# Te Aponga Uira
# O Tumu-Te-Varovaro

**Annual Report**
**For the Financial Year Ended: 30 June 2024**

# Table of Contents

# Director's Declaration

In the opinion of the Directors of Te Aponga Uira O Tumu-Te-Varovaro ('the Authority') the financial statements and notes, on pages 11 to 25:

• comply with the New Zealand Public Benefit Entity (NZ PBE) Reduced Disclosure Regime (RDR) International Public Sector Accounting Standards (IPSAS) and give a true and fair view of the financial position of the Authority as at 30 June 2024 and the results of operations for the year ended on that date;

• have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors consider that they have taken adequate steps to safeguard the assets of the Authority, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of Te Aponga Uira O Tumu-Te-Varovaro for the year ended 30 June 2024.

**Donald Buchanan**
Director
Date: 19/12/2024

**Stuart Henry**
Director
Date: 19/12/24.

# Directory

| | |
|---|---|
| **Nature of Business:** | Generation and supply of electricity on Rarotonga, Cook Islands |
| **Registered Office:** | Tutakimoa, Avarua, Rarotonga, Cook Islands |
| **Directors:** | Donald Buchanan (Chairman)<br>Stuart Henry (Vice Chairman)<br>Jessie Sword<br>Mata Nooroa<br>Randolph George<br>Duane Malcolm<br>Barbara Elliston (Appointed 1 November 2024) |
| **Shareholder:** | Cook Islands Investment Corporation |
| **Auditor:** | KPMG, Rarotonga |

# Independent Auditor's Report

To the shareholders of Te Aponga Uira O Tumu Te Varovaro (the **Authority**)

**Report on the audit of the financial report**

## Opinion

We have audited the accompanying financial report which comprises:

- the statement of financial position as at 30 June 2024;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the statement of service performance on pages 8 to 10.

In our opinion, the accompanying financial report of Te Aponga Uira O Tumu Te Varovaro (the **Authority**) on pages 8 to 25 presents fairly in all material respects:

- the Authority's financial position as at 30 June 2024 and its financial performance and cash flows for the year ended on that date; and
- the service performance for year ended 30 June 2024 in accordance with the Authority's service performance criteria.
- In accordance with Public Benefit Entity Standards Reduced Disclosure Regime (**PBE Standards RDR**) issued by the New Zealand Accounting Standards Board.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**) and the audit of the statement of service performance in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* (**NZ AS 1**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Te Aponga Uira O Tumu Te Varovaro in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (**IESBA Code**), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

Our firm has provided other services to the Authority in relation to tax compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the Authority on normal terms within the ordinary course of trading activities of the business of the Authority. These matters have not impaired our independence as auditor of the Authority. The firm has no other relationship with, or interest in, the Authority.

## Other information

The directors, on behalf of the Authority, are responsible for the other information. The other information comprises information included in the Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

## Responsibilities of directors for the financial report

The directors, on behalf of the Authority, are responsible for:

- the preparation and fair presentation of the financial report in accordance with PBE Standards RDR issued by the New Zealand Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error;
- service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being PBE Standards RDR); and
- assessing the ability of the Authority to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs NZ and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with ISAs (NZ) and NZ AS 1, the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements and the service performance information, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtains an understanding of the process applied by the entity to select what and how to report its service performance.
- Evaluates whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements and service performance information, including the disclosures, and whether the financial statements and service performance information represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For and on behalf of:

KPMG

Rarotonga
19 December 2024

# Statement of service performance

For the year ended 30 June 2024

**Introduction**
Te Aponga Uira O Tumu-Te-Varovaro ("the Authority" or TAU) was established under the Te Aponga Uira O Tumu-Te-Varovaro Act 1991 ("TAU Act") with two principal objectives:

(a) to provide energy to all consumers in a reliable and economical manner; and
(b) to operate its facilities in an efficient and profitable manner having due regard to the interests of the community.

The principal objectives are depicted in the vision, mission and core activities of the Authority.

*Vision*
Empowering the community through sustainable energy solutions.

*Mission*
To guard and protect the energy security the community has enjoyed for more than three decades while working to embrace new technologies that deliver cost savings and benefits to our customers and, in doing so, help the Cook Islands meet its international commitments to achieve net zero emissions.

*Core activities*
1. Managing the stability of the entire power system through control sophistication to maintain a consistent quality of electricity to the customer.
2. Purchasing as well as generating clean energy at an equal or lower price point than diesel and redistributing to match customer demands.
3. Maintaining and controlling the distributed grid network to transport electricity safely and reliably from generation source to new and existing customers, matching the needs of both suppliers and customers.
4. Retailing electricity to the customer through streamlined metering, tariff and payment options.
5. Sustaining and supporting the profitability of TAU's activities through strong financial, human resource, project, ICT, risk, communications and relationships management.

*First year presenting Statement of Service Performance*
The Authority considers the performance measures reported are those closely aligned with the Statement of Corporate Intent. However, this is the first year the Authority is presenting a Statement of Service Performance and it has identified that improvement is required in setting and measuring performance targets, specifically safety targets. As the measures are developed going forward, it is expected that the future Statement of Service Performance will include more specific targets for each core activity, that are measurable and aligned with industry standards. The Authority also notes the lack of safety targets, which will be included in the next Statement of Service Performance. The Authority also notes that, particularly in light of a safety incident occurring subsequent to the reporting period, it is reviewing its safety procedures as an organisation and learnings from this incident will be assimilated into safety targets and measures in the next Statement of Service Performance.

**The Authority's Performance**
The performance of the Authority is measured against the delivery of the core activities.

