

ELECTRIC POWER CORPORATION



*"The Power of a Nation"*



# ANNUAL REPORT

## 2014/2015





Government of Samoa

**OFFICE OF THE MINISTER**

**MINISTRY OF WORKS, TRANSPORT AND INFRASTRUCTURE**

(ELECTRIC POWER CORPORATION, SAMOA WATER AUTHORITY,  
SAMOA AIRPORT AUTHORITY, SAMOA PORTS AUTHORITY,  
SAMOA SHIPPING CORPORATION, LAND TRANSPORT AUTHORITY, HOUSING COMMITTEE)

---

31 October 2016

The Honourable Speaker  
Legislative Assembly  
TUANAIMATO

Sir,

In accordance with Cabinet Directive FK (16) 39 of 19 October 2016, I am pleased to present you the Electric Power Corporation's Annual Report for the year ended 30 June 2015, for presentation to the Legislative Assembly of Samoa.

A handwritten signature in blue ink, appearing to read 'Papaliitele Unasa Niko Lee-Hang'.

Papaliitele Unasa Niko Lee-Hang

**MINISTER OF WORKS TRANSPORT AND INFRASTRUCTURE  
& RESPONSIBLE MINISTER FOR THE ELECTRIC POWER CORPORATION**

---

**VISION 2025**

*"To be the best electricity provider in the Pacific Region"*

**IMMEDIATE VISION**

*"Clean energy sources for affordable and sustainable electricity supply for Samoa"*

**MISSION**

*"To provide and maintain quality electricity services through innovative, sustainable and environmentally sound practices in developing renewable energy sources, generation and distribution infrastructure network, in partnership with customers and stakeholders, to support the development of Samoa"*

---

**STREET ADDRESS**

Level 5 – Tui Atua Tupua Tamasese Efi Building, SOGI, Apia

**POSTAL ADDRESS**

Post Office Box 2011 | APIA, SAMOA

**FOR MORE INFORMATION**

T: +685 65 500 | F: +685 23 748 | W: [www.epc.ws](http://www.epc.ws) | E: [epc.info@epc.ws](mailto:epc.info@epc.ws)

---

---

## EPC EXECUTIVE for Financial Year 2014 – 2015

### BOARD OF DIRECTORS

Fa'aolesā Seiuli Katopau T. AINU'U

#### **CHAIRMAN**

Member - Working Committee

Ulumalautea Papalii J Ryan

#### **DIRECTOR**

Member - Finance & Audit Committee

Member - Working Committee

Fiu Peni Asi

#### **DIRECTOR**

Member - Finance & Audit Committee

Member - Working Committee

Leiautaua Darryl Clarke

#### **DIRECTOR**

Member – Finance & Audit Committee

Fiu Taligi

#### **DIRECTOR**

Ale Vena Ale

#### **DIRECTOR**

Chairman – Finance & Audit Committee

Member – Working Committee

Fanene Mark Betham

#### **DIRECTOR**

Lavea Tupaimatuna Iulai Lavea

Chief Executive Officer Ministry of Finance

#### **Ex-Officio DIRECTOR**

### MANAGEMENT

Tologatā Galumalemana Lupematasila Tagaloatele Tile Le'i'a

Tuimalealii'fano

#### **GENERAL MANAGER**

Taulealeausumai Funefeai Māloalo Aumalaga Tiotio

#### **DEPUTY GENERAL MANAGER OPERATIONS**

Contract ended - May 2015

Vui Sailimalo Loau Tusa Laniselota Lameko

#### **MANAGER CORPORATE GOVERNANCE**

Tolefoa Toni Atilua

#### **MANAGER GENERATION**

Faumuina Iese Toimoana

#### **MANAGER DISTRIBUTION & UTILIZATION**

Vagana Stephanie Ela Lomitusi

#### **MANAGER SAVAII OPERATIONS**

Palelēmafuta Sofia Silipa

#### **MANAGER FINANCE AND COMMERCE**

Appointed in December 2014

Samuela Kava

#### **MANAGER INFORMATION COMMUNICATIONS TECHNOLOGY**

Contract ended - May 2015

Masoe Leilua Iosefa Tautua

#### **MANAGER SALES AND MARKETING**

Contract ended – April 2015

Luatuanuu Salafai Ah Tong

#### **MANAGER INTERNAL AUDIT AND INVESTIGATION**

Appointed in January 2015

Fonoti Afamasaga Perelini S. Perelini

#### **PROJECT MANAGER**

POWER SECTOR EXPANSION PROJECT

---

## CONTENTS

<b>CHAIRMAN'S OVERVIEW .....</b>	<b>3</b>
<b>GENERAL MANAGER'S REPORT .....</b>	<b>4</b>
1 HIGHLIGHTS FOR THE YEAR .....	4
1.1 <i>Key Achievements</i> .....	4
1.2 <i>Key Issues</i> .....	7
2. OVERVIEW OF OPERATING PERFORMANCE .....	7
2.1 <i>Production</i> .....	7
2.2 <i>Consumer Base and Consumption</i> .....	8
3. OVERVIEW OF FINANCIAL PERFORMANCE .....	9
4. IMPLEMENTATION OF CORPORATE PLAN FOR THE YEAR .....	9
4.1 <i>Human Resource Management and Development</i> .....	9
4.2 <i>Apprenticeship Scheme</i> .....	10
5. CAPITAL EXPENDITURE AND PROJECTS FOR THE YEAR .....	10
6. OUTLOOK FOR NEXT YEAR .....	10
7. COMMUNITY SERVICE OBLIGATION IMPLEMENTATION .....	11
 <b>ANNUAL ACCOUNTS .....</b>	 <b>12</b>
Management's Report .....	13
Directors Report .....	14
Report of the Audit Office .....	15
Statement of Financial Position .....	16
Statement of Financial Performance .....	17
Statement of Cash Flows .....	18
Statement of Changes in Equity .....	19
Notes to, and forming parts of, the Accounts .....	20

---

## CHAIRMAN'S OVERVIEW

It gives me great pleasure to present this 33<sup>rd</sup> Annual Report for the Electric Power Corporation for the financial year ending 2015 as one of its mandatory reporting obligations in the Public Bodies (Performance & Accountability) Act 2001.

The key highlights of this year's major achievements are;

- A Net Operating Profit of \$11.78 million Tala,
- The inaugural presentation and installation of Samoa's first ever Wind Power Generation Project on the south eastern side of Upolu at Vailoa-Aleipata, with a generation capacity of 550 kW,
- The installation of a 2.2 MWp ground mounted at Race Course, a 250KWp rooftop mounted on Gym 3 at Tuanaimato and 250KWp ground mounted at Salelologa grid connected solar power systems funded by the NZAid. This is EPC's step closer to greener energy in the production of electricity, and Government's goal to use 100% renewable energy by 2017,
- The official opening of the state of the art, Supervisory Control and Data Acquisition System (SCADA) at the Fuluasou National Control Centre as part of the Power Sector Expansion Project. This system improves the coordination, control and management between the generation and distribution of electricity;
- The expansion of the Suprima cash power prepaid vending system to nineteen (19) e-vendors in Upolu and four (4) in Savaii, improving customer accessibility anywhere, anytime at low costs to purchase cash power units
- Completion of construction and maintenance works to ensure reliability of electricity supply during the United Nation Small Island Developing States Conference.

EPC has continued with its restructure during the year, to ensure efficiency and effectiveness of its operation and productivity of its employees. The reduction of the Power Sector Expansion Project loan interest from 6.5% to 2% as per Cabinet approval FK(15) 02 on 22nd January 2015 assisted the Corporation in the reduction of debt charge component of the electricity tariff structure for its customers.

In addition, EPC also continues to support the Government through the implementation of its CSO (Community Service Obligations) projects, covering Upolu and Savaii, to a total of \$2.2 million tala at the end of the period.

The Board held its regular meetings at the end of each month and special meetings to discuss urgent significant matters. In this role the Board has been aggressive in its decision making to deliberate on matters of approved policies, development projects all in ensuring a positive outcome for the Corporation in the implementation of its operations.

Last but not the least, may I take this opportunity on behalf of the Board of Directors to convey my sincere appreciation and thank you to the General Manager, Management and staff for the hard work and commitment as shown with a successful year of operation and providing reliable and efficient electricity service for our valued customers and stakeholders.

Soifua



Fa'aolesā Seiuli Katopau T. Ainuu  
CHAIRMAN

## GENERAL MANAGER'S REPORT

This Annual Report covers the major activities in the operation and financial performance of the Corporation for the fiscal year July 2014 to June 2015.

The Corporation has successfully concluded the year with a recorded Net Operating Profit of \$11.78 million Tala.

The Corporation is committed to realizing the Government's vision of 100% renewable energy sources by the year 2017, by developing renewable energy sources for power generation in order to provide affordable and sustainable electricity supply to its customers and at the same time relieve its dependency on imported fossil fuel. The Corporation managed to complete some of its development projects during this period, under the Samoa Power Sector Expansion Project (PSEP) and donor funded projects as detailed further in this report.

