

Vision 2025

To be a sustainable electricity provider in the Region

Immediate Vision

Increased access by all people of Samoa to quality and affordable electricity supply

Mission

To provide and maintain quality electricity and customer service through innovative, sustainable and climate resilient infrastructure, in partnership with customers and stakeholders to support the development of Samoa.

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Table of Contents

CHAIRMAN’S REMARKS	4
GENERAL MANAGER’S REPORT	7
FINANCIAL STATEMENTS.....	14

EPC EXECUTIVE FOR FINANCIAL YEAR 2022 – 2023

BOARD OF DIRECTORS

Leasi Vainalepa Galuvao

CHAIRMAN

DIRECTORS

Asi Sagagauatasi Keve Tunupopo

Alo Lomitusi Pilimase Tyrell

Lilomaiaava Filifilia Iosefa

Tapuala Letoa Ulupale Fuimaono

Lilomaiaava Filifilia Iosefa

DIRECTOR

Chair – Finance, Audit & Risk Committee

Member- Tapuala Letoa Ulupale Fuimaono

Independent member- Mulitalo Lealali

Mapu Mulitalo

Faumui Tauiliili Iese Toimoana

GENERAL MANAGER

Ex-Officio

MANAGEMENT

Faumui Tauiliili Iese Toimoana

General Manager

Tu'u'u Tauiliili Ekiumeni Fauolo

Chief Engineer Power Generation

Tupa'i Latusele Posi

Chief Engineer Distribution & Utilization

Papali'i Jovesa Ah Kuoi

Chief Engineer Quality Assurance & Development

Afamasaga Victor Elia Afamasaga

Chief Engineer National Control & Dispatching Centre

Asiata Tafu Salevao (10th July 2023-to date)

Manager Savaii Operations

Fonomaitu Moeona (resigned 08th June 2023)

Ex-Manager Savaii Operation

Palelēmafuta Sofia Silipa

Manager Finance & Commerce

Ta'aiseuga Jason Hisetake (17th July 2023 to date)

Manager Corporate Governance

Tuiafelolo John Stanley (resigned 27th January 2023)

Ex-Manager Corporate Governance

Fesola'i Edwin Ulberg

Manager ICT

Manager Legal Service- vacant

Tualamalii Wendy Pogi (resigned 01st September 2023)

Manager Legal Services

Lealataua Sophia Laifai Oloapu

Manager Internal Audit & Investigation

CHAIRMAN'S REMARKS

On behalf of the Electric Power Corporation's Board of Directors, I hereby present the Corporation's fortieth (41st) Annual Report for the financial year ending 30th June 2023. EPC continues to face ongoing financial challenges due to Government Tariff reduction resulting in the net profit loss of \$54m as showcased within the reported financial year.

Financial Impact of Government Policy

For the financial year ending June 2023, the EPC's contribution to the 20% tariff reduction due to government assistance to our people, largely contributed to the Corporation's revenue loss within the FY year. As stated for the reported financial year, our total revenue forgone settled to \$58 million which impacted the EPC's financial performance more than the previous year.

Behind this challenging backdrop, EPC resiliently delivered key infrastructure projects, community service obligations, and the achievement of its objectives in improving service delivery, safety and network reliability.

Financial

The Corporation ended the year with a total net loss of \$54 million Tala¹, an increase of 149% compared with the previous year's loss (2022 - \$22 million). The driving component contributing to this negative variance was the Cabinet's 20% tariff reduction policy initiative which resulted in revenue forgone of \$58 million Tala². The adverse financial result was further impacted by:

- A significant decrease in hydro generation attributed to adverse weather conditions (low rain - reducing run of river hydro-generation) impacting this highly cost-effective renewable energy source. The EPC generation division has been tasked with focusing on preventative maintenance as a means to optimize the performance of the hydro assets.
- The decline in hydro generation together with a 10% increase in demand, had a corresponding negative impact on Diesel generation which increased by 13% or 14million kWhs in comparison to the previous year, totaling 110millionkwhs. For the reported year, diesel costs were a record high of \$108.8million and was 51% more than the cost for the last financial year.

Renewables

The Corporation continued its commitment to increasing the diversity of its renewable energy generation sources, particularly where this will lower the costs of electricity for the people of Samoa and make significant increases in the amount of renewable generation.

The electricity production as at end of this financial year totaled to 189,757,533 kWh a 10% increase compared to 171,513,430 kWh in previous year. Total diesel production increased from 113,730,130 kWh in previous year to 130,814,510 kWh, a 13% increase. Total renewable energy production

¹ Director's notes

² Statement of financial Performance & other comprehensive incomes

increased marginally from 57,728,230 kWh in previous year to 58,939,880 kWh, primarily due to Upolu Hydro, totaling the overall RE contribution to 31%, compared to 34% in previous financial year.

For the reported year, hydro itself contributed to 62% of total renewable energy and 19% of total EPC generation. In the year ended June 2023, Renewable energy produced 58.9 million MWh (down by 18.1 MWh YoY) and contributed 31% of total generation production (down by 10% YoY).

Independent Power Producers (IPPs)

Independent Power Producers (IPP) produced 18.7 million MWh of solar PV, a slight drop in output year over year. Although solar renewable energy (RE) offers EPC and its client's long-term and sustainable generation, EPC is currently reviewing the Power Purchase Agreement (PPA) business model to identify better cost synergies that will guarantee sustainability. Because of this, EPC has made large investments in its own renewable energy procurement, which is detailed below and is anticipated to move forward swiftly after receiving government approval.

Renewable Energy Developments

The Electric Power Corporation is determined to develop more renewable energy sources in partnership with the Private Sector (IPP) through a power purchase agreement (PPA). This is a favorable option for the Corporation considering its limited financial resources available for RE developments. The Corporation is currently in negotiation with four (4) potential companies that will be able to generate electricity from different RE sources and EPC to purchase it. If all goes according to plan, EPC will be able to deliver 90% of its electricity demand from RE sources. The Corporation is committed to continue to develop reliable renewable energy generation to meet Samoa's electricity needs and, at the same time, increase the proportion of renewables. However, it must do so in a sustainable way to ensure that this will not increase electricity costs to the people of Samoa and impact profitability for the Corporation or adversely affect the reliability of our electricity system.

Governance

As part of its obligations as a state-owned enterprise, the Corporation completed and submitted to Parliament its Annual Report 2021-2022 in January 2023, as well as timely submission of Quarterly Reports for the financial year to the Ministry of Public Enterprise for review. Throughout the year, ten (10) regular board meetings and 1 special meeting with 15 sub-committee meetings were held.

Closing remarks

On behalf of the Corporation's Board of Directors, I would like to thank the Government of Samoa for its support, the Corporation's management and staff for their never ending commitment to serve Samoa, our development partners and stakeholders who have contributed to EPC's significant network infrastructure and operational improvements, and especially to all our customers for their support

during the Financial Year 2022-2023. We look forward to continuing to improve our services to ensure we can serve our Samoan people better.

Ma lo'u faaaloalo tele,



Leasi Vainalepa Galuvao
Chairman
EPC Board of Directors

GENERAL MANAGER'S REPORT

With great pleasure, I now submit the Corporation's 41st Annual Report, which, in compliance with the Public Bodies (Performance and Accountability) Act 2001, details the Corporation's principal activities and financial results for the fiscal year that concluded on June 30, 2023.

1. Highlights

Key Achievements

Installation of Mt. Lepue Wind Mast

Mt Lepue Wind Mast is one of the many continuous commitments of EPC to Renewable Energy development in order to reach its 70% target by year 2031, to avoid the reliance on imported diesel and at the same time have a sustainable & friendly environment for now and future generations of Samoa. Going forward, EPC will explore other RE avenues different from Solar and hydro, therefore, the corporation have been gauging Mt Lepue as a possible wind farm location. From experience in the past years, insufficient data from past installed masts led to the inconsistencies of data. With this inconsistency, Corporation opted to install a 60meters high wind mast on the top of Mt Lepue for wind data collection.

The task was carried out within July 2022 by the awarded contractor and the continuous assistance from technical team of the Quality Assurance division.

Celebration of EPC 50th Silver Jubilee

As a monopolistic generator and supplier of electricity power to Samoa for half a century, EPC organized a few ceremonies to honor all of the people who have worked for the company in the past and present. This was a little but significant means for the company to honor their accomplishments to the nation. An awards ceremony was also held on the 20th December 2022, was the highlight of the celebrations. This event recognized staff members for their accomplishments in achieving company goal.

Installation, Commissioning and Replacement of the Fale o le Fee (FOF) Hydro Plant Power Transformer

In 2022, the technical team experienced issues for faulty power transformer with Fale o le Fe'e Hydro Plant which led to recommendations to management for immediate replacement in 2022. The installation was completed in late January 2023. The whole process took 8months for the team to ensure FOF will operate again and assist with the production and distribution of electricity for the whole of Samoa.

Relocation of the 33KV line along the East Coast Side

EPC Distribution Section has achieved the successful relocation of three segments of the 33kV line, which were previously installed in mountainous areas, to the road reserve along the eastern side of the island. The primary objective of this pole relocation was to ensure better access for maintenance and repairs to these lines, both during fault situations and for routine preventive maintenance activities.

Memorandum of Agreement with Australia Pacific Training Coalition Signed.

