



ANNUAL REPORT

FY22-23

TONGA POWER LTD

Powering the Sustainable Development for our Kingdom

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1. ABOUT US

1.1 Ownership, Purpose & Regulatory Framework

Headquarters

Matatoa Taufa'ahau Road, Poutaha

Began Operations

2008

Governance

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

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.

Employees

271 Staff

Total Power Demand to date

13 MW

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.

Ownership

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.

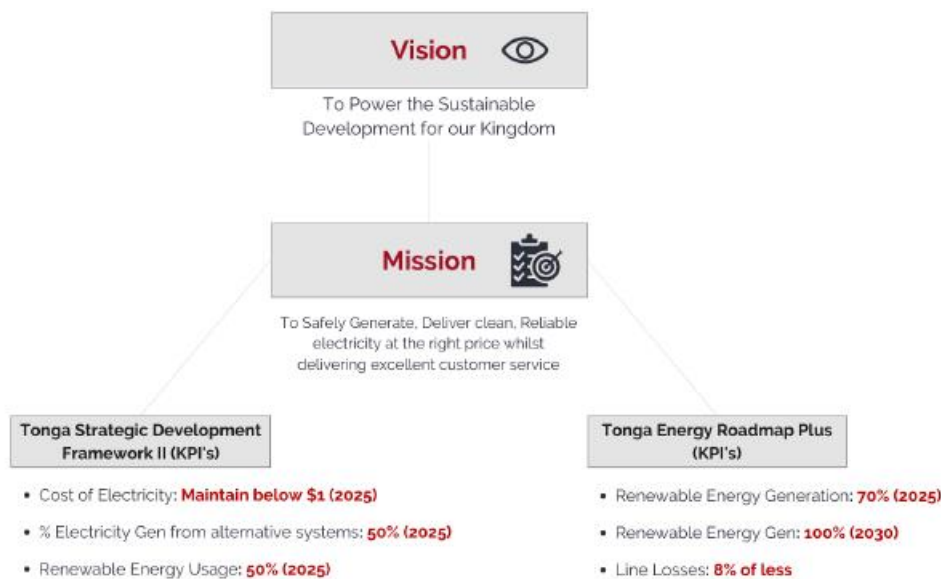
1.2 Our Strategic Objectives

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.
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.
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.
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.

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
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



Mr. Finau Moa
Acting Chief Executive
Officer, TPL



Mr. Lani Áhokava
Power Generations
Manager, TPL



Mr. Samisoni Fatai
Network Distribution
Line Manager, TPL



Mr. Villami Ongosia
Network Design &
Planning Manager,
TPL



Mrs. Henrietta Lavemai
Administration
Manager



Mr. Steven Ésau
Finance Manager, TPL



Mrs. Falemei Fale
Human Resources
Manager



Mrs. Sosefina Maileseni
Risk & Compliance
Manager



Ms. Heta Telefoni
Officer In Charge of
Retail Department, TPL



Mr. Peifaga Fuiono
Chief Information
Technology Officer,
TPL



Mr. Pesalili Tohi
Acting Major Projects
Manager, TPL



Mr. Paini Lie
Engineering Manager,
TPL



Mr. Andrew Kautoke
Strategic & Business
Development
Manager, TPL

2. Letter to the Minister

19th March 2024

The Honorable Minister for Public Enterprises
Nuku'alofa.

Dear Minister,

Subject: Tonga Power Limited Annual Report 2023

I am honored to submit Tonga Power Limited's Annual Report for the year 2022. 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 organization 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 for the Common Utilities
Board of Directors



.....
Mr. Finau Moe
Acting Chief Executive Officer
Tonga Power Limited

3. Key Outcomes FY22/23

Strategic Objective	Annual Measurable Target	Business Plan FY22/23 Target	Annual Average
GREEN ENERGY	RE Penetration	23%	13%
	Accumulated Fuel Displacement	11.4%	3.91%
	Sunergise 6MWIPP Project	100%	100%
	TREP 03 (Solar, VVU & Éua)	100%	100%
	TREP 13 GDMS	50%	15%
	China Wind	20%	8%
	Solar & Wind IPP (70% RE)	5%	3%
GRID RESILIENCE	System Average Interruption Index (SAIDI)	<850 mins	2,644.104 mins
	System Average Interruption Frequency Index (SAIFI)	13.867 mins	14
	System Loss Index	11%	9.11%
	Nuku'alofa Network Upgrade Project Area 3	100%	100%
	Nuku'alofa Network Upgrade Area 5	50%	18%
	OIREP Phase 3 Vava'u Network upgrade	100%	70%
	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%	60%
	Plotting Meter Locations to 1,638 meters	100%	30%
	Smart Meter CGR installation	100%	20%
EMPLOYEE EXPERIENCE	Employee Retention Rate	>90%	97.85%
	Employee Turnover Rate	<5%	2.15%
	Employee Wellness	<10%	5%
	Employee Absenteeism	<5%	2,31%
CUSTOMER EXPERIENCE	Customer Complaint Resolution time	2-5 Days	2-5 Days
	Customer Enquiry communication time	2-5 Days	2-5 Days
FINANCIAL HEALTH	Revenue		\$1,004,000
	Net Profits after Tax		\$1,004,000
	Debtor Days		30 days
	Debt to Equity Ratio		28:72
	Debt Ratio		10%
	Return on Equity		2%
	Liquidity Ratio		\$0.68
HEALTH & SAFETY	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%
SHAREHOLDER COMPLIANCE	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 Operational Highlights

- In October 2022, despite COVID-19 restrictions and the eruption of HTHH, TPL successfully completed the TREP 01 Load Shifting BESS Matatoa and TREP 02 Grid Stability BESS Popua power station projects.
- In December 2022, TPL achieved successful completion of the Sunergise 6MW Solar Independent Power Producer (IPP) project.

- TPL also successfully completed the TREP 03 Lot 1 hybrid solar and BESS 300kW project for Vava'u island, as well as the TREP 03 Lot 2 Hybrid solar and BESS 350kW project for 'Eua Island.
- Further, the OIREP Phase 4 Niuatoputapu Mini-grid rehabilitation and construction project was successfully completed.
- In December 2022, TPL successfully concluded Area 3 of the Nuku'alofa Network Upgrade project, which was funded jointly by the European Union and the Government of Australia.
- TPL received a generous donation of a 2 MW generator set from the Australian Government.
- The TREP 24 MW PV and BESS project is currently in the tendering process.
- The GDMS Project has seen significant progress with especially coordination with Energy Pool and Lambda and plans to install CoMap controllers to our 7 Gensets
- Grant funding of \$100k TOP received from British Government in support of a rooftop pilot project to identify the impact of solar rooftop on TPL's top 10 customers with the highest disconnection frequency. Procurement of materials in process aiming to commission project August of September 2023
- The total number of customer accounts increased by 3%, rising from 25,839 in July 2022 to 26,524 in June 2023. This includes 4,912 commercial accounts (18.52%) and 21,612 residential accounts (81.48%).
- Electricity demand experienced an overall increase of 11.09%, surging from 65.2 million units at the end of June 2020 to 72.4 million units at the end of June 2023.
- Reported faults and outages, managed by the Fault Unit, decreased by 12.5%, dropping from 2,572 in the financial year 21/22 to 2,287 at the end of June 2023.
- Notably, overall system losses for all four-grid island systems significantly reduced from 16.01% in 2011 to 10.55% as of the end of June 2023.
- Our total employee numbers increased by 3% by June 2023 as compared with the staff numbers for June 2022.
- The absenteeism rate at Tonga Power Limited stood at an impressive 2.58%, surpassing the target of 5%.
- Tonga Power Limited successfully revamped its strategic objectives, aligning each objective with all departmental Job Descriptions (JDs) and Key Performance Indicators (KPIs). This initiative also included the overhaul of senior managers' departmental Annual Management plans, creating a seamless link to their individual KPIs for quarterly progress tracking. This ensures senior managers are held accountable and take ownership of success and issues/challenges

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 2022/2023, the Board convened on twelve (12) occasions, with the attendance record of each member presented below. As of June 30th, 2023, the composition of the Board was as

Director	July 2022 – June 2023	Number of Board Meetings attended
Tapu Panuve	Board Chairman	12
Maliu Takai	Deputy Chairman	12
Saia Penitani	Director	12
Tevita Tukunga	Director	12
Saimone Helu	Director	11
Maika Haupeakui	Director	4 (March 23 to present)
Tuna Likiliki	Director	4 (March 23 to present)
Lord Lasike	Director	8 (Jul 22 – Feb 23)

4.2 Board of Sub-Committees

The following subcommittees were established in June 2023 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 satisfaction that I present to you the Annual Report for the fiscal year 2022-2023, a testament to Tonga Power Limited's resolute commitment to excellence and progress. This year marks the commencement of our meticulously devised Business Plan for the period 2022-2027, embodying seven pivotal objectives tailored to address the diverse facets of our operations. These objectives encompass the advancement of Green Energy ventures, fortification of grid resilience, optimization of customer and employee experiences, safeguarding financial stability, and the unwavering adherence to Health & Safety standards across all operational spheres. Each of these pursuits is diligently aligned with stringent regulatory mandates and reporting imperatives, reflecting TPL's steadfast dedication to adherence and accountability.

TPL proudly stands as a foremost provider of electricity, extending our services to the four primary islands, while concurrently serving as a proficient executor of energy-related projects. Our commitment to the communities we serve, delivered around the clock, seven days a week, is characterized by a dedicated and welcoming approach that lies at the core of our organizational ethos.

The preceding fiscal year witnessed a surge in operational activity, underscored by our steadfast commitment to advancing Tonga's Sustainable Development Goals and fulfilling our Nationally Determined Contribution to Renewable Energy. Simultaneously, we allocated substantial resources towards bolstering our foundational operations, ensuring the unwavering provision of secure, reliable, and cost-effective services. Our unyielding focus on enhancing infrastructure resilience serves as a linchpin in sustaining consistent service excellence for the benefit of our esteemed clientele.

A paramount strategic focus has been the rigorous pursuit of the RAPID project, with the ambitious target of achieving a 70% Renewable Energy share by the close of 2025. Central to this endeavour is the integration of a 24MW Independent Power Producer (IPP) Solar facility and Battery Energy Storage System (BESS), currently advancing through its tendering phase. Additionally, a grid strengthening initiative is poised for implementation to mitigate potential network impacts stemming from the integration of the 24MW IPP Solar & BESS project.

Throughout this period, TPL remained steadfast in upholding its commitments, seamlessly aligning activities with evolving shareholder expectations and accommodating the dynamics of an evolving Board of Directors. I am delighted to announce the successful completion of significant project milestones, most notably the South Pacific's largest Battery Energy Storage Systems under the TREP project, along with the triumphant completion of our 350kW Hybrid Solar & BESS for 'Eua Island and 300kW Hybrid Solar for Vava'u island. Additionally, we were honoured by His Majesty's presence in commissioning the closing ceremony for Tonga's largest solar farm, the Sunergise 6MW IPP sites dispersed throughout the western areas of Tongatapu in December 2022. Furthermore, our Network upgrade projects culminated in the successful completion of the Nuku'alofa Network Upgrade.

In closing, let us forge ahead with renewed determination towards our collective vision at Tonga Power Limited - to power the sustainable development of the Kingdom. We are steadfast in our mission to safely generate and deliver clean, reliable electricity at the right price, all while upholding the highest standards of customer service.

Together, we embark on a journey toward a brighter, greener future for Tonga. Our commitment is unwavering, and our resolve unyielding. With each milestone we achieve, we draw closer to a Kingdom powered by sustainable energy, where progress is harmoniously interwoven with the preservation of our natural heritage.

As we stand at the threshold of a new year, I am filled with confidence that the path we have charted will lead us to greater heights of accomplishment and service to our community. Let us face the challenges ahead with unity, innovation, and unwavering dedication.

Thank you for your steadfast support and belief in our shared mission. Together, we shall illuminate the way forward.

Sincerely,



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



.....
Mr. Finau Moe
(Acting Chief Executive Officer)

6. Review of 2023

6.1 Power Generation Performance

Overview of Annual Key Achievements/Developments

Significant capital projects and works were done, and important goals were achieved;

- ✓ TREP 1 and TREP2 BESS systems being fully commissioned and successfully allowing us to put more PV on the network and keeping it stable.
- ✓ Eua and Vavau PV plants becoming operational after ironing out all the problems along the way
- ✓ Sunergise PPA plants becoming fully operational after replacement of the faulty inverters was carried out in Tongatapu
- ✓ Finally receiving long awaited Caterpillar overhaul parts and overhauling engine number 1 and two other engines.
- ✓ Being donated a 2 Mw generator set from the Australian Government
- ✓ TREP 22 Mw PV and BESS project being tendered out.
- ✓ Taking on a few more trainee staff.
- ✓ Payment for essential overhaul and spare parts is getting quicker.
- ✓ Energy Pool control and monitoring SCADA system project beginning.
- ✓ Two new generator sets for Eua and Haapai have been purchased.

Challenges Faced:

- ✓ Spare parts, equipment and overhaul parts with long lead times after ordering.
- ✓ Control equipment of our generator sets becoming obsolete due to the age of the plant, then obtaining replacements. Companies are slow to respond. This is noticed after the Covid Pandemic.
- ✓ Long wait for insurance claim for G8 alternator repairs.
- ✓ Almost all of the original Vavau PV panels of the old plant failing.
- ✓ Data/communications links failing quite often.

Mitigation Strategies

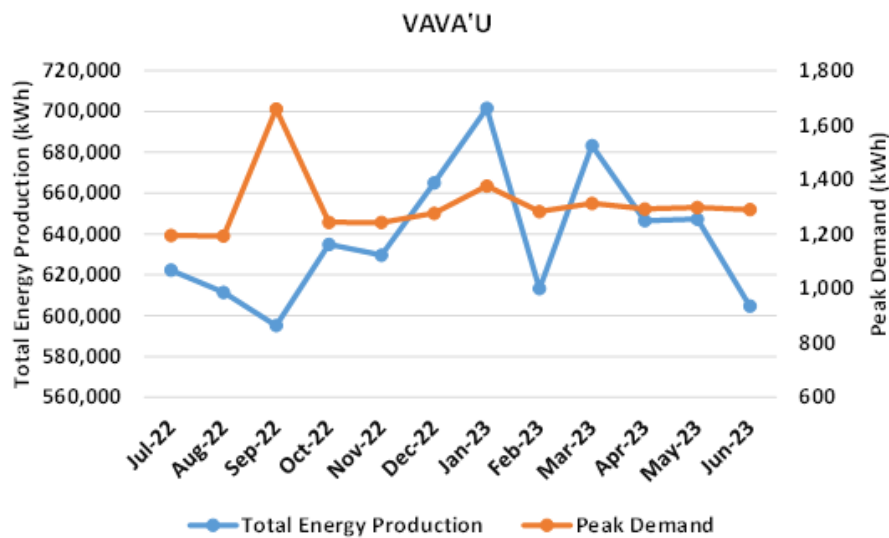
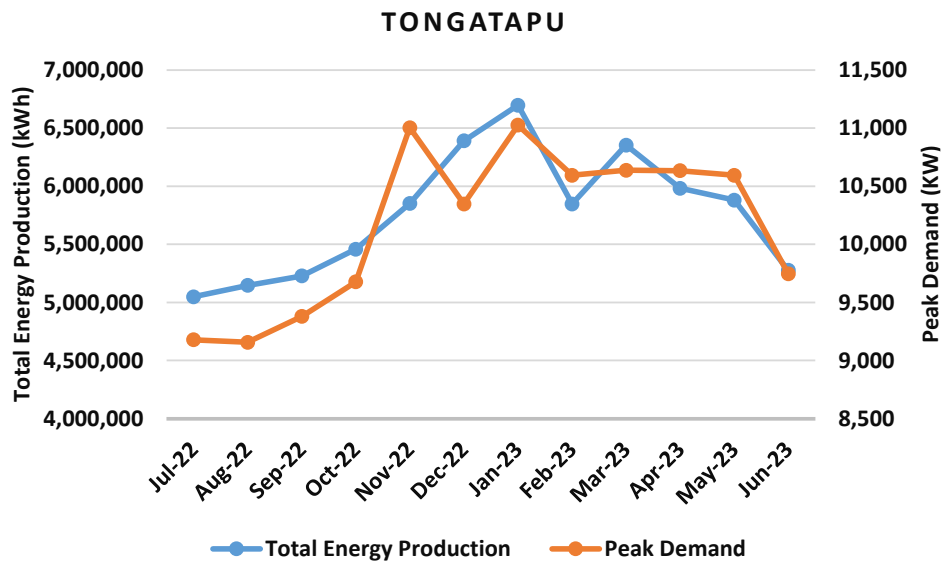
- Take care of our existing equipment.
- service it according to the manufacturer's requirements.
- Do not run it at or near maximum load.
- Upgrading to new equipment, like the Comap controller upgrades for the generator sets.
- An RF microwave communication back up link is being installed.