*Core activity 1: Managing the stability of the entire power system through control sophistication to maintain a consistent quality of electricity to the customer*

Quality and reliability is measured through CAIFI (Customer Average Interruption Frequency Index - events) and CAIDI (Customer Average Interruption Duration Index - hours).

| Measure | FY24 Target | FY24 Actual | FY23 Target | FY23 Actual |
|---|---|---|---|---|
| CAIFI | 2 | 11.02 | <2 | 2.31 |
| CAIDI | 2 | 21.98 | <1.05 | 1.81 |

During FY24 a large project to replace aging switchgear was completed. This resulted in 3 planned outages, followed by unplanned outages as a result of unexpected issues with the installation of the new switchgear. There were also 2 cable faults during FY24 due to aged infrastructure failing which led to long unplanned outages.

# Statement of service performance (continued)

*Core activity 2: Purchasing as well as generating clean energy at an equal or lower price point than diesel and redistributing to match customer demands*

*Renewable energy generation*

| Measure | FY24 Target | FY 24 Actual | FY23 Target | FY23 Actual |
|---|---|---|---|---|
| Total kWH Generated | 33,605,210 | 35,362,535 | 30,450,450 | 32,543,643 |
| kWH Generated Renewable Energy | 4,368,677 | 3,631,999 | 3,958,559 | 3,977,530 |

The Authority is committed to generating clean energy at an equal or lower price point than diesel. This has been achieved for the current and prior financial years. The annual budget was not done by cost centre and therefore the data is not available to compare a target to an actual.

| Measure | FY 24 Actual | FY23 Actual |
|---|---|---|
| Cost per kWH diesel generation | 0.92 | 0.79 |
| Cost per kWH renewable energy generation | 0.63 | 0.42 |

The renewable energy generation for FY24 was 10% (FY23: 12%) of the total energy generation for the year and was under target by 736,678 kWH. The higher percentage diesel generation resulted in higher than budgeted fuel costs for FY24.

*6MW Renewable Energy Commitment*

To deliver on the Authority's mission to help the Cook Islands meet its international commitments to achieve net zero emissions, the Authority is committed to deliver the 6MW renewable energy it committed to with the Asian Development Bank.

| Target for FY24 | FY24 Performance | FY23 Performance |
|---|---|---|
| Completion of a tariff for IPPs as part of the 4MW renewable energy uptake. | A tariff for IPPs as part of the 4MW renewable energy uptake has not yet been set, but modelling was started during FY24 engaging experts from Australia. The tariff will be finalised during FY25 and TAU will re-engage with interested parties. | The Authority re-opened engagement with the private sector for interest in renewable energy uptake for up to 4MW and received expressions of interest from the public. |

*Core Activity 3: Maintaining and controlling the distributed grid network to transport electricity safely and reliably from generation source to new and existing customers, matching the needs of both suppliers and customers*

The network has a relatively high transformer utilisation for what is an essentially a rural network, characterized by long LV feeders, a widely distributed customer base, and building projects that often take place at a considerable distance from the primary HV reticulation. The Authority continued work to in FY24 to ensure that resources were dedicated to where it was most warranted. CAIDI and CAIFI is measures of how the network is controlled and is presented in core activity 1 above.

| Target for FY24 | FY24 Performance | FY23 Performance |
|---|---|---|
| Install 5km of underground LV cables to replace overhead lines. | 2kms of LV cable were installed during FY24. | 1.47kms cable were installed during FY23. |
| Replacement of HV cables carried out based on diagnostic assessment and, where possible, in line with Government road improvement plans in order to avoid multiple excavations and disruptions to the public's use of the road. | 2.88kms of HV cables were replaced during FY24. | 1.47kms of HV cables were replaced during FY23. |
| Replacement of substations and switchgear and associated nodes around the network are based on diagnostic assessments and in alignment with renewable energy developments. | 1 ring main units (RMUs) was replaced at the Auditorium during FY24. | 1 transformer upgrade was completed at The Point substation and 1 RMU replacement was completed at the Coolstore substation. |

# Statement of service performance (continued)

*Core activity 4: Retailing electricity to the customer through streamlined metering, tariff and payment options*

The Authority is committed to strengthening its relationship with customers, expanding the information available to customers through enhanced accessibility, and will actively research and develop products that are of interest and relevance to customers' needs.

| Target for FY24 | FY24 Performance | FY23 Performance |
|---|---|---|
| Go-live with paperless billing system (i.e. invoices will be emailed and not printed and delivered). | The paperless billing system went live in October 2023, with 85.19% of connections registered by 30 June 2024. | This project was planned and commenced in FY24. |

The Authority also reviews its tariffs on an annual basis to ensure that the tariffs are economical and in the interest of the community.

| Tariff | FY24 ($) | FY23 ($) |
|---|---|---|
| Domestic Tier 1 (up to 60 units) | $0.53 | $0.53 |
| Domestic Tier 2 (61 - 300 units) | $0.77 | $0.77 |
| Domestic Tier 3 (over 300 units) | $0.79 | $0.79 |
| Commercial | $0.77 | $0.77 |
| Demand | $0.68 | $0.68 |
| Fuel surcharge | $0.05 | $0.15 - October 2022 - May 2023<br>$0.10 - May 2023 - June 2023 |

*Core activity 5: Sustaining and supporting the profitability of TAU's activities through strong financial, human resource, project, ICT, risk, communications and relationships management*

The Authority's delivery of its services across its core business centres are supported by teams focused on cost minimisation, accountability, building and maintaining human resources and optimising processes and information flows - both internal and external.

