ANNUAL REPORT 2021 - 2022

ELECTRIC POWER CORPORATION

EPC

Vision 2025
To be a sustainable electricity provider in the Region

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

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

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EPC EXECUTIVE FOR FINANCIAL YEAR 2021 – 2022

BOARD OF DIRECTORS	MANAGEMENT
Pepe Fia'ailetoa Christian Fruean **CHAIRMAN** **Chair – Finance, Audit & Risk Subcommittee**	Faumui Tauiliili Iese Toimoana General Manager
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**
Naea Fuimapoao Beth Onesemo-Tuilaepa **DIRECTOR** **Chair – Governance Committee**	Tupa'i Latuselu Posi **Chief Engineer Distribution & Utilization**
Tuautu Semau Ross Peters **DIRECTOR** **Chair – Project Subcommittee**	Fui Tupa'i Mau Simanu **Chief Engineer Quality Assurance & Development**
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** Fonomaitu Fiu Moeona Leo **Manager Savaii Operations**
Faumui Tauiliili Iese Toimoana **GENERAL MANAGER** **Ex-Officio**	Palelēmafuta Sofia Silipa **Manager Finance & Commerce**
	Punafelutu Toleafoa Tuiafelolo Luamanuvae A John Stanley **Manager Corporate Governance**
	Fesola'i Edwin Ulberg **Manager ICT**
	Tualāmalii Wendy Pogi **Manager Legal Services**
	Lealataua Sophia Laifai Oloapu **Manager Internal Audit & Investigation**

CHAIRMAN'S REMARKS

On behalf of the Electric Power Corporation's Board of Directors who are guided by section 8 of the Public Bodies (Performance and Accountability) Act 2002, I hereby present the Corporation's fortieth (40th) Annual Report for the year ended 30 June 2022. This was the most financially challenging year experienced by the EPC due to compliance with Government Tariff reduction mandate which resulting in a historic net profit loss of $22m for the Corporation.

Financial Impact of Government Policy

Financial year ended June 2022 was impacted by a wider economic contraction amid continuing border closures and domestic lockdowns. The difficult economic conditions that had persisted for Samoa translated into a significant increase in costs and risk for the Corporation. Furthermore, the tight economic conditions meant that both business and households struggled to prioritize electricity purchases when faced with a shrinking capability to purchase necessities.

The total cost of the 20% tariff reduction approved and endorsed by the Cabinet FK (21)43 [effective 11 November 2021] effectively meant electricity was being sold to end users below cost. This was unsustainable and had an immediate and detrimental impact on the financial position of the Corporation for financial year 2022, consequently resulting in a significant loss of $22 million. In addition, the Corporation continued to be burdened by onerous power purchase agreements (PPA) with independent power producers (IPP) which placed further pressure on the Corporations cost structure. In addition, and whilst not new, the Community Service Obligation (CSO) mainly for street lights electricity bills and extension of the grid to new customers continued to be underfunded by circa $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 significant effect on EPC financial performance for the year resulting in the Corporation worst financial performances over the past twenty (20) years.

Notwithstanding this, EPC's contribution to the tariff reduction can be considered a significant social dividend of $25.3 million which represents the revenue forgone compared with the revenues that would have been realized if EPC charged its tariff based on full cost recovery. Amongst this challenging backdrop, EPC continued to deliver key infrastructure projects, community service obligations, and continued to achieve its objectives of improving service delivery, safety and network reliability.

Financial

The Corporation ended the year with a net loss of $22 million Tala, down 882% compared with the previous year's profit (2021 - $2.85 million). The driving component contributing to this negative variance was the Cabinet's 20% tariff reduction policy initiative which resulted in revenue forgone of $25.3 million Tala. The adverse financial result was further worsened by:

- A significant decrease in hydro generation attributed to adverse weather conditions (low rain - reducing run of river hydro-generation) impacting this highly cost-effective renewable energy source. The EPC generation division has been tasked with focusing on preventative maintenance as a means to optimize performance of the hydro assets.

- The effect of the decline in hydro generation, had a corresponding negative impact on Diesel generation which increased by 44% or 20 million MWhs with an incremental cost of $27m. For the year diesel costs were a record high $92m representing an increase of 22% (YoY) in order to meet demand.

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 make significant increases in the amount of renewable generation.

For the year, total renewable generation decreased by 36% or 19 million MWh year on year, resulting in a record low hydro generation output of 35.4 million MWhs. Hydro generation contributes 61% of renewable energy and 21% of total EPC generation and remains the most cost-effective contributor at 24 sene KWh (although it increased from an average hydro generation cost in 2021 of 13 sene), the average hydro O&M KwH cost increased by 11 sene KwH due to lower hydro generation.

For the year, solar output increased, contributing 38% of renewable energy and 13% of total EPC generation. In the year ended 2022, Renewable energy produced an output of 57.8 million MWh (down by 19.2 MwH YoY) and contributed 34% of total generation (down by 11% YoY), however, estimated to have saved almost $37.3 million Tala in fuel costs, and avoided 54.5 tonnes of CO_2 emissions.

Since 2015, EPC has added 31 GWh of renewable generation (18% of total generation).

Independent Power Producers (IPPs)

19 million MWh solar PV was generated by Independent Power Producers (IPP) representing a marginal increase 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 being reviewed by EPC to find better cost synergies to ensure sustainability. As a consequence, EPC has invested significantly in its own renewable energy procurement described below and which is hoped to progress quickly once it has received Government endorsement.

Grid market – Renewable Energy Project – 90% RE by 2023

To this end, EPC has entered into a partnership with GridMarket USA to procure renewable energy using Government of Samoa tenders board procurement methodology supported by the United Nations, and the Island Resilience Partnership. The launch of EPC's partnership with GridMarket led to a nationwide review 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 total 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 per annum, when set against volatile fuel costs. Such a cost reduction, when realized, 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, which, as noted above, would help to make the Government's mandated 20% tariff reduction financial sustainable in the long-term. 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 short-term grid fluctuations that are typical of Island 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 or adversely affect the reliability of our electricity system.

Governance

As part of its obligations as a state-owned enterprise, the Corporation completed and submitted to Parliament its Annual Report 2020-2021 in February 2022, as well as timely submission of Quarterly Reports for financial year to the Ministry of Public Enterprise for review. Also, the Corporation Corporate Plan Mid-term Review was completed and submitted to the Ministry of Public Enterprises in June 2022.

Throughout the year, twelve (12) regular board meetings and 27 sub-committee meetings were held.