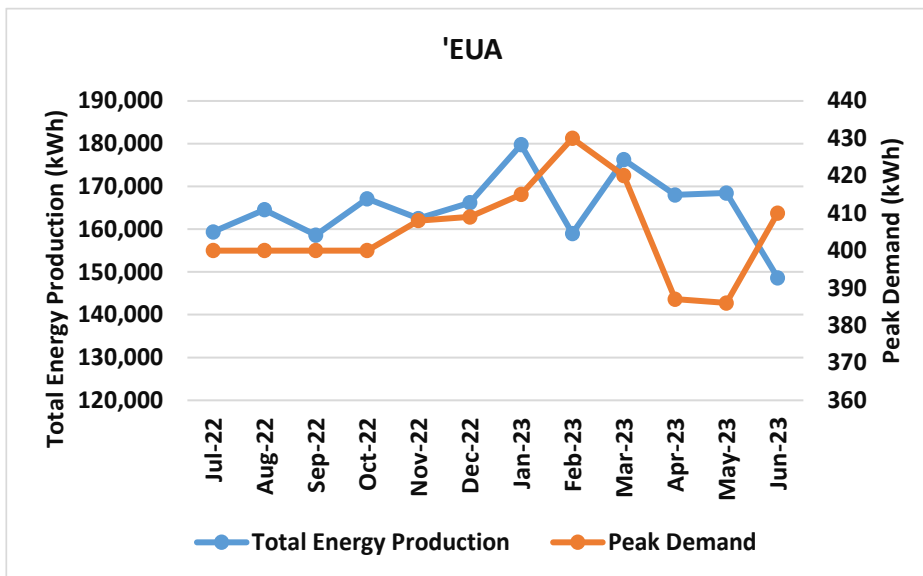
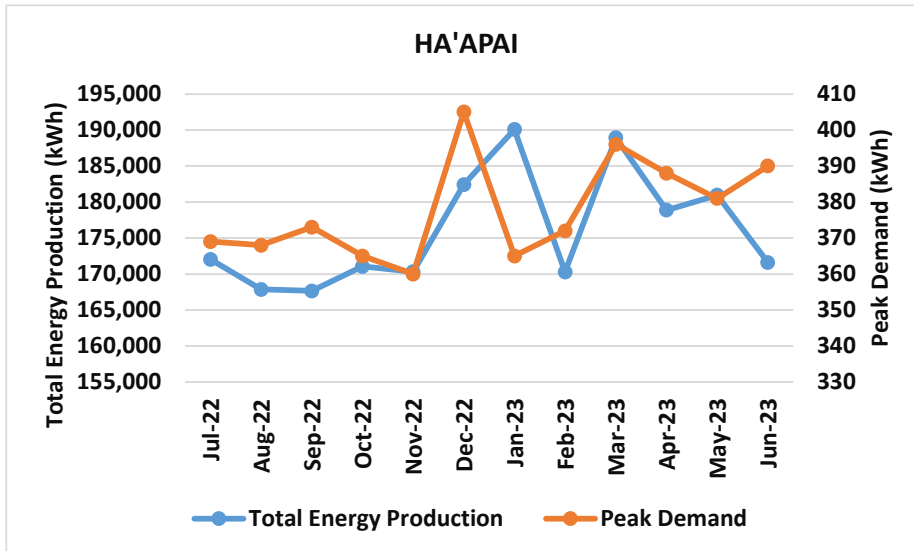
Annual Overview Table of Power Gen performance (July 22 – Jun 23)

Islands	Total Diesel Generation Capacity (MW)	Total Actual Diesel Generation (MWh)	Total Renewable Energy Capacity (MW)	Total Annual Renewable Energy Generation (MWh)	Total Energy Generation (GWh)	Annual average RE Penetration (%)
Tongatapu	15.93	58,424	11.68	10,736.41	69.16	15.60%
Vava'u	2.87	7,219	0.65	435.63	7.64	5.60%
Ha'apai	0.67	1,733	0.5	379.52	2.11	19.70%
Eua	1.77	1,941	0.5	37.36	1.98	2%
TOTAL	21.24	69,317	13.33	11,588.92	80.89	14.40%

Operational Performance

- Total Energy Production July 22 – July 23 vs Monthly Peak Demand





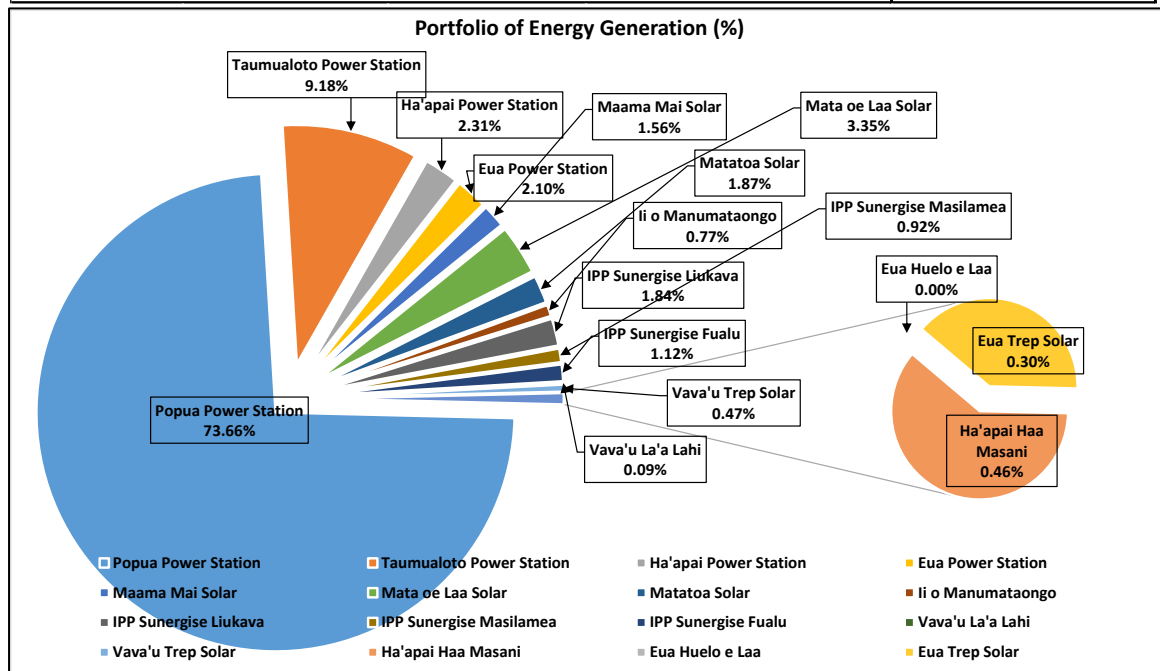
The individual island energy generation peak demand is shown in the graph above. According to the Tongatapu graph, energy generated and peak demand increased significantly to reach a peak of 6,697 MWh and 11 MW, respectively, in January 2022 as the summer unfolds. In the winter, peak demand and energy production both show a tendency to decline in June, 2023. Peak demand on the Vava'u and 'Eua islands was recorded at 1376 kWh and 415 kWh, respectively, in January 2023, and at Ha'apai at 405 kWh in December 2022. Power generation on Vava'u Island, Ha'apai, and 'Eua fluctuates throughout the year, peaking here in January 2023.

- **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 Matatoa 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.

Portfolio of Power Generation from July, 2022 to June 2023				
Island	Asset Owner	Energy Source	Site	MWH
Tongatapu	TPL	Diesel Energy	Popua Power Station	58,424
		Solar Energy	Maama Mai Solar	1,505
	Singyes IPP	Solar Energy	Mata oe Laa Solar	1,457
		Solar Energy	Matatoa Solar	2,293
	Sunergise IPP	Solar Energy	Fualu	993
			Masilamea	999
			Liukava	2,055
TPL	Wind Energy	Ii o Manumanaongo	1,434	
Vava'u	TPL	Diesel Energy	Taumu'aloto Power Station	7,219
		Solar Energy	La'a Lahi solar	100
			TREP Solar	335
Ha'apai	TPL	Diesel Energy	Ha'apai Power Station	1,733
		Solar Energy	Haa Masani Solar	380
Eua	TPL	Diesel Energy	Eua Power Station	1,940
		Solar Energy	Huelo e La'a Solar	0
			TREP Solar	37
TOTAL				80,904



- Annual % Electricity Generation by island group July 22- July 23 & brief description**

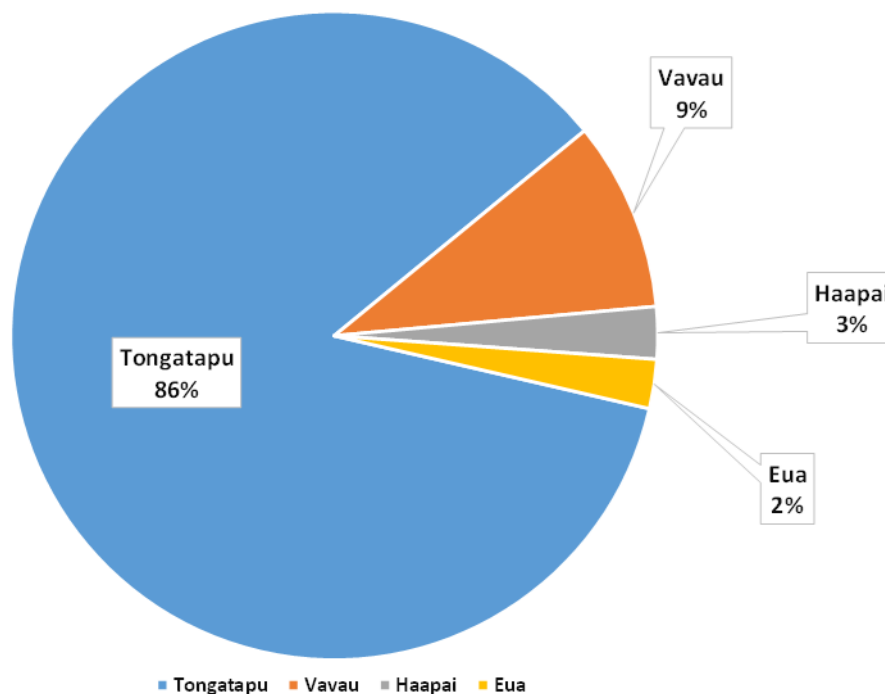
All-island energy production in July 2022–June 2023 has increased by 4.8% from the previous year. This is about 3,704,276 kwh in energy terms. Tongatapu, Vava'u, and Ha'apai

have increased by 5.1%, 4.8%, and 2.6% respectively, while 'Eua has declined by 2.6. Refer to the table below for the energy generation movement from July 2021 to June 2023.

Energy Generation			
Island	July21 - June22	July22 - June23	Movement (%)
Tongatapu	65,806,520	69,160,786	5.1%
Vavau	7,305,827	7,654,789	4.8%
Haapai	2,059,178	2,112,142	2.6%
Eua	2,030,213	1,978,297	-2.6%
Total	77,201,737	80,906,013	4.80%

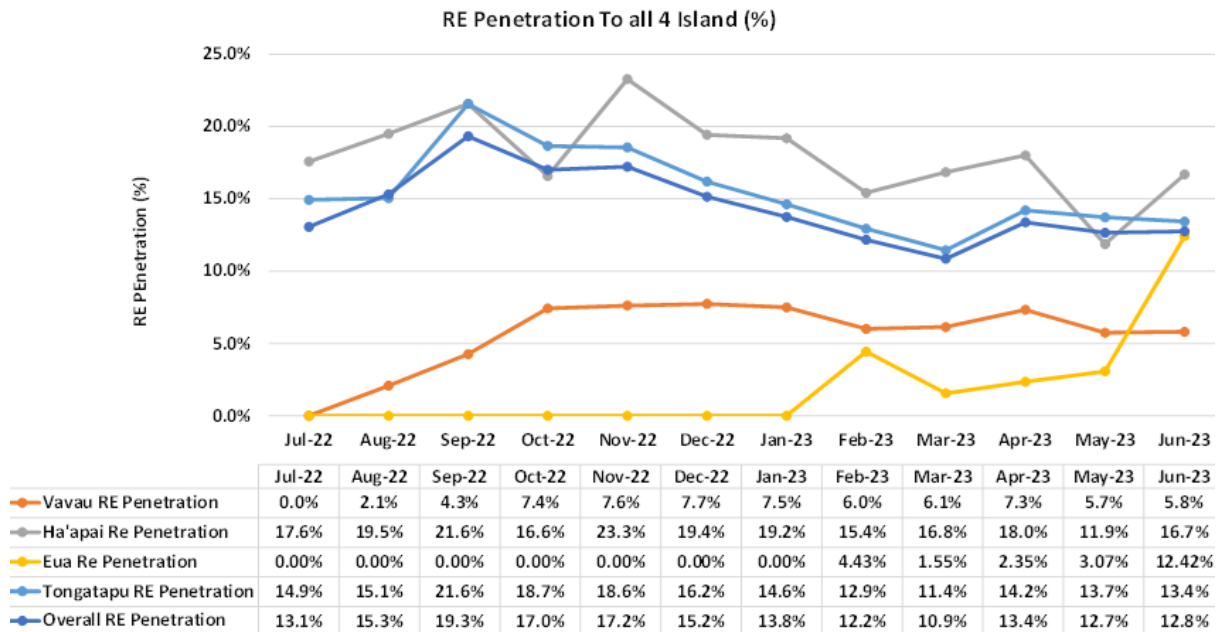
The following Chart illustrates energy production by island groups from July, 2022 to June, 2023. About 86% of the power is generated in Tongatapu, 9% in Vavau, 3% in Ha'apai and 2% in Eua.

Electricity Generation by Island Group (%)



- Annual RE Penetration by island group July 22 – July 23**

The graph below depicts the RE penetration for each of the four islands since June 2022. With the help of the BESS system, Ha'apai had the highest rate of renewable energy penetration of 23.3% in November 2022. As a consequence of this accomplishment, PV and BESS system can now power the entire island without diesel throughout the day. Recently installed PV and BESS systems in 'Eua have contributed to steadily rising RE penetration in June. Vava'u Solar's renewable energy penetration rate has been low ever since La'alahi Solar's intermittent solar PV modules were found to be leaking into the ground.



- Annual Total Fuel Usage by island group July 22 – July 23**

From June 2023 to July 2023, the overall fuel consumed for diesel production increased by 0.9%. this year. Vava'u has had the biggest fuel consumption growth this year, up 9.4%, while 'Eua has seen a 4.8% reduction.

Fuel Usse			
Island	July 21 - June 22	July22 - June 23	Movement (%)
Tongatapu	14,768,039	14,888,246	0.8%
Vavau	1,973,045	1,991,956	1.0%
Haapai	472,609	517,224	9.4%
Eua	625,310	595,467	-4.8%
Total	17,839,002	17,992,893	0.9%

- Annual Fuel Savings by island group July 22 – July 23**

Total fuel savings this year are 3.03 million liters, which is equivalent to \$8.1 million in monetary terms. This year, fuel savings have increased by 70.3%, from 1.8 million liters to 3.03 million liters. The commissioning of 6 MW of IPP Sunergise solar and TREP solar for Vava'u and 'Eua has allowed us to save the most fuel this year. Matatoa Solar produces the highest fuel savings with solar energy savings of 19.2% and wind energy savings of 11.5%. The proportion of fuel saving contribution from RE sources as shown on the table below.