We used net profit before tax (NPBT) as a measure of profitability. The current financial year had a better result than budgeted with a profit of $463k against a budgeted loss of $1.4M. The favourable results was due to lower than budgeted depreciation and staff costs.

| Measure | FY24 Target ($) | FY 24 Actual ($) | FY23 Target ($) | FY23 Actual ($) |
|---|---|---|---|---|
| NPBT | (1,440,930) | 463,412 | (3,767,625) | (906,795) |

The Authority also commenced the review of its organisational structure to support the operations.

| Target for FY24 | FY24 Performance | FY23 Performance |
|---|---|---|
| Complete a functional and organisational structural review, human resource capacity and alignment. | The organisational review and assessment was completed in February 2024 by an independent service provider. The final report will be delivered in FY25 after which an implementation plan for the recommendations will commence. | This organisational review was only commissioned during FY24. |

**The Authority's disclosure of judgement**

The Authority has used judgement in identifying the indicators that have the most significant effect on the selection, measurement, and presentation of the service performance information, given regards to what it presented and committed to in its Statement of Corporate intent.

The measures included are directly linked back the Authority's core activities, which supports how its vision of "Empowering the community through sustainable energy solutions" are delivered, which ensures that the principal objectives as set out in the TAU Act are met.

# Statement of Financial Position

As at: 30 June 2024
*In New Zealand Dollars*

| | Note | 2024 $ | 2023 $ Restated |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 8,548,830 | 8,426,198 |
| Term deposits | 8 | 20,222,089 | 18,629,274 |
| Trade and other receivables | 10 | 5,343,928 | 4,966,973 |
| Income tax receivable | 9 | 85,263 | 85,263 |
| Inventories | 11 | 6,999,087 | 7,213,181 |
| *Total Current Assets* | | *41,199,197* | *39,320,889* |
| Non-Current Assets | | | |
| Property, plant, and equipment | 12 | 17,620,460 | 16,619,855 |
| Intangible assets | 13 | 873,227 | 1,091,445 |
| Capital work-in-progress | | 938,814 | 2,308,059 |
| Deferred tax | 9 | 376,076 | 517,821 |
| *Total Non-Current Assets* | | *19,808,577* | *20,537,180* |
| ***Total Assets*** | | ***61,007,774*** | ***59,858,069*** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | 3,094,022 | 2,265,984 |
| *Total Current Liabilities* | | *3,094,022* | *2,265,984* |
| ***Total Liabilities*** | | ***3,094,022*** | ***2,265,984*** |
| ***Total Net Assets*** | | ***57,913,752*** | ***57,592,085*** |
| **Equity** | | | |
| Capital | 17 | 13,167,708 | 13,167,708 |
| Retained Earnings | | 44,746,044 | 44,424,377 |
| ***Total Equity*** | | ***57,913,752*** | ***57,592,085*** |

This statement is to be read in conjunction with the notes to the financial statements included elsewhere in this report.

# Statement of Comprehensive Income

For the year ended 30 June 2024
*In New Zealand Dollars*

| | Note | 2024<br>$ | 2023<br>$<br>Restated |
|---|---|---|---|
| Revenue | 5 | 25,135,827 | 24,592,632 |
| Discounts | 5 | (881,245) | (887,517) |
| *Net Revenue* | | *24,254,582* | *23,705,114* |
| Other Income | 5 | 414,121 | 164,235 |
| Operating Expenses | 6 | (25,247,449) | (25,376,677) |
| ***Operating profit before financing income*** | | ***(578,746)*** | ***(1,507,328)*** |
| Finance income | 7 | 1,086,117 | 640,304 |
| Finance expenses | 7 | (43,959) | (39,771) |
| *Net financing income* | | *1,042,158* | *600,533* |
| ***Profit/(Loss) before income tax*** | | ***463,412*** | ***(906,795)*** |
| Income tax (expense)/benefit | 9 | (141,745) | 157,636 |
| ***Profit/(Loss) for the year*** | | ***321,667*** | ***(749,159)*** |
| Other comprehensive income for the year (net of tax) | | - | - |
| ***Total comprehensive income/(loss) for the year*** | | ***321,667*** | ***(749,159)*** |

This statement is to be read in conjunction with the notes to the financial statements included elsewhere in this report.

# Statement of Changes in Equity

For the period ended: 30 June 2024
*In New Zealand Dollars*

| | Note | Capital<br>$ | Retained Earnings<br>$ | Total Equity<br>$ |
|---|---|---|---|---|
| ***Balance as at 1 July 2022*** | | ***13,167,708*** | ***45,173,536*** | ***58,341,244*** |
| Profit / (loss) for the year *(Restated)* | | - | (749,159) | (749,159) |
| Other comprehensive income | | - | - | - |
| ***Total comprehensive income for the year (Restated)*** | | - | ***(749,159)*** | ***(749,159)*** |
| Distribution to owners | | - | - | - |
| Tax on dividends paid during the year | | - | - | - |
| Contributions from the Government | | - | - | - |
| ***Total transactions with owners*** | | - | - | - |
| ***Balance as at 30 June 2023 (Restated)*** | | ***13,167,708*** | ***44,424,377*** | ***57,592,085*** |
| Profit / (loss) for the year | | - | 321,667 | 321,667 |
| Other comprehensive income | | - | - | - |
| ***Total comprehensive income for the year*** | | - | ***321,667*** | ***321,667*** |
| Distribution to owners | | - | - | - |
| Tax on dividends paid during the year | | - | - | - |
| Contributions from the Government | **17** | - | - | - |
| ***Total transactions with owners*** | | - | - | - |
| ***Balance as at 30 June 2024*** | | ***13,167,708*** | ***44,746,044*** | ***57,913,752*** |

This statement is to be read in conjunction with the notes to the financial statements included elsewhere in this report.

