ANNUAL REPORT 2020 -2021

ELECTRIC POWER CORPORATION

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.

STREET ADDRESS
Level 5 – Tui Atua Tupua Tamasese Efi Building, SOGI, APIA.

POSTAL ADDRESS
Post Office Box 2011 I APIA, SAMOA

FOR MORE INFORMATION
T: +685 65 500 I F: +6685 23 748 I W: www.epc.ws I E: epc.info@epc.ws

Table of Contents

EPC EXECUTIVE FOR FINANCIAL YEAR 2020 – 2021	
BOARD OF DIRECTORS Pepe Fia’ailetoa Christian Fruean CHAIRMAN Chair – Finance, Audit & Risk Subcommittee	MANAGEMENT Faumui Tauiliili Iese Toimoana General Manager *(Appointed November 2020)*
Vaai Lealaiauloto Polataivao Simon Potoi DIRECTOR Member – Governance Subcommittee Member – Project Subcommittee Member – Finance, Audit & Risk Subcommittee	Tu’u’u Tauiliili Ekiumeni Fauolo Chief Engineer Power Generation Tupa’i Latusela Posi Chief Engineer Distribution & Utilization *(Appointed December 2020)*
Naea Fuimapoao Beth Onesemo-Tuilaepa DIRECTOR Chair – Governance Subcommittee	Fui Tupa’i Mau Simanu Chief Engineer Quality Assurance & Development
Tuautu Semau Ross Peters DIRECTOR Chair – Project Subcommittee	Fonomaitu Fiu Moeona Leo Manager Savaii Operations
Nuulopa Pereira-Hill DIRECTOR Member – Governance Subcommittee Member – Project Subcommittee Member – Finance, Audit & Risk Subcommittee	Afamasaga Victor Elia Afamasaga Chief Engineer National Control & Dispatching Centre Palelēmafuta Sofia Silipa Manager Finance & Commerce *(Re-appointed December 2020)*
Faumui Tauiliili Iese Toimoana GENERAL MANAGER Ex-Officio	Punafelutu Toleafoa Tuiafelolo Luamanuvae A John Stanley Manager Corporate Governance
	Fesola’i Edwin Ulberg Manager ICT
	Tualāmalii Wendy Pogi Manager Legal Services *(Re-appointed May 2021)*
	Lealataua Sophia Laifai Oloapu Manager Internal Audit & Investigation *(Appointed April 2021)*
	Lupematasila Galumalemana Tologatā Tagaloatele Togianamuaimalae Tile Lei’a Tuimalealiifano General Manager *(Contract ended October 2020)*
	Asiata Tavu’i Tafu Salevao Chief Engineer Distribution & Utilization *(Contract ended October 2020)*
	Luatuanuu Salafai Ah Tong Manager Internal Audit & Investigation *(Contract ended May 2021)*
	Fonoti Afamasaga Perelini S Perelini Project Manager – Power Sector Expansion Project *(Contract ended October 2020)*

CHAIRMAN'S REMARKS

It is a great pleasure to present the Corporation's thirty ninth Annual Report for the year ended 30 June 2021, on behalf of the Electric Power Corporation's Board of Directors.

COVID-19 and its Financial Impact

Financial year ended June 2021 was dominated by the impacts of COVID-19. Commencing March 2020 with worldwide border closures and domestic lockdowns, the economic outlook for Samoa was considered bleak and as such EPC was called upon to assist Government's stimulus relief package. Despite the uncertainty it faced in its own business, EPC responded swiftly to support its customers by implementing tariff reductions in April 2020. This was well before any guidance was mandated by government or any confirmation from MoF that support for EPC stimulus package would be forthcoming.

EPC contribution to the Government of Samoa's stimulus package was through an aggressive tariff reduction underpinned by a headline reduction of 10 sene per KWh for all consumers, full pass-through of fuel reductions during the initial 9 months of the pandemic (when fuel prices were at a record low) as well as 50% tariff reduction for non-residential fixed rate customers namely the hospitality sector. The total cost of EPC's contribution to the COVID-19 Government stimulus support for financial year 2021 was estimated to be $9.6 million. This cost was based upon the estimated revenue forgone due to the reduction in the usage and debt charge components of the tariff. A further challenge to the Corporation during this difficult time was ongoing regulatory compliance and the carry-over of the existing agreements (Power purchase agreements – PPA) with Independent power producers (IPP) which placed further pressure on the Corporations cost structure, increased risk and ultimately resulted in the Corporation declaring its lowest profit in 7 years. In addition, and whilst not new, the Community Service Obligation (CSO) for street lights continued to be underfunded by $1 million annually with constant delays in payment.

The combined effect of these challenges and the macro-economic impact of COVID-19 on the Samoan economy was unprecedented and had direct and dramatic effects on EPC financial performance for the year resulting in a 50% lower than expected profit to the corporation. However, notwithstanding the Corporation's considerable contribution to Government COVID-19 stimulus relief package and the other challenges it faced, EPC still achieved a profit for Financial Year 2021 of $2.8 million although that was largely attributed to a change in IFRS revenue recognition (ARR Amortisation) implemented during the previous financial year. Based on the challenging Financial Year 2021 performance, EPC has recommended not paying any dividend to Government for the financial year 2021. However, notwithstanding this, EPC has contributed a significant social dividend by way of its stimulus relief package of $9.6 million. EPC has requested Government approve the dividend recommendation on this basis. Amongst this challenging backdrop, EPC continued to deliver key infrastructure projects, community service obligations, and achieving its objectives of improving service delivery and network reliability, whilst ensuring affordable electricity for all.

Financial

The Corporation ended the year with a net profit of $2.8 million Tala, down 45% or $2.3 million Tala from the previous year's profit (2020 - $5.1 million). The most significant factor driving the negative variance was increased cost driven by the EPC COVID-19 stimulus package for business and consumers $9.6 million Tala. This increase in cost was partly offset by:

- A significant hydro production achieving a record high of 55.3 million MWhs, a year on year increase of 32.3% or 13.5 million MWhs. The positive hydro production can be attributed to the launching of several new hydro plant facilities namely Lalomauga and Taelefaga. EPC generation team has been tasked with improving regular operations and maintenance of the hydro power plant to ensure this highly cost effective renewable energy source is available for the benefit of the Corporation and its customers; and

- The effect of the improvement in hydro had on Diesel generation which decreased by 13.2 million MWhs (or -12% year on year) although some of this can also be attributed to a slight dip in total demand $152.5 million MWh resulting in a reduction of EPC diesel variable costs of diesel generation by $4.4 million Tala (-3%).

Tariff Changes in 2021

The average electricity price across all customers in 2021 was 62.4 sene/KWh down by 18% or 14.1 sene from the previous year (2020 average 76.5 sene/KWh), a 40% or 41.5 sene reduction on the electricity price benchmark in 2015 ($1.04 Tala). These reductions are testament to the commitment of EPC to continue to reduce tariffs in the face of increasing cost pressures. We expect the ability for EPC to deliver further tariff reductions will be challenged due volatile world fuel prices which continues to climb to record levels and the corporation's continued reliance upon diesel generation which still represents circa 55% of generation capacity. In order to address these issues EPC is continuing to push for implementation of a large solar and battery storage renewable energy project which has a credible and achievable business case which makes the project highly cost effective. If implemented, it is expected that immediate savings to consumers would be realized whilst at the same time allowing Samoa to get closer to achieving its 2025 renewable energy target of 100% renewable energy; as this project would achieve 90% renewable energy by Q4 2023 (less than 20 months away).