Fuel L & \$ Saved from July 2022 to June 2023					
Island	RE Source	Litre Saving		\$ Saving	
		Saving (L)	% Saving	Saving (\$)	% Saving
Tongatapu	Maama Mai	394,713	13.02%	\$1,055,128	12.98%
	Mata oe Laa	336,639	11.11%	\$893,268	10.99%
	Matatooa	582,251	19.21%	\$1,587,758	19.53%
	li o Manumataongo	348,346	11.49%	\$916,478	11.27%
	Fualu	253,289	8.36%	\$666,818	8.20%
	Masilamea	255,636	8.44%	\$671,464	8.26%
	Liukava	522,114	17.23%	\$1,421,795	17.49%
Vava'u	Laa Lahi	119,579	3.95%	\$320,034	3.94%
	Trep Solar/BESS	92,880	3.06%	\$243,884	3.00%
Ha'apai	Haa Masani	113,121	3.73%	\$312,638	3.84%
Eua	Huelo e La'a	0	0.00%	\$0	0.00%
	Trep Solar/BESS	11,918	0.39%	\$41,889	0.52%
Total		3,030,485		\$8,131,154	

Upcoming Priorities

- ✓ Get alternator repaired for G8 generator set. (Insurance claim sorted)
- ✓ Maintenance of our power houses.
- ✓ PV / BESS projects to meet requirements for high RE injection into network.
- ✓ Keeping up and catching up of our engine overhaul schedule.
- ✓ Keeping up with load growth trends as to obtaining more firm generation to ensure security of supply.
- ✓ Having N+1 or 2 availability of firm generation to ensure security of supply.
- ✓ Other potential energy sources. The waste to energy project?
- ✓ Removal of our accumulated waste oil.

Vavau Power Station - Laa Lahi Farm:

The Laa Lahi farm, the inaugural PV installation on Vavau, has experienced a recent failure. This site, comprising approximately 700 Trina panels and associated inverters, necessitates a comprehensive replacement. Proposed enhancements include the installation of 21 string inverters, each with a capacity of 25 kW, culminating in a total output AC power of 525 kW, surpassing its prior capacity of 420 kW from a 550 kW panel set. This augmentation in inverter and panel dimensions is poised to significantly bolster its capacity factor. To mitigate potential issues stemming from moisture ingress, it is recommended to replace all panels, despite the presence of serviceable units. Funding for this project is presently under consideration.

The Battery Energy Storage System (BESS) at Laa Lahi solar farm is imperative for uninterrupted operations. Given occasional low photovoltaic penetration in overcast conditions, the BESS may rely on diesel generators for recharging. Therefore, the optimal functionality of the Laa Lahi PV plant is pivotal for the seamless operation of this hybrid system.

Existing Sonnenchein Lead Acid Batteries:

The incumbent lead acid batteries, consisting of 1000 ampere-hour 2-volt battery cells, have surpassed a decade in service. They have reached the end of their operational lifespan and will be decommissioned and subsequently recycled.



Generator 6 Relocation, Vavau:

The relocation of Generator 6 is necessitated to protect it from adverse weather conditions. This endeavor will coincide with the installation of an isolator circuit breaker from Schneider Electric.

Bulk Tank Footing Installation:

Local mechanical maintenance personnel are slated to undertake the replacement of the footing on the 50,000-liter tank, which has incurred rust-related deterioration. This replacement mandates a degasification process, with all safety protocols overseen by our supplier, Total Energy.

Upgrade of Feeder Step Up Transformer:

As the load on this feeder escalates, it remains operational at 6.6 kV. To accommodate this increased demand, the network will be elevated to 11 kV, necessitating the upgrade of both subterranean LV cables leading to the transformers. Pending this upgrade is the replacement of an obsolete circuit breaker on one feeder, which is currently in operation. This upgrade will mirror the approach taken with the other feeder.

L10 Engine Gen Sets Planned Decommission:

In light of escalating load requirements, the L10 engine generator has become obsolete. It will be transported back to the Main Island once its replacements are received. These new sets will be dispatched once any identified issues from the witness testing visit to the Cummins site in Brisbane have been rectified. The incumbent sets will find utilization at TPL RE sites for auxiliary supply backup.

Construction of Shed over the TESLA BESS:

Observations indicate that pests and insects have compromised the housing of the BESS units, despite their IP65 rating. Experience underscores that rigorous environments promote rust and corrosion. The construction of a shelter over the BESS units will serve as a safeguard against environmental conditions.

6.2 Network Distribution & Planning Performance

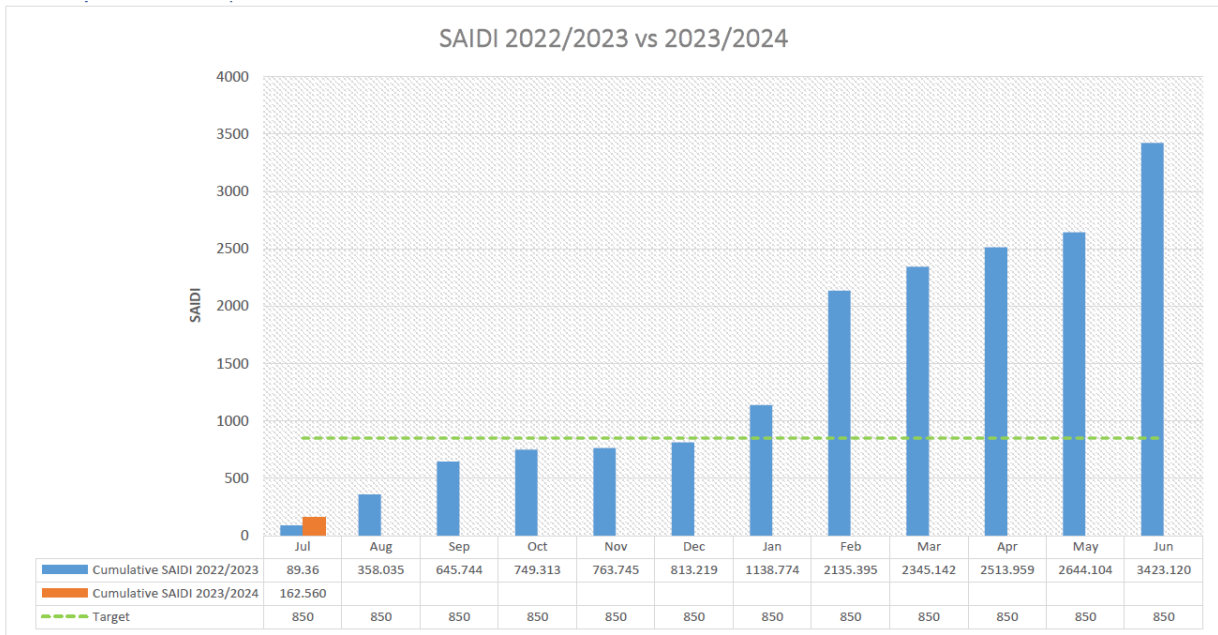
Network Reliability Measures Summary Table

SAIDI Monthly Performance (Minutes)					SAIFI Monthly Performance				
Month	2021/2022	2022/2023	2023/2024	Annual Target	Month	2021/2022	2022/2023	2023/2024	Annual Target
Jul	54.473	89.36	162.560	850	Jul	0.375	0.965	0.942	14
Aug	580.105	268.675		850	Aug	2.313	2.307		14
Sep	399.144	287.709		850	Sep	1.113	1.441		14
Oct	277.278	103.569		850	Oct	1.166	1.49		14
Nov	95.299	14.432		850	Nov	0.525	0.243		14
Dec	167.731	49.474		850	Dec	1.237	0.176		14
Jan	1155.541	325.555		850	Jan	4.665	1.592		14
Feb		996.621		850	Feb		2.289		14
Mar	120.398	209.748		850	Mar	1.131	1.41		14
Apr	2.403	168.817		850	Apr	0.015	0.855		14
May	1019.636	130.145		850	May	1.955	1.099		14
Jun	98.198	779.016		850	Jun	0.646	3.791		14
Total	3970.206	3423.12014	162.560		Total	15.141	17.658	0.942	

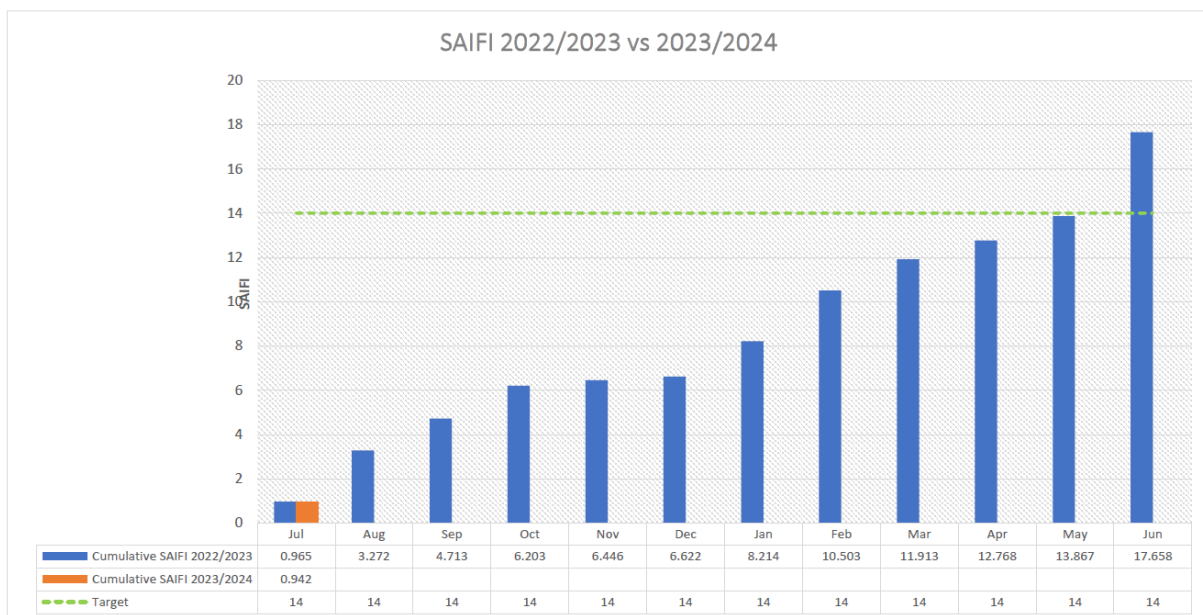
CAIDI Monthly Performance (Minutes)				
Month	2021/2022	2022/2023	2023/2024	Annual Target
Jul	145.235	92.67	172.549	N/A
Aug	250.733	116.447		N/A
Sep	358.636	199.746		N/A
Oct	237.891	69.515		N/A
Nov	181.455	59.434		N/A
Dec	135.618	281.162		N/A
Jan	247.71	204.545		N/A
Feb		435.381		N/A
Mar	106.534	148.758		N/A
Apr	164.821	197.361		N/A
May	521.455	118.470		N/A
Jun	151.909	205.518		N/A
Total	2502	2129.007	172.549	

Note: These tables above show the summary data for the Monthly Reliability Performances of TPL Network since July FY 21/22 up until July 2023.

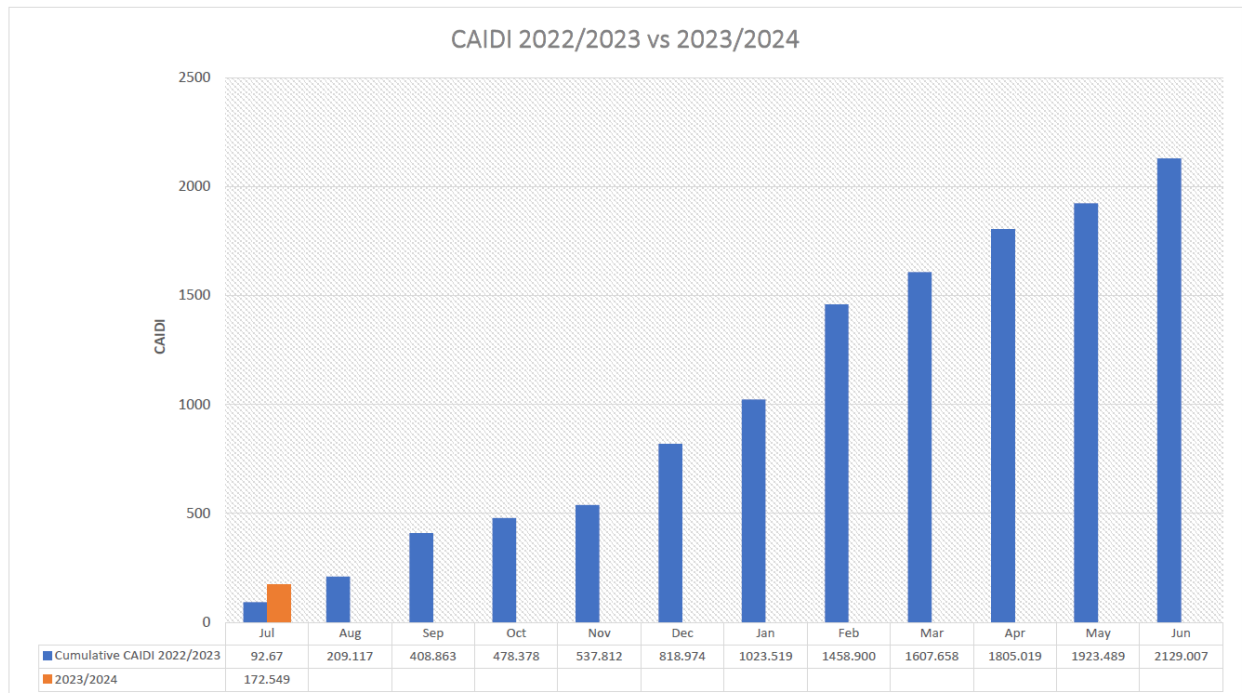
Network Reliability Measures Graphs



Note: This graph presents a comparative analysis of the cumulative SAIDI frequency between the preceding financial year and the initial period of the current financial year. Commencing with the data extracted from the July Faults Report, SAIDI began at 162.560 minutes. This metric encompasses the number of power outages resulting from incidents along the HV Line and Power Generation, as well as the time required for restoration. This encompasses both unplanned and planned power outages.



Note: This graph illustrates the contrast in cumulative SAIFI frequencies between the preceding financial year (FY22/23) and the commencement of the current financial year (FY23/24). It reveals that SAIFI initiates at 0.942 according to the July Faults Report. SAIFI is calculated based on the count of power outages originating from the HV line and Power Generation, encompassing both unplanned and planned power outages.

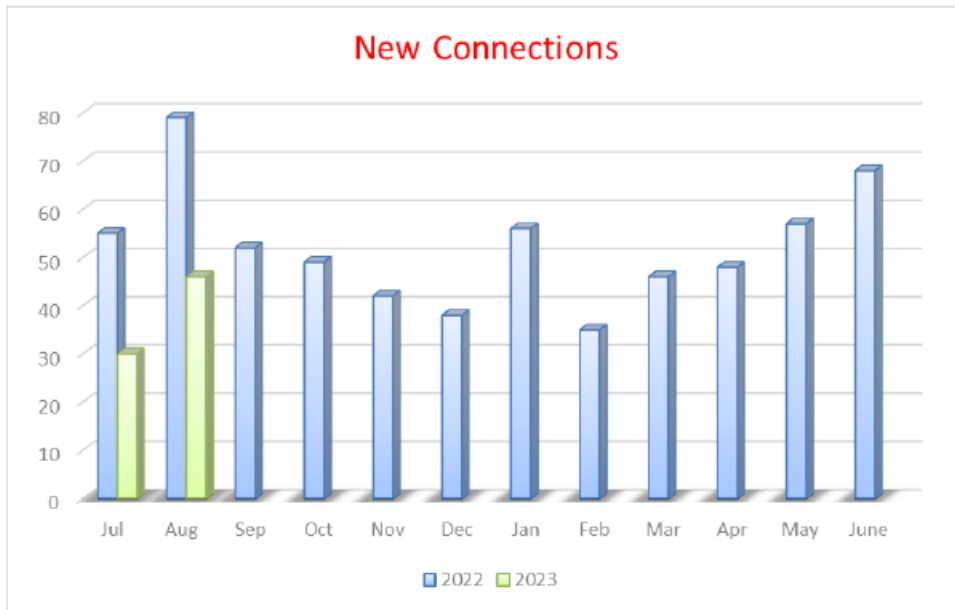


Note: This graph presents a comparative analysis of the cumulative CAIDI frequencies, contrasting the preceding financial year (FY22/23) with the inception of the current financial year (FY23/24). At the commencement of this new financial year, CAIDI registers at 172.549 based on the July Faults Report. CAIDI is a composite metric derived from both SAIDI and SAIFI calculations. Notably, no specific CAIDI target has been proposed for the current financial year.

The Network Distribution and Planning department is proud to present the accomplishments of the fiscal year 2022/2023, marked by significant progress in growth, reliability, resiliency, and integration with Renewable Energy (RE) initiatives. This report outlines key achievements and ongoing projects, all aligned with the objectives outlined in the Business Plan.

Key Achievements:

- 1. New Connections:** A notable milestone was achieved with 625 new connections established this fiscal year, demonstrating an increase from the previous year's 617 connections.



Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
2021/22	41	89	73	74	60	45	23	11	30	36	72	63	617
2022/23	55	79	52	49	42	38	56	35	46	48	57	68	625

2. **NNUP Project (Area 5):** Currently, the design and planning for the NNUP project in Area 5 are underway. Anticipated completion is expected by December of next year, showcasing a commendable commitment to project timelines.
3. **OIREP Phase 3 (Vavaú):** The design and planning for OIREP Phase 3 in Vavaú are in progress and are slated for completion within the coming months, indicating steady advancement in project execution.
4. **OIREP Phase 4 (Niuatoputapu GIS and Major Assets):** The completion of OIREP Phase 4 in Niuatoputapu, encompassing GIS and Major Assets, is a significant achievement. Planning for further deployment in Úiha and Haáno is currently in progress.



- HTHH Resettlement Project:** The network design and planning for the HTHH Resettlement Project in Átata, Óhonua, Mango, and Kanokupolu has been successfully completed, underscoring our commitment to community-focused initiatives.



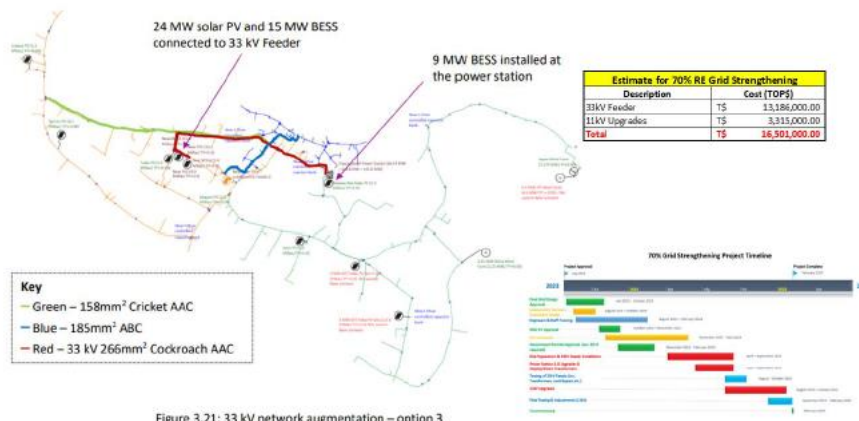
- Haápai Airport Runway Cable Installation:** The successful completion of the Haápai Airport Runway Underground Cable Installation project is a testament to our dedication to critical infrastructure development.
- Tongatapu HV Protection Project (Phase 1):** Phase 1 of the Tongatapu HV Protection Project is at an impressive 95% completion, reflecting our team's efficiency in delivering crucial projects.



8. **LED Street Lights Installation:** This year witnessed the installation of 502 LED street lights across all four islands, significantly enhancing public safety and energy efficiency.



- 9. **Capital and Operational Works:** A total of 1,410 capital and operational works were estimated and executed this year, indicating a robust commitment to infrastructure development.
- 10. **Audits and Meter Tests:** Our team conducted 333 audits and 106 electricity meter tests, showcasing rigorous quality assurance measures.
- 11. **GIS Accuracy:** Achieving approximately 80% GIS accuracy, inclusive of the Outer Islands, highlights our dedication to precise data management.



12. **Grid Strengthening for 70% RE Target:** Planning and scoping for the Grid Strengthening Project, essential for achieving the 70% Renewable Energy target, have been initiated, emphasizing our sustainable energy objectives.



13. **China Windfarm (2.25MW):** A high-level estimate for the 2.25MW China Windfarm has been successfully completed, indicating our proactive approach towards renewable energy integration.

We acknowledge the critical importance of safety, resource planning, and training in the pursuit of operational excellence. These facets will be seamlessly integrated into our operations. Concurrently, the enduring principles of innovation, teamwork, and exceptional customer service will remain at the forefront of our endeavours to enhance both individual and collective performance.

Demand Side Management for FY23/24:

In the forthcoming fiscal year, the Department is poised to execute a series of pivotal projects as part of our Demand Side Management strategy. These endeavors are meticulously designed to meet the evolving needs of our stakeholders. The following key projects have been outlined:

1. **HV Supply Upgrade for the Queen Salote Wharf Upgrade Project:** This initiative is geared towards bolstering the infrastructure at the Queen Salote Wharf, a vital hub for commerce and transportation.
2. **HV/LV Supply for the Fanga’uta Lagoon Bridge Project:** The Department's involvement in this project will ensure a reliable power supply for the Fanga’uta Lagoon Bridge, a crucial piece of transportation infrastructure.
3. **Supply for the THS New Sports Complex at Kolofo’ou:** The provision of power to the new sports complex at Kolofo’ou exemplifies our commitment to supporting community-oriented ventures.
4. **Supply for the New Parliament Complex at Lakalakaimonu:** Our involvement in this project is central to facilitating the operations of the esteemed legislative body.
5. **Supply for the Chinese Bank Complex at Ma’ufanga:** This endeavor underscores our dedication to facilitating the growth of financial institutions and the wider economic landscape.

6. **Supply for a Packing Warehouse & Freezer Storage at Malapo:** The Department's role in supplying power to this warehouse and freezer facility contributes to the optimization of the logistics and storage sector.
7. **Supply for Nemo/MEIDDECC New Complex at Matatua:** Our contribution to this complex is aligned with national objectives and supports government functions.
8. **Supply for LDS Temple at Neiafu:** Our partnership with the LDS Temple project signifies our role in supporting diverse religious and cultural endeavors.

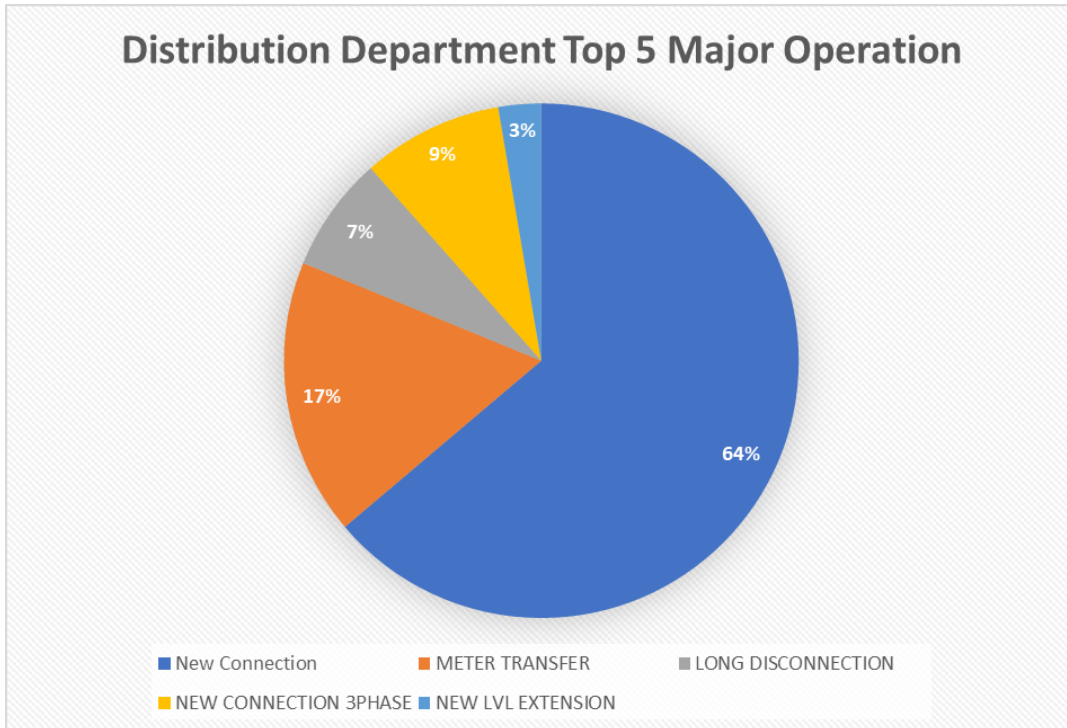
Conclusion:

As the Department embarks on these significant projects, our unwavering dedication to safety, resource planning, and training will continue to serve as the bedrock of our operations. The enduring principles of innovation, teamwork, and superior customer service will guide us in achieving operational excellence and in meeting the expectations of our valued stakeholders.

Network Construction, Operation & Maintenance

1. **New Connection Operations:** A total of 607 new customer connections were successfully established, reflecting a concerted effort to expand our service reach and accommodate growing demand.
2. **Meter Transfer Operations:** Facilitating the seamless transition of services, the Department executed 110-meter transfer operations, ensuring continued service provision for our valued customers.
3. **Long Disconnection Operations:** In adherence to regulatory guidelines and internal processes, long disconnection operations were carried out for 46 customers, aligning with operational compliance measures.
4. **New Connection (3-Phase):** A total of 56 customers were provided with robust three-phase connections, addressing the specific requirements of high-demand industrial and commercial entities.
5. **New Low Voltage Line Extension:** Expanding the low voltage network, the Department extended lines to serve an additional 17 customers, augmenting accessibility and reliability of power supply.

These endeavours collectively exemplify our strategic commitment to enhancing infrastructure, service quality, and operational efficiency, all of which are integral components of our overarching mission.



This chart illustrates the five primary operational categories within the Distribution Department for the financial year 2022/2023, with a cumulative total of 948 operations.

Accidents & Incidents for FY22/23

In the Financial Year 2022/2023, a rigorous assessment of safety incidents was conducted to ensure a comprehensive understanding of operational risks. The following report outlines the findings, categorized into accidents and incidents, shedding light on specific areas warranting enhanced attention.

Accidents:

A total of 22 accidents were documented during the fiscal year. The predominant cause was attributed to vehicular collisions with our infrastructure, leading to the breakage of both High Voltage (HV) and Low Voltage (LV) poles. This highlights the critical importance of vigilance on the roadways to safeguard against potential hazards.

Incidents:

A total of 13 incidents were reported over the same period. These incidents primarily centered around health and safety concerns arising from tool and equipment mismanagement, as well as some instances involving our fleet assets. While classified as minor, these incidents serve as valuable reminders of the imperative for meticulous attention to detail in daily operations.

Analysis and Recommendations:

The analysis of these incidents underscores the significance of continuous training and adherence to safety protocols. Specifically, measures to bolster road safety awareness and reinforce proper handling of tools and equipment are imperative.

Conclusion:

This report serves as a vital resource for identifying areas of improvement in safety protocols. Moving forward, we are committed to a proactive approach in implementing measures that mitigate risks and uphold the highest standards of safety within our operations.

6.3 Major Projects Performance

The Major Projects 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 2022/2023 marked several significant milestones, showcasing our commitment to sustainable energy solutions and modernizing our network infrastructure.

Key Achievements:



- ✓ **Tonga Renewable Energy Project 01 - Grid Stability BESS at Popua Power Station, Tongatapu (7.2MW/3.9WH) - October 2022:**
 - This project bolstered grid stability, setting the stage for enhanced reliability in energy supply.



- ✓ **Tonga Renewable Energy Project 02 - Load Shifting BESS at the Villa, Tongatapu (6W/20.88Wh) - October 2022:**
 - The Load Shifting BESS project brought about significant gains in operational efficiency and energy optimization.



- ✓ **Tonga's Largest Solar 6MW IPP Solar with Sunergise NZ Ltd.:**
 - A testament to our commitment to solar energy, this project involved three 2MW solar farms in the western side of Tongatapu.



- ✓ **Network Upgrade Project Area 5 CBD Area - December 2022:**
 - A milestone achievement in enhancing connectivity, this project resulted in increased new connections and the replacement of aging infrastructure with a resilient and safe network infrastructure



- ✓ **TREP 03 Lot 1 - 'Eua (350kW Solar PV Facility and 400kW/900kWh BESS) and Vava'u (300kW Solar PV Facility and 400kW/950kWh BESS):**
 - These projects furthered our commitment to renewable energy solutions across Tonga's outer islands
- ✓ **Progressed Feasibility Studies for Floating Solar PV (ADB Funded):**
 - Our forward-looking approach includes exploring innovative solutions for sustainable energy generation and diversifying our energy mix
- ✓ **Rooftop Pilot Project - British High Commission Grant Funding:**
 - The successful grant acquisition sets the stage for a transformative rooftop solar initiative slated to commence in August 2023.
- ✓ **OIREP Phase 4 - Niuatoputapu & Haapai Outer Island Mini-Grid Rehabilitation:**
 - This project advances our mission to bring reliable power to Tonga's outer islands.
- ✓ **GDMS Project (Lot 1 & Lot 2) - Awarded to Energy Pool and LAMBDA:**
 - An ambitious venture poised to revolutionize grid management and energy distribution.
- ✓ **Progressed Tender for RAPID Project - 70% RE 24MW IPP Solar & BESS:**
 - This project aligns with our vision for substantial renewable energy integration and achieving our RE 70% target by year 2025
- ✓ **Grid Impact Assessment Study (In collaboration with Design & Planning Department):**
 - A critical analysis that will inform our strategy for grid strengthening, ensuring long-term resilience and minimize impact on our grid

Challenges Faced and Mitigation Strategies:

- ✓ **Unexpected Inverter Failure at Sunergise Sites:**
 - An unforeseen inverter failure at our Sunergise sites has adversely affected our overall Renewable Energy (RE) performance progress. We are actively engaged in collaborative efforts with Sunergise to swiftly identify and implement a resolution, ensuring uninterrupted energy production.
- ✓ **Depletion of OIREP Phase 3 Project Funds:**
 - Regrettably, funding for OIREP Phase 3 has been depleted. To address this challenge, productive discussions have been initiated with the Project Management Unit (PMU) manager to reallocate savings from Phase 4 towards the completion of Phase 3 in Vava'u, ensuring the continuity of this vital project.

- ✓ **Enhancing Staff Capacity for Evolving Technologies:**
 - Ensuring our power generation staff is adept at managing both completed projects and new technologies, particularly Battery Energy Storage Systems (BESS), poses a long-term challenge. We actively pursue donor assistance to implement sustainable, long-term capacity-building initiatives that will empower our staff to effectively oversee our projects.

Priorities for the Fiscal Year 2023/2024:

- ✓ **Completion of OIREP Phase 3 Network Upgrade to Vava’u Islands:**
 - Achieving the successful upgrade of the network in Vava’u under OIREP Phase 3 remains a top priority, reinforcing our commitment to providing reliable energy access to the region.
- ✓ **Completion of OIREP Phase 4 Mini Grid Rehabilitation for Niuatoputapu & Ha’apai Outer Islands:**
 - Progressing towards the completion of OIREP Phase 4 in Niuatoputapu and Ha’apai Outer Islands, we aim to fortify energy infrastructure and accessibility in these critical areas.
- ✓ **Completion of TREP 03 Lot 2 in Niuafu’ou, Ha’apai, and VVU Outer Islands:**
 - The successful completion of TREP 03 Lot 2 in Niuafu’ou, Ha’apai, and VVU Outer Islands represents a significant stride in extending sustainable energy solutions to these regions, contributing to their socio-economic development.
- ✓ **Completion of GDMS Project:**
 - Bringing the Generation and Distribution management system(GDMS) Project to fruition is instrumental in achieving operational efficiency and reliability in grid management of our energy mix
- ✓ **Completion of FCDO Rooftop Solar Pilot Project:**
 - The implementation of the FCDO Rooftop Solar Pilot Project, with grant funding secured from the British High Commission, will be a transformative initiative, demonstrating our commitment to innovative energy solutions in the customer level directly witnessing the impact of RE on their power tariff
- ✓ **Achieving 60% Completion of NNUP Area 5 Implementation:**
 - Advancing towards the targeted 60% completion of the Network Upgrade Project (NNUP) in Area 5, we aim to enhance network resilience and connectivity in this vital region.
- ✓ **Confirmation of Funding for Grid Strengthening Project and Commencement of Procurement:**
 - Securing the requisite funding for the Grid Strengthening Project is of paramount importance. Subsequently, initiating the procurement process will set the stage for a comprehensive and reliable energy grid.
- ✓ **Procurement and construction progress for RAPID project:**
 - The execution of the Land Memorandum of Understanding (MOU) Agreement for the RAPID Project
 - EC Approval and Awarding of IPP for Successful Bidder:
 - Progress construction stage of project

- ✓ **Establishing HV/LV Connection to China Wind Site:**
 - Facilitating the High Voltage/Low Voltage (HV/LV) connection to the China Wind site will pave the way for the integration of this renewable energy source into our energy grid.
- ✓ **Finalizing Operations and Maintenance (O&M) Agreement for TESLA Batteries:**
 - Concluding the Operations and Maintenance (O&M) agreement for TESLA Batteries is imperative for ensuring their optimal performance and longevity in our energy storage infrastructure.

