TONGA POWER LTD

2020 Annual Report

A Year of Accomplishments.

POWERING THE SUSTAINABLE DEVELOPMENT FOR OUR KINGDOM

+21400 | www.tongapower.to | Matatoa Taufa'ahau Road, Poutaha Tonga

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ABOUT US

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

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

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

Furthermore, TPL has been established with an independent Board of Directors drawn from the commercial sector of Tonga, appointed by Government. The company major objectives are to:

1) **Achieve 50% diesel fuel savings from Renewable Energy generation by 2020 in order to achieve the government TERM target and realistic tariff reductions.**
2) **Adopt technologies to manage the complexities arising from a digitized and decentralized renewable future.**
3) **Improve the network and replacing ageing assets to improve safety, efficiency and reliability of supply.**
4) **Promote a hazard free safety environment to minimize any danger to both the public and staff.**
5) **Improve our business processes to enhance customer/employee satisfaction while supporting a healthy and competent team.**
6) **Manage all external financing sources successfully in order to increase shareholder value.**

Tonga Power's core business is generating, distributing and retailing electric power across our four-grid system within Tonga consisting of more than 24,000 customers as well as the sale of gas through its subsidiary Tonga Gas. The Company also undertakes electrical contracting work particularly for private customer service lines.

A uniform tariff rate is charged for all electricity consumers which composed of a fuel and non-fuel tariff component. The fuel component of the tariff is adjusted regularly for forecast fuel costs, forecast electricity demand as well as to return previously over- or under-recovered fuel costs. The non-fuel part of the tariff is adjusted for annual inflation over the tariff period using a consumer price index.

VISION

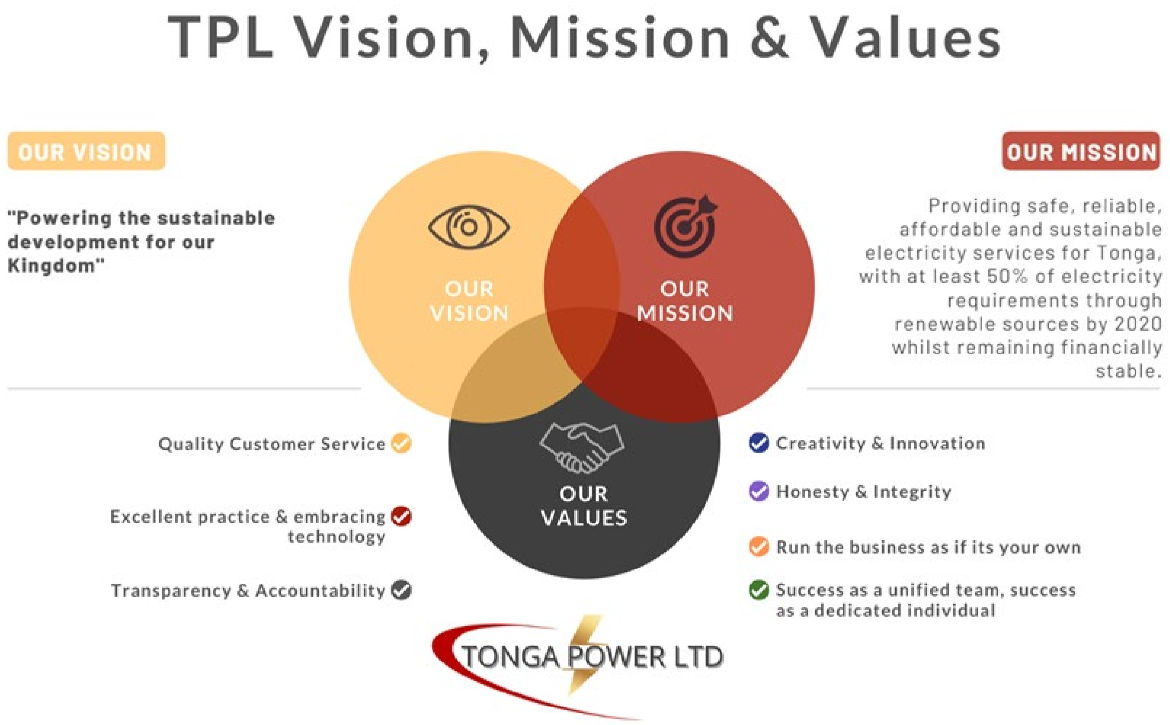
Powering the sustainable development for our Kingdom.

MISSION

Providing safe, reliable, affordable and sustainable electricity services for Tonga, with at least 50% of electricity requirements through renewable sources by 2020 whilst remaining financially stable.

VALUES

- ***Quality Customer Service***
- ***Excellent practice & embracing technology***
- ***Transparency & Accountability***
- ***Creativity and Innovation***
- ***Honesty and Integrity***
- ***Run the business as if it is your own***
- ***Success as a unified team, success as a dedicated individual***



Letter to the Honourable Minister

1st April, 2021

Honourable Dr Pohiva Tui'onetoa
Minister for Public Enterprises
Nuku'alofa

Dear Honourable Minister,

Tonga Power Limited Annual Report 2020

I am pleased to present Tonga Power Limited's Annual Report for 2020. The report provides a detailed summary of TPL's performance in accordance with Section 19 of the Public Enterprises Act as amended.

Tonga Power continued to meet some of its obligations and fulfil all its responsibilities whilst also continuing with the efficient operation of the entire power system. Tonga Power acknowledges the support of Government through the lifeline tariff whereby all residential customers consuming up to 100 kWh of electricity paid a reduced rate during the reporting period of this report.

On behalf of the Members of the company, I take this opportunity to thank the Government for its continued support and look forward to the same in 2021 and beyond.

Respectfully,

Dr. Aisake Valu Eke
(Chairman)

KEY OUTCOMES 2019/2020

Financial Objective	TPL Budget	TPL Actual	Consolidated Actual
Revenue	$53,029,364	$53,283,745	$61,451869
Cost of Sales	$37,497,786	$41,238,541	$46,815,609
Net Profit After Tax (TPL)	$3,276,728	NLAT $(924,490)	NLAT $(698,437)
Balance at end of year	$489,586	$278,901	$764,833
Current Asset Total	$201,646,356	$164,506,828	$167,752,490
Current Liabilities Total	$135,806,476	$103,783,939	$105,797,173
Net Assets	$65,839,880	$60,722,889	$61,955,317
Share Capital	$33,783,595	$33,783,595	$33,783595
Asset Revaluation Reserve	$10,788,533	$9,946,305	$9,946,305
Retained Earnings	$21,267,663	$16,992,989	$18,225,417
Total Equity	$65,839,791	$60,722,889	$61,955,317
Current Ratio	0.41	0.72	0.86
Debt: Equity	0.67	0.63	0.63
Return on Equity	4.98%	-1.53%	-1.13%
Return on Assets	1.62%	-0.56%	-0.42%
Profit for the Year %	6.18%	-1.73%	-1.14%

Strategic Objective	Annual Measurable Target	Target	Annual Average
Achieve 50% diesel fuel savings from Renewable Energy generation by 2020 in order to achieve the government TERM target and realistic tariff reductions.	Accumulated Fuel Displacement (%) RE Penetration (%)	50 50	14.5 12.7
Adopting technologies to manage the complexities arising from a digitized and decentralized renewable future.	System Loss (%) Fuel Efficiency (kWh/L)	10 4	10.96 3.93
Improving the network and replacing ageing assets to improve safety, efficiency and reliability of supply.	Reliability (SAIDI Mins) Number of Outages (Blackouts)	<850 <3	378 9
Promote a hazard free safety environment to minimize any danger to both the public and staff.	Number of Incident Reports Number of emergency drills per annum	>175 2	29 1
Improving our business processes to enhance customer/employee satisfaction while supporting a healthy and competent team.	Staff Retention (%) Number of internal audits per annum	>90% 3	99.14% 1

OPERATIONAL HIGHLIGHTS

- Net Loss of $925K as compared to a net profit after tax of $2.2 million in 2019.
- The total number of customer accounts decreased by 1.86 % from 24,054 in June 2019 to 23,607 in June 2020. The customer accounts as at end of June 2020 are made up of: Commercial 4,520 (19.15%) and residential 19,087 (80.85%). There was an increase in demand for electricity by an overall 3.6% from 62.8 million units at end of June 2019 to 65.1 million units at end of June 2020.
- The total number of customer service desk records increased from 1,371 last year to 1,960 this year.
- The total number of reported faults and outages reported by the Fault Unit decreased by 15.6% from 3,442 reported faults/outages in the financial year 2019 to 2,906 at end of June 2020.
- The electricity power tariff was $0.7990 per kWh at the beginning of the 2019/20 financial year and in November 2019 was approved to be $0.8316 per kWh. In April 2020 the tariff was approved to be set as $0.7300 per kWh up to end June 2020.
- As of June 2020, Tonga Power Limited workforce comprised of 221 permanent employees and 40 casual employees at a total of 261 employees and increase of 3.45% as compared with the staff numbers for June, 2019. 25.67% of the total number of all employees are females and 74.33% are male.
- It was a difficult time saying farewell to four (4) of our employees who unexpectedly died during service.
- TPL had a total of 46 appointments which included the appointment of two (2) senior managers.
- A total of 27 employees were promoted to higher positions based on their performance in the 2018/2019 FY.
- We said our farewells to seven (7) of our very senior officers who had faithfully served TPL since its inception in 2008.
- Total generation (diesel plus renewables) in all four islands groups for year ending June 2020 was about 73.2 GWh, an increase from 70.6 GWh in the year 2018/19.
- Total renewable energy generation for the FY 2019/20 year was 9,363 MWh, which was a 38.2% increase from the previous year 2018/19 year figure of 6,775 MWh.
- For the twelve-month period of July 2019 – June 2020, fuel saving from renewable energy was about 2.3 million litres. The fuel saving for the same period last year was about 1.7 million litres. Cumulative fuel savings in $TOP terms for 2018/19 and 2019/20 were $TOP 2,849,015 and $TOP 3, 576,002 respectively.
- Over 4300 Capital and Operational works were estimated by the distribution design and planning team this year.
- Almost 1000 LED Street Lights were installed this year across all four islands.
- Customer connections decreased slightly from 691 to 599, with the impact of TC Harold and Covid-19 contributing to the decrease.
- TC Tino and TC Harold caused disruption to the power supplies on Ha’apai, Tongatapu and ‘Eua. TC Harold having the biggest impact and taking 4 days to restore power fully on ‘Eua and Tongatapu.
- During the national COVID-19 lockdown in March a special operations register was exercised and proved to be a good exercise in preparation for further or more extensive lockdowns.
- The overall system losses for all four-grid island system have decreased significantly from 16.01% in 2011 to 10.96% as at end of June 2020.
- There was a total of 2,900 planned and unplanned fault events recorded in the financial year 2019/2020.

CORPORATE GOVERNANCE

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

Board of Directors

The primary function of the Board of Directors is to provide effective leadership and direction to enhance the long-term value of the company to its shareholders and other stakeholders. The Board oversees the business affairs of the company and all directors exercise due diligence and independent judgement and make decisions objectively in the best interest of the company.

The Board is also responsible for setting the right direction from the top and ensuring that a robust governance structure is in place to enable the company to succeed and deliver long-term sustainable growth.

In 2019 and 2020, Board meetings were held twelve (12) times and the attendance of each member is tabulated below.

As at the 30th June 2020, the Board composition was as follows together with the number of Board meetings attended:

Director	Jan 2019 – July 2019	Number of Board meetings attended
Dr. Steven Halapua	Board Chairman	12
Nailasikau Halatuituia	Deputy Chairman	12
John Paul Chapman	Director	12
Seventeen Toumo'ua	Director	12
Sione Taione	Director	12

Board Sub-Committees

The following subcommittees met a total of thirty (30) times and included membership from the Board in order to assist in advisory functions:

- Land Subcommittee
- TPL Review Subcommittee
- TPL Risk and Compliance Subcommittee
- TPL Reset Subcommittee

Policy-Based Corporate Governance

The company continues to implement several policies based on corporate governance to ensure that all employees including the Board are committed to the principles of corporate governance standards consistent with best practices. The following policies included:

1) Directors Code of Conduct
2) Board Conflict of Interest Policy
3) Amended Policy
4) Staff Administration Policy

CEO's STATEMENT

2020 was marked as the "**Year of Delivery**" and 12 years since the foresight and vision of our Government leading to the establishment of **Tonga Power Limited** (**TPL**). With an Asset Value of around **$164 million** comparative to **$58 million** in 2009, it stands a testament on TPL's focused Investment and Vision of "**Powering the sustainable development for our Kingdom**" to ensure our Electricity Networks and Operations are prepared for the future.

The global impact of COVID-19 coupled with more severe and regular cyclonic events has reminded us all of the need for Essential Services to perform in times of crisis. TPL prides itself as a provider electricity across the 4 main islands, and as an implementing agency to energy related projects. Serving communities 24 hours a day, 7 days a week with an added smile is at the heart of what we do.

The past year has been a busy one for TPL as we continued to press towards Tonga's Sustainable Development Goals and Nationally Determined Contribution for Renewable Energy and investing in our core operations to ensure safe, reliable and affordable service as part of staying focused, and ensuring our infrastructure performs consistently for the benefit of our consumers. The organisation has continued to deliver against its work programme while embedding its first local Chief Executive and changes to the Board of Directors. We have reached significant project milestones most notably the **Tonga Renewable Energy Project** (**TREP**) and **Nukuálofa Network Upgrade Project** (**NNUP**) while continuing to respond to a rapidly changing environment.

Our electricity business connected 596 new customers and invested $7 million to ensure our operations continue to serve our community reliably into the future. It's the stepping stone to a $33 million planned 5-year investment programme to renew older equipment, and cater for growing capacity as our country continues to grow and diversify into a greener future. We continued to evolve our Electricity Infrastructure to enable increasing integration of technologies such as Wind power, Solar power and Battery Energy Storage Systems while keeping base load of our traditional thermal Generators. Key milestones this year included:

- The submission of the electricity price review Regulatory Reset to the Tonga Electricity Commission.
- Substantial progress in contract signing under TREP and site works under NNUP as a step in supporting more complex energy flows, including implementing common industry standards and frameworks, and modernisation of the way we communicate and work with customers.
- Maintaining the continuous operation of the aging Generation Assets.
- Mitigating and adapting to the impacts of Covid-19 and TC Harold.
- Dividend payment despite the financial challenges faced by the Company at managing a tariff freeze.

Demand for connection to our new networks remains positive, averaging 25% annual increase with a total of around 23,600 customers across the 4 islands. Despite the impacts of Covid-19 and TC Harold, the Energy demand continued to increase by 4%. Safety, effective programme delivery, and investing in local workforces of now 262 strong, remained critically important to TPL and our Shareholder, and we made material investments in each of these areas this year. Financially, we did not achieve our group NPAT resulting in a negative $925 thousand, but managed to support with the Shareholders subsidy, effective balance of pricing discounts, reinvestment, and total debt. As part of this balanced approach, we returned 75% of Dividend equivalent to $1.98 million.

Making the right strategic decisions has been underpinned by a focus on partnerships and trusted relationships with our Shareholder, Development Partners and Communities to ensure our services provide maximum value. The early stages of the COVID-19 outbreak reminded us all why our essential service to our customers matters. Our networks and staff performed well in keeping power available over the lockdown period and TC Harold, a critical contribution to the families and businesses who rely on our services when it mattered most. The body of this report includes other examples of our commitment to effective relationships, such as collaboration with our Shareholder and Development Partners to improve TPL's outcomes in facilitation of business and community networks, training and capacity building, wellbeing initiatives and local sponsorships.

Overall, we have been pleased how the 261 strong Tonga Power Limited Team has focused on the things that matter this year. Their performance embodies Our Vision, Our Mission and Our Values, being mindful, being present, being safe, working together to earn the trust and owning the outcome.

As highlighted by the **Tonga Strategic Development Framework II** (**TSDF II**), electricity is a key driving force of economic development which in turn fuels better living standards. Our Mission is to provide safe, reliable affordable and sustainable electricity services for Tonga. And to do this by harnessing 50% of electricity requirements through renewable sources all the while remaining financially stable.

We look forward to doing our part to continue to support Tonga's recovery from the COVID-19 pandemic and its associated impacts.

Respectfully,

Setitaia Pasivaka Chen

Chief Executive Officer

REVIEW OF 2020

CUSTOMERS

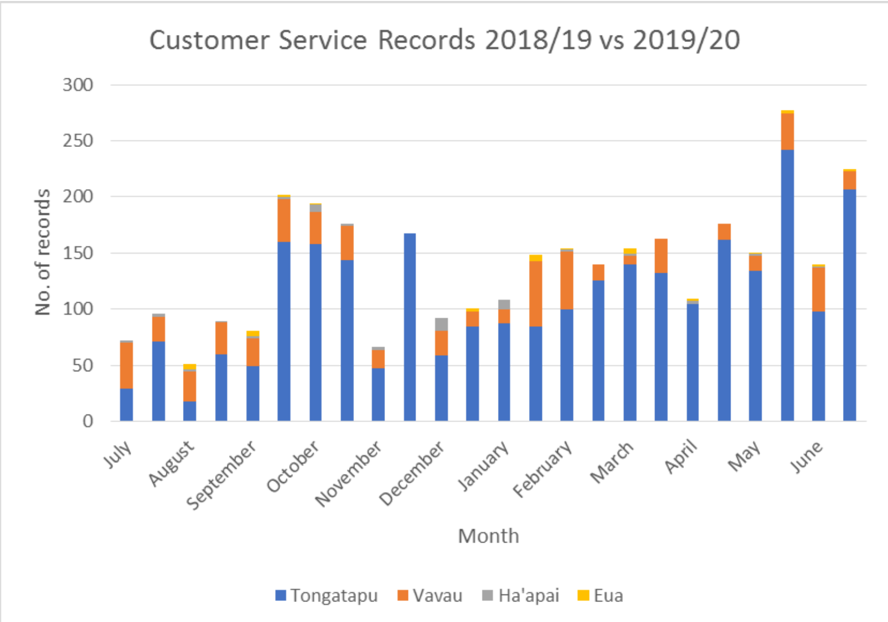
The total number of customer accounts decreased by 1.86 % from 24,054 in June 2019 to 23,607 in June 2020. The customer accounts as at end of June 2020 are made up of: Commercial 4,520 (19.15%) and residential 19,087 (80.85%). The decrease in customer accounts is attributed to COVID-19 and the effects of TC Tino and TC Harold.