Closing remarks

Notwithstanding the many challenges faced by EPC as a result of the COVID-19 pandemic and Government tariff reduction policy change, EPC remains committed to its vision of improving service delivery, safety 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 lo'u faaaloalo tele,

Chairman
EPC Board of Directors

GENERAL MANAGER'S REPORT

I am pleased to present the Corporation's 40th Annual Report, which covers the Corporation's major operations and financial performance for the Financial Year ended 30th June 2022, as required by the Public Bodies (Performance and Accountability) Act 2001.

1. Highlights

Key Achievements

Fuluasou Dam Reinforcement

The Fuluasou Dam Reinforcement Project was completed in August 2021. All dam reinforcement works mandated by the Contract Variation and Technical Specification on the Dam Design by DAMWATCH were successfully completed. This included the i) construction of Shear Key to the bed rock (over 600m³ in total, concrete pour in sections), ii) drilling of 66x3.5 meters into the bedrock and grout DN32 Rebar for Shear Key into the bedrock (the previous design there was no shear key), iii) joinery of the existing structure to the new shear key, and iv) construction of three Arch Buttress Downstream of the Dam.

Installation of Fiaga Lighting Protection System

The Fiaga Power Station situated in Upolu was struck by lightning on the 27th January 2020 resulting in extensive damages to its electrical equipment. Generators were out of commission for six days which led to an insufficient power supply to meet Samoa's power demand. Therefore, EPC requested a review of the existing lighting protection system (LPS) and surge protection at Fiaga to Mitton ElectroNet. Specific items were addressed in relation to the concept for an LPS at Fiaga which includes recommended approach for improvement of the existing system. Part of the recommendation was to install 5x15m lightning masts inside the Fiaga compound to provide shielding of the Power Station from lightning strikes. EPC conducted the lighting poles concrete paramount evaluation and awarded the contract to Ulia Construction Ltd. The construction of the concrete pad mount for the poles began in July 2021. Five structures were built in total, completed successfully and transferred over to operations in August 2021.

Fuluasou Penstock Reinstatement

The Fuluasou generator went offline on December 18, 2020, due to severe rain and flash flooding, which caused a pipe burst approximately 80 meters downstream of the Fuluasou Dam. The technical team completed all necessary work were resolved prior to reinstating the pipes and re-commissioning the generator. Among these works are:

- Salvaging pipe burst damaged lengths.
- Flushing the head pond to make it easier to remove the sand, silt, and logs that filled it.
- Pipe reinstatement and pipe redirection near the station for penstock flushing.
- Re-commissioning.

After a year and just over two months out of service, the generator was reactivated on February 25th 2022, with no major issues that would prevent operation.

Electric Vehicles Launched

The Electric Vehicle (EV) Project was successfully completed and launched with the receipt of two (2) SUVs in December 2021 with Ford Hyundai Samoa as the supplier of the ordered EVs. Two (2) charging stations were successfully installed at Tanugamanono and Vaitele, with more to be installed at other EPC locations. This project was officially launched in Savaii as part of the Energy Sector's awareness program on Sustainable Energy & Electric Mobility held on the 21st and 22nd of October.

Mid-term Review of EPC Corporate Plan completed

In early June 2022, EPC held its Corporate Plan Mid-Term Review to assess the progress towards achieving the goals outlined in the Plan. The review was a success where management and senior staff discussed and resolved on areas in the plan regarding strategic planning, funding instruments for projects, staff capacity building, and also revised policies and SOPs (Standard Operating Procedure) to improve the service and works the Corporation is providing. The Mid-term review was completed and submitted to the Ministry of Public Enterprises on the 15th June 2022.

In-house trainings completed

As part of the Electric Power Corporation's efforts in continuously improving staff capacity. Two parts of a 10 day Lineman training was held from May 23rd to June 3rd and Fault Service training from June 6th to June 17th. The training materials and component covered a primary understanding of the standards and processes that govern the work and service that our Linemen and Fault Service team provide for Samoa. The training objectives were met, with trainees demonstrating their understanding of Linemen and Fault Service responsibilities and key to this is prioritizing safety in and around electricity. The ten (10) days trainings was a success in adding onto the trainees' knowledge, as well as providing them with the skills needed to perform their tasks efficiently and effectively.

Strategic Direction

The EPC submitted its Annual Report for Financial Year 2020-2021 to the Office of the Legislative Assembly in February 2022, as required by the Public Bodies (Performance and Accountability) Act 2001, as well as its Quarterly Reports to the Ministry for Public Enterprises on time. In addition, the Corporation Corporate Plan Mid-term Review was submitted to the Ministry for Public Enterprises in June 2022.

Key Issues

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

i. The Corporation had suffered significantly as a result of the Government's policy of lowering electricity tariffs by 20%. EPC had an operating loss of $26.3 million before ARR at the end of this fiscal year, which was $24.8 million more than the previous fiscal year's operating loss. If the policy is maintained, the Corporation expects to incur an operating loss of $60.7 million before ARR in the new fiscal year.

ii. The CSO allocation in the Government Budget 2022/2023 is $1 million tala, down from $4 million tala in the previous fiscal year. A $6 million tala CSO funding submission has been submitted to the Ministry of Finance for consideration in the supplementary Budget. Failure to address these requirements through the Main Supplementary Process will jeopardize EPC's ability to provide services to consumers as its resources dwindle.

iii. The impact of climate change had affected the performance of the Hydro Plants due to low water level in all rivers and below average waterfall.

iv. The big hotels continues with their struggle to pay their bills. Total outstanding at 30 days and over was recorded at $357k as at end of June 2022.

v. The rising cost of fuel is a major concern for the corporation because it raises direct production costs. However, the situation is exacerbated when it is combined with a lack of rainfall and a reliance on diesel generators for electricity production.

<u>Government Debts</u>

vi. Total Government Debts as at end of financial year was $1.83m. This included Billing of $1.57m and CSO charges of $0.26m.

vii. Delayed payment of electricity consumptions by Government Ministries and Corporations, given the level of accounts that are more than 30 days.