6.4 Human Resource Performance

For the 2022/2023 FY, the Human Resources Division closely monitored its strategic objectives and annual targets as highlighted below;

Strategic Objectives	Strategic Measures	Target for the 22/23 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%	1.62%
	Employee Wellness	<10%	<10%
	Employee Absenteeism	<5%	3.37%

TPL Workforce

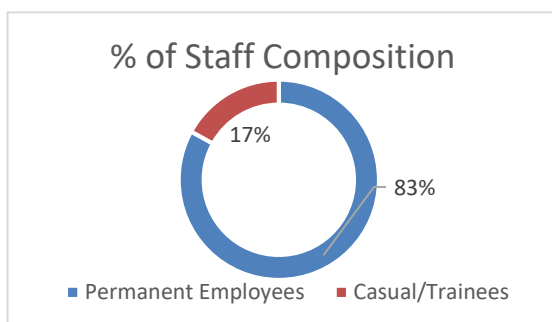


Figure 1: Staff Composition

As of June 2023, Tonga Power Limited workforce comprised of 227 permanent employees and 47 casual employees at a total of **274 employees** distributed throughout Tongatapu, Vava'u, Ha'apai and 'Eua.

Our total employee numbers increased by 3% by June 2023 as compared with the staff numbers for June 2022.

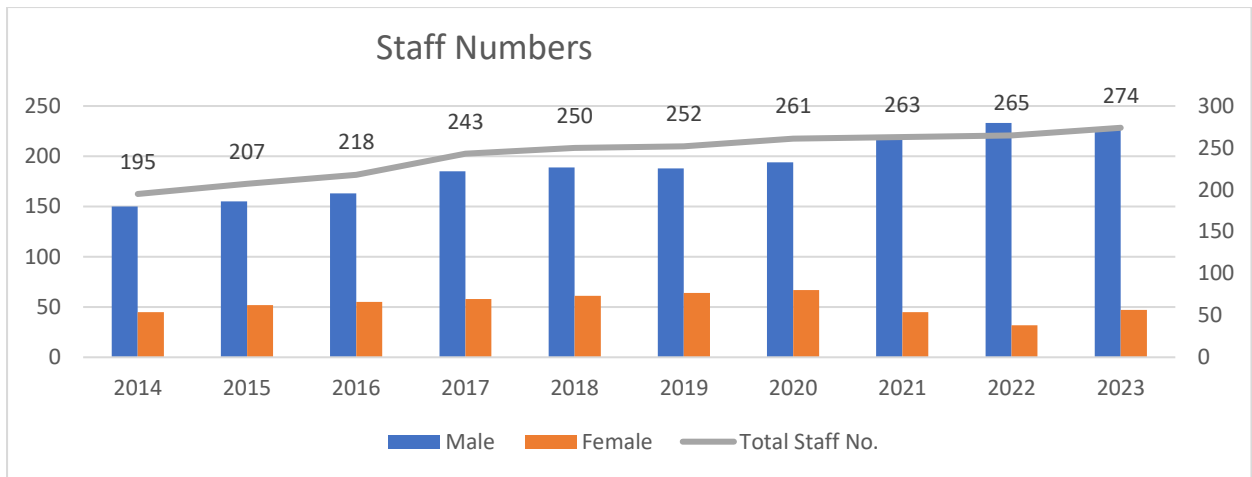
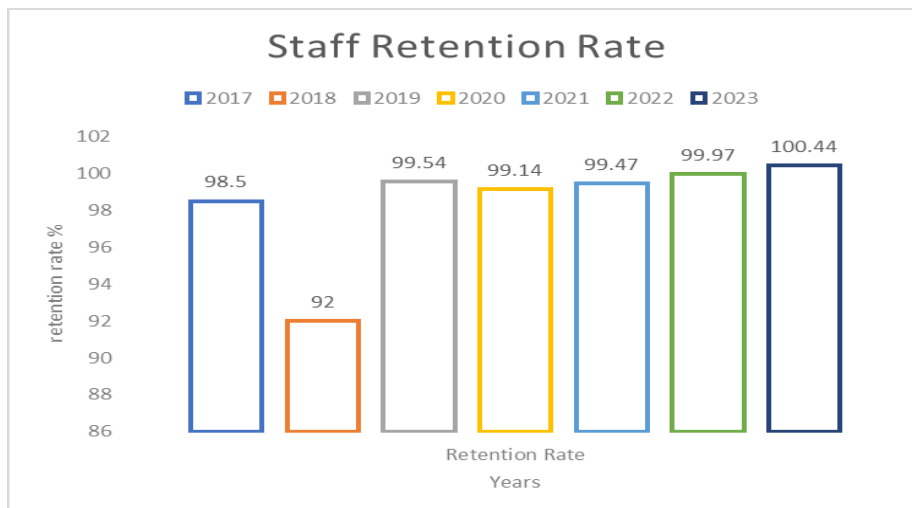


Figure 2: Total staff numbers (2014 – 2023)

Staff numbers as depicted in the above graph, has continued to increase over the past ten (10) years. This is attributed to the demands of our major projects currently in place which includes the NNUP, OIREP and the efforts towards achieving 50% Renewable Energy by the end of 2025 and 70% by 2030 which requires more manpower.

Despite our increasing staff numbers, we are still able to continue to maintain a high staff retention rate in the past 4 years which is above the annual target of 90%. This is due to the quick turnaround of recruitment to replace those who have left.



In terms of gender composition, about 27% of the total number of all employees are females and 73% are male.

 **27%**

 **73%**

While this reflects the nature of our work as a male dominant organisation, it is still very encouraging that we have continued to grow in our female numbers over the past eight (8) years as follows;

Year	2016	2017	2018	2019	2020	2021	2022	2023
Female	55	58	61	64	67	67	70	74

We continue to advocate for more women at Tonga Power Limited with priority given to female in the technical areas. We will also endeavour to push for more gender equality policies at the workplace and advocate for better workplace for females at Tonga Power Limited.

Performance Review

Employees were able to complete their 1-2-1 with their supervisors as part of their annual performance review for the 2021/2022 FY in September 2022 and was submitted and approved by the Board at the end of October 2022.

For the 2021/2022 FY, 96% of staff completed a performance review with 46% of staff meeting and exceeding expectation with 45% 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 employee despite COVID-19 which has greatly impacted on our trainings due to border closures for Tonga and overseas countries. Consequently, some of the trainings we have been able to facilitate are local trainings only and a few virtual trainings over zoom.

Short Term Trainings

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

- 1) Four staff completed short trainings funded by the Government of Malaysia as follows for the month of June to July, 2022;
 - a. Advanced Metering Infrastructure – Mr ‘Aholoka Tupou, Head Meter Technician
 - b. Strategic Shift of 33KV Overhead Lines Maintenance Regime Approach – Mr ‘Alaniteila Tufi
 - c. Distribution Planning in Power Utility – Ms Siunipa Noavea
 - d. Regulatory Framework of Electrical Competent Person for Energy Sector – Mr ‘Aleki Vaka’uta

- 2) Training from JICA on Renewable Energy and Diesel Operation in Small Islands was attended online by a Mr Samiuela Finau from 15 August to 15 September, 2022.
- 3) A Mr Sulunga Polelei, Power Generation for Ha'apai participated in a training for licensed electricians.
- 4) In-house refresher training on 24 February, 2023 on the maintenance of our wind turbines conducted by Vernet Wind turbines from New Caledonia which was attended by 14 Power Generation staff.
- 5) We have completed 2 sessions of induction training for Vava'u and Ha'apai with fourteen (14) staff attending the training.
- 6) We have also completed 2 sessions of customer service training for Vava'u and Ha'apai with eight (8) staff attending the training.
- 7) Two Engineers (2) (i.e., Mr Paini Lie, Engineering Manager and Mr Fineula Tui'onetoa, Mechanical Engineer) attended the 3rd Regional Training for the Introduction of Hybrid Power Generation System (HPGS) funded by JICA in Fiji from the 24 – 28 April, 2023. This training was focused on improving technical knowledge on the operation and maintenance of Diesel Energy and the Integration of Renewable Energy generation systems together with Solar PV system maintenance.
- 8) Two (2) Power Generation Technicians (i.e., Mr Sau Tupou and Mr Sulunga Polelei) attended the 3rd Regional Training for the introduction of Hybrid Power Generation System (HPGS) funded by JICA in Fiji from the 17 – 21 April, 2023 with a focus on the operation and maintenance of Diesel Energy Generators.
- 9) An e-tax training was conducted by Ministry of Revenue and Customs staff for the TPL Payroll staff ('Uluakimata and Tupou) to allow for processing of P.A.Y.E online rather than through manual process.
- 10) A training was conducted for the simulation of the 33kv upgrade which was attended by staff from the Engineering team, major projects, distribution and power generation. This was attended by 10 staff.
- 11) A training for Tech One key users was conducted in head office on 22 June, 2023. It was attended by all key users (20 staff) from various departments.
- 12) Two of our staff attended workshops ran by MEIDECC on 13 – 16 & 19 June, 2023 on Training Need Assessment on Greenhouse Gas and Tonga Transport Stakeholder workshop.
- 13) Induction for new staff and trainees were completed over 3 sessions from the 15, 16 & 20 September 2022 for Tongatapu with 16 staff and 21 trainees. A time for the induction the rest of the trainees in the outer islands is yet to be confirmed given the newly approved standardized policy and its implications.

Long Term Trainings

Two (2) employees left for further studies during the financial year on study leave as follows;

- ✓ Ms Malia Hehea who is completing a Bachelors degree in Human Resources at the University of the South Pacific under NZAID scholarship.

- ✓ Ms Kulaea Pau'u who is completing her PhD in Japan funded by JICA SDGs Global Leaders Program.

The above, are some of the training and development programs that the Company was able to complete. We are committed to enhancing staff development and training to increase the value added to our business as our most important assets.

Other Matters

Each year brings its set of challenges, and the 2022/2023 FY was no different with recovery efforts underway after the Hunga Tonga Hunga Ha'apai volcanic eruption and covid-19 lockdown. With the opening of the border, we have seen a huge increase in staff exit due to job opportunities overseas. However, we have tried to increase our staff recruitment so that we can replace critical positions being vacated in light of priorities for renewable energy targets as directed.

We are working to improve by focusing more on employee engagement and improving our work culture which can only be reached with support from all divisions. Overall, we continue to move forward and improve despite the challenges faced.

6.5 Information Technology Performance

Given TPL's strong emphasis on operational efficiency through technology, the ICT Department plays a crucial role in ensuring that all technology-related issues and solutions are handled promptly and effectively. During the fiscal year FY22/23, we have dedicated ourselves to several significant projects and initiatives. These endeavors have not only improved our IT infrastructure and Projects, but has also contributed to the overall success of the company.

The IT department consists of 6 sections. Project management, IT Support, Application management, Network management, Security management and Smart meter management. Each IT Sections has their own objectives that are linked to the company's 4 main initiatives, which are the Green Energy, Grid Resilience, Employee Experience and Customer Experience.

This Report covers our IT department's progress and achievements for the FY22/23. It highlights our dedication and commitment to support the organization's goals and objectives.

Key Achievements:

Below are our key achievements for the year FY22/23, showcasing the positive impact of our efforts on our operational excellence.

❖ Power Station Switch Networking upgrade

- Successfully upgraded and installed new networking equipment and improved our power station switch networking infrastructure, enhancing reliability and performance.

❖ **Email Exchange Server Upgrade**

- Seamlessly upgraded our email exchange server, ensuring smoother communication, minimize downtime and improve performance and security.

❖ **Old Computer and Laptop replacement**

- Improving operations by retiring outdated computers and laptops, equipping our team with modern, efficient technology.

❖ **Firewall and Backup Storage Upgrade**

- Strengthened our cybersecurity measures with a firewall upgrade and increased our data security with an upgraded backup storage solution.

❖ **Fully Utilising the IT Support Helpdesk System**

- We improved our IT support by using our helpdesk system to help us respond quickly and solve problems efficiently.

Operational Highlights:

❖ **Power Station Switch Networking upgrade**

- The TREP 1 and TREP 2 communication has been stabilized.
- Integrations of new subnets from renewable energy goes smoothly.

❖ **Email Exchange Server Upgrade**

- Spam email level has significantly dropped
- Email server consistently up and running with minimal downtime.

❖ **Old Computer and Laptop replacement**

- Department daily operations has improved based on the low number of reported issues and feedback

❖ **Firewall and Backup Storage Upgrade**

- Firewall security functionalities plays a big role in protecting the company data from unauthorised access and cyber criminals
- No Major breach of data

❖ **Fully Utilising the IT Support Helpdesk System**

- The IT department reached the goals of

- resolving > 80% monthly tickets
- Employee satisfaction increases

❖ **TPL internal and external systems**

- consistently up and running with minimal downtime

Challenges Faced:

1) **Maximizing the use of departmental IT Applications** to improve departmental and company-wide workflows.

- a) The knowledge was not properly passed on by the skilled staffs
- b) Lack of training

2) **Smart meter low read rate**

- a) After the volcano, smart meters got affected and there was no proper committee to look after the project and its development
- b) The Project was poorly organized from the initial stage therefore, a cleanup is needed
- c) Lack of general resources to run smart meter upgrades

3) **IT Department under staff**

- a) 3 of our IT staff left the company
- b) The remaining 4 staff must
 - i) cover all sections of the IT department to ensure the company operations are running smoothly.
 - ii) Assist with Smart Meter Upgrades in the field.

4) **Movement of the TechnologyOne on-premise** to the SaaS cloud platform

- a) TechnologyOne no longer support on-premise customers by 2024

5) **Funding constraints:** Due to high costs associated with the implementation of our IT development projects, funding remains a challenge.

Goals for the Next Fiscal Year (FY23/24):

- ❖ **Achieve a 90% Smart Meter Read Rate:** Our primary goal is to improve our smart meter read rate to 90%, and to fully utilize the AMI infrastructure. This will benefit both TPL and its customers

- ❖ **Streamline Internal Processes for Smart Meter Projects:** We plan to review and optimize internal processes related to smart meter projects, ensuring smoother execution and better project management.
- ❖ **Maximize Utilization of TechnologyOne and Other Major Applications:** We aim to fully harness the capabilities of TechnologyOne and other major applications, optimizing our workflows and enhancing productivity.
- ❖ **Invest in Employee Training:** A key priority is to invest in employee training, ensuring that the staff are up to date with the skills needed to fully utilise major applications.
- ❖ **Implement an IT Disaster Recovery Site:** To enhance our business continuity, we will implement an IT disaster recovery site to minimize downtime in case of unforeseen disruptions.
- ❖ **Replace Outdated Computers and Laptops:** We will upgrade our hardware by replacing obsolete computers and laptops, providing our team with more reliable and efficient technology.
- ❖ **Enable Online Payments for Outer Island Customers:** To improve customer convenience, we will enable online payment options for our customers in outer islands, simplifying the payment process and expanding our service accessibility.

Risk Assessment:

No Disaster Recovery Site:

a) Risks:

- i) **Higher Vulnerability to Disruptions:** Any unexpected event, such as natural disasters, power outages, or cybersecurity breaches, can severely impact the primary infrastructure. Without a disaster recovery site, the organization is more susceptible to these disruptions and their associated consequences.
- ii) **Data Loss:** In the event of a disaster affecting the main Server Room at the Head Office or system failure, there is a higher chance of significant data loss. Without a disaster recovery site, backups and redundant systems may not be in place to protect critical data, leading to permanent loss or extended downtime.
- iii) **Extended Downtime:** Without a Disaster Recovery site, the time required to restore and recover systems from a disaster will take longer than usual. This can affect normal business operations and can lead to financial loss.
- iv) **Customer Dissatisfaction:** Customers rely on uninterrupted services, to pay bills, reconnecting power supply, customer services and faults services. The lack of a Disaster Recovery plan and prolonged system downtime can cause customer frustration and harm TPL's reputation.

b) Mitigation:

- i) **Recover systems or data from Backups**, but the backup server is located onsite which is also another risk.