Smart Meters are currently installed in the main island Tongatapu. As of June 2020, there are 1,677 smart meters remaining to be installed (both single and three phase) and is anticipated to be completed by the end of December, 2020.

There was an increase in demand for electricity by an overall 3.6% from 62.8 million units at end of June 2019 to 65.1 million units at end of June 2020. The increase in electricity consumption in the commercial and residential sectors largely is a result of improved network and anticipated to continue as the NNUP progresses.

Customer Service

The Customer Service front desk and the Fault team continued its outstanding performance in the year ending June 2020 as the total number of customer complaints increased from 1,371 last year to 1,960 this year. 242 complaints for Tongatapu were all in the month of May 2020 although most were not complaints but mainly customers seeking clarifications on their power bill invoices.



The marketing and communications team had pushed information to the public that they can received their bills online and because of COVID-19 a big influx in requests to register to get their bills emailed to them resulted. Customers were informed accordingly of their issues and payment options so as to avoid disconnection. Customers concerns relating to bills not received and requesting their bills to be sent via email has increased tremendously over the years indicating our customers are increasingly using our online bill services. The team are working closely with the banks, our IT division and customers to avoid similar event from happening again in futures. The two days threshold for addressing customer queries stipulated in the Concession Contract II however was being strictly adhered to.

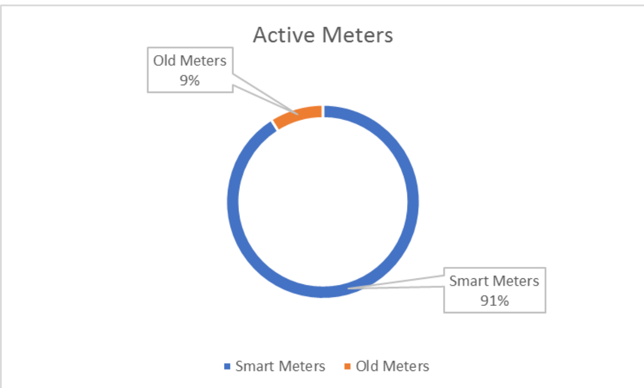
Other complaints have been reported directly to the Office of the Ombudsman in which was handled well by the Risk and Compliance and Human Resources divisions of the company.

The total number of reported faults and outages reported by the Fault Unit decreased by 15.6% from 3,442 reported faults/outages in the financial year 2019 to 2,906 at end of June 2020, reflecting largely the improved network. Most of the reported faults during the period were mainly in areas of the CBD – covered in the Nuku'alofa upgrade scope.

The Fault Unit continues to operate 24 hours, 7 days a week with the main Contact Centre at the Lakalakaimonu Complex at Matatoa, Tofoa while the customer service counter closes at 5.00pm from Monday-Friday.

Smart Metering Customers

Tonga Power is currently on phase 2 of the project, deploying 15,000 meters. This continues from phase 1 which was completed in 2018. Phase 2 is expected to complete at the end of this year 2020 then will continue on with any remaining new connections estimated to be around 1000 customers (phase 3). Despite the challenges faced in the early stages of this initiative such as network issues and ongoing customer queries on how the system works, the benefit of this initiative has proven to outweigh the costs. Smart meters are read automatically and does not require meter readers to visit homes, it offers alternative methods of billing such as customers having the option of changing from a 'credit account' to a 'prepayment account' without having the meter replaced, no disconnection fee to be paid, and it will also allow Tonga Power to monitor very closely the quality of power it provides to its customers. Tonga Power will be able to manage its customers better once the project is complete.



Electricity Tariff

The electricity power tariff was $0.7990 per kWh at the beginning of the 2019/20 financial year and in November 2019 was approved to be $0.8316 per kWh although customers did not notice the change due to the government electing through a Government Policy Obligation to subsidize the difference in tariff. In April 2020 the tariff was approved to be set as $0.7300 per kWh. The lifeline tariff and government policy objective was financed by TPL itself as Tonga Power had paid dividend to Government for the year.

The electricity subsidy threshold offered to residential customers using less than 100kWh per month which became effective in April 2017 ceased in June 2020 due to very low oil prices due to COVID-19. The low oil prices translated to low electricity tariffs enjoyed by all residential, non-residential and Government.

The review of the customer bond is ongoing, based on the consumption pattern changes. All new connections are required to pay a customer bond upon connection.

Bill payment continues to be collected through the following means of payments:

- Internet Banking (ANZ, BSP and TDB)
- Digicel Mobile Money & Klickex
- EM Jones
- Outer Islands offices
- Waste Authority offices
- Tonga Water Board offices
- Western Union
- Home Gas offices
- Online Self Service

With the newly Multi Utility Complex building, this serves as a one-stop shop where you can pay your utility bills in one office. Disconnection and reconnection remains free of charge although a fee is being considered for urgent requests for reconnection.

INFORMATION TECHNOLOGY

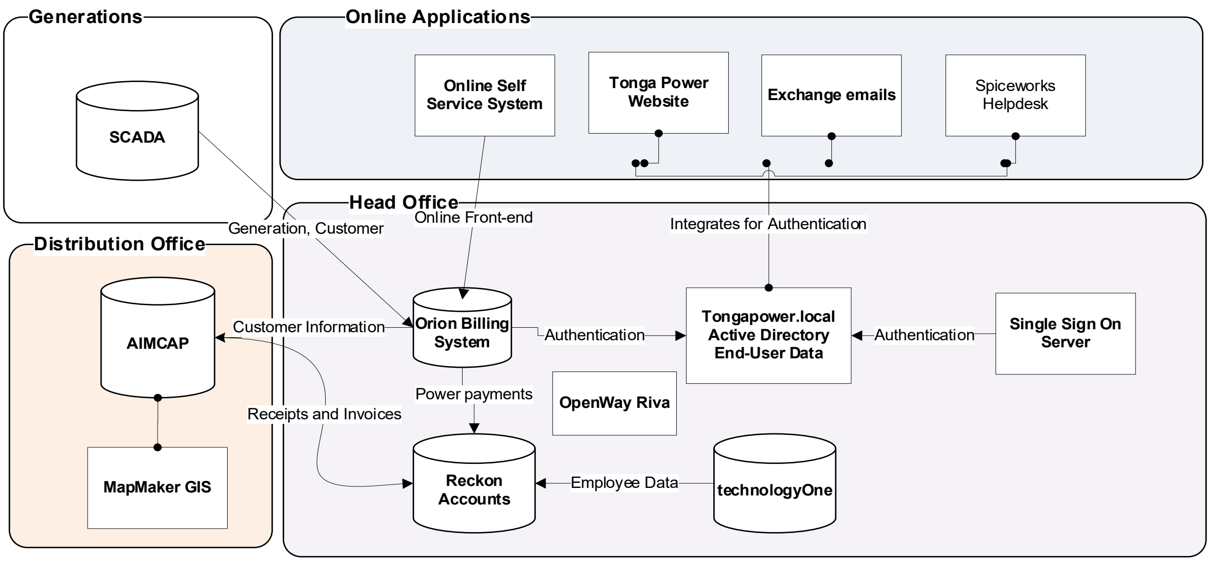
The Departmental Mission Statement is to provide timely and secured services to the TPL staff, customers and shareholders.

IT Network Infrastructure

The IT New Network Infrastructure was designed by TPLs IT Department with Network Service Provide (NSP). The new infrastructure has run very successful at the Lakalakaimonu office complex. The New Network consists of all Tonga Power, Tonga Water Board, Waste Authorities, and Tonga Gas/Home Gas's applications and communications. The IT infrastructure at the Lakalakaimonu complex continued to evolve and grow this financial year and now accommodates Security Doors, Finger print time clocks and Security Cameras.

TPL's application infrastructure is the integral part of the business. In reference to Figure 1, this structure was built over the years to enable the Company's operations to deliver the best services and solutions to customers, employees and shareholders.

Figure 1: TPL's IT Infrastructure



The most essential systems that IT is responsible for maintaining to support our strategic goals are as follows:

1. Orion Billing System
2. Supervisory Control and Data Acquisition (SCADA)
3. Integrated Technology One System – Finance, HR, Payroll, Asset Management System, Risk & Compliance
4. Reckon Accounting Software (Quickbooks) running parallel with the TechOne Finance Module
5. Geographical Information System (GIS)

Common Billing

The IT Department has inherited the Orion Billing System. With the Tonga Water Board, Waste Authority Limited joining the integration for a common structure it is clear that having a new common billing platform developed would greatly improve the working amongst these companies. Thus, a new common billing was developed by AgilityCIS to integrate all billing of each company to one system.

The new billing platform will include all companies with each respective product such as Water, Power, and Waste including all features of the new billing system. The Common Billing was on hold to allow us to move into our New Utility Building but has recommenced development this financial year.

Online Self-Service\Online Payment

Outer Islands.

Online Self-service is a web access that enables Tonga Power Limited customers to login and view all details from latest Invoices to all previous Transactions, meter reads and many more. This also allows customer to pay their bills online. This is already active for Tongatapu customers, and development work together with AgilityCIS to expand this feature to outer island customers has progressed well this financial year.

HUMAN RESOURCES

Throughout the 2019/2020 FY, the Human Resources Division supported the Strategic Business Plan by closely monitoring its strategic objectives and annual targets as highlighted below;

Strategic Objectives	Annual Measurable Targets	Annual Average
Invest in a healthy, well-educated, skilled and gender balanced workforce	Absenteeism Rate <5%	2.54%
Enhance staff development and training to increase the value-added to our business	Staff Training Register >90%	25% formal training
Invest in excellent business processes and systems in order to improve operational efficiency and quality of services to employees	Increase employment satisfaction (Turnover Rate <5%) Staff retention rate >95%	1.07% 99.14%

TPL Workforce

As of June 2020, Tonga Power Limited workforce comprised of 221 permanent employees and 40 casual employees at a total of **261 employees** distributed throughout Tongatapu, Vava'u, Ha'apai and 'Eua.

Our total employee numbers increased by 3.45% by June, 2020 as compared with the staff numbers for June, 2019.

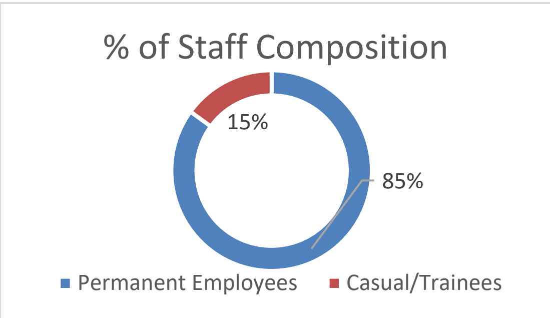


Figure 1: Staff Composition

Staff numbers as depicted in the following graph, has continued to increase over the past seven (7) years. This is attributed to the demands of our major projects currently in place which includes the NNUP, OIEEP and the efforts towards achieving 50% Renewable Energy by the end of 2020 which requires more manpower.

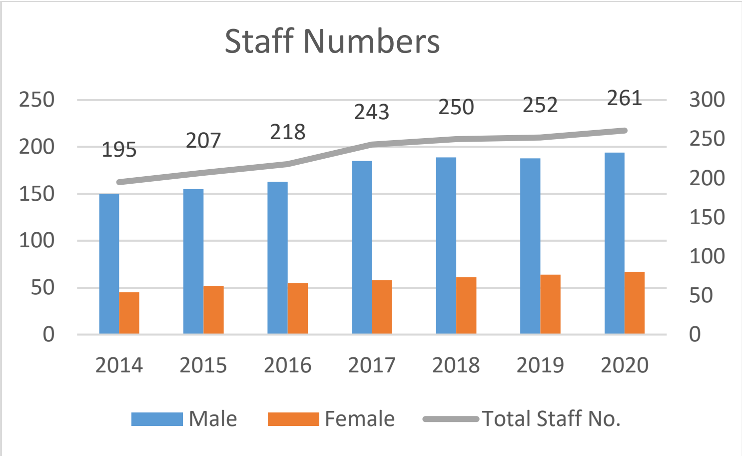


Figure 2: Total staff numbers (2014 – 2020)

Despite our increasing staff numbers, we are still able to continue to maintain a high staff retention rate in the past 2 years which is above the annual target of 95%.

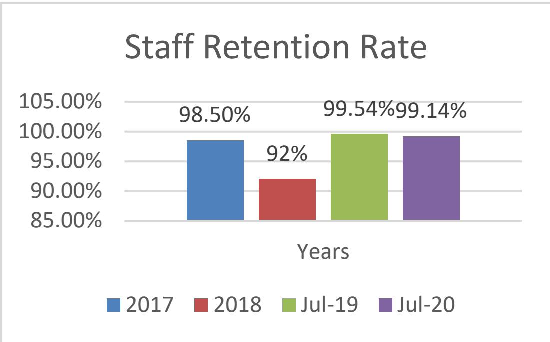


Figure 3: Staff Retention Rate

In terms of gender composition, about 25.67% of the total number of all employees are females and 74.33% are male.

26%

74%

While this reflects the nature of our work as a male dominant organisation, it is still very encouraging that we have continued to grow in our female numbers over the past seven (7) years as follows;

Table 1: No. of female employees, 2014 - 2020

Year	2014	2015	2016	2017	2018	2019	2020
No. of females at TPL (excluding trainees)	45	52	55	58	61	64	67

We are committed to continue supporting our female students and interns who are back during their school break and are engaged as trainees. We will also endeavour to push for more gender equality policies at the workplace and advocate for more females in our technical fields.

HR Team

In September, 2019 the Human Resources Manager, Ms 'Alisi Tu'inukuafe took voluntary redundancy after faithfully serving the electricity sector for 17 years and over 10 years with TPL. Ms Tu'inukuafe's dedicated service and positive contribution was acknowledged by the CEO, senior management team and especially the HR team.

Ms Tu'inukuafe was replaced by Mrs Tupou Falemei Fale in October, 2019. Mrs Fale brings with her extensive HR experience in Government at the Tonga Public Service Commission and the Ministry of Police.

The HR team consists of four (4) employees which is made up of the HR Manager, Senior HR Officer, Senior Payroll Officer and a Junior HR Officer. The team brings different dynamics and perspective which contributes to understanding the different cadre of employees at TPL.

HR Outreach & Performance Review

The new HR Manager and the junior HR officer were able to visit all three (3) outer islands (Vava'u, Ha'apai and 'Eua) in December, 2019. They held a one to one meeting with each employee to discuss any HR issues they may have and remind them of their responsibilities and contribution to the company. During that same visit, the outcome of the annual performance review for the 18/19FY were distributed.

Employees in Tongatapu were also individually visited by the Senior HR Officer for the distribution of their 18/19FY performance review and to provide advice to those that needed to improve performance or had any query about the outcome of their performance review.

The HR team is committed to ensure that it continue to engage with staff in the outer islands to address their concerns which are often not brought to the forefront as compared with staff here at Tongatapu.

Trainings (Short term & Scholarships)

We continue to support capacity building and training for our employees. As such, the HR team was able to facilitate First Aid Training in July, 2019 for 36 employees, conducted by the Tonga Red Cross which highlights the importance of health and safety at work. Leadership training was also provided for Level 1 & Level 2 Managers conducted by Ms Katrina Ma'u. Due to lack of funds, the majority of trainings attended by TPL employees were trainings offered from donor partners or foreign country aid which included, Renewable energy and diesel power generation in August in Japan, Homer software training in the US, Sustainable Electricity Access in Pacific Island Countries, Fiji, Seminar on the Upgrading and renovation of urban and rural grids for developing countries, China and Clean Energy Application Courses, China. A total of 67 employees (25%) were able to attend some form of formal training over the period July – December, 2019. Over 35 Staff have successfully completed their L4 Line Mechanic course as well as 6 Cable jointers and we also have 33 new applicants this year pending travelling easements.

Between the period January – June, 2020, the HR team assisted in completing training forms for Malaysia and Fiji. However, given the impact of the COVID-19 around the world which resulted in border closures, all trainings were cancelled or deferred.

All Divisions however, continued with their own informal trainings. This included a training in preparation for the impact of COVID-19 whereby staff of the Engineering department joined a training with the Power Generation team. This is to ensure that if staff at Power Generation are incapacitated due to COVID-19, trained staff from other divisions would be able to step in and take on the duties for Power Generation thus ensuring the continuity of uninterrupted power supply for the country.

Three (3) of our employees are currently on study leave which is Ms Jenny Lalahi who is completing a Bachelor of Accounting at the University of the South Pacific, Mr Samuela Finau who is completing a Diploma in Renewable Energy from the University of the South Pacific and Mr Peifaga Fuiono who commenced his study towards his Master in Information Technology at Queensland University of Technology, Australia in January, 2020. All three (3) employees are bonded to return to TPL upon completion of their degrees.

We continue to increase the casual trainees from TIST coming into the workforce through the NNUP project, distribution & mechanics and the design & planning divisions.

The above, are some of the training and development programs that the Company is committed to in order to enhance staff development and training so as to increase the value added to our business.