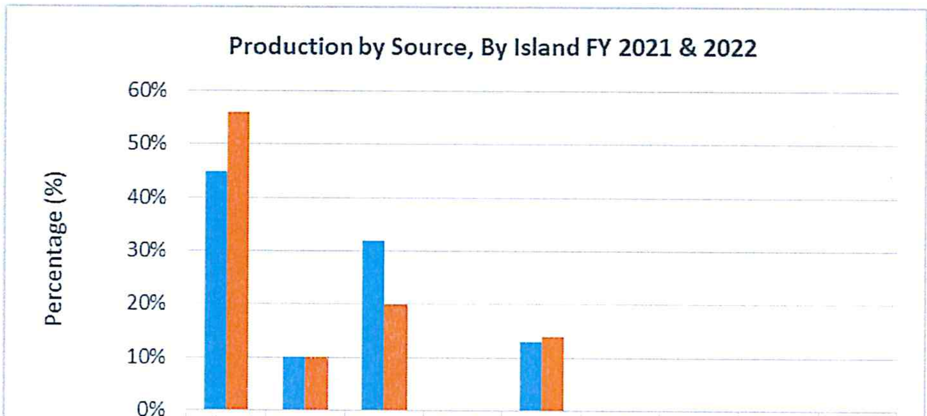
viii. Ongoing delays in payment of VAGST refunds with the balance of $22.1 million as of end June 2022.

2. Operating Performance and Results

Production

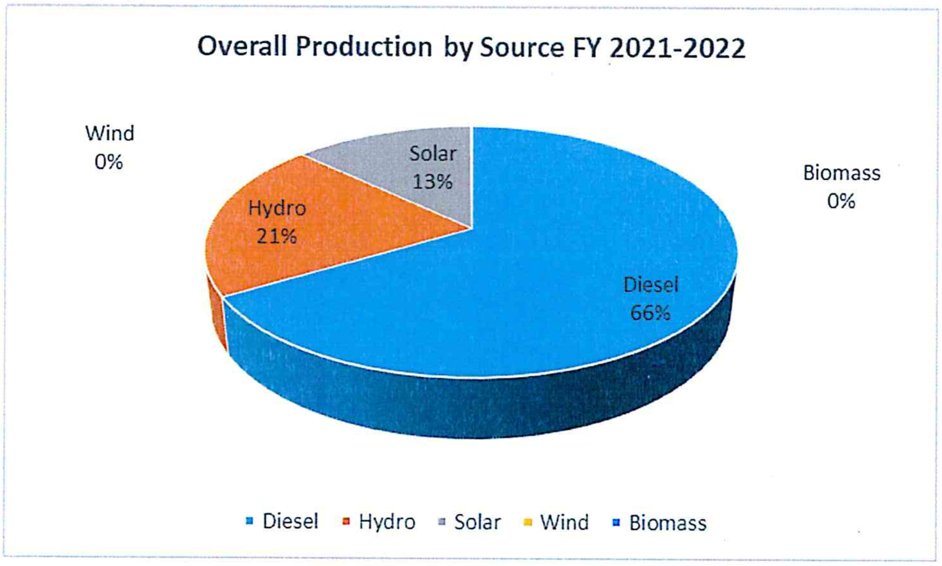
The electricity production as at end of this financial year totaled to 171,498,226 kWh a 0.3% increase compared to 170,915,144 kWh in previous year. Total diesel production increased from 106,984,719 kWh in previous year to 113,730,130 kWh, a 6% increase. Total renewable energy production dropped from 76,811,038 kWh in previous year to 57,728,230 kWh, mainly from Upolu hydro, totaling the overall RE contribution to 34%, compared to 45% in previous financial year. Total production is further detailed in below Figures 01 and 02;

Figure 01: Electricity Production by Island/Source



	Diesel UPO	Diesel SAV	Hydro UPO	Hydro SAV	Solar UPO	Solar SAV	Solar APO	Biomass UPO	Wind UPO
FY 2020/21	45%	10%	32%	0%	13%	0%	0%	0%	0%
FY 2021/22	56%	10%	20%	0%	14%	0%	0%	0%	0%

Figure 02: Overall Production by Source



Consumer Base

As at end of June 2022, EPC recorded a total of 42,127 consumers, a 3% increase from the previous year. The total consumer base consisted of 40,424 consumers using prepayment meters and 1,703 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 2021-2022			
Island	**Prepayment Meters**	**Non-Prepayment Meters**	***Total By Island***
UPOLU	31,792	1,449	**33,241**
SAVAII	8,464	252	**8,716**
APOLIMA	11	1	**12**
MANONO	157	1	**158**
Total by Meter Type	**40,424**	**1,703**	**42,127**

The total consumption including consumption within EPC's operations totaled to 153,592,482 kWh compared to 152,464,009 kwh in the previous year.

Human Resource Management & Development

As at end of June 2022, EPC employed a total of 310 employees, 248 of which are based in Upolu and 62 in Savaii. The workforce consists of,

i. 249 are male and 61 are female,
ii. 57 contract staff, 235 permanent staff and 18 temporary staff,
iii. 259 staff in the age range of 21 – 50 years, 48 in the age range of 51 – 60 years, and 3 below 20 years.

During the period, staff turnover a total of 27 staff left the EPC due to resignation, retirement, termination and end of employment contract. There were 57 appointments, including new permanent, temporary and contract appointments. There were 27 contract re-appointments.

In terms of staff development, there were 31 invitational in-country and online trainings, including two (2) six-month long online courses for senior staff. A total of 41 staff participated in these trainings.

Financial Performance

The Corporation ended the year with a net loss and other Comprehensive income of $22 million Tala, compared to $2.8 Million Tala in the previous year. Electricity sales of $107.5 million Tala represents 92 percent of Total income for the period, compared to $95.1 million

Tala. Imported diesel fuel of $72 million Tala, is the major expenditure for this period and account for 63.9 percent of the Total Electricity Costs of $113.2 million Tala.

3. Progress with Corporate Plan

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

Table 03: Progress of Implementation of Corporate Plan

Strategy	Key Performance Indicator	FY 2021-2022 Target	Actual FY 2021-2022
Reporting to Board	No of days Board received monthly reports for meeting	7 working days	Target achieved.
Monitoring & Evaluation of CP Results	Quarterly review of CP output results to MPE	30 days after each QTR	All four (4) Quarterly Reports submitted to MPE on time, for their review.
Continuous distribution of electricity supply	System Average Interruption Duration Index (SAIDI) & System Average Interruption Frequency Index (SAIFI) reduced	**Upolu** SAIFI –7 times SAIDI- 600mins **Savaii** SAIFI –12 times SAIDI- 600mins	**Upolu** SAIFI – 1.05 times SAIDI- 88 mins **Savaii** SAIFI – 1.83 times SAIDI- 116 mins
Capacity Factor	Maintained at adequate level	**Upolu** – 45% **Savaii** – 40%	**Upolu** – 30% **Savaii** – 41%
Renewable Energy Generation Sources	Renewable Energy contribution increased	**Upolu** EPC – 45% IPP – 55% **Savaii** EPC – 34.14% IPP – 66%	**Upolu** EPC – 67% IPP – 33% **Savaii** EPC – 99% IPP – 1%
Improve revenue collection	Electricity and Non Electricity Sales increased	**Electricity Sales** - $132m **Non-Electricity Sales** - $10.8m	**Electricity Sales** $12.3m **Non-Electricity Sales** - $6.6m
Debt Recovery & collection of Arrears improved	Electricity and Non Electricity Arrears reduced	**Electricity Arrears** - $3m	**Electricity Arrears** $23.8m