Cyber Security:

c) Risk:

- i) **Treat of cyber-attacks:** Cybersecurity continues to be a major risk to TPL and has become more significant since as TPL is currently aiming to digitise most of its manual operations. Furthermore, renewable energy projects that are currently operating relies highly on TPL's network for communication and security.

d) Mitigation:

- i) **Regular Software Updates and Patch Management:** Keeping operating systems, software, and applications up to date with the latest security patches and updates helps protect against known vulnerabilities.
- ii) **Network Security:** Install Watchguard firewalls with security functionalities such as intrusion prevention, Spam-blocker, Antivirus gateway, and filtering traffic.
- iii) **Access Control:** Different level of access that restricts unauthorised access.
- iv) **Backup and Recovery:** Regularly back up critical data and systems, and test the backups to ensure they can be restored effectively in case of data loss or ransomware attacks.

Conclusion:

In summary, our IT department has had a strong year of accomplishments. Even though we faced challenges, our commitment and hard work kept us focusing on achieving our goals which leads to the success TPL. Looking ahead, we are dedicated to further improvements and innovation.

6.6 Engineering Department

This annual report will cover the fiscal year 2022 – 2023 for the engineering team working under Tonga Power Limited. The engineering department works towards the mission, vision and also the values of the company.

There are other functions include (but are not limited to) the following:

- Meeting Engineering Requirements Donor/IPP TPL Funded Portion.
- Effective & Efficient Operation management & Maintenance of Renewable Energy Sites
- Ensure Compliance of Network Performance & Network standard with NZ/AUS standards
- Monitoring, Analysis and Recommend Solutions for all Network Performance measures to ensure Distribution Network Efficiency
- Continuous Management, Monitoring, Analysis of Grid-Related Studies to ensure efficient & effect integration Power Sources into the Grid

- Planning & Facilitation of engineering training programs to improve Workflow efficiency to ensure accurate & timely reporting Distribution Line, Planning & Design and Power Generation
- Efficiently & effectively managing and meeting customer complaints & requests related to Engineering Department.
- Maintain efficient feedback channel through efficiently and effectively delivering TPL goods and services in a timely manner.

Key Achievements:

- Completed 'Eua and Ha'apai of Thermal Imaginary Inspection on High Voltage Network and 70% for Tongatapu network.
- Assistance in providing engineering direction for 6MW Synergies Solar IPP project through testing and commissioning of Masilamea (2MW) and Fualu (2MW) Solar.
- Technical support of Distribution team in OIREP by Inspection and testing the new grid for Niutopotapu hybrid network for the first time. Not only that but including Kauvai Ha'ano on upgrade their existing network hybrid system. Including conduct insulation resistance test on transformer to be used, HV and LV cable and locating the existing UG cables in working areas while trenching for the safety of the assets and the public.
- The 2 members of Engineering department attended the 3rd Regional Training for the Introduction of Hybrid Power Generation System for additional countries, Integration of Renewable Energy, Operational and Maintenance of Renewable Energy, which was conducted in Fiji, this is very helpful in our transition from DG to RE. Including attendance at the Pacific Island Workshop on E-Mobility.
- Completed 'Eua and Ha'apai CT meter inspection and 60% in Tongatapu.

Operational Highlights:

1. Resolved Customer Billing Complaints: Managed customer complaints regarding power bills by collaborating with the designated team, addressing concerns of high consumption after bill estimation.
2. Collaborative Effort on Billing Data: Worked with Risk and Compliance on March billing data (read in April) to address concerns raised by EC regarding discrepancies in data submitted by R&C, Finance, and Engineering teams during an investigation on public high consumption.
3. Meter Test Result Communication: Informed customers of meter test results in response to their complaints about high power consumption, providing further clarification on the findings.
4. Smart Meter Accuracy Assessment: Collaborated with an independent Consultant appointed by DFAT to assess the accuracy of smart meters post-volcanic eruption.
5. Monthly Fault Reporting: Submitted monthly fault reports to Risk & Compliance, measuring power supply reliability through SAIFI, SAIDI, and CAIDI metrics.
6. Power Generation Stock Take: Assisted in end-of-month stock take for Power Generation, including IPP solar.

7. TREP 02 Load Shifting BESS Support: Supported Contractor in the repair and maintenance of TREP 02 Load Shifting BESS.
8. Fault Resolution at Solar IPP: Assisted RE and Distribution teams in resolving a fault at Solar IPP (2MW) at Matatoua and addressed a revenue meter fault at Masilamea (2MW).
9. Wind Turbine Fault Investigation: Assisted in investigating a fault with WT (wind turbine) #5 at Niutoua.
10. Solar Sites Earth Resistance Test: Aided Electrical Engineer from Electronet Company (NZ) and Clay Energy staff in re-evaluating earth resistance tests for three solar sites IPP (6MW) owned by Synergies from New Zealand.
11. SCADA Data Update: Updated SCADA data from Power Station SCADA system.
12. JICA Data Request Support: Assisted JICA in their data request for their new project at the international Airport, focusing on power usage and quality.
13. Residential Roof-Top Solar Project Assistance: Supported the residential roof-top solar pilot project.
14. Tonga Broadcasting Commission Consultation: Assisted Tonga Broadcasting Commission in an awareness consultation to inform the public about renewable energy matters and enhance understanding of TPL operations.
15. Tonga Meteorology Centre Building Design Support: Aided Consultants from Fiji (Erasito Consultants Pte Limited) in designing the proposed Tonga Meteorology Centre building at Matatoua for MEIDECC.
16. Energy Pool and GDMS Project Collaboration: Collaborated with Energy Pool team on discussions about PMS Upgrade to Power Station and GDMS for TPL.
17. GET Team Project Status Discussion: Held discussions with GET team and consultant from VPS company regarding project status.
18. Mana Pasifika PPA Solar Proposal Review: Discussed Mana Pasifika's PPA solar and BESS proposal for TPL, contributing to the 70% RE target for 2025.
19. Faults Recording and Reporting Training: Conducted training on faults Recording and Reporting to Outer Islands Branch Managers and their team.
20. Transformer Data Analysis: Analyzed data for some transformers and inserted it into Filemaker.
21. Earth Resistance Test in 'Eua and Ha'apai: Conducted earth resistance tests for transformers in 'Eua and Ha'apai, identifying areas for improvement.
22. Single Line Diagram Update: Updated single line diagrams for 'Eua and Ha'apai (excluding RE and power generation).
23. Siren Stations Power Bill Compilation: Compiled power bills for all siren stations in Tonga as requested by MEIDECC.
24. Single Phase Meter Specification Verification: Verified single phase meter specifications in an offer from Itron, ensuring accuracy before procurement.
25. Solar Project Proposal Review: Reviewed a solar project proposal from Akuo Company for Vava'u.
26. Materials Tender Oversight: Checked additional materials to be included in the materials tendered out by TPL.
27. Generation Capacities Review: Reviewed current generation capacities for TPL in the context of IPP to Solar and BESS Generation Facilities (70% RE).
28. SINCAL Model Update: Updated new existing HV lines and transformers to SINCAL Model for Tongatapu.

29. Grid Impact Study Review: Reviewed the report from Entura Company regarding the grid impact study on the 70% Renewable Energy target project.
30. SINCAL Analysis for IPP Solar: Conducted SINCAL Analysis on voltage curve for new IPP Solar, and monitored transformer voltage changes during operation.
31. Fatality Investigation: Conducted a thorough investigation into a fatality involving electrocution at a property in Sopa on January 6th, 2022.
32. Bypass Meter Investigation: Investigated multiple bypass meters reported to us and compiled a report on the findings.
33. Meter Verification Assistance: Collaborated with meter technicians to verify meters as requested by the Billing department.
34. Appliance Damage Investigation: Conducted a thorough investigation into claims of damages to electrical appliances caused by TPL's planned and unplanned power shutdowns.
35. Voltage Issue Resolution: Collaborated with Distribution team in addressing complaints related to low and high voltage according to the concession contract, ensuring issues on the line were rectified.
36. Outer Island Operations Support: Assisted Distribution team in complex works throughout the outer islands, including Ha'apai, such as locating existing HV UG cable across Salote Pilolevu Airport runway in Ha'apai and installing a spare HV UG cable beside the existing HV UG cable to Kauvai Foa. Provided troubleshooting support to distribution operations for fault and unusual network events.

Challenges Faced:

1. Staffing Constraints:

- The department grappled with a significant staffing shortfall in 2022, with only two engineering personnel. While an additional trainee joined in September 2022, the full-time engineering team was augmented in February 2023 with the inclusion of a graduate electrical engineer and a graduate mechanical engineer. However, the departure of the engineering officer to the Strategic Development Unit in March 2023 left a critical position vacant until September 2023. This transition posed a considerable challenge in terms of training new staff and acclimating them to the existing workload. Additionally, tasks from prior years were not seamlessly transitioned, necessitating extra research and resource gathering for current staff.

2. Resource Limitations Impacting Timely Customer Service:

- The current resource constraints have affected the department's ability to promptly address planned work, particularly in the context of customer complaints and claims. Addressing the diverse array of issues raised by customers and providing swift resolutions has proven to be a demanding challenge. While some cases can be investigated and resolved in a relatively short span, others require an extended period to reach a conclusion. The scarcity of resources exacerbates the situation, lengthening the turnaround time for both categories. Notably, some customers employ CT meters, leading to complaints about power consumption. However, lacking the requisite software to retrieve and validate their data, as is feasible with smart

metering, hinders our ability to promptly address their concerns and cultivate trust.

Addressing these challenges requires a multifaceted approach, including strategic resource allocation, comprehensive training programs, and investments in technology infrastructure to enhance customer service capabilities.

6.7 Risk & Compliance Performance

Tonga Power Limited's Risk and Compliance Unit is tasked with its major core function of regulation and compliance enforcement of the Electricity Act 2007, Ministry of Public Enterprises Act 2002 and amendments and the Concession Contract III for all stakeholders in the Electricity sector as well as the company.

Its other functions include (but are not limited to) the following:

- Ensuring TPL compliance with the obligations stipulated under the service levels set out in Schedule 1 of the Electricity Concession Contract.
- Conducting compliance audits for the company.
- Develop, lead and execute risk management strategies and to promote and position risk within the company.
- Ensure key internal controls comply with standards or meet best practices.
- Evaluate internal controls, apply professional audit techniques, preparing audit work papers, developing solutions and documenting findings.
- Ensuring compliance with company policies and procedures.
- Liaise with the Electricity Commission on regulatory reporting requirements, tariff adjustments, independent reports on electrocution incidents and safety related incidents.
- Tariff adjustment and publication.
- Employee's health and safety to ensure the safety of staff, customers, contractors, suppliers, the general public and the environment. Reports all incidents (including injuries, damage and complaints), and serious incidents, near hits, and hazards are reported immediately, using Incident Forms.
- Public safety and awareness.

Key Achievements and Major Highlights:

The major achievements as at 30th June 2023 were:

- Collaborating and providing relevant policy & operational information as well as compliance reporting to the Ministry of Public Enterprises:
 - Business Plan 2023
 - Quarterly Reports
 - Asset Management Plan 2023 (AMP) / Business Continuity Plan 2023 (BCP)
 - Half Year Performance Report
 - Annual Report 2023
- Compliance reporting to the Electricity Commission met including:
 - Quarterly Tariff Adjustment
 - Audited Regulated Asset Value (RAV)
 - Monthly Progress Report
 - CAPEX Budget and Reconciliation
 - Regulatory Annual Report
- Completed several compliance audit on Performance Service standards on new connections, Billing Punctuality, Meter operations and several other areas in the Distribution Division.
- Working closely with the independent Consultant hired by DFAT to work on determining the accuracy of the smart meters after the HTHH volcanic eruption.
- Attending to all complaints from customers after the billing estimation issue in early 2022 which includes all complaints that were received through reception, Electricity Commission and the Office of the Ombudsman.
- Monthly Health and Safety meetings and relevant issues of interest are escalated to CEO for consideration and information. Respective divisional issues are addressed as and when needed especially at the absent of the HSE meeting.
- Increased customer focus and efficiency through attending to customer requests in a timely manner then reported to the Board and the Ministry of Public Enterprise.
- Ongoing collaboration with relevant stakeholders – information and data requests, complaints, and more.

Challenges Faced:

The Unit faces a lot of challenges during the period reported. Firstly, we were tasked with assisting the Finance Division in auditing the payment vouchers and ensuring compliances with the internal finance processes thereby requiring the Manager to cosign on all outgoing cheque payments. Several issues of concern were raised which assist in improving the company performances as well as compliances.

Furthermore, the Risk and Compliance Analyst was transferred to Tonga Gas to relieve for the ACEO role while the CEO Tonga Gas was transferred to the company as ACEO. The Unit was back to being operated by the Manager and since then, there has been issues with trying to find a permanent colleague to fill the position. As of date, Mr Puluno Falevai from the Planning Division of Tonga Power is now acting on the financial analyst role.

With the above being said that has contributed more to the following challenges and issues during the year:

- Resource and Timing constraints due to staff movements within the Division and the company has led to replanning and rescheduling of major works already planned for the year;
- Ongoing breaches in system losses and voltage standards are indication of the upgrade works that is currently underway which is inevitable because of the existence of some of the deteriorated sections in TPL's distribution network in the non-upgraded areas.
- Breaches of Fuel efficiency standard target of 4.00 kWh/L which has been considered high after Renewable Energy were introduced.
- Some of the service standards stipulated in the Concession Contract II cannot be achieved due to reason beyond TPL controls such as the 24 hours voltage sampling target, maximum 10 days period for meter testing, billing punctuality, etc.
- Not meeting KPIs and annual management plan targets due to uncertainty in recruitments within the Unit.
- Costs involved in addressing recommendations from compliance audits as well as random audit reviews.
- Outer islands safety visits and spot-checks considered for the next financial year.
- Evacuation Plan for new multi-complex Building at Matatoa to be developed- Drills to follow.
- Budget constraints.
- It is assumed that with the new Energy Bill that has been passed in Cabinet this year will resolve the issues that are considered outdated and deficient in the existing By-Laws of 1988 such as the Electrical Wiring, Submarine cables etc.

Goals for the Next Fiscal Year (FY23/24):

Our vision for the coming year 23/24 is to ensure that the above challenges are tackle and that all issues of concern are regularised.

We have put forward a lot of tasks to be completed next financial year which includes extending our mandates to cover the outer islands in terms of compliance audit, risk assessment, health and safety review as well as internal audit review, site visits and audit, divisional risk assessment, health and safety visits and review as well as ensuring that all work that were not completed this year are done.

A major policy overhaul is also required and mapping to the new Public Enterprise Policy as well as enforcement is another major piece of work plan to be fulfil next year.

Last but not the least, the Engineering Division of Tonga Power will also assist the Risk and Compliance Unit in finalising the long outstanding HSE manual that has been inactive for so long to be used by everyone in the company.

Once the Unit is fully staffed, there should be any more task left undone and staff trainings will also be added to the Unit mandates.

Risk Assessment:

TPL faces the following major business risks:

- Compliance threats: originating in politics, law, regulation or corporate governance.
- Financial threats: stemming from volatility in markets and the real economy.
- Strategic threats: as related to customers and investors.
- Operational threats: affecting the processes, systems, people and overall value chain of TPL's business.

6.8 Admin performance

The over-arching goal of the Administration Department is to provide support to all TPL operations by: • Effective Delivery of Executive Assistant and Administration Support Duties • Efficient management, communication and collation of board papers • Oversee Facility Up keeping, Maintenance & Safety • Effective management of staff travel and logistics

- Replacement of the rusted fire hydrant boxes in the compound and changing of door locks. The fire hydrant boxes are now locked to detain further damages to the hoses and the continuous wasting of water.
- All security houses for the Matatoa compound was completed in July. Building of the security houses establishes the requirement for a security guard to be at the stations at all times and to control the flow of traffic going in and out of the property. Log books are to be kept to record vehicles and time that they

enter the compound during and after working hours. There is only one entry and exit used at Matatoa for all vehicles to ensure better monitoring.

- The renovation of the TPL staff residence in Haápai was completed in April. Majority of the work was painting, plumbing and cleaning of the property which has been neglected since the previous Manager left. This is the first time in several years that there has been maintenance work on the outer islands residences.
- New spotlights and sensor lights have been installed around the compound to ensure that the compound is adequately illuminated by light at night and to keep the compound and work assets safe.
- The Emergency evacuation plan for TPL head office at Matatoa has been drafted to be reviewed and finalised by the Health and Safety committee.
- As part of staff wellbeing, the tables and seats at the staff eating area were replaced and repainted. Keeping the office compound clean is important for both staff and customers.
- Clean offices continue to be important. Maintaining clean and hygienic offices to protect staff and customers against the spread of Covid 19 and other infectious diseases is a priority. The Administration office stocks masks, hand sanitisers and gloves that are distributed to the offices for staff and customer use. The office also has a first aid kit.

