

TONGA CABLE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

2015	Notes	Share Capital TOP	Retained Earnings TOP	Total TOP
Opening Equity		44,001,163	167,340	44,168,503
Owner Transactions:				
Share Issue	12	256,794		256,794
Profit for the Year			1,501,185	1,501,185
Closing Balance		44,257,957	1,668,525	45,926,482
2014		Share Capital TOP	Retained Earnings TOP	Total TOP
Opening Equity		4,000,000	-	4,000,000
Owner Transactions:				
Share Issue	12	40,001,163		40,001,163
Profit for the Year			125,505	125,505
Closing Balance		44,001,163	125,505	44,126,668

The accompanying notes form an integral part of this statement of changes in equity.

TONGA CABLE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	Jun-15 TOP	Jun-14 TOP
ASSETS			
Non-current assets			
Development costs	9	1,736,210	2,024,407
Property, plant and equipment	10	41,257,149	41,438,948
		<u>42,993,359</u>	<u>43,463,355</u>
Current assets			
Cash and Cash Equivalents	7	2,540,751	1,009,286
Trade and Other Receivables	8	591,206	101,047
		<u>3,131,957</u>	<u>1,110,333</u>
TOTAL ASSETS		46,125,316	44,573,688
LIABILITIES			
Current Liabilities			
Trade and other payables	11	89,817	79,223
Tax Payable and Provisions		109,017	111,003
Payable to related party	13	-	256,794
Total Current Liabilities		<u>198,834</u>	<u>447,020</u>
TOTAL LIABILITIES		198,834	447,020
NET ASSETS		45,926,482	44,126,668
EQUITY			
Share Capital	12	44,257,957	44,001,163
Retained earnings		1,668,525	125,505
TOTAL EQUITY		45,926,482	44,126,668

The accompanying notes form an integral part of this statement of financial position.

For and on behalf of the board and in accordance with a resolution of the directors.


 Dr. S. Leimoni Taufu'i
 Director


 Robert Bolouri
 Chief Executive Officer

TONGA CABLE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Jun-15 TOP	Jun-14 TOP
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,234,028	3,490,819
Payments to suppliers and employees		(3,471,087)	(5,526,349)
		<hr/>	<hr/>
Net cash provided by Operating Activities		762,941	(2,035,530)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(504,587)	(37,000,471)
Provision for Depreciation		974,482	(61,750)
		<hr/>	<hr/>
Net cash provided by Investing Activities		469,895	(37,062,221)
CASH FLOWS FROM FINANCING ACTIVITIES			
Retained Earnings		41,835	-
Share Capital		256,794	40,001,163
		<hr/>	<hr/>
Net cash provided by Financing Activities		298,629	40,001,163
Net increase/(decrease) in Cash and Cash Equivalents		1,531,465	903,412
Adjustment to cash balance			
Cash and cash equivalents at the beginning of the year		1,009,286	105,874
		<hr/>	<hr/>
Cash and cash equivalents at end of year	7	<u>2,540,751</u>	<u>1,009,286</u>

The accompanying notes form an integral part of this statement of cash flows.

1. STATEMENT OF ACCOUNTING POLICIES

(a) Reporting Entity

Tonga Cable Limited ("the Company") is a company incorporated and domiciled in Tonga, registered under the Tongan Companies Act 1995.

The principal activity of the company is the provision of fibre optic cable connection to enhance telecommunication for Tonga.

These financial statements were approved for issue by the Board of Directors on 2nd October 2015.

(b) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs).

(c) Basis of Preparation

The financial statements have been prepared on a historical cost basis. The accounting policies have been applied consistently by the Company.

(d) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are converted to Tongan currency at the rates of exchange ruling at balance date. Any resulting exchange gains and losses are recognised in profit or loss.

Transactions during the year are recorded at the rates of exchange applicable at the time of the transaction.

(e) Revenue Recognition

Revenue is recognised when invoiced and in accordance to the terms of the Reference Interconnection Offer Agreement.

(f) Income Tax

Income Tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

(g) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand, bank balances and term deposits.

(h) Trade and Other Receivables

Trade and other receivables are measured at amortised cost less impairment. Trade receivable balances are reviewed on an ongoing basis.

(i) Property, Plant and Equipment

Property, plant and equipment asset classes consist of the FO network assets and are measured at historical cost less depreciation and any impairment losses. Historical cost includes any expenditure that is directly attributable to the acquisition of property, plant and equipment.

Depreciation is provided using the following rates:

Leasehold Improvements	20 years
Furniture and Fittings/Office Equipment	8 years
Computers/Motor Vehicle	4 years

Depreciation of the Fibre Optic Cable System is calculated on units of capacity sold as approved by the Board of Directors.