# Statement of Cash Flows

For the year ended 30 June 2024

*In New Zealand Dollars*

| | Note | 2024 $ | 2023 $ Restated |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash received from customers | | 24,405,172 | 22,931,026 |
| Cash bonds received from customers | | 76,170 | 71,060 |
| Cash paid to suppliers | | (19,350,114) | (21,173,514) |
| Cash paid to employees | | (2,756,067) | (2,576,195) |
| Income tax paid | | - | - |
| Interest received | | 718,103 | 414,526 |
| Interest paid | | - | - |
| ***Net cash flow from operating activities*** | | ***3,093,264*** | ***(333,098)*** |
| Cash flows from investing activities | | | |
| Acquisition of term deposits | | (1,610,230) | 1,639,634 |
| Net (acquisition) / disposal of property, plant and equipment and intangibles | | (1,580,103) | (1,708,796) |
| ***Net cash flow from investing activities*** | | ***(3,190,333)*** | ***(69,162)*** |
| Cash flows from financing activities | | | |
| Contributions from / (distributions to) Government | | - | - |
| ***Net cashflow from financing activities*** | | - | - |
| ***Net increase / (decrease) in cash and cash equivalents*** | | ***(97,069)*** | ***(402,260)*** |
| Add opening cash and cash equivalents on 1st July | | 8,426,198 | 8,653,445 |
| Net foreign exchange difference | | 232,154 | 138,676 |
| Less (increase) / decrease in allowance for doubtful debts | | (12,453) | 36,336 |
| ***Closing cash and cash equivalents*** | | ***8,548,830*** | ***8,426,198*** |
| ***Net cash and cash equivalents*** | 8 | ***8,548,830*** | ***8,426,198*** |

This statement is to be read in conjunction with the notes to the financial statements included elsewhere in this report.

# Notes to the Financial Statements

**1 Reporting Entity**

Te Aponga Uira O Tumu-Te-Varovaro (the 'Authority') is constituted under the Te Aponga Uira O Tumu-Te-Varovaro Act 1991.

The financial statements of the Authority as at and for the year ended 30 June 2024 were authorised for issue by the Directors on the date specified on page 3.

**2 Change in reporting framework**

The financial statements were historically prepared in accordance with the New Zealand Equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR') as a Tier 2 for-profit entity in accordance with XRB A1 Accounting Standards Framework (For-Profit Entities Update). The Directors approved to change the reporting framework in the current year to the New Zealand Public Benefit Entity (NZ PBE) Reduced Disclosure Regime (RDR) International Public Sector Accounting Standards (IPSAS) as a Tier 2 public benefit entity. Having considered that the principal objectives of the Authority are to provide energy to all consumers in a reliable and economical manner and to operate its facilities in an efficient and profitable manner having due regard to the interests of the community, the Directors concluded that the Authority is a public benefit entity as defined in XRB A1, rather than a for-profit entity. This change was applied retrospectively and the prior period financial statements have been restated to comply with the New Zealand Public Benefit Entity (NZ PBE) Reduced Disclosure Regime (RDR) International Public Sector Accounting Standards (IPSAS). The reconciliation below summarises the changes to the Statement of Financial Position and Statement of Comprehensive Income from what was previously presented.

| | ***Prior year disclosure*** | ***Restated disclosure*** | ***Difference*** |
|---|---|---|---|
| | *$* | *$* | *$* |
| *Statement of Financial Position* | | | |
| Non-Current Assets | | | |
| Right-of-Use Asset | 894,871 | - | (894,871) |
| Current Liabilities | | | |
| Lease Liabilities | 37,045 | - | (37,045) |
| Non-Current Liabilities | | | |
| Lease Liabilities | 921,177 | - | (921,177) |
| *Statement of Comprehensive Income* | | | |
| Other Income | 122,373 | 164,235 | 41,862 |
| Operating Expenses | 25,331,445 | 25,376,677 | 45,232 |
| Finance Expense | 106,493 | 39,771 | (66,722) |

**3 Basis of Preparation**

The financial statements have been prepared on a going concern basis.

The Directors have performed an assessment of the Authority's ability to continue as a going concern from twelve months from the date of this declaration. In this assessment, the Directors considered management's budget forecasts, the Letter of Support from Government (ultimate parent) and the sufficient level of cash-reserves on-hand are able meet the level of expenditure required to continue operations into the foreseeable future, being at minimum twelve months from balance date.

a) *Statement of compliance*

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Public Benefit Entity (NZ PBE) Reduced Disclosure Regime (RDR) International Public Sector Accounting Standards (IPSAS) as a Tier 2 public benefit entity. The Authority qualifies to report under Tier 2 and can apply the reduced disclosure regime as it does not exceed the expense threshold of $30 million.

b) *Basis of measurement*

The financial statements have been prepared using the historical cost basis.

c) *Functional and presentation currency*

The financial statements are presented in New Zealand Dollars ($), which is the Authority's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest dollar, except when otherwise indicated.

d) *Use of estimates and judgements*

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 8 Income tax, on the probability of the existence of future taxable profits for the recognition of deferred tax asset;

- Note 9 - Electricity unbilled relates to the electricity supplied to consumers from the last invoiced date to balance date. No charge has been made to the customer debtor account for this.

- Note 17 - Financial Instruments being the calculation of impairment using the Expected Credit Loss (ECL) model under NZ PBE IPSAS 41 - Financial Instruments.

