b>         | <b>17,175,193</b>             | <b>56,582,946</b>             | <b>285,157</b>              | <b>49,267</b>                 | <b>228,412</b>             | <b>1,000,494</b>       | <b>20,926,653</b>        | <b>8,852,073</b>     | <b>21,374,999</b>         | <b>126,475,195</b> |

|                                                                                                      | Consolidated      |                   | Company           |                   |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                                      | 2024              | 2023              | 2024              | 2023              |
| <b>18 TRADE AND OTHER PAYABLES</b>                                                                   |                   |                   |                   |                   |
| Trade payables                                                                                       | 6,962,443         | 3,824,052         | 6,826,065         | 3,326,501         |
| Other payables and accruals                                                                          | 5,655,722         | 4,282,184         | 3,689,802         | 3,182,367         |
| Related party payables (Note 28(c))                                                                  | -                 | -                 | -                 | 3,175,069         |
|                                                                                                      | <u>12,618,165</u> | <u>8,106,236</u>  | <u>10,515,867</u> | <u>9,683,937</u>  |
| <b>19 EMPLOYEE ENTITLEMENTS</b>                                                                      |                   |                   |                   |                   |
| Annual leave                                                                                         | 346,504           | 387,265           | 305,789           | 305,789           |
| Provision for bonus                                                                                  |                   |                   |                   |                   |
|                                                                                                      | <u>346,504</u>    | <u>387,265</u>    | <u>305,789</u>    | <u>305,789</u>    |
| <b>20 BORROWINGS</b>                                                                                 |                   |                   |                   |                   |
| <b>a) Secured loans from ANZ Tonga</b>                                                               |                   |                   |                   |                   |
| Current                                                                                              | 3,257,000         | 4,309,018         | 3,089,214         | 4,128,090         |
| Non-current                                                                                          | 14,241,041        | 16,585,494        | 13,893,683        | 15,944,021        |
| Total                                                                                                | <u>17,498,041</u> | <u>20,894,512</u> | <u>16,982,897</u> | <u>20,072,111</u> |
| <b>b) Reconciliation of movements of liabilities to cash flows arising from financing activities</b> |                   |                   |                   |                   |
| Balance at the beginning of the year                                                                 | 20,894,512        | 24,770,550        | 20,072,111        | 23,343,080        |
| Proceeds from borrowings                                                                             | 0                 | 0                 | 0                 | 0                 |
| Repayment of borrowings                                                                              | (3,396,472)       | (3,876,038)       | (3,089,214)       | (3,270,969)       |
| Interest expense                                                                                     | 826,878           | 1,009,391         | 797,693           | 970,039           |
| Interest capitalised to property plant and equipment                                                 | 0                 | 0                 | 0                 | 0                 |
| Interest paid                                                                                        | (826,878)         | (1,009,391)       | (797,693)         | (970,039)         |
| Balance at the end of the year                                                                       | <u>17,498,041</u> | <u>20,894,512</u> | <u>16,982,897</u> | <u>20,072,111</u> |

**c) Securities**

The borrowings for the Group are secured by the following:

Tonga Power Limited borrowings

- First Registered Mortgage over leasehold property at Popua, Lease no. 8159 plus all improvement thereon
- First Registered Mortgage over leasehold property at Matatua, Lease no. 8684 plus all improvement thereon
- First Registered Mortgage Debenture over all assets and under takings of Tonga Power Limited
- First Registered Mortgage Debenture over all assets and undertakings of Homegas Limited
- First Registered Mortgage Debenture over all assets and undertakings of Tonga Gas Limited
- Cross Guarantee between Tonga Power Limited, Homegas Limited and Tonga Gas Limited
- Deed of assignment over Electricity Concession Contract
- Script lien over 100% shares of Tonga Power Limited over Homegas Limited

Tonga Gas Limited borrowings

- First Registered Mortgage Debenture over all assets and undertakings of Tonga Gas Limited
- First Registered Mortgage Debenture over all assets and undertakings of Homegas Limited
- First Registered Mortgage over leasehold property at Toulaki, Ma'ufanga, Lease no. 2821A
- First Registered Mortgage over leasehold property at Toulaki, Vava'u, Lease no. 8137
- Cross Guarantee between Tonga Power Limited, Homegas Limited and Tonga Gas Limited

20 BORROWINGS (continued)

c) Securities (continued)

Borrowings contain the following covenants which the Group and the Company is not being in compliance with:

- Annual Audited Financial Statements as requested by ANZ as soon as they are available, but not later than 120 days after end of each financial year;

- Cash Flow Projection and/or Budgets with assumptions for the next 12 months as requested by ANZ as soon as they are available, but not later than 30 days after end of each financial year;

- Annual CAPEX plan to be provided as soon as they are available but not later than 60 days of each financial year end on the account of Tonga Power Limited; and

- Should the dividend paid be above the level of 50% of Net Profit After Tax, ANZ consent for the payment of such dividend is not required but a Review Event will be triggered should the dividend exceed the stated 50% level without any prior consultation by the Borrower with the Bank.