(j) Financial Instruments

Financial instruments are recognised in the statement of financial position when the Company becomes party to a financial contract. They include cash balances, deposits, bank overdraft, bills payable, receivables, payables and intercompany balances. All of the Company's financial instruments are initially recorded at cost and are subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts).

(k) Consumption Tax (CT)

The financial statements have been prepared on a CT exclusive basis with the exception of receivables and payables, which include CT invoiced. The net amount receivable or payable is included in either trade receivables or trade payables in the statement of financial positions.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(l) Impairment

Impairment of non-financial assets FO network assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods reversal of an impairment loss is recognised immediately in profit or loss. Further information regarding impairment is provided in the section titled critical accounting estimates and assumptions below.

(m) Statement of Cash Flow

The following are the definitions of the terms used in the Statement of Cash Flow:

- i) Cash comprises cash on hand, bank balances and term deposits.
- ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments.
- iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company. This includes both equity and debt not falling within the definition of cash. Loans to and from related companies are treated as financing cash flows.
- iv) Operating activities include all transactions and other activities that are not investing or financing activities.

(n) Trade Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Deferred Revenue

Where the Company receives payment in advance for network access (an indefeasible right of use), the revenue is deferred and recognised on a straight line basis over the period of access. The deferred revenue is recognised as a liability on the statement of financial position.

(p) Employee entitlements

Short-term employee entitlements

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Employee entitlements that the Company expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, and annual leave earned but not yet taken at balance date. A liability for sick leave is recognised based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it is expected to use by staff to cover future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

(q) Superannuation schemes

Defined contribution schemes

Obligations for contributions to National Retirement Benefits Fund Scheme are accounted for as contributions to defined contribution superannuation schemes and are recognised as an expense in the profit or loss as incurred.

(r) Critical accounting estimates and assumptions

Management has exercised the following critical judgements in applying the Company's accounting policies for the year ended 30 June 2015:

i) Lease Classification

Determining whether a right of use arrangement represents a finance lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the user. Classification as a finance lease would mean the asset is recognised in the statement of financial position as company assets.

Judgement is required on various aspects that include, but are not limited to, whether the assets used are dedicated solely to the user, the fair value of the asset, the economic life of the asset, and determining an appropriate discount rate to calculate the present value of the payments.

The Company has exercised its judgement regarding the appropriate classification of equipment provided under indefeasible right of use agreements, and has determined that these are not finance leases.

ii) Impairment of the Company's Network Assets

The Company's network assets include the recently completed fibre optic cable connecting Nuku'alofa to Fiji. The Nuku'alofa network was commissioned in August 2013 and the company has concluded that no impairment exists.

The next phase in the company's network plan is to connect Nuku'alofa to the northern islands of Tonga. This Domestic Fibre Optic project is still ongoing with building construction of a landing station in Vava'u currently underway to be

1. STATEMENT OF ACCOUNTING POLICIES (continued)

completed in 2015 and another building for Ha'apai to be completed early in 2016 before laying of fibre cable.

iii) Useful lives and residual values of Company assets

At balance date the Company reviews the useful life and residual value of its network assets. Assessing the appropriateness of useful life and residual value estimates of network assets requires the Company to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Company, capacity of the asset being used and expected disposal proceeds from the future sale of the assets.

An incorrect estimate of the useful life, capacity used or residual value will impact on the depreciation expense recognised in the statement of comprehensive income and the carrying amount of the asset in the statement of financial position.

(s) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on basis consistent with those used in the previous year.

(t) Comparative figures

Where necessary, comparative figures have been adjusted to conform to the changes in the current year presentation.

2. REVENUE

	2015 TOP	2014 TOP
Capacity Revenue	4,222,954	3,034,282
IP Transit Revenue	420,687	393,054
Other Revenue	<u>73,105</u>	<u>63,506</u>
	<u>4,716,746</u>	<u>3,490,842</u>

3. COST OF SALES

	2015 TOP	2014 TOP
Landing Costs	496,340	508,886
Cable Maintenance Costs	590,850	446,781
Capacity & IP Transit Costs	<u>387,251</u>	<u>390,391</u>
	<u>1,474,441</u>	<u>1,346,058</u>

4. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 TOP	2014 TOP
Board Appropriation	107,547	228,230
Staff Expenses	473,586	383,078
Internet	1,366	4,061
Postage and Courier	793	5,589
Office Expense	2,627	11,463
Office Supplies	6,015	-
Generator Running Cost	2,034	1,058
Fuel	2,967	2,625
Repair & Maintenance	9,621	11,813
Insurance	71,266	47,383
Fees & Registration	11,763	11,684
Licenses & Permits	29,044	-
Custom Duty	362	647
Overseas Travel	70,764	53,840
Local Travel	3,944	78
Lease Payment for Land	4,924	-
Professional Services	11,883	6,730
Bank Charges	2,487	2,130
Utilities	124,818	117,506
Depreciation	974,482	952,705
Vava'u Project Expense	1,394	18,005
Foreign Exchange Gain	(114,387)	86,383
Other Income	(77)	-
Office Sundries	7,920	4,527
Home Currency Adjustment	(238,798)	-
Extraordinary Expenses*	<u>138,791</u>	<u>-</u>
	<u>1,707,136</u>	<u>1,949,535</u>

* Non Resident Withholding Tax 2013-2015

5. SELLING EXPENSES

	2015	2014
	TOP	TOP
Entertainment & Hospitality	8,546	25,072
Advertising	3,444	1,637
Sponsorship	<u>21,994</u>	<u>1,200</u>
	<u>33,984</u>	<u>27,909</u>

6. INCOME TAX

	2015	2014
	TOP	TOP
Net Profit Before Income Tax for the Year	1,501,185	167,340
Add: Accounting Depreciation	974,482	
Less: Tax Depreciation	<u>(5,218,934)</u>	
Gross Income	<u>(2,743,267)</u>	<u>167,340</u>
Taxable Income	<u>(2,743,267)</u>	<u>167,340</u>
Current tax	-	41,835
Deferred tax	-	-
	-	41,835
Current tax liability		
Opening Balance	41,835	-
Transfer to Retained Earnings	<u>(41,835)</u>	<u>41,835</u>
Ending Balance	<u>-</u>	<u>41,835</u>

7. CASH AND CASH EQUIVALENTS

	2015	2014
	TOP	TOP
Bank Accounts	2,540,591	1,004,098
Cash on Hand	<u>160</u>	<u>5,188</u>
	<u>2,540,751</u>	<u>1,009,286</u>

8. TRADE AND OTHER RECEIVABLES

	2015	2014
	TOP	TOP
Trade Receivable	482,742	23
Refundable deposits	23,521	23,521
Prepayments	<u>84,943</u>	<u>77,503</u>
	<u>591,206</u>	<u>101,047</u>

9. DEVELOPMENT COSTS

	2015	2014
	TOP	TOP
Development Costs	2,024,407	2,307,786
Amortisation	<u>(288,197)</u>	<u>(280,379)</u>
	<u>1,736,210</u>	<u>2,024,407</u>

10. PROPERTY, PLANT AND EQUIPMENT

Cost:	Leasehold Property & Building	Furniture & Fitting	Office Equipment	Computers	Motor Vehicle	Fibre Optic Cable System	Plant & * Equipment	Total
	TOP	TOP	TOP	TOP	TOP	TOP	TOP	TOP
1 July 2013	5,007,305	51,908	39,756	111,568	30,000	-	-	5,240,537
Additions	1,600	15,889	3,089	6,293	-	36,907,422	66,178	37,000,471
30 June 2014	5,008,905	67,797	42,845	117,861	30,000	36,907,422	66,178	42,241,008
Additions	394,939	-	70	3,828	-	-	105,750	504,587
30 June 2015	5,403,844	67,797	42,915	121,689	30,000	36,907,422	171,928	42,745,595
Depreciation and Impairment:								
1 July 2013	80,337	4,284	14,557	20,656	9,900	-	-	129,734
Depreciation Charge for the year	250,881	6,035	2,940	34,036	7,500	369,074	1,860	672,326
30 June 2014	331,218	10,319	17,497	54,692	17,400	369,074	1,860	802,060
Depreciation Charge for the year	250,376	8,435	4,530	29,431	7,500	369,075	17,039	686,386
30 June 2015	581,594	18,754	22,027	84,123	24,900	738,149	18,899	1,488,446
Net Book Value								
At 30 June 2015	4,822,250	49,043	20,888	37,566	5,100	36,169,273	153,029	41,257,149
At 30 June 2014	4,677,687	57,478	25,348	63,169	12,600	36,538,348	64,318	41,438,948
At 1 July 2013	4,926,968	47,624	25,199	92,913	20,100	-	-	5,100,804

* Plant & Equipment included Spare Parts

11. TRADE AND OTHER PAYABLES

	2015	2014
	TOP	TOP
Trade payables	81,817	72,723
Accrued Expenses	<u>8,000</u>	<u>6,500</u>
	<u>89,817</u>	<u>79,223</u>

12. ISSUED CAPITAL

	2015	2014
	TOP	TOP
Authorised		
62,000,000 ordinary shares of TOP1 each	<u>62,000,000</u>	<u>62,000,000</u>
Issued and paid up capital		
44,257,957 ordinary shares of TOP1 each	<u>44,257,957</u>	<u>44,001,163</u>

As per Board of Directors resolution dated 13th February 2015, the Board of Tonga Cable Limited agreed to offer further 256,794 shares at TOP 1 each to Government of Tonga.

