



TE MANA UIRA O

raura

STATEMENT OF CORPORATE INTENT

Te au Akanoonoo'anga no te Manakonako'anga
o te Taokotai'anga

2022-2025

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PROFILE

ENTITY

Te Mana Uira o Araura Limited

PHYSICAL ADDRESS

Aratea, Aitutaki, Cook Islands

POSTAL ADDRESS

PO Box 31, Aitutaki, Cook Islands

REGISTERED OFFICE

MFEM Building, PO Box 51, Avarua, Rarotonga, Cook Islands

OWNERSHIP

Limited Liability Company, re-established under the Companies Act 2019 and 100% owned by the Cook Islands Investment Corporation which is established under the Cook Islands Investment Corporation Act 1997

BOARD

Chairperson, Mr John Baxter
Director, Mr Michael Henry
Director, Ms Janet Maki
Director, Mr Paul Henry
Director, Mr Stephen Doherty
Director, Mrs Ine Challans
Director, Ms Alice Hoff

EXECUTIVE MANAGEMENT

General Manager, Mr Rimaroa (Long) Tuiravakai
Chief Financial Officer, Mr Allan Jensen



KUA ITI TE RA I PA ARIKI
The sun shines today
Kia orana kotou katoatoa,

Te mataora nei matou Te Mana Uira O Araura (TMU) i te oronga atu i ta matou ripoti mua no te Akanoonoo'anga o te au Manakonako'anga (AOTAM) o teia Taokotai'anga. Ko te AOTAM o te TMU tei ripoti mai i roto i teia tuatau, mei ia Tiunu 2021 ki te 2025. Ko te AOTAM, tei roto i reira ta ratou parani, orama, tei oti ia ratou i te rave ta ratou au moni i akanoonoo e te au tuanga rare atupaka i roto i te au ngai tukeke.

Ko te AOTAM tei akakite mai ki a kotou ta ratou au rare e manganui tei oti i te rave. E ko TMU tei rauka i te rave i teia nga tuatau ua i topa ake nei, tei roto i reira te akaoti'anga o te rare poaki ka peu tara no te TMU; koia te rare o TMU turanga tai. Ko te AOTAM katoa tei akakite mai ki a kotou, te au parani ta teia taokotai'anga i rauka i te rave no te au tuatau ki mua. E rai uatu te au tika'anga e te au tarere'anga i mua ia tatou! E tau te rave angaanga i tana tutaki.

Me rare pakari koe, ka tutaki meitaki ia koe. Ko te taokotai'anga e te putuputu'anga kua teateamamao no te akatupu i tei akanoonoo'ia kia oronga no Aitutaki.

Ei akaoti'anga, te akatau atu nei matou no te tu'a'anga e te ariki'anga i te au manako no runga i te au Akanoonoo'anga no te Manakonako'anga o teia Taokotai'anga ki te Iti Tangata Araura e te au turuturu tinamou.

We are proud to present Te Mana Uira o Araura's (TMU) Inaugural Statement of Corporate Intent (SCI). The TMU SCI covers the period from June 2021 through to 2025. The SCI contains TMU's strategy, vision, achievements, financial targets and key performance areas.

The SCI shares with you the many accomplishments that TMU has achieved in the last year, including the extensive support and discounting offered to Aitutaki households and businesses amidst COVID-19 conditions, our apprenticeship programme and support for various community initiatives. We are nearing 24 months since we implemented stage 1 of the renewable energy rollout, and I will like to highlight that the stewardship of this investment under TMU has resulted in a few minor teething issues, though we now have a robust system for the future. The Board looks forward to progressing with the Government, CIIC and REDD, tangible steps in the near future to implement stages 2 and 3, to bring Aitutaki near to 100% renewable energy. The SCI also shares with you the organisation many plans for the future. There are plenty of opportunities and challenges ahead! E tau te rave angaanga i tana tutaki. If you work hard you will be rewarded. The organization is ready to achieve what has been outlined to deliver for Aitutaki.

In closing, we look forward to sharing and receiving feedback on this SCI with the Aitutaki community and key stakeholders.

Kia orana e kia manuia.

3 June 2021

Mr John Baxter

Chairperson

Recent Milestones Achieved

COVID-19 SUPPORT

As part of the Cook Islands Government Covid-19 economic response package to provide support to households and businesses, in March 2020, Te Mana Uira o Araura Board commenced extending significant support to its customers by offering a 100% discount for a 3 month period, with a continued discounting programme through to the end of the 2020 calendar year through to the 2021 calendar year. The value of discounts to Aitutaki households and businesses is expected to aggregate in excess of \$1.2m, an outstanding contribution, to keep the economy running and to provide much needed support to households. The TMU support is an example of a sustained effort from the CIIC and its State-Owned Enterprises to support the nation, to collaborate extensively and find innovative solutions, during these unprecedented times.

NEW COMMUNITY SUPPORT INITIATIVES

During the 2021 year, TMU has supported a number of new community initiatives, in addition to the ongoing initiatives the organisation supports, including street lighting, electricity for churches and water stations. These have included

- Operation Taramea: Crown-of-Thorns Starfish eradication Project. TMU has provided a separate electricity meter and free electricity for the venture to fill up their dive tanks.

- Aitutaki Rainforest Men's Club is a long-term export initiative as a way to diversify Aitutaki's economy into the future. The initiative exported its first trial shipment container of taro, fresh from the island to New Zealand. The initiative includes 15 growers' who are part of this first trial of shipment. At the moment they are only exporting swamp taro. The initiative will be looking at other exports crops as well including ocean fish. It is a requirement of Bio Security that the Export container be closed and sealed for an 8 day period before shipment. TMU covers this electricity cost to support the venture, during the trial phase.

- Aitutaki Volunteer Fire Brigade. TMU assisted the Aitutaki Volunteer Fire Brigade Fire Station Construction project with the no cost connection of mains electricity to the site.

- Automated External Defibrillator (AED): TMU has procured 2 AEDs, so we have these on hand for our staff and community, if and when required, critical for cardiac emergencies when every second matters.

APPRENTICESHIP PROGRAMME

TMU has invested considerably into a formal electrical apprenticeship programme, in collaboration with CIITI, to ensure Aitutakians are educated and trained across the sector. This has resulted in 5 apprentices close to achieving formal NZ accredited electrical trades qualifications. The apprentices are Fabian Ayling, Dyer Puapii, Gordon Tom, John Tepaki and Henry Mamanu.