There is no impact of the noncompliance on these consolidated financial statements as the borrowings do not contain any noncompliance clauses. Subsequent to yearend, management advised ANZ of the noncompliance. On 4 March 2021 ANZ granted an extension to the Group and the Company until 2 April 2021 to comply with the non-financial covenants.

e) Terms of the borrowings

| Tonga Power Limited borrowing | Maturity   | Interest rate | Monthly repayment | Maturity   |
|-------------------------------|------------|---------------|-------------------|------------|
| Loan 1                        |            |               |                   |            |
| Loan 2                        | April 2027 | 4.00%         | 72,506            | April 2027 |
| Loan 3                        | April 2028 | 4.00%         | 80,048            | April 2028 |
| Loan 4                        | April 2028 | 4.00%         | 30,078            | April 2028 |
| Loan 5                        | May 2029   | 4.00%         | 80,904            | May 2029   |
| Loan 6                        | May 2029   | 4.00%         | 62,257            | May 2029   |
|                               | April 2034 | 4.25%         | 18,215            | April 2034 |
| Tonga Gas Limited borrowing   |            |               |                   |            |

| Consolidated | Company |
|--------------|---------|
| 2024         | 2023    |

SHARE CAPITAL

21 (a) *Authorised capital*

1,031 ordinary shares at \$32,768 each

|            |            |            |            |
|------------|------------|------------|------------|
| 33,783,595 | 33,783,595 | 33,783,595 | 33,783,595 |
|------------|------------|------------|------------|

(b) *Issued and paid-up capital*

Ordinary shares of 1,031 at \$32,768 per share, fully paid

|            |            |            |            |
|------------|------------|------------|------------|
| 33,783,595 | 33,783,595 | 33,783,595 | 33,783,595 |
|------------|------------|------------|------------|

|                                         | 2024      | Consolidated<br>2023 | 2024      | Company<br>2023 |
|-----------------------------------------|-----------|----------------------|-----------|-----------------|
| <b>PROVISION FOR DIVIDEND</b>           |           |                      |           |                 |
| 22 Balance at the beginning of the year | -         | -                    | -         | -               |
| Dividend declared                       | 500,000   | 704,587              | 500,000   | 704,587         |
| Dividend paid                           | (500,000) | (704,587)            | (500,000) | (704,587)       |
| Dividend converted to grant             |           |                      |           |                 |
| Offset against related party receivable |           |                      |           |                 |

During the year, the Company declared a dividend of \$500,000(2023: \$704,587) at the rate of \$484.97 (2023: \$683.40) per share. In 2023, dividend payable of \$704,587 was declared

|                                         |           |           |           |           |
|-----------------------------------------|-----------|-----------|-----------|-----------|
| <b>ASSET REVALUATION RESERVE</b>        |           |           |           |           |
| 23 Balance at the beginning of the year | 9,104,057 | 9,104,057 | 9,104,057 | 9,104,057 |
| Depreciation of buildings               |           | -         | -         | -         |
| Depreciation of distribution network    |           | -         | -         | -         |
| Balance at the end of the year          | 9,104,057 | 9,104,057 | 9,104,057 | 9,104,057 |

Asset revaluation reserve consists of fair value gains arising from the revaluation of the Company's Distribution Networks and revaluation of land and buildings. The difference between the depreciation based on the revalued carrying amount charged to profit or

|                                                   | 2024        | 2023        | 2024        | 2023        |
|---------------------------------------------------|-------------|-------------|-------------|-------------|
| <b>DEFERRED INCOME - DONATED ASSETS</b>           |             |             |             |             |
| 24 Balance at the beginning of the year           | 45,056,250  | 48,512,760  | 45,056,250  | 48,512,760  |
| Additions                                         | 4,000,000   |             | 4,000,000   | -           |
| Amounts released to other income                  | (3,456,509) | (3,456,509) | (3,456,509) | (3,456,509) |
| Balance at the end of the year                    | 45,599,741  | 45,056,250  | 45,599,723  | 45,056,250  |
| Disclosed in the financial statements as follows: |             |             |             |             |
| Current                                           | 42,143,214  | 41,599,741  | 42,143,214  | 41,599,741  |
| Non-current                                       | 45,599,723  | 45,056,250  | 45,599,723  | 45,056,250  |