The Electric Power Cooperation and Australia Pacific Training Coalition entered into a Memorandum of Agreement to engage in training and development partnership. This was made possible with the assistance from the Australian Government through the Department of Foreign Affairs and Trade

(DFAT). The APTC's contribution to our staff development has resulted in the upgrade of skills and knowledge for the workforce and contribute to achieving our Corporation's corporate goals. These Goals include the Workforce development plan which ensures the Corporation's workforce comprises of qualified and skillful personnel to achieve the corporate mission which is ***"to provide and maintain quality electricity and Customer Service through innovative, sustainable and climate resilient infrastructure, in partnership with customers and stakeholders to support the development of Samoa."***

The Electric Power Corporation has always had a relationship with APTC in the past to elevate professional development in different trades and management courses, but entering into this Memorandum of Agreement is the first step to what is envisioned to be a long term partnership between the Corporation and Australia Pacific Training Coalition.

Strategic Direction

In accordance with the Public Bodies (Performance and Accountability) Act 2001, the EPC timely submitted its Annual Report for Financial Year 2022-2023 to the Office of the Legislative Assembly and its quarterly reports on time to the Ministry for Public Enterprises.

Key Issues

Below are key issues that the EPC encountered during the financial year.

- i. The Corporation faced significant challenges as a result of electricity tariffs by 20%. EPC had an operating loss of \$59.2 ³million before other comprehensive income at the end of this fiscal year, which is \$32.9million more than the previous fiscal year's operating loss
- ii. The CSO allocation in the Government Budget 2022/2023 is \$1 million tala, down from \$4 million tala in the previous fiscal year. The rapid increase of CSO arrears which stands at \$2.2million as of June 30th 2023 will impact our operations.
- iii. The impact of climate change had affected the performance of the Hydro Plants due to low water level in all rivers and below average waterfall.
- iv. The rising cost of fuel is a major concern for the Corporation because it raises direct production costs. This situation is impaired when it is combined with a lack of rainfall and a reliance on diesel generators for electricity production. The average fuel price for the current financial year increased significantly by 51% compared to the last financial year and the shortfall in productions from hydro's compared to budgets was replaced by the diesel production.

Government Debts

- v. Total Government Debts as at end of financial year was \$3.7million this included Billing of \$2.2 million
- vi. Delayed payment of electricity consumptions by Government Ministries and Corporations, given the level of accounts that are more than 30 days.
- vii. Ongoing delays in payment of VAGST refunds with the balance of \$35.7 million as of end June 2023.

³ Notes 10-15 of Statement for Financial Performance

2. Operating Performance and Results

Production

The electricity production as at end of this financial year totaled to 189,757,533 kWh a 10% increase compared to 171,513,430 kWh in previous year. Total diesel production increased from 113,730,130 kWh in previous year to 130,814,510 kWh, a 13% increase. Total renewable energy production increased marginally from 57,728,230 kWh in previous year to 58,939,880 kWh, primarily due to Upolu Hydro, totaling the overall RE contribution to 31%, compared to 34% in previous financial year. Total production is further detailed in below Figures 01 and 02

Figure 01: Electricity Production by Island/Source

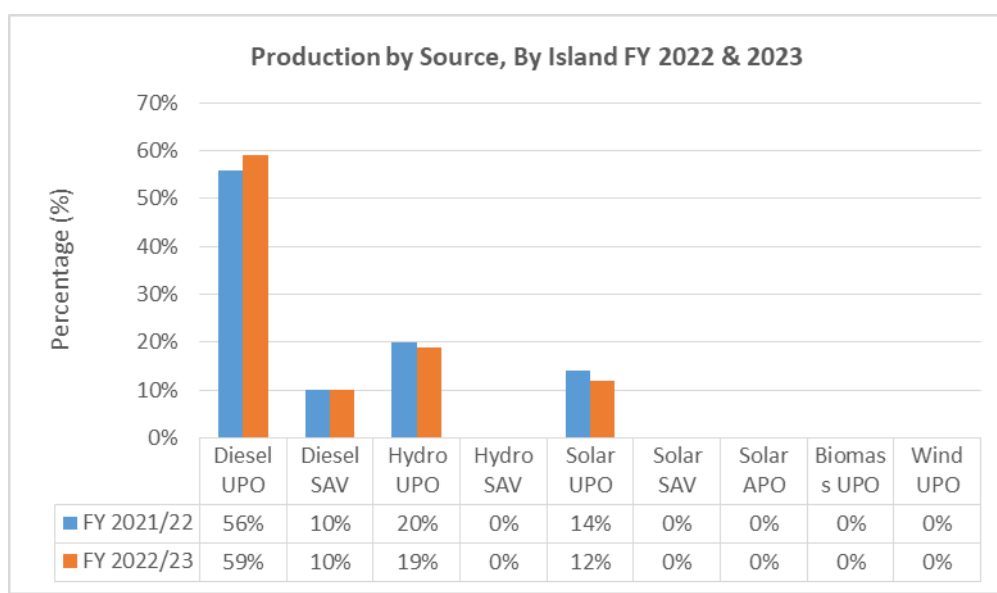
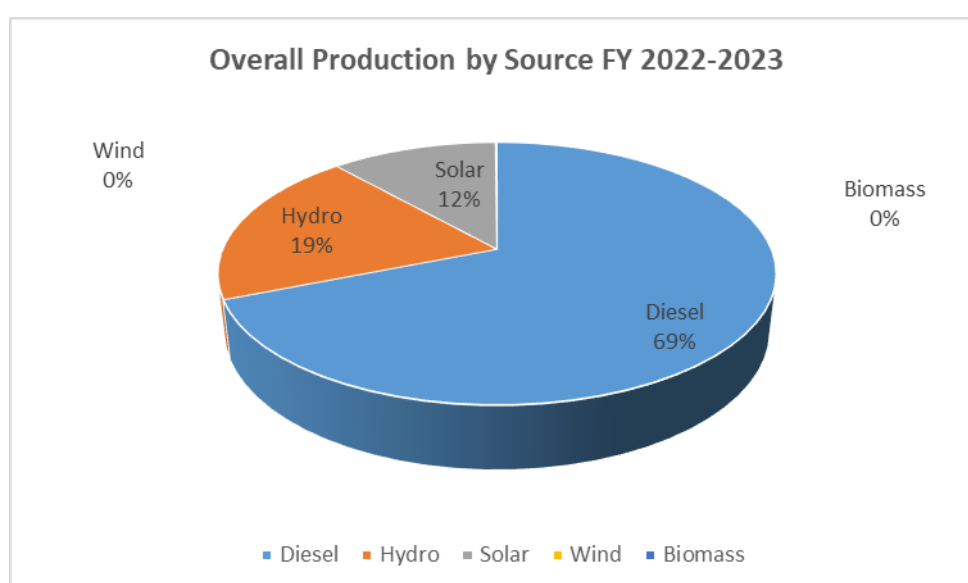


Figure 02: Overall Production by Source



Consumer Base

EPC registered 43,424 consumers overall as of the end of June 2023, a 3% increase from the prior year. The overall user base was made up of 1,635 non-prepayment meters and 41,789 prepayment meters, as detailed in below table 02.

Table 02: Total Consumers by Island & By Meter Type

TOTAL CONSUMERS BY ISLAND & BY METER TYPE 2022-2023			
Island	Prepayment Meters	Non-Prepayment Meters	Total By Island
UPOLU	32,831	1,405	34,236
SAVAII	8,782	228	9,010
APOLIMA	11	1	12
MANONO	165	1	166
Total by Meter Type	41,789	1,635	43,424

The total consumption including consumption within EPC's operations totaled to 168,927,025 kWh compared to 153,592,482 kWh in the previous year.

Human Resource Management & Development

As at end of June 2023, EPC employed a total of 301 employees, 240 of which are based in Upolu and 61 in Savaii. The workforce consists of,

- i. 239 are male and 62 are female,
- ii. 57 contract staff, 235 permanent staff and 18 temporary staff,
- iii. 260 staff in the age range of 21 – 50 years, 41 in the age range of 51 – 60 years, and 3 below 20 years.

During the reported period, staff turnover of 41 staff left the EPC was due to resignation, retirement, termination and end of employment contract. There were 32 appointments, including new permanent, temporary and contract appointments. There were 6 contract re-appointments.

In terms of staff development, there were 37 invitational in-country, overseas and online trainings received within the Financial Year 22-23. A total of 58 staff participated in these trainings.

Financial Performance

The Corporation ended the year with a net loss and other Comprehensive income of \$54 million Tala, compared to \$22 Million Tala in the previous year. Electricity sales of \$111 million Tala represents 90 percent of Total income for the year. Imported diesel fuel of \$108.8million Tala, is the major expenditure for this period and account for 74 percent of the Total Electricity Costs of \$146.1 million Tala.

3. Progress with Corporate Plan

This is the third financial year of the current Corporate Plan for planning period 2021-2024. The progress of implementation of the third year of the Corporate Plan, as reported to the Ministry for Public Enterprises every quarter, is summarized in below table 03.