# Notes to the Financial Statements (continued)

**4 Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Authority.

a) *Financial instruments*

(i) Financial Assets

Term deposits and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Financial liabilities

The Authority classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Refer to Note 17 Financial Instruments for explanation of how the Authority classifies and measures financial instruments.

b) *Determination of fair values*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

| 5 Revenue | *2024* <br> *$* | *2023* <br> *$* <br> *Restated* |
|---|---|---|
| Electricity | 23,311,195 | 21,386,666 |
| Fuel surcharge (Temporary) | 1,561,683 | 3,056,226 |
| Consumer services | 262,949 | 149,740 |
| Social responsibility cost recoveries | - | - |
| ***Total revenue*** | ***25,135,827*** | ***24,592,632*** |
| **Other income** | | |
| Other revenue | 414,121 | 164,235 |
| ***Total other income*** | ***414,121*** | ***164,235*** |
| **Discounts** | | |
| Trade discounts | 881,245 | 887,388 |
| Other discounts | - | 223 |
| Discounts provided to customers for Covid-19 relief | - | (93) |
| ***Total discounts*** | ***881,245*** | ***887,517*** |

**Accounting Policy:**

*Goods Sold*

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Revenue is stated exclusive of Value Added Tax. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, and the revenue and associated costs can be estimated and measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. A 5% discount on current power bills is given to customers who pay their current bill in full before the due date and whom also have no outstanding balances.

*Temporary Fuel Surcharge*

From October 2022, the Authority levied a temporary fuel surcharge on all customers via the monthly invoice. This was to partially offset the significantly increased fuel costs incurred due to impacts on freight and fuel prices from the Ukraine-Russian war. These increased costs were substantial.

From October 2022 to April 2023 the surcharge was $0.15 per unit invoiced to customers. From May 2023 to June 2023, this rate reduced to $0.10 per unit. Since July 2023, the surcharge has been set at $0.05 per unit invoiced.

*Services*

Revenue from services rendered is recognised in profit or loss as the service is provided or if applicable in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

*Social Responsibility Cost Recoveries*

In some instances, the Authority carries out non-economic work and services (at the approval of the Government) which provide a social service to the community. These would include the construction, operation and maintenance of street lights and other amenity lighting, and also the installation of line extensions which provide no economic benefit to the business. In these instances, the costs are recovered from the Government of the Cook Islands. The Authority has not received any cost recoveries from the Government during the 2023-24 financial year (2022-23: nil).

# Notes to the Financial Statements (continued)

| 6 Operating expenses | *2024* | *2023* |
|---|---|---|
| | *$* | *$* |
| | | *Restated* |
| Amortisation of intangible assets | 220,560 | 225,931 |
| Communications | 58,349 | 55,815 |
| Depreciation of property, plant and equipment | 1,954,640 | 1,826,908 |
| Directors expenses | 16,334 | 14,069 |
| Directors fees | 100,834 | 96,100 |
| Bad debts written off | - | - |
| Increase/ (Decrease) in doubtful debts provision | 147,227 | 413,932 |
| Electricity purchases | 726,409 | 815,032 |
| Fees paid to auditor - audit services | 65,847 | 63,314 |
| Non-audit services - taxation services | 4,800 | 4,800 |
| Fuel costs | 13,411,856 | 14,507,186 |
| (Gain) / loss on disposal of assets | (8,240) | 95,890 |
| Insurance | 1,056,378 | 932,319 |
| Motor Vehicle expenses | 93,729 | 81,048 |
| Operating lease expense | 87,796 | 108,584 |
| Printing & Stationery | 20,205 | 13,169 |
| Professional fees | 417,420 | 354,426 |
| Repairs & maintenance | 3,399,944 | 2,735,082 |
| Salaries and wages | 2,744,903 | 2,484,684 |
| Superannuation expense | 153,394 | 151,989 |
| Other Operating Expenses | 575,062 | 396,399 |
| ***Total operating expenses*** | ***25,247,449*** | ***25,376,677*** |

*Non-audit fees*

Non-audit fees relate to tax compliance services, including the preparation and filing of income tax returns. The total fees paid during this year was $4,800 (2023: $4,800).

*Employee benefits*

(i) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under outstanding annual leave balances if the Authority has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Authority contributes to the Cook Islands National Superannuation Fund. This fund is a State defined contribution fund.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

# Notes to the Financial Statements (continued)

| 7 Net financing income | 2024 $ | 2023 $ Restated |
|---|---|---|
| Interest income | 853,963 | 511,037 |
| Net foreign exchange gain | 232,154 | 129,267 |
| *Finance income* | *1,086,117* | *640,304* |
| Finance costs | (43,959) | (39,771) |
| Net foreign exchange loss | - | - |
| *Finance expense* | *(43,959)* | *(39,771)* |
| ***Net finance income*** | ***1,042,158*** | ***600,533*** |

**Accounting policy:**

Finance income comprises interest income on funds invested, and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, and foreign exchange losses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currency of the Authority at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items in a foreign currency that are measured based on historical costs are translated using the exchange rate at the date of the transaction.

| 8 Cash and cash equivalents | 2024 $ | 2023 $ |
|---|---|---|
| Cash at bank (NZD) | 7,230,369 | 7,683,597 |
| Cash at bank USD (NZD equivalent) | 1,003,604 | 404,921 |
| Cash at bank AUD (NZD equivalent) | 332,852 | 343,142 |
| Cash float | 110 | 110 |
| Petty cash | 521 | 600 |
| ***Total cash and cash equivalents*** | ***8,567,455*** | ***8,432,370*** |
| Less Allowance for Doubtful Debt | (18,625) | (6,172) |
| ***Net cash and cash equivalents*** | ***8,548,830*** | ***8,426,198*** |
| **Term deposits** | | |
| Due within one year: | | |
| Australia New Zealand Bank | - | 7,605,000 |
| Bank of Cook Islands | 7,500,000 | - |
| Bank of South Pacific | 12,829,475 | 11,114,245 |
| ***Total term deposits due within one year*** | ***20,329,475*** | ***18,719,245*** |
| Less Allowance for Doubtful Debt | (107,386) | (89,971) |
| ***Net Term deposits*** | ***20,222,089*** | ***18,629,274*** |

There are no term deposits held with ANZ as at 30 June 2024 (2023: 2.8%).

BCI deposits are invested at terms of 12 months and earn interest at a rate of 4.00% (2023: nil).