Deferred income consists of grants in relation to capital expenditure

|                                   | 2024 | 2023 | 2024      | 2023      |
|-----------------------------------|------|------|-----------|-----------|
| <b>INVESTMENT IN SUBSIDIARIES</b> |      |      |           |           |
| 25 Homegas Limited                | -    | -    | 642,531   | 642,531   |
| Tonga Gas Limited                 | -    | -    | 2,953,163 | 2,953,163 |
|                                   | -    | -    | 3,595,694 | 3,595,694 |

INVESTMENT IN SUBSIDIARIES (continued)

| 25                                   | 2024 | Consolidated<br>2023 | 2024      | Company<br>2023 |
|--------------------------------------|------|----------------------|-----------|-----------------|
| Balance at the beginning of the year | -    | -                    | 3,595,695 | 3,595,695       |
| Additional investment in subsidiary  | -    | -                    | -         | -               |
| Impairment of investment             | -    | -                    | -         | -               |
| Balance at the end of the year       | -    | -                    | 3,595,695 | 3,595,695       |

| Subsidiary entities | 2023 | 2024 | Place of<br>incorporation |
|---------------------|------|------|---------------------------|
| Homegas Limited     | 100% | 100% | Tonga                     |
| Tonga Gas Limited   | 100% | 100% | Tonga                     |

Dividends receivable from Tonga Gas Limited of \$Nil (2022: \$nil) was converted into shares.

LEASES

| 26                               | 2024      | 2023      | 2024      | 2023      |
|----------------------------------|-----------|-----------|-----------|-----------|
| <b>A. As a Lessee</b>            |           |           |           |           |
| <b>Rights-of-use assets</b>      |           |           |           |           |
| Balance at 1 July 2023           | 2,835,091 | 2,879,561 | 1,400,449 | 1,444,919 |
| Depreciation charge for the year | (166,524) | (79,865)  | (94,401)  | (44,470)  |
| Additions                        | 173,056   |           | 173,056   | -         |
| Balance at 30 June 2024          | 2,841,623 | 2,799,696 | 1,479,104 | 1,400,449 |

Lease Liabilities

Maturity analysis – contractual undiscounted cash flows

|                                                      |           |           |           |           |
|------------------------------------------------------|-----------|-----------|-----------|-----------|
| Less than one year                                   | 71,935    | 156,830   | 71,935    | 90,730    |
| One to five years                                    | 343,735   | 693,420   | 343,735   | 362,920   |
| More than five years                                 | 1,160,015 | 4,283,855 | 1,160,015 | 2,691,675 |
| Total undiscounted lease liabilities at 30 June 2022 | 1,575,685 | 5,134,105 | 1,575,685 | 3,145,325 |

Lease liabilities included in the statement of financial position at 30 June 2022:

|             |           |           |           |           |
|-------------|-----------|-----------|-----------|-----------|
| Current     | 84,687    | 132,557   | 27,823    | 22,441    |
| Non-current | 2,632,657 | 2,414,097 | 1,547,862 | 1,426,460 |
|             | 2,717,344 | 2,546,654 | 1,575,685 | 1,448,901 |

Amounts recognised in profit or loss

|                               |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|
| Interest on lease liabilities | 83,803  | 70,497  | 83,803  | 68,289  |
| Depreciation on ROU Assets    | 94,401  | 44,470  | 94,401  | 44,470  |
|                               | 178,204 | 114,967 | 178,204 | 112,759 |

Amounts recognised in the statement of cash flows

|                               |          |           |          |          |
|-------------------------------|----------|-----------|----------|----------|
| Total cash outflow for leases | (99,830) | (106,730) | (99,830) | (92,730) |
|-------------------------------|----------|-----------|----------|----------|

B. As a Lessor

The Company leases its office space to its related party, Tonga Gas Limited for a term of 30 years. The annual rent receivable from Tonga Gas Limited is \$46,800.