### 1 HIGHLIGHTS FOR THE YEAR

#### 1.1 Key Achievements

##### i) Wind Farm Project

The Aleipata Wind Farm Project was officially opened and handed over to the EPC on 29<sup>th</sup> August 2014 at Vailoa Aleipata. The project includes two 55m high wind turbines, each producing 275 kW of electricity with total output of 1.5 million units of electricity per year, and is connected directly to the EPC's electricity network.

Constructed by French Contractor, Vergnet SA, under the guidance of Abu Dhabi's clean energy company, Masdar and the EPC, the wind farm is funded by the Abu Dhabi Fund for Development of the United Arab Emirates (UAE).



Above L-R: (1) A bird's eye view of the Wind Farm at Vailoa Aleipata & (2) Prime Minister, Hon. Minister of Works, Transport & Infrastructure with Abu Dhabi delegation.

##### ii) Supervisory Control and Data Acquisition System



Above: EPC staff demonstrating the features of the new SCADA system

A new system enabling the EPC to monitor and control all of its generation and key distribution sites on all islands of Upolu, Savaii, Manono and Apolima was officially launched on the 17<sup>th</sup> October 2014. The project for the installation of the Supervisory Control and Data Acquisition (SCADA) System was implemented by Contractor, Schneider Electric of Australia.

In addition, part of completing this contract is the installation of a 30km multi-core fiber optic cable, underground and overhead to outlying areas on the east and south side of Upolu, the installation of high capacity radio links to Savaii and eastern region sites, construction of a 25 and a 30 meter radio towers

and UHF radio links to remote hydro power scheme sites.

The SCADA system is housed at the National Control Centre at Fuluasou Substation where ongoing on the job training and operations is supervised by the Schneider team for EPC Generation staff.

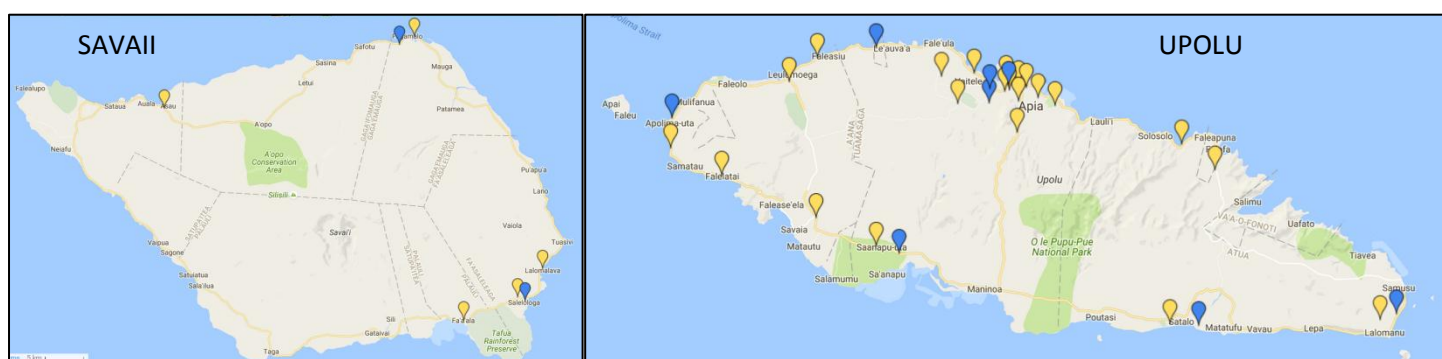


Above L- R: (1) One of Schneider team showing Prime Minister, Hon. Tuilaepa Sailele Malielegaoi how SCADA works & (2) General Manager of EPC with the

### iii) Prepayment Metering Vending System

Due to the increasing number of consumers using prepayment meters, the Corporation continues to seek alternative and economic means of supplying this service to the people especially when its contract with the National Bank of Samoa for selling prepayment meter tokens came to an end. The Corporation successfully extended its vending services to include electronic or offsite vendors in the community. This means, shops in the rural and urban areas have exactly the same vending facilities as EPC. A total of twenty three (23) shops had registered and began selling prepaid-power vouchers and the number continues to grow, for both Upolu and Savaii.

EPC also re-introduced the sale of its prepaid power scratch card, due to increased demand for prepaid power. The map below shows the coverage of vending services in both islands;



Above: As at end of FY 2014/2015 yellow markers pinpoint operating e-vendors, blue markers pinpoint proposed e-vendors.



#### iv) NZAID Solar Project

The NZAID funded Solar Project at Tuanaaimato was officially opened and handed over to the EPC on the 1<sup>st</sup> September 2014 during the UN-SIDS Conference. It includes three solar systems installed on the roof of Gym 3 at Tuanaaimato providing 250 KWp, ground mounted at the Tuanaaimato Race Course of 2.2MWp and ground mounted at Salelologa of 250KWp. The biggest single generation solar array in the Pacific. This is one of several projects as the outcomes of the Energy Summit held in Auckland New Zealand in 2013. Following that Energy Summit, Samoan Government and New Zealand Government signed a Renewable Energy Partnership in December 2013. Under that Partnership the New Zealand government will invest up to NZ\$14.5m on renewable energy infrastructure projects, wind data collection studies as well as capacity development for the energy sector in Samoa.



Above: Ground mounted solar panels at Tuanaaimato racecourse officially opened during the UN-SIDS conference in September 2014.

#### v) United Nations Small Island Developing States Conference (UN-SIDS)

In support of Samoa's host to the United Nations Small Island Developing States Conference from the 1<sup>st</sup> – 4<sup>th</sup> September 2015, the Corporation validated this through its thorough preparations to ensure a reliable and uninterrupted electricity supply specifically to the conference venues at Tuanaaimato.

This included the replacement of old wooden power poles to concrete poles on the northern side of Tuanaaimato Sports Complex, installation of standby generators provided by China, as well as installing of LED streetlights provided under the Energy Efficiency Program by ADB to be installed on these concrete power poles inside the conference venue. Successfully, there was no electricity interruption during the conference period.



Above: EPC Linesmen Team at work replacing wooden with concrete poles within the Tuanaaimato area where the UN - SIDS Conference was held in September.

## 1.2 Key Issues

Despite the successful completion of some of its development projects planned for this period, EPC continues to face strategic issues, which includes but is not limited to, the socio-economic impact of development projects on use of land, adverse impact of organizational restructuring on employees, climate change and the fluctuating price of fuel.

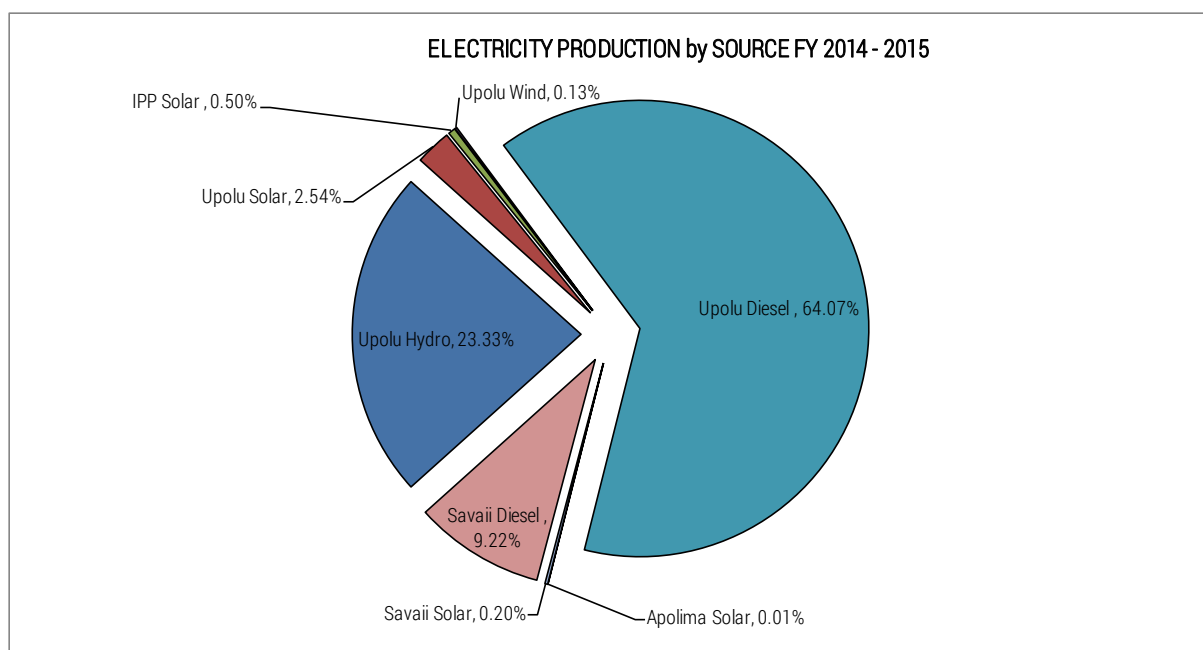
## 2. OVERVIEW OF OPERATING PERFORMANCE

### 2.1 Production

In addition to the usual composition on the sources available for the production of electricity, the EPC during this period successfully installed and commissioned two (2) new photovoltaic solar connected systems and wind energy system in August 2014.