In 2019, EPC introduced its new tariff structure for its large industrial customers, with a significant proportion of the fixed costs of providing electricity services to such customers now recovered by fixed charges (matched with reduced variable charges). Overall, this has resulted in a fairer recovery of EPC's fixed costs between consumers, and will have reduced Samoa's overall electricity costs. The Corporation remains committed to delivering on its objective of improving the affordability of electricity for the people of Samoa, by ensuring that the tariffs are structured in such a way that all consumers are bearing a fair share of the Corporation's significant investment in world class electricity infrastructure across Samoa. During 2021, tariff reform continued with a view of improving the structure of tariffs for the 100 largest industrial and commercial consumers although the Hospitality sector received a 50% fixed rate waiver and was transitioned to the variable rate tariff which ensured they availed the 10 sene per KWh reduction as part of the Government COVID-19 stimulus package. The hospitality sector continues to be challenged significantly by extended boarder closures to the extent they feature prominently on the Corporations deteriorating debtor's position.

We look forward to working with the Office of the Regulator to continue this process of tariff reform for smaller consumers in order to deliver the fairest and least-cost outcomes for Samoa's electricity consumers.

Renewables

The Corporation remains committed 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 made significant increases in the amount of renewable generation.

For the year, total renewable generation increased by 11 million MWh year on year, driven by hydro generation which was increased by 13.5 million MWh. Hydro generation still remains the most cost effective contributor at 13 sene KWh (down from 20 sene - 2020) and contributed 72% of renewable energy and 32% of total EPC generation. In addition, solar output remained flat and contributed 28% of renewable energy and 13% of total EPC generation. In the year ended 2021, Renewable energy produced an output of 76.9 million MWh which contributed 45% of total generation, estimated to have saved almost $37.3 million Tala in fuel costs, and avoided 54.5 tonnes of CO_2 emissions.

Since 2021, EPC has added 76 GWh of renewable generation (45% of total generation).

Independent Power Producers (IPPs)

18.3 million MWh solar PV was generated by Independent Power Producers (IPP) representing a marginal decrease in production year on year. While solar renewable energy (RE) provides long-term and sustainable generation for EPC and its customers, the current commercial arrangements surrounding Power purchase agreements (PPA) are in need of review to reduce costs to acceptable levels. As a consequence, EPC has made a conscious effort to improve the procurement of renewable energy to ensure that the commercial arrangements are financially viable and deliver the best outcomes for both EPC and its customers.

EPC remains committed to achieving Governments renewable energy target through new renewable energy projects in both Savaii and Upolu. However, as Samoa moves to ever higher levels of renewables, the challenges of ensuring the additional renewable electricity is cheaper and more reliable than the diesel which it is replacing will become more acute. Therefore, in order to move forward, the economics and PPA's for all future RE projects must significantly improve, meaning the parties must both share in the risks and rewards whilst ensuring that the cost of generation remains reasonable and thus sustainable.

Gridmarket – Renewable Energy Project – 90% RE by 2023

To this end, EPC has entered into a partnership with GridMarket USA to procure renewable energy under a new procurement methodology supported by the United Nations Island Resilience program. The launch of EPC's partnership with GridMarket led to a nationwide review, at a parcel and building level, of all possible renewable energy projects testing for technical efficacy, electrical network resilience, and cost effectiveness. After GridMarket's transition planning and global procurement, which included over 21 local and international IPP partners, EPC selected and contracted for a project that will increase EPC's renewable energy penetration to 90% and deliver a contractually stable cost of generation with annual cost savings estimated between $28 million and $37 million Tala, when set against volatile fuel costs. Such a cost reduction is expected to allow EPC to pass through savings between 13 and 19 sene per KWh, approximately a 20% reduction, in electricity tariff to consumers. In addition, to the renewable energy penetration and cost savings the contracted project will deliver 196 million MWh of Battery Storage to EPC which will allow EPC to increase flexibility of grid management and be more successfully reactive to the short-term grid fluctuations, typical of Islanded networks, and provide substantial back up energy and resilience in the event of a long duration outage events. The Corporation believes that this project will be able to most effectively deliver on EPCs the key mission objectives of reliable, resilient, clean, and cost-effective electricity. As such, EPC continues to strongly lobby the Government for the necessary support and collaboration to advance its deployment.

The Corporation is committed to continuing to develop reliable generation so as to meet Samoa's electricity needs and, at the same time, increase the proportion of renewables but must do so in a sustainable way to the ensure that this will not increase electricity costs to the people of Samoa and impact profitability for the corporation whilst adversely affect the reliability of our electricity system.

Other projects

Despite the challenges that were faced during the year, as at 30 June 2021, EPC completed projects including i) continuation of installation of smart meters for residential consumers, ii) supporting the Government's project of pole relocation on Vaea Street to make way for new water trenches as part of the Government measures to flooding in the town area, and installation of street lights on the new Vaisigano Bridge that was officially dedicated in August 2020, iii) refurbishment of the head pond and intakes, and building of a new screen inside the head pond at the Lalomauga Hydro Plant, and iv) refurbishment of Taelefaga hydro plant including completion of the Taelefaga Revetment Wall and Security Fence, installation and commissioning of

Taelefaga's third generator with ongoing monitoring, and installation and commissioning of new alternator for Taelefaga Generator 2.

The EPC is also continuing works for projects that were under construction and are close to be completed, including the: (i) rehabilitation of Lalomauga hydro plant that includes replacing of governor control systems of two generator and refurbishment of all associated equipment, alternators, and power station; installation of velocity control valve, (ii) replacement of alternator for the No. 2 generator at Taelefaga hydro plant and (iii) Fuluasou Dam Reinforcement.

Other renewable energy projects in planning and bid preparation stages and contract negotiations are: (i) Tiapapata new hydro plant, (ii) Vaipu hydro pump storage; (iii) 2MW solar system and battery storage in Savaii, (iv) Alaoa Multi-Purpose Dam Project and the Renewable Energy for Samoa (Grid Market).

Governance

As part of its obligations as a state-owned enterprise, the Corporation completed and submitted to Parliament its Annual Report 2019-2020 in March 2021, as well as timely submission of Quarterly Reports for financial year to the Ministry of Public Enterprise for review. The Corporation also completed its Corporate Plan and Statement of Corporate Objectives 2021-2024 and approved by Cabinet in March 2021. The Statement of Corporate Objectives was submitted to Parliament in May 2021.

Throughout the year, twelve (12) regular board meetings and one (1) special meeting were held.

Closing remarks

Notwithstanding the many challenges faced by EPC as a result of the COVID-19 pandemic, EPC remains committed to its vision of improving service delivery and network reliability, whilst ensuring affordable electricity for all Samoans. These objectives can be realised through a structured rollout of the Gridmarket renewable energy procurement which has selected an experienced and well-funded IPP partner. However, Government's continuing engagement and support is vital for this generational project to be able to proceed and to deliver a truly world class, innovative and sustainable renewable energy solution in Samoa.

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 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 past year. We look forward to continuing to improve our services in order to serve our Samoan people better.

Ma lou faaaloalo tele

Pepe Fia'ailetoa Christian Fruean
Chairman
EPC Board of Directors

GENERAL MANAGER'S REPORT

I present the Electric Power Corporation's 39th Annual Report for the period ended on 30th June 2021, as required under the Public Bodies (Performance and Accountability) Act 2001.

1. Highlights

Key Achievements

Smart Metering Project

The Smart Metering Project started in the previous financial year with the first roll out to primarily domestic areas, particularly Faleata Sisifo, up until June 2020, when it was clear that severe network issues existed in the solution. The Office of the Regulator issued a Project Cessation in July 2020, formally pausing all smart meter installation activities. The EPC and contractor Itron engaged in months of extensive research and solution development activities to resolve the networking problems that raised project cessation. This solution came in the form of a new firmware for the smart meters, which needed to be downloaded onto each meter. In the period, December 2020 to February 2021, EPC QAD and ICT partnered to man the mass rollout of this new resolution firmware to over 3,000 smart meters in the Apia township and Faleata Sisifo area.