Lease income from lease contracts in which the Company acts as a lessor is as below.

|                        | 2024   | 2023   |
|------------------------|--------|--------|
| <b>Operating lease</b> |        |        |
| Lease income           | 46,800 | 46,800 |

| LEASES (continued) |                                                         | Company   |           |
|--------------------|---------------------------------------------------------|-----------|-----------|
|                    |                                                         | 2024      | 2023      |
| 26                 | <b>B. As a Lessor (continued)</b>                       |           |           |
|                    | Maturity analysis – contractual undiscounted cash flows |           |           |
|                    | Within one year                                         | 99,830    | 46,800    |
|                    | Later than one year but not later than five years       | 491,783   | 187,200   |
|                    | Later than five years                                   | 2,598,675 | 1,404,000 |
|                    | Total undiscounted lease payments                       | 3,190,288 | 1,638,000 |

27 **RELATED PARTIES**

**(a) Transactions with directors**

The following were directors of the Company at any time during the financial year and up to the date of signing of the financial statements:

|                     |                                                |
|---------------------|------------------------------------------------|
| Mr. Tapu Panuve     | Appointed on 1-Mar-2022                        |
| Mr. Maliu Takai     | Appointed on 1-Mar-2023                        |
| Mr. Maika Haupeakui | Appointed on 1-Mar-2022                        |
| Mr. Saimone Helu    | Appointed on 1-Mar-2022                        |
| Dr. Tevita Tukunga  | Appointed on 1-Mar-2022                        |
| Mr. Sosaia Penitani | Appointed on 1-Mar-2022                        |
| Mrs Tuna Likiliki   | Appointed on 1-Mar-2023                        |
| Hon Lasike          | Transferred to another PE Board on 28-Feb-2022 |

|                       | Consolidated |         | Company |         |
|-----------------------|--------------|---------|---------|---------|
|                       | 2024         | 2023    | 2024    | 2023    |
| Directors' emoluments | 354,529      | 336,626 | 214,251 | 192,962 |

**(b) Transactions with Government Ministries and other State Owned Enterprises**

The Company is wholly owned by the Government of Tonga. The Company has transactions with the Government, and other government-related entities, including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, and use of public utilities.

|                                                | 2024    | 2023    |
|------------------------------------------------|---------|---------|
| <b>(c) Transactions with subsidiaries</b>      |         |         |
| <b>Transactions during the year</b>            |         |         |
| Sale of electricity                            | 11,763  | 11,763  |
| Service fee income                             | 6,000   | 6,000   |
| Other expenses                                 |         |         |
| <b>Balances as at year end</b>                 |         |         |
| <b>Amounts receivable from related parties</b> |         |         |
| <i>Other receivable</i>                        |         |         |
| Tonga Gas Limited                              | 438,288 | 438,288 |

| RELATED PARTIES (continued) |                                                |      |           |
|-----------------------------|------------------------------------------------|------|-----------|
| 27                          |                                                | 2024 | 2023      |
|                             | (c) Transactions with subsidiaries (continued) |      | \$        |
|                             | Amounts payable to related parties             |      |           |
|                             | Other payable                                  |      |           |
|                             | Tonga Gas Limited                              | -    | 3,175,069 |
|                             | Homegas Limited                                | -    | 3,175,069 |

(d) 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.

In addition to the directors, during the year the executives identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the Group included the Chief Executive Officer, Risk and Compliance Manager, Power Generation Manager, Network Asset Manager, Manager Distribution Network, Finance Manager, Project Manager, Administration Manager, General Manager-Operations and the Strategic Development Manager.

|                         | 2024      | 2023      | 2024      | 2023      |
|-------------------------|-----------|-----------|-----------|-----------|
| Short term remuneration | 1,354,777 | 1,354,777 | 1,354,777 | 1,354,777 |

(e) Transfer of net assets to related party

CONTINGENT LIABILITIES

28 The directors of the Company are not aware of any contingent liabilities as at 30 June 2024 (2023: Nil).

CAPITAL COMMITMENTS

29 Capital commitments  
Contractual commitments in respect of capital expenditure which has been approved by the Board of Directors is as follows.

|                     |            |            |            |           |
|---------------------|------------|------------|------------|-----------|
| Capital commitments | 21,865,000 | 10,476,882 | 21,865,000 | 9,718,000 |
|---------------------|------------|------------|------------|-----------|

EVENTS SUBSEQUENT TO BALANCE DATE

30 During the period from the end of the year to the date of this report, no significant or unusual item, transaction, or event has occurred that, in the view of the Directors, is likely to have a significant impact on the Group and the Company's operations, financial results, or overall status in the coming years.