STAGE 2 RENEWABLE ENERGY PROJECT SCOPING REPORT

In early 2021, the Cook Islands Renewable Energy Investment Plan (REIP) report was finalised. This report was completed in consultation with the MFEM, REDD, TAU, TMU and CIIC. The REIP recommends least cost options to boost and maintain renewable energy in the Cook Islands, in line with existing policy frameworks. The report outlines a plan for both stages 2 and 3 of the renewable energy rollout for Aitutaki.



Upcoming Milestones

COMMUNICATIONS LAUNCH

TMU will formalise a communications strategy, which will outline how the organization intends to engage effectively with the entailing effective engagement of its community and key stakeholders, and will include the launch of a website, social media and the presentation and feedback of this inaugural publication of its SCI.

STAGE 2 RENEWABLE ENERGY

Following the recent completion of the Cook Islands Renewable Energy Investment Plan (REIP) report, TMU in collaboration with CIIC, REDD and MFEM will be refining and implementing the renewable energy plan for Aitutaki, with intention of sourcing funding in the immediate future and implementing the plan from 2022/23, if not earlier.

HUMAN RESOURCE DEVELOPMENT

TMU will formalise a human resource strategy, which will outline how the organization intends to invest in the organisation's most valuable resource, its people. The strategy will include its hallmark apprenticeship programme, other learning and development opportunities, succession planning principles, health and safety policies, among other matters.

POLICIES AND PROCEDURES

The TMU Board in conjunction with assistance from CIIC and TAU, has recently completed a formal policy framework for TMU, and commenced drafting detailed policies and standard operating procedures. It is expected that these will be formally rolled out to the organisation by the end of 2021 calendar year.



PURPOSE

This Statement of Corporate Intent outlines the driving vision for Te Mana Uira o Araura (TMU), our mission, priorities and strategic objectives for the next three years. It is a document required to be furnished to our Shareholder, the Cook Islands Investment Corporation (CIIC) annually.

It is also a document for our stakeholders to understand what we have been doing (in the last year) what we are going to do (over the next three years) and what our priorities are (key performance areas).

VISION

The vision for Te Mana Uira o Araura is:

“Ko te rare uira tau meitaki, irinakiia, tau o te tutaki’anga e ka roa l te rare’anga no te Iti Tangata Araura.”

“An efficient, reliable, affordable and sustainable electricity service for Aitutaki”

By efficient we mean well managed and operated consistent with modern commercial practices and good governance principles

By reliable we mean a consistent supply to consumers, by consistent we mean minimal downtime to consumers and should supply be disrupted, speedy resumption of the service.

By affordable we mean a fair tariff, with the end consumer in mind.

By sustainable we mean in an environmental and financial / commercial sense. From an environmental sense, our carbon footprint is minimal, and we embrace renewable energy generation. From a financial sense, the tariffs need to be adequate to run the organization with a long term view.

Te Mana Uira o Araura’s vision is aligned to its Parent’s Vision (the Cook Island Investment Corporation Vision) and the Cook Islands Government National Vision.

The CIIC Vision is:

Ta’anga’anga e te akono tau tikai i te au apinga puapinga a te katoatoa no te akameitaki’anga i te ora’anga o te iti tangata Kuki Airani.

Effective and efficient public assets that improve the well being of Cook Islands people.

The Cook Islands Government National Vision is:

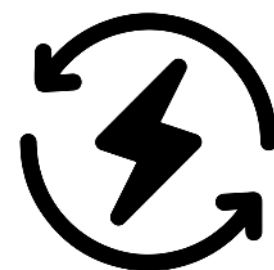
Te oraanga tu rangatira kia tau ki te anoano o te iti tangata, e kia tau ki ta tatou peu Maori e te aotini taporoporoia o te basileia.

To enjoy the highest quality of life consistent with the aspirations of our people, and in harmony with our culture and environment.

The Cook Islands National Sustainable Development Plan (NSDP) is developed from the 2020 National Vision. The NSDP sets out 16 dimensions of the country’s development and provides an outline to measure state progress, with the NSDP goals used as an organizing tool in defining what is important to Cook Islanders.

The NSPD Goals to which TMU primarily contributes directly to are as follows:

NSDP GOAL 6: Energy and Transport



TMU’s core function is the generation and distribution to households and business in Aitutaki. TMU also strives to maximize renewable energy generation.

In addition to Goal 6, TMU contributes and enables many of the other NSDP goals including:

NSDP GOAL 1: Improving Welfare and Reducing Economic Hardship



TMU provides a core utility to households.

NSDP GOAL 2: Economic Growth, Resilience and Productive Employment



The reliable service of electricity is crucial in the growth and development of the Aitutaki economy.

NSDP GOAL 13: Climate Change and Disaster Resilience



TMU also strives to maximize renewable energy generation.

OPERATING ENVIRONMENT

Te Mana Uira o Araura (TMU) is a limited liability company and a wholly owned subsidiary of the Cook Islands Investment Corporation (CIIC), with the principle activity to generate and distribute electricity on Aitutaki. Historically, electricity supply in Aitutaki was a separate Ministry and part of the Aitutaki Island Council administration. On 1 July 2017, the net assets were transferred to a limited liability company (Aitutaki Power Supply Limited).

CIIC was established in 1998 through the Cook Islands Investment Corporation Act.

CIIC divides its operations into two key components:

- 1. Governance, growth and development of crown enterprises
- 2. Asset management (of lands, seas, properties and housing)

CIIC is the Parent Company to a number of subsidiaries (SOEs, CCEs and limited liability companies),

The Aitutaki Power Supply / Te Mana Uira (TMU) Board Organisation Chart is provided below. This shows the relationship between the CIIC Board and the TMU Board, CIIC Executive Support, the TMU GM and the wider TMU staff.

In 2017, shortly after TMU came under the CIIC Group, an establishment Board was appointed, in 2020, a thorough process was entered into by the CIIC Board, to transition from the establishment Board and appoint new members, with the requisite skills and experiences, consistent with CIIC's Corporate Governance Policy.