The resolution work was a success as it resolved the networking issues which persisted throughout the initial domestic rollout - a performance improvement from 68% to 99.8%. EPC and Itron used a further 2 months to gauge the full potential of the resolution firmware. Consistent positive results from these two months prompted EPC to formally report to the Office of the Regulator of the success of the new firmware, and to formally request for the revocation of the Project Cessation order from July 2020. The Regulator accepted the request to remove the target order, and re-instated EPC's ISM Band RF Fixed Service license. EPC simultaneously amplified its public awareness program with all new TV, radio, and social media content to further prepare consumers for the change.

At the end of April 2020, EPC was in a concrete position to continue the smart meter rollout using the original five Contractors recruited in 2020. By the end of the financial year, EPC had converted over 5,500 endpoints, and is expected to reach 10,000 by the end of 2021.

Renewable Energy Developments

With the continuing closure of international borders due to the COVID 19 pandemic, the Corporation relocated its resources to undertake contractual works of overseas contractors. This included the i) installation and commissioning of new alternator for Taelafaga Plant Generator 2, ii) ongoing checks, repair and commissioning of new Taelafaga Generator 3 and iii) installation, testing, repair and commissioning of refurbished Lalomauga Plant Generators 1 and 2 with ongoing monitoring. Construction of the Taelefaga Revetment Wall and security fence was also completed.

Support to Government Projects

The EPC continued to provide support to Government projects including installation of street lights on the new Vaisigano Bridge that was officially dedicated in August 2020. EPC also completed electricity pole relocation on Vaea Street to make way for new water trenches as part of the Government measures to flooding in the town area.

Strategic Direction

As required under the Public Bodies (Performance and Accountability) Act 2001, the EPC submitted its Annual Report for financial year 2019-2020 to the Office of the Legislative Assembly in March 2021, as well as timely submission of its Quarterly Reports to the Ministry for Public Enterprises. In addition, its Corporate Plan and Statement of Corporate Objectives 2021 – 2024 was approved by Cabinet in March 2021, and the Statement of Corporate Objectives submitted to the Office of the Clerk of the Legislative Assembly in May 2021.

Key Issues

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

Impacts of the COVID 19 Pandemic

The COVID 19 Pandemic continued to impact the operations of the EPC during this period.

i. The continuation of the Stimulus Package for electricity to November 2020, which consisted of a 7 sene removal of Debt Charge, a 3 sene reduction in Usage Charge and a 50% reduction in fixed rate for Hotels in the Fixed Rate Categories.
ii. There was a decline in demand for electricity particularly from our big consumers such as hotels, due to border restrictions.
iii. There was an increase in loss of revenue from hotels who had sought assistance from the EPC on their electricity bills, in addition to the Government Stimulus Package.
iv. There was an increase in debts from hotels who were unable to pay their arrears as per special contracts for settlement of debts. This has further increased the 90 days and over amount of arrears.
v. Delayed supply of materials for operational purposes due to border restrictions and limited overseas freight transportation.

Government Debts

i. Total Government Debts as at end of financial year was $3.17m. This included Billing of $2.38m and CSO charges of $0.79m.
ii. Delayed payment of electricity consumptions by Government Ministries and Corporations, given the level of accounts that are more than 30 days.
iii. Ongoing delays in payment of VAGST refunds from the Ministry for Revenue.

Natural Disaster

The flooding on the 18th December 2020 due to heavy rainfall, caused great damage to some of EPC assets including our Fuluasou hydro plant penstock, Hospital Feeder Underground System and Alaoa eastern intake. The total estimated cost of damage sustained by the EPC from the flood was around $3.6 million tala.

2. Operating Performance and Results

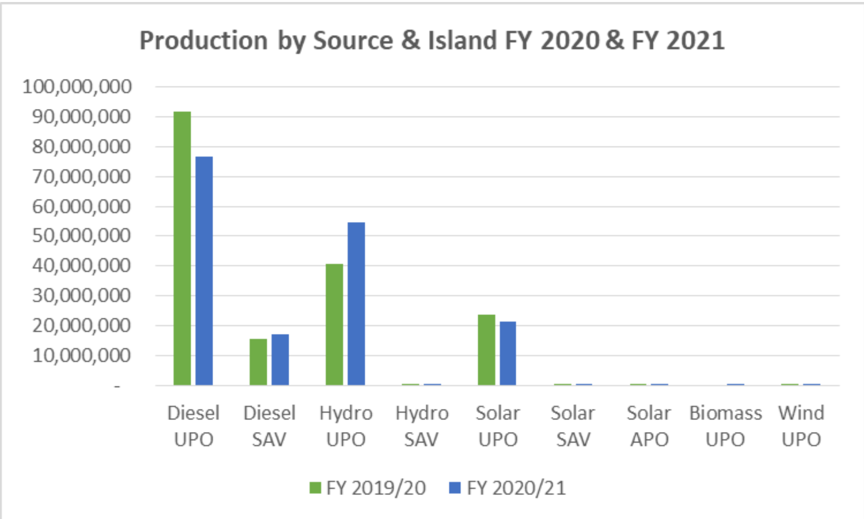
Production

The electricity production as at end of this financial year totaled to 170,915,144 kwh, a 1% reduction from 172,424,551 kwh in previous year. Total diesel production dropped from 106,984,719 kwh in previous year to 93,961,367 kwh. Total renewable energy production increased from 65,439,832 kwh in previous year to 76,953,777 kwh, mainly from Upolu hydro, totaling the overall RE contribution to 45%, compared to 38% in previous financial year. Total production is further detailed in below table 01 and Figure 01;

Table 01 : Electricity Production by Island/Source

ISLANDS/SOURCE	FY 2020 - 2021		FY 2019 - 2020	
	kWh	Contribution %	kWh	Contribution %
UPOLU ISLAND				
Diesel	76,691,508	45%	91,571,442	53%
Hydro	54,763,456	32%	40,787,378	24%
Solar (EPC)	2,906,084	2%	3,590,421	2%
Solar (IPP)	18,300,176	11%	19,975,683	12%
Solar (SPREP)	5,579	0%	-	0%
Biomass (IPP)	142,739	0%	-	0%
Wind	105,800	0%	217,500	0%
UPOLU TOTAL	**152,915,342**	**90%**	**156,142,424**	**91%**
APOLIMA ISLAND				
Solar (EPC)	10,984	0%	8,678	0%
APOLIMA TOTAL	**10,984**	**0**	**8,678**	**0**
SAVAII ISLAND				
Diesel	17,269,859	10%	15,413,277	
Hydro	519,108	0%	580,244	
Solar (EPC)	197,726	0%	275,784	
Solar (IPP)	2,125	0%	4,144	
SAVAII TOTAL	**17,988,818**	**10%**	**16,273,449**	**9%**
GRAND TOTAL	**170,915,144**	**100%**	**172,424,551**	**100%**

Figure 01: Trend of Production



Consumer Base

As at end of June 2021, EPC recorded a total of 40,817 consumers, a 3% increase from the previous year. The total consumer base consisted of 39,042 consumers using prepayment meters and 1,775 consumers using non-prepayment meters, as detailed in below table 02.

Table 02: Total Consumers by Island & By Meter Type

TOTAL CONSUMERS BY ISLAND & BY METER TYPE 2020-2021			
Island	**Prepayment Meters**	**Non-Prepayment Meters**	***Total By Island***
UPOLU	30,693	1,504	**32,197**
SAVAII	8,185	268	**8,453**
APOLIMA	11	1	**12**
MANONO	153	2	**155**
Total by Meter Type	**39,042**	**1,775**	**40,817**

The total consumption including consumption within EPC's operations totaled to 152,464,009 kwh compared to 156,816,580 kwh in the previous year.

Human Resource Management & Development

EPC employed a total of 302 employees as at end of June 2021, of which 241 are based in Upolu and 61 in Savaii. The workforce consists of

i. 240 males and 62 females,
ii. 58 contract staff, 227 permanent staff and 17 temporary staff,
iii. 253 staff in the age range of 21 – 50 years, 44 in the age range of 51 – 60 years, and 5 below 20 years.