Table 03: Progress of Implementation of Corporate Plan

Strategy	Key Performance Indicator	FY 2022-2023 Target	Actual FY 2022-2023
Reporting to Board	No of days Board received monthly reports for meeting	7 working days	Target achieved.
Monitoring & Evaluation of CP Results	Quarterly review of CP output results to MPE	30 days after each QTR	All four (4) Quarterly Reports submitted to MPE on time, for their review.
Continuous distribution of electricity supply	System Average Interruption Duration Index (SAIDI) & System Average Interruption Frequency Index (SAIFI) reduced	Upolu SAIFI –7 times SAIDI- 600mins Savaii SAIFI –12 times SAIDI- 600mins	Upolu SAIFI – 1.8 times SAIDI- 151 mins Savaii SAIFI – 97.7 times SAIDI- 1133 mins
Capacity Factor	Maintained at adequate level	Upolu – 45% Savaii – 40%	Upolu – 34% Savaii – 41%
Renewable Energy Generation Sources	Renewable Energy contribution increased	Upolu EPC – 45% IPP – 55% Savaii EPC – 34.14% IPP – 66%	Upolu EPC – 66% IPP – 34% Savaii EPC – 0% IPP – 0%
Improve revenue collection	Electricity and Non Electricity Sales increased	Electricity Sales - \$132m Non-Electricity Sales - \$10.8m	Electricity Sales \$27.4m Non-Electricity Sales - \$2.05m
Debt Recovery & collection of Arrears improved	Electricity and Non Electricity Arrears reduced	Electricity Arrears - \$3m Non-Electricity Arrears - \$20m	Electricity Arrears \$2.07m Non-Electricity Arrears – \$3.07m
Financial Performance in line with Budget and	\$11m	\$10m	\$14m

financial & statutory obligations			
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4. Capital Expenditure and projects for the year

The Capital Expenditure for this financial year totaled to \$6.9million Tala. \$88,412.00 tala was for Lands and Buildings, \$5.9 million tala for Power Plants and Distribution Assets, \$813,043.50 for Motor Vehicles and \$163,333.00 for other assets (Office equipment and furniture).

5. Outlook for next year

The continuing implementation of the Cabinet approved 20% reduction in electricity tariff is a concern going forward for the Corporation. The current governing legislations and mandate requires a thorough review for sustainable and accessible electricity service delivery, in addition to meeting obligations under the mandated Public Performance Accountability Act.

The changes in weather patterns and major reduction in rainfall has had huge impacts on the level of hydro production that is required for optimum performance of power generation. This poses the risk of reverting to the costly thermal generation which is adversely affecting cost of services.

The re-opening of borders is a welcome relief as hotels will open up and electricity consumptions is forecasted to increase slightly.

6. Future Risks and Uncertainties

The effects of climate change on weather patterns and the constant fluctuation of fuel prices will always be high risks for the Corporation.

Furthermore, the implementation of the 20% tariff reduction policy continues to put risk on the operations of the Corporation as evidenced by the recorded loss as of end of this Financial Year 22-23. The tariff reduction policy impact for the corporation will only illustrate changes for the upcoming FY.

7. Community Service Obligation (CSO)

The \$1 million provided for CSO is not sufficient to cover electricity consumptions of street lights therefore CSO committee cannot approve any further new streetlights or any other developments under this policy. With the impact of other government policies on finances, the corporation needs to invest only in sustainable developments and infrastructure.

Throughout the whole Financial Year, CSO committee had not had a meeting, but EPC continue to fund ongoing work from its own operational cost.

FY22-23 CSO with line construction a total of \$1.4 and street light installation at \$69,500.87

Acknowledgement

Overall, despite various challenges faced by the Corporation affecting its operations, EPC remained committed to its vision of increased access by all people of Samoa to quality and affordable electricity supply.

Therefore, I wish to acknowledge the continuous direction and support of our Chairman and Board of Directors, as well as the unwavering dedication of our Management and Staff. Your support and dedication enables the successful execution of our services to all the people of Samoa.

Ma le faaaloalo lava,



Faumui Tauiliili Iese Toimoana
General Manager

FINANCIAL STATEMENTS

For the year ended 30 June 2023

Management's Report

For the year ended 30 June 2023

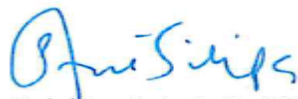
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of the Board of directors and management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on the Board of directors and management's best estimates and judgments.

The Board of Directors and management have established and maintained accounting and internal control systems that include written policies and procedures. These systems are designed to provide reasonable assurance that financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The board of directors oversees management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

The Government Controller and Chief Auditor, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Palelēmafuta Sofia Silipa
Manager Finance and Commerce



Faumui Tauiliili Iese Toimoana
General Manager

Dated: 25/10/23

Directors' Report

For the year ended 30 June 2023

The Directors present their report together with the financial statements of the Electric Power Corporation ("the Corporation") for the year ended 30 June 2023 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Finance Management Act and the Public Bodies (Performance and Accountability) Act 2001.

Directors

The Directors of the Corporation at the date of this report are:

Pepe Fiaailetoa Christian Fruean
Vaai Lealaiauloto Polataivao Simon Potoi
Tuautu Ross Peters
Fuimapoao Beth Onesemo Tuilaepa
Nuulopa Pereira Hill
Toleafoa Douglas Creevey
Tapuala Letoa Ulupale Fuimaono
Faumui Tauiliili Iese Toimoana – ex officio

Principal Activity

The principal activity of the Electric Power Corporation is the generation, sale and distribution of electrical energy. There has been no change in the principal activity of the Corporation during the year.

State of Affairs

In the opinion of the directors:

- (i) the accompanying Statement of Financial Performance & Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Corporation for the year ended 30 June 2023;
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Corporation as at 30 June 2023

Operating Results

The net loss & other comprehensive income for the year is **(\$54,827,380)**; 2022: **(\$22,003,803)**

Dividends

Given the operating results recorded, the Directors did not approve for the provision of any Dividends for the year ended 30 June 2023.

Dated at Apia this:

28/10/23.

Signed in accordance with a resolution of the Directors.

DIRECTOR

DIRECTOR

Telephone: 27751
Fax: 24167
Email: info@audit.gov.ws
Website: www.audit.gov.ws

Please address all correspondences
to the Controller and Auditor General



P.O Box 13
APIA, SAMOA

AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – ELECTRIC POWER CORPORATION

Audit Opinion

We have audited the accompanying Financial Statements of the Electric Power Corporation (the Corporation) which comprise the Statement of Financial Position as at 30 June 2023, the Statements of Financial Performance, Changes in Equity and Cash Flows for the year ended 30 June 2023, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Su'a ma Pauga & Associates, Chartered Accountants assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Tagaloa Fa'afouina Su'a.

In our opinion, except for the Emphasis on Going Concern, the financial statements give a true and fair view of the financial position of the Electric Power Corporation as at 30 June 2023, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Responsibilities of Those Charged with Governance for the Financial Statements

Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the financial statements, Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless directors and management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Emphasis of Matters – Unrelated related Going Concern

We draw attention to Note 35 in the financial statements, which indicates that the corporation incurred a net loss of -\$54.8 million during the year ended 30 June 2023 and, as of that date, the corporation's liquidity position is very weak. Cash at bank is \$5.9 million over trade creditors of \$19.6 (-\$13.7m). Thus, an indication of the corporation's inability to settle trade payables as they become due. As stated in note 35, these events and inherent conditions, along with other matters as set forth in Note 35, indicates a material uncertainty exists that may cast doubt on the corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters and for the purpose of this report.

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Website: www.audit.gov.ws

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P.O Box 13
APIA, SAMOA

AUDIT OFFICE

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with these International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Corporation 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 represent the underlying transactions and events in a manner that achieves fair presentation.

Report on other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with and complies with the requirements of:

- i. Public Bodies (Performance and Accountability Act) 2001
- ii. Public Finance Management Act 2001 (and amendments)

We also confirm that:

- a. We have been given all the information, explanations and assistance necessary for the conduct of the audit and:
- b. The Corporation has kept financial records sufficient to enable the financial statements to be prepared and audited.

Our audit was completed on the 23rd October 2023 and our opinion is expressed as at that date.

Apia, Samoa
31 October 2023


Vaofusi-Terence Su'a
ASSISTANT CONTROLLER AND AUDITOR GENERAL

3(ii)

Statement of Financial Position

As at 30 June 2023

	Notes	2023 \$	2022 \$
ASSETS			
Non current assets			
Property, plant and equipment	19	386,440,629	409,001,694
Prospect development costs	17	218,452	218,452
Right of use asset	16	100,620,365	2,383,608
Self-Insurance special purpose fund	24	9,927,764	15,587,047
Term deposits	23	-	5,081,367
Total non current assets		497,207,210	432,272,169
Current assets			
Cash at bank and on hand	22	5,734,945	9,000,310
Short term deposits	23	-	21,632,917
Self-Insurance special purpose fund	24	-	6,913,469
Trade receivables	20	6,295,659	7,152,174
Other receivables and prepayments	21	37,338,920	23,839,838
Inventory	18	16,769,161	15,967,126
Total current assets		66,138,686	84,505,833
TOTAL ASSETS		563,345,895	516,778,002
EQUITY AND LIABILITIES			
Equity			
Government of Samoa Capital	25	160,279,631	160,279,631
Assets Revaluation Reserves	26	111,172,394	115,468,516
Self Insurance Reserves	32	17,002,904	21,922,812
Accumulated Profit / (Losses)		(36,981,879)	10,425,593
Total Equity		251,473,050	308,096,551
Non current liabilities			
Borrowings	27	107,788,334	105,560,624
Deferred income	28	63,163,980	67,741,805
Leased Liability	16	92,760,274	1,655,452
Total non current liabilities		263,712,589	174,957,881
Current liabilities			
Trade creditors		19,654,460	13,608,854
Provisions and accruals	29	5,333,872	5,206,111
Current portion of deferred income	28	5,832,328	5,672,238
Current portion of borrowings	27	8,508,208	8,508,208
Current portion of leased liability	16	8,831,388	728,158
Total current liabilities		48,160,256	33,723,570
TOTAL EQUITY AND LIABILITIES		563,345,895	516,778,002

Signed on behalf of the Board:

 Director
 Date : 25/10/23


 Director
 Date :

The accompanying notes form an integral part of the above Statement of Financial Position.