Died in Service

It was a difficult time saying farewell to four (4) of our employees who unexpectedly died during service, Mr Siaosi Vaka'uta, Design and Planning Manager, Mr Taufa Vaka, Ha'apai Branch Manager, Mr Tevita Vilisoni Toili Latu, Foreman Meter Technician and Mr Tupola Tupou Tupola, Senior Power Station Technician. Their passing is a great loss for TPL and they are fondly remembered for their substantial contribution to the company and also to staff under their supervision and fellow colleagues.

Staff Movement

Appointment

TPL had a total of 46 appointments which included the appointment of two (2) senior managers (i.e. HR Manager and Mr Viliami Ongosia as Design and Planning Manager). The appointment of Mr Finau Katoanga and Mr Paini Lie who have returned after completing their Engineering degrees from Universities in Australia and Fiji. The appointment of Mr

William Fonua as a Project Manager. The majority of the 46 appointments however were trainees.

Promotion

A total of 27 employees were promoted to higher positions based on their performance in the 2018/2019 FY. For the period January – June, 2020, only four (4) promotions were made which were to replace the Branch Manager for Ha'apai, Disconnection and Reconnection Supervisor, Faults Supervisor and IT Supervisor. Hence a total of 31 employees were promoted throughout the year.

Voluntary Redundancy & Retirement

We said our farewells to seven (7) of our very senior officers who had faithfully served TPL since its inception in 2008. These employees are remembered fondly by their colleagues for their dedication and the wisdom they leave behind;

Table 2 Voluntary Redundancy

Name	Position
Mr Samuela Moala	Senior Foreman
Ms 'Alisi Tu'inukuafe	HR Manager
Mr Taniela Tonu Latu'ila	Power Station Technician (Ha'apai)
Mr Paulo Lolohea	Power Station Security Officer (Vava'u)
Mr Sione Havea	Power Station Mechanical Supervisor
Mr Simione Tu'ungafasi	Lines Supervisor (Vava'u)
Mr Koliniasi Palu	Faults Supervisor

Resign

Seven (7) employees resigned and took up other opportunities in different work areas outside of TPL. One of those that resigned was our Senior Manager for Major Projects Mr Simon Wilson who was successful in his application as Project Manager for the Tonga Renewable Energy Project.

Termination & Dismissal

Six of (6) our employees were either terminated or dismissed due to breach of work policies.

Tonga Institute of Science and Technology students returning to school

Thirteen (13) of our trainees returned to school to complete their courses with TIST.

Way Forward

The HR team has set its major activities and strategic targets for the coming financial year as depicted in figure 4 below;

December, 2020	June, 2021	June, 2022
YEAR 1	**YEAR 2**	**YEAR 3**
Review all JDs	Develop Skills & Career Pathways	Establish staff feedback and survey
Develop Competency framework	Develop a policy feedback system	Establish certified trainers in TPL
Review the Performance Management System	Develop a bonus and incentive framework	Ongoing review of HR policies
Review Recruitment Policy & Procedures	Develop a code of ethics and conduct for employees	HR-ERP system to go live
HR records to be digitized	Ongoing training and support of staff performance	Management Leadership Program
Review HR related policies	Develop a Salary Structure	
Develop succession plans	Develop Standard Operating Procedures for HR	
Induction & Onboarding program	Establish a TPL training plan	
Staff policy for Pandemics		

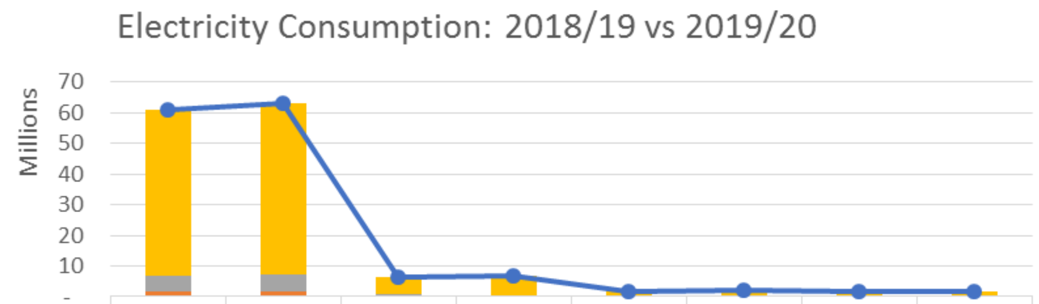
Figure 4: Major activities for the HR division

We will continue to support TPL in ensuring human resources matters are addressed and managed and that we continue to build a work culture that is based on trust, accountability, transparency and integrity to ensure the success of TPL.

PRODUCTION AND SUPPLY OF ELECTRICITY

Generation vs. Consumption

Total generation (diesel plus renewables) in all four islands groups for year ending June 2020 was about 73.2 GWh, an increase from 70.6 GWh in the year 2018/19. Out of the total power generated, 65.1 GWh were billed to the customers and parasitic and line losses contributed to 2.1 GWh (2.92%) and 5.9 GWh (8.09%) respectively. The individual island generation and consumption are shown in the graph below.



	Tongatapu		Vava'u		Ha'apai		'Eua	
Billed	53,802,79	55,798,765	5,800,396	6,142,005	1,697,116	1,688,816	1,491,638	1,552,331
Line Losses	5,328,028	5,284,146	565,618	441,348	102,420	137,897	46,797	62,845
Parasitic Losses	1,589,371	1,880,573	139,452	140,931	84,410	121,593	28,241	26,997
Generated energy	60,720,19	62,963,48	6,505,466	6,724,284	1,883,010	1,948,306	1,566,676	1,642,173

A comparison of the increase/decrease of power generation and consumption from FY 2019 to FY 2020 is shown in the table below.

Generation & Consumption Variance from 2018/19 to 2019/20				
	Generation	Billed	Parasitic Losses	Line Losses
	Increase / Decrease	Increase / Decrease	Increase / Decrease	Increase / Decrease
Tongatapu	3.7%	3.7%	18.3%	-0.8%
Vava'u	3.4%	5.9%	1.1%	-22.0%
Ha'apai	3.5%	-0.5%	44.1%	34.6%
'Eua	4.8%	4.1%	-4.4%	34.3%
Total	3.8%	3.3%	14.8%	11.5%

Tongatapu’s 12-month generation increased by 3.7% over the year which is in line with the rise in total consumption. In general, an increase in overall generation in all islands correlates to the increase in consumption except for Ha’apai where consumption appears to have decreased. This is considered a result of the network issues due to the tropical cyclones that affected Ha’apai during the financial year.

Line losses for Vava’u has shown a significant improvement as compared to FY 2019 levels as the network upgrade progresses. While ‘Eua and Ha’apai line losses have increased as compared to FY 2019 levels, these are considered acceptable and will be monitored closely.

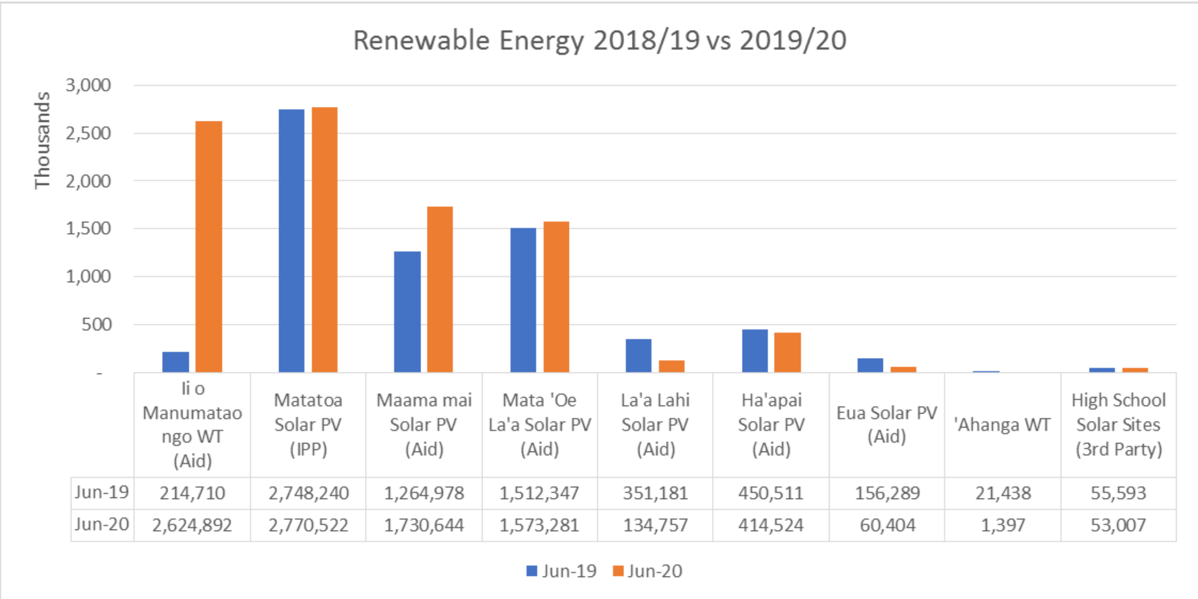
Tongatapu and Ha’apai parasitic losses increased owing to the introduction of the Wind Turbines in Tongatapu and challenges with the battery storage system in Ha’apai.

Tongatapu line losses decreased over the period validating the great work being done through the Nuku'alofa Network Upgrade Project (NNUP).

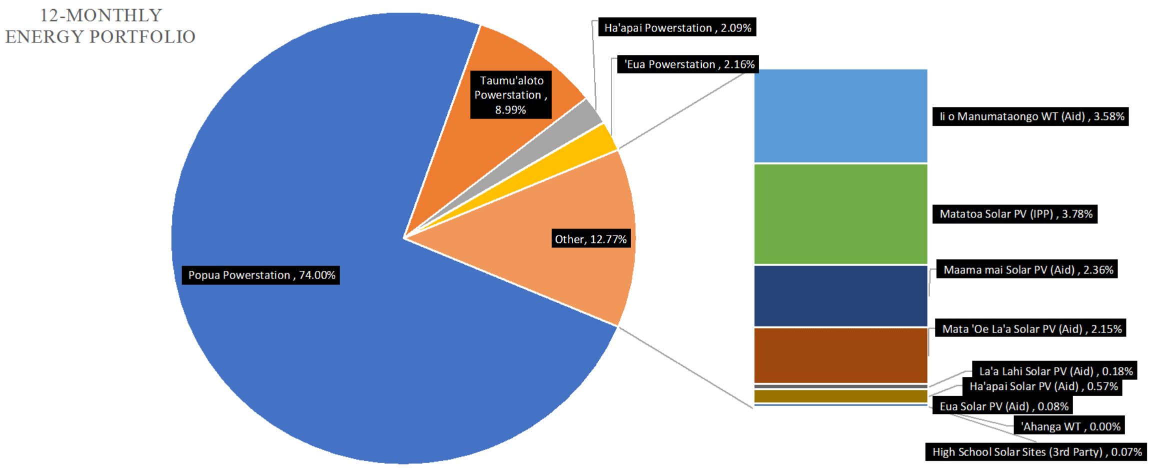
Renewables Generation

The nature of solar PV generation without storage, limits its usefulness to daytime only. Total renewable energy generation for the FY 2019/20 year was 9,363 MWh, which was a 38.2% increase from the previous year 2018/19 year figure of 6,775 MWh. Renewable energy as a fraction of the total electricity generation across all 4 island grids is 12.78%.

The graph below shows the contribution to renewable generation from each renewable energy plant. Matatoa' s contribution was the highest at 30%, then Ii 'o Manumataongo at 28%, Maama Mai at 18% then Mata 'o e La'a at 17%. The rest are shown in the graph below.



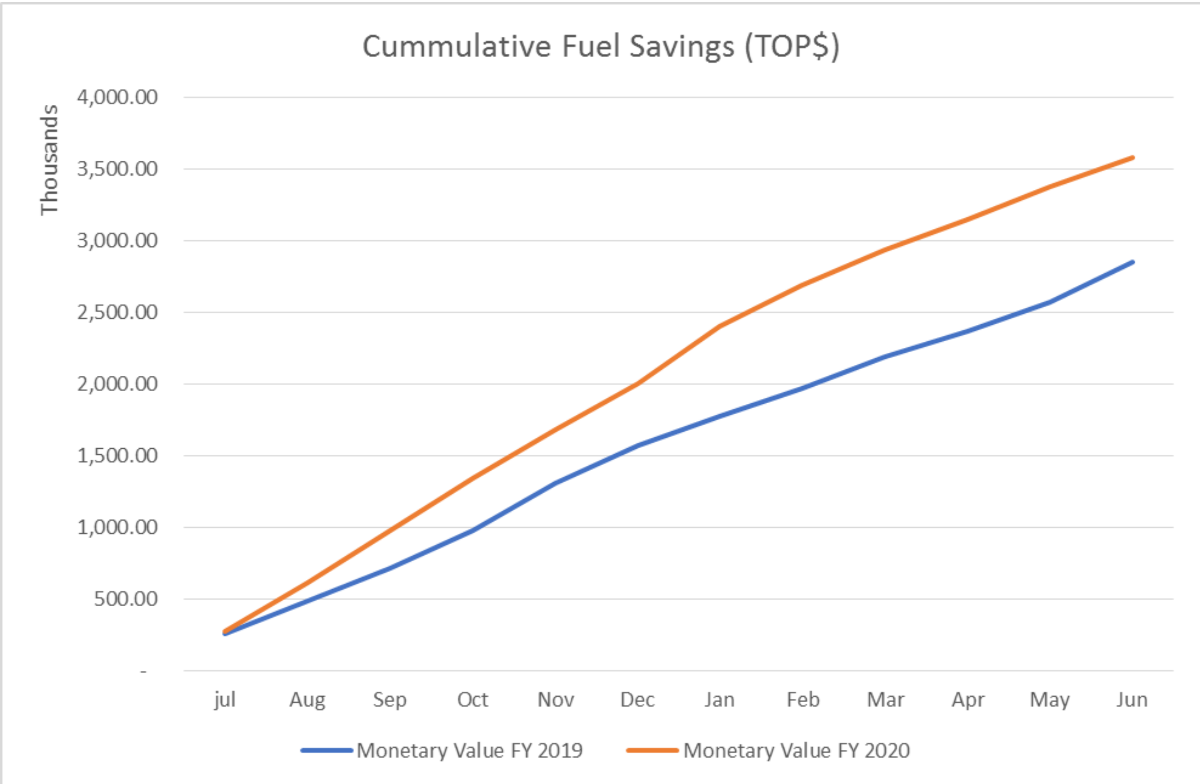
The chart below shows all generation mix connected to the grid and how each sector contributes to overall generation as at June 2019.



Fuel Saving from Renewables

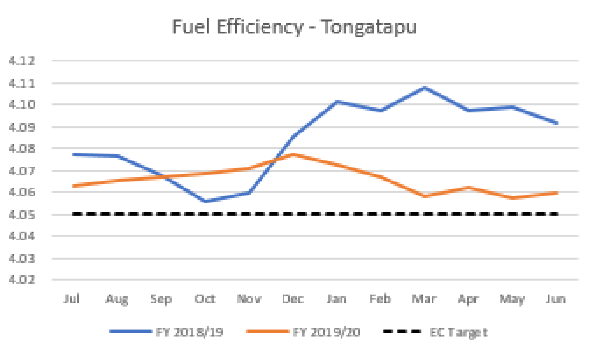
Because TPL's tariff is the same for all four islands, the savings produced by the renewables is shared by all consumers. For the twelve-month period of July 2019 – June 2020, fuel saving from renewable energy was about 2.3 million litres. The fuel saving for the same period last year was about 1.7 million litres. TPL's overall diesel fuel consumption increased by 0.98% and overall fuel displacement was 14.5%.

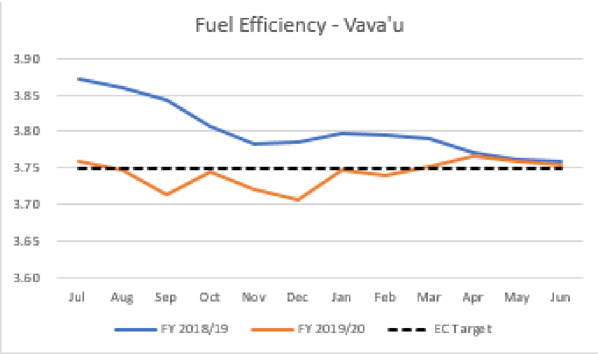
The following graph shows the accumulated fuel savings in Pa'anga of fuel for years 2018/19 and 2019/20. Cumulative fuel savings in $TOP terms for 2018/19 and 2019/20 were $TOP 2,849,015 and $TOP 3, 576,002 respectively.