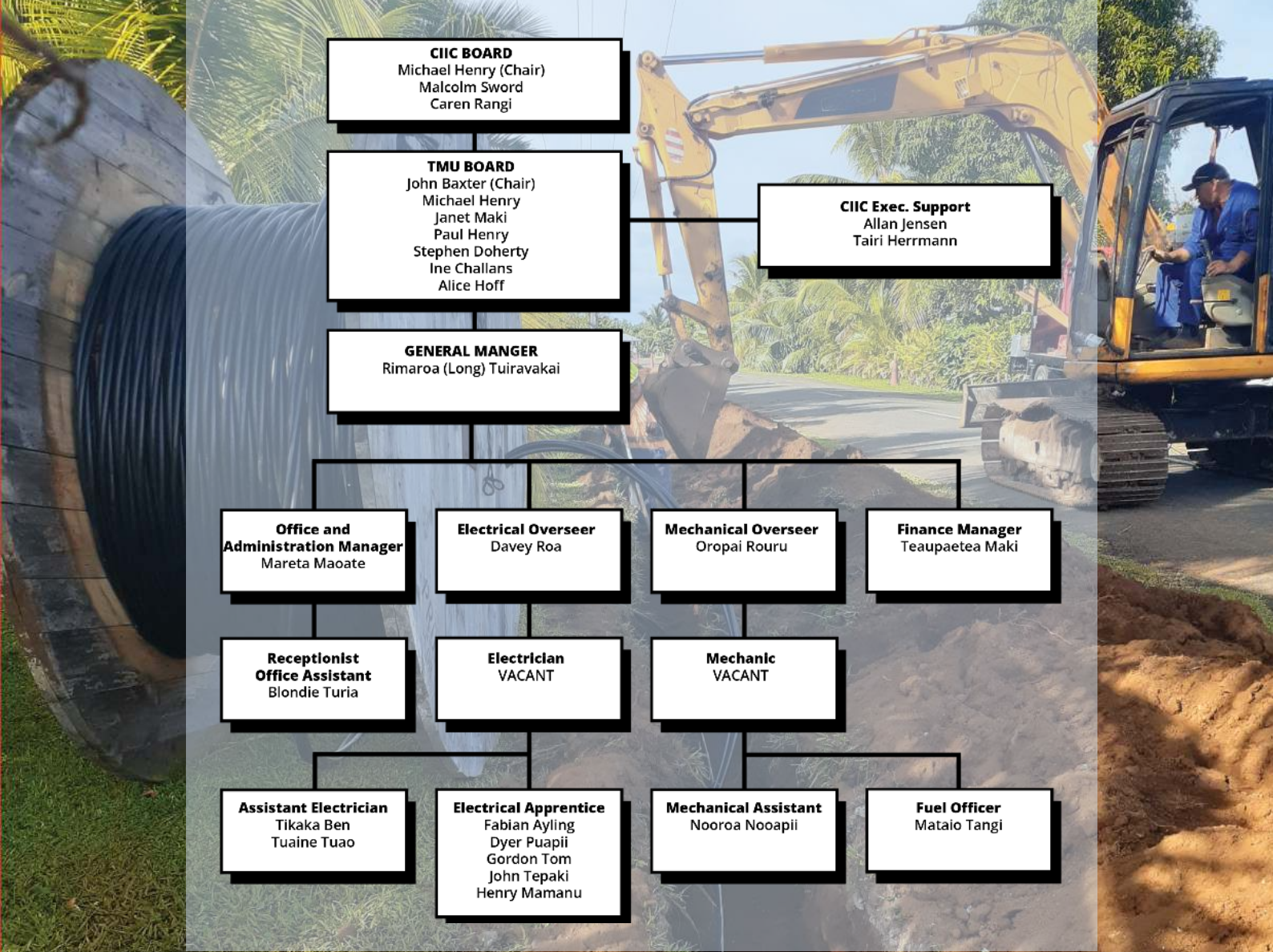
The Board is chaired by John Baxter and made up of 7 members. All Board members are Aitutaki residents.

The CIIC Group requires all directors to undertake a thorough induction programme and requires all Directors across its Group to undertake regular continuing professional director training.

CIIC requires all its entities to provide a Statement of Corporate Intent annually by the end of April each year for approval and their Audited Financial Statements annually by the end of September. CIIC also requires all its entities to furnish a quarterly risk report and financial information. There are also formal CIIC board deep dives with each entity and regular chair to chair, one on ones.

TMU is required to comply with certain Cook Island Government policies, as a Crown entity. One important Cook Island Government policy area which applies to TMU is in relation to procurement protocols. The TMU Board has approved a number of TMU specific policies in the last 12 months. A number of policies are also near completion.

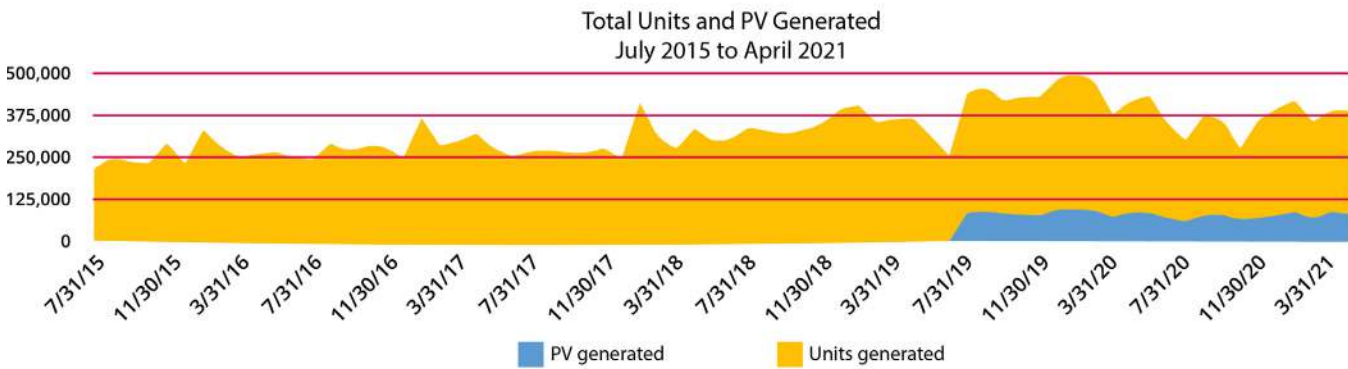
The (TMU) Board Organisation Chart is provided below. This shows the relationship between the CIIC Board and the TMU Board, CIIC Executive Support, the TMU GM and the wider TMU staff. TMU is managed by its General Manager (GM), Rimaroa (Long) Tuiravakai. Long has served as TMU's GM for the last 25 years. Long is supported by a total of 13 staff. TMU. Investing in the organisation's most valuable resource, its people is of strategic importance to TMU. TMU is developing 4 apprentices, who are becoming qualified electricians through the Cook Islands Trade Training Institute (CITI) and being mentored by the GM.