Statement of Financial Performance & Other Comprehensive Income
For the year ended 30 June 2023

Electric Power Corporation Statement of Financial Performance & Other Comprehensive Income For the year ended 30 June 2023			
	Notes	2023 \$	2022 \$
INCOME			
Electricity sales	5, 6	111,029,780	107,463,249
Direct costs electricity energy sales	9	146,067,817	113,215,971
Gross Profit		(35,038,038)	(5,752,722)
<i>Add:</i>			
Non electricity energy sales		459,316	612,883
Other income	7	6,886,933	8,804,209
		7,346,249	9,417,092
<i>Less:</i>			
Administration costs		5,096,417	5,523,377
Selling and distribution costs	10	13,149,172	11,975,722
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)		(45,937,377)	(13,834,728)
<i>Less:</i>			
Net finance costs	11	(1,346,344)	(699,114)
Amortization costs	14	(575,386)	(575,386)
Depreciation costs	15	(11,363,390)	(11,190,696)
Net Profit/(Loss) after Interest, Depreciation & Amortisation		(59,222,497)	(26,299,924)
<i>Add/(Less): Other Comprehensive Income (OCI)</i>			
ARR Amortisation (recognising asset erosion)	26	4,296,121	4,296,121
Difference of IPP Leases & Actual Solar Cost Amounts		98,996	-
Loss of Revenue (20% reduction in Electricity Tariff)		58,079,118	25,332,084
Government assistance (20% reduction in Electricity Tariff)		(58,079,118)	(25,332,084)
Other Comprehensive Income/(loss) for the year		4,395,117	4,296,121
Net Profit/(Loss) & OCI credit to Equity		(54,827,380)	(22,003,803)
The accompanying notes form an integral part of the above Statement of Financial Performance & Other Comprehensive Income.			

The accompanying notes form an integral part of the above Statement of Financial Performance & Other Comprehensive Income

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		103,896,532	105,287,194
Receipts from VAGST		5,000,000	9,900,000
Interest received		49,894	84,521
UNCC / sundry income		2,107,212	2,541,119
Payments to suppliers and employees		(152,618,411)	(120,881,304)
Net cash flows from operating activities		(41,564,772)	(3,068,470)
Cash flows from investing activities			
Proceeds from drawdown of term deposits		41,417,619	27,291,659
Proceeds from sale of property, plant and equipment		252,780	10,245
Payment for term deposits		(1,856,154)	(13,826,491)
PSEP & REDPSRP payment direct to vendors - refer note 22 & 25		-	-
Payments for property, plant and equipment		(1,514,838)	(5,504,486)
Net cash flows from investing activities		38,299,407	7,970,926
Cash flows from financing activities			
PSEP & REDPSRP funds paid directly to vendors recognised as capital		-	-
Dividend paid		-	-
Repayment of borrowings		-	-
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash balances		(3,265,364)	4,902,457
Cash balances brought forward		9,000,310	4,097,853
Ending cash balance	22	5,734,945	9,000,310

The accompanying notes form an integral part of the above Statement of Cash Flows

Statement of Changes in Equity
For the year ended 30 June 2023

	Notes	Government of Samoa Capital \$	Asset Revaluation Reserve \$	Self Insurance Reserves \$	Accumulated Profit/(Loss) \$	Total Equity \$
Balance at 30 June 2021		160,279,631	119,764,637	19,422,812	32,429,395	331,896,475
Less: Amortised portion of asset erosion	26		(4,296,121)			(4,296,121)
Net profit/(loss) & OCI for the year					(22,003,803)	(22,003,803)
Dividend declared @ 35% of Net Profit	30				-	-
Self Insurance Reserves	33			2,500,000		2,500,000
Balance at 30 June 2022		160,279,631	115,468,516	21,922,812	10,425,593	308,096,551
Less: Amortised portion of asset erosion	26		(4,296,121)			(4,296,121)
Net profit/(loss) & OCI for the year					(54,827,380)	(54,827,380)
Dividend declared @ 35% of Net Profit	30				-	-
Self Insurance Reserves	32			2,500,000		2,500,000
Approved to finance operational costs - FK23(05)	32			(7,419,908)	7,419,908	-
Balance at 30 June 2023		160,279,631	111,172,394	17,002,904	(36,981,879)	251,473,050

The accompanying notes form an integral part of the above Statement of Changes in Equity.

Notes to, and forming parts of, the Accounts

For the year ended 30 June 2023

1. General information

The Electric Power Corporation (the Corporation) is a wholly owned Government Corporation (Trading Body) which is involved in the generation, distribution and selling of electricity through diesel generator, hydro, wind and solar power.

The Corporation was established by the Electric Power Corporation Act 1972. It is governed by a five member board of directors (the Board) with its own Chairman. The Board includes the General Manager of the Electric Power Corporation as an *ex-officio*.

The Corporation's main office is located on the 5th floor of the Tui Atua Tupua Tamasese Efi Building, Sogi and its postal address is PO Box 2011.

The Corporation is designated as a public trading body under the Public Bodies (Performance and Accountability) Act 2001. As a public trading body, the Corporation is required to follow the requirements of the Public Finance Management Act 2001.

These financial statements were authorized for issue by the Board of Directors at 31 October 2023.

2. Statement of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2001 which requires the adoption of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) in preparing its financial statements.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis unless otherwise stated. The principal accounting policies are stated to assist in a general understanding of these financial statements.

c. Foreign currency transactions

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Samoan Tala (SAT).

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined.

d. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset into working condition for its intended use and the costs of dismantling and removing the

items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied with that part will flow to the company and its cost can be measured reliably. The costs of the day to day servicing of the property, plant and equipment are recognized in profit and loss as incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The rates at which depreciation is charged annually are as follows:

• Buildings	2.50%
• Power plants and distribution assets	
Diesel stations	vary from 2.50% - 10.00%
Hydro station	vary from 2.00% - 5.00%
Distribution lines	4.00%
Power plant access infrastructure	vary from 1.3% - 2.50%
Tools and radio equipment	10.00%
• Office equipment and furniture	vary from 1.00% – 50.00%
• Motor vehicles	20.00%

The residual value is reassessed annually.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains – net, in the income statement.

e. Prospect development costs

The Corporation accumulates costs associated with renewable electricity generation projects and electric site prospect development activities. Recovery of these costs is dependent upon the successful completion of the related projects. Costs associated with the successful projects are reclassified as property, plant and equipment and amortized over the useful life of the projects. Costs of unsuccessful projects are written off in the year the prospect is abandoned.

f. Inventories

Inventories are valued at the lower of cost using first in first out (FIFO) for inventory of fuel and weighted average for all other items of inventory) and net realizable value. The cost of purchased inventory comprises direct material and where applicable, direct labour and other direct variable costs incurred in order to bring inventories to their present location and condition. Net realizable value is the estimated amount the inventories are expected to be realized in the ordinary course of business.

g. Financial assets

The Corporation classifies its financial assets in the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are classified as trade and other receivables, cash at bank and on hand and term deposits in the current assets section of the balance sheet. The Corporation assesses at each balance sheet date whether there is an objective evidence that a financial asset or group of assets is impaired.

h. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

i. Contributed capital

Capital contributed by the Government classified as equity. Contributed capital also includes reimbursements made by the Government to the Corporation for capital works performed by the Corporation under the Government's Community Service Obligation (CSO).

j. Loans payable

Loans payable are recognized initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

k. Provisions

A provision is recognized in the balance sheet when the Corporation has a present legal or constructive obligation as a result of past event, and it is more likely that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

l. Accounts payable

Trade accounts payables and other accounts payable are recognized when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognized at cost which is the fair value of the consideration to be paid in the future for goods and services received. Given the short term nature of most payables, the carrying amounts approximate fair value.

m. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and term deposits with maturities less than 90 days net of bank overdrafts for the purposes of the statement of cash flows.

n. Impairment

The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized immediately in the profit or loss.

Calculation of recoverable amount

Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

o. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Corporation's activities. Revenue is shown net of returns, rebates and discounts.

Revenue from electrical energy sales are recognized at the time of generation and delivery to the customer as metered at the point of interconnection with the distribution system.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract at the balance date as measured by progress invoices raised to customers in conjunction with an assessment of costs incurred to date.

Interest revenue is recognized in the income statement as it accrues, using the effective interest rate method.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets unless instructed by the shareholder to treat government grants as contributed capital.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset (which includes the acquisition and installation of a new unit of plant) and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use.

Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Corporation.

r. Employee benefits

The Corporation contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognized immediately in profit or loss.

Liabilities for annual leave are accrued and recognized in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

On resignation or cessation of service other than by misconduct, an employee is entitled to compensation (termination grant) based on the employee's salary and wage at the time of ceasing employment. The liability for ceasing employment (termination grant) is measured on an undiscounted basis and expensed as they become due.

s. Net finance costs

Net finance costs comprises interest on long term borrowings, realized and unrealized foreign exchange gains and losses, interest income on short term deposits, bank charges and bank overdraft fees that are recognized in profit or loss.

t. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

u. Value added goods and services tax

As a Public Trading Body the Corporation does not charge VAGST on its electricity energy sales.

On January 2016, the Corporation registered as zero rate under the VAGST Act 2015 and the VAGST paid from onward is recognized as receivable from the Government in the statement of financial position.

v. Income tax

The Corporation shall not be liable to taxation by virtue of section 20 of the Electric Power Corporation Act 1980.

w. Leases – IFRS 16

Leases treatment changed and effective after 1 January 2019. The International Accounting Standard Board (IASB) issued IFRS16 Leases, which required lessees to recognize assets and liabilities for most leases.

