

Audited Project Financial Statements

Project Number: 49450-012
Grant Number: 0640/0641/0642
Period covered: 1 July 2019 to 30 June 2020

Tonga: Renewable Energy Project

Prepared by Ministry of Meteorology, Energy, Information, Disaster Management,
Environment, Climate Change and Communications

For the Asian Development Bank
Date received by ADB: 26 April 2021

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TONGA RENEWABLE ENERGY PROJECT (TREP)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

“To improve energy security and climate resilience through a transformational shift away from the traditional reliance on fossil fuels toward a greater emphasis on climate-resilient renewable energy systems coupled with BESS. The outcome increases the generation of reasonable tariff and cleaner energy”.

Or

“Access to clean, resilient and affordable energy for the population in Tonga at a lower cost”

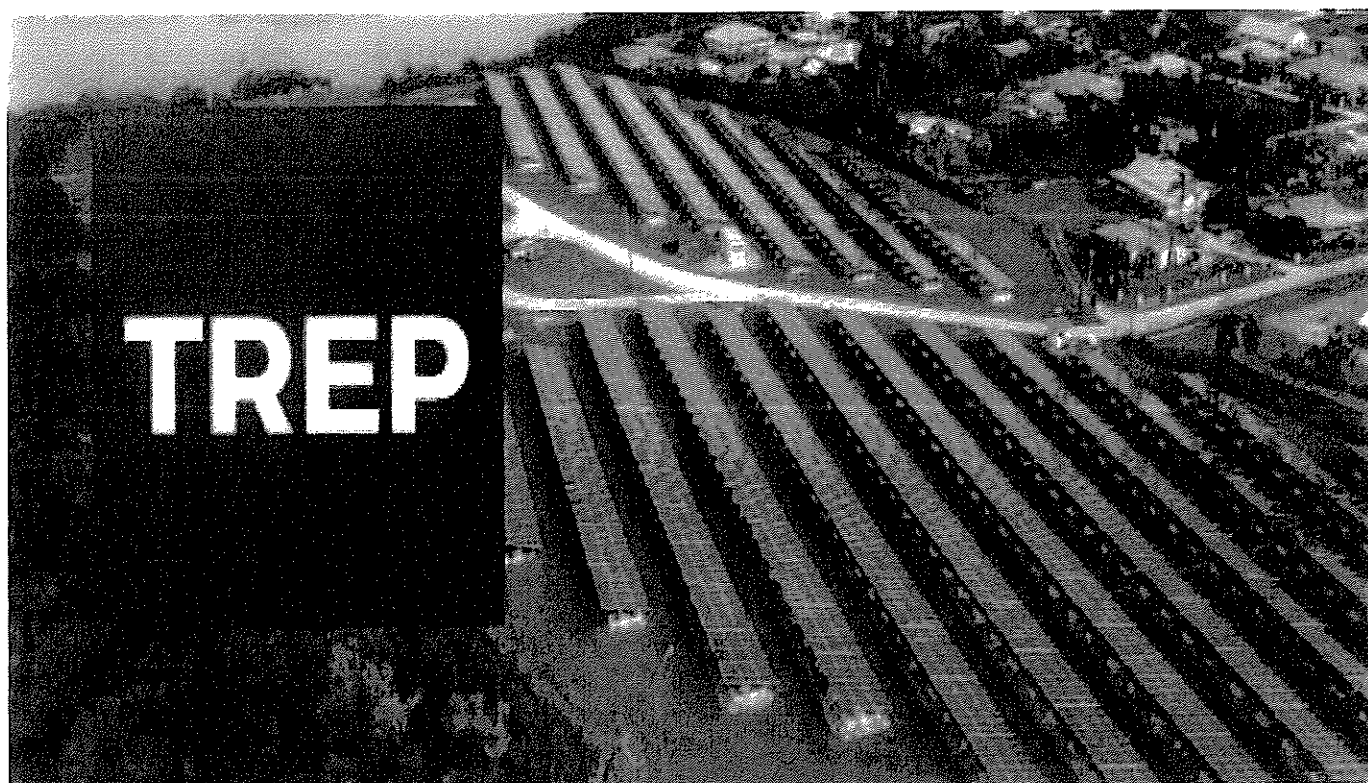


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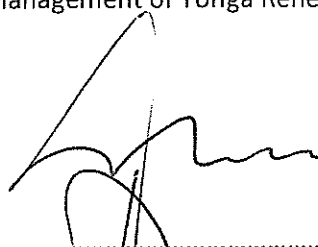
**TONGA RENEWABLE ENERGY PROJECT
CERTIFICATION BY PROJECTS MANAGEMENT
FOR THE YEAR ENDED 30 JUNE, 2020**

We certify that the attached financial statements for the Tonga Renewable Energy project (TREP) comprising of the Statement of Receipts and Payments, Statement of Comparison of Budget and Actual Amounts and Notes forming part of the financial statements for the year ended 30 June, 2020.