Total production on all islands has increased by 6% from 124,985,632 kWh last year to 132,434,015 kWh in this period. Contribution from non-renewable energy source (diesel) overall also increased by 2%, compared to renewable energy sources also recording an increase in production contribution to 14% from the previous year. This is detailed in the table and graph below;

Location / Source	FY 2014 - 2015		FY 2013 - 2014	
	kWh	Contribution %	kWh	Contribution %
<b>Upolu Island</b>				
Diesel	84,853,938	64.07%	83,146,948	66.53%
Hydro	30,897,622	23.33%	29,989,133	23.99%
EPC Solar	3,359,578	2.54%	272,337	0.24%
IPP Solar	662,147	0.50%	-	-
Wind	178,700	0.13%	-	-
<b>Upolu Total</b>	<b>119,951,985</b>	<b>90.57%</b>	<b>113,408,418</b>	<b>90.76%</b>
<b>Apolima Island</b>				
Solar	11,103	0.01%	10,624	0.01%
<b>Apolima Total</b>	<b>11,103</b>	<b>0.01%</b>	<b>10,624</b>	<b>0.01%</b>
<b>Savaii Island</b>				
Diesel	12,209,014	9.22%	11,566,590	9.25%
Solar	261,913	0.20%	-	-
<b>Savaii Total</b>	<b>12,470,927</b>	<b>9.42%</b>	<b>11,566,590</b>	<b>9.25%</b>
<b>Grand Total</b>	<b>132,434,015</b>	<b>100%</b>	<b>124,985,632</b>	<b>100%</b>



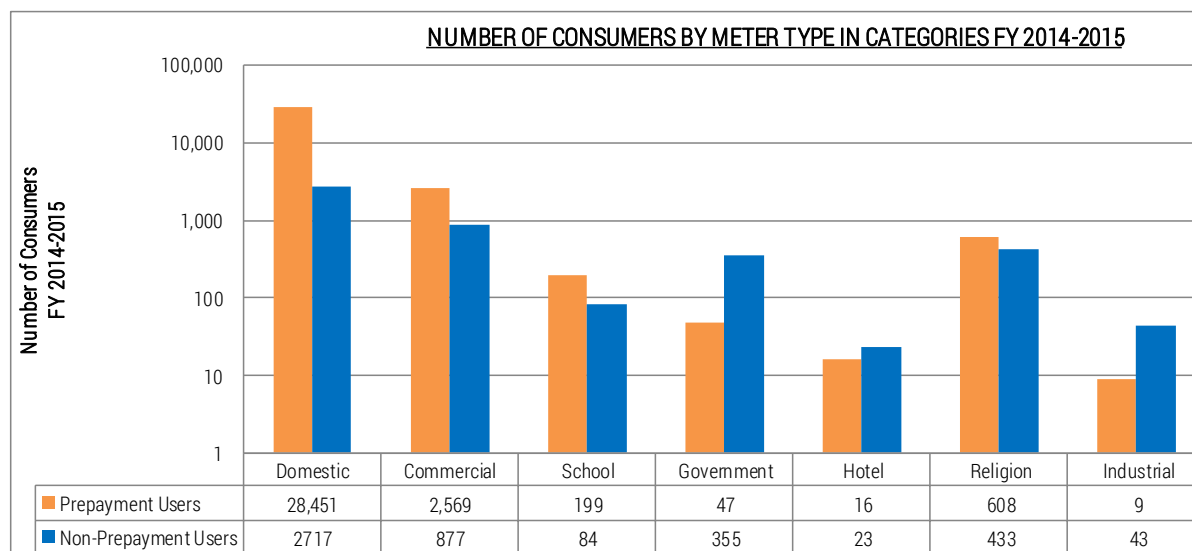
## 2.2 Consumer Base and Consumption

EPC recorded a total number of prepayment meter users and non-prepayment meter users at 36,431 at the end of this period from 35,227 in the previous year. This is an increase by 1,204 consumers, 1,952 additional consumers on prepayment meter (prepaid-power) offset by a reduction in non-prepayment meter users (metered power) down by 748.

This is further detailed in table below;

CATERGORY	USERS by METER TYPE	TOTAL USERS PER CATEGORY	Total users	% per Meter Used
Domestic	Prepayment Users	28,451	31,168	91%
	Non-Prepayment Users	2717		9%
Commercial	Prepayment Users	2,569	3,446	75%
	Non-Prepayment Users	877		25%
School	Prepayment Users	199	283	70%
	Non-Prepayment Users	84		30%
Government	Prepayment Users	47	402	12%
	Non-Prepayment Users	355		88%
Hotel	Prepayment Users	16	39	41%
	Non-Prepayment Users	23		59%
Religion	Prepayment Users	608	1,041	58%
	Non-Prepayment Users	433		42%
Industrial	Prepayment Users	9	52	17%
	Non-Prepayment Users	43		83%
Total number of users (Apolima, Upolu, Manono and Savaii)				36,431
TOTAL CONSUMPTION IN kWh				116,419,074





### 3. OVERVIEW OF FINANCIAL PERFORMANCE

The Corporation ended the fiscal year as at 30 June 2015 with a recorded Net Profit of \$11.78 million Tala compared to a net loss of \$0.85 million tala last year. A significant contribution to EPC's achievement of this favorable outcome is the reduction of the Power Sector Expansion's Project interest on its loan repayments from 6.5% to 2%.

Electricity Sales of \$120.57 million Tala represents 91.5% of Total Income for the period, compared to \$106.35 million in 2014. Imported diesel fuel of \$63.45 million Tala is accounted for the majority of Total Expenditure for this period or 52.6% against the Total Electricity Sales of \$120.57 million Tala.

### 4. IMPLEMENTATION OF CORPORATE PLAN FOR THE YEAR

EPC's road to realizing its vision in its Corporate Plan 2013-2015, has come to an end, with this period being the final year of the plan. The planning period to date sees EPC achieving key strategic results areas in four (4) of its externally focused results in generation, distribution, utilization and sale of electricity, with the exception of the commissioning of the Vaiaata Diesel Power Station in Savaii in its generation output, which has been cancelled due to refocusing on renewable energy development.

#### 4.1 Human Resource Management and Development

In order for EPC to deliver efficient and quality customer focused services at an affordable price, part of its plan towards achieving this strategic result in the planning period, is the need for human resource re-organization, re-allocation and organizational change.

In this regard, Paradise Consulting funded by the AusAID continues with the task and at year end, completed major tasks of its restructure sanctioned by EPC's Board of Directors and Cabinet, where EPC made redundant a total of 62 employees in May 2015. Other major activities of the restructure include the re-allocation of staff within EPC approved functional divisions with the formation of a new division of Quality Assurance and Development responsible for the implementation of all quality assurance and development work to ensure compliance with acceptable operation standards as required for high risk infrastructural works in the Generation, Distribution and Utilization technical divisions and Savaii operations. The consolidation of its asset and financial management and commercial functions into one

---

division was implemented, and most importantly the strengthening of Corporate Governance division to oversee the human resources activities of the Corporation.

The Corporation employed a total of 306 employees as at 30 June 2015, a reduction of 25% compared to a total of 410 employees in the previous period. The composition of staff leaving is due to staff reaching retirement age of 55, impact of the organizational restructure and other staff leaving due to migration and employment opportunities offered elsewhere.

#### **4.2 Apprenticeship Scheme**

The Corporation continues its support for the Ministry of Commerce, Industry and Labor's initiative under its Apprenticeship Scheme for the advancement of the trades in which part time or existing staff can undertake in this program for the duration of four years. Nine (9) apprentices graduated during this period with Certificate of Due Completion (CDC) in the trades of welding, mechanic and electrical. This brings the total to 25 apprentices who have yet to complete their programs.

### **5. CAPITAL EXPENDITURE AND PROJECTS FOR THE YEAR**

The financial position and cash flow statement results reflect a \$15.4 million additional capital expenditure during the financial year. This amount represented by \$12.5 million PSEP funds paid directly from donors to vendors and accounted as loan and government capital in Corporation's book, and \$2.9 million was funded from the EPC own cash flow. The bulk of this fund covers 56% of the generation function, especially the new power station at Fiaga, 24% of the SCADA System project, 10% accounted as distribution and consultancy costs and 10% for the Hydro Renewable projects.

There are two different major projects which are the Power Sector Expansion Project (PSEP) expected to be completed in 2016 and the Hydro Refurbishment and New Hydros project started in the current financial year.

### **6. OUTLOOK FOR NEXT YEAR**

Financially, the overall outlook for the EPC in the new year is positive due to additional revenue expected to be received as a result of its zero-rated classification in the provisions of the VAGST Act, enabling EPC to claim all VAGST paid on goods and services. Moreover, is the continuous implementation of policies and procedures together with prudent management of financial resources will add value and ensure value for EPC in return for services delivered. It is anticipated that with positive results expected from the continuous progress in its current reform, this will lead to reduced operation and capital costs relative to its financial status in the future. However, there are factors that are beyond EPC's control which could have an adverse impact on its entire operation including its distribution and generation network systems, such as natural disasters of which the EPC would spend a substantial amount of money on recovery works.