The objective of the disclosure requirements is for the Corporation to disclose information in the financial statements that enable users “to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee”. To achieve this objective, Corporation are required to provide disclosures about their assets, liabilities, expenses and cash flows that are generated by lease contracts

x. Dividend distribution

Cabinet directive FK (18) 25 dated August 8th, 2018 changed the calculation of dividend from 50% to 35% of the Net Profit. The Corporation recognizes a dividend payable to the Government based on this dividend calculation.

y. Comparatives

Where necessary previous periods comparatives have been changed to conform to the presentation of financial information for the current year. The changes to the prior year amounts are a result of correction of a prior year accounting error. The material changes for the comparatives are restated to reflect the corresponding changes to the prior year figures.

z. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations issued by the IASB to those standards have been published that are mandatory for the Corporation’s accounting periods beginning on or after 1 April 2008 or later periods but which the Corporation has not earlier adopted.

Not yet adopted:

- Amendments to IAS 1: Presentation of Financial Statements which are mandatory for reporting periods beginning on or after 1 January 2009 – The revised IAS 1 requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of

changes in equity. Management is yet to determine the impact of this standard on future financial statements.

3. Financial risk management

3.1 Financial risk factors

The Corporation's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

Market Risk

Interest rate risk

Interest rate risk is the risk that the value of the Corporation's assets and liabilities will fluctuate due to changes in market interest rates. The Corporation has interest bearing debt (government borrowings and finance leases) that are subject to fixed interest rates. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation's policy is to keep primarily 100% of its borrowings at fixed rates.

The Corporation has no significant interest bearing assets. Therefore the Corporation's income and expenses and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

Foreign currency risk is the risk that the value of the Corporation's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to currency risk as a result of transactions that are denominated in a currency other than Samoan Tala. The Corporation's policy does not hedge any material foreign currency exposure.

Sensitivity analysis

				2023		
Carrying Amount (USD)				41,285,273		116,296,542
				0.3550	(ANZ rate)	\$SAT
				Loan Balance		Exchange Gain/Loss
USD - Loan Accounts	5%			110,758,612		(5,537,931)
USD - Loan Accounts	-5%			122,417,413		6,120,871
USD - Loan Accounts	10%			105,724,129		(10,572,413)
USD - Loan Accounts	-10%			129,218,380		12,921,838
USD - Loan Accounts	15%			101,127,428		(15,169,114)
USD - Loan Accounts	-15%			136,819,462		20,522,919

Price risk

The Corporation is not exposed to any significant price risk.

Liquidity Risk

Liquidity risk represents the risk that the Corporation may not have the financial ability to meet its contractual obligations. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Forecasted liquidity reserve per 30 June 2023 is as follows:

	2023 - 2024	2024 - 2025
	\$	\$
Opening balance for the period	5,734,945	(54,921,582)
Operating proceeds	113,906,515	125,297,167
Operating cash outflows	(148,076,304)	(152,518,593)
Cash outflow for investments	(25,555,028)	(26,321,679)
Proceeds from sales of investments and interest received	1,296,000	1,334,880
Financing proceeds	-	-
Payments of debts and dividends	(2,227,710)	(2,294,542)
	<u>(54,921,582)</u>	<u>(109,424,348)</u>

The table below analyses the Corporation's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2023	At Call	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Borrowings	-	(8,508,208)	(17,000,000)	(51,000,000)	(39,788,334)	(116,296,542)
Trade and other payables	-	(24,988,333)	-	-	-	(24,988,333)
Cash	5,734,945	-	-	-	-	5,734,945
Term deposits/Investment	9,927,764	-	-	-	-	9,927,764
Accounts receivable	-	43,634,579	-	-	-	43,634,579
	<u>15,662,709</u>	<u>10,138,039</u>	<u>(17,000,000)</u>	<u>(51,000,000)</u>	<u>(39,788,334)</u>	<u>(81,987,587)</u>

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash at bank and short term bank deposits and trade receivables.

The Corporation places its cash and short term deposits with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its board-approved cash management policy.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Corporation has significant credit risk exposure to a single counterparty. The Corporation defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk is defined as counterparty revenue exceeding 5% of gross revenues. Included in electricity sales of \$111,029,780 (2022: \$107,463,249) are revenues of \$9,992,680 (2022: \$9,671,692) or 9% of total revenues relating to a single counterparty.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Corporation's maximum exposure to credit risk without taking account of the value of any collateral obtained.

3.2 Capital risk management

The Corporation's policy is to maintain a strong capital base to ensure that it will be able to continue as a going concern and to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Corporation recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The capital structure of the Corporation consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents and contributed equity by the Government, asset revaluation reserves and accumulated funds as disclosed in notes 22, 25 and 26 respectively.

The Corporation's policies in respect of capital management are reviewed regularly by the board of directors. Consistent with others in the industry the Corporation monitors capital on the basis of the gearing ratio. The Corporation has a target gearing ratio of 20% to 45% determined as the proportion of net debt to equity.

The gearing ratio at the year-end was as follows:

	2023	2022
	\$	\$
Debt (i)	116,296,542	114,068,832
less Cash equivalents and short term deposits	(5,734,945)	(58,215,110)
Net debt	110,561,597	55,853,721
Equity (ii)	251,473,050	279,671,772
Net debt to equity ratio	44%	20%

(i) Debt is defined as long and short term borrowings as detailed in note 27.

(ii) Equity includes contributed capital, asset revaluation reserve and accumulated funds.

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

4. Critical accounting estimates and judgments

Preparing financial statements to conform to IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognized in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Corporation's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in these financial statements.

The Corporation operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programmed, consistent with the Corporation's approved network asset management plan. The costs associated with recording and tracking all individual components replaced and removed from the network substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the network in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network.

The Corporation invoices its customers monthly for electricity energy sales. For electricity energy sales to customers during June 2023 it will be invoiced in June 2023, and therefore management has no estimated accrued revenue at year end.

Property, plant and equipment are long-lived assets that are amortised over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. The values of property, plant, equipment and assets with indefinite lives are reviewed annually for impairment.

If the useful economic lives had been longer by an average of one year during the period ended 30 June 2023 (annualised), then the Corporation's depreciation charge would have been approximately \$2,147,205 lower if the useful lives had been longer by an average of one year, or approximately \$1,811,318 higher if the useful lives had been an average of one year shorter.

5. Electricity energy sales

Details of electricity energy sales and gross margins are specified as follows:

	2023	2022
	\$	\$
Electricity energy sales through monthly billings	62,655,687	60,971,590
Electricity energy sales through cash power	48,374,092	46,491,659
Total sales	111,029,780	107,463,249
Less direct costs of electricity energy sales	(146,067,817)	(113,215,971)
Gross margin on electricity energy sales	<u>(35,038,038)</u>	<u>(5,752,722)</u>

6. Information about market concentrations

Total electricity sales are divided among the following market segments:

	2023	2022
	\$	\$
Commercial	37,135,328	36,291,329
Domestic	32,826,242	32,229,392
Government Departments	23,556,694	23,803,734
Hotels	4,653,245	2,823,666
Industrial	5,909,616	6,082,188
Religions	4,688,820	4,244,360
Schools	2,259,834	1,988,581
	<u>111,029,780</u>	<u>107,463,249</u>

7. Other income

Details of other income are specified as follows:

	2023	2022
	\$	\$
Connection/reconnection fees	723,503	696,492
Service line receipts	33,768	26,261
Deferred income - CSO (refer note 26)	779,175	779,175
Deferred income for solar and wind energy	692,869	692,869
Deferred income for poles/lights from China	239,018	239,018
Deferred income renewable energy & power sector rehabs	2,866,763	2,866,763
Interest on overdue accounts	222,779	400,747
Proceed from sales of assets	282,435	10,245
Dark Fibre and pole sharing with Bluesky & Digicel	924,189	730,056
Pole relocation & upgrade of lines	104,964	216,225
Avoided Cost of Diesel from Solar for Samoa	-	1,827,448
PPA Sponsorships	6,937	-
Others	10,531	318,909
	<u>6,886,933</u>	<u>8,804,209</u>

8. Auditors remuneration

The remuneration of auditors for the year is allocated as follows:

	2023	2022
	\$	\$
Audit of EPC financial statements	51,485	51,485
Audit Office review fee	6,730	1,833
	<u>58,215</u>	<u>53,318</u>

9. Direct costs electricity energy sales

Direct costs electricity energy sales are specified as follows:

	2023	2022
	\$	\$
Cost of diesel fuel and oil less ACC levy rebate	108,755,758	71,993,499
Amortization costs	155,172	156,772
Depreciation expense	14,350,817	14,519,536
Insurance costs	2,500,000	2,500,000
IPP costs	8,891,171	11,984,423
Motor vehicle costs (fuel, repairs & maintenance)	144,946	144,307
Solar Operational Expenses	22,386	20,918
Operating expenses	1,214,410	1,438,912
Labor costs	3,683,546	3,709,409
Local consumption	3,282,802	3,552,543
SCADA operational expenses	175,561	335,066
Repairs and maintenance	2,891,248	2,860,586
	<u>146,067,817</u>	<u>113,215,971</u>

10. Selling and distribution costs

Selling and distribution costs are specified as follows:

	2023	2022
	\$	\$
Intallation and inspection costs	630,428	739,584
Operating costs	2,523,713	2,307,200
Labor costs	4,713,128	4,663,459
Motor vehicle costs	585,583	486,440
Repairs and maintenance	4,696,320	3,779,038
	<u>13,149,172</u>	<u>11,975,722</u>