- a) Gives a true and fair view of the matters to which they relate; and
- b) Have been properly drawn up in accordance with the accounting policy described in Note 1 to the financial statements.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorize the attached financial statements for issue on 9th April, 2021 on behalf of the Management of Tonga Renewable Energy.



.....
Mr. Paula Maú
Chief Executive Officer
MEIDECC



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Setitaia Pasivaka Chen
Chief Executive Officer
Tonga Power Limited



Auditor General's Report

To the Chief Executive Officer, Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communication (MEIDECC)

GRANT NO.– TON 49450, G0649, G064, G0642: TONGA RENEWABLE ENERGY PROJECT

We have audited the accompanying financial statements of the Grant No. TON 49450, G0649, G064, G0642: Tonga Renewable Energy Project (TREP), for the financial year ended 30th June, 2020 which comprise of the Statement of Receipts and Payments, Combined Statement of Budget and Actual Expenditure and the Notes to the Account.

Management's Responsible for the Financial Statements

According to the Public Finance Management Act 2002 and the project's agreement dated 13th September 2019, management is responsible for the preparation and presentation of the financial statements in accordance with the International Public Sector Accounting Standards, (IPSAS). This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud and error.

In addition to the responsibility for the preparation and presentation of the financial statement described above, management is also responsible for ensuring that activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them.

Auditor General's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted the audit in accordance with the International Standards of Supreme Audit Institutions, (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

In addition to the responsibility to express an opinion on the financial statements, our responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the project's agreement. This responsibility includes performing procedures to obtain audit evidence about whether the project's expenditures have been applied to the purposes intended by the project's agreement. Such procedures include the assessment of the risks of material non-compliance.

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

Opinion

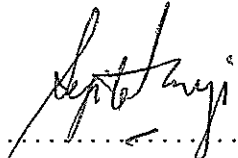
In our opinion, the financial statements of the project, Grant No.: 49450, G0649, G064, G0642: Tonga Renewable Energy Project (*TREP*), for the financial year ended 30th June, 2020 are prepared, in all material respects, in accordance with the International Public Sector Accounting Standards, *IPSAS*.

Opinion on Compliance

In our opinion, except for the Tonga Power Limited ("TPL") contribution, in all material respects on the use of the grant proceeds, the activities, financial transactions and information reflected in the financial statements are in compliance with the financing agreement and the grant agreement which govern them.

Other Matter

The project's property, plant and equipment is not included in the financial statements but is subject to a separate special purpose financial statement, which audited by another auditor. Our opinions is not modified in respect of this matter.

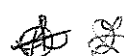

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Sefita Tangi *FCPA (AUSA)*
AUDITOR GENERAL



Dated: 23rd April, 2021

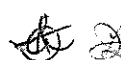
TONGA RENEWABLE ENERGY PROJECT
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30th June 2020
Project /Grant numbers-TON 49450/G0649,G0641,G0642

Descriptions	Category No.	Notes	2019/2020 USD(\$)					Cumulative/Year to Date USD(\$)	
			ADB	GCF	GOA	TPL			
			G0640	G0641	G0642		TOTAL	DIRECT	TOTAL
Financing Source									
Cash Receipts		3	3,144,237.01	2,114,671.51	166,618.29	290,814.26	5,716,341.07	5,716,341.07	5,716,341.07
Less : Expenditures by Category									
Civil Works:									
Work (BESS I)	3201	5	3,089,288.44				3,089,288.44	3,089,288.44	3,089,288.44
Work (BESS II)	3201	5		2,114,671.51			2,114,671.51	2,114,671.51	2,114,671.51
Works (Renw-based HB Sys-Min Grd)	3202		0.00	0.00			0.00	0.00	0.00
Works (Renw-based HB Sys-Min Grd)	3203			0.00			0.00	0.00	0.00
Consulting Services	3101	6	54,948.57		166,618.29		221,566.86	221,566.86	221,566.86
Miscellaneous Grant Admin and Support costs	1600		0		0		0.00	0.00	0.00
Duties & Taxes									
Land Acquisition & Other Costs		7				290,814.26	290,814.26	290,814.26	290,814.26
Unallocated	4901		0	0			0.00	0.00	0.00
			3,144,237.01	2,114,671.51	166,618.29	290,814.26	5,716,341.07	5,716,341.07	5,716,341.07
Receipts less Payments			0.00	0.00	0.00	0.00	0.00	0.00	0.00