TMU has just under 1,000 customers, comprising of just over 800 domestic and about 150 commercial customers. Commercial customer revenue equates to about half of the revenue. The two largest Aitutaki resorts, Pacific and Aitutaki Lagoon represent about 40% of commercial customer revenue.

Aitutaki's historic electricity demand over a year period, by month, is provided below. This shows pre COVID ie pre March 2020 a steady marginal incline historically, with demands currently between 300,000 and 400,000 kMWh per month, with peaks in January.

The graph also shows the effect COVID has had on electricity demand post COVID, with demands about 20% lower than pre COVID averages



OPERATING ENVIRONMENT

The current tariffs stage 1 of the renewable energy project is set out below.

	Pre Aug -19	Current Post Aug-19	% change
DOMESTIC			
Supply Charge (\$/year)	0	24	
Variable Charge (\$/kWh)	0.69	0.60	-13%
COMMERCIAL			
Supply Charge (\$/year)	0	24	
Tier 1 variable (0-1,000 kWh)	0.69	0.60	-13%
Tier 2 variable (>1,000 kWh)	0.53	0.48	-9%

A key strategic pillar for TMU is the environment. Consistent with the Cook Islands Government national aspirations in attaining 100% utilization of renewable energy, TMU has adopted a high level Aitutaki Renewable Energy Program outlining how it will attain the 100% renewable energy goal. Getting to 100% renewable energy contribution in power systems such as Aitutaki is more challenging than in smaller systems, and necessary changes to the power system are much more demanding. This is why the journey to 100% renewable for Aitutaki is split in three stages.

In May 2019, TMU completed stage 1 of its renewable energy programme. Stage 1 project consists of a 0.9 hectare field of 750 kW of solar photovoltaics (PV) modules (ground mounted), connected to the existing power station. It also includes a new, 240 kW diesel generator, 500 kW/250 kWh battery energy storage system (BESS), short term forecasting and a new Integration and Control system. The Aitutaki stage 1 project is different from sub-projects which will install solar PV and batteries on the other four smaller Islands of the Southern group. Whereas the other islands' projects provide a complete generation system for those islands, the Phase 2 project on Aitutaki uses renewable energy to supplement the existing generation system. The main reasons behind this difference are the greater size of the Aitutaki system (meaning a staged approach to implementation) and a requirement for higher reliability of electric energy supply due to a number of existing tourist establishments. Getting to 100% renewable energy contribution in power systems such as Aitutaki is more challenging than in smaller systems, and necessary changes to the power system are much more demanding. This is why the journey to 100% renewable for Aitutaki is split in three stages.

The staged process allows observation of the power system behaviour, timely change of operations and adjustment of operations crew. It also allows for further price drops for renewables and energy storage technologies. The selection of solar PV as the renewable energy generation technology was based on the satisfactory solar resource, suitability to the site, maturity of the technology and supporting systems, and low maintenance requirements. Installation of small diesel will allow higher solar penetration into the power system during the daytime. It will also prolong the service life of other diesels, which will operate only at night, and during periods of insufficient solar radiation during the day.

In early 2021, the Cook Islands Renewable Energy Investment Plan report was finalised. This report was completed in consultation with the Ministry of Finance and Economic Management (MFEM), the Office of Prime Minister and Renewable Energy Development Division (REDD), Te Aponga Uira, TMU and CIIC.

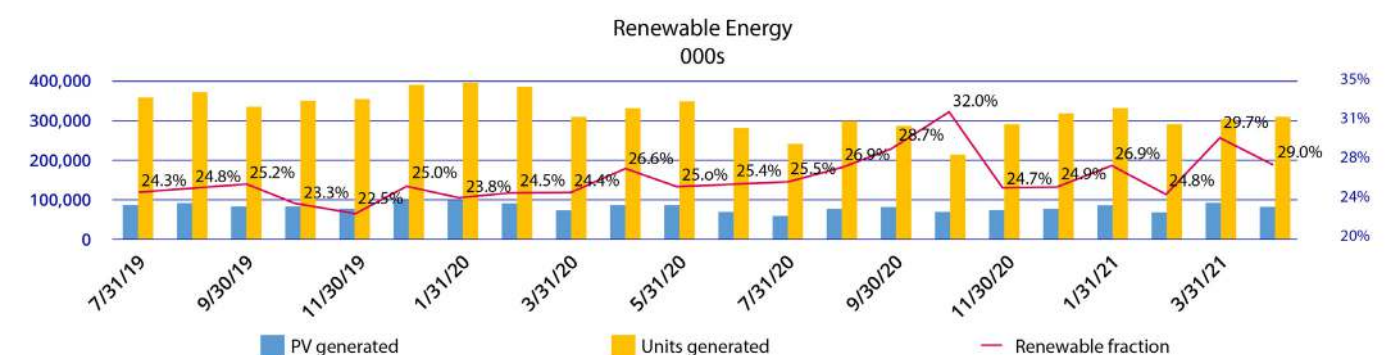
The report in relation to Aitutaki, concluded, having undertaken energy balance modelling of the Aitutaki network, and with the various cost, resource, capacity, and investment mix inputs, the least cost generation mix to achieve 90% renewables was determined to be:

Stage 2: 1.2 MW medium scale solar PV, and 1 MW / 4 MWh storage at power station site

Stage 3: 2 MW medium scale solar PV + 1.5 MW / 5 MWh storage at an alternate site

TMU in collaboration with CIIC, REDD and MFEM will be refining and implementing the renewable energy plan for Aitutaki, with intention of sourcing funding in the immediate future and implementing the plan from 2022/23.