BSP deposits are invested at terms of 6 and 12 months and earn interest at rates between 4.91% and 5.11% (2023: 2.01% and 5.00%).

# Notes to the Financial Statements (continued)

| 9 **Income tax** | ***2024*** ***$*** | ***2023*** ***$*** |
|---|---|---|
| *Current tax expense* | | |
| Current period | - | - |
| Adjustment for prior periods | - | - |
| *Total current tax expense* | - | - |
| *Deferred tax expense* | | |
| Origination and reversal of temporary differences | 35,564 | (48,561) |
| Origination and reversal of temporary differences relating to provisions | 29,446 | 82,786 |
| Recognition/(utilisation) of tax losses | (206,755) | 123,412 |
| *Total deferred tax (expense) / credit* | *(141,745)* | *157,637* |
| ***Total income tax (expense) / credit*** | ***(141,745)*** | ***157,637*** |
| *Reconciliation of effective tax rate:* | | |
| Profit / (loss) before tax | 463,412 | (970,147) |
| Income tax using the Authority's tax rate of 20% | (92,682) | 194,029 |
| Impairment in prior periods now written off | - | - |
| Non-deductible expenditure | (36,393) | (36,393) |
| Tax impact of transitioning to NZ PBE IPSAS on the prior year | (12,670) | - |
| ***Total reconciled income tax*** | ***(141,745)*** | ***157,637*** |
| *Recognised deferred tax assets / (liabilities)* | | |
| The Authority has deferred tax attributed to the following: | | |
| - Unused tax losses | 331,680 | 538,434 |
| - Provisions and other liabilities | 484,734 | 455,289 |
| - Property, plant, and equipment | (440,338) | (475,902) |
| ***Total deferred tax*** | ***376,076*** | ***517,821*** |

The current tax receivable of $85,263 (2023: $85,263) represents the amount of income taxes over paid in respect of current and prior periods.



KPMG RAROTONGA Marked for Identification Purpose

# Notes to the Financial Statements (continued)

**Accounting policy:**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax benefits arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised when it arises from:
- The initial recognition of goodwill;
- The initial recognition of an asset/ liability in a transaction that is not a business combination which at the time of the transaction affects neither the accounting profit nor the taxable profit;
- Contain temporary differences arising from investment in subsidiaries, associates and/or joint ventures.

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

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

*Judgements*

In determining the amount of current and deferred tax the Authority takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Authority believes that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. In addition, the Authority believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

| 10 **Trade and other receivables** | ***2024*** | ***2023*** |
|---|---|---|
| | ***$*** | ***$*** |
| Trade receivables | 5,062,804 | 4,578,474 |
| Electricity unbilled | 721,091 | 726,635 |
| Accrued Interest | 329,499 | 193,640 |
| Prepayments | 714,083 | 809,007 |
| VAT Receivable | - | 178,351 |
| Sundry receivables | 814,110 | 661,166 |
| *Total trade and other receivables* | *7,641,587* | *7,147,273* |
| *Less:* Allowance for doubtful debts | (2,297,659) | (2,180,300) |
| ***Net trade and other receivables*** | ***5,343,928*** | ***4,966,973*** |
| *Allowance for doubtful debts* | | |
| Opening balance | (2,180,300) | (1,662,985) |
| (Increase) / decrease in additional bad debts provided for | (117,359) | (517,315) |
| *Closing balance of allowance for doubtful debts* | *(2,297,659)* | *(2,180,300)* |

**Accounting policy:**

Trade and other receivables are recognised initially at fair value, subsequently measured at amortised cost and adjusted for any impairment losses which may impact.

Electricity unbilled relates to the electricity supplied to consumers from the last invoiced date to balance date, 30 June 2024. No charge has been made to the customer debtor account for this.

Trade and other receivables held by the Authority are short-term assets and therefore the carrying amounts materially equate to fair value.

An impairment loss in respect of a trade and other receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in allowance for doubtful debt account against trade and other receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

In assessing impairment the Authority uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. The Authority utilises a rolling three-year historical data period for this calculation to ensure that credit trends attributable to customer behaviour reflect a reasonably recent period and remain relevant to current conditions that impact the Authority's customer base. Refer to Note 18.

At balance date there was no additional management overlay provided in line with NZ PBE IPSAS 41 due to the historical dataset being updated to the most recent three-year period and therefore, in management's opinion, accounts for the current economic environment (2023: $424,133). Refer to Note 18.

*Value-added tax*

All amounts are shown exclusive of Value Added Tax (VAT). Exceptions to this are receivables and payables which are stated inclusive of VAT.

# Notes to the Financial Statements (continued)

## 11 Inventories

| | 2024 | 2023 |
|---|---|---|
| | $ | $ |
| Trading stock | 4,455,742 | 4,277,955 |
| Diesel | 2,358,003 | 2,672,023 |
| Lubricating oil | 185,342 | 263,203 |
| *Total inventories* | *6,999,087* | *7,213,181* |
| *Less:* Obsolete inventory | - | - |
| ***Total net inventory*** | ***6,999,087*** | ***7,213,181*** |

**Accounting policy:**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

The fair value of inventories is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