During the period, a total of 31 staff left the EPC due to resignation, retirement, termination and end of contract. There were 61 appointments, including new permanent, temporary and contract appointments. There were 5 contract re-appointments.

In terms of staff development, there were 17 invitational in-country and online trainings, and 6 in-house trainings. A total of 135 staff participated in these trainings.

Financial Performance

The Corporation ended the year with a net profit and other Comprehensive income of $2.8 million Tala, compared to $5.1 Million Tala in the previous year. Electricity sales of $95.1 million Tala represents 86 percent of Total income for the period, compared to $119.9 million Tala. Imported diesel fuel of $43.9 million Tala, is the major expenditure for this period and account for 52.4 percent of the Total Electricity Costs of $83.9 million Tala.

3. Progress with Corporate Plan

This is the first financial year of the new Corporate Plan for planning period 2021-2024, which was approved by Cabinet on the 24th February 2021 as per F.K(21) 8. The progress of implementation of the first 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

Indicator	Measure	Target 2020/2021	Actual 2020/2021
Sustainable Electricity Supply			
Continuous distribution of electricity supply	System Average Interruption Duration Index (SAIDI) & System Average Interruption Frequency Index (SAIFI) reduced	Upolu SAIFI – 7 times SAIDI – 600 minutes Savaii SAIFI – 12 times SAIDI – 600 minutes	Upolu SAIFI - 2.2 times SAIDI - 178 minutes Savaii SAIFI - 5.6 times SAIDI - 516 minutes
Generator Availability factor	Improved from 85% to 90%	Upolu – 81% Savaii – 73%	Upolu - 84% Savaii - 59%
Capacity Factor	Maintained at adequate level	Upolu – 40% Savaii – 40%	Upolu - 30% Savaii - 41%
Renewable Energy Generation Sources	RE contribution increased	Upolu EPC – 45% IPP – 55% Savaii EPC – 34.14% IPP – 66%	Upolu EPC - 36% IPP - 11% Savaii EPC - 0% IPP - 0%
Sound commercial management performance			
Revenue Sources improved	Electricity and Non Electricity Sales increased	Electricity Sales - $132m Non Electricity - $10.8m	Electricity Sales - $95m Non-Electricity Sales - $579k
Debt Recovery & collection of arrears improved	Electricity and Non Electricity Arrears	Electricity Arrears - $3m Non Electricity - $20m	Electricity Arrears - $2.3m Non Electricity Arrears - $1.4m
Financial Performance in line with Budget and financial statutory obligations	$11m	$10m	$2m
Sound Strategic Direction and Leadership			
Reporting to Board	No. of days Board received monthly reports for meeting	4 working days	Reports for the Board meetings are made available online prior to Board meetings.
Monitoring and Evaluation of CP Results	Quarterly Report of CP output results to MPE	30 days after each Quarter	All 4 Quarterly Reports to MPE were submitted by due date.

4. Capital Expenditure and projects for the year

The Capital Expenditure for this financial year totaled to $3.78 million Tala. $732,015.81 was for Lands and Buildings, $739,863.31 tala for Power Plants, $2.26 million for Distribution Assets, and $41,071.31 tala for other assets (Office equipment and furniture).

5. Outlook for next year

The COVID 19 pandemic continues to have a negative impact on our consumers in particular those in the tourism industry. It is anticipated that reduction of electricity consumptions will be the trend for all our consumers and especially our hotels who will also have issues with settling their bills on time.

The uncertainty in weather patterns is an ongoing issue with no certainty in generations from cheaper renewable sources and poses the risk of reverting back to expensive thermal plants and will adversely affect cost of services.

In addition, the Hon. Minister of Finance in her budget address announced 20% reduction in tariffs effective on 1st November 2021. The impact of this is a decrease in the Corporation's revenues of around $26 million annually and will have a huge adverse impact on the operations and on the ability of the Corporation to provide sustainable service to its consumers. The Corporation and Government will need to find a balance in its mandate as well as the legislations that govern its operation so that the Corporation can deliver its mandate in a sustainable manner and also meet announced objectives of government, otherwise the Corporation will face bankruptcy in the near future.

The closure of international borders is forecasted to continue to the next financial year, which will prolong the completion of some major projects, currently implemented by the EPC. However, the EPC will continue to utilize technology to obtain assistance and support from its overseas based contractors.

6. Future Risks and Uncertainties

The impacts of climate change through changing weather patterns, and the continuous fluctuation of cost of fuel will always remain as high risks for the Corporation.

Additionally, the COVID 19 Pandemic will continue to determine the outturn of its projects and financial activities in the coming financial year.

7. Community Service Obligation

The EPC no longer receives funding from the Government under the Community Service Obligation (CSO) Program, commencing this financial year for the supply, installation and repair and maintenance of street lights, and new low voltage network, except for payment of street light consumption.

There were four (4) meetings held by the CSO Committee during the financial year, of which a total of 789 new street light applications for Upolu and Savaii were approved.

Acknowledgement

This year concluded successfully with a recorded net profit and other Comprehensive income of $2.8 million Tala, even though the EPC's operations were affected greatly by the COVID 19 Pandemic and other major challenges. Furthermore, there was an increase in the renewable energy contribution of 45% compared to the 38% in previous financial year.

The continuous direction and support of our Chairman and Board of Directors, and the ongoing commitment of our Management and staff are acknowledged.

Ma le faaaloalo lava,

Faumui Tauiliili Iese Toimoana
General Manager

FINANCIAL STATEMENTS

For the year ended 30 June 2021

Management's Report
For the year ended 30 June 2021

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: 21st October 2021

Directors' Report
For the year ended 30 June 2021

The Directors present their report together with the financial statements of the Electric Power Corporation ("the Corporation") for the year ended 30 June 2021 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 Semau Ross Peters
Fuimapoao Beth Onesemo Tuilaepa
Nuulopa Pereira Hill
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 2021;

(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 2021.

Operating Results
The net profit & other comprehensive income for the year is **$2,815,069**; 2020: **$5,089,063.**

Dividends
The Directors approved the provision for dividend base on the 35% of its net profit for the year ended 30 June 2021.

Dated at Apia this:
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

FA AVAEI LE ATUA 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 which comprise the Statement of Financial Position as at 30 June 2021, the Statements of Financial Performance, Changes in Equity and Cash Flows for the year then ended, 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, the financial statements give a true and fair view of the financial position of the Electric Power Corporation as at 30 June 2021, 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.

Emphasis of Matter

Subsequent Event & COVID-19

(a) As discussed in Note 37, The COVID-19 pandemic and the resulting economic shutdown have acute consequences on revenues and financial health of the corporation. The wider impact on all sectors is significant which prompts Government to intervene in order to mitigate the pandemic's effects and its ongoing financial impact. The estimated electricity sales forgone due to the 3 sene Usage Charge component of the stimulus package reduction in electricity tariff is 5.3 million (2020: 1.36 million). The Stimulus package was extended from January 2021 to May 2021 unplanned and consequently incurs a further $4.3 million for the additional 7sene Debt Charge component since no government assistance towards Power Sector Expansion Project (PSEP) Loans.

(b) We also draw attention to Note 38, with which the announcement of the government budget (before financials were approved) in September 2021 by her Honorable Minister of Finance, that cost of electricity to reduce by 20% in the coming year and beyond. This will have a huge impact on the corporation's revenues. The estimated decrease in revenues is around $27.6 million annually. Our opinion is not modified with respect to this.

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, and for such internal control as directors and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors and Management are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

Please address all correspondences to the Controller and Auditor General

FA'AVAE I LE ATUA SAMOA
AUDIT OFFICE

P.O Box 13
APIA, SAMOA

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.

We communicate with the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our audit was completed on the 21st October 2021 and our opinion is expressed as at that date.