The stage 1 renewable energy investment, which became operational in May 2019, is now nearing two full years of operation. The project has seen TMU generate on average 25.5% of its electricity needs via solar, over the life of the project to date. A month by month analysis of its renewable energy factor is provided below:



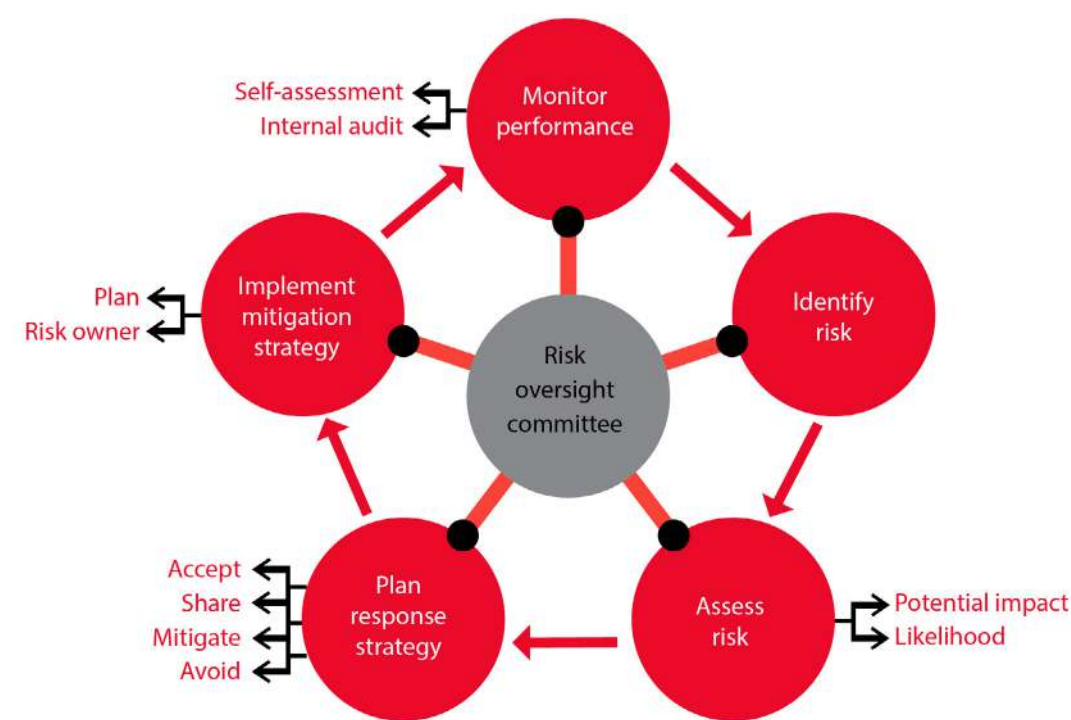
The 25.5% renewable energy factor has resulted in significant savings in fuel costs to TMU, amounting to approximately \$300,000 per annum, based on today's fuel prices. The net savings associated with the anticipated savings were immediately passed onto consumers with its tariff change in August 2019 as mentioned above

In early 2020, TMU was confronted and challenged, like all businesses around the World, with the Global COVID-19 pandemic. Border closures around the world, and in particular, in the Cook Islands and New Zealand, which commenced on 16 and 19 March respectively, are having a substantial demand side impact on the economy through decreased tourism arrivals. While this is required from a health and livelihoods perspective, the number of tourist arrivals is expected to be minimal until border restrictions are reduced, which could be over a period of 6 – 12 months. With tourism the major driver of the Cook Islands economy, we are anticipating a significant decline in economic activity over the last quarter of 2019/20 and continuing into 2020/21, with reduced demand for goods and services.

TMU in conjunction with its Parent, CIIC and the Cook Islands Government, has provided unprecedented support to its consumers, with the announcement of 100% discounting to its consumers for a 3 month period starting in March 2020. A discounting regime is being considered for the 2020/21 year.

RISK MANAGEMENT

TMU adopts the following diagrammatic approach to enterprise risk management.



This enterprise risk management cycle provides a way for TMU to incorporate risk management into TMU’s day to day operations. Developing an effective risk culture is important in terms of effecting good risk management protocols and therefore providing a culture for TMU to achieve its vision and strategic deliverables.

Risk management is a key feature on the Board’s work programme. TMU formally reports its risk report to CIIC, as is required under the CIIC Act

The below diagram outlines the process in determining or assessing risk (post risk identification):

RISK OUTCOME		<div>LOW</div> <div>MODERATE</div> <div>SIGNIFICANT</div> <div>HIGH</div>				
		Consequence				
Likelihood		Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Almost Certain 5		5	10	15	20	25
Likely 4		4	8	12	16	20
Possible 3		3	6	9	12	15
Unlikely 2		2	4	6	8	10
Rare 1		1	2	3	4	5

RISK ASSESSMENT

TMU has identified and assessed the organisation’s key risks as follows.

Risk	Likelihood	Severity	Rating	Mitigation
Natural disaster	5	4	20	- Underground cabling - Early warning systems - Fit for purpose insurances
Long / mid lasting COVID-19 impacts	3.5	4	14	- Work with CIG and CIIC - Timely forecasting - Agility, ability to change business model
Human resource	3.5	3.5	12	- HR strategy - L&D plans
Shipping	2	5	10	- DR plans - Engagement with CIG & shipping companies
Customers going off the grid	2	5	10	- Market awareness
Project management	3	3	9	- Project and risk reporting - Regular reporting
Political	2	4	8	- Stakeholder engagement
Technological	3.5	2	7	- DR plans - Manual workarounds
Mechanical	3.5	2	7	- Maintenance - Spares

RISK MITIGATION

Key risk mitigations with regards to high risks, performed in the last year are outlined below:

Risk	Mitigation	Update
Natural disaster	- Underground cabling.	- Completing underground cabling programme, progressing per plan.
	- Early warning systems	- Initial collaboration with government agencies including EMCI
	- Fit for purpose insurance	- Part of CIIC initiative looking at collective and captive programmes
Long / mid lasting COVID-19 impacts	- Work with CIG and CIIC	- Part of CIG, CIIC and SOE forums.
	- Timely forecasting	- Production of reforecasts
	- Agility, ability to change business model	- To be progressed after discussion with CIG on support and reforecasting, using various scenarios
Human resource	- Human resource strategy.	- Finalisation and implementation of human resource strategy
	- L&D plans	- Continuing apprenticeship program etc

OUR CONTRIBUTION TO AITUTAKI

Ko te TMU tei oronga mai i tetai au meitaki kitea ia me kore kitea-koreia e manganui ki te lti tangata Aitutaki. Ko te TMU tei oronga i te tauturu kia roa e te akaatupaka'anga i te au meitaki no te tuatau ki mua. Kua akapapa mai matou i raro nei tetai au akatau'anga no te meitaki ta te TMU e oronga nei ki te lti tangata

TMU provides numerous direct and indirect benefits (community service obligation costs) to the Aitutaki community. TMU is committed to sustaining and expanding these benefits into the future. We have listed below some examples of benefits TMU contributes to the community.