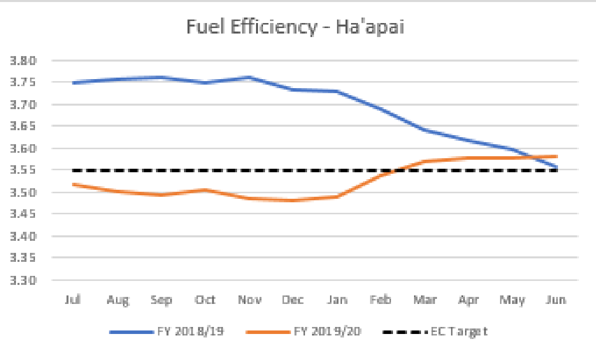


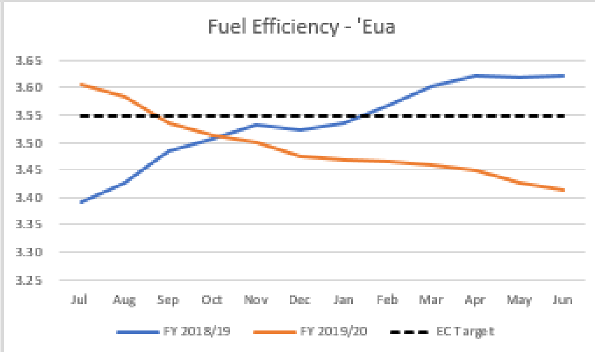
Fuel Efficiency

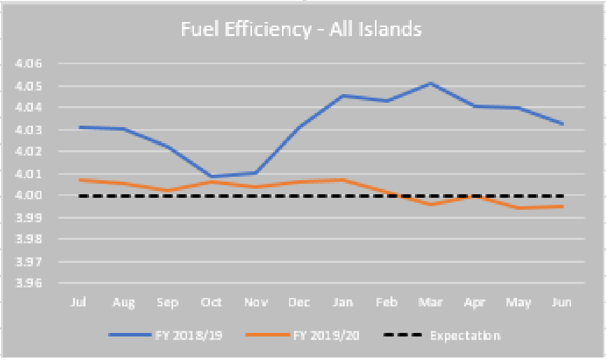
Fuel efficiency is the measure of the number of kWh generated per one litre of diesel. The higher the fuel efficiency, the better the performance.











The graphs above show that TPL has been operating above the fuel efficiency targets on Tongatapu. In Vava’u and Ha’apai for the majority of the financial year they had been operating below the fuel efficiency target but came above the fuel efficiency target towards the end of the financial year.

In ‘Eua fuel efficiency has continually deteriorated throughout the reporting period. For Vava’u, the low fuel efficiency is attributable to some of the generation challenges associated with the network upgrades (numerous planned and unplanned outages) as well as generator maintenance challenges.

In Ha’apai and ‘Eua the challenge is largely attributable to having to run the generators at very low load thereby leading to a reduced fuel efficiency due to the intermittent solar plants. This however has a corresponding positive impact on the fuel tariff. An ongoing dialogue with EC to clarify the company position during the Concession Contract reset process has resulted in a better relationship between the targets and the effect of Renewables and the increased focus on customer services.

DISTRIBUTION

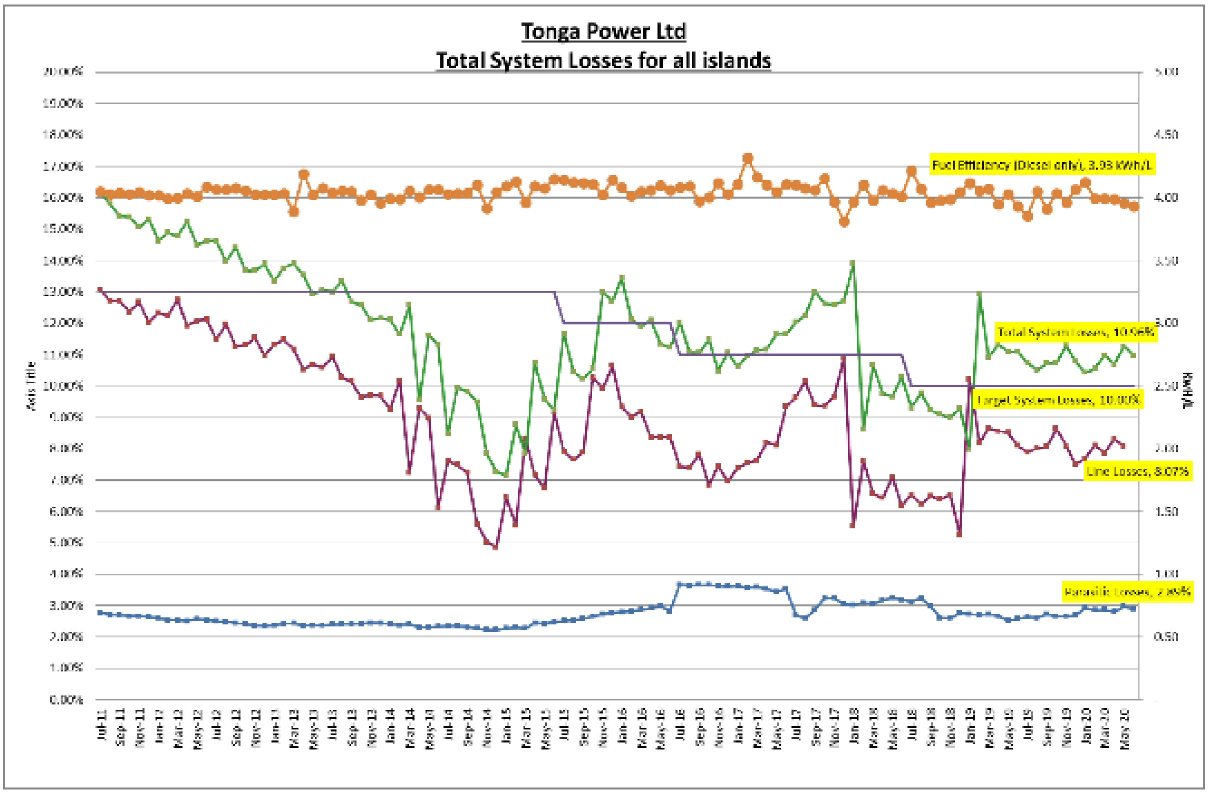
The Distribution Division continues to develop in a coordinated effort and turn objectives set forth in the Business Plan into milestones which in turn continues to put TPL as one of the leading Power Utilities in the South Pacific. Several major capital works and projects have been undertaken and accomplished.

- The Nuku'alofa Network Upgrade Project continues to push forward strongly with works in Area 2 completed in June 2020 and are targeting December completion for Area 1. Funds has been received to begin implementing Area 3 in Q1 2021.
- The Outer Island Renewable Energy Project (OIREP) network rebuilds in Vava'u continued successfully with funds received to cover 100% of the island while Niuatoputapu is expected to start Q1 of 2021.
- Network Upgrade has begun all around Tongatapu in preparation to effectively enable the 50% Renewable Energy Generation
- Over 4300 Capital and Operational works were estimated this year.
- Almost 1000 LED Street Lights were installed this year across all four islands.
- Smart meter installation has accumulated up to 15,000 meters, including communication devices.
- The installation of smart meters provided an effective increase of 2,500 customer disconnection which was also a similar trend on the number of reconnections increase of 1,500 when compared to the previous financial year. The reduction in overhead due to smart meter disconnection have also proven beneficial.
- Slight decrease of customer connections from 691 to 599, with the impact of TC Harold and Covid-19 contributing to the decrease.
- TC Tino and TC Harold caused disruption to the power supplies on Ha'apai, Tongatapu and 'Eua. TC Harold having the biggest impact and taking 4 days to restore power fully on 'Eua and Tongatapu. As always there cannot be enough gratitude to the tireless efforts of all involved especially the lines staff.
- During the national COVID-19 lockdown in March a special operations register was implemented and proved to be a good exercise in preparation for further or more extensive lockdowns.

Safety, teamwork and resource planning will always remain as an integral part for the Department while integrity, leadership and customer service are still the primary focus to improving individual and team performances.

Distribution or Line Losses

Distribution or line loss is the energy lost through the network whilst delivering energy to customers and is measured as a percentage loss. The lower the line losses, the better and more efficient the network is at delivering electricity to customers. The graph below shows the movements of system losses for all island groups against the regulatory target of 10.0% and the contribution of line losses.



The overall system losses for all four-grid island system have decreased significantly from 16.01% in 2011 to 10.96% as at end of June 2020 largely reflecting the improvements to the network. Line losses as a portion of the overall system losses has decreased significantly from 13.17% in 2011 to 8.07 % as at end of June 2020. Over the years, this energy saving has contributed to some reduction in diesel saving and a correlating reduction in the fuel tariff.

We would expect a major improvement in line losses once the NNUP progresses and the Vava'u network upgrade as part of OIREEEP is completed, however complete funding of NNUP is yet to be finalised.

Reliability Measures (Tongatapu)

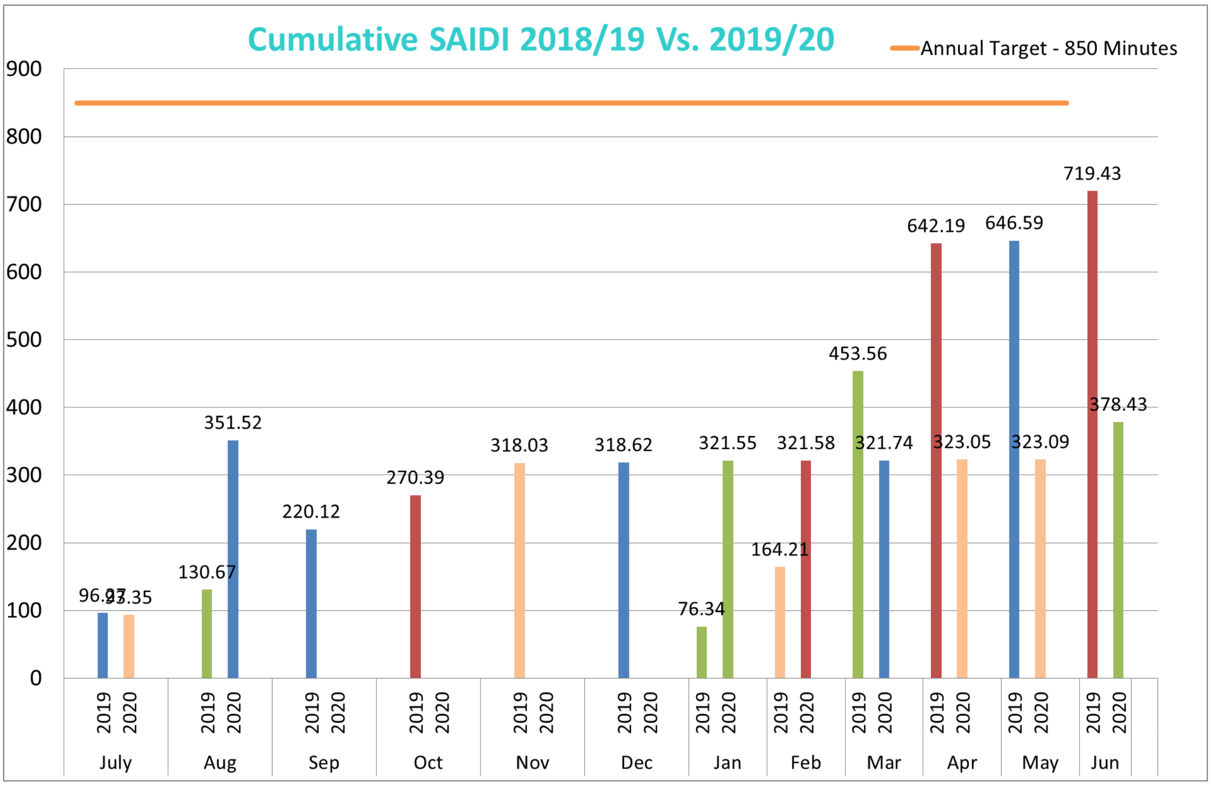
Reliability measures indicate the average interruption time that a customer experiences without power supply due to a network failure and measured for a certain period. One of the key reliability measures is SAIDI (System Average Interruption Duration Index).

SAIDI measures the average total duration of interruption per connected customer. The following graph shows the accumulated SAIDI (in minutes) for the twelve months period from July 2019 to June 2020 compared with the previous year.

During the last twelve months period on average a connected customer has experienced about 378 minutes (about 6 hours) power outage compared to 719 minutes in 2019. This was mainly underpinned by several major planned outages because of the Nuku'alofa upgrade project in addition to unplanned outages from road accidents. There was a total of 2,900 planned and unplanned fault events recorded in the financial year 2019/2020. A total of 8 blackouts occurred in Tongatapu (once for TC Harold), 8 blackouts also occurred in Vava'u, 11 blackouts occurred in 'Eua (once for TC Harold) and 9 blackouts occurred in

Ha'apai (once for TC Tino) during the financial year. There was an average of 9 blackouts across all islands.

It is important to note that extreme events like TC Harold and TC Tino were excluded from this data and currently we use Tongatapu as the benchmark as it has the majority of the customers.



LEGAL, REGULATORY & ENVIRONMENTAL ISSUES

Tonga Power Limited's Risk and Compliance Unit is tasked with its major core function of regulation and compliance enforcement of the Electricity Act 2007, Ministry of Public Enterprises Act as amended and the Concession Contract 2015 for all stakeholders in the Electricity sector as well as the company. Its other functions include (but are not limited to) the following:

- Ensuring TPL compliance with the obligations stipulated under the service levels set out in Schedule 1 of the Electricity Concession Contract.
- Develop, lead and execute risk management strategies and to promote and position risk within the company.
- Ensure key internal controls comply with standards or meet best practise.
- Ensuring compliance with company policies and procedures.
- Liaise with the Electricity Commission on Independent reports on electrocution incidents if it is house wiring related.
- Tariff adjustment and publication.
- Employee's health and safety.
- Public safety and awareness.

Regulatory Compliance 2020 Performance Outcomes

The major achievements as at 31st June 2020 were:

- Collaborating and providing relevant policy & operational information as well as compliance reporting to the Ministry of Public Enterprises:
  - Business Plan 2020
  - Quarterly Reports
  - Asset Management Plan 2020 (AMP) / Business Continuity Plan 2020(BCP)
  - Half Year Performance Report
  - Annual Report 2020
- Compliance reporting to the Electricity Commission met including:
  - Quarterly Tariff Adjustment
  - Audited Regulated Asset Value (RAV)
  - Monthly Progress Report
  - CAPEX Budget and Reconciliation
  - Regulatory Annual Report
- 2020 Tariff Reset
- Public Consultation of the new Energy Bill.
- Increased customer focus and efficiency through attending to customer requests in a timely manner reported to the Board and Ministry of Public Enterprise.
- Ongoing collaboration with relevant stakeholders – information and data requests, complaints, and more.

Challenges faced

- Resource and Timing constraints
- Breaches in system losses and voltage standards are indication of the upgrade works that is currently underway which is inevitable because of the existence of some of the deteriorated sections in TPL's distribution network mainly in Nuku'alofa.
- Breaches of Fuel efficiency standard target of 4.00 kWh/L which has been considered high after Renewable Energy were introduced into the equation.

- Some of the service standards stipulated in the Concession Contract II cannot be achieved due to reason beyond TPL controls such as the 24 hours voltage sampling target, maximum 10 days period for meter testing, etc. These needs revision in the Tariff RESET 2020.
- It is assumed that with the new Energy Bill that is scheduled to be passed in Cabinet this year will resolve the issues that are considered outdated and deficient in the existing By-Laws of 1988 such as the Electrical Wiring, Submarine cables etc.

Risk and Audit 2020 Performance Outcomes

TPL faces the following major business risks:

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

TPL has adopted an enterprise risk management system to meet its specific risk management needs. Enterprise risk management consists of a set of organizational components that together aim to raise the level of risk management effectiveness across Tonga Power. These include risk identification and prioritization, risk strategy, governance and control. It also includes allocation of risk ownership and risk reporting to the respective Divisional Managers on the risk management practices, which is currently being done through the PPRisk Module of the new ERP system.

The following major achievements as at 31st June 2020 were:

- The new ERP system has a Risk and Compliance Module which is currently used for risk management purposes and updated on a regular basis. Having risk owners to update and monitor each of their allocated/owned risk are currently work in progress.
- Findings from internal audit and compliance audits are updated into TPL Risk Register if they are considered a risk that needs to be monitored and addressed.
- Independent Audit Review of Tariff as per Prime Minister's Request.
- COVID 19 Risk Assessment Review.

Challenges faced

- Delay in implementation of risk controls given the costs involved.
- Resource constraint.
- PP Risk Module functions to be fully operational by end of 2020.

Health and Safety

The followings major achievements as at June 2020 were:

- Monthly Health and Safety meetings and relevant issues of interest are escalated to CEO for consideration and information. Respective divisional issues are addressed as needed.
- Ongoing and proactive Public Safety Awareness campaign through talk back shows and radio programmes to ensure that the 50% Renewable Energy glidepath is well understood and received by the public as well as its underlying impact on the tariff.

Other issues of discussion include safety awareness topics and the Nuku'alofa Network Upgrade Project (NNUP).

Challenges faced

- Costs involved in addressing recommendations.
- Outer islands safety visits and spot-checks considered for the next financial year.
- Resource constraints
- Evacuation Plan for new multi-complex Building at Matatoa to be developed- Drills to follow
- Budget constraints.

STRATEGIC DEVELOPMENT PROGRAMME

Ideas, initiatives and activities aimed towards making TPL better and the application of scientific and mathematical principles to develop economical solutions to technical problems. These were the guiding principles for the Strategic Development Unit and Engineering team for the financial year that has passed. The importance and timely implementation of all initiatives and in particular those under the Tonga Renewable Energy Project (TREP) have also been emblematic of the efforts of the previous financial year. Although we are being tested, as all are, by COVID-19 we continue to endeavour to be more creative and innovative in achieving our strategic objectives.   These are the highlights of our contributions towards TPLs 6 strategic objectives to date:

1) **Achieving 50% diesel fuel savings from Renewable Energy generation by 2020 in order to achieve the government TERM target and realistic tariff reductions.**

6MW Sunergise Solar IPP

Conditions precedent were met on 28th of April. Detailed designs were approved on the 23rd of March. All sites have been cleared and equipment are on the ground. Associated network upgrades have been completed, the remaining TPL obligations include underground HV connections, metering, weather monitoring and Fibre connections.