Administration Team

The Administration team consists of 4 staff made up of the Administration Manager, Senior Administration Manager, Office cleaner and driver.

In March 2023, the office receptionist staff previously under Administration moved to Retail. The role is now more customer service oriented and is deemed better suited to retail due to the nature of their job which is not only to answer phone calls but also to assist with customer enquiries on power bills and complaints.

The strength of the Administration team continues to be the hardworking, dedicated employees that perform a wide range of support services throughout the year to staff and customers.

6.9 Strategic & Business development performance

The Strategic & Business Development department achieved significant milestones in reshaping and aligning our strategic priorities. This progress is marked by the successful formulation of seven strategic objectives, effectively integrating all departmental Key

Performance Indicators (KPIs) towards these objectives. Accomplishments from the department include:

- 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.
- Developed an Asset Management Plan for the Information Technology department.
- Submitted the TPL Crisis Management strategy for media to the Board subcommittee for review and approval.
- Submitted a concept note for the Grid Strengthening project to potential donors for funding.
- Progressed business developments for the TPL Smartphone Application.
- Progressed business developments for the Tech One SAAS Strategy & Plan.
- Progressed business developments for the Smart Meter project strategy & plan.
- Progressed business developments for the Energy Efficiency campaign implementation.
- Progressed business developments for TPL Billing customer segmentation.
- Progressed the review and refinement of customer service agreements.
- Progressed business developments on E-Billing & Online Payment options for outer island TPL customers.
- Progressed feasibility studies for Rooftop Solar for achieving 100% Renewable Energy.
- Progressed Tech-One distribution model development for customer new connections & GIS.
- Advanced the development of the vehicle fleet asset register & Fuel Analysis template.
- Advanced the integration of Filemaker into Tech-One for vehicle fleet management.
- Effective management of TPL SDG Policy with works towards Net Metering transition business case

Impact:

- **Improved Departmental Performance:** The proactive approach in KPI management and strategic support led to enhanced performance across departments, contributing to the overall success of the organization.
- **Aligned Initiatives:** Ensured that all departmental initiatives were in sync with the organization's overarching goals, resulting in a more cohesive and focused operational approach.
- **CEO Empowerment:** Empowered the CEO with actionable insights and recommendations, enabling informed decision-making for sustainable organizational advancement.

Future Focus:

Moving forward, the Strategic & Business Development Department remains committed to maintaining this proactive approach, further refining strategic recommendations, and fostering a culture of continuous improvement across all departments.

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

**TONGA POWER LIMITED AND SUBSIDIARY COMPANIES
DRAFT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

TONGA POWER LIMITED AND SUBSIDIARY COMPANIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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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 2023 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 Group for the financial year was \$922,252 (2022: profit after income tax of \$1,409,174). The profit after income tax of the Company for the financial year was \$315,078 (2022: profit after income tax of \$1,459,839).

4 DIVIDENDS

During the year, the Company paid dividends of \$704,587 for the year ended 30 June 2022, (2021: declared dividends of \$200,000) at the rate of \$683.45(2022: \$194) 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

The directors recommend that \$421,124 be transferred from reserves in respect of the year ended 30 June 2022. There is no transfer from reserves in respect of the year ended 30 June 2023.

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 \$315,078 for the year ended 30 June 2023 (2022: profit after income tax of \$1,459,839) and as at that date had a working capital deficiency of \$8,204,245 (2022: 5,258,696). The Group recorded a profit after income tax of \$922,252 for the year ended 30 June 2023 (2022: profit after income tax of \$1,409,174) and as at that date had a working capital deficiency of \$6,374,077 (2022: \$3,343,200). 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.

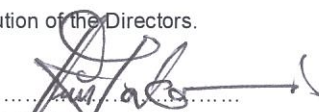
14 SIGNIFICANT EVENTS DURING THE YEAR

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 14th day of February 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 2023;
- (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 2023;
- (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 2023;
- (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 2023;
- (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 14th day of February 2024.

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


.....
Director


.....
Director



INDEPENDENT AUDITOR'S REPORT

To the Members of the Tonga Power Limited

Opinion

We have audited the accompanying financial statements of the Tonga Power Limited (“the company”), which comprises the statement of financial positions as at 30th June 2023, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material aspects, the financial position of the company as at 30th June, 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (*IFRS*).

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institution (*ISSAIs*). Our responsibility under this standard is 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 ISSAI standards.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 27(c), “Amounts payable to related party”, which is the Tonga Gas Limited, amounted \$3,175,069, (\$2,814,137 in 2022). An uncertainty exists if this amount payable will be paid by TPL to TGL since there is no repayment plan in place between the parties.

Responsibility of Management for the Financial Statements

The management of the company are 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 scepticism throughout the audit. I 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements, including disclosures, and whether the financial statements represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

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 (Asst.)
AUDITOR GENERAL



Dated: 28th February, 2024

TONGA POWER LIMITED AND SUBSIDIARY COMPANIES
 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2023

6

	Note	2023	Consolidated 2022 \$	2023	Company 2022 \$
Revenue	6	87,345,645	72,720,473	77,804,144	63,295,437
Cost of sales	10 (a)	(74,133,505)	(57,833,778)	(67,520,668)	(50,513,320)
Gross profit		13,212,139	14,886,694	10,283,475	12,782,116
Other income	7	5,988,298	4,754,338	5,910,504	4,845,113
Impairment loss on trade receivables		-	-	-	-
Selling and distribution expenses	10 (b)	(7,475,914)	(7,527,434)	(7,288,069)	(7,259,386)
Administrative and other expenses	10 (c)	(9,590,503)	(9,137,254)	(7,482,236)	(7,364,930)
Operating profit		2,134,021	2,976,344	1,423,675	3,002,913
Finance income - interest revenue		3,014	24,430	3,014	14,482
Finance income - other		41,139	3,557	31,743	3,557
Finance costs - other		(1,079,888)	(1,125,434)	(1,038,328)	(1,074,501)
Net finance costs	8	(1,035,735)	(1,097,447)	(1,003,571)	(1,056,462)
(Loss) / Profit before tax		1,098,286	1,878,897	420,104	1,946,452
Income tax benefit / (expense)	11 (a)	(176,034)	(469,723)	(105,026)	(486,613)
(Loss) / Profit		922,252	1,409,174	315,078	1,459,839
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive (expense) / income		922,252	1,409,174	315,078	1,459,839

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 2023

7

ASSETS	Note	Consolidated		Company	
		2023	2022	2023	2022
		\$		\$	
ASSETS					
Current assets					
Cash	12	1,466,564	1,642,241	1,034,665	993,029
Trade and other receivables	13	12,042,460	13,163,310	12,410,814	13,815,856
Inventories	14	1,760,231	2,303,347	1,342,444	1,681,687
Debt investment securities	15	790,350	777,709	349,948	346,055
Current tax asset		-	63,194	-	-
		<u>16,059,605</u>	<u>17,949,802</u>	<u>15,137,871</u>	<u>16,836,628</u>
Non-current assets					
Deferred tax assets	11 (d)	595,932	1,196,298	539,317	964,259
Debt investment securities	15	-	-	-	-
Intangible assets	16	985,079	1,056,086	0	74,906
Property, plant and equipment	17	131,993,729	136,049,690	128,833,725	133,326,035
Investment in subsidiaries	25	-	-	3,595,695	3,595,694
Right-of-use assets	26	2,799,696	2,544,041	1,400,450	1,444,919
		<u>136,374,436</u>	<u>140,846,115</u>	<u>134,369,186</u>	<u>139,405,814</u>
TOTAL ASSETS		<u>152,434,041</u>	<u>158,795,918</u>	<u>149,507,057</u>	<u>156,242,442</u>
LIABILITIES					
Current liabilities					
Current tax liability	11 (b)	900,693	699,470	603,946	367,104
Bank Overdraft	12	5,141,403	1,647,056	5,141,403	1,647,056
Trade and other payables	18	8,106,236	10,406,827	9,683,937	12,172,484
Employee entitlements	19	387,265	356,945	305,789	301,639
Borrowings	20	4,309,018	4,683,304	4,128,090	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	132,557	42,890	22,441	22,441
		<u>22,433,682</u>	<u>21,293,002</u>	<u>23,342,116</u>	<u>22,095,324</u>
Non-current liabilities					
Deferred tax liabilities	11 (c)	7,408,167	7,936,714	7,127,501	7,608,982
Borrowings	20	16,585,494	20,087,246	15,944,021	19,214,990
Deferred income - donated assets	24	41,599,741	45,056,250	41,599,741	45,056,250
Lease liabilities	26	2,414,097	2,647,510	1,426,460	1,495,089
		<u>68,007,499</u>	<u>75,727,720</u>	<u>66,097,723</u>	<u>73,375,311</u>
TOTAL LIABILITIES		<u>90,441,181</u>	<u>97,020,723</u>	<u>89,439,838</u>	<u>95,470,635</u>
EQUITY					
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		19,105,208	18,887,543	17,179,567	17,884,154
TOTAL EQUITY		<u>61,992,860</u>	<u>61,775,195</u>	<u>60,067,219</u>	<u>60,771,806</u>
TOTAL LIABILITIES AND EQUITY		<u>152,434,041</u>	<u>158,795,918</u>	<u>149,507,057</u>	<u>156,242,442</u>

For and on behalf of the Board of Directors.

.....
 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 2023

8

	Note	Consolidated		Company	
		2023	2022	2023	2022
		2022		2022	
		\$		\$	
Cash flows from operating activities					
Receipts from customers		77,683,590	66,597,985	68,140,244	57,114,805
Payments to suppliers and employees		(71,727,390)	(60,411,558)	(63,113,694)	(51,315,650)
Income tax paid	11 (b)	(39,652)	(110,348)	(39,652)	(58,937)
Insurance proceeds		0	-	-	-
Interest received		78,911	38,482	69,515	28,534
Interest paid		(1,009,391)	(1,056,260)	(970,039)	(1,005,327)
Net cash from operating activities		4,986,068	5,058,301	4,086,374	4,763,425
Cash flows from investing activities					
Investment in debt securities		-	(6,119)	-	(6,119)
Proceeds from debt securities		-	-	-	-
Proceeds from sale of plant and equipment		-	18,820	-	18,820
Acquisition of intangible assets	16	(8,075)	(17,992)	-	-
Acquisition of property, plant and equipment		(3,929,799)	(3,677,887)	(3,439,936)	(3,609,990)
Net cash used in investing activities		(3,937,874)	(3,683,178)	(3,439,936)	(3,597,289)
Cash flows from financing activities					
Proceeds from borrowings	20 (b)	-	892,080	-	892,080
Repayment of borrowings	20 (b)	(3,876,038)	(4,332,685)	(3,270,969)	(3,687,110)
Dividends paid	22	(704,587)	(200,000)	(704,587)	(200,000)
Payment of lease liabilities	26	(106,730)	(91,098)	(92,730)	(78,695)
Net cash (used in)/from financing activities		(4,687,355)	(3,731,703)	(4,068,286)	(3,073,725)
Net decrease in cash and cash equivalents		(3,639,161)	(2,356,580)	(3,421,848)	(1,907,589)
Effect of movements in exchange rates on cash held		(30,864)	(16,400)	(30,864)	(16,400)
Cash at beginning of year		(4,814)	2,368,166	(654,026)	1,269,963
Cash at end of year	12	(3,674,839)	(4,814)	(4,106,738)	(654,026)

The above statements of cash flows 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 14th February 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 \$315,078 for the year ended 30 June 2023 (2022: profit after income tax of \$1,459,839) and as at that date had a working capital deficiency of \$8,204,245 (2022: 5,258,696). The Group recorded a profit after income tax of \$922,252 for the year ended 30 June 2023 (2022: profit after income tax of \$1,409,174) and as at that date had a working capital deficiency of \$6,374,077 (2022: \$3,343,200). 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 2023 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

19354

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 contractual 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 provide 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 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 2023, 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 \$(4,106,738) at 30 June 2023 (2022: \$(654,026)). The Group held cash of \$(3,674,839) at 30 June 2023 (2021: \$4,814). 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 2023 (2021: \$Nil)

Debt investment securities

The Company held debt investment securities of \$349,948 at 30 June 2023 (2022: \$346,055). The Group held debt investment securities of \$790,350 at 30 June 2022 (2022: \$777,709). As at 30 June 2023, 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 2023 (2022: \$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 - average loss rate	Gross carrying amount	Loss allowance	Credit impaired
30 June 2023		\$	\$	
1 to 30 days	1.93%	1,688,952	63,571	No
31 to 60 days	8.30%	476,506	12,772	No
61 to 90 days	38.01%	249,058	52,605	No
91 to 120 days	85.50%	335,670	209,607	No
Over 120 days past due	100.00%	304,861	172,922	No
		3,055,047	511,477	
Specifically assessed		(556,034)	19,510	
		2,499,013	530,987	
30 June 2022				
1 to 30 days	1.93%	1,688,952	63,571	No
31 to 60 days	8.30%	476,506	12,772	Yes
61 to 90 days	38.01%	249,058	52,605	Yes
91 to 120 days	85.50%	335,670	209,607	Yes
Over 120 days past due	100.00%	304,861	172,922	Yes
		3,055,047	511,477	
Specifically assessed		(556,034)	19,510	
		2,499,013	530,987	
Company				
30 June 2023				
1 to 30 days	1.93%	1,610,677	19,816	No
31 to 60 days	8.30%	476,506	12,772	No
61 to 90 days	38.01%	249,058	52,605	No
91 to 120 days	85.50%	335,670	209,607	No
Over 120 days past due	100.00%	304,861	172,922	No
		2,976,772	467,722	
Specifically assessed		(556,034)	19,510	
		2,420,738	487,232	
30 June 2022				
1 to 30 days	1.93%	1,610,677	19,816	Yes
31 to 60 days	8.30%	476,506	12,772	Yes
61 to 90 days	38.01%	249,058	52,605	Yes
91 to 120 days	85.50%	335,670	209,607	Yes
Over 120 days past due	100.00%	304,861	172,922	Yes
		2,976,772	467,722	
Specifically assessed		(556,034)	19,510	
		2,420,738	487,232	

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 year (\$)	Between 1 and 2 years (\$)	Between 2 and 5 years (\$)	Grester than 5 years (\$)	Contractual outflows (\$)	Carrying amount (\$)
Non-derivative financial liabilities						
Consolidated						
At 30 June 2023						
Borrowings	4,309,018	4,309,018	12,927,054	3,225,460		24,770,550
Trade and other 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>
At 30 June 2022						
Borrowings	4,683,304	4,683,304	14,049,912	1,354,030	24,770,550	24,770,550
Trade and other payables	10,406,827	-	-	-	10,406,827	10,406,827
	<u>15,090,131</u>	<u>4,683,304</u>	<u>14,049,912</u>	<u>1,354,030</u>	<u>35,177,377</u>	<u>35,177,377</u>
Company						
At 30 June 2023						
Borrowings	4,128,090	4,128,090	12,384,270	(568,339)	20,072,111	20,072,111
Trade and other 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>
At 30 June 2022						
Borrowings	4,128,090	4,128,090	12,384,270	2,702,630	23,343,080	23,343,080
Trade and other payables	12,172,484				12,172,484	12,172,484
	<u>16,300,574</u>	<u>4,128,090</u>	<u>12,384,270</u>	<u>2,702,630</u>	<u>35,515,564</u>	<u>35,515,564</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 2023 and 2022 is as follows:

	Consolidated		Company	
	2023	2022	2023	2022
		\$		\$
Total borrowings (Note 20)	20,894,512	24,770,550	20,072,111	23,343,080
Less: cash (Note 12)	1,466,564	1,642,241	1,034,665	993,029
Net debt	22,361,076	26,412,791	21,106,776	24,336,109
Total equity	61,992,860	61,775,195	60,067,219	60,771,806
Total capital	84,353,936	88,187,986	81,173,995	85,107,916
Gearing Ratio	27%	29.95%	26.00%	28.59%

6 REVENUE

Regulated revenue

Fuel	49,278,776	30,010,281	49,278,776	31,764,693
Non-fuel	26,364,177	28,454,913	26,364,177	28,454,913
GPO recovery	1,938,270	3,587,012	1,938,270	1,832,600
Gas	9,541,501	9,425,036	-	-
	87,122,724	71,477,242	77,581,223	62,052,206

Non-regulated revenue

Fees, upgrade and repairs	222,921	1,243,231	222,921	1,243,231
	222,921	1,243,231	222,921	1,243,231
	87,345,645	72,720,473	\$ 77,804,144	63,295,437