## 12 Property, plant, and equipment

| | *Buildings* | *Plant & equipment* | *Office equipment* | *Distribution network* | *Generation spares* | *Motor vehicles* | *Total* |
|---|---|---|---|---|---|---|---|
| *Cost:* | $ | $ | $ | $ | $ | $ | $ |
| Balance as at 1 July 2022 | 4,154,548 | 20,247,652 | 812,714 | 21,991,852 | 692,640 | 612,437 | 48,511,843 |
| Additions | 56,567 | 468,029 | 51,908 | 886,647 | 24,195 | 170,527 | 1,657,873 |
| Disposals | - | (205,478) | (84,322) | - | - | (24,090) | (313,890) |
| Other adjustments | - | - | - | - | - | - | - |
| *Balance as at 30 June 2023* | *4,211,115* | *20,510,203* | *780,300* | *22,878,499* | *716,836* | *758,874* | *49,855,826* |
| *Depreciation and impairment losses:* | | | | | | | |
| Balance as at 1 July 2022 | (1,661,109) | (13,199,806) | (672,895) | (15,597,760) | (30,702) | (510,518) | (31,672,790) |
| Depreciation for the year | (158,440) | (942,116) | (47,221) | (683,881) | - | (74,425) | (1,906,083) |
| Disposals | - | 124,612 | 84,322 | - | - | 24,090 | 233,024 |
| Other adjustments | - | 79,176 | - | - | 30,702 | - | 109,878 |
| *Balance as at 30 June 2023* | *(1,819,549)* | *(13,938,134)* | *(635,794)* | *(16,281,642)* | - | *(560,853)* | *(33,235,971)* |
| ***Net book value 30 June 2023*** | ***2,391,566*** | ***6,572,069*** | ***144,506*** | ***6,596,857*** | ***716,836*** | ***198,021*** | ***16,619,855*** |

| | *Buildings* | *Plant & equipment* | *Office equipment* | *Distribution network* | *Generation spares* | *Motor vehicles* | *Total* |
|---|---|---|---|---|---|---|---|
| *Cost:* | $ | $ | $ | $ | $ | $ | $ |
| Balance as at 1 July 2023 | 4,211,115 | 20,510,203 | 780,300 | 22,878,499 | 716,836 | 758,874 | 49,855,827 |
| Additions | - | 1,873,293 | 27,284 | 1,049,822 | - | 135,919 | 3,086,318 |
| Disposals | - | - | - | (35,979) | (124,700) | (8,247) | (168,926) |
| Other adjustments | - | - | - | - | - | - | - |
| *Balance as at 30 June 2024* | *4,211,115* | *22,383,496* | *807,584* | *23,892,342* | *592,136* | *886,546* | *52,773,219* |
| *Depreciation and impairment losses:* | | | | | | | |
| Balance as at 1 July 2023 | (1,819,549) | (13,938,134) | (635,794) | (16,281,642) | - | (560,853) | (33,235,972) |
| Depreciation for the year | (158,761) | (896,986) | (47,099) | (773,118) | - | (78,676) | (1,954,640) |
| Disposals | - | - | - | 29,682 | - | 8,247 | 37,929 |
| Other adjustments | - | - | (76) | - | - | - | (76) |
| *Balance as at 30 June 2024* | *(1,978,310)* | *(14,835,120)* | *(682,969)* | *(17,025,078)* | - | *(631,282)* | *(35,152,759)* |
| ***Net book value 30 June 2024*** | ***2,232,805*** | ***7,548,376*** | ***124,615*** | ***6,867,264*** | ***592,136*** | ***255,264*** | ***17,620,460*** |

**Accounting policy:**

*Recognition and measurement*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the following:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- capitalised borrowing costs

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

# Notes to the Financial Statements (continued)

**12 Property, plant, and equipment continued**

*Subsequent events*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance is expensed as incurred.

*Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

| | |
|---|---|
| • Buildings | 10-50 years |
| • Plant and equipment | 2-25 years |
| • Office equipment | 2-10 years |
| • Distribution network | 3-20 years |
| • Motor vehicles | 3-10 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The carrying amounts of the Authority's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Impairment considerations*

The Authority performed an assessment to determine is there is impairment of the Authority's property, plant and equipment. The assessment included judgement over whether there were indications of physical damage to the assets, whether assets were performing significantly worse than expected, and whether there will a cessation of the demand for the services the assets deliver, in accordance with NZ PBE IPSAS 21 - Impairment of non-cash generating assets.

The Authority concluded that any impact of damage to assets are minimal, assets are not performing significantly worse than expected with only a limited number of unplanned outages which occurred during the financial year and given electricity is an essential service to Rarotonga, the demand for the services delivered by the assets will no cease.

It was determined that there are no indications of impairment to the Authority's property, plant and equipment.

# Notes to the Financial Statements (continued)

## 13 Intangible assets

| | |
|---|---|
| *Cost and valuation* | |
| Balance as at 1 July 2022 | 2,674,033 |
| Additions | - |
| Disposals | (373,854) |
| *Balance as at 30 June 2023* | *2,300,179* |
| *Amortisation and impairment losses* | |
| Balance as at 1 July 2022 | (1,356,657) |
| Amortisation for the year | (225,931) |
| Disposals | 373,854 |
| Impairment losses | - |
| *Balance as at 30 June 2023* | *(1,208,734)* |
| ***Net book value 30 June 2023*** | ***1,091,445*** |

| | *Software* |
|---|---|
| *Cost and valuation* | *$* |
| Balance as at 1 July 2023 | 2,300,179 |
| Additions | 2,342 |
| Disposals | - |
| *Balance as at 30 June 2024* | *2,302,521* |
| *Amortisation and impairment losses* | |
| Balance as at 1 July 2023 | (1,208,734) |
| Amortisation for the year | (220,560) |
| Disposals | - |
| Impairment losses | - |
| *Balance as at 30 June 2024* | *(1,429,294)* |
| ***Net book value 30 June 2024*** | ***873,227*** |

**Accounting policy**

Intangible assets that are acquired by the Authority and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

*Amortisation*

Intangible assets are amortised on a straight-line basis in profit or loss over estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Software (General) 33%
- Software (IT Platform) 10%

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The fair value of intangible assets is based on discounted cash flows expected to be derived from the use and eventual sale of the assets.