Masilamea Site_PU2   *Liukava Site PU3*   *Fualu Site_PU1*

6MW IPP Solar Power Project Sites_Current Status

2.2MW China Funded Wind Farm

Engineering survey was completed in September 2019. Preliminary design review was completed in January 2020. Chinese counterpart staff were significantly impact by COVID-19 however they did advise that procurement was completed and the project was set to kick-off in September 2020.

3.8MW Wind IPP

Tender commenced August 2019. A preferred supplier was chosen in March 2020 and granted a short term exclusivity. Negotiations are still ongoing due to the high IPP price on offer.

TREP 300kW Vava'u and 350kW 'Eua Solar PV

One of the Outputs of the Tonga Renewable Energy Project (TREP) deliverables the above project is expected to increase renewable energy penetration to 37% on 'Eua and 16% on Vava'u. Both sites include a Battery Energy Storage System (BESS) that are grid forming. The BESS on both sites exceeds the required power/capacity rating which provides resilience against increased consumer loads, natural load growth and higher renewable energy fraction.

Contract awarded in March 2020. Currently in the Design and permitting phase.

6MW GET Solar IPP

PPA signed on the 8th of November 2019. Associated Grid Study was completed with support from the Pacific Power Association in April 2020. Financial due diligence is still being undertaken and detailed designs are yet to be submitted.

Biogas (Tonga Circular Economy System or TCES Project)

Under the leadership of MAFF and MEIDECC a feasibility team comprising membership from energy, protein, cropping and private sector stakeholders was established. The feasibility teams initial objective was to evaluate and analyse viability of a TCES and determine whether to proceed to a conceptual planning phase. Providing actionable confidence to the Agriculture Sector Growth Committee (ASGC) regarding the envisaged pathway, structures and milestones. On the 24th of April 2020 the feasibility team unanimously determined a 'Go' recommendation for the Tonga Circular Economy System. This was also endorsed by Cabinet on the 17th of July 2020.

Distributed Generation

This continues to grow as an area of interest for investment by the private sector in Tonga, particularly from the agriculture, fisheries, education, hospitality and tourism sectors who face growing electricity costs. These are key highlights from the year:

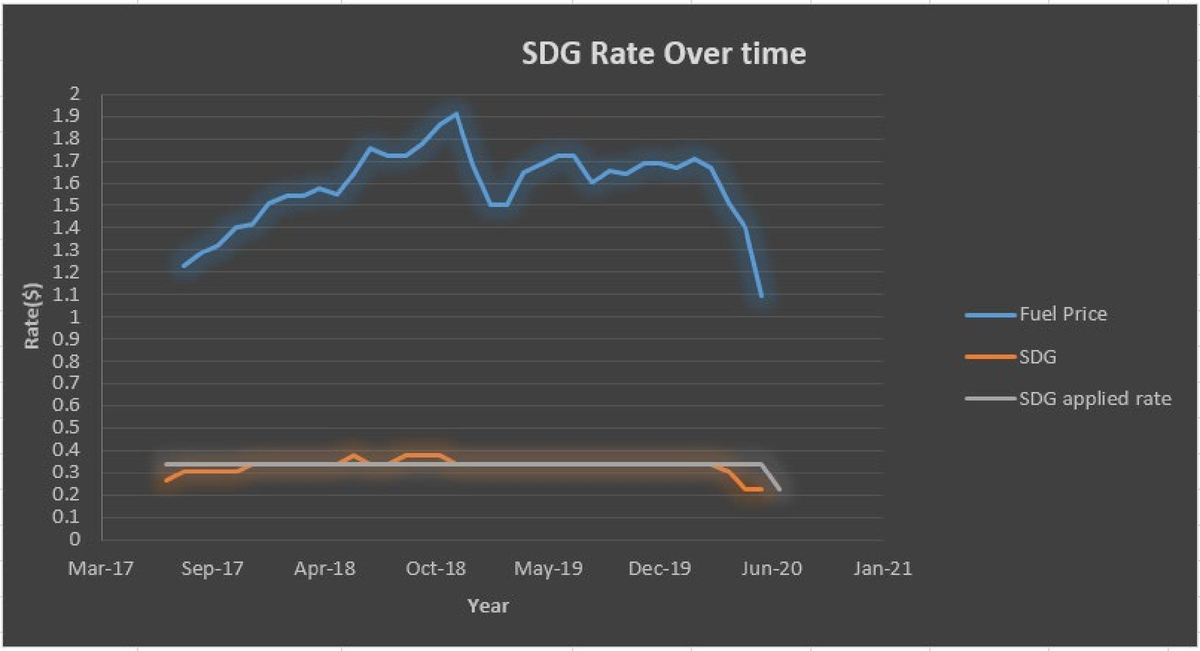
- OE grid tie solar
  Tapu Panuve has successfully implemented two systems (3kW, 10kW) in Dec 2019 with the intension of data collation on how does small distributed system help an individual with their power bill as well as selling of those system to the people of Tonga.
- F.W.C Schools
  Free Wesleyan Church have proposed various system to be implanted to their schools roofs as tabulated below:

Table 3 Breakdown of proposed systems to be installed by the Free Wesleyan Church Schools

Name	**System Output(kW)**	**Status**	**Installation**
Tupou Tertiary Institute	96.64	Approved	Pending
Queen Salote College	119.34	Review	Pending
Tupou High School	65.28	Review	Pending
Sia'atoutai	103.36	Pending for reviewing	Pending
Tupou College Toloa	340.56	Pending for reviewing	Pending
Total	**725.18**		

The team are working with the billing system as to merge existing solar customers for automated generating of monthly bills as per standardize agreement prices which minimizes and secure the power bills for those consumers. Lastly, the annual price for the selling unit generated from third party is drop from $0.3411 to $0.2611 as derived from current oils prices as shown below:

Table 4 Graph showing the trend of the fuel price in Tonga and the resultant adjustment of the small distributed generation compensation rate.



Renewable Energy Awareness

Staff information seminars took place between the 21st and 28th of October. Government and NGO seminar was completed on the 28th of February 2020. Public awareness will be the next priority for the effort to raise awareness about renewable energy.

Figure 1 Pictures of seminars run with staff and key energy stakeholders.

2) **Adopting technologies to manage the complexities arising from a digitized and decentralized renewable future.**

TREP Battery Energy Storage Systems (BESS)

Tongatapu Grid Stabilizing BESS (TREP-01) contract awarded on the 18th July 2019 to Akuo Energy SAS. Detailed engineering, procurement and factory acceptance testing have been completed. The initial size of the battery will be 7.2MW and 5.3MWh. The project has experienced delays due to COVID-19. This battery together with its control system is a key enabler for adding additional renewable energy to the Tongatapu grid as well as maintaining diesel generation at an efficient level.

Figure 2 Final design of the BESS to be installed at the Popua Power Station

Tongatapu Load Shifting BESS (TREP-02) contract awarded on the 14th of November 2019 to Akuo Energy SAS. Detailed engineering, procurement and factory acceptance testing (FAT) have been completed. The initial size of the batter will be 6MW and 24MWh. The project has experienced delays due to COVID-19. This battery together with its control system is a key enabler for achieving the 50% renewable energy target.

Figure 3 From the signing ceremony of the BESS to be installed at the Lakalakaimonu Complex

Two batteries will be installed alongside the solar PV funded under TREP in Vava'u and 'Eua. These batteries will be 1MW and 2MWh and 1MW and 1.8MWh respectively in capacity. The project is currently in the detailed engineering and procurement phase. These batteries are key enablers to achieving high levels of renewable energy on these islands.

Grid Code/Control centre

In July 2019, TPL's board resolved to approve the business case for a central control centre which is a key requirement to be able to fully implement the Grid Code. The business case contained a proposed plan for procurement of a Generation and Distribution Management System (GDMS) or otherwise known as a new SCADA system. An RFP was released to 7 pre-qualified bidders on the 25th of October 2019. The preferred proponent was notified on the 19th of December 2019. Due to financial restrictions and COVID-19 the project has been broken into 5 stages allowing more opportunity to seek funding from development partners. The following stage has been approved and the contract with the supplier was supplied on the 20th of August 2020:

Stage 1: Upgrading of generation controllers at Popua Power Station

The following stages await further funding availability:

Stage 2: Building of a back-up radio communications network.
Stage 3: Base SCADA
Stage 4: QA Environment
Stage 5: Disaster Recovery

Development of TPL's Telecommunications Platform has been clearly identified as another key enabler for TPL's future decentralised and digitized future and development of this platform launched during the financial year 2019/20. A business case is to be submitted to the board in Q4 of 2020.

Other recommendations of the Grid Code are that the Grid Code is adopted as a national regulation. The Grid Code has been proposed as a regulation as part of the work under the development of the Energy Bill. Generation and Distribution Master Plans are developed, these are otherwise known as the Generation and Distribution Asset Management Plans. Dispatch forecasting and weekly operation reports are developed. A tool for forecasting is being developed with support from the Institute of Environment Analytics (University of Reading). Integration studies are undertaken for renewable energy plants. Utilisation of TPL's load flow analysis system to investigate the impacts of renewable energy plants on the grid have improved. A grid study was completed with the support of the Pacific Power Association on the incorporation of the GET Solar IPP to the grid in March 2020.

3) Improving the network and replacing ageing assets to improve safety, efficiency and reliability of supply.

The asset management plans for Generation and Distribution were updated in April 2020 and submitted to the MPE. Clear plans including HV upgrades for areas outside of Nuku'alofa and vehicle fleet improvements have been clearly set out for the next 10 years. Further development of the ERP Asset Management module has been seriously hampered by COVID-19 due to the expert we have been working with not being come travel to Tonga.

OIEEP

65% upgrade of the Vava'u Network was completed. Additional funding from DFAT secured on the 5th of March 2020 to complete the remaining 35% of the network in Vava'u. Procurement of materials commenced and contracts are soon to be awarded.

Figure 4 Pictures of works accomplished in Vava'u.

NNUP Areas 1 and 2

Site Works for Area 1 commenced in October 2018 and are progressing well as per the project schedule. Area 1 is scheduled to be completed in September 2020.

- Site Works for Area 2 commenced in February 2019 and was completed in June 2020.
- Previously reported funds from the UAE for Area 3 have not become available and hence the funding for Area 3 remains unfulfilled.
- Although not the full funding required some funds from the EU has allocated by the government for Area 3 and work is set to commence on Area 3 in January 2021 utilizing also current project savings from Area 1.
- Additional funds are still being sought to complete the remaining area’s 3, 4 and 5.

Figure 5 An example of LV ABC conductor resilience to tree damage during a cyclone.

4) Promote a hazard free safety environment to minimize any danger to both the public and staff

We have continued to support the communication of safety with TV ads and programmes, email notifications, radio jingles and programmes emphasizing safety around electricity running continuously on various platforms.

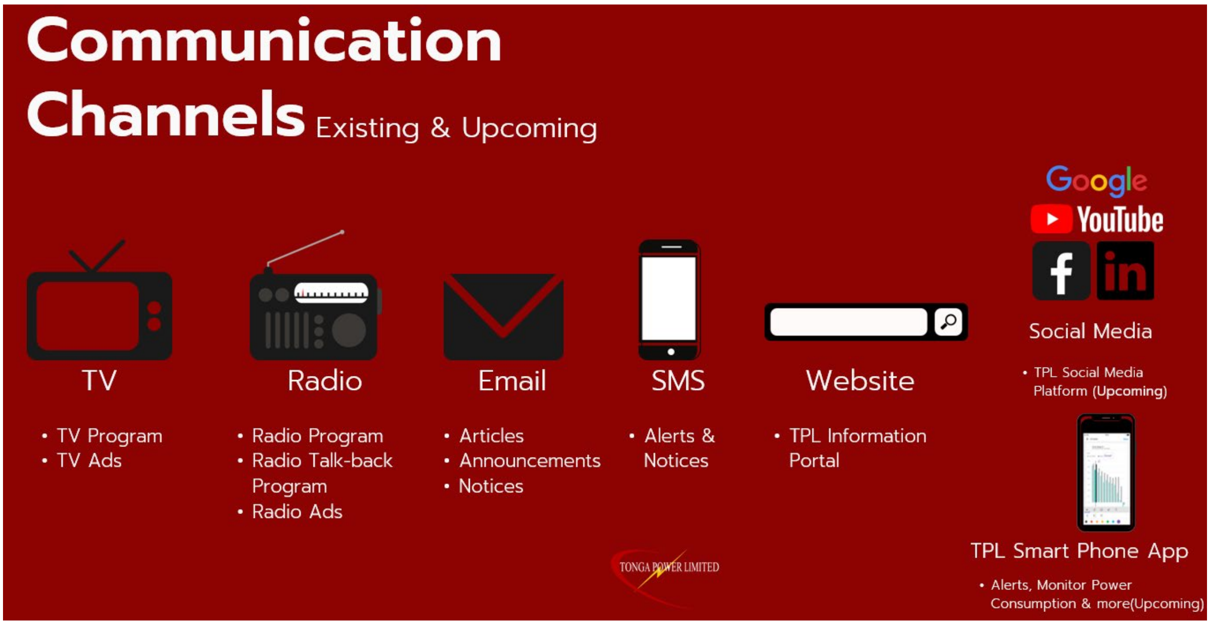


Figure 6 TPLs communication channels.

We have provided support with analysing safety incidents and accidents including the fatality of a member of the public on 14th of March 2020 due to internal wiring issues at their home.

5) Improving our business processes to enhance customer/employee satisfaction while supporting a healthy and competent team.

Tonga Power uses a "Systems Approach" to achieve continuous improvement and therein maximise profit to the shareholder. During the annual strategic refresher workshop held in February this year, the long-term vision of the company was tested and a stop, go, continue decision was cast against all the actions listed under each strategic objectives.

Performance Management Systems ensure that the desired outcomes are achieved. If desired outcomes (i.e. objectives) are not achieved, it is then reviewed at the next strategic planning session. A notable achievement driven by our team is the development of standard annual plans to guide performance according to the strategic objective. Although the plans are not collectively exhaustive, plans for what are considered the key strategic departments of TPL have been drafted.

Although it has already been highlighted several times already in this report, COVID-19 has been a significant challenge for TPL as a whole not to mention the performance of individual departments and employees. The business continuity planning surrounding pandemics will be reviewed.

The Enterprise Resource Planning System continues to operate well. Despite ongoing integration challenges, efforts this year have been consistent in adding value by ensuring all information across the business units and functions such as procurement, inventory management, finance & accounting, billing and revenue collection, and payroll is consolidated, easily accessible and reported on.

A vital part of the Enterprise Resource Planning system is the Asset Management module which assists in managing the Company's assets throughout their life cycles from procurement, operation, maintenance, disposal and renewal stages. The Asset Management Leadership Working Group (AMLWG) have continued to work as diligently as possible in light of COVID-19 to review assets and schedule replacement and maintenance. Major achievements have been the activation of the geographic mapping capabilities of the module.

6) Manage all external financing sources successfully in order to increase shareholder value.

Additional funding secured for OIREEEP and completing of the rebuild of the Vava'u electricity network.

Additional funding for NNUP secured from the budget support given by the EU to the Government for TC Gita.

FINANCIALS

TONGA POWER LIMITED AND SUBSIDIARY COMPANIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONTENTS

The directors present their report together with the financial statements of Tonga Power Limited ("the Company") and of the Group, being the Company and its controlled entity ("the Group") for the year ended 30 June 2020 and the auditor's report thereon.

1 DIRECTORS

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

Dr. Aisake Valu Eke	Appointed on 1-Sept-20
Mrs. Seinimili Fonua	Appointed on 1-Sept-20
Mr. 'Ipolito Lasalo	Appointed on 1-Sept-20
Lord Lasike	Appointed on 1-Sept-20
Mr. Tevita Puloka	Appointed on 1-Sept-20
Mr. 'Isileli Pulu	Appointed on 1-Sept-20
Mr. John Paul Chapman	
Dr. Sitiveni Halapua	Resigned on 31-Aug-2020
Mr. Seventeen Toumo'ua	Resigned on 31-Aug-2020
Dr. Nailasikau Halatuituia	Resigned on 31-Aug-2020
Mr. Sione Havea Taione	Resigned on 31-Aug-2020

2 PRINCIPAL ACTIVITY

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

3 TRADING RESULTS

The loss after income tax of the Group for the financial year was $698,437 (2019: profit after income tax of $2,641,497). The loss after income tax of the Company for the financial year was $925,490 (2019: profit after income tax of $2,226,203).

4 DIVIDENDS

The directors of the Company, during the year declared dividends of $1,202,257 (2019: declared dividends of $779,171) at the rate of $1,166 (2019: $756) per share. Dividends declared for the financial year ended 30 June 2020 was $Nil (2019: $1,981,428). This is consistent with the Company's long term value objective under its dividend policy to distribute funds to its shareholder.

5 CURRENT ASSETS

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

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

6 TRANSFERS FROM RESERVES

The directors recommend that $421,124 be transferred from reserves in respect of the year ended 30 June 2020 (2019: $421,124).

7 BAD AND DOUBTFUL DEBTS

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

8 DIRECTORS' BENEFIT

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

9 RELATED PARTY TRANSACTION

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

10 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the Board of Tonga Gas Limited has provided Tonga Power Limited an unconditional right to defer payment of $2,092,272 outstanding as at 30 June 2020 (see note 28(c)) for at least 12 months after 30 June 2020.

Other than this, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group and the Company, the results of those operations or the state of affairs of the Group and the Company in subsequent years.

11 OTHER CIRCUMSTANCES

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

12 GOING CONCERN

The financial statements of the Company and the Group have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company recorded a loss of $925,490 for the year ended 30 June 2020 (2019: profit of $2,226,203) and as at that date had a working capital deficiency of $4,289,590 (2019: $5,858,895). The Group recorded a loss of $698,437 for the year ended 30 June 2020 (2019: profit of $2,718,692) and as at that date had a working capital deficiency of $1,977,381 (2019: $3,772,747). The continuing financial viability of the Company and the Group is dependent on the existing financing facilities with ANZ Tonga Limited and/or the profitability of the Company and the Group.