13. RELATED PARTIES**(a) Directors**

The names of persons who were directors of Tonga Cable Limited at any time during the financial year are as follows:

- Lady 'Eseta Fusitu'a (Appointed 28th May, 2014)
- Dr. S. Leimoni Taufu'i (Reappointed 11th May, 2014)
- Rev. Samiuela Fonua (Appointed 27th June, 2014)

(b) Ultimate Holding Companies

The ultimate holding companies are Government of Tonga and Tonga Communications Corporation as at 30 June 2015.

(c) Amount owed to related parties

	2015	2014
	TOP	TOP
Balance at 1 July	256,794	3,350,535
Government of Tonga – Advances		256,794
Tonga Communications Corporation – Shares Issued	-	(3,350,535)
Government of Tonga – Shares Issued	<u>(256,794)</u>	<u>-</u>
	<u>-</u>	<u>256,794</u>

14. EXPENDITURE COMMITMENTS

	2015	2014
	TOP	TOP
(a) Capital commitments	<u>1,370,850</u>	<u>765,000</u>
(b) Finance lease commitments	2015	2014
Future commitments in respect of finance lease are as follows:	TOP	TOP
Within one year	3,000	3,000
After one year but not more than five years	12,000	12,000
More than five years	<u>132,000</u>	<u>132,000</u>
Minimum lease payments	<u>147,000</u>	<u>147,000</u>

15. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities.

16. REGISTERED OFFICE

The registered office of the company is:

Tonga Cable Limited Office,
Sopu,
Nuku'alofa,
Tongatapu,
Tonga.

17. SUBSEQUENT EVENTS

On 20th July 2015, a new supplier of IP Transit VOCUS replaced SPEEDCAST as TCL IP Transit supplier. There will be 10 days of overlapping and handover before Speedcast finishes at the end of July 2015 and VOCUS takes over supply of TCL's IP Transit.

Audit report

Tonga Cable Limited's Financial Statements for the year ended 30 June 2015

We have audited the accompanying financial statements of the Tonga Cable Limited (the company) for the year ended 30 June 2015. The financial statements provide information about the past financial performance of the company and its financial position as at 30 June 2015. This information is stated in accordance with the accounting policies set out on pages 17 to 26.

Unqualified opinion

In our opinion:

- The financial statements of the company on pages 13 to 26:
 - comply with generally accepted accounting practice as represented by International Accounting Standards; and
 - give a true and fair view of:
 - the company's financial position as at 30 June 2015; and
 - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company kept proper accounting records.

The audit was completed on 02 October 2015, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors (the Board) and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Auditing Standards. We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the

financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We evaluated the overall adequacy of the presentation of information in the financial statements. We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice represented by International Accounting Standards. The financial statements must give a true and fair view of the financial position of the company as at 30 June 2015 and the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Tonga Communications Act 2000 and the Public Enterprises Act 2002.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you.

Kisione Tupou
JK
Chartered
Accountants
Nuku'alofa, Tonga

5.0 Reconciliation – Performance to Plan

5.1 Table of Key Results Plan to Actual

Key Performance Indicators	2014/15	
	Plan	Actual
Achieve at least the budgeted Gross Revenue	TOP4,212,746	TOP4,716,746
Overall Expenditure to be 5% lower than the budget		Less by 22%
Achieve at least the budgeted NPAT	TOP551,034	TOP1,501,185
99.98% Availability on the Submarine Cable Network	99.98%	99.9999%
Customer Satisfaction to be greater than or equal to	95%	
- Capacity Services		100%
- Data Centre Services		80%
Completed planned project on time and within budget		Yes
Half Yearly Report to be submitted on time		Yes
Annual Report to be submitted on time		Yes
Complete Data Storage Project		Yes

5.2 Explanation of key variances

The Key Performance Indicator (KPI) for the Data Centre Services was not able to be achieved and this result reflected the nature of how these services are provided as the customers are free to select a service provider to connect them to the TCL Data Centre Services where TCL does not have any control on. Despite this challenge, TCL will continue to work closely with its customers to achieve this target in the future.