		Non-Electricity Arrears - $20m	Non-Electricity Arrears – $3.4m
Financial Performance in line with Budget and financial & statutory obligations	$11m	**$10m**	$22m

4. Capital Expenditure and projects for the year

The Capital Expenditure for this financial year totaled to $7.4 million Tala. $28,415.00 tala was for Lands and Buildings, $4.55 million tala for Power Plants, $1.28 million for Distribution Assets, $1.23 million tala for Motor Vehicles and $197,127.00 tala for other assets (Office equipment and furniture).

5. Outlook for next year

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

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

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

6. Future Risks and Uncertainties

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

Furthermore, the implementation of the 20% tariff reduction policy continues to put risk on the operations of the Corporation as evidenced by the recorded loss as of end of this Financial Year.

7. Community Service Obligation

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

There were two (2) meetings held by the CSO Committee during the financial year, of which a total of 477 new street light applications for Upolu and Savaii and 49 LV extensions were approved.

Acknowledgement

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

Therefore, I wish to acknowledge the continuous direction and support of our Chairman and Board of Directors, and the ongoing commitment of our Management and staff. Your support and dedication enables the successful execution of our services to all the people of Samoa.

Ma le faaaloalo lava,

Faumui Tauiliili Iese Toimoana
General Manager

FINANCIAL STATEMENTS

For the year ended 30 June 2022

Management's Report
For the year ended 30 June 2022

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: 20th October 2022

Directors' Report
For the year ended 30 June 2022

The Directors present their report together with the financial statements of the Electric Power Corporation ("the Corporation") for the year ended 30 June 2022 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
Fuaimapoao 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 2022;

(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 2022.

Operating Results
The net loss & other comprehensive income for the year is ($22,003,803); 2021: $2,815,069.

Dividends
Given the operating results recorded, the Directors did not approve for the provision of any Dividends for the year ended 30 June 2022.

Dated at Apia this: 20th October 2022

Signed in accordance with a resolution of the Directors.

DIRECTOR

DIRECTOR

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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

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 2022, 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 2022, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) except for key audit matter.

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

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

Emphasis of Matter Subsequent Event: 20% Tariff Reduction and Rise of Diesel
As discussed in Note 36, the 20% reduction on tariff as per FK21(43) effected in November 2021, results in the corporation's inability to meet its fixed operational costs. Direct costs have increased significantly by 35% from $83million in 2021 to $113 million in current year mainly due to the rising costs of fuel and oil on a global scale. The corporation cannot make monthly changes to the Energy Charge component of the tariff that is based largely on variations in fuel prices and energy supplied to the grid from Independent Power Producers (IPPs). Hence, the corporation have had to absorb the burden of rising operational costs as these costs cannot be passed to its consumers. This has adversely affected the financial stability of the Corporation.

Key Audit Matters (KAM)
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters and for the purpose of this report, KAM's are adequately disclosed on the notes to financial statements in relation to uncertainty faced by the Corporation together with compensating actions. Thus, not required to report separately.

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Please address all correspondences to the Controller and Auditor General

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Apia, Samoa

FA'AVAEI LE ATUA SAMOA

AUDIT OFFICE

KEY AUDIT MATTER	Auditors' response
EPC treatment of PPA is recognized as operating lease and fair value through profit and loss (fvtpl). The conditions of the PPA are as follows: • Identifiable asset • Term of the leases 20 years • Fix number of kilowatts from Suppliers • EPC has the right to obtain substantially all of the economic benefits from use of the solar farm and other PPAs over the 20-year period of use. • EPC as the only customer has exclusive use of the farms.	Whilst this treatment is ideal using the practical expedient, the recommendation back then was for the PPA to recognized using the requirements of IFRS 16 on leases in which the total liability shall be recognized at inception and the right to use asset. The conditions of the PPA clearly satisfies the requirements of the standard in which there is a lease. There are other variations on pricings due to exchange rates, tariff changes, escalated hours which consequently selling prices are lower than buying prices and signals impairment. Thus, ended in not satisfying the valuation of units to value at lower of costs or net realizable value (impairment). However, had the lease been recognized from its inception based on the conditions. Such impairment would have been offset from any unused units already accrued during the term of the lease, hence fair value through other comprehensive income given and would not impact on the profit and loss. Considering the uncertainty relating the outcome of this matter which requires the application of judgements, it has been determined as a key audit matter. Impact of inflation to the SFS Purchased price in USD. This is so severe for EPC given the current situation that the USD grow stronger by the day.

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.

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 on other Legal and Regulatory Requirements

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

i. Public Bodies (Performance and Accountability Act) 2001

ii. Public Finance Management Act 2001

We also confirm that:

a. We have been given all the information, explanations and assistance necessary for the conduct of the audit and:

b. The Corporation has kept financial records sufficient to enable the financial statements to be prepared and audited.

Our audit was completed on the 20th October 2022 and our opinion is expressed as at that date.

Apia, Samoa
27 October 2022

Mua'ausā Marshall Maua
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Statement of Financial Position
As at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Non-current assets			
Property, plant and equipment	19	409,001,694	428,404,593
Prospect development costs	17	218,452	218,452
Right to use asset	16	2,383,608	3,111,766
Self insurance Special Purpose Fund	24	15,587,047	7,789,866
Term deposits	23	5,081,367	3,081,367
Total non-current assets		432,272,169	442,606,044
Current Assets			
Cash at bank and on hand	22	9,000,310	4,097,853
Short term deposits	23	21,632,917	37,493,537
Self Insurance Special Purpose Fund	24	6,913,469	11,705,454
Trade receivables	20	7,152,174	7,473,350
Other receivables and prepayments	21	23,839,838	20,353,704
Inventory	18	15,967,126	13,539,716
Total current assets		84,505,833	94,663,613
TOTAL ASSETS		516,778,002	537,269,657
EQUITY AND LIABILITIES			
Equity			
Government of Samoa Capital	25	160,279,631	160,279,631
Assets Revaluation Reserves	26	115,468,516	119,764,637
Self-Insurance Reserves	33	21,922,812	19,422,812
Accumulated Profit / (Losses)		10,425,593	32,429,395
Total Equity		308,096,551	331,896,475
Non-current liabilities			
Borrowings	27	105,560,624	102,877,312
Deferred Income	28	67,741,805	72,319,630
Leased Liability	16	1,655,452	2,383,608
Total non-current liabilities		174,957,881	177,580,549
Current liabilities			
Trade creditors		13,608,854	8,077,645
Provisions and accruals	29	5,206,111	5,269,872
Current portion of deferred income	28	5,672,238	5,208,749
Current portion of borrowings	27	8,508,208	8,508,208
Current portion of leased liability	16	728,158	728,158
Total current liabilities		33,723,570	27,792,633
TOTAL EQUITY AND LIABIILITIES		516,778,002	537,269,657