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TONGA RENEWABLE ENERGY PROJECT
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30th June 2020
Project /Grant numbers-TON 49450/G0649,G0641,G0642

Descriptions	Category No.	Notes	2019/2020 TOP(\$)				TOTAL	Cumulative/Year to Date TOP(\$)	
			ADB G0640	GCF G0641	GDA G0642	TPL		DIRECT	TOTAL
Financing Source									
Cash Receipts		3	7,432,336.65	4,962,547.43	395,796.49	683,947.00	13,474,627.57	13,474,627.57	13,474,627.57
Less : Expenditures by Category									
Civil Works:									
Work (BESS I)	3201	5	7,301,808.05				7,301,808.05	7,301,808.05	7,301,808.05
Work (BESS II)	3201	5		4,962,547.43			4,962,547.43	4,962,547.43	4,962,547.43
Works (Renw-based HB Sys-Min Grd)	3202		0.00	0.00			0.00	0.00	0.00
Works (Renw-based HB Sys-Min Grd)	3203			0.00			0.00	0.00	0.00
Consulting Services	3101	6	130,528.59		395,796.49		526,325.08	526,325.08	526,325.08
Miscellaneous Grant Admin and Support costs	1600		0		0		0.00	0.00	0.00
Duties & Taxes									
Land Acquisition & Other Costs		7				683,947.00	683,947.00	683,947.00	683,947.00
Unallocated	4901								
			7,432,336.65	4,962,547.43	395,796.49	683,947.00	13,474,627.57	13,474,627.57	13,474,627.57
Receipts less Payments			0.00	0.00	0.00	0.00	0.00	0.00	0.00

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TONGA RENEWABLE ENERGY PROJECT
COMBINED STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURE
FOR THE YEAR ENDED 30th June 2020

Grant	Donor	Code	Category	Budget	2019/2020	Cumulative	Budget Balance
				USD	USD		
G0642	GOA	1600	ADB fees and interests	125,000.00	0.00	0.00	125,000.00
			Miscellaneous Grant Admin and support cost-ADB	125,000.00	0.00	0.00	125,000.00
			Consulting Services				
G0640	ADB	3101	Project Management Consultants (24.8%)	780,000.00	54,948.57	54,948.57	725,051.43
G0642	GOA	3101	Project Management Consultants (75.2%)	2,370,000.00	166,618.29	166,618.29	2,203,381.71
				3,150,000.00	221,566.86	221,566.86	2,928,433.14
			Civil Works				
G0640	ADB	3201	Works(BESS I)(SEE GA PARA5)100%	5,060,000.00	3,089,288.44	3,089,288.44	1,970,711.56
G0641	GCF	3201	Works(BESS II)(SEE GA PARA5)100%	14,480,000.00	2,114,671.51	2,114,671.51	12,365,328.49
G0640	ADB	3202	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5-31.4%	3,430,000.00	0.00	0.00	3,430,000.00
G0641	GCF	3202	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5- 100%	5,070,000.00	0.00	0.00	5,070,000.00
G0641	GCF	3203	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5-68.6%	7,480,000.00	0.00	0.00	7,480,000.00
				35,520,000.00	5,203,959.95	5,203,959.95	30,316,040.05
			Land Acquisition & Other Costs	3,000,000.00	290,814.26	290,814.26	2,709,185.74
	TPL		Duties & Taxes	5,600,000.00	0.00	0.00	5,600,000.00
	GOT			8,600,000.00	290,814.26	290,814.26	8,309,185.74
			Unallocated				
G0640	ADB	4901	Unallocated	2,930,000.00	0.00	0.00	2,930,000.00
G0641	GCF	4901	Unallocated	2,870,000.00	0.00	0.00	2,870,000.00
G0642	GOA	4901	Unallocated	5,000.00	0.00	0.00	5,000.00
				5,805,000.00	0.00	0.00	5,805,000.00
TOTAL				\$53,200,000.00	\$5,716,341.07	\$5,716,341.07	\$47,483,658.93

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TONGA RENEWABLE ENERGY PROJECT
COMBINED STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURE
FOR THE YEAR ENDED 30th June 2020