11. Net finance costs

Net finance costs are specified as follows:

	2023	2022
	\$	\$
Interest income on short term deposit	(883,007)	(1,985,863)
<i>Less finance costs relating to:</i>		
Interest on borrowings - PSEP	2,227,710	2,683,312
Bank charges	1,640	1,665
Net finance costs	<u>1,346,344</u>	<u>699,114</u>

12. Personnel costs

Personnel costs are specified as follows:

	2023	2022
	\$	\$
Personnel costs		
General Manager's Office	318,635	325,927
Internal Audit	234,496	209,779
Corporate Governance	501,354	589,022
Legal & Policy	163,666	164,848
Information Communication & Technology	345,130	366,419
Finance & Commerce	1,370,752	1,433,108
Generation	1,944,385	1,932,141
National Control Centre	804,969	857,128
Distribution & Utilisation	2,013,505	1,888,614
Quality Assurance	1,415,727	1,568,908
Savaii	1,888,913	1,841,439
Employers contribution to:		
National Provident Fund	1,026,051	1,041,914
Accident Compensation Corporation	103,312	106,139
	<u>12,130,895</u>	<u>12,325,385</u>

The average number of persons employed during the year is 301 (2022: 310)

13. Directors and executive management compensation

i. Directors

The Directors of the Corporation during the financial period were:

Pepe Fiaailetoa Christian Fruean (Chairman of the Board)
Vaai Lealaiauloto Polataivao Simon Potoi (member of Board)
Tuautu Ross Peters (member of Board)
Fuimapoao Beth Onesemo Tuilaepa (member of Board)
Nuulopa Pereira Hill (member of Board)
Toleafoa Douglas Creevey
Tapuala Letoa Ulupale Fuimaono
Faumui Tauilili lese Toimoana – EPC General Manager ex officio

Directors fees of \$77,775 (2022: \$94,856) were paid during the year. Board expenses amounted to \$15,843 (2022: \$27,961). Directors appointed from Government Corporations and Ministries receive a director's fee but no longer receive a sitting allowance. Government regulations specify that directors' fees are \$18,000 per annum, \$22,500 for chairman.

	2023	2022
	\$	\$
<i>Directors and executive management compensation</i>		
Directors fees - current	77,775	94,856
Catering for board meeting	6,183	10,117
Membership fees	3,320	8,633
Other	6,340	9,211
	<u>93,618</u>	<u>122,817</u>

ii. **Key management personnel costs**

The remuneration of key members of management during the year was as follows:

	2023	2022
	\$	\$
Salaries and short-term employment benefits	1,057,778	1,128,555
<i>Employers contribution to:</i>		
National Provident Fund	105,778	112,855
Accident Compensation Corporation	10,578	11,286
	<u>1,174,134</u>	<u>1,252,696</u>

14. Amortization costs

	2023	2022
	\$	\$
Represented by:		
Amortization Selling & Distribution Costs	139,948	139,948
Amortization Administration costs	435,438	435,438
	<u>575,386</u>	<u>575,386</u>

15. Depreciation costs

	2023	2022
	\$	\$
Represented by:		
Depreciation Selling & Distribution Costs	9,848,907	9,711,005
Depreciation Administration costs	1,514,483	1,479,691
	<u>11,363,390</u>	<u>11,190,696</u>

16. Right of Use Lease Assets

The Corporation applied the modified transition method and thus prior comparatives were not restated. The Corporation provides the disclosures specified in IFRS 16.53 and, where appropriate, made reference to other sections of the financial statements. In addition, the Corporation disclosed the maturity analysis of lease liabilities separately from the maturity analyses of other financial liabilities.

Lease asset

Lease asset are capitalized at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred during takeover less any lease incentive received. No impairment loss recognized given land value appreciates.

Lease Liability

Lease liability is measured at present value of fixed and variable lease payments net of cash lease incentives that are not paid at year end. Given that there is no finance charge implicit in the agreement, lease payment are apportioned directly in reducing the lease liability. Any modification will be accounted for as a new lease with new effective date of the modification.

Right of use asset

Right of use asset	2023	2022
<i>Represented by:</i>	\$	\$
Ministry of Finance lease	1,342,566	191,795
Samoa Airport Authority lease	591,667	641,667
Tuanaimato lease	1,105,395	1,183,885
Fiaga lease	341,978	366,261
Green Power Energy - IPP	55,780,728	-
Sun Pacific - IPP	41,458,030	-
	<u>100,620,365</u>	<u>2,383,608</u>

Right of use Assets - leases

	2023	2022
Lease Liability analyse as follow;	\$	\$
Current portion	8,831,388	728,158
Term Portion	<u>92,760,274</u>	<u>1,655,452</u>
	<u>101,591,662</u>	<u>2,383,610</u>

The total future minimum lease payments under operating lease rentals are payable as follows:

The Corporation leases on the level one and five of TATTE building. It pays a monthly rent of \$55,141 (VAGST inclusive) to the Ministry of Finance accordance with its mutual undertaking with EPC specified in the MOU commencing on 1st July 2012.

It also has a deed of lease agreement with Samoa Airport Authority at Faleolo signed on 23rd November 2016 for the lease of 20 acres of land to develop solar system to generate electricity with an amount of \$50,000 p.a. exclusive VAGST.

Another lease agreement is with Samoa Land Corporation at Tuanaimato commencing on 15 May 2018 for the lease of 19.6 acres of land with an annual rent of \$4,000 per acre exclusive VAGST.

The above leases with SAA and SLC (head Lessors) positions EPC as the intermediate lessor given the conditions sets out in the lease agreements to develop solar farm. EPC as the intermediate lessor classifies the sublease by reference to the right-of-use asset arising from the head lease. Thus, EPC as intermediate lessor classifies the sublease to Solar Farm Companies as an operating lease.

Another lease agreement between EPC and two IPPs are now treated under lease treatment. These Power Purchase Agreement between EPC and Green Power was signed on the 25th July 2014 and Sun Pacific was signed on June 2015 for 20 years term of agreement.

EPC purchase from Green Power a nominal total amount of Energy Output of 7.0 million kWh per annum for SAT\$0.70 inclusive VAGST per kilowatt hour of whatever they generated during each month. This rate is reduced at .5% every five years until the end of 20 years term of agreement.

And for Sun Pacific they sells a nominal total amount of 3.5 million kWh per annum for SAT\$0.55 exclusive VAGST per kilowatt hour.

17. Prospect development costs

Prospect development costs are comprised of the following:

	2023	2022
	\$	\$
Savaii Hydro Project	362,783	362,783
Less: Provision for doubtful debts	<u>(144,331)</u>	<u>(144,331)</u>
	<u>218,452</u>	<u>218,452</u>

18. Inventory

Inventories are specified as follows:

	2023	2022
	\$	\$
Stationery	-	-
Utilisation and distribution inventory	15,166,918	13,895,752
Less: Provision for obsolete stock	<u>(631,526)</u>	<u>(631,526)</u>
	14,535,393	13,264,226
Scratch card - cashpower	-	27,775
Fuel and oil inventory	2,157,099	2,675,124
Goods in transit	76,670	-
	<u>16,769,161</u>	<u>15,967,126</u>

The cost of utilization and distribution inventories recognized as expense and included in 'selling and distribution costs' was \$4,446,496 (2022: \$3,836,940). The cost of fuel and oil inventories recognized as expense and included in 'direct costs electricity energy sales' was \$109,112,493 (2022: \$72,312,468).

19. Property, plant and equipment

	Land & buildings	Power plants & distribution assets	Office equipment & furniture	Motor vehicles	Total
Gross carrying amount					
Cost at 1st July 2021	70,023,579	566,006,262	4,922,376	9,998,504	650,950,721
Revaluation at 1st July 2021					-
Cost and revaluation at 1st July 2021	70,023,579	566,006,262	4,922,376	9,998,504	650,950,721
Additions	28,415	5,904,027	197,127	1,226,513	7,356,083
Disposals	-	(8,610)	(275,308)	-	(283,919)
Balance at 30th June 2022	70,051,994	571,901,679	4,844,195	11,225,017	658,022,885
Additions	88,412	5,927,892	163,333	813,043.50	6,992,680
Disposals	-	(40,230)	(30,876)	(2,273,715)	(2,344,821)
Reclassification	33,690	15,232	(48,922)	-	-
Balance at 30th June 2023	70,174,096	577,804,573	4,927,730	9,764,345	662,670,744
Accumulated depreciation					
Balance at 1st July 2021	19,565,410	198,321,799	4,219,859	8,004,215	230,111,282
Depreciation charge for the year	2,487,090	22,090,482	359,354	773,306	25,710,232
Disposals	-	(8,610)	(275,308)	-	(283,919)
Balance at 30th June 2022	22,052,500	220,403,670	4,303,904	8,777,521	255,537,595
Depreciation charge for the year	2,485,174	21,891,434	264,515	1,073,207	25,714,330
Disposals	-	(40,230)	(30,876)	(2,273,715)	(2,344,821)
Balance at 30th June 2023	24,537,674	242,254,874	4,537,544	7,577,013	278,907,105
Capital works in progress 2022	-	6,516,405	-	-	6,516,405
Capital works in progress 2023	-	2,676,990	-	-	2,676,990
Net book value					
As at 30 June 2022	47,999,494	358,014,413	540,290	2,447,496	409,001,694
As at 30 June 2023	45,636,422	338,226,688	390,186	2,187,333	386,440,629

20. Trade receivables

Trade debtors are specified as follows:

	2023 \$	2022 \$
Customers from electricity energy sales	7,406,408	5,441,468
Customers from non electricity energy sales	530,904	3,352,784
	7,937,312	8,794,252
Less allowance for doubtful debts	(1,641,653)	(1,642,078)
Net trade debtors	6,295,659	7,152,174

The average credit period on electricity energy and non-electricity energy sales is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2% on any outstanding balance from \$10 tala upwards. The Corporation has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable. Trade receivables between 30 days and 90 days are provided for based on estimated irrecoverable amounts from the sale of revenue, determined by reference to past default experience.