Signed on behalf of the Board:

Director

Date : 20th October 2022

Director

Date : 20th October 2022

Date:

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 2022

	Notes	2022 $	2021 $
INCOME			
Electricity Sales	5,6	107,463,249	95,118,946
Direct costs electricity energy sales	9	113,215,971	83,942,761
Gross Profit		(5,752,722)	11,176,185
Add:			
Non Electricity energy sales		612,883	579,645
Other Income	7	8,804,209	15,487,458
		9,417,092	16,067,103
Less:			
Administration Costs		5,523,377	6,260,420
Selling and distribution costs	10	11,975,722	11,795,185
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)		(13,834,728)	9,187,684
Less:			
Net finance costs	11	(699,114)	379,279
Amortization costs	14	(575,386)	(575,386)
Depreciation costs	15	(11,190,696)	(10,472,629)
Net Profit/(loss) after Interest, Depreciation & Amortisation		(26,299,924)	(1,481,052)
Less/Add: Other Comprehensive Income (OCI)			
ARR Amortisation (recognising capital erosion)	26	4,296,121	4,296,121
Net Profit & OCI credit to Equity		(22,003,803)	2,815,069

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 2022

	Note	2022	2021
	Note	$	$
Cash flows from operating activities			
Receipts from customers		105,287,194	91,602,671
Receipts from VAGST		9,900,000	7,500,000
Interest received		84,521	38,192
UNCC / Sundry Income		2,541,119	7,622,718
Payments to suppliers and employees		(120,881,304)	(82,924,477)
Net cash flows from operating activities		**(3,068,470)**	**23,839,104**
Cash flows from investing activities			
Proceeds from drawdown of term deposits		27,291,659	4,152,948
Proceeds from sale of property, plant and equipment		10,245	-
Payment for term deposits		(13,826,491)	(16,265,468)
PSEP & REDPSRP payment direct to vendors – refer note 22 & 25		-	(1,850,753)
Payment for property, plant and equipment		(5,504,486)	(3,276,199)
Net cash flows from investing activities		**7,970,926**	**(17,239,472)**
Cash flows from financing activities			
PSEP & REDPSRP funds paid directly to vendors recognized as capital		-	1,850,753
Dividend Paid		-	(5,000,000)
Repayment of borrowings		-	(1,799,958)
Net cash flows from financing activities		**-**	**(4,949,206)**
Net increase/(decrease) in cash balances		4,902,456	1,650,426
Cash balances brought forward		4,097,853	2,447,427
Ending cash balance	22	**9,000,310**	**4,097,853**

Power Sector Expansion Project (PSEP) and Renewable Energy Development Power Sector Rehabs Project (REDPSRP) investment and financing activities $Nil.
In relation to the PSEP and REDPSRP for the financial year ended 30th June 2022, a total of $Nil (2021: $1.85 million) tala was recognized as assets, $Nil (2021: $1.85 million) recognized as capital and deferred income by the Corporation. During the financial year, no transaction 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 2022

	Notes	Government of Samoa capital $	Asset Revaluation Reserve $	Self-Insurance Reserves $	Accumulated Profit/(Loss) $	Total Equity $
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					(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
Less: Amortised portion of asset erosion	26		(4,296,121)			(4,296,121)
Net Profit & OCI for the year					(22,003,803)	(22,003,803)
Dividend declared @ 35% of Net Profit	30				-	-
Self-Insurance Reserves	33			2,500,000		2,500,000
Balance at 30 June 2021		160,279,631	115,468,516	21,922,812	10,425,593	308,096,551

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

Notes to, and forming parts of, the Accounts
For the year ended 30 June 2022

1. General information

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

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

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

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

These financial statements were authorized for issue by the Board of Directors at 31 October 2022.

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 recognized within other (losses)/gains – net, in the income statement.

e. **Prospect development costs**

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

f. **Inventories**

Inventories are valued at the lower of cost using first in first out (FIFO) for inventory of fuel and weighted average for all other items of inventory) and net 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 (18) 25 dated August 8th, 2018 changed the calculation of dividend from 50% to 35% of the Net Profit. The Corporation recognizes a dividend payable to the Government based on this dividend calculation.

y. Comparatives

Where necessary previous periods comparatives have been changed to conform 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

	2022	
Carrying Amount	$41,099,000	SAT$ 114,068,832
	0.3603 (ANZ Rate)	$SAT
	Loan Balance	Exchange Gain/Loss

USD – Loan Accounts	5%	108,636,983	(5,431,849)
USD – Loan Accounts	- 5%	120,072,455	6,003,623
USD - Loan Accounts	10%	103,698,938	(10,369,894)
USD – Loan Accounts	-10%	126,743,147	12,674,315
USD – Loan Accounts	15%	99,190,289	(14,878,543)
USD – Loan Accounts	-15%	134,198,626	20,129,794

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 2022 is as follows:

	2022 – 2023	2023 - 2024
-	$	$
Opening balance for the period	58,215,110	(2,441,417)
Operating proceeds	113,906,515	125,297,167
Operating cash outflows	(148,076,304)	(152,518,593)
Cash outflow for investments	(25,555,028)	(26,321,679)
Proceeds from sales of investments and interest received	1,296,000	1,334,880
Financing proceeds	-	-
Payments of debts and dividends	(2,227,710)	(2,294,542)
	(2,441,417)	(56,944,183)

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.

2022	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)	(37,560,624)	(114,068,832)
Trade and other payables	-	(18,814,965)	-	-	-	(18,814,965)
Cash	9,000,310	-	-	-	-	9,000,310
Term deposits	-	21,632,917	-	-	-	21,632,917
Accounts receivable	-	30,992,012	-	-	-	30,992,012
	9,000,310	25,301,755	(17,000,000)	(51,000,000)	(37,560,624)	(71,258,559)

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 $107,463,249 (2021: $95,118,946) are revenues of $9,671,692 (2021: $8,560,705) 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 27, cash and cash equivalents and contributed equity by the Government, asset revaluation reserves and accumulated funds as disclosed in notes 22, 25 and 26 respectively.