Grant	Donor	Code	Category	Budget	2019/2020	Cumulative	Budget Balance
				TOP	TOP		
G0642	GOA	1600	ADB fees and interests				
			Miscellaneous Grant Admin and support cost-ADB	283,832.88	0.00	0.00	283,832.88
				283,832.88	0.00	0.00	283,832.88
G0640	ADB	3101	Consulting Services				
			Project Management Consultants (24.8%)	1,771,117.17	130,528.59	130,528.59	1,640,588.57
G0642	GOA	3101	Project Management Consultants (75.2%)	5,381,471.39	395,796.49	395,796.49	4,985,674.90
				7,152,588.56	526,325.08	526,325.08	6,626,263.47
G0640	ADB	3201	Civil Works				
			Works(BESS I)(SEE GA PARAS)100%	11,489,554.95	7,301,808.05	7,301,808.05	4,187,746.90
G0641	GCF	3201	Works(BESS II)(SEE GA PARAS)100%	32,879,200.73	4,962,547.43	4,962,547.43	27,916,653.29
G0640	ADB	3202	Works(RENW-BASED HB SYS-MIN GRD)GA PARAS-31.4%	7,788,374.21	0.00	0.00	7,788,374.21
G0641	GCF	3202	Works(RENW-BASED HB SYS-MIN GRD)GA PARAS- 100%	11,512,261.58	0.00	0.00	11,512,261.58
G0641	GCF	3203	Works(RENW-BASED HB SYS-MIN GRD)GA PARAS-68.6%	16,984,559.49	0.00	0.00	16,984,559.49
				80,653,950.95	12,264,355.49	12,264,355.49	68,389,595.47
	TPL		Land Acquisition & Other Costs	1,550,000.00	683,947.00	683,947.00	866,053.00
	GOT		Duties & Taxes	13,170,980.93	0.00	0.00	13,170,980.93
				14,720,980.93	683,947.00	683,947.00	14,037,033.93
G0640	ADB	4901	Unallocated	6,653,042.69	0.00	0.00	6,653,042.69
G0641	GCF	4901	Unallocated	6,516,802.91	0.00	0.00	6,516,802.91
G0642	GOA	4901	Unallocated	11,353.32	0.00	0.00	11,353.32
				13,181,198.91	0.00	0.00	13,181,198.91
TOTAL				\$115,992,552.23	\$13,474,627.57	\$13,474,627.57	\$102,517,924.66

Note:

Exchange rate used:

- For Budget figures, the exchange rate used is the NRBT monthly exchange rate in June 2020
- For Actual figures, the exchange rate used is the NRBT Commercial banks Average Daily exchange rate on value date of Disbursements. (Attached)

[Signature] 23/4/21

Tonga Renewable Energy Project
Notes to forming part of the Financial Statements
For the year ended 30 June, 2020

1. Statement of Accounting Policies

a) Reporting Entity

These are the financial statements of the Tonga Renewable Energy Project (TREP) a development funded through Grant numbers G0640-TON from ADB, G0641-TON from Green Climate Fund(GCF) and G0642-TON from Government of Australia(GOA). The impact of the project is a reduction of Tonga's dependency on imported fossil fuel for power generation. TREP's outcome is expanded access to clean, resilient and affordable energy for the population in Tonga at a lower cost. TREP will have four outputs:


- **Output 1 (TREP 1): BESS on Tongatapu** – Installing multiple units of BESS with a total --installed capacity of 10.1 MW / 19.9 MWh, consisting of (i) the grid stability BESS of 5.1 MW / 2.5 MWh; and (ii) load-shifting BESS of 5.0 MW / 17.4 MWh, to complement the renewable energy systems;¹³
- **Output 2 (TREP 2): Grid-connected renewable energy generation on 'Eua and Vava'u islands** – Installing the on-grid solar PV plants with total capacity of 650 kW, coupled with small BESS with total capacity of 1.3 MW / 1.4 MWh on 'Eua and Vava'u;
- **Output 3 (TREP 3): Renewable-based hybrid systems and mini-grids on outer-islands** – Installing mini-grid renewable-based hybrid systems consisting of 501 kW solar PV coupled with 4.3 MWh BESS in total in five outer islands ('O'ua, Tungua, Kotu, Mo'unga'one and Niuafo'ou,) which includes installation of the mini-grid; and
- **Output 4: Strengthening of capacity building and project management**
 - (i) improve capacity to assess renewable energy technologies and set off-take tariffs;
 - (ii) preparing for power purchase agreements for private sector funded Investments;
 - (ii) enhancing capacity of executing entities and communities (including women) to manage assets and undertake operations and maintenance and improve community engagement;
 - (iii) providing experts' support on both design and procurement activities, construction supervision, and development of operations and maintenance manuals; and (v) delivering specific trainings aimed at addressing gender inequality and sexual harassment.