13 UNUSUAL TRANSACTIONS

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

13 SIGNIFICANT EVENTS DURING THE YEAR

The social, health and economic consequences of the COVID-19 pandemic continue to evolve rapidly and have major impacts across the globe. Since its declaration as a pandemic in March 2020, COVID-19 and the associated government, business and consumer response has had an impact on the operations and financial performance of the Company. In response to the economic impact of the COVID-19 outbreak, the Company and the Group have implemented cost-cutting measures to reduce the expenditures together with cost control.

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

The Company continues to monitor developments in the COVID-19 pandemic and the measures being implemented on the economies to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Company's future results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in the Company's 2021 annual financial statements.

Dated at Nuku'alofa this 25th day of March 2021.

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

....
Director Director

In the opinion of the directors:

(a) the accompanying statements of profit or loss and other comprehensive income are drawn up so as to give a true and fair view of the results of the Company and of the Group for the year ended 30 June 2020;

(b) the accompanying statements of financial position are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2020;

(c) the accompanying statements of changes in equity are drawn up so as to give a true and fair view of the movement in shareholders' funds of the Company and of the Group for the year ended 30 June 2020;

(d) the accompanying statements of cash flows are drawn up so as to give a true and fair view of the cash flows of the Company and of the Group for the year ended 30 June 2020;

(e) at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable; and

(f) all related party transactions have been adequately recorded in the books of the Company.

Dated at Nuku'alofa this 25th day of March 2021.

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

....
Director Director

Independent Auditors' Report

To the Shareholders of Tonga Power Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of Tonga Power Limited ("the Company") and the consolidated financial statements of Tonga Power Limited and subsidiary companies ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 31.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group and Company'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 Group or Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (ISAs) 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group and Company'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 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 Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

KPMG

Independent Auditors' Report

To the Shareholders of Tonga Power Limited

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

i). proper books of account have been kept by the Company, sufficient to enable the consolidated financial statements to be prepared, so far as it appears from our examination of those books; and

ii). to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Tonga Companies Act 1995, in the manner so required.

KPMG.

25 March , 2021 | **KPMG**

Nadi, Fiji | **Chartered Accountants**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated		Company	
		2020	2019	2020	2019
	Note	$	$	$	$
Revenue	7	61,451,869	61,808,512	53,283,745	53,035,529
Cost of sales	11 (a)	(46,815,609)	(46,442,121)	(41,238,541)	(40,396,501)
Gross profit		14,636,260	15,366,391	12,045,204	12,639,028
Other income	8	5,977,874	7,649,764	5,633,754	7,508,514
Impairment loss on trade receivables		(222,837)	(199,983)	(222,837)	(199,983)
Selling and distribution expenses	11 (b)	(7,942,831)	(6,383,444)	(7,621,460)	(6,113,938)
Administrative and other expenses	11 (c)	(11,689,993)	(11,488,319)	(9,484,950)	(9,790,757)
Operating profit		758,473	4,944,409	349,711	4,042,864
Finance income - interest revenue		20,823	67,254	20,335	58,085
Finance income - other		18,385	16,657	18,385	80,623
Finance costs - other		(1,760,044)	(1,270,069)	(1,622,418)	(1,213,301)
Net finance costs	9	(1,720,836)	(1,186,158)	(1,583,698)	(1,074,593)
(Loss) / Profit before tax		(962,363)	3,758,251	(1,233,987)	2,968,271
Income tax benefit / (expense)	12 (a)	263,926	(1,116,754)	308,497	(742,068)
(Loss) / Profit		(698,437)	2,641,497	(925,490)	2,226,203
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive (expense) / income		(698,437)	2,641,497	(925,490)	2,226,203

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

TONGA POWER LIMITED AND SUBSIDIARY COMPANIES
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Consolidated		Company	
		2020	2019	2020	2019
ASSETS	**Note**	**$**	**$**	**$**	**$**
Current assets					
Cash	13	764,833	1,325,827	278,901	711,017
Trade and other receivables	14	7,709,021	8,725,953	7,837,632	8,905,602
Inventories	15	1,733,828	1,905,908	1,064,008	1,377,688
Debt investment securities	16	752,529	1,746,625	333,910	1,332,006
Current tax asset	12 (b)	1,226,395	-	1,304,723	-
		12,186,606	13,704,313	10,819,174	12,326,313
Non-current assets					
Deferred tax assets	12 (d)	964,189	398,105	867,573	528,597
Debt investment securities	16	-	167,000	-	167,000
Intangible assets	17	2,402,806	3,129,589	1,374,354	2,051,954
Property, plant and equipment	18	149,399,186	157,477,332	146,226,520	154,351,918
Investment in subsidiaries	26	-	-	3,595,694	3,595,694
Right-of-use assets	27	2,799,703	-	1,623,513	-
		155,565,884	161,172,026	153,687,654	160,695,163
TOTAL ASSETS		167,752,490	174,876,339	164,506,828	173,021,476
LIABILITIES					
Current liabilities					
Current tax liability	12 (b)	-	1,229,836	-	1,198,619
Trade and other payables	19	6,979,099	9,137,609	8,243,447	10,190,503
Employee entitlements	20	436,352	634,293	410,588	621,939
Borrowings	21	3,238,068	3,038,498	2,964,588	2,737,321
Provision for dividend	23	-	779,171	-	779,171
Deferred income - donated assets	25	3,456,510	2,657,655	3,456,510	2,657,655
Lease liabilities	27	53,958	-	33,631	-
		14,163,987	17,477,062	15,108,764	18,185,208
Non-current liabilities					
Deferred tax liabilities	12 (c)	8,841,821	7,313,264	8,461,089	7,125,888
Borrowings	21	28,032,161	30,005,369	26,628,881	28,635,111
Deferred income - donated assets	25	51,969,268	56,224,633	51,969,268	56,224,633
Lease liabilities	27	2,789,936	-	1,615,937	-
		91,633,186	93,543,266	88,675,175	91,985,632
TOTAL LIABILITIES		105,797,173	111,020,328	103,783,939	110,170,840
EQUITY					
Share capital	22 (b)	33,783,595	33,783,595	33,783,595	33,783,595
Asset revaluation reserve	24	9,946,305	10,367,429	9,946,305	10,367,429
Retained earnings		18,225,417	19,704,987	16,992,989	18,699,612
TOTAL EQUITY		61,955,317	63,856,011	60,722,889	62,850,636
TOTAL LIABILITIES AND EQUITY		167,752,490	174,876,339	164,506,828	173,021,476

For and on behalf of the Board of Directors.

....
Director

....
Director

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
Cash flows from operating activities					
Receipts from customers		66,427,784	60,361,611	57,909,049	51,807,222
Payments to suppliers and employees		(58,894,393)	(54,709,264)	(50,868,447)	(46,144,619)
Income tax paid	12 (b)	(1,229,836)	(1,955,008)	(1,198,619)	(1,929,458)
Insurance proceeds		-	72,851	-	-
Interest received		49,703	65,623	49,215	58,085
Interest paid		(1,705,412)	(1,519,936)	(1,622,418)	(1,463,168)
Net cash from operating activities		4,647,846	2,315,877	4,268,780	2,328,062
Cash flows from investing activities					
Investment in debt securities		-	(414,619)	-	-
Proceeds from debt securities		1,171,000	250,000	1,171,000	-
Proceeds from sale of plant and equipment		5,901	4,700	5,901	4,700
Acquisition of intangible assets	17	(15,835)	(598,480)	-	(598,480)
Acquisition of property, plant and equipment		(2,534,251)	(8,226,622)	(2,068,824)	(7,797,860)
Net cash used in investing activities		(1,373,185)	(8,985,021)	(891,923)	(8,391,640)
Cash flows from financing activities					
Proceeds from borrowings	21 (b)	1,555,184	7,503,002	1,270,934	6,614,252
Repayment of borrowings	21 (b)	(3,328,822)	(2,871,890)	(3,049,897)	(2,827,575)
Dividends paid	23	(1,981,428)	(100,000)	(1,981,428)	(100,000)
Payment of lease liabilities	27	(64,189)	-	(32,182)	-
Net cash (used in)/from financing activities		(3,819,255)	4,531,112	(3,792,573)	3,686,677
Net decrease in cash and cash equivalents		(544,594)	(2,138,032)	(415,716)	(2,376,901)
Effect of movements in exchange rates on cash held		(16,400)	(2,807)	(16,400)	(2,807)
Cash at beginning of year		1,325,827	3,466,666	711,017	3,090,725
Cash at end of year	13	764,833	1,325,827	278,901	711,017

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total Equity
CONSOLIDATED	$	$	$	$
Balance at 1 July 2018	33,783,595	10,788,553	17,431,403	62,003,551
Adjustment on initial application of IFRS 9, net of tax	-	-	(9,866)	(9,866)
Restated balance at 1 July 2018	33,783,595	10,788,553	17,421,537	61,993,685
Total comprehensive income				
Profit	-	-	2,641,497	2,641,497
Transfer to retained earnings	-	(421,124)	421,124	-
Total comprehensive income	-	(421,124)	3,062,621	2,641,497
Transaction with owners of the Company				
Contributions and distributions				
Dividends paid to owners of the Company	-	-	(779,171)	(779,171)
Total contributions and distributions	-	-	(779,171)	(779,171)
Balance at 30 June 2019	33,783,595	10,367,429	19,704,987	63,856,011
Balance at 1 July 2019	33,783,595	10,367,429	19,704,987	63,856,011
Total comprehensive Expense				
Loss	-	-	(698,437)	(698,437)
Transfer to retained earnings		(421,124)	421,124	-
Total comprehensive expense	-	(421,124)	(277,313)	(698,437)
Transaction with owners of the Company				
Contributions and distributions				
Dividends paid to owners of the Company	-	-	(1,202,257)	(1,202,257)
Total contributions and distributions	-	-	(1,202,257)	(1,202,257)
Balance at 30 June 2020	33,783,595	9,946,305	18,225,417	61,955,317

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

	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total Equity
COMPANY	$	$	$	$
Balance at 1 July 2018	33,783,595	10,788,553	16,841,322	61,413,470
Adjustment on initial application of IFRS 9, net of tax	-	-	(9,866)	(9,866)
Restated balance at 1 July 2018	33,783,595	10,788,553	16,831,456	61,403,604
Total comprehensive income				
Profit	-	-	2,226,203	2,226,203
Transfer to retained earnings	-	(421,124)	421,124	-
Total comprehensive income	-	(421,124)	2,647,327	2,226,203
Transaction with owners of the Company				
Contributions and distributions				
Dividends paid to owners of the Company	-	-	(779,171)	(779,171)
Total contributions and distributions	-	-	(779,171)	(779,171)
Balance at 30 June 2019	33,783,595	10,367,429	18,699,612	62,850,636
Balance at 1 July 2019	33,783,595	10,367,429	18,699,612	62,850,636
Total comprehensive expense				
Loss	-	-	(925,490)	(925,490)
Transfer to retained earnings	-	(421,124)	421,124	-
Total comprehensive expense	-	(421,124)	(504,366)	(925,490)
Transaction with owners of the Company				
Contributions and distributions				
Dividends paid to owners of the Company	-	-	(1,202,257)	(1,202,257)
Total contributions and distributions	-	-	(1,202,257)	(1,202,257)
Balance at 30 June 2020	33,783,595	9,946,305	16,992,989	60,722,889

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

1 REPORTING ENTITY

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

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

2 BASIS OF ACCOUNTING

(a) Basis of preparation

(i) Statement of compliance

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

The financial statements were authorised for issue by the Board of the Directors on 25 March 2021.

(ii) Basis of measurement

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

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

(iii) Going concern

The financial statements of the Company and the Group have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company recorded a loss of $925,490 for the year ended 30 June 2020 (2019: profit of $2,226,203) and as at that date had a working capital deficiency of $4,289,590 (2019: $5,858,895). The Group recorded a loss of $698,437 for the year ended 30 June 2020 (2019: profit of $2,641,497) and as at that date had a working capital deficiency of $1,977,381 (2019: $3,772,747). The continuing financial viability of the Company and the Group is dependent on the existing financing facilities with ANZ Tonga Limited and/or the profitability of the Company and the Group.

(b) Basis of consolidation

The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its controlled entities (together referred to as the "Group" and individually as "Group entities").

Business combination

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

2 BASIS OF ACCOUNTING (continued)

(b) Basis of consolidation (continued)

Subsidiaries

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

Transactions eliminated on consolidation

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(d) Accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 4(g) – Impairment of financial assets

3 CHANGES IN ACCOUNTING POLICIES

The Group applied IFRS 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(o).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

(b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate of 4% as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- applied a single discount rate to a portfolio of leases with similar characteristics; and

- excluded initial direct costs from measuring the right of use asset at the date of initial application.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Impact on financial statements

On transition to IFRS 16, the Group and the Company recognised $2,895,619 and $1,681,750 respectively of right-of-use assets and lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 4% at 1 July 2019.

	Consolidated 1 July 2019	Company 1 July 2019
	$	$
Operating lease commitments at 30 June 2019 as disclosed under IAS 17	4,071,165	3,491,393
Discounted using the incremental borrowing rate at 1 July 2019	(1,175,546)	(1,809,643)
Lease liabilities recognised at 1 July 2019	2,895,619	1,681,750

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

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

(b) Property, plant and equipment

Recognition and measurement

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

Subsequent expenditure

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

Depreciation

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

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

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

(c) Intangible assets

Software

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

Goodwill

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Finance income and costs

The Group's finance income and finance costs include:
– interest income;
– interest expense; and
– the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

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

(e) Inventories

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

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

(f) Financial instruments

i. Recognition and initial measurement

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

ii. Classification and subsequent measurement

Financial assets

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

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

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

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

Financial assets: Business model assessment

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

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

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

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

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

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

Financial assets: Subsequent measurement and gains and losses

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

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

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

iv. Derecognition

Financial assets

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

iv. Derecognition (continued)

Financial liabilities

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

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

v. Offsetting

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

vi. Modification of financial assets

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

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

(g) Impairment

i. Non-derivative financial assets

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

Non-derivative financial assets (continued)

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

Non-derivative financial assets (continued)

Credit-impaired financial assets (continued)
Evidence that a financial asset is credit impaired includes the following observable data:

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

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

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

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

(j) Employee entitlements

(i) Wages, salaries and annual leave

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

(ii) Superannuation

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

(iii) Bonus plans

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Nature and timing of satisfaction of performance obligations and significant payment terms
Electricity sales

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue from contracts with customers (continued)

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

Electricity sales (continued)

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

Gas sales

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

(n) Deferred income

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

(o) Leases

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

Policy applicable from 1 July 2019

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Policy applicable before 1 July 2019
For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee
Under IFRS 16 - from 1 July 2019
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

i. As a lessee (continued)

Under IFRS 16 - from 1 July 2019 (continued)

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

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

Under IAS 17 - before 1 July 2019

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

Company as a lessee

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

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

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

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

ii. As a lessor

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Comparative figures

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

5 FAIR VALUE

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

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

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

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

The different levels have been defined as follows:

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

6 FINANCIAL RISK MANAGEMENT

The Company and Group's activities expose them to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Risk management is carried out by management who identify and evaluate financial risks. The Board provides direction for overall risk management covering specific areas, such as mitigating foreign exchange, interest rate, and credit risks, and investment of excess liquidity.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

(i) Foreign exchange

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

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

At 30 June 2020, the strengthening/weakening by 1% of the Pa'anga against the NZD and USD with all other variables held constant is expected to have minimal impact on the net profit and equity balances currently reflected in the Company and the Group's financial statements. Minimal asset and liability balances are maintained in foreign currencies, hence, there has been little sensitivity to movements in the NZD and USD.

(ii) Political climate

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

6 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Cash flow interest rate risk

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

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

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

(b) Credit risk

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

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

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

Cash and cash equivalents

The Company held cash of $278,901 at 30 June 2020 (2019: $711,017). The Group held cash of $764,833 at 30 June 2020 (2019: $1,325,827). The cash are predominantly held with banks, which are rated Aa3, based on Moody's ratings. Impairment on cash has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Company and the Group considers that its cash have low credit risk based on the external credit ratings of the counterparties. Accordingly, due to short maturities and low credit risk, the Company and the Group did not recognise an impairment allowance against cash as at 30 June 2020 (2019: $Nil)

Debt investment securities

The Company held debt investment securities of $333,910 at 30 June 2020 (2019: $1,499,006). The Group held debt investment securities of $752,529 at 30 June 2020 (2019: $1,913,625). As at 30 June 2020, the debt investment securities are predominantly held with banks which are rated Aa3, based on Moody's ratings. Impairment on debt investment securities has been measured on the 12-month expected loss basis. The Company and the Group did not recognise an impairment allowance against debt investment securities as at 30 June 2020 (2019: $Nil).