Apia, Samoa
25 October 2021

Mua'ausā Marshall Maua
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Statement of Financial Position

As at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Non-current assets			
Property, plant and equipment	19	428,404,593	449,063,344
Prospect development costs	17	218,452	218,452
Right to use asset	16	3,111,766	2,958,775
Self Insurance Special Purpose Fund	24	7,789,866	-
Term deposits	23	3,081,367	-
Total non-current assets		442,606,044	452,240,571
Current Assets			
Cash at bank and on hand	22	4,097,853	2,447,427
Short term deposits	23	37,493,537	31,276,762
Self Insurance Special Purpose Fund	24	11,705,454	17,796,982
Trade receivables	20	7,473,350	10,753,817
Other receivables and prepayments	21	20,353,704	23,565,843
Inventory	18	13,539,716	12,855,329
Total current assets		94,663,613	98,696,159
TOTAL ASSETS		537,269,657	550,936,730
EQUITY AND LIABILITIES			
Equity			
Government of Samoa Capital	25	160,279,631	160,279,631
Assets Revaluation Reserves	26	119,764,637	124,060,759
Self-Insurance Reserves	33	19,422,812	16,922,812
Accumulated Profit / (Losses)		32,429,395	31,739,181
Total Equity		331,896,475	333,002,382
Non-current liabilities			
Borrowings	27	102,877,312	110,957,298
Deferred Income	28	72,319,630	77,718,996
Leased Liability	16	2,383,608	2,304,517
Total non-current liabilities		177,580,549	190,980,812
Current liabilities			
Trade creditors		8,077,645	6,295,450
Dividend Payable	30	-	2,875,145
Provisions and accruals	29	5,269,872	5,626,706
Current portion of deferred income	28	5,208,749	2,993,769
Current portion of borrowings	27	8,508,208	8,508,208
Current portion of leased liability	16	728,158	654,258
Total current liabilities		27,792,633	26,953,536
TOTAL EQUITY AND LIABIILITIES		537,269,657	550,936,730

Signed on behalf of the Board:

Director

Date : 21st October 2021

Director

Date : 21st October 2021

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

Statement of Financial Performance and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $	2020 $
INCOME			
Electricity Sales	5,6	95,118,946	119,939,977
Direct costs electricity energy sales	9	83,942,761	101,348,382
Gross Profit		11,176,185	18,591,595
Add:			
Non Electricity energy sales		579,645	908,143
Other Income	7	15,487,458	11,442,817
		16,067,103	12,350,960
Less:			
Administration Costs		6,260,420	7,196,104
Selling and distribution costs	10	11,795,185	11,624,597
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)		9,187,684	12,121,857
Less:			
Net finance costs	11	379,279	171,865
Amortization costs	14	(575,386)	(575,385)
Depreciation costs	15	(10,472,629)	(10,542,276)
Net Profit/(loss) after Interest, Depreciation & Amortisation		(1,481,052)	1,176,057
Less/Add: Other Comprehensive Income (OCI)			
ARR Amortisation (recognising asset erosion)	26	4,296,121	3,913,006
		4,296,121	3,913,006
Net Profit & OCI credit to Equity		2,815,069	5,089,063
Net Asset Revaluation Surplus	26	-	45,268,595
TOTAL Other Comprehensive Income (OCI)		4,296,121	49,181,602
TOTAL INCOME CREDIT TO EQUITY		2,815,069	50,357,659

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 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		91,602,671	119,378,352
Receipts from VAGST		7,500,000	3,294,734
Interest received		38,192	210,900
UNCC / Sundry Income		7,622,718	3,655,552
Payments to suppliers and employees		(82,924,477)	(116,045,760)
Net cash flows from operating activities		23,839,104	10,493,777
Cash flows from investing activities			
Proceeds from drawdown of term deposits		4,152,948	48,654,868
Proceeds from sale of property, plant and equipment		-	129,650
Payment for term deposits		(16,265,468)	(46,048,157)
PSEP & REDPSRP payment direct to vendors – refer note 22 & 25		(1,850,753)	(8,694,052)
Payment for property, plant and equipment		(3,276,199)	(8,376,144)
Net cash flows from investing activities		(17,239,472)	(14,333,835)
Cash flows from financing activities			
PSEP & REDPSRP funds paid directly to vendors recognized as capital		1,850,753	8,694,052
Dividend Paid		(5,000,000)	-
Repayment of borrowings		(1,799,958)	(6,000,000)
Net cash flows from financing activities		(4,949,206)	2,694,052
Net increase/(decrease) in cash balances		1,650,426	(1,146,006)
Cash balances brought forward		2,447,427	3,593,433
Ending cash balance	22	4,097,853	2,447,427

Power Sector Expansion Project (PSEP) and Renewable Energy Development Power Sector Rehabs Project (REDPSRP) investment and financing activities $1,850,753.
In relation to the PSEP and REDPSRP for the financial year ended 30th June 2021, a total of $1.85 million (2020: $8.69m) tala was recognized as assets, $1.85 million (2020:$8.69m) recognized as capital and deferred income by the Corporation. Of this amount, $1.85 million tala was paid directly by the lending consortium and government to third party contractors and suppliers involved with the PSEP and REDPSRP. The disclosure of these non-cash transaction in the Statement of Cash Flows is for informational purposes only as they do not represent direct cash flow transaction of the Corporation.

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 2021

	Notes	Government of Samoa capital $	Asset Revaluation Reserve $	Self-Insurance Reserves $	Accumulated Profit/(Loss) $	Total Equity $
Balance at 30 June 2019		160,279,631	82,705,170	15,000,000	27,061,738	285,046,538
Valuation FY 2018-2019	26		45,268,595			45,268,595
Less: Amortised portion of asset erosion	26		(3,913,006)			(3,913,006)
Net Profit & OCI for the year					5,089,063	5,089,063
Dividend declared @ 35% of Net profit	30				(411,620)	(411,620)
Self Insurance Reserves	33			1,922,812		1,922,812
Balance at 30 June 2020		160,279,631	124,060,759	16,922,812	31,739,181	333,002,382
Less: Amortised portion of asset erosion	26		(4,296,121)			(4,296,121)
Net Profit & OCI for the year					2,815,069	2,815,069
Dividend declared @ 35% of Net Profit	30				-	-
Special Dividend FY 2018, 2019 & 2020	31				(2,124,855)	(2,124,855)
Self-Insurance Reserves	33			2,500,000		2,500,000
Balance at 30 June 2021		160,279,631	119,764,637	19,422,812	32,429,395	331,896,475

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

Notes to the Financial Statements
For the year ended 30 June 2021

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 authorised for issue by the Board of Directors at 31 October 2021.

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 capitalised as part of that equipment.

The costs of replacing part of an item of property, plant and equipment is recognised 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 recognised 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 recognised 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 amortised 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 realisable 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 realisable value is the estimated amount the inventories are expected to be realised 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 recognised 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 reorganisation, 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 recognised 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 recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

k. Provisions

A provision is recognised 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 recognised when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised 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 recognised 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 recognised 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 recognised 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 recognised in the income statement as it accrues, using the effective interest rate method.

p. Government grants

Government grants are not recognised 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 recognised 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 recognised 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 recognised 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 recognised immediately in profit or loss.

Liabilities for annual leave are accrued and recognised 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, realised and unrealized foreign exchange gains and losses, interest income on short term deposits, bank charges and bank overdraft fees that are recognised 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 recognised 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 recognised 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 recognise 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 (10) 33 dated August 25th, 2010 allows the Corporation to calculate dividends based on an adjusted net profit basis and was ended on the financial year 30 June 2017.