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

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

	2022 $	2021 $
Debt (i)	114,068,832	111,385,519
Less Cash equivalents and short term deposits	(58,215,110)	(64,168,077)
Net debt	55,853,721	47,217,442
Equity (ii)	308,096,551	331,896,475
Net debt to equity ratio	18%	14%

(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 2022 it will invoiced in June 2022, 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 2022 (annualised), then the Corporation's depreciation charge would have been approximately $2,207,517 lower if the useful lives had been longer by an average of one year, or approximately $1,848,521 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:

	2022 $	2021 $
Electricity energy sales through monthly billings	60,971,590	54,984,624
Electricity energy sales through cash power	46,491,659	40,134,322
Total sales	107,463,249	95,118,946
Less direct costs of electricity energy sales	(113,215,971)	(83,942,761)
Gross margin on electricity energy sales	(5,752,722)	11,176,185

6. Information about market concentrations

Total electricity sales are divided among the following market segments:

	2022 $	2021 $
Commercial	36,291,329	32,012,687
Domestic	32,229,392	27,776,195
Government Departments	23,803,734	21,414,466
Hotels	2,823,666	2,099,973
Industrial	6,082,188	5,869,650
Religion	4,244,360	4,196,970
School	1,988,581	1,749,006
	107,463,249	95,118,946

7. Other income

Details of other income are specified as follows:

	2022	2021
	$	$
Connection/reconnection fees	696,492	826,833
Service line receipts	26,261	52,312
Deferred income – CSO (refer note 26)	779,175	779,175
Deferred income for solar and wind energy	692,869	692,869
Deferred income for poles/lights from China	239,018	239,018
Deferred income renewable energy & power sector rehabs	2,866,763	2,866,763
Interest on overdue accounts	400,747	415,644
Proceed from sales of assets	10,245	-
Gain on disposal of fixed assets	-	600
Dark fibre and pole sharing with Bluesky & Digicel	730,056	699,609
Pole relocation & upgrade of lines	216,225	139,850
Avoided Cost of Diesel from Solar for Samoa	1,827,448	2,403,777
Covid 19 Stimulus Package (7 sene of DC)	-	5,565,774
CSO $1m for Covid 19 (Apr-Sep20)	-	500,000
Others	318,909	305,234
	8,804,209	15,487,458

8. Auditors remuneration

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

	2022	2021
	$	$
Audit of EPC financial statements	51,485	62,585
Audit office review fee	1,833	4,000
Audit fee – Red ma le PSRP	-	15,320
	53,318	81,905

9. Direct costs electricity energy sales

Direct costs electricity energy sales are specified as follows:

	2022	2021
	$	$
Cost of diesel fuel and oil less ACC levy rebate	71,993,499	43,786,782
Amortization costs	156,772	138,285
Depreciation expenses	14,519,536	14,704,685
Insurance Costs	2,500,000	2,500,000

IPP costs	11,984,423	11,178,134
Motor Vehicle Costs (fuel, repairs & maintenance)	144,307	113,738
Solar Operational Expenses	20,918	4,316
Operating expenses	1,438,912	1,411,291
Labour Costs	3,709,409	3,642,142
Local consumption	3,552,543	2,902,692
SCADA operational expenses	335,066	389,101
Repair and maintenance	2,860,586	3,171,595
	113,215,971	83,942,761

10. Selling and distribution costs

Selling and distribution costs are specified as follows:

	2022	2021
	$	$
Installation and inspection costs	739,584	486,558
Operating costs	2,307,200	1,425,433
Labour costs	4,663,459	4,504,819
Loss on disposal of assets	-	1,965,214
Motor vehicle costs	486,440	508,264
Repair and maintenance	3,779,038	2,904,897
	11,975,722	11,795,185

11. Net finance costs

Net finance costs are specified as follows:

	2022	2021
	$	$
Interest income on short term deposit	(1,985,863)	(2,667,596)
Less finance costs relating to:		
Interest on borrowings – PSEP	2,683,312	2,285,709
Bank charges	1,665	2,609
Net finance costs	699,114	(379,279)

12. Personnel costs

Personnel costs are specified as follows:

	2022	2021
Personnel Costs	$	$
General Manager's Office	325,927	356,943
Internal Audit	209,779	197,605
Corporate Governance	589,022	599,319
Legal & Policy	164,848	152,666
Information, Communication & Technology	366,419	332,737
Finance & Commerce	1,433,108	1,613,064
Generation	1,932,141	2,149,186
National Control Centre	857,128	635,039
Distribution & Utilisation	1,888,614	1,802,417
Project Management Unit	(0.00)	218,193
Quality Assurance & Development	1,568,908	1,403,494
Savaii	1,841,439	1,990,862
Employers Contribution to:		
National Provident Fund	1,041,914	916,149

Accident Compensation Corporation	106,139	103,757
	12,325,385	12,471,430

The average number of persons employed during the year is 310 (2021: 302).

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

Directors fees of $94,856 (2021: $104,859) were paid during the year. Board expenses amounted to $27,961 (2021: $34,979). Directors appointed from Government Corporations and Ministries receive a director's fee but no longer receive a sitting allowance. Government regulations specify that directors' fees are $18,000 per annum, $22,500 for chairman.

	2022	2021
Directors and executive management compensation	$	$
Directors fees – current	94,856	104,859
Catering for board meeting	10,117	16,707
Membership fees	8,633	6,700
Other	9,211	11,572
	122,817	139,838

ii. *Key management personnel costs*

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

	2022	2021
	$	$
Salaries and short term employment benefits	1,128,555	1,049,202
Employers contribution to :		
National Provident Fund	112,855	94,428
Accident Compensation Corporation	11,286	10,492
	1,252,696	1,154,122

14. Amortization costs

	2022	2021

Represented by:	$	$
Amortization Selling & Distribution Costs	139,948	116,623
Amortization Administration costs	435,438	458,763
	575,386	575,386

15. Depreciation costs

	2022	2021
Represented by:	$	$
Depreciation Selling & Distribution Costs	9,711,005	8,937,700
Depreciation Administration costs	1,479,691	1,534,929
	11,190,696	10,472,629