Disaggregation of revenue

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

Tongatapu	\$ 76,347,880	64,290,645	\$ 66,806,379	56,665,282
Vava'u	\$ 7,021,093	5,464,988	\$ 7,021,093	4,079,139
Ha'apai	\$ 1,984,798	1,558,914	\$ 1,984,798	1,324,119
Eua	\$ 1,991,874	1,405,926	\$ 1,991,874	1,226,897
	\$ 87,345,645	72,720,473	\$ 77,804,144	63,295,437

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	-	18,820	-	18,820
Sundry income	2,531,789	1,279,008	2,453,995	1,369,784
	5,988,298	4,754,338	\$5,910,504	4,845,113

	Consolidated		2023	Company 2022
	2023	2022		
		\$		\$
8 NET FINANCE COSTS				
Interest income under the effective interest method	3,014	24,430	3,014	14,482
Total interest income arising from financial assets measured at amortised cost	3,014	24,430	3,014	14,482
Net foreign exchange gain	41,139	3,557	31,743	3,557
Finance income - other	41,139	3,557	31,743	3,557
Financial liabilities measured at amortised cost – interest expense (Note 21(b))	(1,009,391)	(1,056,260)	(970,039)	(1,005,327)
Interest expense - lease liabilities (Note 27)	(70,497)	(69,173)	(68,289)	(69,173)
Ineffectiveness of derivative financial instruments	-	-	-	-
Finance costs - other	(1,079,888)	(1,125,434)	(1,038,328)	(1,074,501)
Net finance costs recognised in profit or loss	(1,035,735)	(1,097,447)	(1,003,571)	(1,056,462)
9 PERSONNEL EXPENSES				
Key management personnel (Note 28(d))	1,354,777	1,422,857	1,354,777	1,292,330
Staff salaries and related expenses	6,317,044	7,242,022	6,317,044	6,125,886
Superannuation contribution	501,695	423,010	501,695	423,010
	8,173,516	9,087,889	8,173,516	7,841,226
10 (LOSS) / PROFIT BEFORE TAX				
(Loss) / Profit before tax has been determined after charging as expenses:	1,062,891	1,878,897	420,104	1,946,452
(a) Cost of sales				
Fuel cost	47,372,059	35,191,779	47,372,059	35,191,779
Renewable energy cost	2,048,844	953,325	2,048,844	953,325
Gas cost	6,612,837	7,164,897	-	-
Salaries and wages	5,183,814	5,130,788	5,183,814	5,130,788
Superannuation contribution	351,318	293,412	351,318	293,412
Third party costs	429,132	1,231,620	429,132	1,231,620
Maintenance costs	5,491,154	2,996,505	5,491,154	2,996,505
Supplies and consumables	112,811	76,868	112,811	76,868
Rent/ lease expenses	1,358,273	151,004	1,358,273	151,004
Other repairs	438,173	474,952	438,173	384,602
Depreciation of generation equipment	1,133,916	1,170,451	1,133,916	1,309,409
Other expenses	3,601,174	2,998,178	3,601,174	2,794,009
	74,133,505	57,833,778	67,520,668	50,513,320

	Consolidated		Company	
	2023	2022	2023	2022
	\$		\$	
13 TRADE AND OTHER RECEIVABLES				
Trade receivables	3,815,979	4,725,007	3,722,940	4,635,117
Impairment on trade receivables	(529,508)	(829,508)	(487,232)	(487,232)
	<u>3,286,471</u>	<u>3,895,498</u>	<u>3,235,708</u>	<u>4,147,885</u>
Prepayments	1,291,858	1,443,967	1,281,975	1,435,552
Accrued income	5,423,090	5,645,808	5,423,090	5,645,808
Receivable from subsidiaries (Note 28(c))	-	-	438,288	415,229
Receivable from WAL	41,811	-	41,811	-
Consumption tax receivable	64,091	589,569	64,091	589,569
Other assets	1,935,139	1,588,470	1,925,851	1,581,815
	<u>12,042,460</u>	<u>13,163,310</u>	<u>12,410,814</u>	<u>13,815,856</u>
14 INVENTORIES				
Fuel	884,871	1,224,115	884,871	1,224,115
Spares	407,200	407,200	407,200	407,200
Lubricant Oil	50,373	50,373	50,373	50,373
Gas and gas related products	417,787	621,660	-	-
	<u>1,760,231</u>	<u>2,303,347</u>	<u>1,342,444</u>	<u>1,681,687</u>
15 DEBT INVESTMENT SECURITIES				
Current				
ANZ Banking Corporation	790,350	777,709	349,948	346,055
Government bonds	-	-	-	-
	<u>790,350</u>	<u>777,709</u>	<u>349,948</u>	<u>346,055</u>
Non-current				
Government bonds	-	-	-	-

At reporting date, the Group held term deposits with ANZ Bank which attracted interest rate of 2% per annum (2021: 2% per annum).

	Consolidated		Company	
	2022		2022	
	\$		\$	
16 INTANGIBLE ASSETS				
Opening net book amount	1,056,086	1,680,760	74,906	717,322
Additions	-	33,996		-
Disposals		-		-
Amortisation charge	(74,906)	(658,670)	(74,906)	(642,416)
Closing net book amount	981,179	1,056,086	0	74,906
Computer software				
Cost	4,125,570	4,117,496	3,931,985	3,931,985
Accumulated amortisation	(4,103,928)	(4,024,846)	(3,931,985)	(3,857,078)
Net book amount	21,642	92,649	0	74,906
Goodwill				
Cost	963,437	963,437		-
Net book amount	963,437	963,437		-
Intangible assets	985,079	1,056,086	0	74,906

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 Equipment \$	Distribution Network \$	Computer Equipment \$	Furniture & Fixtures \$	Tools & Equipment \$	Motor Vehicle \$	Land & Building \$	Capital WIP \$	Renewable Energy \$	Total \$
At 30 June 2021										
Cost or valuation	33,711,260	105,871,558	1,816,845	411,632	6,991,861	6,006,592	26,929,373	5,028,289	32,611,136	219,378,545
Accumulated depreciation	(16,643,239)	(36,888,931)	(1,415,699)	(343,883)	(5,363,174)	(4,745,134)	(3,157,032)	-	(8,491,025)	(77,048,117)
Net Book Amount	17,068,021	68,982,627	401,145	67,749	1,628,687	1,261,458	23,772,341	5,028,289	24,120,111	142,330,428
Year Ended 30 June 2022										
Opening net book amount	17,068,021	68,982,627	401,145	67,749	1,628,687	1,261,458	23,772,341	5,028,289	24,120,111	142,330,428
Additions	-	706,669	165,940	34,948	278,715	633,263	65,842	1,945,247	-	3,830,624
Transfers	527,020	-	-	-	-	-	-	(527,020)	-	-
Disposals	-	-	(1,193)	-	(1,119)	(310,496)	-	-	-	(312,808)
Depreciation expense	(1,170,452)	(6,060,165)	(155,494)	(25,277)	(313,398)	(158,024)	(565,845)	-	(1,349,899)	(9,798,554)
Closing net book amount	16,424,589	63,629,131	410,397	77,420	1,592,885	1,426,201	23,272,338	6,446,516	22,770,212	136,049,690
At 30 June 2022										
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)
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
Year Ended 30 June 2023										
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)
Closing net book amount	16,258,379	59,991,773	435,646	78,382	1,268,663	1,259,222	22,707,804	8,573,546	21,420,313	131,993,728
At 30 June 2023										
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)
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

PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Generation Equipment \$	Distribution Network \$	Computer Equipment \$	Furniture & Fixtures \$	Tools & Equipment \$	Motor Vehicle \$	Land & Building \$	Capital WIP \$	Renewable Energy \$	Total \$
At 30 June 2021										
Cost or valuation	33,711,260	105,871,558	1,621,933	390,771	1,471,229	5,352,541	25,166,949	5,028,289	32,611,136	211,225,665
Accumulated depreciation	(16,643,239)	(36,888,931)	(1,257,252)	(324,612)	(1,281,289)	(4,157,698)	(2,785,384)	-	(8,491,025)	(71,829,429)
Net Book Amount	17,068,021	68,982,627	364,681	66,159	189,940	1,194,843	22,381,565	5,028,289	24,120,111	139,396,236
Year Ended 30 June 2022										
Opening net book amount	17,068,021	68,982,627	364,681	66,159	189,940	1,194,843	22,381,565	5,028,289	24,120,111	139,396,236
Additions	-	706,669	159,518	32,391	202,231	627,741	46,903	1,945,247	-	3,720,700
Transfers	527,020	-	-	-	-	-	-	(527,020)	-	-
Impairment expenses	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(310,496)	-	-	-	(310,496)
Depreciation expense	(1,170,452)	(6,060,165)	(147,431)	(24,529)	(86,697)	(144,945)	(496,287)	-	(1,349,899)	(9,480,405)
Closing 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
At 30 June 2022										
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)
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
Year Ended 30 June 2023										
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)
Closing 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
At 30 June 2023										
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)
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

	Consolidated		Company	
	2023	2022	2023	2022
18 TRADE AND OTHER PAYABLES		\$		\$
Trade payables	3,824,052	6,602,865	3,326,501	6,249,256
Other payables and accruals	4,282,184	3,803,963	3,182,367	3,109,092
Related party payables (Note 28(c))	0	-	3,175,069	2,814,137
	<u>8,106,236</u>	<u>10,406,827</u>	<u>9,683,937</u>	<u>12,172,484</u>
19 EMPLOYEE ENTITLEMENTS				
Annual leave	387,265	356,945	305,789	301,639
Provision for bonus				-
	<u>387,265</u>	<u>356,945</u>	<u>305,789</u>	<u>301,639</u>
20 BORROWINGS				
a) Secured loans from ANZ Tonga				
Current	4,309,018	4,683,304	4,128,090	4,128,090
Non-current	16,585,494	20,087,246	15,944,021	19,214,990
Total	<u>20,894,512</u>	<u>24,770,550</u>	<u>20,072,111</u>	<u>23,343,080</u>
b) Reconciliation of movements of liabilities to cash flows arising from financing activities				
Balance at the beginning of the year	24,770,550	26,995,144	23,343,080	25,591,879
Proceeds from borrowings	0	892,080	0	892,080
Repayment of borrowings	(3,876,038)	(3,116,674)	(3,270,969)	(3,140,879)
Interest expense	1,009,391	1,056,260	970,039	1,005,327
Interest capitalised to property plant and equipment	0	-	0	-
Interest paid	(1,009,391)	(1,056,260)	(970,039)	(1,005,327)
Balance at the end of the year	<u>20,894,512</u>	<u>24,770,550</u>	<u>20,072,111</u>	<u>23,343,080</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 undertakings 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 Toulili, Ma'ufanga, Lease no. 2821A
- First Registered Mortgage over leasehold property at Toulia, 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
Loan 1			
Loan 2	April 2027	4.00%	72,506
Loan 3	April 2028	4.00%	80,048
Loan 4	April 2028	4.00%	30,078
Loan 5	May 2029	4.00%	80,904
Loan 6	May 2029	4.00%	62,257
	April 2034	4.25%	18,215

Tonga Gas Limited borrowing

	Consolidated		Company	
	2023	2022	2023	2022
SHARE CAPITAL		\$		\$
21 (a) <i>Authorised capital</i>				
1,031 ordinary shares at \$32,768 each				
	33,783,595	33,783,595	33,783,595	33,783,595
(b) <i>Issued and paid-up capital</i>				
Ordinary shares of 1,031 at \$32,768 per share, fully paid				
	33,783,595	33,783,595	33,783,595	33,783,595

	Consolidated		Company	
	2023	2022	2023	2022
PROVISION FOR DIVIDEND		\$		\$
22 Balance at the beginning of the year				
Dividend declared	704,587	-	704,587	-
Dividend paid	(704,587)	200,000	(704,587)	200,000
Dividend converted to grant		(200,000)		(200,000)
Offset against related party receivable		-		-
	-	-	-	-

During the year, the Company declared a dividend of \$704,587(2022: \$200,000) at the rate of \$683 (2022: \$194) per share. In 2022, dividend payable of \$200,000 was declared

ASSET REVALUATION RESERVE				
23 Balance at the beginning of the year	9,104,057	9,525,181	9,104,057	9,525,181
Depreciation of buildings	-	(69,467)	-	(69,467)
Depreciation of distribution network	-	(351,657)	-	(351,657)
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

	Consolidated		Com	
	2023	2022	2023	2022
DEFERRED INCOME - DONATED ASSETS		\$		\$
24 Balance at the beginning of the year	48,512,760	51,969,269	48,512,760	51,969,269
Additions		-		-
Amounts released to other income	(3,456,509)	(3,456,509)	(3,456,509)	(3,456,509)
Balance at the end of the year	45,056,250	48,512,760	45,056,250	48,512,760
Disclosed in the financial statements as follows:	3,456,509	3,456,509	3,456,509	3,456,509
Current	41,599,741	45,056,250	41,599,741	45,056,250
Non-current	45,056,250	48,512,760	45,056,250	48,512,760

Deferred income consists of grants in relation to capital expenditure

	Consolidated		Company	
	2023	2022	2023	2022
INVESTMENT IN SUBSIDIARIES		\$		\$
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	Consolidated		Company	
	2023	2022	2023	2022
		\$		\$
Balance at the beginning of the year	-	-	3,595,694	3,595,694
Additional investment in subsidiary	-	-	-	-
Impairment of investment	-	-	-	-
Balance at the end of the year	-	-	3,595,694	3,595,694

Subsidiary entities	Ownership interest		Place of incorporation	Place of incorporation
	2023	2022		
Homegas Limited	100%	100%	Tonga	Tonga
Tonga Gas Limited	100%	100%	Tonga	Tonga

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

26	Consolidated		Com	
	2023	2022	2023	2022
LEASES		\$		\$
A. As a Lessee				
Rights-of-use assets				
Balance at 1 July 2021	2,879,561	2,660,846	1,444,919	1,522,337
Depreciation charge for the year	(79,865)	(116,804)	(44,470)	(44,470)
Disposals	-	-	-	(32,948)
Balance at 30 June 2022	2,799,696	2,544,042	1,400,449	1,444,919

Lease Liabilities

Maturity analysis – contractual undiscounted cash flows

Less than one year	156,830	158,830	90,730	90,730
One to five years	693,420	703,420	362,920	362,920
More than five years	4,283,855	4,595,218	2,691,675	2,782,405
Total undiscounted lease liabilities at 30 June 2022	5,134,105	5,457,468	3,145,325	3,236,055

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

Current	132,557	42,890	22,441	22,441
Non-current	2,414,097	2,647,510	1,426,460	1,495,089
	2,546,654	2,690,400	1,448,901	1,517,530

Amounts recognised in profit or loss

Interest on lease liabilities	70,497	87,346	68,289	69,173
Depreciation on ROU Assets	44,470	116,804	44,470	44,470
	114,967	204,150	112,759	113,643

Amounts recognised in the statement of cash flows

Total cash outflow for leases	(106,730)	(91,098)	(92,730)	(78,695)
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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.

Operating lease	Company	
	2023	2022
Lease income	46800	46,800

LEASES (continued)

26	B. As a Lessor (continued)	Company	
		2023	2022
	Maturity analysis – contractual undiscounted cash flows		\$
	Within one year		
	Later than one year but not later than five years	46,800	46,800
	Later than five years	187,200	187,200
	Total undiscounted lease payments	1,404,000	1,357,200
		1,638,000	1,591,200

RELATED PARTIES

27

(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	
	2023	2022	2023	2022
Directors' emoluments	\$	\$		\$
	336,626	343,374	192,962	180,515

(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.

(c) Transactions with subsidiaries

Transactions during the year

	Company	
	2023	2022
Sale of electricity		\$
Service fee income	11,763	22,041
Other expenses	6,000	6,000
		-

Balances as at year end

Amounts receivable from related parties

Other receivable

Tonga Gas Limited

	438,288	415,229
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27	RELATED PARTIES (continued)	Company	
		2023	2022
	(c) Transactions with subsidiaries (continued)	\$	\$
	Amounts payable to related parties		
	Other payable		
	Tonga Gas Limited	3,175,069	2,814,137
	Homegas Limited		-
		<u>3,175,069</u>	<u>2,814,137</u>

(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.

	Consolidated		Company	
	2023	2022	2023	2022
Short term remuneration	1,354,777	1,448,330	1,354,777	1,292,330

(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 2022 (2021: 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	<u>10,476,882</u>	<u>9,718,000</u>	<u>9,718,000</u>	<u>9,718,000</u>
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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.