CLIMATE CHANGE

TMU is doing its bit for the environment in combating climate change, with its renewable energy programme, to replace fossil fuel with renewable energy.

STREET LIGHTING & WATER STATIONS

TMU provides free electricity to street lights and water stations on Aitutaki. This has been a practice for a number of years and acknowledges how important street lights, coloured festival street lighting and water stations are for Aitutaki community. The organisation has gradually increased its street lighting across the island in recent years. It is estimated that the dollar value TMU contributes to street lighting and water stations is approx. \$30,000 per annum.

CHURCHES

TMU provides free electricity to Churches on Aitutaki. This has been a practice for a number of years and acknowledges our Churches are where families gather for prayer and worship. It is estimated that the dollar value APS contributes is approx. \$20,000 per annum.

HOSPITAL GENERATOR

TMU has recently commissioned a new generator for Aitutaki hospital. TMU have provided this capital outlay of approx. \$60k from its own reserves and will maintain its operating of the generator on behalf of the hospital and Te Marae Ora, to ensure electricity supply to the hospital, this critical infrastructure for Aitutaki people, 24/7.

SUPPORTING COMMUNITY PROJECTS

TMU supports a number of community initiatives when requested. These have included supporting; Operation Taramaea: Crown-of-Thorns Starfish eradication Project, Aitutaki Rainforest Men's Club, a long-term taro export initiative as a way to diversify Aitutaki's economy into the future, the Aitutaki Volunteer Fire Brigade and providing Automated External Defibrillator (AED) to the community.

FINANCIALS

TMU has a balance date of 30 June. TMU's current auditors are KPMG (who are also CIIC's Group's Auditors). CIIC expects that all subsidiary audits be completed prior to 30 September each year. The 30 June 2018 audit was completed by the Cook Islands Audit Office, prior to the transfer to CIIC. The Audit Office expressed a modified opinion, on three matters (bank, inventory and PPE). The 30 June 2019 audit was completed by KPMG and the opinion was altered to a qualified opinion, on two matters (inventory and PPE). It is expected that only the property, plant and equipment matter will be qualified as part of the 30 June 2020. TMU has invested significantly in addressing this audit qualification, and this is expected to be cleared as part of the 30 June 2021 audit.

The financial performance for the 30 June 2020 financial year reflects the COVID 19 landscape, where the organization discounted electricity to its consumers during the latter part of the year. The financial performance for the 30 June 2020 financial year also shows compared to previous years a larger depreciation charge, which is a result of the depreciation of assets in relation to stage 1 of the Government's and TMU's renewable energy investments.

At 30 June 2020, TMU has approximately \$7.6m of assets. This includes approximately \$0.5m of cash, which has been accumulated over many years. 85% of TMU's total assets is property, plant and equipment. TMU carries around \$400 thousand of inventories (diesel, supplies), which represents about 10.5% of total assets. TMU carries minimal liabilities, circa \$400 thousand, which largely relate to trade suppliers and employment entitlements.

Accounting Policies

The TMU financial statements are prepared in accordance New Zealand (Tier 2 Public Benefit (PBE) IPSAS accounting standards ("NZ PBE IPSAS"). The Company has designated itself a Public Benefit Entity whose primary objective is to provide electricity services for public benefit. Te Mana Uira o Araura adopts the PBE accounting standards applicable under a Reduced Disclosure Regime (RDR) with an expense threshold greater than \$2 million and less than \$30 million.

TMU had a changed its accounting policy framework on 1 July 2019, from NZ IFRS RDR to NZ PBE IPSAS.

The financial statements are prepared on a going concern basis. The financial statements are presented in New Zealand dollars. The financial statements are prepared on the historical cost basis.

Dividends

In light of the challenges of COVID-19, TMU's renewable energy establishment phase, and the need to ensure the entity is future proofed to deliver on its core objectives, TMU is not expecting to pay dividend in the short and medium term.

FINANCIAL FORECASTING

Key Financial Performance Targets

The key financial performance targets of the TMU are to achieve or better the financial results set out in the following table, the table shows actual performances (shaded in grey) and forecasted performances, for the next 3 years.

	2019 Actual	2020 Actual	2021 Fcast	2022 Fcast	2023 Fcast	2024 Fcast	2025 Fcast
Return on equity	-8.39%	-14.26%	-6.75%	-2.89%	-1.90%	-0.82%	0.30%
Return on equity (excl depreciation on RE grant assets)	-8.39%	-8.67%	-2.36%	4.05%	5.18%	6.31%	7.41%
CSC/rev	3%	3%	3%	3%	3%	3%	3%
Current ratio	9.57	2.57	2.99	2.99	2.99	2.99	2.99
Debt to assets	5%	6%	4%	4%	4%	4%	4%

TMU's financial performance targets illustrate the organisation's focus on achieving good returns for its activities, coupled with providing wider benefits to the community and prudent fiscal management.

The financial performance targets illustrate the organisation's focus on providing wider benefits to the community, coupled with prudent fiscal management.

Notes:

1. RETURN ON EQUITY: Illustrates the return generated from shareholder capital. The higher the percentage, the more money or value the organisation generates for its shareholder, the Cook Island Government on behalf of the people of the Cook Islands. People will generally compare this computed number to what they could earn if they put the money in the bank.

2. COMMUNITY SERVICE COSTS / REVENUE %: Illustrates how much the organisation gives back to the community. An important part of the functions of TMU is to contribute back to the community.

Translating the % into every \$100 can be a good descriptor to the general public for example, in 2019, for every \$100 of revenue, TMU spends \$X towards community service costs, such as providing power for street lighting, Churches etc. The return on equity % should be read in conjunction with the CSC / revenue %.

3. CURRENT RATIO: Mainly used to give an idea of an entity's ability to pay back its liabilities (debt and accounts payable) with its assets (cash, marketable securities, inventory, and accounts receivable). As such, current ratio can be used to make a rough estimate of a company's financial health.

4. DEBT TO ASSETS: The debt to total assets ratio is an indicator of financial leverage. It indicates the percentage of total assets that were financed by creditors, liabilities, debt. The debt to total assets ratio is calculated by dividing a corporation's total liabilities by its total assets.

5. DEBTOR DAYS: Describes how quickly cash is being collected from debtors. The longer it takes for a company to collect, the greater the number of debtor days. Debtor days can also be referred to as the Debtor collection period.