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

	2022	2021
Represented by:	$	$
Ministry of Finance lease	191,795	767,181
Samoa Airport Authority lease	641,667	691,667
Tuanaimato lease	1,183,885	1,262,374
Fiaga lease	366,261	390,543
	2,383,608	3,111,766

	2022	2021
Lease Liability analyse as follows:	$	$
Current portion	728,158	728,158
Term portion	1,655,452	2,383,608
	2,383,610	3,111,766

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

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

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

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

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

17. Prospect development costs

Prospect development costs are comprised of the following:

	2022	2021
	$	$
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:

	2022	2021
	$	$
Stationery	-	5,486
Utilisation and distribution inventory	13,895,752	12,594,225
Less: Provision for obsolete stock	(631,526)	(631,526)
	13,264,226	11,968,185
Scratch card – cash power	27,775	27,775
Fuel and oil inventory	2,675,124	1,543,755
	15,967,126	13,539,716

The cost of utilisation and distribution inventories recognised as expense and included in 'selling and distribution costs' was $3,836,940 (2021: $2,234,373). The cost of fuel and oil inventories recognised as expense and included in 'direct costs electricity energy sales' was $72,312,468 (2021: $43,984,220).

19. Property, plant and equipment

	Land & buildings	Power plants & distribution assets	Office equipment & furniture	Motor vehicles	Total
Gross carrying amount					
Cost at 1st July 2020	69,291,563	562,690,864	5,153,631	9,998,504	647,134,563
Revaluation at 1st July 2020					-
Cost and revaluation at 1st July 2019	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)
Revaluation at 1st July 2020	-	-	-	-	-
Balance at 30th June 2021	70,023,579	566,006,262	4,922,376	9,998,504	650,950,721
Additions	28,415	5,904,027	197,127	1,226,513.04	7,356,083
Disposals	-	(8,610)	(275,308)	-	(283,919)
Balance at 30th June 2022	70,051,994	571,901,679	4,844,195	11,225,017	658,022,885
Accumulated depreciation					
Balance at 1st July 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
Depreciation charge for the year	2,487,090	22,090,482	359,354	773,306	25,710,232
Disposals	-	(8,610)	(275,308)	-	(283,919)
Balance at 30th June 2022	22,052,500	220,403,670	4,303,904	8,777,521	255,537,595
Capital works in progress 2021	-	7,565,154	-	-	7,565,154
Capital works in progress 2022	-	6,516,405	-	-	6,516,405
Net book value					
As at 30 June 2021	**50,458,168**	**375,249,617**	**702,517**	**1,994,289**	**428,404,593**
As at 30 June 2022	**47,999,494**	**358,014,413**	**540,290**	**2,447,497**	**409,001,694**

20. Trade receivables

Trade debtors are specified as follows:

	2022 $	2021 $
Customers from electricity energy sales	5,441,468	7,675,496
Customer from non electricity energy sales	3,352,784	1,456,993
	8,794,252	9,132,489
Less allowance for doubtful debts	(1,642,078)	(1,659,140)
Net trade debtors	7,152,174	7,473,350

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 $232,669 (2021: $1,156,337) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Ageing of past due but not impaired

	2022	2021
	$	$
1 to 30 days	122,468	626,441
31 to 60 days	44,206	295,169
61 to 90 days	65,995	234,727
	232,669	1,156,337

Movement in the allowance for doubtful debts

	2022	2021
	$	$
Opening balance	1,659,140	1,551,649
Amounts written off	(17,061)	(192,510)
Doubtful debts	-	300,000
Closing balance	1,642,078	1,659,140

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 2022, trade receivables of $995,250 (2021: $1,103,275) 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

	2022	2021
	$	$
Over 90 days and over 360 days	995,250	1,103,275

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:

	2022	2021
	$	$
Prepayments	793,765	616,291
Other debtors	69,998	353,989
Interest receivable on term deposit	833,257	1,066,833
**VAGST Receivable	22,142,817	18,316,591
	23,839,838	20,353,704

** 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:

	2022	2021
	$	$
Cash on hand	3,530	3,530
Cash at bank (overdraft)	8,996,780	4,094,323
	9,000,310	4,097,853

23. Short term deposits

Short term deposits are specified as follows:

	2022	2021
	$	$
Represented by:		
ANZ Bank (Samoa) Ltd	1,149,522	-
Bank of South Pacific Ltd	4,839,558	4,831,516
National Bank of Samoa Ltd	14,613,839	31,662,021
Samoa Commercial Bank Ltd	1,029,998	1,000,000
	21,632,917	37,493,537

The short-term deposits have an average maturity of 365 days (2021: 365 days) and a weighted average interest rate of 3.12% (2021: 3.65%) per annum. The carrying value of the short-term deposits equal their fair value.

Term Deposits

	2022	2021
	$	$
Represented by:		
National Bank of Samoa Ltd	3,081,367	3,081,367
Unit Trust of Samoa (UTOS)	2,000,000	-
	5,081,367	3,081,367

The term deposits have an average maturity of 731 days (2021: 730 days) and a weighted average interest rate of 5.00% (2021: 4.53%).

24. Self-Insurance Special Purpose Fund

	2021	2020
Short Term Investment		
Represented by:	$	$
ANZ Bank (Samoa) Ltd	-	2,360,588
Bank of South Pacific Ltd	2,302,516	-
National Bank of Samoa Ltd	4,610,954	9,344,866
	6,913,469	11,705,454
Term Investment		
National Bank of Samoa Ltd	3,214,726	3,214,726
Unit Trust of Samoa (UTOS)	12,372,322	4,575,140
	15,587,047	7,789,866
TOTAL SELF-INSURNCE SPECIAL FUND	22,500,517	19,495,320

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:

	2022	2021
	$	$
Opening balance	160,279,631	160,279,631
Total government capital contribution	160,279,631	160,279,631

26. Asset revaluation reserve

	2022	2021
	$	$
Opening balance	119,764,637	124,060,759
Net Asset Revaluation for the year	-	-
Amortised portion for the year	(4,296,121)	(4,296,121)
Total Assets revaluation reserve	115,468,516	119,764,637

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

	2022	2021
Non Current	$	$
Government borrowing	-	-
Power sector expansion borrowing	105,560,624	102,877,312
	105,560,624	102,877,312
Current		
Government borrowing	-	-
Power sector expansion borrowing	8,508,208	8,508,208
	8,508,208	8,508,208
Total borrowing	114,068,832	111,385,519

(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 on March 2019.