Expected credit loss assessment for trade receivables

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

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

6 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Group	Weighted - average loss rate	Gross carrying amount	Loss allowance	Credit impaired
30 June 2020		$	$	
1 to 30 days	1.66%	679,075	11,270	No
31 to 60 days	9.27%	288,778	26,778	No
61 to 90 days	37.86%	111,587	42,249	No
91 to 120 days	69.40%	111,515	77,391	Yes
Over 120 days past due	92.50%	142,637	131,939	Yes
		1,333,592	289,627	
Specifically assessed		345,898	-	
		1,679,490	289,627	
30 June 2019				
1 to 30 days	1.98%	1,708,624	33,831	No
31 to 60 days	6.18%	252,106	15,580	Yes
61 to 90 days	36.09%	90,872	32,796	Yes
91 to 120 days	69.09%	53,800	37,170	Yes
Over 120 days past due	79.45%	52,724	41,889	Yes
		2,158,126	161,266	
Company				
30 June 2020				
1 to 30 days	1.98%	569,198	11,270	No
31 to 60 days	9.36%	286,085	26,778	No
61 to 90 days	37.84%	111,157	42,062	No
91 to 120 days	69.40%	111,515	77,391	Yes
Over 120 days past due	92.50%	142,637	131,939	Yes
		1,220,592	289,440	
Specifically assessed		345,898	-	
		1,566,490	289,440	
30 June 2019				
1 to 30 days	1.98%	1,708,624	33,831	No
31 to 60 days	9.36%	166,398	15,575	Yes
61 to 90 days	37.84%	86,660	32,792	Yes
91 to 120 days	69.40%	53,163	36,895	Yes
Over 120 days past due	92.50%	23,399	21,644	Yes
		2,038,244	140,737	

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

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

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

	Less than 1 year ($)	Between 1 and 2 years ($)	Between 2 and 5 years ($)	Greater than 5 years ($)	Contractual outflows ($)	Carrying amount ($)
Non-derivative financial liabilities						
Consolidated						
At 30 June 2020						
Borrowings	4,565,719	4,565,719	13,697,156	14,955,594	37,784,188	31,270,229
Trade and other payables	6,979,099	-	-	-	6,979,099	6,979,099
	11,544,818	4,565,719	13,697,156	14,955,594	44,763,287	38,249,328
At 30 June 2019						
Borrowings	4,415,435	4,468,960	13,406,880	18,219,092	40,510,367	33,043,867
Trade and other payables	9,137,607	-	-	-	9,137,607	9,137,607
	13,553,042	4,468,960	13,406,880	18,219,092	49,647,974	42,181,474
Company						
At 30 June 2020						
Borrowings	4,230,146	4,230,146	12,690,437	14,759,700	35,910,429	29,593,469
Trade and other payables	8,243,447	-	-	-	8,243,447	8,243,447
	12,473,593	4,230,146	12,690,437	14,759,700	44,153,876	37,836,916
At 30 June 2019						
Borrowings	4,045,794	4,127,753	12,383,259	18,069,726	38,626,532	31,372,432
Trade and other payables	10,190,503	-	-	-	10,190,503	10,190,503
	14,236,297	4,127,753	12,383,259	18,069,726	48,817,035	41,562,935

6 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management

The Group's objectives when obtaining and managing capital are to safeguard the Group's ability to continue as a going concern and to provide shareholders with a consistent level of returns. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the statement of financial position, plus net debt. The gearing ratio of the Company and the Group as at 30 June 2020 and 2019 is as follows:

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
Total borrowings (Note 21)	31,270,229	33,043,867	29,593,469	31,372,432
Less: cash (Note 13)	764,833	1,325,827	278,901	711,017
Net debt	32,035,062	34,369,694	29,872,370	32,083,449
Total equity	61,955,317	63,856,011	60,722,889	62,850,636
Total capital	93,990,379	98,225,705	90,595,259	94,934,085
Gearing Ratio	34.08%	34.99%	32.97%	33.80%

7 REVENUE

Regulated revenue				
Fuel	21,499,774	21,228,888	21,521,815	21,254,400
Non-fuel	27,937,693	27,973,377	27,937,693	27,973,377
GPO recovery	2,182,876	1,803,496	2,182,876	1,803,496
Gas	8,072,902	8,795,775	-	-
	59,693,245	59,801,536	51,642,384	51,031,273
Non-regulated revenue				
Fees, upgrade and repairs	1,758,624	2,006,976	1,641,361	2,004,256
	1,758,624	2,006,976	1,641,361	2,004,256
	61,451,869	61,808,512	53,283,745	53,035,529

Disaggregation of revenue

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

Tongatapu	53,262,043	52,883,499	46,653,590	45,785,682
Vava'u	5,280,173	5,953,954	4,079,139	4,663,982
Ha'apai	1,527,602	1,431,533	1,324,119	1,212,982
Eua	1,382,051	1,539,526	1,226,897	1,372,883
	61,451,869	61,808,512	53,283,745	53,035,529

8 OTHER INCOME

Release of deferred income (Note 25)	3,456,510	2,657,655	3,456,510	2,657,655
Government grant received	-	3,200,000	-	3,200,000
Dividend income	-	-	-	-
Gain on disposal of property, plant and equipment	- 1,694	4,700	1,694	4,700
Sundry income	2,519,670	1,787,409	2,175,550	1,646,159
	5,977,874	7,649,764	5,633,754	7,508,514

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
9 NET FINANCE COSTS				
Interest income under the effective interest method	20,823	67,254	20,335	58,085
Total interest income arising from financial assets measured at amortised cost	20,823	67,254	20,335	58,085
Net foreign exchange gain	18,385	16,657	18,385	80,623
Finance income - other	18,385	16,657	18,385	80,623
Financial liabilities measured at amortised cost – interest expense (Note 21(b))	(1,635,810)	(1,195,944)	(1,546,739)	(1,139,176)
Interest expense - lease liabilities (Note 27)	(124,234)	-	(75,679)	-
Ineffectiveness of derivative financial instruments	-	(74,125)	-	(74,125)
Finance costs - other	(1,760,044)	(1,270,069)	(1,622,418)	(1,213,301)
Net finance costs recognised in profit or loss	(1,720,836)	(1,186,158)	(1,583,698)	(1,074,593)
10 PERSONNEL EXPENSES				
Key management personnel (Note 28(d))	1,714,505	1,800,661	1,566,567	1,537,199
Staff salaries and related expenses	6,571,312	5,842,132	5,853,987	5,095,977
Superannuation contribution	381,534	364,307	355,788	330,250
	8,667,351	8,007,100	7,776,342	6,963,426
11 (LOSS) / PROFIT BEFORE TAX				
(Loss) / Profit before tax has been determined after charging as expenses:	(962,363)	3,835,446	(1,233,987)	2,968,271
(a) Cost of sales				
Fuel cost	24,761,824	26,906,933	24,761,824	26,906,933
Renewable energy cost	1,015,550	1,130,527	1,015,550	1,130,527
Gas cost	5,583,068	6,045,620	-	-
Salaries and wages	5,035,855	4,648,318	5,035,855	4,648,318
Superannuation contribution	238,253	233,389	238,253	233,389
Third party costs	484,868	1,867,715	484,868	1,867,715
Maintenance costs	5,448,847	2,376,187	5,448,847	2,376,187
Supplies and consumables	146,238	102,694	146,238	102,694
Rent/ lease expenses	130,555	188,883	130,555	188,883
Other repairs	432,213	181,261	432,213	181,261
Depreciation of generation equipment	1,213,114	1,217,739	1,213,114	1,217,739
Other expenses	2,325,224	1,542,855	2,331,224	1,542,855
	46,815,609	46,442,121	41,238,541	40,396,501

	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
11 (LOSS) / PROFIT BEFORE INCOME TAX (continued)				
(b) Selling and distribution expenses				
Media announcements	96,046	95,955	69,359	70,567
Loss on disposal of property, plant and equipment	-	53,283	-	-
Repairs and maintenance	294,684	190,835	-	-
Depreciation of distribution network	7,552,101	6,043,371	7,552,101	6,043,371
	7,942,831	6,383,444	7,621,460	6,113,938
(c) Administrative and other expenses				
Auditor's remuneration - audit services	59,500	59,500	41,000	41,000
Bank charges	126,649	172,133	116,615	163,685
Depreciation of property, plant and equipment	1,694,372	1,332,520	1,276,197	914,812
Depreciation of right-of-use assets	95,916	-	58,237	-
Amortisation of intangible assets	742,616	589,446	677,600	575,878
Electricity Commission fees	571,188	571,188	561,192	561,192
Impairment loss on investment in subsidiaries	-	-	-	556,144
Insurance	1,480,241	1,515,354	1,344,137	1,393,694
Directors' emoluments (Note 28(a))	240,281	259,449	146,993	139,843
Legal and professional fees	1,449,155	729,208	1,423,856	690,211
Repairs and maintenance	101,893	160,338	81,815	153,735
Salaries and wages	3,249,962	2,994,475	2,384,699	1,984,858
Superannuation contribution	143,281	130,918	117,535	96,861
Travelling expenses	284,911	413,640	284,911	413,640
Other expenses	1,450,028	2,560,150	970,163	2,105,204
	11,689,993	11,488,319	9,484,950	9,790,757
12 INCOME TAX				
(a) Income tax expense				
Current tax (benefit) / expense	(561,981)	1,229,839	(640,309)	1,198,619
Deferred tax benefit	298,058	(147,812)	331,812	(456,551)
Under/(over) provision in prior years	(3)	34,727	-	-
Income tax (benefit) / expense	(263,926)	1,116,754	(308,497)	742,068
Prima facie income tax expense				
Profit before tax	(962,363)	3,835,446	(1,233,987)	2,968,271
Prima facie income tax expense on operating profit at 25% (2018: 25%)	(240,591)	939,563	(308,497)	742,068
Permanent difference	-	1,155	-	-
Under/(over) provision in prior years	1,557	34,727	-	-
Deferred tax derecognised	(24,892)	9,208	-	-
Reversal of deferred tax derecognised previously	-	132,099	-	-
Income tax (benefit) / expense	(263,926)	1,116,752	(308,497)	742,068

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
12 INCOME TAX (continued)				
(b) Current tax liability				
Balance at the beginning of the year	1,229,836	1,920,278	1,198,619	1,929,458
Income tax paid	(1,229,836)	(1,955,008)	(1,198,619)	(1,929,458)
Current tax (benefit) / expense	(561,981)	1,229,839	(640,309)	1,198,619
(Over) / Under provision in prior years	(664,414)	34,727	(664,414)	-
Balance at the end of the year	(1,226,395)	1,229,836	(1,304,723)	1,198,619
(c) Deferred tax liabilities				
Property, plant and equipment	(7,795,426)	(6,889,669)	(7,632,326)	(6,702,293)
Asset revaluation reserve	(422,885)	(422,885)	(422,885)	(422,885)
Unrealised exchange gains	-	(710)	-	(710)
Right-of-use assets	(623,510)	-	(405,878)	-
	(8,841,821)	(7,313,264)	(8,461,089)	(7,125,888)
(d) Deferred tax assets				
Unrealised exchange losses	-	323	-	-
Investment in subsidiaries	-	-	139,036	139,036
Employee entitlements	109,088	158,574	102,647	155,485
Trade receivables	80,421	40,316	72,360	35,184
Lease liabilities	633,542	-	412,392	-
Intangible assets	141,138	198,892	141,138	198,892
	964,189	398,105	867,573	528,597

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
13 CASH				
Cash at bank	758,633	1,320,427	272,701	705,617
Cash on hand	6,200	5,400	6,200	5,400
Cash	**764,833**	**1,325,827**	**278,901**	**711,017**

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

- overdraft facility of $4.5 million with ANZ Banking Corporation at an interest rate of 9.5% per annum (2019: $3 million at an interest rate of 9.5% per annum).

- overdraft facility of $30,000 and $300,000 with Bank of South Pacific at an interest rate of 16.5% per annum and 11% per annum respectively (2019: $300,000 at an interest rate of 11% per annum).

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
14 TRADE AND OTHER RECEIVABLES				
Trade receivables	1,679,490	2,158,126	1,566,490	2,038,244
Impairment on trade receivables	(321,682)	(161,265)	(289,440)	(140,737)
	1,357,808	1,996,861	1,277,050	1,897,507
Prepayments	1,228,744	1,244,077	1,211,309	1,230,311
Accrued income	3,903,290	3,581,335	3,903,290	3,581,335
Receivable from subsidiaries (Note 28(c))	-	-	312,537	294,401
Receivable from WAL	110,097	149,331	110,097	149,331
Consumption tax receivable	492,593	1,703,232	492,593	1,703,232
Other assets	616,489	51,117	530,756	49,485
	7,709,021	8,725,953	7,837,632	8,905,602
15 INVENTORIES				
Fuel	322,930	471,166	322,930	471,166
Spares	741,078	906,522	741,078	906,522
Gas and gas related products	669,820	528,220	-	-
	1,733,828	1,905,908	1,064,008	1,377,688
16 DEBT INVESTMENT SECURITIES				
Current				
ANZ Banking Corporation	752,529	742,625	333,910	328,006
Government bonds	-	1,004,000	-	1,004,000
	752,529	1,746,625	333,910	1,332,006
Non-current				
Government bonds	-	167,000	-	167,000

At reporting date, the Group held term deposits with ANZ Bank which attracted interest rate of 2% per annum (2019: 2% per annum).

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
17 INTANGIBLE ASSETS				
Opening net book amount	3,129,589	3,120,555	2,051,954	2,029,352
Additions	15,835	598,480	-	598,480
Amortisation charge	(742,616)	(589,446)	(677,600)	(575,878)
Closing net book amount	2,402,808	3,129,589	1,374,354	2,051,954
Computer software				
Cost	4,083,499	4,067,664	3,931,985	3,931,985
Accumulated amortisation	(2,644,130)	(1,901,512)	(2,557,631)	(1,880,031)
Net book amount	1,439,369	2,166,152	1,374,354	2,051,954
Goodwill				
Cost	963,437	963,437	-	-
Net book amount	963,437	963,437	-	-
Intangible assets	2,402,806	3,129,589	1,374,354	2,051,954

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

	2020
Discount rate	13%
Terminal value growth rate	2%
Budgeted EBITDA growth rate (average of next five years)	8%

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

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

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

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

18 PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Generation Equipment	Distribution Network	Computer Equipment	Furniture & Fixtures	Tools & Equipment	Motor Vehicle	Land & Building	Capital WIP	Renewable Energy	Total
	$	$	$	$	$	$	$	$	$	$
At 30 June 2018										
Cost or valuation	33,163,600	66,271,512	1,388,753	334,184	6,270,688	4,929,059	16,099,686	15,926,009	30,349,012	174,732,503
Accumulated depreciation	(13,016,860)	(19,836,503)	(937,198)	(233,018)	(4,265,772)	(3,406,376)	(1,711,261)	-	(4,452,645)	(47,859,633)
Net Book Amount	**20,146,740**	**46,435,009**	**451,555**	**101,166**	**2,004,916**	**1,522,683**	**14,388,425**	**15,926,009**	**25,896,367**	**126,872,870**
Year Ended 30 June 2019										
Opening net book amount	20,146,740	46,435,009	451,555	101,166	2,004,916	1,522,683	14,388,425	15,926,009	25,896,367	126,872,870
Additions	547,660	32,253,890	109,438	12,746	236,419	298,636	522,321	7,175,517	-	41,156,627
Transfers	-	2,712,026	-	-	-	-	10,421,126	(16,414,405)	1,376,001	(1,905,252)
Disposals	-	-	-	-	-	(53,283)	-	-	-	(53,283)
Depreciation expense	(1,217,739)	(4,700,616)	(145,668)	(38,035)	(384,883)	(498,221)	(265,713)	-	(1,342,755)	(8,593,630)
Closing net book amount	**19,476,661**	**76,700,309**	**415,325**	**75,877**	**1,856,452**	**1,269,815**	**25,066,159**	**6,687,121**	**25,929,613**	**157,477,332**
At 30 June 2019										
Cost or valuation	33,711,260	101,237,428	1,498,191	346,930	6,507,107	5,156,650	27,043,133	6,687,121	31,725,013	213,912,833
Accumulated depreciation	(14,234,599)	(24,537,119)	(1,082,866)	(271,053)	(4,650,655)	(3,886,835)	(1,976,974)	-	(5,795,400)	(56,435,501)
Net Book Amount	**19,476,661**	**76,700,309**	**415,325**	**75,877**	**1,856,452**	**1,269,815**	**25,066,159**	**6,687,121**	**25,929,613**	**157,477,332**
Year Ended 30 June 2020										
Opening net book amount	19,476,661	76,700,309	415,325	75,877	1,856,452	1,269,815	25,066,159	6,687,121	25,929,613	157,477,332
Additions	-	338,639	234,608	33,070	379,186	337,194	131,504	932,047	-	2,386,248
Transfers	-	3,304,548	-	-	-	-	-	(4,190,671)	886,123	-
Disposals	-	-	-	-	-	(4,207)	-	(600)	-	(4,807)
Depreciation expense	(1,213,114)	(6,206,375)	(166,655)	(39,492)	(380,243)	(487,716)	(620,266)	-	(1,345,726)	(10,459,587)
Closing net book amount	**18,263,547**	**74,137,121**	**483,278**	**69,455**	**1,855,395**	**1,115,086**	**24,577,397**	**3,427,897**	**25,470,010**	**149,399,186**
At 30 June 2020										
Cost or valuation	33,711,260	104,880,615	1,732,799	380,000	6,886,293	5,342,728	27,174,637	3,427,897	32,611,136	216,147,365
Accumulated depreciation	(15,447,713)	(30,743,494)	(1,249,521)	(310,545)	(5,030,898)	(4,227,642)	(2,597,240)	-	(7,141,126)	(66,748,179)
Net Book Amount	**18,263,547**	**74,137,121**	**483,278**	**69,455**	**1,855,395**	**1,115,086**	**24,577,397**	**3,427,897**	**25,470,010**	**149,399,186**