FINANCIAL STATEMENTS

The key financial results and ratios of TMU are set out in the following table, with actual performances (shaded in grey) and forecasted performances, for the next 3 years

	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Fcast	Fcast	Fcast	Fcast	Fcast
Total revenue	2,329,689	1,837,590	1,746,989	1,980,236	2,039,643	2,100,832	2,163,857
Total revenue excl. approp & aid	2,329,689	1,837,590	821,989	1,980,236	2,039,643	2,100,832	2,163,857
EBITDA	67,670	-414,256	250,000	483,247	542,654	603,843	666,868
NPBT	-297,782	-1,019,893	-400,000	-166,753	-107,346	-46,157	16,868
Community service costs	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Total assets	3,728,759	7,599,534	7,105,528	7,105,528	7,105,528	7,105,528	7,105,528
Total shareholder funds	3,547,174	7,150,750	5,927,448	5,760,695	5,653,349	5,607,193	5,624,061
Total liabilities	181,585	448,784	250,000	250,000	250,000	250,000	250,000
Total staff costs	331,132	377,404	377,404	370,907	382,034	30,901	30,901
Total employees	15	15	15	15	15	15	16
Total FTEs	15	15	15	15	15	15	16
Operating cash-flows	164,707	-136,767	250,000	483,247	542,654	603,843	666,868
Equity injection by owners	0	3,687,894	0	0	0	0	0
Total dividends paid	0	0	0	0	0	0	0
Revenue mvmt excl & aid growth	6%	21%	-55%	141%	3%	3%	3%
Revenue per FTE	\$155,313	\$122,506	\$54,799	\$132,016	\$135,976	\$140,055	\$135,241
CSC / revenue %	3%	3%	3%	3%	3%	3%	3%
EBITDA per FTE	\$4,511	(\$27,617)	\$16,667	\$32,216	\$36,177	\$40,256	\$41,679
Asset growth	-6%	104%	-7%	0%	0%	0%	0%
Return on assets	-7.99%	-13.42%	-5.63%	-2.35%	-1.51%	-0.65%	0.24%
Return on equity	-8.39%	-14.26%	-6.75%	-2.89%	-1.90%	-0.82%	0.30%
Return on equity (excl depreciation on RE grant assets)	-8.39%	-8.67%	0.00%	4.05%	5.18%	6.31%	7.41%
Debt to assets	5%	6%	4%	4%	4%	4%	4%
Current ratio	9.57	2.57	2.99	2.99	2.99	2.99	2.99



Notes:

- EBITDA = Earnings Before Interest Tax Depreciation and Amortisation
- NPBT = Net Profit Before Tax
- FTE = Full Time Equivalents
- Revenue movement: Illustrates the growth of the Group from a revenue perspective.
- Revenue per FTE: Illustrates how much each full time employee generates at a top-line level.
- CSO / revenue: Illustrates how much the organisation gives back to the community.
- EBITDA per FTE: Illustrates how much each full time employee contributes to the bottom-line (productivity).
- Asset growth: Illustrates the growth of the organisation from an asset perspective.

- Return on assets: Illustrates the return generated from asset value.
- Return on equity: Illustrates the return generated from shareholder capital.
- Debt to assets: The debt to total assets ratio is an indicator of financial leverage. It tells you the percentage of total assets that were financed by creditors, liabilities, debt. The debt to total assets ratio is calculated by dividing a corporation's total liabilities by its total assets.
- Current ratio: Mainly used to give an idea of a company's ability to pay back its liabilities (debt and accounts payable) with its assets (cash, marketable securities, inventory, accounts receivable). As such, current ratio can be used to make a rough estimate of a company's financial health.

KEY PERFORMANCE AREAS

The Key Performance Areas for TMU and associated activities, planned over the next four years, is set out in the below section.

1. Acting in the best interests of the Aitutaki community

Acting in the best interests of the Aitutaki community is central to Te Mana Uira o Araura’s strategic and operational blueprint (be it social, environmental, cultural or economic). Communities must be engaged genuinely and effectively in order to make this possible. Decision-making must be democratic and participatory. Community feedback must be considered, taken into account, and incorporated into each facet of the organisation.

Engagement is the practice of actively bringing community or public voices into decisions that affect or interest them. Engagement is used to denote the full spectrum of activity, including communications through numerous methods and mediums (Island Council forums, news, radio, community engagements). The purpose of engagement is to ensure transparency and public awareness of the organization’s strategy and operations.

A summary of key performance activities as follows:

	2021/22	2022/23	2023/24	2024/25
Communications strategy	<ul style="list-style-type: none">Develop comms strategy			<ul style="list-style-type: none">Refine comms strategy
Engagement with the community	<ul style="list-style-type: none">Develop TMU websiteDevelop TMU social media channelsInitiate regular press releases	<ul style="list-style-type: none">Initiate annual community consultation forums	<ul style="list-style-type: none">Initiate annual community consultation forums	
Engagement with Island Council	<ul style="list-style-type: none">Initiate formal Board to Council 6 monthly meetings with Island Council	<ul style="list-style-type: none">Strategic retreat with Island Council		
Engagement with CIIC and Government	<ul style="list-style-type: none">Develop MOU with CIIC and TAU	<ul style="list-style-type: none">Retreat with CIIC, TAU and REDD re TMU strategy		

2. Environmental, renewable energy

Consistent with the Cook Islands Government national aspirations in attaining 100% utilization of renewable energy, TMU has adopted a high level Aitutaki Renewable Energy Program outlining how it will attain the 100% renewable energy goal. Getting to 100% renewable energy contribution in power systems such as Aitutaki is more challenging than in smaller systems, and necessary changes to the power system are much more demanding. This is why the journey to 100% renewable for Aitutaki is split in three stages. The staged process allows observation of the power system behaviour, timely change of operations and adjustment of operations crew. It also allows for further price drops for renewables and energy storage technologies. The selection of solar PV as the renewable energy generation technology was based on the satisfactory solar resource, suitability to the site, maturity of the technology and supporting systems, and low maintenance requirements.