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

	Openning Balance	Newand additional Loans	Interest during period	Loan Repayments	Balance 30/06/21	Interest rate
Government loans:	$	$	$	$	$	%
PSEP borrowing	111,385,519	-	2,683,313	-	114,068,832	2.00%
Total Government loans	111,385,519	-	2,683,313	-	114,068,832	

	2022 Total $	2021 Total $
Total Government Loans	114,068,832	111,385,519

(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*	*30 June22 balance foreign currency*	*30 June22 balance local currency*
		$m	$m	$m
Asian Development Bank	ADF Loan	US$26.61	US$25.7	SAT$60.9
Asian Development Bank	ADF Grant	US$15.39	US$15.4	SAT$37.95
Japan Bank for International Cooperation	Loan	US$44.75	¥4,082.6 US$44.8	SAT$107.9
Total repayable borrowings		**US$86.75**	**US$85.9**	**SAT$206.75**
Government of Australia (Aus Aid)	Grant	US$8.00	US$7.8	SAT$18.7
EPC counterpart financing		US$12.00	US$15.43	SAT$39.35
Total project financing		**US$106.75**	**US$109.13**	**SAT$264.8**
NB. Loan interest not included				

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

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

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

Foreign currency transaction

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

27, b. Below the market rate of interest

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

Interest of $2,208,379 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 3.45 months of billings.
- Self-Financing Ratio: (i) from 2008 to 2015, cash from internal sources shall not be less than 12% of the annual average of capital expenditures incurred. The Corporation has not achieved this loan covenant at -8.4%. (ii) After 2015 cash from internal sources shall not be less than 20% of the annual average of capital expenditures incurred;
- Debt Service Ratio: No debt to be incurred unless a reasonable forecast of revenues and expenditures show that estimated free cash flows are at least 6.2 times the estimated debt service requirements on the debts of the borrower – The Corporation has not achieved as debt service ratio is 0.39

28. Deferred income

	2022 $	2021 $
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	239,018
- (v) Renewable energy & power sector rehabs	2,866,763	2,866,763
- (vi)Cash power Scratch Card	163,611	163,611
- (vii) Cash power Evend	285,373	189,603
-(viii) Prepay Smart Meters	645,430	277,711
	5,672,238	5,208,749
Non current portion		
- (i) CSO	8,273,495	8,821,998
- (ii) CSO Tsunami	2,862,630	3,093,302
- (iii) Solar energy & wind projects	4,196,746	4,889,615
- (iv) Poles/Streetlights from China	802,212	1,041,231
- (v) Renewable energy and power sector rehabs	51,606,721	54,473,485
	67,741,805	72,319,630
Total	73,414,044	77,528,380
(i) Unamortised balance - CSO		
Opening balance	9,370,501	9,919,004
Amortisation change	(548,503)	(548,503)
Closing balance	8,821,998	9,370,501
(ii) Unamortised balance – CSO Tsunami		
Opening balance	3,323,973	3,554,645
Amortisation charge	(230,672)	(230,672)
Closing balance	3,093,302	3,323,973
(iii) Unamortised balance – Solar & Wind projects		
Total grant opening balance	5,582,484	6,275,352
Amortisation charge	(692,869)	(692,869)
	4,889,615	5,582,484
(iv) Unamortised balance – Poles/Street lights from China		
Total grant opening balance	1,280,249	1,623,884
Return to MNRE	-	(104,617)
Amortisation charge	(239,018)	(239,018)
	1,041,231	1,280,249
(v) Unamortised balance – Renewable energy & power sector rehab		
Total grant opening balance	56,574,204	58,068,126
Addition during financial year	-	1,372,842
Amortisation charge	(2,866,763)	(2,866,763)
	53,707,441	56,574,204
(vi) Unamortised balance – CP Scratch Card		
Opening balance	163,611	163,611
Sales during the year	-	-
Amortisation charge	-	-
Closing balance	163,611	163,611
(vii) Unamortised balance E-Vend		
Opening balance	189,603	204,524
Sales during the year	36,424,516	29,248,528
Amortisation charge	(36,328,697)	(29,263,450)
Closing balance	285,422	189,603

i. The corporation is carrying out rural electrification work and installation of streetlight on behalf of government. Expenses are claimed for reimbursement from government as they are incurred. On the receipt of the reimbursement from government, capital expenses are treated as deferred liability and amortised to income over the same years which is the same rate at which the asset is depreciated.

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

29. Provisions and accruals

Provisions and accruals are specified as follows:

	2022	2021
	$	$
Other creditors and accruals	4,535,161	4,538,507
Provision for audit fees	64,046	85,305
Provision for untaken annual leave	157,036	184,060
Provision for long service leaves	286,890	226,585
Provision for End of Contract	162,979	235,415
	5,206,111	5,269,872

Untaken annual leave recognised as an expense for the current year in the profit and loss was $349,245 Tala (2021:$373,049).

30. Dividend Payable

	2022	2021
Represented by:	$	$
Net Profit after Interest, Depreciation & Amortisation	(26,299,924)	(1,481,052)
	(26,299,924)	**(1,481,052)**
Dividend declared @ 35%	-	-
Special Dividend / Paid	-	(2,875,145)
Total Dividend	-	(2,875,145)
Carry forward from prior year	-	2,463,525
	-	(411,620)

31. Special Dividend

	2022	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:

2022	2021
$	$

CSO for payments of street/seawall lights consumptions	4,000,000	2,272,811
CSO for capital expenditures	-	-
	4,000,000	2,272,811

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.

	2022	2021
Represented by:	$	$
Opening Balance	19,422,812	16,922,812
Yearly Contribution	2,500,000	2,500,000
	-	-
Net movement for the year	2,500,000	2,500,000
Total adjusted balance	21,922,812	19,422,812

34. Commitments for expenditure

Commitments for expenditure are specified as follows:

	2022	2021
	$	$
Power plants & distribution assets	60,680	60,680
Other property, plant and equipment	667,478	667,478
Total commitments for expenditure	728,158	728,158

35. 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.

36. 20% reduction in Tariff

When the 20% reduction in electricity tariff came into effect on 1st November 2021 as per FK (21)43, the Corporation was not been able to meet its fixed operational costs. In addition it was not able to make monthly changes to the Energy Charge component of the tariff that is based largely on variations in fuel prices and energy supplied to the grid from Independent Power Producers (IPPs). This was exacerbated by the slowdown of the world economy due to the pandemic and the rise in fuel prices as a result of the Russia-Ukraine war. As a result, the Corporation have had to use its reserves set up for major capital investments to meet rising operational costs, when those cost cannot be passed on to its consumers. This has adversely affected the financial stability of the Corporation.