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$953,354 (2022: \$232,669) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Ageing of past due but not impaired

	2023	2022
	\$	\$
1 to 30 days	400,889	122,468
31 to 60 days	298,942	44,206
61 to 90 days	253,523	65,995
	<u>953,354</u>	<u>232,669</u>

Movement in the allowance for doubtful debts

	2023	2022
	\$	\$
Opening balance	1,642,078	1,659,140
Amounts written off	(425)	(17,061)
Doubtful debts	-	-
Closing balance	<u>1,641,653</u>	<u>1,642,078</u>

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

As of 30 June 2023, trade receivables of \$1,881,201 (2022: \$995,250) were impaired and identified as part of the provision for doubtful debts consisting mainly of independent customers, which are in unexpectedly difficult economic situations and certain project receivables. It was assessed that a portion of these receivables are expected to be recovered.

Ageing of impaired trade receivables

	2023	2022
	\$	\$
Over 90 days and over 360 days	<u>1,881,201</u>	<u>995,250</u>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Corporation does not hold any collateral as security.

21. Other receivables and prepayments

Other debtors and prepayments are specified as follows:

	2023	2022
	\$	\$
Prepayments	1,410,572	793,765
Other debtors	101,778	69,998
Interest receivable on term deposit	121,207	833,257
** VASGT Receivable	35,705,364	22,142,817
	<u>37,338,920</u>	<u>23,839,838</u>

** VAGST Receivable

Given that EPC is exempted from VAGST i.e. cannot pass VAGST to its customers, the corporation is registered under the VAGST Act 2015 as zero rate and the VAGST receivable will be recovered from the Ministry for Revenue through its VAGST returns on a bi-monthly basis.

22. Cash and cash equivalents

	2023	2022
	\$	\$
Cash on hand	3,530	3,530
Cash at bank	5,731,415	8,996,780
	<u>5,734,945</u>	<u>9,000,310</u>

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

23. Short term deposits

Short term deposits are specified as follows:

	2023	2022
	\$	\$
Represented by:		
ANZ Bank (Samoa) Ltd	-	1,149,522
Bank of South Pacific Ltd	-	4,839,558
National Bank of Samoa Ltd	-	14,613,839
Samoa Commercial Bank Ltd	-	1,029,998
	<u>-</u>	<u>21,632,917</u>

The short-term deposits have an average maturity of no days (2022: 365 days) and a weighted average interest rate of nil% (2022: 3.12%) per annum. The carrying value of the short-term deposits equal their fair value.

Term deposits

	2023	2022
	\$	\$
Represented by:		
National Bank of Samoa Ltd	-	3,081,367
Unit Trust of Samoa (UTOS)	-	2,000,000
	<u>-</u>	<u>5,081,367</u>

The term deposits have an average maturity of no days (2022: 731 days) and a weighted average interest rate of nil% (2022: 5.00%).

24. Self-Insurance Special Purpose Fund

Short Term Investment	2023	2022
Represented by:	\$	\$
ANZ Bank (Samoa) Ltd	-	-
Bank of South Pacific Ltd	-	2,302,516
National Bank of Samoa Ltd	-	4,610,954
	<u>-</u>	<u>6,913,469</u>
Term Investment		
National Bank of Samoa Ltd	-	3,214,726
Unit Trust of Samoa (UTOS)	9,927,764	12,372,322
	<u>9,927,764</u>	<u>15,587,047</u>
TOTAL SELF-INSURANCE SPECIAL FUND	<u>9,927,764</u>	<u>22,500,517</u>

These term deposits are set aside for the Special Purpose Account approved by the Board for the Self-Insurance Fund.

25. Government capital contributions

	2023	2022
	\$	\$
Opening balance	160,279,631	160,279,631
Total government capital contribution	<u>160,279,631</u>	<u>160,279,631</u>

26. Asset revaluation reserve

	2023	2022
	\$	\$
Opening balance	115,468,516	119,764,637
Net Asset Revaluation for the year	-	-
Amortised portion for the year	<u>(4,296,121)</u>	<u>(4,296,121)</u>
Total Assets revaluation reserve	<u>111,172,394</u>	<u>115,468,516</u>

The current portion of the Asset Revaluation Reserve is amortised and recognised in the Statement of Other Comprehensive Income (OCI) of the financial statement. The last asset revaluation has been conducted by the Aon Global Risk Consulting of Australia in August 2019 based on cost and fair value of all Electric Power Corporation assets as at 30 June 2019.

27. Borrowings

	2023	2022
	\$	\$
Non current		
Government borrowing	-	-
Power sector expansion borrowing	107,788,334	105,560,624
	<u>107,788,334</u>	<u>105,560,624</u>
Current		
Government borrowing	-	-
Power sector expansion borrowing	8,508,208	8,508,208
	<u>8,508,208</u>	<u>8,508,208</u>
Total borrowing	<u><u>116,296,542</u></u>	<u><u>114,068,832</u></u>

i) Government borrowing

In 2002 the Government assisted the Corporation in restructuring its borrowings totalling \$70.77 million tala with the Asian Development Bank (ADB) by assuming the repayments of the loans directly with the ADB. The Corporation then entered into a loan agreement with the Government in 30 June 2001 for a period of 20 years which matures on 30 June 2021. Principal loan repayments are \$5 million tala per annum with interest to be charged at the rate of 5% per annum after a 5 years grace period that expired in June 2007 but has been extended to 30 June 2009. Therefore, from 1st July 2009 the Corporation will be recognizing interest expense. The Government bears the foreign currency exchange risk on the repayment of the loans to the principal lender being ADB. This loan was fully settled on March 2019.

No loan repayment during the year to covers both principal and interest.

	Opening Balance	New and additional Loans	Interest during period	Loan Repayments	Balance 30/06/23	Interest rate
	\$	\$	\$	\$	\$	%
Government loans:						
PSEP borrowing	114,068,832	-	2,227,710	-	116,296,542	2.00%
Total Government loans	<u>114,068,832</u>	<u>-</u>	<u>2,227,710</u>	<u>-</u>	<u>116,296,542</u>	

	2023	2022
	Total	Total
	\$	\$
Total Government Loans	<u><u>116,296,542</u></u>	<u><u>114,068,832</u></u>

(ii) Power sector expansion project borrowing (PSEP)

On 16th June 2008 the Corporation signed a Subsidiary Financing Agreement with the Government of Samoa for the Power Sector Expansion Project. The total cost of the project is equivalent to US\$100 million dollars. The financing components of the power sector expansion project and the cumulative drawdown balance at year end are as follows:

		Financing components	30 June23 balance foreign currency	30 June23 balance local currency
Financing consortium		\$m	\$m	\$m
Asian Development Bank	ADF Loan	US\$26.61	US\$25.7	SAT\$60.9
Asian Development Bank	ADF Grant	US\$15.39	US\$15.4	SAT\$37.95
Japan Bank for International Cooperation	Loan	US\$44.75	Y4,082.6 US\$44.8	SAT\$107.9
Total repayable borrowings		US\$86.75	US\$85.9	SAT\$206.75
Government of Australia (Aus Aid)	Grant	US\$8.00	US\$7.8	SAT\$18.7
EPC counterpart financing		US\$12.00	US\$15.43	SAT\$39.35
Total project financing		US\$106.75	US\$109.13	SAT\$264.8
NB. Loan interest not included				

The main Financing Agreement is between the Government of Samoa and the Asian Development Bank. Total repayable borrowings as part of the Power Sector Expansion Project amount to \$US85 million dollars. EPC counterpart financing is funded from internal sources of the Corporation. The grant from the Government of Australia is to be recognised as equity in the accounts of the Corporation (refer to Note 22). The original subsidiary financing agreement relates to the financing of the Power Sector Expansion Project which was expected to be implemented over the next 8 years with an expected completion date in 2016 has been extended and completed in August 2018.

The transactions during the year are converted at ADB exchange rates to ensure the USD amount agrees with what is recorded by ADB as disbursed under the Loan. The loan drawdowns is recognized when ADB disbursed funds in a form of payments directly to contractor's accounts and is recorded in SAT\$ equivalent amounts in the PSEP on-lending account with MOF as per subsidiary financing agreement between Gov't of Samoa and EPC. The Asian Development Bank USD equivalent rate for Samoan Tala prevailing on the date of disbursements is used for all transactions in foreign currencies.

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency is the Samoan Tala (SAT).

Foreign currency transaction

The Asian Development Bank USD equivalent rate for Samoan Tala prevailing on the date of disbursements is used for all transactions in foreign currencies

27, b. Below the market rate of interest

The interest rate of 2% on borrowings from the Government of Samoa is considered "Below the Market rate of interest" in terms of International Accounting Standards (IAS) 20 and IAS 39 which requires all loans to be recognized and measured at fair value, thus requiring interest to be imputed to loans with a below market rate of interest. The Board of International Accounting Standard believed that the imputation of interest provides more relevant information to a user of the financial statement. However, based on discussions with the Ministry of Finance as the Lender for Government Loans, the interest rates as approved by Cabinet in the public interest from time to time is the market rate for interest, as currently they don't have any policies/procedures for setting the market rate of interests for these types of loans.