A summary of key performance activities as follows:

	2021/22	2022/23	2023/24	2024/25
Energy conservation rollout	<ul style="list-style-type: none">Energy conservation education campaign developed	<ul style="list-style-type: none">Energy conservation education campaign rollout		
Stage 2 renewable energy	<ul style="list-style-type: none">Refine scoping reportSecure funding to implement stage 2	<ul style="list-style-type: none">Commence stage 2	<ul style="list-style-type: none">Complete stage 2	
Stage 3 renewable energy			<ul style="list-style-type: none">Refine stage 3 scoping	<ul style="list-style-type: none">Commence stage 3
Broader public and community renewable energy initiatives (eg EVA charging stations, electric public transportation)			<ul style="list-style-type: none">Scoping initiatives	<ul style="list-style-type: none">Implement initiatives

3. Long term sustainable returns

A long term sustainable plan not only details how an organization intend to realise economic financial success through outlines what the environmental and social imperatives are and how these are met (aka triple bottom line reporting).

Economic success is the organisation setting the right tariffs to effectively operate the business, maintain its assets, and have sufficient returns to invest back into its asset base.

Social success reflects the importance of setting a tariff level sustainable for households and businesses.

Environmental success reflects the drive for the organisation to have minimal harm on the natural environment.

A summary of key performance activities as follows:

	2021/22	2022/23	2023/24	2024/25
Long term financial forecasts	<ul style="list-style-type: none">Long term model developed with stage 2 programme		<ul style="list-style-type: none">Long term model developed with stage 3 programme	
CSO policy developed, with contribution from Government		<ul style="list-style-type: none">TMU CSO Policy developed		

KEY PERFORMANCE AREAS

4. Inspire confidence to business sector to enable growth and investment

TMU has a key role to enable business growth in Aitutaki. Providing a reliable electricity service is key to provide comfort to businesses to run and grow their businesses. Likewise, charging a reasonable tariff will provide business comfort to run and grow their businesses.

A summary of key performance activities as follows:

	2021/22	2022/23	2023/24	2024/25
Sector consultation		• Initial sector consultation		
Sector engagement programme			• Sector programme developed	

5. Investing In Staff (Younger Generation), Quality, Respected Employer, Dedicated Staff, Focus On Safety

Investing in the organisation’s most valuable resource, its people is critical.

Ensuring we can fill vacancies when they occur, staff are developed to do what is required and progress through the ranks and there is succession planning is in place is critical.

Specific action areas in relation to knowledge and competence across the sector here in Aitutaki are as follows:

- Aitutakians are educated, trained and employed at all levels across the sector;
- Effective collaboration is in place with leading governments, industry, and tertiary institutions;
- Research is continually undertaken to ensure the highest standard of delivery.

A summary of key performance activities as follows:

	2021/22	2022/23	2023/24	2024/25
H&S programme	• H&S policies developed	• H&S system procured • H&S reporting developed	• H&S audit	• H&S policies refreshed
Apprentice programme	• Apprentice programme implemented			
Staff learning and development		• Staff L&D programme developed	• Staff succession planning programme developed	
Research		• Alliances with TAU, CITTI and USP developed	• Alliances with suppliers developed	

6. Quality Service

Delivering quality service is central in running an effective organisation. Structuring the organisation so it is easy for customers to do business with the organization is about putting customers first.

Delivering core services to the community is also important for any utility company, such as street lighting, and services to areas where there is currently no service.

A summary of key performance activities as follows:

	2021/22	2022/23	2023/24	2024/25
Customer service framework and policies developed	• Framework and policies developed		• H&S audit	• H&S policies refreshed
Online business	• Online payments system setup	• Website customer portal setup		
Street lights	• Install 50 new street lights	• Install 50 new street lights	• Install 50 new street lights	• Install 50 new street lights
Uneconomic lines	• Uneconomic lines policy developed	• Uneconomic lines policy consultation and implementation		

7. Proactive infrastructure developing and maintaining resilient infrastructure is critical to ensure the organization provides a reliable service to its consumers and the community of Aitutaki.

Resilient infrastructure relates to the organisation's infrastructure at its core (the Power House) and across its distribution networks. Having resilient infrastructure is obviously important with the organisation's location, the prevalence of tropical cyclones and its remoteness from infrastructure manufacturers.

A summary of key performance activities follows:

	2021/22	2022/23	2023/24	2024/25
Powerhouse management	• SOPs and COPs developed and, or refined and implemented		• Optimise SOPs and COPs	• H&S policies refreshed
Underground cabling	• Increase from 50% to 60%	• Increase from 60% to 70%	• Increase from 70% to 80%	• Increase from 80% to 90%
Distribution	• Stocktake of distribution asset infrastructure and forward plan	• Improve ring main connections from 30% to 40%	• Improve ring main connections from 40% to 50%	• Improve ring main connections from 50% to 60%

GLOSSARY

24/7 – 24 hours a day, 7 days a week

AOTAM - Akanoonoo'anga o te au Manakonako'anga

AED – Automated External Defibrillator

Approp – Appropriation

BESS – Battery Energy Storage System

Capex – Capital Expenditure

CCEs – Crown Controlled Entities

CIG – Cook Islands Government

CIIC – Cook Islands Investment Corporation

CITTI – Cook Islands Tertiary Training Institute

COOP – Continuity of Operations Plan

COVID-19 – Coronavirus Disease 2019

CSC – Community Service Costs

CSO – Community Service Obligations

DR – Disaster Recovery

Excl – Exclusive

EBITDA – Earnings Before Interest Tax Depreciation and Amortisation

EMCI – Emergency Management Cook Islands

Fcast - Forecast

FTE – Full Time Equivalent

GAAP – Generally Accepted Accounting Principles

GM –General Manager

H&S – Health and Safety

HR – Human Resource

IPSAS – International Public Sector Accounting Standards

kW – kilo Watt

kWh – kilo Watt hours

L&D – Learning and Development

MFEM – Ministry Finance and Economic Development

NPBT – Net Profit Before Tax

NSDP – National Sustainable Development Plan

NZ – New Zealand

NZIFRS – New Zealand International Financial Reporting Standards

NZIFRS RDR – New Zealand International Financial Reporting Standards Reduced Disclosure Regime

PBE – Public Benefit Entity

PPE – Property Plant and Equipment

PV - Photovoltaics

REDD – Renewable Energy Development Division

RDR – Reduced Disclosure Regime

REIP – Cook Islands Renewable Energy Investment Plan

SCI – Statement of Corporate Intent

SOE – State Owned Enterprise

SOP – Standard Operating Procedures

TAU – Te Aponga Uira

TMU – Te Mana Uira o Araura

USP – University of the South Pacific