Also a Cabinet directive FK (18) 25 dated August 8th, 2018 change the calculation of dividend based on 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 with 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 minimise 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

		2021	
Carrying Amount		USD $42,526,991	SAT$ 111,385,520
		0.3818 (ANZ Rate)	
		Loan Balance	Exchange Gain/Loss
USD – Loan Accounts	5%	106,081,447	(5,304,072)
USD – Loan Accounts	- 5%	117,247,915	5,862,396
USD - Loan Accounts	10%	101,259,563	(10,125,956)
USD – Loan Accounts	-10%	123,761,688	12,376,169
USD – Loan Accounts	15%	96,856,973	(14,528,546)
USD – Loan Accounts	-15%	131,041,788	19,656,268

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 2021 is as follows:

	2021-2022	2022-2023
	$	$
Opening balance for the period	64,168,077	62,088,103
Operating proceeds	132,050,094	145,255,104
Operating cash outflows	(115,350,055)	(118,810,557)
Cash outflow for investments	(19,411,328)	(19,993,668)
Proceeds from sales of investments and interest received	2,833,175	2,918,171
Financing proceeds	9,186,133	4,593,066.72
Payments of debts and dividends	(11,387,995)	(11,729,634)
	62,088,103	64,320,585

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.

2021	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)	(34,877,311)	(111,385,519)
Trade and other payables	-	(13,347,517)	-	-	-	(13,347,517)
Cash	4,097,853	-	-	-	-	4,097,853
Term deposits	-	49,198,991	-	-	-	49,198,991
Accounts receivable	-	27,827,053	-	-	-	27,827,053
	4,097,853	55,170,319	(17,000,000)	(51,000,000)	(34,877,311)	(43,609,139)

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 $95,118,946 (2020: $119,939,977) are revenues of $8,560,705 (2020: $10,794,598) 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 recognises 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 25, cash and cash equivalents and contributed equity by the Government, asset revaluation reserves and accumulated funds as disclosed in notes 21, 23 and 24 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:

	2021	2020
	$	$
Debt (i)	111,385,519	119,465,506
Less Cash equivalents and short term deposits	(64,168,077)	(51,521,171)
Net debt	47,217,442	67,944,335
Equity (ii)	331,896,475	333,002,382
Net debt to equity ratio	14%	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 with 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 2021 it will invoiced in July 2021, 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 2021 (annualised), then the Corporation's depreciation charge would have been approximately $2,130,272 lower if the useful lives had been longer by an average of one year, or approximately $1,793,794 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:

	2021	2020
	$	$
Electricity energy sales through monthly billings	54,984,624	72,969,164
Electricity energy sales through cash power	40,134,322	46,970,813
Total sales	95,118,946	119,939,977
Less direct costs of electricity energy sales	(83,942,761)	(101,348,382)
Gross margin on electricity energy sales	11,176,185	18,591,595

6. Information about market concentrations

Total electricity sales are divided among the following market segments:

	2021	2020
	$	$
Commercial	32,012,687	37,421,498
Domestic	27,776,195	32,398,036
Government Departments	21,414,466	29,256,397
Hotels	2,099,973	5,900,289
Industrial	5,869,650	7,883,234
Religion	4,196,970	5,029,294
School	1,749,006	2,051,229
	95,118,946	119,939,977

7. Other income

Details of other income are specified as follows:

	2021	2020
	$	$
Connection/reconnection fees	826,833	721,865
Service line receipts	52,312	27,466
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	249,971
Deferred income renewable energy & power sector rehabs	2,866,763	766,044
Interest on overdue accounts	415,644	228,371
Proceed from sales of assets	-	127,144
Gain on disposal of fixed assets	600	100,214
Dark fibre and pole sharing with Bluesky & Digicel	699,609	435,483
Pole relocation & upgrade of lines	139,850	126,710
Avoided Cost of Diesel from Solar for Samoa	2,403,777	2,403,941
Covid 19 Stimulus Package (7 sene of DC)	5,565,774	2,996,542
CSO $1m for Covid 19 (Apr-Sep20)	500,000	500,000
Reimbursement of Fiaga generator costs (Note 34)	-	577,188
Sponsorship for the Pacific Game on July 2019	-	480,000
Others	305,234	229,835
	15,487,458	11,442,817

8. Auditors remuneration

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

	2021	2020
	$	$
Audit of EPC financial statements	62,585	62,585
Audit office review fee	4,000	6,000
Audit fee – Red ma le PSRP	15,320	15,320
	81,905	83,905

9. Direct costs electricity energy sales

Direct costs electricity energy sales are specified as follows:

	2021	2020
	$	$
Cost of diesel fuel and oil less ACC levy rebate	43,786,782	59,159,906
Amortization costs	138,285	138,285
Depreciation expenses	14,704,685	13,963,113
Insurance Costs	2,500,000	2,500,000
IPP costs	11,178,134	12,911,416
Motor Vehicle Costs (fuel, repairs & maintenance)	113,738	108,552
Solar Operational Expenses	4,316	25,902
Operating expenses	1,411,291	1,663,268
Labour Costs	3,642,142	3,610,770
Local consumption	2,902,692	3,634,555
SCADA operational expenses	389,101	217,024
Repair and maintenance	3,171,595	3,415,592
	83,942,761	101,348,382

10. Selling and distribution costs

Selling and distribution costs are specified as follows:

	2021	2020
	$	$
Installation and inspection costs	486,558	779,743
Operating costs	1,425,433	2,027,033
Labour costs	4,504,819	4,455,852
Loss on disposal of assets	1,965,214	-
Motor vehicle costs	508,264	638,350
Repair and maintenance	2,904,897	3,723,619
	11,795,185	11,624,597

11. Net finance costs

Net finance costs are specified as follows:

	2021	2020
	$	$
Interest income on short term deposit	(2,667,596)	(2,907,155)
Less finance costs relating to:		
Interest on borrowings – PSEP	2,285,709	2,732,582
Bank charges	2,609	2,708
Net finance costs	(379,279)	(171,865)

12. Personnel costs

Personnel costs are specified as follows:

	2021	2020
Personnel Costs	$	$
General Manager's Office	356,943	365,413
Internal Audit	197,605	204,659
Corporate Governance	599,319	601,230
Legal & Policy	152,666	148,481
Information, Communication & Technology	332,737	315,633
Finance & Commerce	1,613,064	1,644,957
Generation	2,149,186	2,062,538
National Control Centre	635,039	661,620
Distribution & Utilisation	1,802,417	1,826,544
Project Management Unit	218,193	209,461
Quality Assurance & Development	1,403,494	1,373,170
Savaii	1,990,862	1,950,186
Employers Contribution to:		
National Provident Fund	916,149	816,590
Accident Compensation Corporation	103,757	98,832
	12,471,430	12,279,314

The average number of persons employed during the year is 302 (2020: 297).

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 Semau Ross Peters (member of Board)
Fuimapoao Beth Onesemo Tuilaepa (member of Board)
Nuulopa Pereira Hill (member of Board)
Faumui Tauiliili Iese Toimoana – EPC General Manager ex officio

Directors fees of $104,859 (2020: $105,257) were paid during the year. Board expenses amounted to $33,879 (2020: $24,866). Government regulations specify that directors' fees are $18,000 per annum, $22,500 for chairman.

	2021	2020
Directors and executive management compensation	$	$
Directors fees – current	104,859	105,257
Catering for board meeting	16,707	19,532
Membership fees	6,700	900
Other	11,572	4,434
	139,838	130,123

ii. *Key management personnel costs*

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

	2021	2020
	$	$
Salaries and short term employment benefits	1,049,202	1,029,556
Employers contribution to :		
National Provident Fund	94,428	82,365
Accident Compensation Corporation	10,492	10,296
	1,154,122	1,122,217

14. Amortization costs

	2021	2020
Represented by:	$	$
Amortization Selling & Distribution Costs	116,623	69,974
Amortization Administration costs	458,763	505,412
	575,386	575,385

15. Depreciation costs

	2021	2020
Represented by:	$	$
Depreciation Selling & Distribution Costs	8,937,700	8,921,921
Depreciation Administration costs	1,534,929	1,620,356
	10,472,629	10,542,276

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 capitalised 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 recognised 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

	2021	2020
Represented by:	$	$
Ministry of Finance lease	767,181	1,726,158
Samoa Airport Authority lease	691,667	741,667
Tuanaimato lease	1,262,374	68,131
Fiaga lease	390,543	422,820
	3,111,766	2,958,775

	2021	2021
Lease Liability analyse as follows:	$	$
Current portion	728,158	654,258
Term portion	2,383,608	2,304,517
	3,111,766	2,958,775

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 it 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.