18 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Generation Equipment $	Distribution Network $	Computer Equipment $	Furniture & Fixtures $	Tools & Equipment $	Motor Vehicle $	Land & Building $	Capital WIP $	Renewable Energy $	Total $
At 30 June 2018										
Cost or valuation	33,163,600	66,271,512	1,260,666	314,362	1,349,130	4,134,277	14,946,921	15,912,775	30,349,012	167,702,255
Accumulated depreciation	(13,016,860)	(19,836,503)	(845,203)	(218,284)	(941,811)	(2,899,614)	(1,475,738)	-	(4,452,645)	(43,686,658)
Net Book Amount	**20,146,740**	**46,435,009**	**415,463**	**96,078**	**407,319**	**1,234,663**	**13,471,183**	**15,912,775**	**25,896,367**	**124,015,597**
Year Ended 30 June 2019										
Opening net book amount	20,146,740	46,435,009	415,463	96,078	407,319	1,234,663	13,471,183	15,912,775	25,896,367	124,015,597
Additions	547,660	32,253,890	89,554	12,746	22,080	298,636	17,412	7,175,517	-	40,417,495
Transfers	-	2,712,026	-	-	-	-	10,407,892	(16,401,171)	1,376,001	(1,905,252)
Depreciation expense	(1,217,739)	(4,700,616)	(121,582)	(36,339)	(129,710)	(418,198)	(208,983)	-	(1,342,755)	(8,175,922)
Closing net book amount	**19,476,661**	**76,700,309**	**383,435**	**72,485**	**299,689**	**1,115,101**	**23,687,504**	**6,687,121**	**25,929,613**	**154,351,918**
At 30 June 2019										
Cost or valuation	33,711,260	101,237,428	1,350,220	327,108	1,371,210	4,432,913	25,372,225	6,687,121	31,725,013	206,214,498
Accumulated depreciation	(14,234,599)	(24,537,119)	(966,785)	(254,623)	(1,071,521)	(3,317,812)	(1,684,721)	-	(5,795,400)	(51,862,580)
Net Book Amount	**19,476,661**	**76,700,309**	**383,435**	**72,485**	**299,689**	**1,115,101**	**23,687,504**	**6,687,121**	**25,929,613**	**154,351,918**
Year Ended 30 June 2020										
Opening net book amount	19,476,661	76,700,309	383,435	72,485	299,689	1,115,101	23,687,504	6,687,121	25,929,613	154,351,918
Additions	-	338,639	218,456	33,070	47,390	311,231	39,988	932,047	-	1,920,821
Transfers	-	3,304,548	-	-	-	-	-	(4,190,671)	886,123	-
Disposals	-	-	-	-	-	(4,207)	-	(600)	-	(4,807)
Depreciation expense	(1,213,114)	(6,206,375)	(139,156)	(37,797)	(114,405)	(429,832)	(555,007)	-	(1,345,726)	(10,041,412)
Closing net book amount	**18,263,547**	**74,137,121**	**462,735**	**67,758**	**232,674**	**992,293**	**23,172,485**	**3,427,897**	**25,470,010**	**146,226,520**
At 30 June 2020										
Cost or valuation	33,711,260	104,880,615	1,568,676	360,178	1,418,600	4,739,937	25,412,213	3,427,897	32,611,136	208,130,512
Accumulated depreciation	(15,447,713)	(30,743,494)	(1,105,941)	(292,420)	(1,185,926)	(3,747,644)	(2,239,728)	-	(7,141,126)	(61,903,992)
Net Book Amount	**18,263,547**	**74,137,121**	**462,735**	**67,758**	**232,674**	**992,293**	**23,172,485**	**3,427,897**	**25,470,010**	**146,226,520**

		Consolidated		Company	
		2020	2019	2020	2019
19	**TRADE AND OTHER PAYABLES**	$	$	$	$
	Trade payables	2,679,803	6,792,998	2,438,022	6,319,508
	Other payables and accruals	4,299,296	2,344,611	3,713,153	2,091,224
	Related party payables (Note 28(c))	-	-	2,092,272	1,779,771
		6,979,099	9,137,609	8,243,447	10,190,503
20	**EMPLOYEE ENTITLEMENTS**				
	Annual leave	236,352	274,293	210,588	261,939
	Provision for bonus	200,000	360,000	200,000	360,000
		436,352	634,293	410,588	621,939
21	**BORROWINGS**				
	a) Secured loans from ANZ Tonga				
	Current	3,238,068	3,038,498	2,964,588	2,737,321
	Non-current	28,032,161	30,005,369	26,628,881	28,635,111
	Total	31,270,229	33,043,867	29,593,469	31,372,432
	b) Reconciliation of movements of liabilities to cash flows arising from financing activities				
	Balance at the beginning of the year	33,043,867	28,410,797	31,372,432	27,583,797
	Proceeds from borrowings	1,555,184	7,503,002	1,270,934	6,614,252
	Repayment of borrowings	(3,328,822)	(2,871,890)	(3,049,897)	(2,827,575)
	Interest expense	1,635,810	1,195,944	1,546,739	1,139,176
	Interest capitalised to property plant and equipment	-	325,950	-	325,950
	Interest paid	(1,635,810)	(1,519,936)	(1,546,739)	(1,463,168)
	Balance at the end of the year	31,270,229	33,043,867	29,593,469	31,372,432

c) Securities

The borrowings for the Group are secured by the following:

Tonga Power Limited borrowings

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

Tonga Gas Limited borrowings

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

21 BORROWINGS (continued)

c) Securities (continued)

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

- Annual Audited Financial Statements as requested by ANZ as soon as they are available, but not later than 120 days after end of each financial year;
- Cash Flow Projection and/or Budgets with assumptions for the next 12 months as requested by ANZ as soon as they are available, but not later than 30 days after end of each financial year;
- Annual CAPEX plan to be provided as soon as they are available but not later than 60 days of each financial year end on the account of Tonga Power Limited; and
- Should the dividend paid be above the level of 50% of Net Profit After Tax, ANZ consent for the payment of such dividend is not required but a Review Event will be triggered should the dividend exceed the stated 50% level without any prior consultation by the Borrower with the Bank.

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

e) Terms of the borrowings

	Interest rate	Monthly repayment	Maturity
Tonga Power Limited borrowing			
Loan 1	4.00%	74,000	March 2027
Loan 2	4.00%	82,000	March 2028
Loan 3	4.00%	30,735	February 2028
Loan 4	4.00%	83,000	February 2029
Loan 5	4.00%	64,000	January 2031
Loan 6	4.25%	18,778	October 2033
Tonga Gas Limited borrowing			
Loan 1	4.00%	27,964	January 2026

	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
22 SHARE CAPITAL				
(a) Authorised capital				
1,031 ordinary shares at $32,768 each	33,783,595	33,783,595	33,783,595	33,783,595
(b) Issued and paid-up capital				
Ordinary shares of 1,031 at $32,768 per share, fully paid	33,783,595	33,783,595	33,783,595	33,783,595

	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
23 PROVISION FOR DIVIDEND				
Balance at the beginning of the year	779,171	3,300,000	779,171	3,300,000
Dividend declared	1,202,257	779,171	1,202,257	779,171
Dividend paid	(1,981,428)	(100,000)	(1,981,428)	(100,000)
Dividend converted to grant	-	(3,200,000)	-	(3,200,000)
Balance at the end of the year	-	779,171	-	779,171

During the year, the Company declared a dividend of $1,202,257 (2019: $779,171) at the rate of $1,166 (2019: $756) per share. In 2019 dividend payable of $3,200,000 was exempted by the shareholder and recognised as income in profit or loss, as the exemption represented recovery of costs from the tariff hold by the authorities.

	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
24 ASSET REVALUATION RESERVE				
Balance at the beginning of the year	10,367,429	10,788,553	10,367,429	10,788,553
Depreciation of buildings	(69,467)	(69,467)	(69,467)	(69,467)
Depreciation of distribution network	(351,657)	(351,657)	(351,657)	(351,657)
Balance at the end of the year	9,946,305	10,367,429	9,946,305	10,367,429

Asset revaluation reserve consists of fair value gains arising from the revaluation of the Company's Distribution Networks and revaluation of land and buildings. The difference between the depreciation based on the revalued carrying amount charged to profit or loss and depreciation based on the assets original costs for the year was $421,124 (2019: $421,124). This difference was transferred from the asset revaluation reserve to retained earnings.

	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
25 DEFERRED INCOME - DONATED ASSETS				
Balance at the beginning of the year	58,882,288	29,964,966	58,882,288	29,964,966
Additions	-	31,574,977	-	31,574,977
Amounts released to other income	(3,456,510)	(2,657,655)	(3,456,510)	(2,657,655)
Balance at the end of the year	55,425,778	58,882,288	55,425,778	58,882,288
Disclosed in the financial statements as follows:				
Current	3,456,510	2,657,655	3,456,510	2,657,655
Non-current	51,969,268	56,224,633	51,969,268	56,224,633
	55,425,778	58,882,288	55,425,778	58,882,288

Deferred income consists of grants in relation to capital expenditure projects and fixed assets acquired from donors.

	Consolidated 2020 $	Consolidated 2019 $	Company 2020 $	Company 2019 $
26 INVESTMENT IN SUBSIDIARIES				
Homegas Limited	-	-	642,531	642,531
Tonga Gas Limited	-	-	2,953,163	2,953,163
	-	-	3,595,694	3,595,694

In 2019, the Company impaired its investments in Tonga Gas Limited. An impairment loss of $Nil (2019: $556,144) was recognised under "Administrative and other expenses"

26 INVESTMENT IN SUBSIDIARIES (continued)

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
Balance at the beginning of the year	-	-	3,595,694	3,949,675
Additional investment in subsidiary	-	-	-	202,163
Impairment of investment	-	-	-	(556,144)
Balance at the end of the year	-	-	3,595,694	3,595,694

Subsidiary entities	Ownership interest 2020	Ownership interest 2019	Place of incorporation	Place of business
Homegas Limited	100%	100%	Tonga	Tonga
Tonga Gas Limited	100%	100%	Tonga	Tonga

Dividends receivable from Tonga Gas Limited of $Nil (2019: $202,163) was converted into shares.

27 LEASES

	Consolidated 2020	Company 2020
A. As a Lessee	$	$
Rights-of-use assets		
Balance at 1 July 2019	2,895,619	1,681,750
Depreciation charge for the year	(95,916)	(58,237)
Balance at 30 June 2020	2,799,703	1,623,513
Lease Liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	175,961	107,861
One to five years	726,551	386,051
More than five years	4,921,779	3,085,866
Total undiscounted lease liabilities at 30 June 2020	5,824,291	3,579,778
Lease liabilities included in the statement of financial position at 30 June 2020:		
Current	53,958	33,631
Non-current	2,789,936	1,615,937
	2,843,894	1,649,568
Amounts recognised in profit or loss		
Interest on lease liabilities	124,234	75,679
Depreciation on ROU Assets	95,916	58,237
	220,150	133,916
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	(64,189)	(32,182)

B. As a Lessor

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

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

	Company 2020
Operating lease	$
Lease income	46,800

27 LEASES (continued)

	Company 2020
B. As a Lessor (continued)	$
Maturity analysis – contractual undiscounted cash flows	
Within one year	46,800
Later than one year but not later than five years	187,200
Later than five years	1,123,200
Total undiscounted lease payments	1,357,200

28 RELATED PARTIES

(a) Transactions with directors

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

Dr. Aisake Valu Eke	Appointed on 1-Sept-20
Mrs. Seinimili Fonua	Appointed on 1-Sept-20
Mr. 'Ipolito Lasalo	Appointed on 1-Sept-20
Lord Lasike	Appointed on 1-Sept-20
Mr. Tevita Puloka	Appointed on 1-Sept-20
Mr. 'Isileli Pulu	Appointed on 1-Sept-20
Mr. John Paul Chapman	
Dr. Sitiveni Halapua	Resigned on 31-Aug-2020
Mr. Seventeen Toumo'ua	Resigned on 31-Aug-2020
Dr. Nailasikau Halatuituia	Resigned on 31-Aug-2020
Mr. Sione Havea Taione	Resigned on 31-Aug-2020

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
Directors' emoluments	240,281	259,449	146,993	139,843

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

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

	Company	
	2020	2019
(c) Transactions with subsidiaries	$	$
Transactions during the year		
Sale of electricity	22,041	25,512
Service fee income	6,000	6,000
Other expenses	-	(50,000)
Balances as at year end		
Amounts receivable from related parties		
Other receivable		
Tonga Gas Limited	312,537	294,401

28 RELATED PARTIES (continued)

	Company 2020	2019
(c) Transactions with subsidiaries (continued)	$	$
Amounts payable to related parties		
Other payable		
Tonga Gas Limited	2,092,272	-
Homegas Limited	-	1,779,771
	2,092,272	1,779,771

(d) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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

	Consolidated		Company	
	2020	2019	2020	2019
	$	$	$	$
Short term remuneration	1,714,505	1,800,661	1,566,567	1,537,199

(e) Transfer of net assets to related party

As at 30 June 2019, the Board of Directors of Tonga Gas Limited and Homegas Limited passed a resolution to merge the operations of Homegas Limited into Tonga Gas Limited. It was resolved that the following assets and liabilities of Homegas Limited be transferred to Tonga Gas Limited as at 30 June 2019:

	$
Intangible assets	114,196
Property, plant and equipment	498,039
Inventories	528,220
Cash and cash equivalents	361,154
Debt investment securities	150,000
Trade and other receivables	1,892,892
Trade and other payables	(813,630)
Employee entitlements	(12,354)
	2,718,517

29 CONTINGENT LIABILITIES

The directors of the Company are not aware of any contingent liabilities as at 30 June 2020 (2019: Nil).

30 CAPITAL COMMITMENTS

Capital commitments

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

Capital commitments	10,502,678	7,000,000	10,502,678	7,000,000

31 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the Board of Tonga Gas Limited has provided Tonga Power Limited an unconditional right to defer payment of $2,092,272 outstanding as at 30 June 2020 (see note 28(c)) for at least 12 months after 30 June 2020.

Other than this, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group and the Company, the results of those operations or the state of affairs of the Group and the Company in subsequent years.

APPENDIX
RECONCILIATION - PERFORMANCE TO PLAN JUNE 2020
TONGA POWER LIMITED

Item	Annual Budget	Actual	Actual Consolidated figures	Explanation
Revenue	53,029,364	53,283,745	61,451,869	comparable figures
Cost of Sales	37,497,786	41,238,541	46,815,609	mainly due to increase in price of diesel, and catch-up overdue power generators maintenance costs
Gross Profit	15,531,578	12,045,204	14,636,260	
Other Income	6,445,732	5,633,754	5,977,874	Change in Government canceled rent agreed with previous government on TPL Old Head Offie & TPL Distribution Warehouse at SIC
Selling & Distribution expenses	7,390,807	7,621,460	7,942,831	comparable figures
Administrative & Other expenses	8,989,077	9,484,950	11,689,993	increase in consultancy fees and depreciation of indirect assets
Impairment loss on trade receivables		222,837	222,837	
EBIT	5,597,426	349,711	758,473	
Net Finance Costs	1,228,455	1,583,698	1,720,836	increase due to increase in delayed loan drawdowns
PBIT	4,368,971	(1,233,987)	(962,363)	corresponding to PBIT
Income Tax	1,092,243	308,497	263,926	corresponding to PBIT
Other Comprehensive Income	-	-		
NPAT/(NLAT)	3,276,728	(925,490)	(698,437)	
Current Assets	9,336,699	10,819,174	12,186,606	current tax asset at June 2020
Non-current Assets	192,309,657	153,687,654	155,565,884	no additions of donated assets, as anticipated
Total Assets	201,646,356	164,506,828	167,752,490	
Current Liabilities	22,591,374	15,108,764	14,163,987	net loss resulted in tax benefits, no provision for tax and dividend at June 2020
Non-current Liabilities	113,215,102	88,675,175	91,633,186	no additions of donated assets, as anticipated
Total Liabilities	135,806,476	103,783,939	105,797,173	
NET ASSETS	65,839,880	60,722,889	61,955,317	
Share Capital	33,783,595	33,783,595	33,783,595	
Asset Revaluation Reserve	10,788,533	9,946,305	9,946,305	comparable figures
Retained Earnings	21,267,663	16,992,989	18,225,417	comparable figures
TOTAL EQUITY	65,839,791	60,722,889	61,955,317	comparable figures
Cash Flows from Operating Activities	6,864,644	4,252,380	4,631,446	tariff held despite increase in fuel prices Government not paying its GPOs at balance day.
Cash Flow From Financing Activities	(4,599,226)	(891,923)	(1,373,185)	focused on maintenance, whilst less on capital projects; payment of Dividend 75% on 2018/19 Net
Cash Flow From Investing Activities	(2,692,815)	(3,792,573)	(3,819,255)	increase in loan repayments
Increase/(Decrease) in cash	(427,396)	(432,116)	(560,994)	
Cash at beginning of Year	916,983	711,017	1,325,827	
Cash at end of Year	489,587	278,901	764,833	
Gross Profit %	29.29%	22.61%	23.82%	lesser revenue than forecasted and efficient management of costs
EBIT %	10.56%	0.66%	1.23%	catch up overdue maintenance of generators and increasing fule prices
Profit for the Year %	6.18%	-1.74%	-1.14%	
Return on Equity	4.98%	-1.52%	-1.13%	
Return on Total Assets	1.62%	-0.56%	-0.42%	
Current Ratio	0.41	0.72	0.86	
Debt: Equity	0.67	0.63	0.63	
Total Salary Costs	7,303,760	7,776,342	8,667,351	comparable figures
Salary Costs as % of Revenue	13.77%	14.59%	14.10%	comparable figures
General Administration as % of Rev	30.89%	32.10%	31.95%	comparable figures
Tax Paid (from 18/19 financial year)	1,198,619	1,198,619	1,229,836	
Dividend Payable (from 18/19 financial year)	779,171	1,981,428	1,981,428	
Dividend Payable (from 18/19 financial year) % of Net Profit	35.00%	75.00%	75.00%	
Total No. employees	261.00	261.00		