## 14 Trade and other payables

| | *2024* | *2023* |
|---|---|---|
| | *$* | *$* |
| Trade payables | 613,104 | 212,842 |
| Customer receipts in advance | 549,680 | 478,072 |
| Customer bonds | 1,269,446 | 1,193,276 |
| Employee entitlements | 145,030 | 156,194 |
| Other payables & accruals | 313,270 | 225,600 |
| VAT payable | 203,492 | - |
| Related party payables | - | - |
| ***Total trade and other payables*** | ***3,094,022*** | ***2,265,984*** |

**Accounting policy**

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities including trade and other payables held by the Authority are short-term liabilities and therefore the carrying amounts materially equate to fair value.

# Notes to the Financial Statements (continued)

## 15 Operating leases

| | 2024 $ | 2023 $ Restated |
|---|---|---|
| *Leases as lessee* | | |
| Non-cancellable operating lease rentals are payable as follows: | | |
| Less than one year | 63,681 | 105,470 |
| Between one and five years | 253,524 | 420,681 |
| More than five years | 1,171,234 | 2,026,968 |
| ***Operating leases*** | ***1,488,440*** | ***2,553,119*** |

**Accounting policy**

Operating leases are accounted for on a straight-line basis over the term of the lease agreement and recognised in profit and loss. All the operating leases are land leases.

## 16 Related parties

The parent of the Authority is Cook Islands Investment Corporation with the ultimate parent being the Cook Islands Government.

Related parties include Government ministries, agencies, state owned enterprises by way of common owner, and some small contracts of service offered to staff (e.g. grounds maintenance, cleaning etc).

Electricity goods and services supplied to related parties are transacted on normal trading terms.

The related party balances are interest free, unsecured, and are repayable on demand.

*Dividends*

During the current year the Authority did not declare any dividends (2023: nil) and as at balance date there was no amount payable to CIIC, the sole equity holder of the Authority.

*Interest income*

The Authority holds accounts totalling $8,810,688 and a provision of $5,213 with BCI as at 30 June 2024 (2023: $207,627). Accounts earn interest at market rates. The sole equity holder of BCI is CIIC (through intermediary subsidiaries), which is also the sole equity holder of the Authority. Interest earned and receivable from BCI are detailed below:

| | 2024 $ | 2023 $ |
|---|---|---|
| Interest earned from BCI | 1,144 | 1,213 |
| Interest receivable from BCI | 124,110 | 0 |

The Authority supplies its directors, CIIC and all Rarotonga based government entities with power at normal commercial rates.

*Lease payments*

The Authority holds a lease (PY: two leases) with the Airport Authority for which is pays a rental amount as per the agreement(s).
Included in sundry receivables (see note 10) is a receivable of $91,115 receivable from the Airport Authority relating to the termination of the lease agreement.

| | | |
|---|---|---|
| Rent paid to the Airport Authority | 59,247 | 101,036 |

*Key management personnel compensation*

| | | |
|---|---|---|
| Board member remuneration | 100,834 | 95,601 |
| Number of Board Members | 6 | 6 |
| Senior management remuneration | 887,930 | 673,699 |
| Full time equivalent members | 9 | 8 |

## 17 Equity

| | 2024 $ | 2023 $ |
|---|---|---|
| *Capital Contributions* | | |
| Balance as at 1st July | 13,167,708 | 13,167,708 |
| Capital contributions during the financial year | - | - |
| *Balance as at 30th June* | *13,167,708* | *13,167,708* |

As at 30 June 2024, capital contributions comprised the original capital contribution by the Government of the Cook Islands and is made up of net assets taken over by the Authority on 1st December, 1991 ($8,200,441) and further contributions in subsequent years.

There were no Capital contributions during the financial year.

# Notes to the Financial Statements (continued)

**18 Financial Instruments**

**Financial Assets**

Financial assets comprise Cash and cash equivalents, term deposits, trade and other receivables. These are all classified as amortised cost as they are :
- held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (if applicable).

These assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

**Financial liabilities**

Financial liabilities comprises trade and other payables. These are measured at amortised cost.
A financial liability is derecognised when the Authority has discharged it's obligation or the contract is cancelled or expired.

**Impairment**

The Authority considers impairment using the expected credit loss (ECL) model for the following financial assets that are not measured at FVTPL:
- Cash and cash equivalents
- Term Deposits
- Trade and other receivables

*Measurement of Expected Credit Loss*

Expected credit loss (ECL) is calculated based on a function of the probability of default, loss given default and exposure at default.
The Authority applies ECL model separately for each financial asset category measured at amortised cost. ECL is calculated based on the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cashflows that the Authority expects to receive).

ECL for Cash and cash equivalents and Term deposits is calculated based on industry standard Probability of default and loss given default based on the credit rating of each financial institution where funds are held. Funds are held with ANZ Cook Islands, BSP Cook Islands, and BCI Cook Islands. The Standards and Poors' credit rating is AA- for ANZ, and B+ for BSP.

As trade and other receivables are normally paid within 30 days and do not have a significant financing component the Authority has applied the simplified approach in NZ PBE IPSAS 41 and therefore only recognising lifetime ECL. The Authority has developed a provision matrix to determine ECL. As the Authority operates in only one geographic segment the matrix is based on customer type (Demand, Commercial or Domestic) and debt age (no. days) taking into account historical loss experience for each segment adjusted for forward looking estimates.

**19 Capital commitments**

There are no capital committments at balance date (2023 Nil).

**20 Contingencies**

The Revenue Management Division (RMD) of the Ministry of Finance and Economic Management (MFEM) have begun discussions with the Authority around the deduction of withholding taxes on certain payments made to overseas suppliers. At this stage no value has been estimated for potential taxes owed (if any) as the basis of calculations have not been agreed. The Authority and the RMD will agree on a position in the next financial year.

**21 Subsequent events**

Nil