17. Prospect development costs

Prospect development costs are comprised of the following:

	2021	2020
	$	$
Savaii Hydro Project	362,783	362,783
Less: provision for doubtful debts	(144,331)	(144,331)
	218,452	218,452

18. Inventory

Inventories are specified as follows:

	2021	2020
	$	$
Stationery	5,486	-
Utilisation and distribution inventory	12,594,225	11,890,368
Less: Provision for obsolete stock	(631,526)	(631,526)
	11,968,185	11,258,842
Scratch card – cash power	27,775	27,775
Fuel and oil inventory	1,543,755	1,495,147
Goods in transit	-	73,565
	13,539,716	12,855,329

The cost of utilisation and distribution inventories recognised as expense and included in 'selling and distribution costs' was $2,234,373 (2020: $3,350,189). The cost of fuel and oil inventories recognised as expense and included in 'direct costs electricity energy sales' was $43,984,220 (2020: $59,509,094). The cost of scratch card recognised as expense and included in 'selling and distribution costs' was $nil (2020: $210).

19. Property, plant and equipment

	Land & buildings	Power plants & distribution assets	Office equipment & furniture	Motor vehicles	Total
Gross carrying amount					
Cost at 1st July 2019	65,487,943	494,588,387	4,545,148	12,758,482	577,379,959
Revaluation at 1st July 2019					-
Cost and revaluation at 1st July 2019	65,487,943	494,588,387	4,545,148	12,758,482	577,379,959
Additions	2,133,729	24,255,981	362,966	1,533,422	28,286,097
Disposals	-	-	-	(3,800,089)	(3,800,089)
Revaluation at 1st July 2019	1,669,891	43,846,497	245,517	(493,310)	45,268,595
Balance at 30th June 2020	69,291,563	562,690,864	5,153,631	9,998,504	647,134,563
Additions	732,016	6,467,597	218,866	-	7,418,479
Disposals	-	(3,152,199)	(450,121)	-	(3,602,321)
Balance at 30th June 2021	70,023,579	566,006,262	4,922,376	9,998,504	650,950,721
Accumulated depreciation					
Balance at 1st July 2019	14,630,138	157,646,094	4,077,363	9,587,689	185,941,283
Depreciation charge for the year	2,449,466	20,533,934	166,057	1,271,927	24,421,384
Disposals	-	-	-	(3,800,089)	(3,800,089)
Balance at 30th June 2020	17,079,603	178,180,028	4,243,419	7,059,527	206,562,578
Depreciation charge for the year	2,485,807	20,893,443	420,594	944,687	24,744,531
Disposals	-	(751,672)	(444,154)	-	(1,195,826)
Balance at 30th June 2021	19,565,410	198,321,799	4,219,859	8,004,215	230,111,282
Capital works in progress 2020	-	8,491,359	-	-	**8,491,359**
Capital works in progress 2021	-	7,565,154	-	-	**7,565,154**
Net book value					
As at 30 June 2020	**52,211,959**	**393,002,195**	**910,211**	**2,938,976**	**449,063,344**
As at 30 June 2021	**50,458,169**	**375,249,618**	**702,517**	**1,994,290**	**428,404,593**

20. Trade receivables

Trade debtors are specified as follows:

	2021 $	2020 $
Customers from electricity energy sales	7,675,496	7,710,562
Customer from non electricity energy sales	1,456,993	4,594,904
	9,132,489	12,305,466
Less allowance for doubtful debts	(1,659,140)	(1,551,649)
Net trade debtors	7,473,350	10,753,817

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 $1,156,337 (2020: $1,315,068) 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:

<u>Ageing of past due but not impaired</u>

	2021 $	2020 $
1 to 30 days	626,441	578,307
31 to 60 days	295,169	409,785
61 to 90 days	234,727	326,976
	1,156,337	1,315,068

<u>Movement in the allowance for doubtful debts</u>

	2021 $	2020 $
Opening balance	1,551,649	2,118,118
Amounts written off	(192,510)	(566,469)
Doubtful debts	300,000	-
Closing balance	1,659,140	1,551,649

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 2021, trade receivables of $1,103,275 (2020: $2,409,928) 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

	2021	2020
	$	$
Over 90 days and over 360 days	1,103,275	2,409,928

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:

	2021	2020
	$	$
Prepayments	616,291	897,711
Other debtors	353,989	1,409,564
Interest receivable on term deposit	1,066,833	1,099,172
**VAGST Receivable	18,316,591	20,159,396
	20,353,704	23,565,843

** VAGST Receivable

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

22. Cash and cash equivalents

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:

	2021	2020
	$	$
Cash on hand	3,530	3,530
Cash at bank (overdraft)	4,094,323	2,443,897
	4,097,853	2,447,427

23. Short term deposits

Short term deposits are specified as follows:

	2021	2020
	$	$
Represented by:		
Bank of South Pacific Ltd	4,831,516	7,527,380
National Bank of Samoa Ltd	31,662,021	23,749,382
Samoa Commercial Bank Ltd	1,000,000	-
	37,493,537	31,276,762

The short term deposits have an average maturity of 365 days (2020:365 days) and a weighted average interest rate of 3.65% (2020: 5.41%) per annum. The carrying value of the short term deposits equal their fair value.

Term Deposits

	2021 $	2020 $
Represented by:		
National Bank of Samoa Ltd	3,081,367	-
	3,081,367	-

The term deposits have an average maturity of 730 days and a weighted average interest rate of 4.53%.

24. Self-Insurance Special Purpose Fund

	2021	2020
Short Term Investment		
Represented by:	$	$
ANZ Bank (Samoa) Ltd	2,360,588	171,362
National Bank of Samoa Ltd	9,344,866	17,625,620
	11,705,454	17,796,982
Term Investment		
National Bank of Samoa Ltd	3,214,726	-
Unit Trust of Samoa (UTOS)	4,575,140	-
	7,789,866	
TOTAL SELF-INSURNCE SPECIAL FUND	19,495,320	17,796,982

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

25. Government capital contributions

Capital contributions from the Government during the year were received for the following projects:

	2021 $	2020 $
Opening balance	160,279,631	160,279,631
Total government capital contribution	160,279,631	160,279,631

26. Asset revaluation reserve

	2021 $	2020 $
Opening balance	124,060,759	82,705,170
Net Asset Revaluation for the year	-	45,268,595
Amortised portion for the year	(4,296,121)	(3,913,006)
Total Assets revaluation reserve	119,764,637	124,060,759

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 on August 2019 based on cost and fair value of all Electric Power Corporation assets as at 30 June 2019.

27. **Borrowings**

	2021	2020
Non Current	$	$
Government borrowing	-	-
Power sector expansion borrowing	102,877,312	110,957,298
	102,877,312	110,957,298
Current		
Government borrowing	-	-
Power sector expansion borrowing	8,508,208	8,508,208
	8,508,208	8,508,208
Total borrowing	111,385,519	119,465,506

(i) Government borrowing

In 2002 the Government assisted the Corporation in restructuring its borrowings totaling $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 year 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 in March 2019.

Loan repayment during the year of $10,413,069 is covering both principal and interest. This amount represented by $1,850,753 was paid directly to the Ministry of Finance and $8,562,316 was treated by the Ministry as revenue forgone for the 7 sene debt charge component of the tariff that reduced the electricity charge per unit and was effective from 1st April 2020 and extended till 31st December 2020 as per approved under FK(20)20.