The existing major challenge embracing the EPC is the drive to assist in realizing the Government's vision of becoming 100% renewable in 2017. As a result, it has added more pressure on the EPC to vigorously pursue all means and opportunities available utilizing its limited resources to speed up appropriate renewable energy projects to complete on time and as scheduled. On the other hand, there are external factors outside the EPCs control such as existing IPP's not securing their funding, last minute withdrawals, non-compliance with environmental legislation and policies, and delayed construction works which could hinder the EPC from achieving 100% target.

---

## 7. COMMUNITY SERVICE OBLIGATION IMPLEMENTATION

The EPC during this period continues with its support for the Government through its Community Service Obligation (CSO) program. Under this program, the EPC is obligated to provide rural electrification to ensure accessibility of electricity services by all, as well as installation, repair, maintenance and electricity bills for streetlights, to ensure public security and safety along road networks.

During this fiscal year, the EPC completed a total of 421 applications for Low Voltage Network extension and 269 new streetlights in Upolu and Savaii under the Rural Electrification Project which totaled to \$2.2 million.

The accumulated shortfall in funding provided by the government through CSO for the VAGST on fuel as at 30 June 2015 is \$6,720,598. Fuel VAGST is not included in the electricity tariff so this has to be reimbursed from the government.

### ACKNOWLEDGEMENT

In conclusion, I would like to express my sincere gratitude and thank you to the EPC Board of Directors, Management and staff for the hard work and commitment in this year's work, which has reflected in a favorable financial outcome for the Corporation. I would also like to acknowledge the support of our valued customers and stakeholders, international and regional aid agencies, the Government as well as its various Ministries.

In line with its vision of "clean energy sources for affordable and sustainable electricity supply for Samoa", the Corporation will continue to pursue and expedite cost effective and environmentally sound renewable energy solutions to enable provision of low cost and quality electricity services while maintaining its sound financial performance.

It has been a challenging year despite adverse impact of climate change and other factors outside of the Corporation's control impacting the operations of the Corporation.

Soifua



Tologatā Galumalemana Lupematasila Tagaloatele Tile Leʻa Tuimalealiʻifano

GENERAL MANAGER



---

## ANNUAL ACCOUNTS

---

## Management's Report

For the year ended 30 June 2015

### Management's responsibility for financial reporting

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

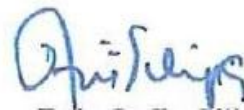
Management has established and maintained accounting and internal control systems that include written policies and procedures. These systems are designed to provide reasonable assurance that financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements,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

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

Our Independent Auditors (Lesa ma Penn), having been appointed by the Controller and Chief Auditor, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Tologata G. L. T. Tile Le'i'a Tuimalealiifano  
**General Manager**



Palelēmafuta Sofia Silipa  
**Manager Finance and Commerce**

Date: 11 February 2016

---

## Directors Report

For the year ended 30 June 2015

The Directors present their report together with the financial statements of the Electric Power Corporation ("the Corporation") for the year ended 30 June 2015 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Finance Management Act and the Public Bodies (Performance and Accountability) Act 2001.

### Directors

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

Faaolesā Katopau T Ainuu  
Ulumalautea Papalii John Ryan  
Fanene Mark Betham  
Fiu Peni Asi  
Leiataua Daryl Clarke  
Fiu Taligi  
Ale Vena Ale  
Lavea Tupaimatuna Iulai Lavea (ex-officio)

### Principal Activity

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

### Report on other Legal and Regulatory Requirements

EPC did not meet the regulatory timeframe for audits of 31st October due to the following reasons:

- (i) the Audit only commenced in September 2015 despite the draft financial statements being prepared by 3rd September 2015.
- (ii) the audit for 2014 was delayed thus delaying the commencement of an interim audit, and this was only done together with the main audit.

### State of Affairs

In the opinion of the directors:

- (i) the accompanying Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Corporation for the year ended 30 June 2015;
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Corporation as at 30 June 2015.

### Operating Results

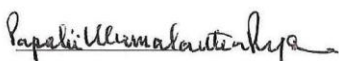
The net profit/(loss) for the year is \$11,784,897; 2014: (\$848,415)

### Dividends

In accordance with Government's Public Bodies(Performance and Accountability) Act 2001 and Cabinet directive FK (10)33 of 25 August 2010, the Corporation has not declared a final dividend for the year ended 30 June 2015 based on a modified formula to calculate the Adjusted Net Profit. However, given the healthy cash flow of the corporation an interim dividend of \$1 million was declared and paid.

Dated at Apia this: 11 February 2016

Signed in accordance with a resolution of the Directors.

  
DIRECTOR

  
DIRECTOR



## Report of the Audit Office

TELEPHONE: 27751  
FAX: 24167  
EMAIL: [info@audit.gov.ws](mailto:info@audit.gov.ws)  
Website: [www.audit.gov.ws](http://www.audit.gov.ws)

*Please address all correspondences  
to the Controller and Auditor General*



P.O. Box 13  
APIA, SAMOA

### AUDIT OFFICE

#### REPORT OF THE AUDIT OFFICE

##### TO THE MEMBERS – ELECTRIC POWER CORPORATION

We have audited the accompanying Financial Statements of the Electric Power Corporation which comprises the statement of financial position as at 30 June 2015, statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Accounting Firm of Lesā ma Penn, Chartered Accountants, assisted in this audit.

##### Responsibility for the Financial Statements

The Board of Directors and Management are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Electric Power Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

##### Report on Other Legal and Regulatory Requirements

Under Section 104 of the Public Finance Management Act 2001, a public body shall submit to the Minister of Finance and the Responsible Minister the audited financial statements within four months after the end of the public body's financial year. The Electric Power Corporation has not complied with Section 104 of the Public Finance Management Act 2001 as it has not submitted its audited financial statements for the year ended 30 June 2015 by the deadline of 31 October 2015.


In our opinion:

- (a) proper books of account have been kept by the Corporation, so far as it appears from our examination of those books; and
- (b) the financial statements are in agreement with the books of account; and
- (c) to the best of our knowledge and according to explanations given to us the financial statements give the information required by the Public Bodies (Performance and Accountability) 2001 in the manner so required.

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

Our audit was completed on the 11<sup>th</sup> February 2016 and our opinion is expressed as at that date.

Apia, Samoa  
19 February 2016

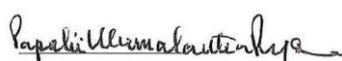
  
Violet Roebeck-Fasavalu  
ACTING CONTROLLER AND AUDITOR GENERAL

## Statement of Financial Position

As at 30 June 2015

	Notes	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	385,567,348	379,158,280
Prospect development costs	15	218,452	218,452
<b>Total non-current assets</b>		<b>385,785,800</b>	<b>379,376,732</b>
<b>Current Assets</b>			
Cash at bank and on hand	20	9,175,719	4,577,365
Term deposits	21	11,461,247	2,329,733
Trade receivables	18	12,314,229	9,219,821
Other receivables and prepayments	19	1,417,180	4,824,032
Inventory	16	10,482,484	14,422,653
<b>Total current assets</b>		<b>44,850,859</b>	<b>35,373,604</b>
<b>TOTAL ASSETS</b>		<b>430,636,660</b>	<b>414,750,336</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Government of Samoa Capital	22	120,755,597	119,700,886
Assets Revaluation Reserves	23	86,634,243	86,634,243
Self-Insurance Reserves	30	5,000,000	-
Accumulated Profit / (Losses)		6,906,546	1,121,649
<b>Total Equity</b>		<b>219,296,387</b>	<b>207,456,779</b>
<b>Non-current liabilities</b>			
Borrowings	24	156,294,680	160,894,920
Deferred Income	25	21,536,340	10,836,914
<b>Total non-current liabilities</b>		<b>177,831,020</b>	<b>171,731,834</b>
<b>Current liabilities</b>			
Trade creditors		6,693,630	9,852,918
Provisions and accruals	26	2,224,124	2,207,085
Current portion of deferred income	25	1,290,199	564,503
Current portion of borrowings	24	23,031,300	22,937,217
<b>Total current liabilities</b>		<b>33,509,254</b>	<b>35,561,723</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>430,636,660</b>	<b>414,750,336</b>

Signed on behalf of the Board:



Director



Director

Date: 11 February 2016

Date: 11 February 2016

The accompanying notes form an integral part of the above financial statement

## Statement of Financial Performance

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>INCOME</b>			
Electricity Sales	5,6	120,572,990	106,345,477
Non electricity energy sales		483,957	607,682
Fuel levy subsidy		7,000,000	6,500,000
Other income	7	2,600,344	2,147,348
Cyclone recovery funding	27	1,172,929	4,157,071
		<b>131,830,220</b>	<b>119,757,578</b>
<b>EXPENSES</b>			
Administration Costs		11,905,439	10,625,164
Direct costs electricity energy sales	9	85,235,128	89,430,995
Direct costs non electricity energy sales		362,789	506,486
Selling and distribution costs	10	18,598,324	14,353,957
Accident Compensation settlement claim	32	-	2,139,953
		<b>116,101,681</b>	<b>117,056,555</b>
Net finance costs	11	3,943,643	3,549,438
Net profit/(loss)		<b>11,784,897</b>	<b>(848,415)</b>

The accompanying notes form an integral part of the above financial statement.

## Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		120,300,477	108,659,306
Receipts from VAGST fuel levy		5,290,000	6,500,000
Interest received		184,166	143,545
UNCC / Sundry Income		2,110,479	2,512,283
Cyclone recovery costs		1,172,929	500,000
Payments to suppliers and employees		(108,690,821)	(107,690,325)
Interest and other finance costs paid		(4,220,619)	(1,065,590)
<b>Net cash flows from operating activities</b>		<b>16,146,611</b>	<b>9,559,219</b>
<b>Cash flows from investing activities</b>			
Proceeds from drawdown of term deposits		14,872,331	1,781,128
Proceeds from sale of property, plant and equipment		37,991	53,903
CSO for distribution line construction costs		2,248,646	1,093,635
Payment for term deposits		(5,740,816)	(2,397,502)
PSEP payment direct to vendors – refer note below		(11,445,667)	(20,453,832)
PSEP payment direct to vendors – refer note 22		(1,054,711)	(231,910)
Payments for property, plant and equipment		(2,870,997)	(726,019)
<b>Net cash flows from investing activities</b>		<b>(3,953,224)</b>	<b>(20,880,597)</b>
<b>Cash flows from financing activities</b>			
PSEP funds paid directly to vendors recognized as borrowings		11,445,667	20,453,832
PSEP funds paid directly to vendors recognized as capital		1,054,711	231,910
Repayment of borrowings		(20,095,411)	(9,004,499)
<b>Net cash flows from financing activities</b>		<b>(7,595,033)</b>	<b>11,681,242</b>
<b>Net increase/(decrease) in cash balances</b>		<b>4,598,353</b>	<b>359,864</b>
Cash balances brought forward		4,577,366	4,217,501
<b>Ending cash balance</b>	20	<b>9,175,719</b>	<b>4,577,365</b>

### Power Sector Expansion Project (PSEP) investment and financing activities \$12,471,157.

In relation to the Power Sector Expansion Project for the financial year ended 30th June 2015, a total of \$12.5 million (2014: \$20.5 million) tala was recognized as assets, \$11.4 million (2014: \$20.45million) tala recognized as borrowing and \$1.03 million (2014: \$0.23 million) recognized as capital by the Corporation. Of this amount, \$12.5 million tala was paid directly by the lending consortium and government or third party contractors and suppliers involved with the Power Sector Expansion Project. The disclosure of these non-cash transaction in the Statement of Cash Flows is for informational purposes only as they do not represent direct cash flow transaction of the Corporation.

The accompanying notes form an integral part of the above financial statement

## Statement of Changes in Equity

For the year ended 30 June 2015

	Notes	Government of Samoa capital	Asset Revaluation Reserve	Self- Insurance Reserves	Accumulated Profit/(Loss)	Total Equity
		\$	\$		\$	\$
<b>Balance at 30 June 2013</b>		119,468,977	61,960,261		1,970,064	183,399,302
Net Asset Revaluation for the Year			24,673,982		-	24,673,982
Net Loss for the year					(848,415)	(848,415)
Contribution during the year	22	231,910				231,910
<b>Balance at 30 June 2014</b>		<b>119,700,886</b>	<b>86,634,243</b>		<b>1,121,649</b>	<b>207,456,779</b>
Dividend paid to Government					(1,000,000)	(1,000,000)
Net Profit for the year					11,784,897	11,784,897
Self-Insurance Reserves	30			5,000,000	(5,000,000)	-
Contribution during the year	22	1,054,711				1,054,711
<b>Balance at 30 June 2015</b>		<b>120,755,597</b>	<b>86,634,243</b>	<b>5,000,000</b>	<b>6,906,546</b>	<b>219,296,387</b>

The accompanying notes form an integral part of the above financial statement



---

## Notes to, and forming parts of, the Accounts

For the year ended 30 June 2015

### 1. General information

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

The Corporation was established by the Electric Power Corporation Act 1972. It is governed by an eight member board of directors (the Board) with its own Chairman. The Board includes the Chief Executive Officer of the Ministry of Finance as an ex-officio.

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

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

These financial statements were authorised for issue by the Board of Directors at 11 February 2016.

### 2. Statement of significant accounting policies

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

#### a. Statement of compliance

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

#### b. Basis of preparation

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

#### c. Foreign currency transactions

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

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

#### d. Property, plant and equipment

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

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

---

which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

The residual value is reassessed annually.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

#### **e. Prospect development costs**

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

#### **f. Inventories**

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

#### **g. Financial assets**

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

---

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

**h. Trade and other receivables**

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

**i. Contributed capital**

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

**j. Loans payable**

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

**k. Provisions**

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

**l. Accounts payable**

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

**m. Cash and cash equivalents**

Cash and cash equivalents consist of cash, bank deposits and term deposits with maturities less than 90 days net of bank overdrafts for the purposes of the statement of cash flows. Bank overdrafts are shown in current liabilities on the balance sheet.

**n. Impairment**

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

***Calculation of recoverable amount***

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

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

---

**Reversals of impairment**

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

**o. Revenue**

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

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

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

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

**p. Government grants**

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

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

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

**q. Distinction between capital and revenue expenditure**

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

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

**r. Employee benefits**

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

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

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

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

---

**s. Net finance costs**

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

**t. Borrowing costs**

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

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

**u. Value added goods and services tax**

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

VAGST paid is recognised as part of the related asset or expense because the Corporation is exempt from VAGST.

**v. Income tax**

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

**w. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***Operating leases***

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

***Finance leases***

Assets held under finance leases are initially recognised as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation under borrowings.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Corporation's general policy on borrowing costs (see above).

**x. Dividend distribution**

Cabinet directive FK (10) 33 dated August 25th, 2010 allows the Corporation to calculate dividends based on an adjusted net profit basis. The Corporation only recognizes a dividend payable if the modified basis on which dividends are calculated show that a dividend is payable to the Government.

**y. Comparatives**

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

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

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



---

*Not yet adopted:*

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

### **3. Financial risk management**

#### **3.1 Financial risk factors**

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

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

#### ***Market Risk***

##### **Interest rate risk**

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

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

##### **Foreign currency risk**

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

## Sensitivity analysis

	2015	
Carrying amount (USD)	62,408,815	163,587,982
	0.3815 (ANZ Rate)	\$\$SAT

		Loan Balance	Exchange Gain/Loss
USD – Loan Accounts	5%	155,798,078	(7,789,904)
USD – Loan Accounts	-5%	172,197,876	8,609,894
USD – Loan Accounts	10%	148,716,347	(14,871,635)
USD – Loan Accounts	-10%	181,764,424	18,176,442
USD – Loan Accounts	15%	142,250,419	(21,337,563)
USD – Loan Accounts	-15%	192,456,449	28,868,467

## Price risk

The Corporation is not exposed to any significant price risk.

## Liquidity Risk

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

Forecasted liquidity reserve per 30 June 2015 is as follows:

	2015-2016	2016-2017
	\$	\$
Opening balance for the period	9,175,719	11,094,046
Operating proceeds	123,098,174	126,791,119
Operating cash outflows	(102,980,038)	(106,069,439)
Cash outflow for investments	210,000	216,300
Proceeds from sale of investments and interest received	(17,089,282)	(17,601,960)
Financing proceeds	13,629,984	14,038,884
Payments of debts and dividends	(14,950,511)	(15,399,026)
Closing balance for the period	11,094,046	13,069,923

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

2015	At Call	Less than 1 Year	Between 1 & 2 years	Between 2&5 years	Over 5 years	Total
Borrowings	-	(23,031,300)	(17,000,000)	(51,000,000)	(88,294,679)	(179,325,979)
Trade and other payables	-	(9,187,755)	-	-	-	(9,187,755)
Cash	9,175,719	-	-	-	-	9,175,719
Term Deposits	-	11,461,247	-	-	-	11,461,247
Accounts receivable	-	13,731,409	-	-	-	13,731,409
	9,175,719	(7,026,399)	(17,000,000)	(51,000,000)	(88,294,679)	(154,145,359)

---

### ***Credit Risk***

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

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

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

The Corporation has significant credit risk exposure to a single counterparty. The Corporation defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk is defined as counterparty revenue exceeding 5% of gross revenues. Included in electricity sales of \$120,572,990(2014: \$106,345,477) are revenues of \$10,851,569(2014: \$9,571,093) or 9% of total revenues relating to a single counterparty.