The Government of Tonga's Ministry of Finance and National Planning is the Executing Agency of TREP and required under the Grant Agreement to provide annual project financial statements to ADB. The Implementing Agencies are as follows:

- Tonga Power Limited(TPL) for Outputs 1 and 2
- MEIDECC for Output 3
- TPL and MEIDECC jointly for Output 4.

b) Reporting Period

These financial statements are for financial year ended 30 June 2020. The project's first effective component was Trep 1, with the first disbursement's value date 16 December, 2019

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c) Statement of compliance

These financial statements have been prepared in compliance with the international Public Sector Accounting Standards Finance Reporting under the Cash Basis of Accounting, (Cash Basis IPSAS), in relation to External Assistance from Multilateral Agencies.

d) Basis of preparation of the financial statements

- (i) The measurement basis used in the preparation of the financial statement is Cash Basis of Accounting.
- (ii) The financial statements are presented on a cash recognition basis. Only the transactions actually incurred and paid/received during the financial year ended 30 June 2020, are reported in the financial statements.
- (iii) The financial statements are presented in US Dollars.
- (iv) Foreign currency transactions are measured and recorded in United States dollar(USD), as per ADB, LFIS system for Direct Payments.

2. Funding Source

The project (TREP) is jointly funded by a combination of grants from, ADB(G0640), Green Climate Fund (GCF)(G0641) and the Government of Australia (G0642), and all are administered by ADB. The Government of Tonga bears duties and taxes (non-cash contribution) and TPL will pay for the land acquisition including compensation to land owners for Output 1-2, and other project management and administrative costs.

3. Grants Received

		<u>June 30th 2020</u>	
		<u>USD</u>	<u>TOP</u>
ADB Grant G0640-	Payments made directly to Contractors	3,144,237.01	7,432,336.65
GCF Grant G0641-	Payments made directly to Contractors	2,114,671.51	4,962,547.43
GOA Grant G0642-	Payments made directly to Contractors	<u>166,618.29</u>	<u>395,796.49</u>
<u>TOTAL</u>		<u>5,425,526.81</u>	<u>12,790,680.57</u>

4. Local taxes and duties

All the project related transactions are exempted from local duties and taxes. The local duties and taxes are regarded as the Government of Tonga contribution to the financing of the project as per the Grant Agreement between the Asian Development Bank (ADB) and the Government of Tonga.

5. Expenditure by Categories

The project has a multi-year financing plan, as opposed to annual budgets that place limits on the spending in one year. Below are the information in regards to actuals versus budget for the reporting period.

CIVIL WORKS		BUDGET		ACTUAL		BUDGET VARIATION	
		USD	TOP	USD	TOP	USD	TOP
Works(BESS 1)	3201	4,560,000.00	10,354,223.43	3,089,288.44	7,301,808.05	1,470,711.56	3,052,415.38
Works(BESS II)	3201	2,170,000.00	4,927,338.78	2,114,671.51	4,962,547.43	55,328.49	- 35,208.65
Works(RENW-BASED HB SYS-MIN)	3202	514,960.00	1,169,300.64	-	-	514,960.00	1,169,300.64
Works(RENW-BASED HB SYS-MIN)	3202	760,000.00	1,725,703.91	-	-	760,000.00	1,725,703.91
Works(RENW-BASED HB SYS-MIN)	3203	1,125,040.00	2,554,586.74	-	-	1,125,040.00	2,554,586.74
TOTAL		9,130,000.00	20,731,153.50	5,203,959.95	12,264,355.48	3,926,040.05	8,466,798.02

6. Consulting Services.

These are direct payment from Government of Australia on Grant No. G0642 and ADB on Grant No. G0640 for Consulting Services.

		USD
ADB	Grant No. G0640	54,948.57
Government of Australia	Grant No. G0642	<u>166,618.29</u>
		<u>221,566.86</u>

These are percentage allocation for consulting services as agreed upon in the Grant Agreements.

7. Land Acquisitions & Other Costs.

This is Tonga Power Limited ("TPL") contribution to the project in which a separate audit report will be issued by the External Auditor for TPL.

<i>Payments during the year 2019/2020</i>	<i>TOP\$</i>	
Leasehold Land	254,960	
Consultancy	208,092	
HV Underground	105,291	
Site Clearance	31,950	
Permit fee	30,718	
Management costs	31,280	
Travel Expense	9,320	
Vehicle Fuel	11,049	
Office Expenses	1,286	683,947

<i>Prior year & Accruals</i>		
Leasehold land	1,600,000	
Leasehold land (IPP)	100,000	
Leasehold land (GCF)	50,000	
Loss on foreign exchange	58,131	
<u>Accruals</u>	<u>-33,581</u>	<u>1,774,550</u>
		<u>2,458,496</u>

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