BORROWINGS MOVEMENT SUMMARY

	Opening Balance	New and additional Loans	Interest during period	Loan Repayments	Balance 30/06/21	Interest rate
Government Loans	$	$	$	$	$	$
ADB Loan No. 752 SAM-SF	-				-	5.00%
PSEP borrowing	119,465,506		2,333,082	(10,413,069)	111,385,519	2.00%
Total Government loans	119,465,506	-	2,333,082	(10,413,069)	111,385,519	

	2021 Total	2020 Total
	$	$
Total Government Loans	111,385,519	119,465,506

(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 Consortium		Financing components $m	30 June 21 balance foreign currency $m	30 June 21 balance local currency $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	¥4,082.6 US$44.8	SAT$107.9
Total repayable borrowings		**US$86.75**	**US$85.9**	**SAT206.75**
Government of Australia (AusAid)	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 NB. Loan interest not included		**US$106.75**	**US$109.13**	**SAT$264.8**

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 $2,333,082 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 3.55 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 achieved this loan covenant at 26%. (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 achieved as debt service ratio is 1.45

28. Deferred income

	2021 $	2020 $
Summary		
Current versus non-current balance		
Current portion		
(i) CSO	548,503	548,503
(ii) CSO Tsumani	230,672	230,672
(iii) Solar energy & wind projects	692,869	692,869
(iv) Poles/Streetlights from China	239,018	249,971
(v) Renewable energy & power sector rehabs	2,866,763	766,044
(vi) Cash power Scratch Card	163,611	163,611
(vii) Cash power Evend	189,603	204,524
(viii) Prepay Smart Meters	277,711	137,575
	5,208,749	2,993,769
Non current portion		
(i) CSO	8,821,998	9,370,501
(ii) CSO Tsunami	3,093,302	3,323,973
(iii) Solar energy & wind projects	4,889,615	5,582,484
(iv) Poles/Streetlights from China	1,041,231	1,373,913
(v) Renewable energy and power sector rehabs	54,473,485	58,068,126
	72,319,630	77,718,996
Total	77,528,380	80,712,766
(i) Unamortised balance - CSO		
Opening balance	9,919,004	10,467,507
Amortisation change	(548,503)	(548,503)
Closing balance	9,370,501	9,919,004
(ii) Unamortised balance – CSO Tsunami		
Opening balance	3,554,645	3,785,317
Amortisation charge	(230,672)	(230,672)
Closing balance	3,323,973	3,554,645
(iii) Unamortised balance – Solar & Wind projects		
Total grant opening balance	6,275,352	6,968,221
Amortisation charge	(692,869)	(692,869)
	5,582,484	6,275,352
(iv) Unamortised balance – Poles/Street lights from China		
Total grant opening balance	1,623,884	1,873,855
Return to MNRE	(104,617)	-
Amortisation charge	(239,018)	(249,971)
	1,280,249	1,623,884
(v) Unamortised balance – Renewable energy & power sector rehab		
Total grant opening balance	58,068,126	50,106,436
Addition during financial year	1,372,842	8,727,733
Amortisation charge	(2,866,763)	(766,044)
	56,574,204	58,068,126
(vi) Unamortised balance – CP Scratch Card		
Opening balance	163,611	164,808
Sales during the year	-	7,120
Amortisation charge	-	(8,317)
Closing balance	163,611	163,611
(vii) Unamortised balance E-Vend		
Opening balance	204,524	115,764
Sales during the year	29,248,528	33,070,875
Amortisation charge	(29,263,450)	(32,982,114)
Closing balance	189,603	204,524

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 assets and deferred income and armotised 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 assets and deferred income and armotised 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:

	2021	2020
	$	$
Other creditors and accruals	4,538,507	5,050,385
Provision for audit fees	85,305	87,305
Provision for untaken annual leave	184,060	178,477
Provision for long service leaves	226,585	127,840
Provision for End of Contract	235,415	182,699
	5,269,872	5,626,706

Untaken annual leave recognised as an expense for the current year in the profit and loss was $373,049 Tala (2020:$327,156).

30. Dividend Payable

	2021	2020
Represented by:	$	$
Net Profit after Interest, Depreciation & Amortisation	(1,481,052)	1,176,057
	(1,481,052)	**1,176,057**
Dividend declared @ 35%	-	**411,620**
Special Dividend / Paid	(2,875,145)	1,328,841
Total Dividend	(2,875,145)	1,740,461
Carry forward from prior year	2,875,145	2,463,525
	-	2,875,145

31. Special Dividend

	2021
Represented by:	$
FY 2018, Dividend declared - $1,792,366. Dividend approved $2m	207,634
FY 2019, Dividend declared - $2,671,189. Dividend approved $4m	1,328,841
FY 2020, Dividend declared - $411,620. Dividend approved $1m	588,380
	2,124,855

Special dividend recognized in the Statement of Change in Equity when the actual dividend approved by the board of directors pay out to the Government.

32. Community Service Obligation (CSO) Funding

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

	2021	2020
	$	$
CSO for payments of street/seawall lights consumptions	2,272,811	3,567,547
CSO for capital expenditures	-	-
	2,272,811	3,567,547

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

33. 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.

	2021	2020
Represented by:	$	$
Opening Balance	16,922,812	15,000,000
Yearly Contribution	2,500,000	2,500,000
Reimbursement of Cyclone Tino costs (note 35)	-	(577,188)
Net movement for the year	2,500,000	1,922,812
Total adjusted balance	19,422,812	16,922,812

34. Commitments for expenditure

Commitments for expenditure are specified as follows:

	2021	2020
	$	$
Power plants & distribution assets	60,680	146,840
Other property, plant and equipment	667,478	575,385
Total commitments for expenditure	728,158	722,225

35. Cyclone Tino recovery costs

	2021	2020
Represented by:	$	$
Cyclone Gita recovery costs	-	577,188

These costs were incurred by the Corporation during the recovery and restoration efforts after the cyclone on January 2020. These costs approved by the Cabinet, FK (20)23 to reimburse from the Corporation own Self Insurance Fund and accounted as other income in the statement of financial performance.

36. Contingent liabilities

There is an on-going dispute with one of the corporation's Independent Power Producers on the VAGST component of its feeding tariff. The corporation is working with the company to address this dispute in accordance with the terms of the Power Purchase Agreement.

On 22nd December 2018, a terminated Independent Power Producer (IPP) formally filed its claim against the corporation for Damages of $SAT16million. The corporation is vigorously defending its position in that case. The counsel for the IPP on a without prejudice basis has indicated his instructions to file a discontinuance of proceedings and for each party to bear their own costs. EPC Board have agreed to the filing of discontinuance of proceedings but will be seeking costs from the IPP.

At its meeting on 24th October 2019, the Board of Directors was made aware of fraudulent actions at our Savaii branch. The amount involved is $117k and the case was adjourned for hearing on 7 February 2022 for court to confirm all charges and the total amount of charges.

37. Covid 19 Impact

The Corporation's operations was heavily affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization and Samoa in March 26, 2020. The ultimate disruption which caused by the outbreak is uncertain; however, it also result in a material adverse impact on the Corporation's financial position, operations and cash flows. The effects include, but are not limited to, disruption to the Corporation's customers and revenue. The estimated electricity sales forgone due to the 3 sene Usage Charge component of the stimulus package reduction in electricity tariff is $5.3 million (2020: $1.36 million) and $4.3 miilion for the 7 sene Debt Charge component of tariff due to the extension of the stimulus package from January 2021 to May 2021 without MoF assistance with the PSEP loan repayment.

38. Subsequent Event – 20% reduction in Tariff

As part of Government Budget for FY2021-22, the Hon. Minister of Finance announced in her budget address that cost of electricity will be reduced by 20% effective on 1st November 2021. The impact of the change is a decrease in the corporation's revenues of around $26.7 million annually, and will have a huge negative impact on the operation, and the ability of EPC to provide electricity services to its customers in the future. Nevertheless, the Board and Management are working on options to lessen the impact and ensures that the Corporation can continue to provide its services to the public in a sustainable manner.