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

### **3.2 Capital risk management**

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

The capital structure of the Corporation consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and contributed equity by the Government, asset revaluation reserves and accumulated funds as disclosed in notes 20, 22 and 23 respectively.

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

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

	2015 \$	2014 \$
Debt (i)	179,325,979	183,832,137
Less Cash equivalents and short term deposits	(20,636,966)	(6,907,098)
Net debt	158,689,013	176,925,039
Equity (ii)	219,296,387	207,456,779
Net debt to equity ratio	72%	85%

(i) Debt is defined as long and short term borrowings as detailed in note 24.

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

### **3.3 Fair value estimation**

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

#### 4. Critical accounting estimates and judgments

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

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

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

The Corporation invoices its customers monthly for electricity energy sales. For electricity energy sales to customers during **June 2015** but invoiced in **July 2015**, management has estimated the accrued revenue due at year end. The accrual has been calculated using a daily average of KWH used in July, an estimation of average accrued days based at differing dates of readings among areas and average unit prices to recognise accrued revenue at year end. However, as accrued metered usage is based on average estimations, it is possible that the actual revenue amounts may vary from that estimate. Accrued revenue recognised in the current reporting period is subsequently reversed in the next reporting period to offset collected revenue relating to the current period. Refer also to 2 (p) Revenue.

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

If the useful economic lives had been longer by an average of one year during the period ended 30 June 2015 (annualised), then the Corporation's depreciation charge would have been approximately \$1,447,456 lower if the useful lives had been longer by an average of one year, or approximately \$1,778,349 higher if the useful lives had been an average of one year shorter.

#### 5. Electricity energy sales

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

	2015 \$	2014 \$
Electricity energy sales through monthly billings	85,671,166	76,044,478
Electricity energy sales through cash power	34,901,825	30,300,999
Total Sales	120,572,990	106,345,477
Less direct costs of electricity energy sales	(85,235,128)	(89,430,995)
Gross margin on electricity energy sales	35,337,862	16,914,482

## 6. Information about market concentrations

Total electricity sales are divided among the following market segments:

	2015	2014
	\$	\$
Commercial	50,981,235	49,261,811
Domestic	30,114,793	27,697,415
Government Departments	18,420,424	10,189,767
Hotels	2,992,891	3,018,647
Industrial	9,512,554	7,826,101
Religions	6,037,655	5,840,969
Schools	2,513,439	2,510,766
	<u>120,572,990</u>	<u>106,345,477</u>

## 7. Other income

Details of other income are specified as follows:

	2015	2014
	\$	\$
Connection/reconnection fees	542,976	638,001
Service line receipts	25,191	13,642
JICA's donation (refer note 26)	76,553	76,553
Deferred Income – CSO (refer note 26)	544,137	482,956
Deferred Income for solar and wind energy	648,138	-
Interest on overdue accounts	271,568	121,522
Proceed from sales of assets	37,991	53,903
Stock take surplus	-	51,353
Pole sharing with Bluesky	139,580	279,160
Others	314,210	430,258
	<u>2,600,344</u>	<u>2,147,348</u>

## 8. Auditors remuneration

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

	2015	2014
	\$	\$
Audit of EPC financial statements	68,016	68,016
PSEP Audit Fee	17,250	14,950
Government Audit Office Performance Audit	87,803	-
Underprovided from prior year	29,110	3,152
	<u>202,179</u>	<u>86,118</u>

## 9. Direct costs electricity energy sales

Direct costs electricity energy sales are specified as follows:

	2015	2014
	\$	\$
Cost of diesel fuel and oil less ACC levy rebate	63,454,283	70,391,698
Depreciation expense	8,506,969	6,369,600
Insurance costs	850,428	859,230
IPP Costs	433,831	-
Motor vehicle costs (fuel, repairs & maintenance)	194,810	158,587
Operating expenses	6,945,967	6,516,178
Labor costs	2,556,056	2,311,964
Repairs and maintenance	2,292,784	2,823,738
	<u>85,235,128</u>	<u>89,430,995</u>



## 10. Selling and distribution costs

Selling and distribution costs are specified as follows:

	2015	2014
	\$	\$
Installation and inspection costs	74,442	117,798
Operating costs	1,007,970	1,789,886
Loss on disposal of motor vehicles	772,137	-
Labor Costs	4,487,779	4,029,309
Motor Vehicle costs	807,036	850,570
Repairs and maintenance	3,981,337	2,141,906
Depreciation	7,467,624	5,424,487
	<u>18,598,324</u>	<u>14,353,957</u>

## 11. Net finance costs

Net finance costs are specified as follows:

	2015	2014
	\$	\$
Interest income on short term deposit	(276,976)	(153,886)
<i>Less finance costs relating to:</i>		
Interest on finance lease	24,058	24,058
Interest on borrowings - Afulilo	948,983	1,037,678
Interest on borrowings – PSEP	3,245,179	2,637,734
Bank charges	2,398	3,854
Net finance costs	<u>3,943,643</u>	<u>3,549,438</u>

## 12. Personnel costs

Personnel costs are specified as follows:

	2015	2014
	\$	\$
<b>Personnel Costs</b>		
General Manager's Office	449,727	444,958
Internal Audit	147,692	169,680
Corporate Governance	556,330	283,471
Legal & Policy	79,384	106,749
Information Communication & Technology	425,451	371,787
Finance & Commerce	1,067,521	1,203,297
Retailing	929,056	967,996
Generation	2,356,032	2,110,499
Distribution & Utilization	2,776,370	2,426,601
Project Management Unit	811,297	953,386
Savaii	2,114,779	2,086,647
<b>Employers contribution to:</b>		
National Provident Fund	525,264	555,308
Accident Compensation Commission	106,763	137,604
	<u>12,345,665</u>	<u>11,817,982</u>

The average number of persons employed during the year is 306 (2014: 423).

### 13. Directors and executive management compensation

#### i. Directors

The Directors of the Corporation during the financial period were:

Faaolesa Katopau T Ainuu (Chairman of the Board)  
Ulumalautea Papalii John Ryan (member of Board)  
Fanene Mark Betham (member of Board)  
Fiu Peni Asi (member of Board)  
Leiataua Daryl Clarke (member of Board)  
Fiu Taligi (member of Board)  
Ale Vena Ale (member of Board)  
Lavea Tupaimatuna Iulai Lavea (ex-officio)

Directors fees of \$47,000 (2014: \$50,281) were paid during the year while sitting allowances paid were \$47,806 (2014:\$70,549). Board expenses amounted to \$37,933 (2014: \$33,066). Directors appointed from Government Corporations and Ministries do not receive a director's fee except for a sitting allowance. Government regulations specify that directors' fees are \$6,500 per annum, \$8,000 for chairman and the directors' sitting allowances are \$250 and \$300 for the chairman per meeting.

	2015	2014
<i>Directors and executive management compensation</i>	\$	\$
Directors fees - current	47,000	50,281
Sitting allowances	47,806	70,549
Catering for board meeting	27,573	26,066
Membership fees	7,000	7,000
Other	3,360	-
	<u>132,740</u>	<u>153,896</u>

#### ii. Key management personnel costs

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

	2015	2014
	\$	\$
Salaries and short-term employment benefits	960,149	838,028
<b><i>Employers contribution to:</i></b>		
National Provident Fund	48,007	41,901
Accident Compensation Commission	9,601	8,380
	<u>1,017,758</u>	<u>888,310</u>

### 14. Operating leases

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

	2015	2014
	\$	\$
Not later than 1 year	1,596,359	2,295,288
Later than one year but not later than 5 years	1,985,092	1,796,194
	<u>3,581,451</u>	<u>4,091,483</u>

The Corporation leases various premises and hired generators under operating leases. The leases for premises run for an initial period of three years and six months for hired generators, with an option to renew the lease after that date. Certain lease agreements provide that the lease payments increase by a predetermined percentage every year.

During the current period, amounts of \$1,596,359 (2014: \$2,295,288) for the Corporation were recognised as an operating expense in the income statement in respect of operating leases.

#### 15. Prospect development costs

Prospect development costs are comprised of the following:

	2015 \$	2014 \$
Savaii Hydro Project	362,783	362,783
Less: Provision for doubtful debts	(144,331)	(144,331)
	<u>218,452</u>	<u>218,452</u>

#### 16. Inventory

Inventories are specified as follows:

	2015 \$	2014 \$
Stationery	16,472	16,472
Utilization and distribution inventory	8,866,888	12,293,753
Less: Provision for obsolete stock	(388,930)	(380,694)
	<u>8,494,429</u>	<u>11,929,530</u>
Scratch card – cash power	50,616	-
Fuel and oil inventory	1,937,439	2,057,212
Goods in transit	-	435,376
	<u>10,482,484</u>	<u>14,422,653</u>

The cost of utilisation and distribution inventories recognised as expense and included in 'selling and distribution costs' was \$6,575,764 (2014:\$ 6,558,559). The cost of fuel and oil inventories recognised as expense and included in 'direct costs electricity energy sales' was \$63,450,883 (2014:\$70,644,725). There is no cost of stationery inventories recognised as expense in the 'administration costs' for the current financial year (2014:\$19,808). The cost of scratch card recognised as expense and included in 'selling and distribution costs' was \$60,173 (2014:\$41,886).