Interest of \$2,225,562 has been accrued in the current financial year which is recognized in the statement of financial performance. The interest rate is reduce from 6.5% to 2.0% as per FK(15)02 approved on 14 January 2015 and was back dated to year 2008.

Repayments

The repayments fall into two separate tranches – the first tranche has a repayment period of 25 years commencing in 2013 with a grace period of 5 years at an interest rate of 2.0% per annum. The second tranche has a repayment period of 28 years commencing in 2016 including a grace period of 8 years and an interest rate of 2.0%.

Financial covenants

The loan shall have priority over all other debts of the Corporation. Certain financial matters that the Corporation needs to comply with as part of loan conditions are:

- **Accounts Receivable:** Maintaining accounts receivable equivalent to not more than two months equivalent of annual income for electricity energy and non-electricity energy sales – The Corporation has not achieved this loan covenant at 4.93 months of billings.
- **Self-Financing Ratio:** (i) from 2008 to 2015, cash from internal sources shall not be less than 12% of the annual average of capital expenditures incurred. The Corporation has not achieved this loan covenant at -324%. (ii) After 2015 cash from internal sources shall not be less than 20% of the annual average of capital expenditures incurred;
- **Debt Service Ratio:** No debt to be incurred unless a reasonable forecast of revenues and expenditures show that estimated free cash flows are at least 6.2 times the estimated debt service requirements on the debts of the borrower – The Corporation has not achieved as debt service ratio is -3.21

28. Deferred income

Summary	2023	2022
<i>Current versus non-current balance</i>	\$	\$
Current portion		
- CSO (i)	548,503	548,503
- CSO Tsunami (ii)	230,672	230,672
- Solar energy & wind projects (iii)	692,869	692,869
- Poles/street lights from China (iv)	239,018	239,018
- Renewable energy & power sector rehabs (v)	2,866,763	2,866,763
- Cash power scratch card (vi)	-	163,611
- Cash power e-vend (vii)	580,059	285,373
- Prepay smart meters (viii)	674,444	645,430
	<u>5,832,328</u>	<u>5,672,238</u>
Non current portion		
- CSO (i)	7,724,992	8,273,495
- CSO Tsunami (ii)	2,631,958	2,862,630
- Solar energy & wind projects (iii)	3,503,877	4,196,746
- Poles/street lights from China (iv)	563,194	802,212
- Renewable energy & power sector rehabs (v)	48,739,958	51,606,721
	<u>63,163,980</u>	<u>67,741,805</u>
Total	<u>68,996,309</u>	<u>73,414,044</u>

	2023	2022
	\$	\$
(i) Unamortised balance - CSO		
Opening balance	8,821,998	9,370,501
Amortisation charge	(548,503)	(548,503)
Closing balance	<u>8,273,495</u>	<u>8,821,998</u>
(ii) Unamortised balance - CSO Tsunami		
Opening balance	3,093,302	3,323,973
Amortisation charge	(230,672)	(230,672)
Closing balance	<u>2,862,630</u>	<u>3,093,302</u>
(iii) Unamortised balance - Solar & Wind projects		
Total grant opening balance	4,889,615	5,582,484
Amortisation charge	(692,869)	(692,869)
	<u>4,196,746</u>	<u>4,889,615</u>
(iv) Unamortised balance - Poles/st.lights from China		
Total grant opening balance	1,041,231	1,280,249
Return to MNRE		
Amortisation charge	(239,018)	(239,018)
	<u>802,212</u>	<u>1,041,231</u>
(v) Unamortised balance - Renewable energy & power sector rehab		
Total grant opening balance	53,707,441	56,574,204
Addition during financial year		
Amortisation charge	(2,866,763)	(2,866,763)
	<u>50,840,677</u>	<u>53,707,441</u>
(vi) Unamortised balance -CP Scratch Card		
Opening balance	163,611	163,611
Sales during the year	-	-
Amortisation charge	(163,611)	-
Closing balance	<u>-</u>	<u>163,611</u>
(vii) Unamortised balance -E-Vend		
Opening balance	285,373	189,603
Sales during the year	40,792,716	36,424,516
Amortisation charge	(40,498,029)	(36,328,746)
Closing balance	<u>580,059</u>	<u>285,372.55</u>

- i. The corporation is carrying out rural electrification work and installation of streetlight on behalf of government. Expenses are claimed for reimbursement from government as they are incurred. On the receipt of the reimbursement from government, capital expenses are treated as deferred liability and amortised to income over the same years which is the same rate at which the asset is depreciated
- ii. In 2011, government approved \$2.4 million for reimbursement of electrification work of the Tsunami damage. This reimbursement is also treated as deferred liability and amortised to income over the same years and rate at which the asset is depreciated
- iii. The solar and wind energy grant projects funded by Ausaid which accounted as an asset and deferred income and amortised to income and expenditure statement using the same rates at which these assets depreciated.
- iv. Grant of poles & street lights from China through the ministry of MNRE accounted as an asset and deferred income and amortised to income and expenditure statement using the same rates at which these assets depreciated
- v. This grant relates to renewable energy and hydro rehabs project (REDPSRP) transfer and accounted as an assets and deferred income when it commission within the financial year 2018. Portion started to amortise when the project is completed.

29. Provisions and accruals

Provisions and accruals are specified as follows:

	2023	2022
	\$	\$
Other creditors and accruals	4,557,621	4,535,161
Provision for audit fees	68,776	64,046
Provision for staff untaken leaves	171,022	157,036
Provision for long service leaves	345,893	286,890
Provision for End of Contract	<u>190,560</u>	<u>162,979</u>
	<u>5,333,872</u>	<u>5,206,111</u>

Untaken annual leave recognized as an expense for the current year in the profit and loss was \$608,599 Tala (2022: \$349,245).

30. Dividend Payable

	2023	2022
Represented by:	\$	\$
Net Loss after Interest, Depreciation & Amortisation	(59,222,497)	(26,299,924)
	<u>(59,222,497)</u>	<u>(26,299,924)</u>
Dividend declared @ 35%	-	-

31. Community Service Obligation (CSO) Funding

Funds received from Government during the year for Community Service Obligation (CSO) funding was allocated as follows:

	2023	2022
	\$	\$
CSO for payments of street/seawall lights consumptions	1,000,000	4,000,000
CSO for capital expenditures	-	-
	<u>1,000,000</u>	<u>4,000,000</u>

CSO for operational costs are recognized as income in the financial statements and matched against the expenditure that has been incurred. CSO for capital expenditures are amortized to income at the same rate on which the related asset has been depreciated.

32. Self-Insurance Fund

As per FK (15) 23, a Self-Insurance Fund was set up for EPC assets. The amount for this Fund was increased from \$1.5m to \$5m following Board Resolution dated 22nd October 2015 when the revised budget was approved given the projected financial situation for the year ending 30th June 2016, as well as the Board of Director's concerns with the risk on the corporation's assets. It was also approved that yearly contribution to the Fund be \$2.5m per annum.

	2023	2022
Represented by:	\$	\$
Opening Balance	21,922,812	19,422,812
Yearly Contribution	2,500,000	2,500,000
Approved to finance operational costs - FK23(05)	(7,419,908)	-
Net movement for the year	<u>(4,919,908)</u>	<u>2,500,000</u>
Total adjusted balance	<u>17,002,904</u>	<u>21,922,812</u>

33. Commitments for expenditure

Commitments for expenditure are specified as follows:

	2023	2022
	\$	\$
Power plants & distribution assets	735,949	60,680
Other property, plant and equipment	8,095,439	667,478
Total commitments for expenditure	<u>8,831,388</u>	<u>728,158</u>

34. Contingent liabilities/assets

There is a pending litigation criminal case against one of the former EPC employees, Rita Matamua of Salafai and the case is with the Attorney General Office.

35. (a) 20% reduction in Tariff

When the 20% reduction in electricity tariff came into effect on 1st November 2021 as per FK (21)43, the Corporation was not able to meet its fixed operational costs. In addition, it was not able to make monthly changes to the Energy Charge component of the tariff that is based largely on variations in fuel prices and energy supplied to the grid from Independent Power Producers (IPPs). The average fuel price for the current financial year increased significantly by 30% compared to last financial year and the shortfall in productions from hydros compared to budgets was replaced by the diesel production. As a result, the Corporation have had to use its reserves set up for major capital investments to meet rising operational costs, when those cost cannot be passed on to its consumers. This has adversely affected the financial stability of the Corporation.

(b) Going concern – liquidity position weak

The corporation incurred a net loss of (\$54.8) million during the year ended 30 June 2023 and, as of that date, the corporation's liquidity position plummeted. Cash at banks is \$5.9m over trade creditors of \$19.6 (\$13.7) million. Thus, an indication of the corporation's inability to settle trade payables as they become due. The government policy on the cost of electricity adversely affected the operation of the corporation and created an uncertainty on the corporation's ability to continue as a going concern.

36. Subsequent Event

As per FK (23)25, the 20% reduction in electricity tariff was removed on the 1st of July 2023 for the government customers only. For all other commercial and non-domestic customers the 20% tariff reduction will be remove on the 1st of November 2023 but the domestic or residential consumers will continue with the existing tariff.

Also on July 2023, the Corporation purchased one of the Independent Power Producers (IPPs) at a price of **US\$2.18 million**. The purchase of the company put an end to ongoing disputes with the IPP on the feeding tariff and also removed the most expensive source of renewable energy. The purchase was approved by Cabinet in its FK (23) Faapitoa 04