## 17. Property, plant and equipment

	Lands & Buildings	Power plants & distribution assets	Office equipment & furniture	Motor vehicles	Total
<b>Gross carrying amount</b>					
Cost at 1 <sup>st</sup> July 2013	40,239,419	309,803,033	5,408,982	8,656,780	364,108,213
Revaluation at 1 <sup>st</sup> July 2013					-
Cost and revaluation at 1 <sup>st</sup> July 2013	40,239,419	309,803,033	5,408,982	8,656,780	364,108,213
**Revaluation during the year	1,423,821	22,627,222	(1,307,871)	1,930,810	24,673,982
Additions	(98,354)	8,203,187	113,075	-	8,217,908
Disposals	-	(461,040)	-	(145,067)	(606,106)
Reclassification	37,860	-	(37,860)	-	-
Balance at 30 <sup>th</sup> June 2014	41,602,746	340,172,402	4,176,326	10,442,523	396,393,997
Additions	9,278,033	83,347,382	210,711	3,307,370	96,143,496
Disposals	-	(992,509)	-	(1,203,460)	(2,195,969)
Reclassification	(2,035,187)	2,035,187	-	-	-
Balance at 30 <sup>th</sup> June 2015	48,845,593	424,562,461	4,387,037	12,546,433	490,341,524
<b>Accumulated depreciation</b>					
Restated Balance at 1 <sup>st</sup> July 2013	4,191,752	82,550,917	2,376,215	7,042,842	96,161,727
Depreciation charge for the year	1,042,872	11,132,292	428,686	965,170	13,569,020
Disposals	-	(461,040)	-	(98,774)	(559,814)
Reclassification	-	-	(37,860)	-	(37,860)
Balance at 30 <sup>th</sup> June 2014	5,234,624	93,222,169	2,767,041	7,909,238	109,133,073
Depreciation charge for the year	1,329,986	14,783,457	622,616	959,367	17,695,427
Disposals	-	(826,717)	-	(431,322)	(1,258,039)
Reclassification	-	-	-	-	-
Balance at 30 <sup>th</sup> June 2015	6,564,611	107,178,909	3,389,658	8,437,283	125,570,461
Capital works in progress 2014	-	91,896,691	665	-	91,897,356
Capital works in progress 2015		20,796,285	-	-	20,796,285
<b>Net book value</b>					
As at 30 June 2014	36,368,121	338,846,923	1,409,949	2,533,284	379,158,280
As at 30 June 2015	42,280,982	338,179,837	997,379	4,109,150	385,567,348

\*\*Refer Note 23

## 18. Trade receivables

Trade debtors are specified as follows:

	2015 \$	2014 \$
Customers from electricity energy sales	13,587,654	12,125,179
Customers from non-electricity energy sales	2,686,383	1,117,089
	16,274,037	13,242,268
Less allowance for doubtful debts	(3,959,808)	(4,022,447)
Net trade debtors	12,314,229	9,219,821

The average credit period on electricity energy and non-electricity energy sales is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 1.15% on any outstanding balance from \$10 tala upwards. The Corporation has provided fully for all receivables over 90 days because historical experience is such that receivables that are past due beyond 90 days are generally not recoverable. Trade receivables between 30 days and 90 days are provided for based on estimated irrecoverable amounts from the sale of revenue, determined by reference to past default experience.

Included in the Corporation's trade receivable balance are debtors with a carrying amount of \$3,439,149 (2014: \$4,830,072) which are past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Ageing of past due but not impaired

	2015	2014
	\$	\$
1 to 30 days	1,762,215	1,857,333
31 to 60 days	837,512	2,347,093
61 to 90 days	839,422	625,646
	<u>3,439,149</u>	<u>4,830,072</u>

Movement in the allowance for doubtful debts

	2015	2014
	\$	\$
Opening balance	4,022,447	4,022,447
Amounts written off	(936,895)	-
Doubtful Debts	874,257	-
Closing balance	<u>3,959,808</u>	<u>4,022,447</u>

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

As of 30 June 2015, trade receivables of \$5,371,040 (2014: \$2,173,687) were impaired and identified as part of the provision for doubtful debts consisting mainly of independent customers, which are in unexpectedly difficult economic situations and certain project receivables. It was assessed that a portion of these receivables are expected to be recovered.

Ageing of impaired trade receivables

	2015	2014
	\$	\$
Over 90 days and over 360 days	<u>5,371,040</u>	<u>2,173,687</u>

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



### 19. (a) Other receivables and prepayments

Other debtors and prepayments are specified as follows:

	2015	2014
	\$	\$
Accrued revenue	1,228,209	955,695
Prepayments	42,948	70,195
Other debtors	69,494	3,741,115
Interest receivable on term deposit	76,530	57,026
	<u>1,417,180</u>	<u>4,824,032</u>

### (b) VAGST on Fuel

Given that EPC is exempted from VAGST i.e. cannot pass VAGST to its customers, the Ministry of Finance provide funding through the Budget to compensate the Corporation for VAGST on fuel. As at 30th June 2015 the shortfall in funding for VAGST on fuel is \$6,720,598.

### 20. Cash and cash equivalents

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

	2015	2014
	\$	\$
Cash on hand	2,630	2,830
Cash at bank (overdraft)	9,173,089	4,574,535
	<u>9,175,719</u>	<u>4,577,365</u>

### 21. Short term deposits

Short term deposits are specified as follows:

	2015	2014
	\$	\$
Total short term deposits	<u>11,461,247</u>	<u>2,329,733</u>

The short term deposits have an average maturity of 214 days (2014: 365 days) and a weighted average interest rate of 3.61% (2014: 4.89%) per annum. The carrying value of the short term deposits equal their fair value.

### 22. Government capital contributions

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

	2015	2014
	\$	\$
Opening balance	119,700,886	119,468,977
(a) Ausaid contribution for Power Sector Expansion Project	1,054,711	231,910
Total capital contributions received	<u>1,054,711</u>	<u>231,910</u>
Total government capital contribution	<u>120,755,597</u>	<u>119,700,886</u>

## 23. Asset revaluation reserve

	2015 \$	2014 \$
Opening balance	86,634,243	61,960,261
Net Asset Revaluation for the year	-	24,673,982
Total Assets revaluation reserve	<u>86,634,243</u>	<u>86,634,243</u>

The asset revaluation has been conducted by the Rodney Hyman Asset Services (RHAS) of Australia based on cost and fair value of all Electric Power Corporation assets as at 30 June 2013. The valuation report was ready and signed by the valuer on 18th December 2013. The total cost of \$173,257.60 was fully funded by the Government (Ministry of Finance) in 2014 recognized as an income and expenditure in the statement of financial performance.

## 24. Borrowings

	2015 \$	2014 \$
<b>Non-current</b>		
Government borrowing	13,762,257	16,086,503
Power sector expansion borrowing	142,532,423	144,808,417
	<u>156,294,680</u>	<u>160,894,920</u>
<b>Current</b>		
Government borrowing	1,975,741	1,881,658
Power sector expansion borrowing	21,055,559	21,055,559
Finance lease liabilities	-	-
	<u>23,031,300</u>	<u>22,937,217</u>
Total borrowing	<u>179,325,979</u>	<u>183,832,137</u>

### BORROWINGS MOVEMENT SUMMARY

	Opening Balance	New and additional Loans	Interest during period	Repayments during period	Balance 30/06/15	Interest rate
<b>Government loans:</b>	\$	\$	\$	\$	\$	%
ADB loan No.752 SAM-SF	17,968,161	-	898,408	(3,128,571)	15,737,998	5.00%
PSEP borrowing – 1 <sup>st</sup> tranche	122,443,689	-	2,139,944	(14,882,418)	109,701,215	2.00%
PSEP borrowing – 2 <sup>nd</sup> tranche	43,420,287	11,445,667	1,105,234	(2,084,422)	53,886,767	2.00%
Total Government loans	<u>183,832,137</u>	<u>11,445,667</u>	<u>4,143,587</u>	<u>(20,095,411)</u>	<u>179,325,979</u>	

	2015 Total \$	2014 Total \$
Total Government Loans	<u>179,325,979</u>	<u>183,832,137</u>

### (i) Government borrowing

In 2002 the Government assisted the Corporation in restructuring its borrowings totaling \$70.77 million tala with the Asian Development Bank (ADB) by assuming the repayments of the loans directly with the ADB. The Corporation then entered into a loan agreement with the Government in 30 June 2001 for a period of 20 years which matures on 30 June 2021. Principal loan repayments are \$5 million tala per annum with interest to be charged at the rate of 5% per annum after a 5 year grace period that expired in June 2007 but has been extended to 30 June 2009. Therefore from 1st July

2009 the Corporation will be recognizing interest expense. The Government bears the foreign currency exchange risk on the repayment of the loans to the principal lender being ADB.

Loan repayment during the year of \$2,780,066 is represented by the exchange of cheque for CSO funding from government.

***(ii) Power sector expansion project borrowing (PSEP)***

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

<i>Financing consortium</i>		<i>Financing components</i>	<i>30 June 15 balance foreign currency</i>	<i>30 June 15 balance local currency</i>
		\$m	\$m	\$m
Asian Development Bank	ADF Loan	US\$26.61	US\$24.8	SAT\$59.6
Asian Development Bank	ADF Grant	US\$15.39	US\$12.6	SAT\$30.7
Japan Bank for International Cooperation	Loan	US\$38.00	US\$38.6	SAT\$87.4
<b>Total repayable borrowings</b>		<b>US\$80.00</b>	<b>US\$76.0</b>	<b>SAT\$177.7</b>
Government of Australia (Aus Aid)	Grant	US\$8.00	US\$7.9	SAT\$18.5
EPC counterpart financing		US\$12.00	US\$9.4	SAT\$21.0
<b>Total project financing</b>		<b>US\$100.00</b>	<b>US\$93.2</b>	<b>\$217.2</b>
<i>NB. Loan interest not included</i>				

The main Financing Agreement is between the Government of Samoa and the Asian Development Bank. Total repayable borrowings as part of the Power Sector Expansion Project amount to \$US80 million dollars. EPC counterpart financing is funded from internal sources of the Corporation. The grant from the Government of Australia is to be recognised as equity in the accounts of the Corporation (refer to Note 22). The subsidiary financing agreement relates to the financing of the Power Sector Expansion Project which is expected to be implemented over the next 8 years with an expected completion date in 2016.

The transactions during the year are converted at ADB exchange rates to ensure the USD amount agrees with what is recorded by ADB as disbursed under the Loan.

The ending balance of the loan payable at the end of the reporting period is converted to SAT\$ using ANZ bank's closing US Dollar selling rate. ANZ's closing selling rate of the US Dollar at the end of the reporting period is used because it equates the SAT\$ equivalent of the outstanding USD loan payable, for which the Corporation is immediately liable to the Government of Samoa.

Interest of \$3,245,178 has been accrued in the current financial year which is recognized in the statement of financial performance and is capitalized and included in the Corporation assets. The interest rate is reduce from 6.5% to 2.0% as per FK(15)02 approved on 14 January 2015 and was back dated to year 2008.

***Repayments***

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

***Financial covenants***

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

- **Accounts Receivable:** Maintaining accounts receivable equivalent to not more than two months equivalent of annual income for electricity energy and non-electricity energy sales –The Corporation has achieved this loan covenant at 1.22 months of billings.
- **Self Financing Ratio:** (i)from 2008 to 2015, cash from internal sources shall not be less than 12% of the annual average of capital expenditures incurred. The Corporation has achieved this loan covenant at 17.70%. (ii)After 2015 cash from internal sources shall not be less than 20% of the annual average of capital expenditures incurred;
- **Debt Service Ratio:** No debt to be incurred unless a reasonable forecast of revenues and expenditures show that estimated free cash flows are at least 1.3 times the estimated debt service requirements on the debts of the borrower – The Corporation has **NOT** achieved as debt service ratio is 1.21.

The fair value of the borrowings approximates the carrying value as the borrowings attract a fixed interest rate.

## 25. Deferred income

	2015 \$	2014 \$
<b>Summary</b>		
<i>Current versus non-current balance</i>		
Current portion		
- (i) JICA	35,459	76,553
- (ii) CSO	313,465	252,284
- (iii) CSO Tsunami	230,672	230,672
- (iv) Solar energy & wind projects	648,138	-
- (v) Cash power scratch card	44,524	4,995
- (vi) Cash power e-vend	17,940	-
	<u>1,290,199</u>	<u>564,503</u>
Non-current portion		
- (i) JICA	-	35,459
- (ii) CSO	7,967,451	6,093,452
- (iii) CSO Tsunami	4,477,331	4,708,003
- (iv) Solar Energy & Wind Projects	9,091,558	-
	<u>21,536,340</u>	<u>10,836,914</u>
<b>Total</b>	<u><u>22,826,539</u></u>	<u><u>11,401,418</u></u>
	2015 \$	2014 \$
<b>(i) Unamortised balance – JICA</b>		
Opening balance	112,012	188,565
Amortisation charge	(76,553)	(76,553)
Closing balance	<u>35,459</u>	<u>112,012</u>
<b>(ii) Unamortised balance – CSO</b>		
Opening balance	6,345,736	5,504,385
Rural electrification project claims	1,922,945	982,441
Installation of streetlights	325,701	111,194
Amortisation charge	(313,465)	(252,284)
Closing balance	<u>8,280,916</u>	<u>6,345,736</u>
<b>(iii) Unamortised balance – CSO Tsunami</b>		
Opening balance	4,938,675	5,169,346
Amortisation charge	(230,672)	(230,672)
Closing balance	<u>4,708,003</u>	<u>4,938,675</u>

**(iv) Un-amortised balance Solar and Wind Projects**

Total grant opening balance	10,387,834
Amortisation Charge	(648,138)
	9,739,696

**(v) Unamortised balance – CP Scratch Card**

Opening balance	4,995	56,389
Sales during the year	2,428,409	1,616,953
Amortisation charge	(2,388,880)	(1,668,347)
Closing balance	44,524	4,995

**(vi) Unamortised balance e-vend**

Sales during the year	1,375,053
Amortisation Charge	(1,357,112)
Closing balance	17,940

- i. In 2007, JICA donated machinery with a total value of \$2.6 million that was recognised as a deferred liability. The deferred liability is amortised to income over 5 and 10 years which is the same rate at which the equipment is depreciated.
- ii. The corporation is carrying out rural electrification work and installation of streetlight on behalf of government. Expenses are claimed for reimbursement from government as they are incurred. On the receipt of the reimbursement from government, capital expenses are treated as deferred liability and amortised to income over the same years which is the same rate at which the asset is depreciated.
- iii. In 2011, government approved \$2.4 million for reimbursement of electrification work of the Tsunami damage. This reimbursement is also treated as deferred liability and amortised to income over the same years and rate at which the asset is depreciated
- iv. The solar and wind energy grant projects funded by Ausaid which accounted as an assets and deferred income and amortised to income and expenditure statement using the same rates at which these assets depreciated.

**26. Provisions and accruals**

Provisions and accruals are specified as follows:

	2015	2014
	\$	\$
Other creditors and accruals	312,413	807,998
Provision for audit fees	101,547	82,966
Provision for untaken annual leave	109,360	273,835
Provision for termination grant	1,500,805	842,285
Provision for life accident benefit scheme	200,000	200,000
	<u>2,224,124</u>	<u>2,207,085</u>

Untaken annual leave recognised as an expense for the current year in the profit and loss was \$225,881 tala (2014:\$335,142).

The Life Accident Benefit scheme has been superseded by the "Disability in the line of duty" and "Death in the line of duty" policies approved by the Board of Directors on April 2015. No provision has been made in the financial statements to reflect the possible cost of the new policies. The Corporation will fully fund these policies from its own cashflow and book provision starting on the next financial year July 2015 ending 30 June 2016.

## 27. Cyclone recovery funding

	2015	2014
	\$	\$
Amount receipted	1,172,929	500,000
Receivable from Federal Pacific		3,657,071
	<u>1,172,929</u>	<u>4,157,071</u>

This relates to insurance claim received and expected to be received from Federal Pacific for the recovery of impairment of assets during the cyclone recognized as other debtors and income in the financial statement.

## 28. Impairment of Assets – Cyclone Evan damage

These assets relate to net book value of the distribution lines at different locations that were significantly damaged during the cyclone Evan on December 2012.

## 29. Community Service Obligation (CSO) Funding

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

	2015	2014
	\$	\$
CSO for payments of accounts receivable	2,671,560	5,963,043
CSO for capital expenditures (note 26)	2,248,646	1,093,635
	<u>4,920,206</u>	<u>7,056,678</u>

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

## 30. Self-Insurance Fund

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

## 31. Commitments for expenditure

Commitments for expenditure are specified as follows:

	2015	2014
	\$	\$
Power plants & distribution assets	1,155,226	1,696,558
Other property, plant and equipment	661,693	1,796,194
Total commitments for expenditure	<u>1,816,919</u>	<u>3,492,752</u>

### Lease commitments

See notes 14 and 25.

---

### **32. Accident Compensation settlement claim**

A settlement (out of court) claim of SAT\$2,139,953 (equivalent of AUD1.0 million) paid by the Corporation for a compensation of the loss of one's life and incapacitated another as the result of an accident on 26 September 2008 caused by a fallen electric pole belonging to the Corporation. There was no provision for this incident in the previous financial statements as it was disclosed as a contingent liability and the amount is recognized in the statement of financial performance.

### **33. Contingent liabilities**

There are legal claims against the Corporation by George Meredith & Associates (GMA) and Amituanai (former employee) at an amount of \$3 million and \$0.65 million respectively which the Corporation is vigorously opposing.